



**EASTERN CAPE** **20** **GAMBLING BOARD**  
**21**

**ANNUAL REPORT**

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**PART A**

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**General  
Information**



## 1.1 PUBLIC ENTITY'S GENERAL INFORMATION

Registered Name of the Public Entity	Eastern Cape Gambling Board <sup>1</sup>
Registered Office Address	ECGB Building Quenera Park Quenera Drive Beacon Bay East London 5241
Postal Address	PO Box 15355 Beacon Bay East London 5205
Contact Telephone Number	+27 43 702 8300
Email	communications@ecgb.org.za
Website	www.ecgb.org.za
External Auditors	Auditor-General of South Africa, Eastern Cape Province 69 Frere Road Vincent East London 5217  PO Box 13252 Vincent 5217
Bankers Information	Standard Bank of South Africa PO Box 7037 East London 5200
Board Secretariat	Ms T Dimalisile

<sup>1</sup> The entity's name changed to the Eastern Cape Gambling Board with effect from 19 February 2018, however Schedule 3, Part C to the PFMA has not yet been updated and still refers to the entity as the Eastern Cape Gambling & Betting Board.

## 1.2 LIST OF ABBREVIATIONS / ACRONYMS

<b>AFS</b>	Annual Financial Statements	<b>RFP</b>	Request for Proposal
<b>AGSA</b>	Auditor-General of South Africa	<b>RO</b>	Route Operator
<b>APP</b>	Annual Performance Plan	<b>SCM</b>	Supply Chain Management
<b>CATHSETA</b>	Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority	<b>SITE A</b>	3 to 5 Machines Site
<b>CEO</b>	Chief Executive Officer	<b>SITE B</b>	20 to 40 Machines Site
<b>CFO</b>	Chief Financial Officer	<b>SITE C</b>	6 to 15 Machines Site
<b>CSI</b>	Corporate Social Investment	<b>SITE D</b>	21 to 40 Machines Site
<b>DEDEAT</b>	Department of Economic Development, Environmental Affairs and Tourism	<b>SLA</b>	Service Level Agreement
<b>DPSA</b>	Department of Public Service and Administration	<b>HR</b>	Human Resources
<b>ECD</b>	Early Childhood Development	<b>HRM</b>	Human Resource Management
<b>ECGB</b>	Eastern Cape Gambling Board	<b>ISO</b>	Independent Site Operator
<b>EME</b>	Exempted Medium Enterprises	<b>IT</b>	Information Technology
<b>EMR</b>	Essential Minimum Requirements	<b>ICT</b>	Information and Communications Technology
<b>FICA</b>	Financial Intelligence Centre Act	<b>LPMs</b>	Limited Payout-Out Machines
<b>GGR</b>	Gross Gaming Revenue	<b>MEC</b>	Member of the Executive Council
<b>GRAP</b>	Generally Recognised Accounting Practice	<b>PFMA</b>	Public Finance Management Act
<b>HR</b>	Human Resources	<b>PGDP</b>	Provincial Growth and Development Plan
<b>HRM</b>	Human Resource Management	<b>RFP</b>	Request for Proposal
<b>ISO</b>	Independent Site Operator	<b>RO</b>	Route Operator
<b>IT</b>	Information Technology	<b>SCM</b>	Supply Chain Management
<b>ICT</b>	Information and Communications Technology	<b>SITE A</b>	3 to 5 Machines Site
<b>LPMs</b>	Limited Payout-Out Machines	<b>SITE B</b>	20 to 40 Machines Site
<b>MEC</b>	Member of the Executive Council	<b>SITE C</b>	6 to 15 Machines Site
<b>PFMA</b>	Public Finance Management Act	<b>SITE D</b>	21 to 40 Machines Site
<b>PGDP</b>	Provincial Growth and Development Plan	<b>SLA</b>	Service Level Agreement

## 1.3 STRATEGIC OVERVIEW

### 1.3.1 VISION

The best, most efficient and empowering gaming regulator

### 1.3.2 MISSION

We commit to promoting a socially responsible industry through regulation, licensing and law enforcement.

We will ensure that the Eastern Cape gaming industry is conducted honestly and competitively with maximum contribution to society.

We will achieve this by providing excellent service to our stakeholders and through facilitating and broadening access to socio-economic benefits to the communities within which we operate.

### 1.3.3 VALUES

Value	Behavioural Demonstration
Consultation	Keeping stakeholders informed by involving them in decision making processes on issues which affect them
Friendliness	Encouraging friendly working relationships and a friendly environment
Teamwork	People working together towards achieving common goals and targets
Respect	Equal treatment of staff, honesty on organisational issues and non-disclosure of confidential information
Service Delivery	Timely and quality professional service to all our stakeholders
Honesty	Providing open feedback to staff and stakeholders on all issues
Empowerment	Providing training and development to employees and through procurement of services from B-BBEE suppliers and SMMEs
Community Development	Giving back to our communities

## 1.4 LEGISLATIVE MANDATES

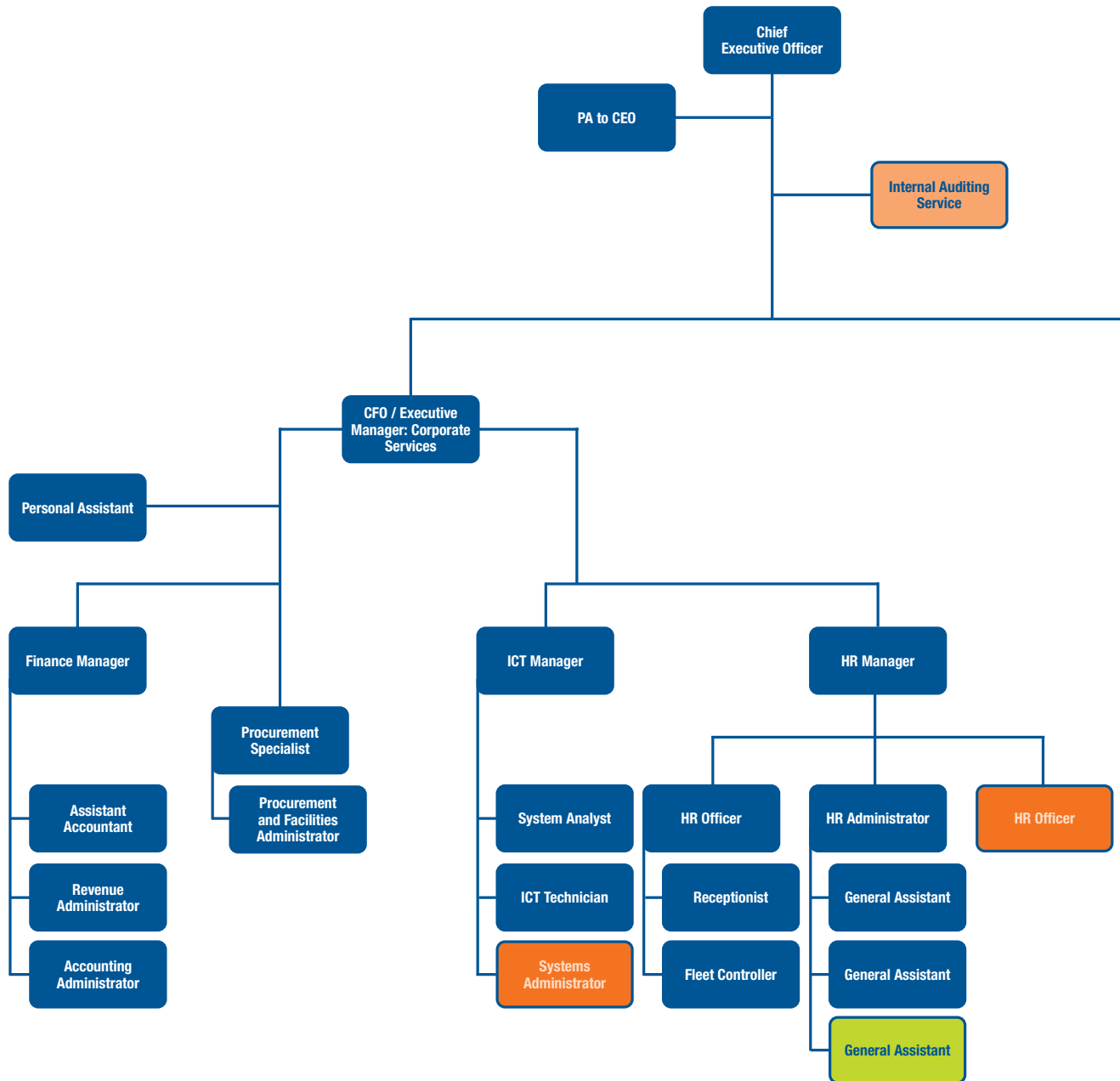
### 1.4.1 Schedule in Terms of the PFMA

The Eastern Cape Gambling Board falls under Schedule 3, Part C of the Public Finance Management Act (Act 1 of 1999).

### 1.4.2 Specific Constitutional and Other Legislative, Functional and Policy Mandates

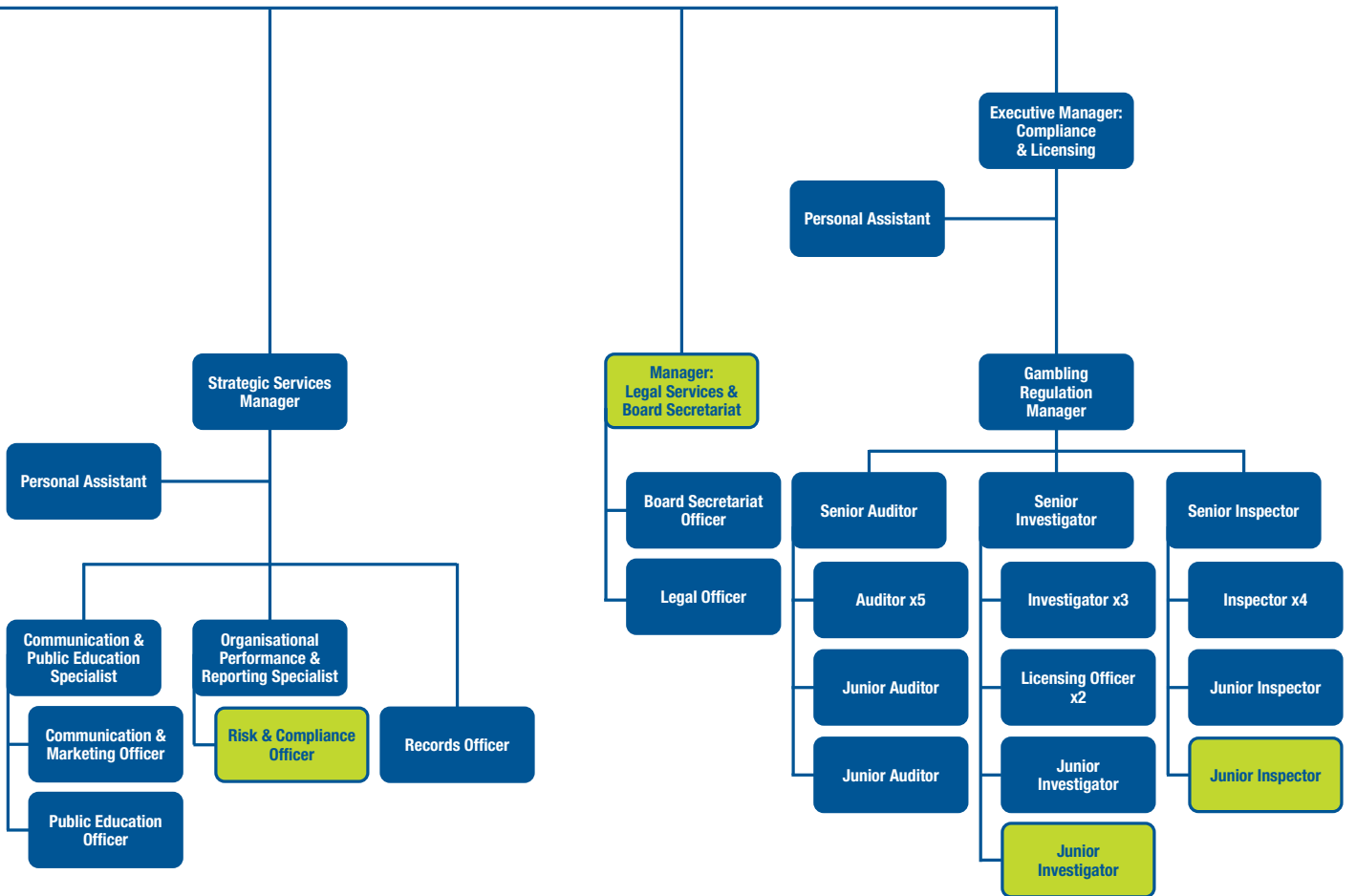
- 1.4.2.1 Eastern Cape Gambling Act (Act 5 of 1997), as amended
- 1.4.2.2 National Gambling Act (Act 7 of 2004), as amended
- 1.4.2.3 Promotion of Access to Information Act (Act 2 of 2000), as amended
- 1.4.2.4 Protection of Personal Information Act (Act 4 of 2013)
- 1.4.2.5 Preferential Procurement Policy Framework Act (Act 5 of 2000), as amended
- 1.4.2.6 Public Finance Management Act (PFMA) (Act 1 of 1999), as amended and Treasury Regulations
- 1.4.2.7 Employment Equity Act (Act 55 of 1998), as amended
- 1.4.2.8 Skills Development Levies Act (Act 9 of 1999), as amended
- 1.4.2.9 Basic Conditions of Employment Act (Act 75 of 1997), as amended
- 1.4.2.10 Treasury Framework for Strategic Plan and Annual Performance Plans
- 1.4.2.11 Policy Framework for the Government-Wide Monitoring and Evaluation System

# 1.5 ORGANISATIONAL STRUCTURE AT 31 MARCH 2021



**Frozen** 3<sup>2</sup>
     
 **Filled** 51
     
 **Vacant** 5
     
 **Total No. of Positions** 61

<sup>2</sup> Includes the Executive Manager: Corporate Services currently performed by the CFO



**Outsourced Services** 1



**TRACI MACKIE**  
CHAIRPERSON OF THE BOARD

## 1.6 FOREWORD BY THE CHAIRPERSON

The Eastern Cape Gambling Board (ECGB) has an overriding responsibility of regulating all gambling activities, as well as protecting punters and informing the public about legal and illegal gambling in terms of the Eastern Cape Gambling Act (Act 5 of 1997), as amended.

The ECGB's new Five-Year Strategic Plan has specific outcomes which contribute towards the achievement of the seven national priorities of government outcomes, as outlined in the NDP Five Year Implementation Plan, and aligned to seven provincial strategic priorities. As such, the Board has a responsibility to ensure that the work of the ECGB is geared towards achieving these priorities, both provincially and nationally.

The implementation of the new Five-Year Strategic Plan is taking place at a time when the country is facing significant fiscal pressures brought about by a shrinking economy and the impact of a global pandemic.

COVID-19 has taken an unprecedented toll on our economy, with a protracted, nationwide lockdown having a significant effect on industry operations. Despite the negative impact of the pandemic, however, the ECGB managed to achieve the following operational activities and milestones:

- Achieved 89% of all planned key performance targets for the year. We will continue to focus on organisational performance and reporting on the achievement of planned targets, while maintaining a clean audit.
- The industry's compliance maturity, as measured by the innovative compliance barometer, has ranged from 80%-89%, resulting in the entity meeting its target of achieving compliance Level 3.
- The entity supported licensed operators by taking decisive steps to stamp out illegal gambling activities throughout the province. During the year under review, numerous illegal gambling operations were closed and illegal gambling devices seized.
- Revenue collection is one of the entity's core mandates and an important measure of industry performance. During the 2020/21 financial year, despite the challenges of COVID-19, a total of R102.1 million was collected on behalf of Eastern Cape Treasury, and duly distributed to the provincial fiscus.
- On the governance front, the Board is firmly committed to the principles of good corporate governance and will continue to insist on the implementation of the sound business practices

expected of a stable and functional organisation. The Board takes exceptionally seriously its responsibility to effectively and continuously monitor management's progress with regard to the achievement of its targets.

- Stringent, quarterly reviews enabled early intervention measures to be implemented timeously throughout the auditing cycle. This, coupled with an entity-wide commitment to compliance to policies, both internal and external, will continue to stand us in good stead to deliver on our mandate in the months and years ahead.
- The term of five Board members expired in March 2021 and new appointments were made by the Honourable MEC DEDEAT to ensure that the entity continues its drive to create functional and transparent structures and systems of accountability, as well as advancing the institutionalisation of a risk management culture.
- Responsible gambling behaviour remains a strong focus area for the ECGB. To this end, the entity conducted effective responsible gambling campaigns during the year under review.
- The entity continued to work closely with its social and strategic partners throughout the reporting period to implement socio-economic development and empowerment programmes in the province's most impoverished areas.
- There was continued emphasis during the year under review on conducting research, as well as developing and embracing a knowledge management culture.

To the gambling operators and licensees whom we regulate, I express my deepest gratitude for the space and time you afforded the ECGB to conduct its business. This has ensured ongoing improvement and continued accountability in the standards that we set for the industry.

Under trying and difficult times brought about by the COVID-19 pandemic, on behalf of the Board, I would like to acknowledge and express my appreciation for the sterling work of the CEO, his management team and all ECGB staff during the 2020/21 financial year.

I also extend my sincere thanks to the Board and its committees for helping to foster an environment that has allowed both management and the Board the space to perform our respective responsibilities. In addition, we extend our appreciation to the Honourable MEC of DEDEAT and his management team for their guidance in terms of the duties and responsibilities entrusted to us.



**Ms T. Mackie**  
Chairperson of the Board



**REUBEN MABUTHO ZWANE**  
CHIEF EXECUTIVE OFFICER

## 1.7 CHIEF EXECUTIVE OFFICER'S OVERVIEW

The Eastern Cape Gambling Board takes seriously its responsibility – in terms of the Eastern Cape Gambling Act – to regulate, protect and oversee the gambling industry and all its principal stakeholders.

Despite a challenging operating environment, we embrace the challenge of ensuring that all gambling and betting operations throughout the province are conducted in a fiscally and socially responsible manner, whilst contributing to overall socio-economic upliftment of all communities throughout the province. To this end, I am pleased to report that the entity discharged of its responsibilities diligently and efficiently during the period under review.

In the trying and difficult times of the COVID-19 pandemic the Eastern Cape Gambling Board provided the following successful regulatory services to the industry during the 2020/21 financial year:

- Twenty-two (22) gambling licences were awarded and issued to suitably qualified applicants. This included three (3) Key Licences for bookmaker operations as per our Annual Performance Plan targets. (Key Licences refer to casinos, bookmakers, totalisators, racecourses, independent site operators (ISOs), bingo halls and LPM Type B sites.) Other licences are not subject to formal RFP processes and are regarded as reporting targets.
- The industry in the province achieved a Level 3 compliance maturity rating ranging from 80%-89%, as measured by the compliance barometer. This level is an acceptable or compliant zone in terms of the compliance barometer maturity levels.
- The entity collected R102.1 million in gambling tax revenue from all licensed gambling operators in the province, which was above target. This was a significant contribution to the provincial fiscus in light of the challenges of the COVID-19 pandemic and associated regulations in terms of the Disaster Management Act (Act 57 of 2002), which had a significant impact on gambling revenues.
- The industry maintained a total of 3 367 sustainable job opportunities, created cumulatively as at 31 March 2021. There was a decrease of 27% from the previous year, which can be attributable to the impact of COVID-19 and natural attrition.
- The entity investigated 48 applications for various gambling licences and conducted three public hearings on a virtual platform to ensure transparency in the process of awarding licences to suitable and qualifying applicants. Furthermore, public hearings were conducted in respect of LPM applications received, applications for amendment of licence conditions by the various casino and bingo licensees and various other applications such as for a bookmaker licence and transfer of a licence.
- Six sweeps / gambling raids were carried out across all five zones in the province to search for and root out illegal gambling operations. These sweeps, conducted in collaboration with the South African Police Service, resulted in:
  - Five illegal gambling establishments being closed down;
  - Five criminal cases opened and court processes underway;
  - five illegal gambling machines with an estimated total value of R25 000 confiscated; and
  - one online gambling site closed.
- A total of 92 compliance and revenue audits were conducted to verify the compliance, validity, completeness and accuracy of gaming revenue reported and compliance by all operators in the province.
- The entity also conducted 85 inspections at licensed operators in the province in line with the requirements of the Eastern Cape Gambling Act (Act 5 of 1997).
- A total of 324 applications for temporary and permanent employee registrations were processed during the 2020/21 financial year.
- SMMEs in the province benefitted from R225.7 million in total procurement spend by licensees, which equates to more than half of the operators' total spend going towards local suppliers.
- Licensed gambling operators contributed R7.6 million collectively towards Corporate Social Investment (CSI) and Socio-Economic Development (SED) initiatives, in line with the CSI framework approved by the Board for the period ending 31 March 2021.

The entity's overall performance and its key outputs during the reporting period, particularly relating to services rendered directly to the public and other stakeholders, can be summarised as follows:

- Towards the achievement of the strategic outcomes and impact by the end of the planning cycle, the organisation achieved 89% of all planned key performance targets for the year under review.
- Three Gambling Economic Opportunity awareness sessions were conducted on a virtual platform targeting emerging potential entrepreneurs or investors in the province.
- The entity hosted 10 awareness and responsible gambling campaigns aimed at minimising the harmful effects of excessive and irresponsible gambling. These campaigns were conducted with Community Policing Forum Members (CPFs) and South African Community Policing Officers (CPOs) in all the district municipalities of the Eastern Cape.
- A research desktop study was conducted to investigate the socio-economic impact of the allocation and distribution of Limited Payout Machines in the province.
- One seminar was hosted on the findings and recommendations of a research study into the socio-economic impact of the allocation and distribution of Limited Payout Machines in the province, which was conducted during the financial year.

In seeking to balance the negative impacts of gambling, it is important for the organisation to leverage and access its own budget allocations and, through the proceeds of gambling, be agents of real change in the communities in which it operates. The focus in this regard was on:

- Identifying and supporting socio-economic developmental programmes, utilising the resources of the ECGB and other partners and stakeholders, and ensuring that these programmes are sustainable. To this end, four socio-economic development projects and other CSI-related contributions supporting designated and vulnerable groups were implemented in partnership with the Department of Education and other Eastern Cape organisations. The projects, to the value of R282 827, were informed by the entity's CSI Policy and the Eastern Cape Anti-Poverty Strategy, as championed by the Eastern Cape Department of Social Development.
- Coordinating the implementation of the developed CSI framework of the industry, as well as ensuring that CSI initiatives are implemented in the most impoverished areas of the province, in line with the Eastern Cape Anti-Poverty Strategy.

During the year under review, the ECGB further prioritised stakeholder engagement and collaborative work with other government entities and strategic partners. This strategy was pursued through implementation of memoranda of agreement with different government departments and municipalities, in respect of the following:

- Utilisation of print and social media platforms to communicate and profile work of the ECGB;
- Collaboration with the South African National Responsible Gambling Foundation in conducting relevant series of responsible gambling campaigns within the province, as well as schools designated as gambling-, alcohol-, drugs- and crime-free zones; and
- Ongoing collaboration with the Eastern Cape Departments of Social Development, Education, Health, Sport, Recreation, Arts and Culture and the South African Social Security Agency in respect of implementing the Eastern Cape Anti-Poverty Strategy.

Corporate governance and organisational performance was strengthened by:

- Maintaining and achieving clean audit outcomes on both financial information and predetermined objectives;
- Facilitating training and capacity building of all ECGB employees to equip them to respond to new challenges of innovation and regulatory requirements;
- Continuous institutionalisation of enterprise risk management and monitoring and evaluation of the risk register for 2020/21; and
- Effective organisational performance reporting and feedback.

Notwithstanding the challenges of the COVID-19, I would like to extend my appreciation to the MEC for Economic Development and Environmental Affairs for his policy direction, the Board Members for their inspired leadership, the ECGB management team and to all ECGB staff who has made the discharge of our mandate tenable.

Lastly, I am thankful to the licensees for their continued support in building a sustainable, responsible and empowering gaming industry.



**Mr Reuben Mabutho Zwane**  
Chief Executive Officer

## 1.8 STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the Auditor-General.

The Annual Report is complete, accurate and is free from any omissions. The Annual Report has been prepared in accordance with the guidelines on the Annual Report as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) applicable to the public entity.


The accounting authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information. The accounting authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.

The Auditor-General is engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, this Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2021.



**Mr R.M. Zwane**  
Chief Executive Officer  
31 May 2021



**Ms. T. Mackie**  
Chairperson of the Board  
31 May 2021

**PART B**

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**Performance  
Information**





## 2.1 AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General of South Africa (AGSA) currently performs the necessary audit procedures on the performance information to provide limited assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the report on other legal and regulatory requirements section of the Auditor's report.

Refer to paragraphs 10 – 14 of the Report of the Auditor-General, included in Part E: Financial Information.

## 2.2 SITUATIONAL ANALYSIS

### 2.2.1 Service Delivery Environment

During the 2020/21 financial year, the following context informed the operations and activities of the ECGB:

- Continued investigations and intelligence gathering which further strengthened the entity's relationship with the Criminal Justice Cluster in the province, facilitating sweeps on illegal gambling as well as court action in this regard;
- Monitoring of developments in the gambling industry to inform risk identification and assessments by the Board;
- Strategic engagements with gambling industry and other provincial stakeholders for effective regulation;
- Informing consumers and the public about legal and illegal gambling activities and continuing the implementation of responsible gambling campaigns in terms of ECGB's Responsible Gambling and Public Education Strategy;
- Developing and refining the entity's responsibility to contribute meaningfully to socio-economic development in the Eastern Cape; and
- Continued efforts regarding research and development functions to support the policy objectives of the entity.

#### 2.2.1.1 Overall Performance

An overview of the performance of the entity is provided below. Significant developments per budget programme are identified, including the way they impacted either on the demand for the entity's services or on its ability to deliver those services.

The entity's overall performance and its key outputs during the reporting period, particularly relating to services rendered directly to the public and other stakeholders, can be summarised as follows:

- Achievement of the strategic outcomes and impact by the end of the planning cycle the organisation has achieved 89% of all planned key performance targets for the year under review.
- The entity hosted 10 awareness and responsible gambling campaigns to minimise the harmful effects of excessive and irresponsible gambling. These campaigns were conducted with CPFs and CPOs in all the district municipalities of the Eastern Cape province, with the aim to:
  - inform, empower and enhance understanding of problem gambling and excessive gambling and how to deal with the phenomenon at home, at workplace and in the communities at large;
  - shift the paradigm from focusing on "problem gambling" to recognising "gambling harm" as well as a shift in thinking from the individual to the collective's well-being associated with work productivity;
  - raise awareness and literacy while reducing stigma and shame associated with gambling harm to a selected target of provincial CPFs and CPOs;
  - highlight the referral and support services that are available when problem gambling is identified at home and in the communities; and
  - raise awareness with regards to illegal gambling that is currently plaguing the province, as well as establishing partnerships between the ECGB, CPFs and CPOs in addressing and combating the issue.
- Three gambling economic opportunity awareness sessions were conducted on a virtual platform targeting emerging potential entrepreneurs or investors in the province.
- A desktop research study was conducted to investigate the socio-economic impact of the allocation and distribution of Limited Payout Machines in the province, and a seminar was conducted on the research findings.

The Eastern Cape Gambling Board provided the following successful regulatory services to the industry during the reporting period:

- Six sweeps / gambling raids were carried out across all five zones in the province to search for and root out illegal gambling operations. These sweeps, which were conducted in collaboration with the South African Police Service, resulted in:
  - five illegal gambling establishments being closed down;
  - five criminal cases opened and court processes underway;
  - five illegal gambling machines with an estimated total value of R25 000 confiscated; and
  - one online gambling site closed.
- Twenty-two gambling licences were awarded and issued to suitably qualified applicants. Of these, three Key Licences, for bookmaker operations, were provided for in the Annual Performance Plan. The rest of the other licences are not within the control of the organisation for planning purposes and are regarded as reporting targets. Key Licences refer to casinos, bookmakers, totalisators, racecourses, independent site operators (ISOs), bingo halls and LPM Type B sites.
- The industry in the province achieved a Level 3 compliance maturity rating ranging from 80%-89%, as measured by the compliance barometer. This level is an acceptable or compliant zone in terms of the compliance barometer maturity levels.
- SMMEs in the province benefitted from R225.7 million in total procurement spend by licensees, which equates to more than half of the operator's total spend going towards local suppliers.
- Licensed gambling operators contributed R7.6 million collectively towards Corporate Social Investment (CSI) and Socio-Economic Development (SED) initiatives, in line with the CSI framework approved by the Board for the period ending 31 March 2021.
- The entity collected R102.1 million in gambling tax revenue from all licensed gambling operators in the province, which was above target. This was a significant contribution to the provincial fiscus in light of the challenges of the COVID-19 pandemic and associated regulations in terms of the Disaster Management Act (Act 57 of 2002), which had a significant impact on gambling revenues.
- The industry maintained a total of 3 367 sustainable job opportunities, created cumulatively as at 31 March 2021. This constitutes a decrease of 27% from the previous year, which can be attributed to the impact of COVID-19 and natural attrition.
- The entity investigated 48 applications for various gambling licences and conducted three public hearings on a virtual platform to ensure transparency in the process of awarding licences to suitable and qualifying applicants. Furthermore, public hearings were conducted in respect of LPM applications received, applications for amendment of licence conditions by the various casino and bingo licensees and various other applications such as for a bookmaker licence and transfer of a licence.
- A total of 92 compliance and revenue audits were conducted to verify the compliance, validity, completeness and accuracy of gaming revenue reported and compliance by all operators in the province.
- The entity also conducted 85 inspections at licensed operators in the province in line with the requirements of the Eastern Cape Gambling Act (Act 5 of 1997).
- A total of 324 applications for both temporary and permanent employee registration respectively were processed during the 2020/21 financial year.

#### **2.2.1.2 Challenges Encountered and Corrective Steps**

An unprecedented global pandemic significantly impacted revenue collection for the fiscus during the financial year. COVID-19 has been identified, and remains, an external strategic risk, affecting both the operations of the entity, the industry as a whole and ultimately the revenue collection for the fiscus.

As a result of the impact of the COVID-19 pandemic, including lockdown challenges, the targeted number of people provided with feedback with regard to excessive and irresponsible gambling messages could not be achieved. Against this background a service provider was contracted towards the end of the financial year and processes are underway to complete the survey about receiving feedback with regard to excessive and irresponsible gambling messages from the Eastern Cape populace. The survey is anticipated to be completed during the first quarter of 2021/22.

The licensing project for the Zone 5 casino licence was due to be concluded in March 2020. However, the applicant requested a three-month extension to accommodate the COVID-19 lockdown. This was approved in part, on condition that the applicant submit a revised bid. The Board resolved to further extend the licence for the Wild Coast Sun Casino until 30 June 2021 pending finalisation of the review and benchmarking exercise by the appointed independent service provider. The Board also approved the draft conditions of the licence and same were forwarded to the MEC for DEDEAT for consideration in terms of Section 33(5) of the Act.

Ongoing litigation challenges were encountered during the year under review. Although the entity cannot prevent a party from bringing legal action, there are various controls in place to ensure that the decision making processes of management and the Board, specifically in awarding licences, is defensible.

Further challenges encountered by the entity during the year under review relates to assistance required from the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) regarding the following critical matters:

- In terms of Section 39(1)(f) of the Act, the Board, in consultation with the responsible member, may, after giving the licensee concerned an opportunity to be heard, suspend for a specified time or revoke a licence, if the licence holder fails to pay the amounts specified in the schedules within the required period. The entity therefore requires the MEC's feedback on the consultative notice to suspend and revoke a bookmaker licence and suitability certificate for totalisator agency issued to Vincent Tattersalls CC, trading as Vincent Tattersalls, in order to give effect to the final decision of the Board.
- The Department (DEDEAT) was requested to facilitate the gazetting of zero-rating of sports betting as the entity envisaged for additional revenue collection for the fiscus when sports betting is zero rated.
- In order for the entity to implement the indefinite licence regime as approved the Department (DEDEAT) was further requested to commence with the legislative review process.

With regard to the entity's extension of its existing building in order to address the challenges of lack of office space, completion of construction work was delayed due to COVID-19 and the lockdown. The bulk of the work has since been completed, with only minor final touches due to be addressed before end of the first quarter of 2021/22.

## 2.2.2 Organisational Environment

The tenure of six ECGB Board members expired on 31 March 2021 and replacement was pursued by the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) to ensure that the entity continued its drive to create functional and transparent structures and systems of accountability, as well as advancing the institutionalisation of a risk management culture. It is anticipated that a full complement of the Board will be in place by the end of May 2021.

The constrained fiscal environment limits the ECGB's capacity to perform against the significant growth of the industry. Consequently, opportunities continue to be sought for efficiencies in processes, including risk-based and technology-assisted regulation, as well as various revenue enhancement strategies.

## 2.2.3 Key Policy Developments and Legislative Changes

During the 2020/2021 reporting period, the ECGB, in accordance with Section 81 of the Act, made rules for the non-physical attendance of meetings. The rules simply provide for attendance by members other than by their physical presence, the technology that may be used to attend such a meeting and the manner in which decisions are recorded and stored. The rules also provide for public hearings other than by the presence of attendees.

The MEC for DEDEAT published the amended Eastern Cape Gambling Regulations, 1997 (Provincial Notice 202 of 2020) in the Provincial Gazette as contemplated in section 80(1) of the Act.

## 2.2.4 Strategic Outcomes

This section outlines progress made against the strategic outcomes set in the entity's five-year Strategic Plan. The strategic outcomes set are listed as follows:

- Transformed and sustainable gambling industry in the province
- Compliant and protected gaming industry
- Educated, informed and responsible punters and general public
- Empowered communities located in areas where there is a gambling footprint as well as impoverished areas
- Informed policy decision making based on research and evaluation outcomes
- Effective governance with an enabling workplace environment

The targets reported on in Section 2.3 are aligned annually towards overall achievement of the strategic outcomes as summarised in the following table:

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### **Outcome 1 Effective governance with an enabling work-place environment**

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#### **Progress made by the ECGB:**

- a) An Organisational Performance Reporting System has been institutionalised to measure and regulate the Board in terms of its performance and financial prudence;
- b) Effective organisational performance reporting and feedback wherein quarterly reports regarding organisational performance were presented to the Board, DEDEAT and Provincial Treasury, with a portfolio of evidence compiled and submitted for review by internal audit biannually;
- c) Maintaining and achieving clean audit outcomes on both financial information and predetermined outcomes;
- d) Facilitating training and capacity building of all ECGB employees to equip them to respond to new challenges of innovation and regulatory requirements;
- e) Continuous institutionalisation of enterprise risk management and monitoring and evaluation of the risk register for 2020/21; and
- f) The Board and its sub-committees met according to an approved annual schedule and as per their terms of reference.

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### **Outcome 2 Transformed and sustainable gambling industry in the province**

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#### **Progress made by the ECGB:**

- a) In pursuance of this strategic outcome, the ECGB followed industry best practices for issuing licences, including:
  - Requests for Proposals (RFPs) on the different types of licences which the Board rolls out at different periods were widely published in the Eastern Cape using mainstream print media;
  - Two public hearings were facilitated to ensure transparency before licences are awarded; and
  - Evaluation processes were conducted by Board members for all licence applications received.

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### **Outcome 3 Educated, informed and responsible punters and general public**

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#### **Progress made by the ECGB:**

- a) The entity hosted 10 awareness and responsible gambling campaigns to minimise the harmful effects of excessive and irresponsible gambling. These campaigns were conducted with CPFs and CPOs in all the district municipalities of the Eastern Cape with the aim to:
    - inform, empower and enhance understanding of problem gambling and excessive gambling and how to deal with the phenomenon at home, at workplace and in the communities at large;
    - shift the paradigm from focusing on “problem gambling” to recognising “gambling harm” as well as a shift in thinking from the individual to the collective’s well-being associated with work productivity;
    - raise awareness and literacy while reducing stigma and shame associated with gambling harm to a selected target of CPFs and CPOs in the province;
    - highlight the referral and support services that are available when problem gambling is identified at home and in the communities; and
    - raise awareness with regards to illegal gambling that is currently plaguing the province, as well as established partnerships between the ECGB, CPFs and CPOs in addressing and combating the issue.
  - b) Utilisation of print and social media platforms to communicate and profile work of the ECGB; and
  - c) Collaboration with the South African National Responsible Gambling Foundation in conducting relevant series of responsible gambling campaigns within the province, as well as designated schools as gambling-, alcohol-, drugs- and crime-free zones.
-

**Outcome 4****Empowered communities located in areas where there is a gambling footprint as well as impoverished areas, including supporting Covid-19 initiatives in the Province.****Progress made by the ECGB:**

- a) In pursuance of this strategic outcome, the entity contributed R282 827 towards socio-economic development opportunities and other CSI-related contributions supporting designated and vulnerable groups in Eastern Cape areas identified as impoverished.
- b) Corporate social investment support was provided in terms of the provision of Maths, Science and Technology Kits for Grades R-7 to the following primary schools in the Eastern Cape:
  - Nxukhwebe Primary School in Raymond Mhlaba Local Municipality (Ward 7)
  - Zwelitsha Primary School in Mhlonlo Local Municipality (Ward 1)
  - Maruping Primary School in Walter Sisulu Local Municipality (Ward 4)
  - Grahamstown Primary School in Makana Local Municipality (Ward 3)
- c) The four primary schools have been supported with Maths, Science & Technology kits for Grades R-7. Specific items include:
  - Three mobile labs for Natural Science and Technology kit;
  - One mobile cabinet for Mathematics kit;
  - One box of chemicals;
  - One batch of multiple wall charts for Maths, Science & Technology learning areas.
  - Signage boards for each school with the logos of the ECGB, Departments of Education and Social Development and the school to be mounted in all the supported schools. The boards bear the ECGB toll free number for fraud prevention, the NRGF helpline for problem gambling assistance and also contain messages of irresponsible gambling, including calls to report illegal gambling activities.
- d) Ongoing collaboration with the Eastern Cape Departments of Social Development, Education, Health, Sport, Recreation, Arts and Culture and the South African Social Security Agency in respect of implementing the Eastern Cape Anti-Poverty Strategy.

**Outcome 5****Informed policy decision-making based on research and evaluation outcomes.****Progress made by the ECGB:**

- a) In pursuance of this strategic outcome, a desktop study was conducted to investigate the socio-economic impact of the allocation and distribution of Limited Payout Machines in the Eastern Cape.
- b) The entity hosted seminars on the results from the abovementioned study in order to sensitise licensees about findings and recommendations of the desktop study conducted.

**Outcome 6****Compliant and protected gaming industry****Progress made by the ECGB:**

- a) In pursuance of this strategic outcome, revenue, compliance audits and inspections were conducted to maximise revenue collection, strengthen effective compliance and adherence to bid commitments, licence conditions, the Act, rules and regulations, the Financial Intelligence Centre Act (FICA) (Act 38 of 2001), and other applicable legislation prior to, and after commencement of, operations.
- b) Non-compliance notices were issued with interest and penalties imposed, where applicable.
- c) The industry in the province achieved a Level 3 compliance maturity rating ranging from 80%-89%, as measured by the compliance barometer. This level is an acceptable or compliant zone in terms of the compliance barometer maturity levels.

## 2.3 PERFORMANCE INFORMATION BY PROGRAMME

### 2.3.1 BUDGET PROGRAMME 1: Corporate Services Management and Administration

#### 2.3.1.1 Purpose of the Programme

The purpose of this programme is to provide corporate administrative and management support services to the organisation and the budget programme, including the Board of Directors, to ensure that the ECGB mandate is executed, achieved and reported accordingly.

#### 2.3.1.2 Sub-Programmes

The following are budget sub-programmes of Corporate Services Management and Administration:

- Office of the Chief Executive Officer
- Strategic Management Services
- Legal Services and Board Secretariat
- Financial Management
- Human Resources Management and Development
- Information Management and Technology

The Operational Performance Plan of the entity includes indicators and targets for all sub-programmes. However, the performance indicators reported on below are only the selected key performance indicators included in the entity's Annual Performance Plan.

#### 2.3.1.3 Strategic Outcomes

The following strategic Outcomes guide the performance of the Budget Programme to achieve the desired outcomes:

- Compliant and protected gambling industry.
- Empowered communities located in areas where there is a gambling footprint as well as impoverished areas, including supporting Covid-19 initiatives in the Province.
- Effective governance with an enabling workplace environment.

#### 2.3.1.4 Key Performance Measures, Targets and Actual Results for the 2020/21 Financial Year

SUB-PROGRAMME: FINANCIAL MANAGEMENT SERVICES					
Strategic Outcome		• Compliant and Protected Gambling Industry			
Performance Indicator	Actual Achievement 2019/20 (Baseline Information)	Planned Target <sup>3</sup> 2020/21	Actual Achievement 2020/21	Deviation from Planned Target to Actual Achievement for 2020/21	Comment on Deviations
Revenue Collected & Disbursed to Fiscus	R189.7 million	R90 million	R102.1 million	+R12.1 million	Revenue collection projections were inherently uncertain and based on a phased recovery from hard lockdown. The positive variance is due to a faster than projected rebound.
SUB-PROGRAMME: STRATEGIC MANAGEMENT SERVICES					
Strategic Outcome		• Empowered communities located in areas where there is a gambling footprint as well as impoverished areas, including supporting Covid-19 initiatives in the Province.			
Number of Key CSI Projects Implemented	4	4	4	No deviation	N/A
SUB-PROGRAMME: OFFICE OF THE CHIEF EXECUTIVE OFFICER					
Strategic Outcome		• Effective governance with an enabling workplace environment.			
Organisational Maturity Index	New Indicator	New <sup>4</sup> Indicator	New Indicator	New Indicator	N/A

<sup>3</sup> The impact of the unprecedented COVID-19 pandemic and the declaration of the national state of disaster and nation-wide lockdown by the President of the Republic necessitated an urgent review and reduction of some of the key organisational targets. Gambling taxes were significantly reduced as noted further in 2.3.1.4.

<sup>4</sup> Assessment of the organisation maturity level will be conducted every two years which means the target will be achieved in 2021/22, the second year of the MTEF, hence no target in 2021 and 2023.

### 2.3.1.5 Linking performance with budgets per Sub-Programme of Budget Programme 1

PROGRAMME 1: FINANCIAL PERFORMANCE BY SUB-PROGRAMME						
Sub-Programme	2020/21			2019/20		
	Adjusted Budget R'000	Actual Expenditure R'000	(Over) / Under Expenditure R'000	Adjusted Budget R'000	Actual Expenditure R'000	(Over) / Under Expenditure R'000
Office of the CEO	5 677	5 687	(9)	7 414	7 178	236
Strategic Management Services	5 179	4 917	262	5 425	5 867	(442)
Legal Services and Board Secretariat	6 857	6 699	158	7 572	7 470	102
Financial Management Services	12 393	12 264	129	11 970	11 714	256
Human Resources Management and Development	6 690	6 158	533	7 246	6 148	1 098
Information Management and Technology	4 643	5 290	(647)	4 062	4 645	(583)
<b>Total Expenditure</b>	<b>41 440</b>	<b>41 015</b>	<b>425</b>	<b>43 689</b>	<b>43 022</b>	<b>667</b>
<b>% Under / (Over) Expenditure</b>			<b>1.02%</b>			<b>1.5%</b>

### 2.3.1.6 Strategies to Overcome Areas of Under-Performance by Budget Programme 1

There were no areas of under-performance on the planned performance indicators during the financial year of reporting.

### 2.3.1.7 Changes to Planned Targets

The impact of the unprecedented COVID-19 pandemic and the declaration of the national State of Disaster and nationwide lockdown by the President of the Republic necessitated an urgent review and reduction of some of the key organisational targets. As a result, the projected revenue collection for 2020/21, and beyond, has been revised downwards. Consequently, the APP was revised and re-tabled in May 2020.

## 2.3.2 BUDGET PROGRAMME 2: GAMBLING REGULATION AND CONSUMER PROTECTION

### 2.3.2.1 Purpose of the Programme

The purpose of this programme is to implement the ECGB Act and other statutory mandates through conducting investigations, licensing, compliance, revenue and environmental audits and gaming control and law enforcement, as well as protecting consumers.

### 2.3.2.2 Sub-Programmes

The following are budget sub-programmes of Gambling Regulation and Consumer Protection:

- Investigation and Licensing Administration
- Law Enforcement and Gaming Control
- Audit and Compliance Services

### 2.3.2.3 Strategic Outcomes

The following strategic outcomes guide the performance of Budget Programme 2 to achieve the desired outcomes:

- Transformed and Sustainable Gambling Industry in the Province.
- Compliant and Protected Gambling Industry.

#### 2.3.2.4 Key Performance Measures, Targets and Actual Results for the 2020/21 Financial Year

<b>SUB-PROGRAMME: INVESTIGATION AND LICENSING ADMINISTRATION</b>					
<b>Strategic Outcome</b>	<b>• Transformed and Sustainable Gambling Industry in the Province</b>				
<b>Performance Indicator</b>	<b>Actual Achievement 2019/20 (Baseline Information)</b>	<b>Planned Target 2020/21</b>	<b>Actual Achievement 2020/21</b>	<b>Deviation from Planned Target to Actual Achievement for 2020/21</b>	<b>Comment on Deviations</b>
Number of Key Gambling Licences Issued <sup>5</sup>	1	2	3	1	The over-achievement was as a result of one bookmaker licence issued which was deferred from the previous year.
Number of Gambling Economic Opportunities Awareness Sessions Conducted	2	3	3	No deviation	N/A
<b>SUB-PROGRAMME: LAW ENFORCEMENT AND GAMING CONTROL</b>					
<b>Strategic Outcome</b>	<b>• Compliant and Protected Gambling Industry</b>				
Number of Sweeps Conducted	5	6	6	No deviation	N/A
<b>SUB-PROGRAMME: AUDIT AND COMPLIANCE SERVICES</b>					
<b>Strategic Outcome</b>	<b>• Transformed and Sustainable Gambling Industry in the Province</b>				
<b>Performance Indicator</b>	<b>Actual Achievement 2019/20 (Baseline Information)</b>	<b>Planned Target 2020/21</b>	<b>Actual Achievement 2020/21</b>	<b>Deviation from Planned Target to Actual Achievement for 2020/21</b>	<b>Comment on Deviations</b>
Number of Revenue Audits Conducted	69	43	44	01	Over-achievement was due to one additional audit undertaken in order to cover all five operational ISOs (risk-based approach as they are new entrants.)
Gambling Industry Compliance Maturity Level	Compliance Level 3	Compliance Level 3	Compliance Level 3	No deviation	N/A

<sup>5</sup> Key Licences refer to casino, bookmakers, totalisators, racecourses, independent site operators (ISOs), bingo halls and LPM Type B sites.

### 2.3.2.5 Linking performance with budgets per Sub-Programme of Budget Programme 2

PROGRAMME 2: FINANCIAL PERFORMANCE BY SUB-PROGRAMME						
Sub-Programme	2020/21			2019/20		
	Adjusted Budget R'000	Actual Expenditure R'000	(Over) / Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over) / Under Expenditure R'000
Investigation and Licensing Administration	10 279	10 893	(614)	10 745	11 917	(1 172)
Law Enforcement and Gaming Control	5 170	4 801	368	5 208	5 106	102
Audit and Compliance Services	6 889	6 181	708	6 783	6 708	75
<b>Total Expenditure</b>	<b>22 338</b>	<b>21 876</b>	<b>462</b>	<b>22 736</b>	<b>23 731</b>	<b>(995)</b>
<b>% Under / (Over) expenditure</b>			<b>2.07%</b>			<b>(4.4%)</b>

### 2.3.2.6 Strategies to Overcome Areas of Under-Performance by Budget Programme 2

There were no areas of under-performance on the planned performance indicators during the financial year of reporting.

### 2.3.2.7 Changes to Planned Targets

The impact of the unprecedented COVID-19 pandemic and the declaration of the national State of Disaster and nationwide lockdown by the President of the Republic necessitated an urgent review and reduction of some of the key organisational targets. As a result, the targets for Sweeps, Revenue Audits and Gambling Economic Opportunities Awareness Sessions for 2020/21 were revised downwards. Consequently, the APP was revised and re-tabled in May 2020.

## 2.3.3 BUDGET PROGRAMME 3: RESEARCH AND PUBLIC EDUCATION

### 2.3.3.1 Purpose of the Programme

The purpose of this programme is to build a strong foundation of valid and reliable empirical research and programme evaluations to inform operational and policy advisory decision making, including public interest activities such as educating consumers and the public about responsible gambling and mitigation of excessive and uncontrolled gambling.

### 2.3.3.2 Sub-Programmes

The following are budget sub-programmes of Research and Public Education:

- Empirical Research and Information Management
- Responsible Gambling, Public Education and Communications

### 2.3.3.3 Strategic Outcomes

The following strategic outcomes guide the performance of Budget Programme 3 to achieve the desired outcomes:

- Informed Policy Decision Making Based on Research and Evaluation Outcomes.
- Educated, Informed and Responsible Punters and General Public

### 2.3.3.4 Key performance measures, targets and actual results for the 2020/21 financial year

SUB-PROGRAMME: EMPIRICAL RESEARCH & INFORMATION MANAGEMENT					
Strategic Outcome	Informed Policy Decision Making Based on Research and Evaluation Outcomes				
Performance Indicator	Actual Achievement 2019/20 (Baseline Information)	Planned Target 2020/21	Actual Achievement 2020/21	Deviation from Planned Target to Actual Achievement for 2020/21	Comment on Deviations
Empirical Research Studies Commissioned	1	1	1	No deviation	N/A
SUB-PROGRAMME: RESPONSIBLE GAMBLING, PUBLIC EDUCATION & COMMUNICATIONS					
Strategic Outcome	Educated, Informed and Responsible Punters and General Public				
Number of People Provided Feedback with regard to Excessive & Irresponsible Gambling Messages	New Indicator	250 000 People Provided Feedback	0 People Provided Feedback	250 000 People Provided Feedback	Due to lockdown delays and difficulties encountered in the procurement process the service providers were still in progress with the responsible gambling messaging and survey thereof as required as at 31 March 2021.

### 2.3.3.5 Linking performance with budgets per Summary of Payments by Sub-programme of Budget Programme 3

PROGRAMME 3: FINANCIAL PERFORMANCE BY SUB-PROGRAMME						
Sub-Programme	2020/21			2019/20		
	Adjusted Budget R'000	Actual Expenditure R'000	(Over) / Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over) / Under Expenditure R'000
Empirical Research	389	346	43	1 114	284	830
Responsible Gambling and Public Education	3 373	2 596	778	4 997	5 219	(222)
<b>Total Expenditure</b>	<b>3 762</b>	<b>2 942</b>	<b>820</b>	<b>6 111</b>	<b>5 503</b>	<b>608</b>
<b>% Under / (Over) expenditure</b>			<b>21.81%</b>			<b>9.8%</b>

### 2.3.3.6 Strategies to Overcome Areas of Under-Performance by Budget Programme 3

The areas of under-performance on the planned performance indicator “Number of People Provided Feedback with regard to Excessive & Irresponsible Gambling Messages” during the financial year of reporting was due to lockdown delays and difficulties encountered in the procurement process. The processes that have been put in place to overcome the under-performance will be completed during the first quarter of 2021/22 and will be reported accordingly.

### 2.3.3.7 Changes to Planned Targets

The impact of the unprecedented COVID-19 pandemic and the declaration of the national State of Disaster and nationwide lockdown by the President of the Republic necessitated an urgent review and reduction of some of the key organisational targets. As a result, the target for People that have Provided Feedback with Regard to Excessive and Irresponsible Gambling Messages for 2020/21 was revised downwards. The APP was revised and re-tabled as a result thereof in May 2020.

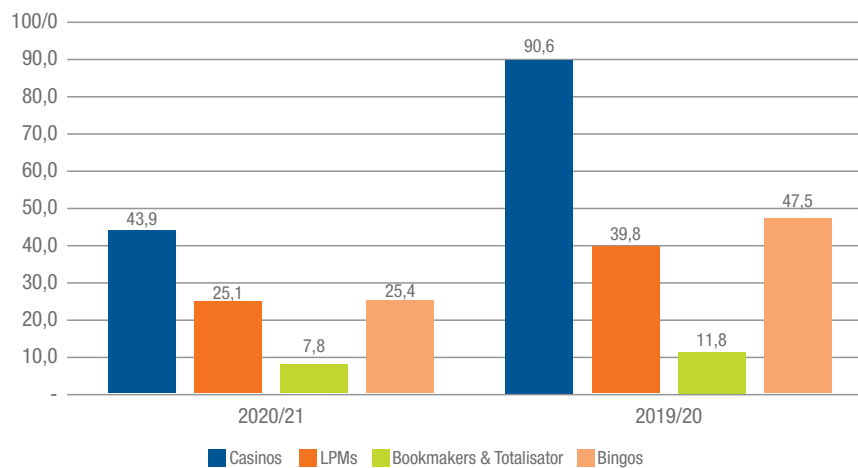
## 2.4 SUMMARY OF REVENUE COLLECTION

Revenue to Fiscus	2016/17	2017/18	2018/19	2019/20	2020/21
	R'000	R'000	R'000	R'000	R'000
Casinos	97 158	96 057	95 168	90 639	43 863
Bookmakers & Totalisator	11 107	11 759	12 799	11 816	7 757
Bingo	31 411	38 291	45 582	47 484	25 424
Limited Payout Machines	31 142	35 234	37 771	39 824	25 093
<b>Total Taxes</b>	<b>170 818</b>	<b>181 341</b>	<b>191 320</b>	<b>189 764</b>	<b>102 137</b>

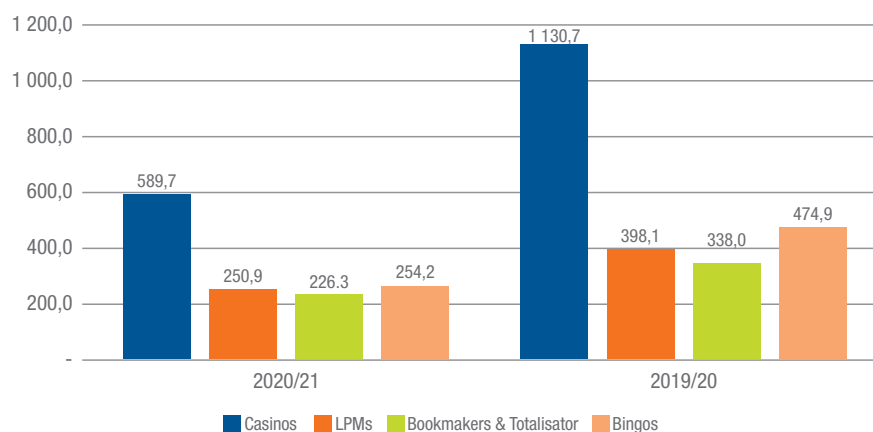
## 2.5 GROSS GAMING REVENUE AND TAX STATISTICS 2020/21 VS 2019/20

The following is a graphic depiction of revenue performance per gaming category. Year-on-year at the end of March 2021 cumulative taxes were 46% lower than in 2019/20, primarily as a result of the COVID pandemic and State of Disaster regulations. Revenue is a key performance target and as noted in section 2.3.1.4 the target was reduced in the special adjustments budget and APP tabled in May 2020 as a result of the National lockdown. The revised target was ultimately exceeded as a result of a faster than projected rebound in gaming revenues. The Board assisted licensees by granting temporary dispensation from certain licence conditions where this was allowed by the ECG Act.

**Taxes Collected (R'millions)**



**Gross Gaming Revenues (R'millions)**



## 2.6 CAPITAL INVESTMENT

The building extension project was implemented mainly as planned during the financial year under review, except for delays encountered with regard to steel shortages that led to an underspending at year-end, as reflected below. The project is, however, more than 90% complete and expected to be fully complete during quarter 1 of 2021/22.

Infrastructure projects	2020/21			2019/20		
	Budget	Actual	(Over)/Under Expenditure	Budget	Actual	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Building extension project	10 111	9 383	728	746	149	597

Apart from the project above no major changes to asset holdings occurred during the year and additions and disposals took place as per the plan. The remaining underspending against the capital budget was primarily due to the purchase of Motor vehicles and computer equipment that were either in transit or not yet installed at year-end, however capital commitments are disclosed in Note 32 to the Annual Financial Statements in this regard.

Maintenance was slightly underspent against budget during the year under review. However, this is partly because assets were also not used as much (e.g. vehicles) due to lockdown.

Quarterly physical inspections were conducted to assess the condition of assets. Indicators of any possible change in useful life or residual values were considered and the asset register updated where required. No material change in estimates was made and assets are all in good or fair condition.

**PART C**

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**Governance**





## 3.1 INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, as well as the Companies Act (Act 71 of 2008), as amended, corporate governance with regard to public entities is applied through the prescripts of the Public Finance Management Act (PFMA) (Act 1 of 1999), as amended, and the Eastern Cape Gambling Act (Act 5 of 1997), as amended (ECG Act). This runs in tandem with the principles contained in the King IV Report on Corporate Governance. Section 3.12 below provides detail of the Eastern Cape Gambling Board's initiatives regarding King IV.

The Eastern Cape Legislature, the Executive and the Accounting Authority of the ECGB are responsible for corporate governance.

## 3.2 EXECUTIVE AUTHORITY

Oversight by the Executive Authority rests by and large on the prescripts of the PFMA. The Executive Authority has the power to appoint and dismiss the Board of a public entity. The Executive Authority must also ensure that the appropriate mix of executive and non-executive members is appointed and that members have the necessary skills to guide the public entity.

Reports submitted to the Executive Authority during the year under review are reflected below:

NO	DATE	REPORTS SUBMITTED TO THE EXECUTIVE AUTHORITY
1	20 April 2020	2019/20 Fourth Quarter Financial and Performance Report
2	20 July 2020	2020/21 First Quarter Financial and Performance Report
2	15 May 2020	Amended 2020/21 Annual Performance Plan and Budget (Special COVID-19 amendments)
3	14 September 2020	2021/22 Annual Budget and Budget Adjustments 2020/21
4	20 October 2020	2020/21 Second Quarter Financial and Performance Report
5	26 October 2020	2020/21 Six Months Oversight Report and Six Months Performance Information Report
6	30 October 2020	2019/20 Annual Report, including the Annual Financial Statements
7	20 January 2021	2020/21 Third Quarter Financial and Performance Report
8	31 January 2021	2021/22 – 2023/24 Annual Performance Plan

## 3.3 PORTFOLIO COMMITTEE

The Portfolio Committee on Economic Development, Environmental Affairs and Tourism exercises oversight over the service delivery performance of the ECGB. As such, it reviews the non-financial information contained in the Annual Reports of the ECGB and is concerned with service delivery and enhancing economic growth.

Appearances/reports submitted to the Portfolio Committee during the year under review are reflected below:

NO	DATE	REPORTS SUBMITTED TO THE PORTFOLIO COMMITTEE
1	19 June 2020	Presentation of the 2020/21 - 2022/23 Annual Performance Plan and Budget of the ECGB
2	16 July 2020	Discussion of proposed merger of ECGB with Eastern Cape Liquor Board
3	23 October 2020	Consideration of the 2020/21 Amended Annual Performance Plan and Budget of the ECGB (Special COVID-19 amendments)
4	27 November 2020	Consideration of the 2020/21 Six Months Oversight Report
5	15 December 2020	Presentation of the 2020/21 Annual Report

## 3.4 THE ACCOUNTING AUTHORITY

### The Role of the Board

In terms of its enabling legislation (the ECG Act), the Board is mandated to oversee gambling and betting activities in the Eastern Cape and to advise the responsible MEC on related matters.

### Board Charter

- The Board has a Charter setting out its responsibilities which is disclosed herein. The Charter confirms, amongst other matters:
- The Board's responsibility for the adoption of strategic plans;
- Monitoring of operational performance and management;
- Determination of policy processes to ensure the integrity of the public entity's risk management and internal controls; and
- Communication policy, orientation and evaluation of Board members.

### Progress Made Regarding Compliance with the Charter

The objective of the Board Charter is to ensure that all Board members, employees of the entity and other stakeholders are aware of the duties and responsibilities of the Board and has the basis upon which it interacts with management, in giving effect to its obligations.

The Board Charter ensures that Board members are responsible for the full and effective control of the Board and assumes responsibility for the following:

- Monitoring the management of the organisation and the implementation of its plans and strategies;
- Ensuring a comprehensive, active system of policies and procedures;
- Ensuring ethical behaviour;
- Reserving specific powers for the Board, where considered appropriate or necessary;
- Acting responsibly toward stakeholders; and
- Ensuring compliance with corporate governance principles and relevant legislation.

The Board Charter recognises that the two key and distinct tasks associated with the conduct of the Board's affairs are the running of the affairs of the organisation and executive responsibility for the conduct of the organisation's business.

The Board conducts its business in accordance with the principles of good corporate governance, the ECG Act and the PFMA. The Board Charter sets out the specific responsibilities to be discharged by Board members collectively, as well as individual roles expected.

In line with the requirements of King IV, the Board sets the tone in leading by example, being ethical and effective and ensuring that the organisation's ethics are monitored, assessed and managed effectively. To this end, the Board has established ethical norms in the organisational culture, relevant codes of conduct and policies.



from left to right: RM Zwane (Ex Officio), A Mfenyana (Member), M. Vena (Member), O. Mtati (Dep Chair), P. White(Member)  
Front Row ladies: N. Mlenzana(Member), T. Mackie (Member)

## Composition of the Board

The Board consists of eight non-executive members as well as one executive member in an ex officio capacity. The tenure of six Board members ended on 31 March 2021 and Ms Traci Mackie-Huisman was appointed as the new Chairperson of the Board subsequent to year-end.

Name	Designation	Date Appointed	Qualifications	Area of Expertise	Other Committees	No. of Meetings Attended <sup>6</sup>
Adv N Mayosi	Chairperson	April 2011	BProc, LLB, LLM Advocate of the High Court	Legal Practitioner / Law	None	5/7
Mr O Mtati	Deputy Chairperson	April 2011	BA, BJuris	Welfare, Community and Socio-Economic Development	Compliance, Licensing & Transformation; Human Resources & Remuneration	7/7
Mr M Vena	Member	April 2011	BJuris	Community Interests	Compliance, Licensing & Transformation; Human Resources & Remuneration	6/7
Mr P White	Member	January 2014	BCom (Hons) CA(SA)	Chartered Accountant	Audit & Risk; Finance	6/7
Mrs V Majola	Member	September 2020	MCom Development Finance	Finance / Treasury	Finance	1/7
Ms N Mlenzana	Member	April 2016	BA (Hons) Social Work	Safety and Security	Compliance, Licensing & Transformation; Human Resources & Remuneration	1/7
Mr A Mfenyana	Member	April 2016	Secondary Teachers Diploma, Nature Conservation Diploma	Environmental Affairs	Finance; Human Resources & Remuneration	7/7
Ms T Mackie-Huisman	Member	March 2019	MA Communication	Socio-Economic Development and Tourism	Finance, Compliance, Licensing and Transformation	7/7
Mr M Zwane	Ex Officio Member	December 2009	MA (Business Administration)	Chief Executive Officer	N/A	7/7

## Committees of the Board

Committee	No. of Meetings Held	No. of Members	Name of Members
Finance Committee	4	3	Mr A Mfenyana (Chairperson) Mr P White Ms T Mackie-Huisman
Compliance, Licensing & Transformation Committee	4	4	Mr O Mtati (Chairperson) Mr M Vena Ms N Mlenzana Ms T Mackie-Huisman
Human Resources & Remuneration Committee	3	4	Mr M Vena (Chairperson) Mr O Mtati Ms N Mlenzana Mr A Mfenyana
Audit and Risk Committee	5	4	Mr M Mbedhli (Chairperson) Ms T Mnqeta Mr T Maphanga Ms T Cumming

<sup>6</sup> During 2020/21 there were seven ordinary meetings of the Board as reflected above, with six additional public hearings / bidder conferences regarding licence applications (Board fees for public hearings were recovered against licence application deposits.)

## Remuneration of Board Members

- The Board Remuneration Policy was approved by the MEC for Economic Development, Environmental Affairs and Tourism (DEDEAT) on 18 June 2013, and is the standing policy for payment of Board members;
- Representatives of provincial departments, appointed as Board members in terms of Sections 5(1) (e), 5 (1) (f) and 5 (1) (g) of the ECG Act, do not receive remuneration;
- Section 6 of the Remuneration Policy stipulates the amounts for travel and subsistence for Board members. In respect thereof, the National Treasury Instruction on Cost Containment further guides the provision of travel and subsistence to members; and
- Extraordinary Board fees: The Board Remuneration Policy provides that there may be circumstances that warrant payment to Board members of “extraordinary Board fees” (e.g. preparation time for consideration of licence applications which may not exceed one day per application). These fees are recovered from licence application deposits.

Board remuneration is payable as follows:

- Chairperson – R12 000 per day and R12 000 retainer fee (per month)
- Deputy Chairperson – R10 000 per day
- Ordinary Board member – R8 500 per day
- Committee members appointed as representatives of the respective provincial departments are not paid for meetings, except in exceptional circumstances.

Refer to Note 25 of Part E of this report (the Annual Financial Statements), which provides the amounts paid to each Board member in terms of the Board Remuneration Policy for the past two financial years.

## 3.5 ENTERPRISE RISK MANAGEMENT

The ECGB has an Enterprise Risk Management Policy in order to guide an integrated risk management process that has been aligned to existing decision-making structures of the Board. This has resulted in the following:

- Introduction of risk management processes and alignment with existing strategic planning processes;
- Alignment of risk management with strategic outcomes at all levels of the organisation;
- Continuous communication of strategic risks of the ECGB and the implementation of mitigation strategies;
- Identification of risk owners and clarification of their responsibilities towards mitigating and reporting on identified risks; and
- Continuously improving controls, accountability systems and processes to take into account risk management and its results.

The Board of ECGB as a governance structure has an overall responsibility and oversight with regard to setting a responsible tone on risk management, including identification of the strategic risks of the ECGB.

Management of the Board creates an enabling environment for the implementation of the Enterprise Risk Management Policy, including adequate and effective risk programmes across all business functions as well as ensuring a consistent application of the risk management policy imperatives and procedures.

During 2020/21, the ECGB therefore implemented risk management in order to manage and monitor all types of risks on a consistent basis. This Enterprise Risk Management capability is promoted by a policy statement that sound risk management practices are applied consistently and comprehensively in all activities at all levels of the ECGB, which happens through a management risk committee.

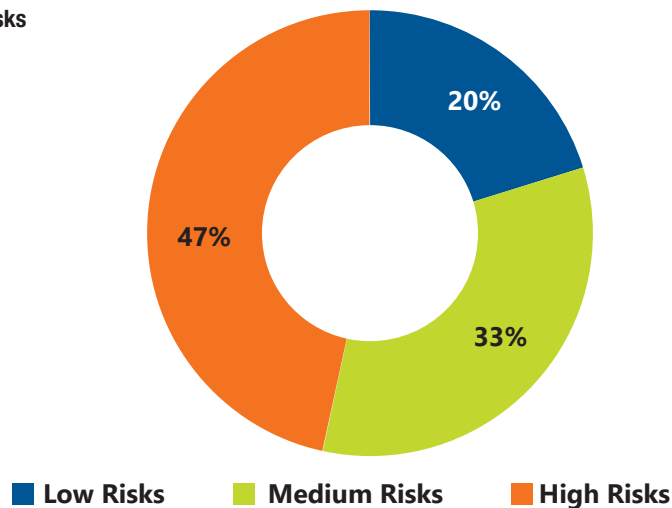
The Enterprise Risk Management Policy requires that the Risk Register is approved by the Board and the Board receives regular feedback in respect of risk management. The Audit and Risk Committee advises the Board on risk management and independently monitors the effectiveness of the entity's system of risk management.

The risk register is reviewed on a quarterly basis and mitigation strategies are monitored throughout the year. Progress against mitigation action plans are noted in the risk register and reported to the Audit and Risk Committee by Management on a quarterly basis. A strategic risk assessment, which is conducted annually, was completed in March 2020 for the year under review in order to identify any new or emerging risks which could hinder achievement of the ECGB's strategic outcomes.

The unprecedented COVID-19 pandemic and national lockdown from March 2020 triggered the establishment of an ECGB Business Continuity Committee (BCC), as well as the development of a business continuity plan, which was approved by the Board on 30 March 2020. In terms of this, the Management Risk Committee was required to meet every two weeks to advise the BCC on COVID-19 risk-related matters. The impact of this risk has been felt financially and socially, and by everyone in the organisation. However, it has also brought some opportunities through adaptation to a virtual workplace environment and paperless processing of transactions. A strategic risk with mitigation controls was identified in this regard and has been monitored throughout the year under review so as to ensure the safety of staff, continuity of operations and achievement of planned performance.

The ECGB has and maintained a risk inventory of 38 risks according to the 2020/21 risk register. Fifteen of these risks are strategic and 23 are operational risks. Of the 15 strategic risks, seven are high risk, five are medium risk and three are low risk. Figure 1 below depicts a quantification of the ECGB's prioritised strategic risks, while a dashboard of the high-risk items with mitigating actions is included below.

**Figure 1: Prioritised Strategic Risks**



**DASHBOARD OF STRATEGIC RISKS WITH A HIGH RESIDUAL RISK DURING THE 2020/21 FINANCIAL YEAR**

Risk Ranking	Risk Name / Description	Inherent Risk Exposure	Residual Risk Exposure	Summary of Progress / Actions Towards Mitigating / Improving the Residual Risk
1	Coronavirus Pandemic (Loss of revenue, business disruption and associated health risks for staff)	25	19	<ul style="list-style-type: none"> <li>COVID-19 Business Continuity Committee was established to look into all COVID-19 related issues and risks.</li> <li>Specific COVID-19 Business Continuity Plan.</li> <li>Continuous awareness and safety precautions.</li> </ul>
2	Litigation against Board Decisions	25	19	<ul style="list-style-type: none"> <li>The Final LPM RFP was approved by the Board and subjected to legal review.</li> <li>The legal panel has been used where necessary during the year, including assistance in lodging an appeal in the Supreme Court that is ongoing at year-end.</li> </ul>
3	Proposed Merger Between Eastern Cape Liquor Board and ECGB Without a Feasibility Study	20	15	<ul style="list-style-type: none"> <li>Formal correspondence in this regard is required from DEDEAT in order to provide clarity for the public entities' future plans.</li> </ul>
4	Lack of Governance Oversight	20	15	<ul style="list-style-type: none"> <li>At year-end, appointment of new Board members was at an advanced stage by the MEC for DEDEAT to ensure that there is no leadership gap.</li> <li>New Board members were subsequently appointed in May 2021.</li> </ul>
5	Over Concentration of Licences in a Geographic Area	20	15	<ul style="list-style-type: none"> <li>The final LPM RFP, revised LPM Policy and allocation model were approved by the Board during the year under review.</li> </ul>
6	Proliferation of Illegal Gambling	20	15	<ul style="list-style-type: none"> <li>Six sweeps / gambling raids were carried out across all five zones in the province to search for and root out illegal gambling operations, as reported in Section 2.2.2.</li> </ul>
7	Lack of Interest or Reduced Investment in the Province as a Result of Fixed-Term Regime	16	15	<ul style="list-style-type: none"> <li>This matter is pending a response from DEDEAT executive authority regarding approval for indefinite licensing.</li> <li>The likelihood of this risk has increased due to the pandemic and financial pressure on the industry.</li> </ul>

## 3.6 REPORT OF THE AUDIT AND RISK COMMITTEE



**MR M. MBEDHLI**  
CHAIRPERSON OF THE AUDIT AND RISK COMMITTEE

### Responsibility

The Audit and Risk Committee (ARC) has complied with its responsibilities arising from Section 51(1)(a)(ii) of the Public Finance Management Act, as well as Treasury Regulation 27.1. The Committee has adopted appropriate formal terms of reference to its Audit and Risk Committee Charter, has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

### Key Activities and Objectives of the Audit and Risk Committee

The Audit and Risk Committee is a specially appointed statutory committee to assist management in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control including risk management, the audit process and the Board's process for monitoring compliance with laws and regulations as well as ethics. The Committee performs an advisory role to the Board. The Committee is accountable to the Board to properly consider and evaluate any matter that it has to deal with, or which is referred to it.

The Committee meets separately with auditors to discuss matters that it or the auditors believe should be discussed privately. The Committee also reviews proposed audit approaches, the audit plan, staffing and organisation of the function and meets with internal auditors and management on a periodic basis to discuss any matters of concern that may arise.

### Internal control environment

The Audit and Risk Committee concludes that the internal control environment was effective for the year under review. No findings indicating significant control weaknesses, including material financial loss, fraud, corruption or error have been reported to the Audit and Risk Committee during the year ended 31 March 2021. The Committee is satisfied with the controls and activities that were in place for combined assurance.

The following internal audit projects were completed during the year under review:

- 2019/20 Quarters 3 and 4 Performance and Annual Report review;
- 2020/21 Quarters 1 and 2 Performance Report Review;

- Supply Chain Management Review and three competitive bid review reports;
- Systems comparison review (for data imported from the old to new licensing system);
- Organisational maturity verification (based on the MPAT framework);
- 2021/22 Draft Annual Performance Plan Review;
- IT General Controls Review; and
- 2021/22 Strategic Risk Assessment Report

In addition, the following documents were revised by internal audit and approved by the Committee during the 2020/21 year:

- Audit and Risk Committee Charter (final approval by the Board);
- Internal Audit Charter and Methodology; and
- Quality Assurance and Improvement Plan

An independent quality assurance periodic review was conducted by Provincial Treasury with an outcome that the Internal Audit Function Generally Conforms with the Internal Auditing Standards. The Audit and Risk Committee concludes that the internal audit function was effective for the year under review.

Internal audit facilitated management's 2020/21 Risk Assessment, and the Committee reviewed the strategic risk register quarterly in order to make recommendations to the Board. ICT Governance was reviewed quarterly by the committee.

### In-Year Management and Quarterly Reports

The entity has been reporting quarterly to the Treasury as is required by the PFMA and the ARC reviews performance reports submitted in this regard. Furthermore, management prepares a complete set of financial statements in compliance with Generally Recognised Accounting Practice (GRAP) standards on a quarterly basis. The Audit and Risk Committee concludes that the finance function and Chief Financial Officer were effective for the year under review.

### Auditor-General's Report and Implementation of Prior Year Audit Findings

No audit issues were raised in the audit report for the year ended 31 March 2020, however the committee has reviewed the status of quarterly key controls and the audit action plan for addressing control deficiencies. The external auditors are standing invitees to the committee meetings and there has been communication throughout the year. The Committee is satisfied that the Auditor-General is independent of the organisation.

The Audit and Risk Committee reviewed the Annual report including the Annual Financial Statements in May 2021. No significant areas of concern were identified and the Committee recommended them to the Board for approval to submit to the Auditor-General for audit.

The Audit and Risk Committee concurs with the conclusion of the Auditor-General of South Africa on the Annual Financial Statements. The Committee is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General.



**Mr M. Mbedhli**  
Chairperson of the Audit and Risk Committee  
31 July 2021

## Information on the Audit and Risk Committee

The table below discloses relevant information on the Audit and Risk Committee members for the year ended 31 March 2021:

Name	Qualifications	Internal or External	If Internal, Position in the Public Entity	Date Appointed	Number of Meetings Attended
Mr M Mbedhli	BTech (Internal Auditing), Member of the Institute of Internal Auditors	External	N/A	1 October 2017	5 of 5
Ms T Mnqeta	BCom, Member of the Institute of Risk Management	External	N/A	1 October 2017	4 of 5
Mr T Maphanga	BSc (Computer Science & Statistics), Member of the Institute of Information Technology Professionals	External	N/A	12 November 2020	2 of 5
Ms T Cumming	BCom (Hons), CA(SA)	External	N/A	12 November 2020	3 of 5
Members whose tenure ended during the year under review:					
Ms L Smith	BCom (Hons), CA(SA), RA, Member of the Institute of Internal Auditors	External	N/A	1 April 2014 (tenure ended in October 2020)	2 of 5
Mr P White	BCom (Hons), CA (SA)	Internal	Board member	1 April 2014 (tenure ended in October 2020)	2 of 5

## 3.7 COMPLIANCE WITH LAWS AND REGULATIONS

In executing its responsibilities, the ECGB complies with the following legislation:

- Constitution of the Republic of South Africa, 1996, as amended. The ECGB ensures that the Bill of Rights is observed in all dealings with its stakeholders and employees;
- National Gambling Act (Act 7 of 2004), as amended;
- Eastern Cape Gambling Act (Act 5 of 1997), as amended and Gambling Regulations thereof;
- Public Finance Management Act (Act 1 of 1999), as amended and Treasury Regulations;
- Promotion of Equality and Prevention of Unfair Discrimination Act (Act 4 of 2000), as amended;
- Preferential Procurement Policy Framework Act (Act 5 of 2000), as amended;
- Broad-Based Black Economic Empowerment Act (Act 53 of 2003), as amended;
- Labour Relations Act (Act 66 of 1995), as amended;
- Basic Conditions of Employment Act (Act 75 of 1997), as amended;
- Employment Equity Act (Act 55 of 1998), as amended;
- Skills Development Levies Act (Act 9 of 1999), as amended;
- Promotion of Access to Information Act (Act 2 of 2000), as amended;
- Promotion of Administrative Justice Act (Act 3 of 2000), as amended;
- National Archives and Records Service of South Africa Act (Act 43 of 1996), as amended;
- Income Tax Act (Act 58 of 1962), as amended, as well as all provisions of the Taxation Laws Amendment Act as promulgated from time to time;
- Financial Intelligence Centre Act (Act 38 of 2001), as amended;
- Electronic Communications and Transactions Act (Act 25 of 2002), as amended;
- Protection of Personal Information Act (Act 4 of 2013);
- Occupational Health & Safety Act (Act 85 of 1993, as amended);
- Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993), as amended; and
- Unemployment Insurance Act (Act 63 of 2001), as amended.

Over and above the aforementioned pieces of legislation, the entity has developed its own policies and plans to guide and regulate its functionality. These include, among others:

- Delegations of Authority Policy;
- Supply Chain Management Policy;
- Asset Management Policy within the Finance Policy;
- Human Resource Policy;
- Fraud Prevention Plan;
- Enterprise Risk Management Framework;
- Performance Management Policy;
- Disaster Management Policy;
- Travel and Subsistence Policy;
- Corporate Governance of Information Communications and Technology Policy; and
- Information Technology Security Policy;
- Finance Policy; and
- Cost Containment Policy.

### 3.8 FRAUD AND CORRUPTION

The entity's approved Fraud Prevention Policy is reviewed at least every three years by the Audit and Risk Committee as well as by the Board. The policy was last reviewed in March 2020. It seeks to define the term fraud and provide employees with steps to follow should they suspect fraudulent activities. The policy sets out the reporting lines to be followed should an employee wish to report possibly fraudulent activity.

The entity also makes use of an independently managed Fraud Hotline (number 0800 333 818) should an employee or member of the public wish to report fraudulent activity anonymously.

### 3.9 MINIMISING CONFLICT OF INTEREST

The entity manages conflict of interest by including a standing agenda item for all Board and committee meetings in which members are required to state any conflicts of interest. Staff and Board members are required biannually to disclose any interests in companies or other entities.

### 3.10 CODE OF CONDUCT

The Code of Conduct consists of statutory principles which inform the general code of conduct and ethics of all members of the ECGB Board and its employees, as laid down in the ECG Act. The Code of Conduct is reviewed at least every three years in line with best practice.

The Code is applied with due consideration to the following entrenched provisions:

- All members of the Board are required to declare any conflict of interest as provided for in the ECG Act;
- Employees may not have controlling interest or any financial interest in any gaming activity;
- Board members and employees shall not participate in any gaming or betting in the province except in the performance of their duties in terms of the Act; and
- Board members and employees and their families may not accept any donation, reward or other benefit directly or indirectly from an applicant or licence holder, except within the recognised exceptions permitted by the Act.

### 3.11 HEALTH SAFETY AND ENVIRONMENTAL ISSUES

While no health, safety or environment issues were reported during the year under review, the Health and Safety Policy was adhered to during the financial year. During March 2020 an occupational health and safety risk assessment was conducted by an external service provider with the aim of advising the organisation on the safety measures to be implemented in line with COVID-19 regulations. Awareness sessions on COVID-19 were conducted for staff and management virtually and employees were provided with all the necessary resources in order to work remotely. During Alert Levels 1 to 3 staff worked in the office on a rotation schedule to ensure social distancing.

## 3.12 APPLICATION OF KING IV PRINCIPLES

The entity supports the governance outcomes, principles and practices in the King IV Code on Corporate Governance, as set out in the King IV Report on Corporate Governance for South Africa (King IV).

Below we summarise the King IV principles implemented, progress made towards achieving the practices and, ultimately, the governance outcomes envisaged. Enhancements, where required, will be made over time in line with our objective of continuously improving and entrenching corporate governance best practices.

### **Principle 1**    **The Board should lead ethically and effectively**

Ethical and effective leadership is exemplified by integrity, competence, responsibility, accountability, fairness and transparency. The Board subscribes to these ethical characteristics in order to offer effective leadership that result in achieving strategic objectives and positive outcomes over time. The Organisational Code of Ethics was revised during the previous financial year.

### **Principle 2**    **The Board should govern the ethics of the entity in a way that supports the establishment of an ethical culture**

A formal Code of Conduct is in place which clearly communicates ethical values and good governance to all staff members, and aims to promote the values, spirit and objectives contained in the provisions of the ECG Act. This Code was revised during the previous financial year, presented to all staff and delegated to management to ensure its implementation.

During the reporting period ethical declarations were completed by all Board members and staff, and the fraud/whistle-blowing hotline was in place and monitored accordingly. No Board members or staff were implicated in any unethical behaviour in terms of these hotline reports.

### **Principle 3**    **The Board should ensure that the entity is, and is seen to be, a responsible corporate citizen**

The Board's mission is to promote a socially responsible industry through regulation, licensing and appropriate enforcement. It also aims to ensure that the Eastern Cape gaming industry is conducted honestly and competitively with maximum contribution to society. Key areas of focus during the period under review, and in future, include:

- Monitoring of progress against the employment equity plan;
- Revenue collection for the provincial revenue fund;
- Enforcement of licence conditions, including employment and shareholding empowerment in the industry;
- Continued implementation of both the Corporate Social Investment (CSI) Framework for the industry and ECGB's own CSI programmes (refer Section 3.14 of the Annual Report in this regard); and
- Rollout of responsible gambling campaigns in the province using various platforms, in terms of the Responsible Gambling Strategy of the ECGB.

### **Principle 4**    **The Board should appreciate that the entity's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process**

The practices recommended under Principle 4 address the development and approval of the organisation's strategy, implementation thereof and organisational performance, including the Annual Performance Plan targets as reported on in Section 2 of this Annual Report.

As far as performance is concerned, entities have to balance their priorities so as to both fulfil their mandate and remain financially sustainable. During the current financial year, the Board prioritised outputs and outcomes planned to ensure not only sustainable value creation by the entity itself, but also with the aim of a transformed and sustainable gambling industry at large.

### **Principle 5**    **The Board should ensure that reports issued by the entity enable stakeholders to make informed assessments of the entity's performance and its short-, medium- and long-term prospects**

The ECGB Annual Report complies with the National Treasury guideline for public entities and related PFMA requirements. However, it also integrates how the entity interacts with its external environment and provides information on its strategy, governance, performance and risks, including how financial and human capital is employed to create value. Together with the Annual Performance Plan, these two documents are a practical way of informing stakeholders about the entity's performance and its short-, medium- and long-term prospects. Both documents are published on the ECGB's website for ease of access by stakeholders.

### **Principle 6**    **The Board should serve as the focal point and custodian of corporate governance in the entity**

The Board is the governing body of an entity, and thus bears fiduciary responsibilities in terms of Section 50 of the PFMA. The Board regards corporate governance and adherence to the principles and prerequisites of the relevant legislation and guidelines, including the ECG Act, the PFMA and King IV Code of Corporate Governance, as vitally important to the success of the entity's business. As such, the entity is unreservedly committed to applying the principles necessary to ensure adherence to these commitments.

Refer to Section 3.4 of this Annual Report for details included in the Board Charter and progress made regarding compliance with this Charter. The Board is satisfied that it has fulfilled its responsibilities in accordance with its Charter for the reporting period under review.

**Principle 7****The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively**

The composition of the Board is legislated in terms of Section 5 of the ECG Act. This notwithstanding, the Board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence. The majority of the current Board was appointed by the Honourable MEC for Economic Development, Environmental Affairs and Tourism in April 2016 and consists of eight non-executive members and one executive member, the Chief Executive Officer, who serves in an ex officio capacity. The Chairperson and Deputy Chairperson are both considered to be independent Board members and the Deputy Chairperson fulfils the role of lead independent member, as contemplated in King IV.

During the year under review one Board member vacancy was filled, however the tenure of six of Board members ended on 31 March 2021 and Ms Traci Mackie-Huisman was appointed as the new Chairperson of the Board subsequent to year-end. There is no Nominations Committee as the Act requires the MEC to invite interested parties by notice in the Provincial Gazette, and to follow the further processes outlined in the Act. As such, the Board has not set targets for gender or race representation but do seek to collaborate with the MEC on this critical issue, including the staggered rotation of members of the Board as allowed for in the Act.

Refer to Section 3.4 of this Annual Report for details of the qualifications of members and number of meetings attended during the reporting period.

**Principle 8****The Board should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties**

The Board has four standing committees that assist it in discharging its duties and responsibilities: Audit and Risk Committee; Finance Committee; Compliance, Licensing & Transformation Committee; and Human Resources & Remuneration Committee.

- The Audit and Risk Committee report is included in Section 3.6 of this report, and Section 3.4 provides information on membership and the number of meetings held during the period for all sub-committees. These committees operate in accordance with written Terms of Reference approved by the Board, which are reviewed annually. The committee's roles and responsibilities, as well as key areas of focus for the year under review, are as follows:
- The Finance Committee reviews and recommends the budget as well as in-year and Annual Financial Statements to the Board and advises on all finance-related policies. The Subsistence and Travel Policy was updated and reviewed by the committee during the year under review.
- The Compliance, Licensing & Transformation Committee considers and makes recommendations to the Board on the licensing regulatory regime or policy, investigation methods, the licensing criteria, regulatory compliance, revenue audit processes, consumer protection and public education, as well as transformation of the Eastern Cape gaming industry in terms of black economic empowerment and social and economic development. The Committee continues to monitor the Community Trusts associated with licensees.
- The Human Resources & Remuneration Committee assists the Board with its human resources responsibilities and oversight duties, advises the Board and makes recommendations on organisational structure and skills development, human resources policies and practice and ensures that the staff of the entity receive reasonable and fair reward for their individual and combined contributions to the overall performance of the organisation.
- The Board does not have a Social and Ethics Committee as oversight duties in this regard are performed by the Compliance, Licensing & Transformation Committee (compliance, B-BBEE, social and economic development) the Human Resources and Remuneration Committee (employment equity and health and safety) and the Audit and Risk Committee (ethics, risk and fraud prevention).

The Board is satisfied that each of these committees have fulfilled their responsibilities in accordance with its terms of reference for the reporting period. The committees are appropriately constituted and members are appointed by the Board. There are no external advisers or invitees who are standing attendees at committee meetings, although experts may be engaged when required.

**Principle 9****The Board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness**

The effectiveness and performance of the Board as a whole, as well as the individual Board committees, is evaluated annually. An external service provider led the evaluation process during 2019/20. The Board is satisfied that the evaluation process is contributing to improvement in the Board's performance and effectiveness.

**Principle 10****The Board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities**

The Board Delegation of Authority Policy sets out the different levels of authority afforded to the CEO, Board committees and executive management in the ECGB. The policy is developed in order to maintain high levels of corporate governance within the ECGB and to ensure that all parties are aware of their responsibilities. The Board is satisfied that it contributes to role clarity and the effective exercise of authority and responsibilities.

The CEO was re-appointed by the Board in consultation with the Executive Authority, effective December 2019, on the terms and conditions contained in ECGB's Human Resource policies. The role and responsibilities of the CEO are set out in the Board Charter. The Board evaluates the performance of the CEO annually against agreed performance measures and targets. A succession plan is in place for the CEO and other executive managers. The CEO was appointed as the President of the International Association of Gaming Regulators (IAGR) during the year under review and is a Board Member of the South African Responsible Gambling Foundation NPC (SARGF).

**Principle 11**    **The Board should govern risk in a way that supports the entity in setting and achieving its strategic objectives**

The Board is responsible for the governance of risk in terms of the approved Enterprise Risk Management Policy. The risk appetite is reviewed during the strategic planning process. Specifically, management considers levels of acceptable risk when developing performance indicators. The Board subsequently reviews the Annual Performance Plan and approves the operating objectives as being achievable. The ECGB's risk appetite then represents the amount of risk the ECGB is willing to accept as it seeks to achieve its defined strategic objectives. Detailed risk appetite considerations are included in the Annual Performance Plan.

The Audit and Risk Committee assists the Board with the governance of risk and monitors risk management and combined assurance. It is supported by management and the Management Risk Committee, which reports quarterly on risk management, including mitigation action plans.

**Principle 12**    **The Board should govern technology and information in a way that supports the entity setting and achieving its strategic objectives**

In terms of the Board Charter and the Audit and Risk Committee Terms of Reference, the Audit and Risk Committee assists the Board with technology and information (IT) governance. The ICT Strategy, including processes, procedures and structures to achieve the IT strategic objectives, was reviewed and adopted by the Board during the year under review. In addition, the ICT Security Policy was also reviewed and approved, and internal audit conducted a general controls review.

**Principle 13**    **The Board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the entity being ethical and a good corporate citizen**

The entity understands which laws and regulations it is required to comply (the legal universe applicable to ECGB) and has developed a compliance calendar for the organisation that is reviewed on a quarterly basis. Compliance self-assessments are performed biannually by the legal department under the guidance of the Legal Manager, who reports accordingly to the Audit and Risk and Compliance, Licensing & Transformation Committees. The Legal Manager attends Management Risk Committee meetings as well as all Board and sub-committee meetings. No material non-compliance with laws and regulations were identified during the reporting period.

**Principle 14**    **The Board should ensure that the entity remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term**

The approved Remuneration and Reward Policy and Individual Performance Management Policy of the Board aim to achieve the following objectives:

- Attraction and retention of suitably skilled and competent employees;
- Appropriate reward for superior performance delivered by employees; and
- Obtain value for money for ECGB and ensure transparency, equity, consistency, and fairness in the levels of remuneration paid.

ECGB determines remuneration levels on the basis of job grading and market benchmarking results, which is conducted as necessary but at least every three years. This was conducted in March 2021.

Refer to Section 4 of this Annual Report for further Human Resources information, including personnel costs and performance rewards. The Annual Financial Statements include details of the remuneration of Board members and senior managers, in Notes 25 and 17, respectively. The Board remuneration policy is approved by the MEC and was last revised in 2013.

**Principle 15**    **The Board should ensure that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and of the entity's external reports**

The Board has delegated to the Audit and Risk Committee oversight of, among others, the effectiveness of the entity's assurance services, including external audit, internal audit and the finance function, as well as the integrity of the Annual Report and the Annual Financial Statements.

With the assistance of independent assurers, such as the external auditor and the internal auditor, the Audit and Risk and Finance Committees review and evaluate the Annual Report and the Annual Financial Statements, prior to recommendation to the Board for approval.

The Audit and Risk Committee has been delegated the responsibility of ensuring that assurance services are performed in terms of the Internal Audit Charter. ECGB has an outsourced internal audit function, whose role and responsibilities are set out in an Internal Audit Charter. This requires, inter alia, the performance of risk-based internal audits in terms of an internal audit plan, as approved by the Audit and Risk Committee.

Internal audit submits formal reports to the Audit and Risk Committee quarterly. Refer to Section 3.6 for details of the reviews performed by internal audit during the reporting period.

**Principle 16** In the execution of its governance role and responsibilities, the Board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the entity over time

The Board has an approved stakeholder strategy that is reviewed at least every three years. The Board is convinced that the successful attainment of its objectives requires a multi-sectoral approach and a robust management of various stakeholder groupings. The focus on stakeholder management should assist the regulator in building credible associations and collaborative work with sister organisations and departments towards the achievement of its stated objectives.

Both strategic and operational principles inform ECGB’s engagement with stakeholders and strategic partners.

Strategic principles include:

- Significance: ECGB will engage stakeholders when there is a clear purpose and value in doing so.
- Completeness: ECGB will seek to understand the concerns, views, needs and expectations of stakeholders.
- Responsiveness: ECGB will respond coherently, appropriately and on time to its stakeholders.

Operational principles include:

- Communication: ECGB will be open and promote effective communication.
- Transparency: ECGB will provide clear information and establish feedback channels for all stakeholders.
- Collaboration: ECGB will seek mutually beneficial outcomes where feasible.
- Inclusiveness: ECGB will recognise, understand and involve stakeholders.
- Integrity: ECGB will engage stakeholders in a manner that fosters mutual respect and trust.

### 3.13 B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with the compliance to the B-BBEE requirements of the B-BBEE Act of 2013 and as determined by the Department of Trade and Industry.

Criteria	Response	Discussion
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	Yes	The ECGB is empowered in terms of Section 53(1)(c) of the National Gambling Act (Act 7 of 2004), as amended, to impose reasonable and justifiable conditions on a licence to inter alia address black economic empowerment (“BEE”). In addition, it may apply the Codes to determine qualification criteria for the issuing of a licence in terms of section 10(1) of the B-BBEE Act. The ECGB in its RFP accordingly requires that a minimum percentage of the shareholding of the holder of licence must be held by Local PDIs as a reasonable and justifiable condition to meaningfully empower PDIs who are local inhabitants (“the Local PDI Requirement”) in terms of Section 33(1) (k) of the ECG Act. Further to this all licences have criteria for overall B-BBEE status that the applicant must maintain as a condition of licence.
Developing and implementing a preferential procurement policy?	Yes	All procurement is conducted in line with the approved Supply Chain Management Policy of the Board which includes the preferential procurement regulations in terms of the Preferential Procurement Policy Framework Act (Act 5 of 2000). In this regard, points are awarded for all procurement greater than R30 000 based on the B-BBEE status level of the supplier.
Determining qualification criteria for the sale of state-owned enterprises?	N/A	
Developing criteria for entering into partnerships with the private sector?	N/A	
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad-Based Black Economic Empowerment?	N/A	

### 3.14 SOCIAL RESPONSIBILITY

The Eastern Cape Gambling Board is proud to share this brief reflection of some of its CSI initiatives over the past year. This reflection is themed “No Place Too Far”.

Over the past few years, we have committed ourselves as an empowering gambling regulator to invest in the neediest communities of our province and no place has been too remote to receive assistance.

Over and above the awarding of different types of licences and the collection of revenue for the Provincial Fiscus, the ECGB has corporate responsibility for identifying and supporting socio-economic development initiatives to empower communities in poverty-stricken areas. In addition, it is mandated to support impoverished communities in terms of the Provincial Anti-Poverty Strategy, including the designated and vulnerable groups of youth, the elderly, disabled persons and women.

In this regard, corporate social investment support was provided in terms of the Investment in Human Development with respect to achieving maths, science and technology outcomes for Grades R-7 to the following schools of the Eastern Cape Department of Education:

- Nxukhwebe Primary School in Raymond Mhlaba Local Municipality (Ward 7),
- Zwelitsha Primary School in Mhlonlo Local Municipality (Ward 1),
- Maruping Primary School in Walter Sisulu Local Municipality (Ward 4) and
- Grahamstown Primary School in Makana Local Municipality (Ward 3).

The four identified Primary Schools have been provided with Maths, Science & Technology kits for Grades R-7, as follows:

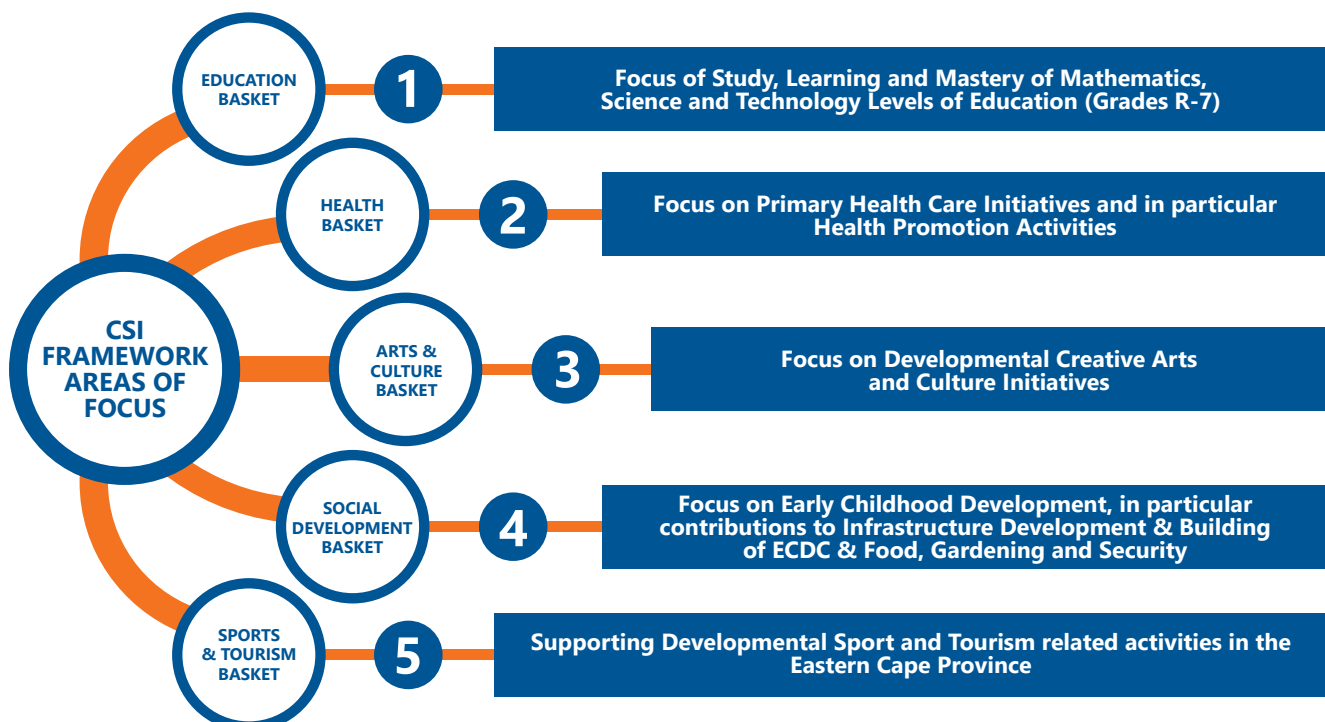
- Three (3) mobile labs for Natural science and technology kit;
- One (1) mobile cabinet for Mathematics kit;
- One (1) Box of chemicals;
- One (1) Batch of multiple Wall charts for Maths, Science & Technology; and
- Various learning areas.

Signage Boards for each school with the logos of ECGB, Departments of Education and Social Development and the school are due to be mounted in all the schools before the end of the first quarter of the 2021 financial year.

The boards contain the ECGB toll-free line on fraud prevention, NRGF helpline for problem gambling assistance and also contain messages of responsible gambling, including reporting illegal gambling activities. The Department of Education pledged to conduct follow-up monitoring and evaluation together with ECGB for ensuring that the investment made yield positive results and is accounted for accordingly.

Figure 1 below depicts the CSI Framework Focus Areas, as well as a summary of the socio-economic development contributions or projects implemented by the ECGB in various impoverished communities in the Eastern Cape.

**Figure 1 ECGB CSI Focus Areas, as informed by the approved CSI Framework.**



Below is a summary of the socio-economic contributions or projects implemented by the ECGB in Eastern Cape Department of Education schools in various impoverished communities in the province, in pursuance of the Eastern Cape Anti-Poverty Strategy as coordinated by the Eastern Cape Department of Social Development.

### Designated and Vulnerable Groups

The ECGB has collaborated with other stakeholders to add socio-economic value and, more specifically, to become an agent of social change within the province. This was achieved through the implementation of programmes meant to support vulnerable communities, especially designated and vulnerable groups.

During the 2020/21 financial year, the ECGB took a principled decision to support COVID-19 initiatives by procuring and distributing Protective Personal Equipment (PPE) for supporting old age homes in the Buffalo City Metropolitan Municipality (BCMM) and Rev Dr EM Chabhula-Nxiweni COVID-19 field hospital at Gqeberha.

The following PPE were distributed to six old age homes in the Buffalo City Metro: a) 686 face masks; b) 60 face shields; c) 6x 25l hand sanitisers.



1. CSI handover of Maths and Science kit at Zwelitsha Primary school in Tsolo



2. CSI handover of Maths and Science kit at Bholani Primary School in Port St Johns



3. CSI handover of Maths and Science kit at Heukile Primary School in Cofimvaba

At the Rev Dr EM Chabhula-Nxiweni COVID-19 field hospital, 2x plastic laundry trolleys and 2x sweeper boy/push sweepers were provided by the ECGB.

### 3.15 RESPONSIBLE GAMBLING

The constitution of the Republic of South Africa, read together with the National Gambling Act (Act 7 of 2004), requires the establishment of uniform norms and standards, aimed at safeguarding people participating in gambling and their communities against the adverse effects of gambling. Problem gambling is characterised by difficulties in limiting money and/or time spent on gambling which leads to adverse consequences for the gambler, others or for the community.

During the 2020/21 financial year, 10 workshop sessions were planned and conducted with the Community Policing Forums (CPF) and Community Police Officers (CPO) of the Eastern Cape in all the Eastern Cape District Municipalities, as listed below:

- Chris Hani District Municipality;
- Amathole District Municipality;
- Buffalo City Metropolitan Municipality;
- Sarah Baartman District Municipality
- Nelson Mandela Metropolitan Municipality;
- OR Tambo District Municipality;
- Joe Gqabi District Municipality; and
- Alfred Nzo District Municipality;

The workshops focused on minimising the harmful effects of irresponsible and excessive gambling among individuals, in the workplace and in communities at large. The contents of the workshops included:

- Legislative mandate of Gambling Post 1994 and the key principles of Wiehan Commission regarding gambling;
- Understanding of problem gambling and excessive gambling, including types of gamblers, signs and symptoms of a problem gambler, stigma and problem gambling defined, co-morbidity, implications and consequences of problem gambling.
- Available support and referral services provided by SARGF's National Responsible Gambling Programme and Gambling Industry Mechanism to minimise potential harmful effects of excessive gambling, namely, self-exclusion and third-party exclusion; and
- Raising awareness of issues of illegal gambling that are currently plaguing the gambling industry, thus affecting revenue generation and enhancing criminal activities within the communities.

The table below illustrates the reach, demographics and areas impacted by responsible gambling workshop sessions conducted during the period under review with CPF and CPO members, focusing on the minimisation of harmful effects of excessive, irresponsible and illegal gambling.

NO.	ORGANISATION DISTRICT MUNICIPALITY	NUMBER OF PEOPLE REACHED	EQUITY DEMOGRAPHICS		REGION / LOCATION / LOCAL MUNICIPALITY	DATES
			Males	Women		
1.	Chris Hani District Municipality	13	5	8	Inxuba Yethemba Local Municipality, Cradock	13 October 2020
2.		60	18	42	Enoch Mgijima Local Municipality, Queenstown	14 October 2020 15 October 2020
3.	Amathole District Municipality	11	6	5	Mbashe Local Municipality and Mquma Local Municipality, Butterworth	21 October 2020
4.	Buffalo City Metropolitan Municipality	31	12	19	Buffalo City Metropolitan, East London	22 October 2020
5.	Sarah Baartman District Municipality	38	15	23	Dr Beyers Naude Local Municipality, Graaff-Reinet	10 & 11 November 2020
6.	Sarah Baartman District Municipality	16	8	8	Kouga Local Municipality, Jeffreys Bay	12 November 2020
7.	OR Tambo District Municipality	35	17	18	Ingquza Hill Local Municipality, Lusikisiki KSD Local Municipality, Mthatha Mhlontlo Local Municipality, Mthatha	2 March 2021 3 March 2021 4 March 2021
8.	Chris Hani District Municipality	17	9	8	Inxuba Yethemba Local Municipality, Cradock	24 March 2021
9.	Joe Gqabi District Municipality	19	10	09	Maletswai Local Municipality, Aliwal North	25 March 2021
10.	Alfred Nzo District Municipality	37	20	17	Matatiele Local Municipality, Matatiele	26 March 2021



**PART D**

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**Human Resource  
Management**



## 4.1 INTRODUCTION

### Overview of Human Resource (HR) Matters at the Public Entity

The Eastern Cape Gambling Board aims to be an employer of choice and has designed a Human Resources Management (HRM) Strategy with this in mind.

The overall purpose of HR is to ensure that all matters relating to Human Capital Management and Development are implemented effectively and efficiently. The entity's ability to implement its strategic intent rests on its management and employees, particularly how they are led / managed and capacitated within the right climate to deliver and grow into a high-performance culture. Human resource management plays a pivotal role in this process.

The Human Resource Management division provides the following services:

- Training and development
- Talent management and organisational development
- Recruitment and selection
- Employee benefits, rewards and payroll management
- Policy development
- Occupational health and safety
- Employee wellness
- Legal compliance
- Employee relations
- Employment equity
- Individual performance management
- General administration and maintenance

### HR Priorities for the Year Under Review and the Impact of these Priorities

The Human Resources Department is measured based on the Human Resource Maturity Assessment instrument to ensure it strategically assists the Board in the achievement of service delivery goals. Emanating from this instrument, HR priorities emerged and have been included in the HR Operational Plan. These play a vital role in the achievement of the organisation's overall strategic objectives and its mandate of regulating the gaming industry and protecting the public in the province.

The following were the HR priorities during the year under review:

- Review the current organisational structure to ensure alignment with the new organisational strategy
- Improve maturity of HR through the implementation of identified priorities
- Ensure employee retention through succession planning programme
- Effectively manage employment relations within the organisation
- Enhance employee wellness programmes
- Promote implementation of human resources planning and organisational development
- Enhance human capital development for all employees
- Enhance integrated performance management system

People are the organisation's most valuable resource and their management and development is critical to meeting planned organisational objectives.

### Workforce Planning Framework and Key Strategies to Attract and Recruit a Skilled and Capable Workforce

Training and development initiatives, including the bursary scheme, are in place to ensure that the current workforce is efficient and to enhance personal development. Furthermore, the succession planning programme has been initiated to ensure that the necessary skills are in place to guarantee availability of experienced and capable employees to assume those roles when they become available. The organisation offers competitive salaries and benefits. Its policies allow for professional growth and employee wellness. Career advancement programmes are also in place to allow progression of internal employees.

### Employee Performance Management Framework

The Integrated Performance Management System ensures that the organisation's strategic objectives are translated into operational and performance objectives that are cascaded at every level (from top to bottom throughout the organisation) and which inform the manner in which both the institution and its employees function.

Performance management is an ongoing and continuous process rather than an event whereby all employees are required to sign annual performance contracts and are evaluated on a quarterly basis. Excellent performance is recognised.

## Employee Wellness Programmes

The entity continued to implement its Employee Assistance Programme throughout the year. The service provides 24-hour counselling and advisory services to all employees of the Board and their immediate families, whenever required.

The organisation also facilitates other wellness sessions such as the annual staff Wellness Day, as well as educational sessions on selected wellness topics.

## Policy Development

The HR Department ensures that policies are up to date. A total of seven policies and the HR Strategy were reviewed during the year under review.

## Achievements During the Year

An assessment of the HR component's ability to strategically assist in the achievement of service delivery goals, known as the Human Resources Maturity assessment, was conducted and a Level 3 rating was achieved, which was the set target for the year under review.

Filling of three vacancies took place and seven graduate interns continued with the internship programme.

With regard to skills development, the Annual Workplace Skills Plan and Annual Training Report was submitted to the CATHSSETA. Employee training on functional training programmes were undertaken in various programmes.

An Internship Plan that guides the intake of interns during the year was developed. An Employee Wellness Plan was also developed to provide structured wellness programmes for the year. A Change Management Plan with change initiatives within the organisation was developed during this period. Steps towards the development of a full organisational succession plan were taken including a workshop with management and the review of the Succession Planning & Retention Policy.

The job evaluation process to ensure alignment of job profiles with the organisational structure was finalised in 2020/21, together with a salary benchmarking exercise.

The entity implemented measures to curb the spread of COVID-19 in the workplace. A business continuity committee was established to ensure continuity during Coronavirus pandemic era. A business continuity plan to guide continuity was also developed.

In line with the Occupational Health & Safety Direction from the Department of Employment & Labour, the entity developed a Workplace Preparedness Plan entailing all the measures the organisation will put in place to ensure health and safety of employees during the pandemic.

Employees were permitted to work from home and equipment for remote working was provided by the organisation. Employee wellness sessions on different topics were held with all employees to assist them in coping with the challenges brought by the pandemic.

Staff were furnished with the necessary PPE, a COVID-19 symptom screening App was developed for use by staff when attending to the office. COVID-19 protocols were developed and amended when necessary.

## Challenges Faced by the Public Entity

The COVID pandemic continues to pose challenges that the entity must mitigate.

## Future HR Plans / Goals

- The Organisational structure will be reviewed in 2021/22 to align with the new five-year organisational strategy.
- Selected HR policies will be reviewed in the 2021/22 financial year to ensure alignment with the overall organisational and HR strategies.
- An organisational-wide succession plan will be developed to ensure that a pool of employees is ready for vacancies that may occur.
- A change management programme will be rolled out to effectively manage changes in the organisation.
- The ethics programme will be strengthened through the implementation of the ethics framework and regular awareness raising.

## 4.2 HUMAN RESOURCE OVERSIGHT STATISTICS

### Total Personnel Cost by Programme<sup>7</sup>

Programme	Total Expenditure for the Entity (R'000)	Total Personnel Expenditure (R'000)	Personnel Cost as a % of Total Expenditure (R'000)	No. of staff	Average Personnel Cost per Employee (R'000)
Programme 1: Corporate Services Management (and Capital Expenditure)	41 015	24 106	59%	30	804
Programme 2: Gambling Regulation and Consumer Protection	21 878	19 428	89%	25	777
Programme 3: Research and Public Education	2 942	2 190	74%	3	730
<b>TOTAL</b>	<b>65 835</b>	<b>45 724</b>	<b>69%</b>	<b>58</b>	<b>788</b>

### Personnel Cost by Salary Band (Excluding Performance Bonus Below)

Level	Personnel Expenditure (R'000)	% of Total Personnel Expenditure	No. of Employees	Average Personnel Cost per Employee (R'000)
Executive / Senior Management	8 007	19%	3	2 669
Management	6 911	16%	6	1 152
Professionally Qualified / Specialists	6 064	14%	6	1 011
Skilled	18 386	43%	32	575
Semi-Skilled	3 186	7%	8	398
Unskilled	277	1%	3	92
<b>TOTAL</b>	<b>42 832</b>	<b>100%</b>	<b>58</b>	<b>738</b>

### Performance Bonus Paid

Level	Performance Bonus (R'000)	Other Personnel Costs (R'000)	% Performance Bonus Paid
Executive / Senior Management	759	8 007	9%
Management	654	6 911	9%
Professionally Qualified / Specialists	336	6 064	6%
Skilled	953	18 386	5%
Semi-Skilled	173	3 186	5%
Unskilled	16	277	6%
<b>TOTAL</b>	<b>2 892</b>	<b>42 832</b>	<b>7%</b>

<sup>7</sup> Costs reflected exclude employees appointed on short term contracts, casual labour costs and the internship programme.

### Training and Development Costs (Local)

Programme	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	No. of Employees Trained	Avg Training Cost per Employee (R'000)
Programme: Corporate Services Management & Administration	24 106	110	0%	22	5
Programme: Gambling Regulation and Consumer Protection	19 428	165	1%	24	7
Programme 3: Research and Public Education	2 190	0	0%	3	0
<b>TOTAL</b>	<b>45 724</b>	<b>275</b>	<b>1%</b>	<b>49</b>	<b>12</b>

### Employment and Vacancies

Positions Vacant	2019/20 Number of Employees	2020/21 Approved Posts	2020/21 No. of Employees	2020/21 Vacancies	% of Vacancies
Manager: Legal Service & Board Secretariat	1	1	0	1	1.7%
Junior Inspector	2	2	1	1	1.7%
Junior Investigator	2	2	1	1	1.7%
Risk & Compliance Officer	1	1	1	1	1.7%
General Assistant	1	1	0	1	1.7%

Level	2019/20 Number of Employees	2020/21 Approved Posts	2020/21 No. of Employees	2020/21 Vacancies	% of Vacancies
Executive / Senior Management	3	3	3	0	0%
Management	5	6	5	1	1.7%
Professionally Qualified / Specialists	5	6	6	0	0%
Skilled	31	32	29	3	5.2%
Semi-Skilled	8	8	8	0	0%
Unskilled	2	3	2	1	1.7%
<b>TOTAL</b>	<b>54</b>	<b>58</b>	<b>53</b>	<b>5</b>	<b>8.6%</b>

### Employment Changes

Salary Band	Employment at Beginning of Period	Appointments	Terminations	Employment at End of Period
Executive / Senior Management	3	0	0	3
Management	5	0	0	5
Professionally Qualified / Specialists	5	1	0	6
Skilled	29	2	4	29
Semi-Skilled	8	0	0	8
Unskilled	2	0	0	2
<b>Total</b>	<b>54</b>	<b>3</b>	<b>4</b>	<b>53</b>

## Reasons for Staff Leaving

Reason	Number	% of Total No. of Staff
Death	0	0%
Resignation	1	1.8%
Dismissal	0	0%
Retirement	0	0%
Ill health	0	0%
Expiry of Contract	0	0%
Promotion	3	5.2%
Other	0	0%
<b>Total</b>	<b>4</b>	<b>7.0%</b>

## Labour Relations: Misconduct and Disciplinary Action

Nature of Disciplinary Action	Number
Verbal Warning	0
Written Warning	1
Final Written Warning	0
Dismissal	0

## Equity Target and Employment Equity Status

During the year under review, the entity continued to implement its Employment Equity (EE) Plan. Not all targets have been achieved during the filling of vacancies. An Employment Equity report is submitted annually to the Department of Labour as required by the Employment Equity Act (Act 55 of 1998).

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Executive / Senior Management	2	2	0	0	0	0	1	1
Management (incl. Professionally Qualified / Specialists)	4	4	0	0	1	0	0	0
Skilled	13	13	0	1	0	0	2	0
Semi-Skilled	1	1	0	0	0	0	0	0
Unskilled	0	1	0	0	0	0	0	0
<b>TOTAL</b>	<b>20</b>	<b>21</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>3</b>	<b>1</b>

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Executive / Senior Management	0	0	0	0	0	0	0	0
Management (incl. Professionally Qualified / Specialists)	6	7	0	0	0	0	0	0
Skilled	13	13	1	1	0	0	0	0
Semi-Skilled	7	7	0	0	0	0	0	0
Unskilled	2	2	0	0	0	0	0	0
<b>TOTAL</b>	<b>28</b>	<b>29</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Executive / Senior Management	0	0	0	0
Management (incl. Professionally Qualified / Specialists)	0	0	0	0
Skilled	0	0	0	0
Semi-Skilled	0	0	0	0
Unskilled	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



**PART E**

**Financial  
Information**





# REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE ON THE EASTERN CAPE GAMBLING BOARD

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

1. I have audited the financial statements of the Eastern Cape Gambling Board, set out on pages 60 to 87, which comprise the statement of financial position as at 31 March 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of actual and budget amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Eastern Cape Gambling Board as at 31 March 2021, and its financial performance and cash flows for the year then ended, in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Responsibilities of the accounting authority for the financial statements

6. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

7. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

### Auditor-general's responsibilities for the audit of the financial statements

8. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

### Introduction and scope

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the public entity's annual performance report for the year ended 31 March 2021:

<b>Programmes</b>	<b>Pages in the annual performance report</b>
Programme 2 – gambling regulation and consumer protection	23 – 25

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

14. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:

- Programme 2 – gambling regulation and consumer protection.

## REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

### Introduction and scope

15. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

16. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

## OTHER INFORMATION

17. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report and the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

18. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

19. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

20. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

### Internal control deficiencies

21. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

*Auditor-General*

East London  
30 July 2021



**AUDITOR - GENERAL**  
**SOUTH AFRICA**

## ANNEXURE – AUDITOR-GENERAL’S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programmes and on the public entity’s compliance with respect to the selected subject matters.

### Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
  - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity’s internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
  - conclude on the appropriateness of the accounting authority’s use of the going concern basis of accounting in the preparation

of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Eastern Cape Gambling Board to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a public entity to cease operating as a going concern

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

# STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2021

	NOTES	2021 R	2020 R
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	2	18 958 034	17 111 348
Prepayments	3	467 791	573 863
Statutory Receivables for distribution from non-exchange transactions	4	14 056 933	7 859 684
Statutory receivables from exchange transactions	5	28 275	33 360
Other receivables from exchange transactions	6	108 269	248 993
		<b>33 619 302</b>	<b>25 827 248</b>
<b>Non-current assets</b>			
Property, plant and equipment	7	22 178 037	14 012 493
Intangible assets	8	3 108 875	3 826 235
<b>TOTAL ASSETS</b>		<b>58 906 214</b>	<b>43 665 976</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Collections for distributions from non-exchange transactions	9	13 992 390	8 006 041
Trade and other payables from exchange transactions	10	11 327 255	11 281 375
Provisions	11	2 960 133	2 987 309
Finance lease obligation	12	324 079	323 480
		<b>28 603 857</b>	<b>22 598 205</b>
<b>Non-current liabilities</b>			
Provisions	11	498 793	462 597
Finance lease obligation	12	47 226	268 999
<b>TOTAL LIABILITIES</b>		<b>29 149 876</b>	<b>23 329 801</b>
<b>NET ASSETS</b>		<b>29 756 338</b>	<b>20 336 175</b>
<b>Net assets</b>			
Accumulated surplus		29 756 338	20 336 175
<b>TOTAL NET ASSETS</b>		<b>29 756 338</b>	<b>20 336 175</b>

## STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2021

	NOTES	2021 R	2020 R
<b>REVENUE</b>			
Revenue from exchange transactions	13	12 836 077	14 425 988
Revenue from non-exchange transactions	13	61 350 000	58 710 000
		<b>74 186 077</b>	<b>73 135 988</b>
<b>EXPENDITURE</b>			
Administrative expenditure	14	5 271 778	9 569 849
Corporate social investment	15	282 827	561 662
Consumer protection and public education	16	244 513	2 568 019
Depreciation and impairment of PPE	7	1 966 922	1 735 812
Amortisation of intangible assets	8	717 360	316 499
Employee costs	17	46 949 892	46 900 236
Legal costs		3 634 038	3 929 082
Marketing and research costs	18	606 601	552 859
Other operating expenditure	19	4 957 330	4 878 324
Statutory audit fees	20	1 203 767	1 242 924
<b>TOTAL EXPENDITURE</b>		<b>65 835 028</b>	<b>72 255 266</b>
<b>NET EXPENDITURE</b>		<b>8 351 049</b>	<b>880 722</b>
Finance income	21	1 052 389	2 281 008
Profit on disposal of PPE	22	16 725	22 013
<b>TOTAL OTHER INCOME</b>		<b>1 069 114</b>	<b>2 303 021</b>
<b>SURPLUS FOR THE YEAR</b>		<b>9 420 163</b>	<b>3 183 743</b>

## STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2021

	Accumulated Surplus R	Total R
<b>Balance as at 01 April 2019</b>	<b>17 152 429</b>	<b>17 152 429</b>
Surplus for the year	3 183 743	3 183 743
<b>Balance as at 1 April 2020</b>	<b>20 336 175</b>	<b>20 336 175</b>
Balance as at 01 April 2020	20 336 175	20 336 175
Surplus for the year	9 420 163	9 420 163
<b>Balance as at 31 March 2021</b>	<b>29 756 338</b>	<b>29 756 338</b>

## CASH FLOW STATEMENT

for the year ended 31 March 2021

	Notes	2021 R	2020 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Gambling fees and taxes		104 485 838	210 419 342
DEDEAT Grant		61 350 000	58 710 000
Trade Debtor and other receipts		12 308 659	13 326 059
		<b>178 144 497</b>	<b>282 455 401</b>
<b>Payments</b>			
Gambling fees and taxes paid to the Province		98 334 834	199 549 880
Payment to suppliers, employees and other payments		68 670 475	82 548 869
		167 005 309	282 098 749
<b>Net cash flows from operating activities</b>	<b>22</b>	<b>11 139 188</b>	<b>356 650</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	22	1 052 389	2 281 008
Proceeds from sale of property, plant and equipment	22	108 495	157 024
Purchase of property, plant and equipment		(10 111 180)	(3 283 175)
Purchase of intangible assets	8	-	(406 123)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Finance lease payments		(342 206)	(164 252)
<b>Net cash flows from investing and financing activities</b>		<b>(9 292 502)</b>	<b>(1 415 518)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1 846 686</b>	<b>(1 058 868)</b>
Cash and cash equivalents at beginning of the year		17 111 348	18 170 216
<b>Cash and cash equivalents at end of the year</b>	<b>2</b>	<b>18 958 034</b>	<b>17 111 348</b>

## STATEMENT OF COMPARISON OF ACTUAL AND BUDGET AMOUNTS

for the year ended 31 March 2021

	Note	Approved Budget	Final Adjusted Budget	Actual Amounts	Difference: Final Budget and Actual	Variance %
		R	R	R	R	
<b>REVENUE</b>						
Revenue from exchange transactions	34	8 529 619	11 529 619	12 836 077	1 306 458	11,3%
Revenue from non-exchange transactions		60 682 000	61 350 000	61 350 000	(0)	(0,0%)
		<b>69 211 619</b>	<b>72 879 619</b>	<b>74 186 077</b>	<b>1 306 458</b>	<b>1,8%</b>
<b>EXPENDITURE</b>						
Administrative expenditure		7 293 000	5 644 836	5 271 778	(373 058)	(6,6%)
Corporate social investment	34	446 209	446 209	282 827	(163 382)	(36,6%)
Consumer protection and public education	34	1 014 071	1 014 071	244 513	(769 558)	(75,9%)
Depreciation and impairment of PPE		1 826 041	1 826 041	1 966 922	140 881	7,7%
Amortisation of intangible assets		1 432 737	790 846	717 360	(73 486)	(9,3%)
Employee costs		47 372 000	47 039 339	46 949 892	(89 447)	(0,2%)
Legal costs		2 500 000	3 750 000	3 634 038	(115 962)	(3,1%)
Marketing and research costs		724 000	633 072	606 601	(26 471)	(4,2%)
Other operating expenditure		5 475 000	5 134 525	4 957 330	(177 195)	(3,5%)
Statutory audit fees		1 301 000	1 260 807	1 203 767	(57 040)	(4,5%)
<b>TOTAL EXPENDITURE</b>		<b>69 384 058</b>	<b>67 539 746</b>	<b>65 835 028</b>	<b>(1 704 718)</b>	<b>(2,5%)</b>
<b>TOTAL SURPLUS</b>		<b>(172 439)</b>	<b>5 339 873</b>	<b>8 351 049</b>	<b>3 011 176</b>	<b>56,4%</b>
Finance income		1 473 038	1 073 038	1 052 389	(20 649)	(1,9%)
Profit on disposal of PPE		-	-	16 725	16 725	100,0%
		1 473 038	1 073 038	1 069 114	(3 924)	(0,4%)
<b>SURPLUS FOR THE YEAR</b>		<b>1 300 599</b>	<b>6 412 911</b>	<b>9 420 163</b>	<b>3 007 252</b>	<b>46,9%</b>
<b>CAPITAL EXPENDITURE</b>	34	<b>10 085 000</b>	<b>13 820 351</b>	<b>10 232 211</b>	<b>(3 588 140)</b>	<b>(26,0%)</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## for the year ended 31 March 2021

### 1. ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2021

#### 1.1 Reporting Entity

These Annual Financial Statements are for the Eastern Cape Gambling Board. The financial statements encompass the reporting entity as specified in the Public Finance Management Act (Act No. 1 of 1999, as amended). Reporting oversight comprises:

- Eastern Cape Provincial Treasury
- Eastern Cape Department of Economic Development, Environmental Affairs and Tourism

#### 1.2 Basis of Preparation

The Annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) for the Accrual Basis of Accounting including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements have been prepared on a going concern basis as detailed in Note 29 and the accounting policies have been applied consistently throughout the period, and consistent with the previous period except as noted below due to the adoption of new GRAP standards.

They Annual Financial Statements are presented in South African Rand.

The following Standards of GRAP became effective in the current financial period:

Reference	Topic	Nature of change and Impact on reporting framework
iGRAP 1	Applying the probability test on initial recognition of revenue (Revised)	The Board has applied its accounting policies consistently with prior periods as they adequately addressed these standards. Where relevant, additional disclosures have been added.
iGRAP 20	Accounting for Adjustments to Revenue	
GRAP 110	Living and Non-living Resources	The scope of this standard is not relevant to the Board's activities.

The following Standards of GRAP have been revised, but the revisions are not yet effective. The Minister of Finance has not yet determined the effective dates:

Reference	Topic	Nature of change and Impact on reporting framework
GRAP 104	Financial Instruments (Revised)	Compliance with these standards is not yet required, and will be further assessed when an effective date is approved. The possible impact on future reporting periods is not considered to be material and relates to classification and disclosure considerations.
GRAP 25	Employee Benefits (Revised)	

A summary of the significant accounting policies, are disclosed below.

##### 1.2.1 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, or for administrative purposes, and are expected to be used during more than one period. Since they are not used to generate a commercial return, and since no assets are used to directly generate cashflow but rather to support the execution of the ECGB mandate, they are designated as non-cash generating units at initial recognition.

Property, plant and equipment is initially measured at cost and are subsequently carried at historical cost less accumulated depreciation. Depreciation is calculated on the straight-line method to write off the cost of assets to their residual values over their anticipated useful lives as follows:

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, or for administrative purposes, and are expected to be used during more than one period. Since they are not used to generate a commercial return, and since no assets are used to directly generate cashflow but rather to support the execution of the ECGB mandate, they are designated as non-cash generating units at initial recognition.

Property, plant and equipment is initially measured at cost and are subsequently carried at historical cost less accumulated depreciation. Depreciation is calculated on the straight-line method to write off the cost of assets to their residual values over their anticipated useful lives as follows:

Item	Average useful life
Buildings	50 years
Fixtures and fittings	10 years
Motor vehicles	5 years
Furniture and Equipment:	
- Office furniture	10 years
- Office and operating equipment	5 years
- Sundry assets	5 years
Computer equipment	3 years
Cellphones (and iPads)	2 years

Land is not depreciated as it is deemed to have an indefinite life.

The useful lives as well as residual values are assessed annually for any indication that the previous expectations have changed, and depreciation methods are reviewed annually. Condition assessments and any indicators of a change in use are assessed annually. Vehicle values are compared to current trade-in values.

Depreciation is recognised even if the fair value of the asset exceeds its carrying amount, as long as the asset's residual value does not exceed its carrying amount. The depreciable amount of an asset is determined after deducting its residual value. The residual value of an asset may increase to an amount equal to or greater than the asset's carrying amount. If it does, the asset's depreciation charge is zero unless and until its residual value subsequently decreases to an amount below the asset's carrying amount.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the sales proceeds and the carrying amount of the assets and are recognised in the statement of financial performance as realised.

Property, plant and equipment are reviewed for impairment losses in accordance with the Standard of GRAP on Impairment of Non-cash-generating Assets, specifically considering events which indicate that the carrying amount may not be recoverable. An impairment loss is recognised in respect of the amount by which the carrying amount of the asset exceeds its recoverable service amount, which is the higher of an asset's net selling price (fair value less costs to sell) and its value in use (the present value of the asset's remaining service potential.) An impairment loss or reversal of an impairment loss is recognised as an expense/income in the statement of financial performance as incurred.

## 1.2.2 Intangible Assets

An asset is identified as an intangible asset when:

- it is capable of being separated or divided from the entity and then sold, transferred or used on its own or together with a related asset,
- it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefit or service potential that is attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially measured at cost and carried at cost less accumulated amortisation and any impairment losses in accordance with the Standard of GRAP on Impairment of Non-cash-generating Assets. Intangible assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, or if the asset is not yet ready for use, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

Software is amortised on a straight line basis over its anticipated useful life. Generally, costs associated with developing computer software programmes are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product, which will be controlled by the entity and have a probable benefit exceeding the cost beyond one year, are recognised as intangible assets.

Expenditure which enhances and extends the benefits of computer software programmes beyond the original life of the software is capitalised. Computer software development costs recognised as assets are amortised using the straight line method over their useful lives. Costs associated with the maintenance of existing computer software programs are expensed as incurred.

The useful life of the intangible assets has been assessed as follows:

Item	Average useful life
Computer Software	3 years
Internally generated software	6 years

Internally generated software represents a proprietary Gambling Regulatory System where a maintenance contract for the system is in place. As a result of this maintenance contract the estimated useful life has been assessed as 6 years.

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the statement of financial performance.

### 1.2.3 Financial instruments

Financial assets and financial liabilities are recognised on the Board's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

Financial instruments at amortised cost are non-derivative financial assets and financial liabilities with fixed or determinable payments excluding those that have been designated as fair value at initial recognition or those that are held for trading.

Financial instruments at fair value comprise those financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Impairment of financial assets

The entity assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. When impaired, the carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

The entity has the following types of financial assets:

#### Other receivables

Other receivables are categorised as financial instruments at amortised cost and are initially recognised at fair value plus direct transaction costs and subsequently carried at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

#### Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The entity categorises cash and cash equivalents as at fair value which is considered to be equivalent to its carrying amount.

The entity has the following types of financial liabilities carried at amortised cost:

#### Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Short-term payables are not discounted where the initial credit period received is consistent with terms used in the public sector (30 days).

**Leave accrual and 13th Cheque** - refer 1.2.9 below

**Finance lease** - refer 1.2.10 below

#### **Derecognition of financial instruments**

The Board derecognises a financial asset (or group of financial assets) when:

- The contractual rights to the cash flows arising from the financial asset have expired; or
- The entity transfers the financial asset, including substantially all the risks and rewards of ownership; or
- It transfers the contractual rights to receive the cash flows of the financial asset, but assumes a corresponding obligation to pay the cash flows to one or more recipients, and consequently transfers substantially all the risks and benefits associated with the asset; or
- No future economic benefits are expected.

A financial liability (or group of financial liabilities) is derecognised when and only when the liability is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

#### **1.2.4 Retirement benefits**

The policy of the Board is to provide retirement benefits through an established fund governed by the Pension Fund Act (Act 24 of 1956, as amended).

The provident fund is a defined contribution fund which does not require an actuarial valuation. Contributions to the provident fund are charged to the Statement of Financial Performance in the year to which they relate. The Board has no obligation to fund post-retirement medical benefits.

#### **1.2.5 Provisions and contingencies**

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

#### **Contingent assets and contingent liabilities**

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in Note 33.

#### **1.2.6 Revenue**

##### **Revenue from Exchange Transactions:**

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange. Exchange Revenue comprises principally of:

- Fees charged for services rendered (i.e. Annual admin fees);
- Recoveries of expenses incurred in the production of revenue;
- Sundry income

Revenue from Exchange Transactions is recognised on an accrual basis using the following methods to determine stage of completion:

- Fees charged for services rendered are recognised when they become due in terms of the Eastern Cape Gambling and Betting Act (Act 5 of 1997, as amended). These fees are invoiced annually in December each year for the financial year ending 31st March.
- Recoveries of expenses incurred in the production of revenue are accrued on completion of services rendered.

Revenue from Exchange Transactions is measured at fair value on the date it accrues.

### Revenue from Non-Exchange Transactions (Taxes and Transfers)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions comprises the grant funding received from the provincial government.

Revenue relating to operational expenditure is recognised in the period in which the transfer agreement becomes binding and is measured at fair value as at the date of recognition.

#### 1.2.7 Gambling taxes and fees collected on behalf of the Provincial Treasury

The Board acts as an agent to the Provincial Revenue Fund and all gambling taxes and part of the fees collected are paid over at the end of each month as prescribed by the Gambling and Betting Act. (Amounts are remitted to DEDEAT which is the Executive Authority, refer note 26 for further details and reconciliation of amounts due at year-end.)

These gambling taxes and fees are not recognised as revenue as they are collected on behalf of the state. However, an asset and liability is recognised when taxes and fees become receivable from a licensee and payable to the state. Receivable and payables for collection and distribution to the state are initially measured at the legislated amount and carried at Amortised Cost.

The Board does not receive any separable amount of revenue as compensation for the collection and distribution of taxes and fees, as it is established to oversee all gambling and betting activities in the Province, and funding is appropriated in order to enable it to perform all the various functions under the Act.

#### 1.2.8 Statutory Receivables

Statutory receivables arise in terms of the taxes, fees, interest and penalties as described in notes 1.2.6 and 1.2.7 above. These amounts are levied on licensed operators in terms of the Eastern Cape Gambling and Betting Act (Act 5 of 1997, as amended) and its associated regulations. They are initially measured at their transaction amount as specified in schedule III of the Act and regulation 135, and subsequently carried at amortised cost, which is the initial carrying amount, plus interest at the prescribed rate of 2% per month, less repayments and impairments.

The Board assesses at each reporting date whether there are any indications that individually significant receivables are impaired, or that groups of similar, individually insignificant, receivables within each sector are impaired. Evidence of impairment may include indications that the debtors or group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Board measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. Consequently, where the effect of the time value of money is material, the estimated future cash flows are discounted using the risk free interest rate published by the South African Reserve Bank, adjusted where applicable for any receivable-specific risks.

#### 1.2.9 Employee benefits

Employee benefits are short-term benefits that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave); and
- bonus, incentive and performance related payments.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as an expense; and
- as a liability (accrued expense), after deducting any amount already paid. The following accruals are recognised:

##### Leave accrual

The employees of the entity are entitled to 22 working days per annum as leave gratuity. The policy adopted by the Board is that all its employees should take leave during the year, failing which they will forfeit their leave days on the 30th of June each year. The leave days

are recognised as they accrue to employees. The liability is based on the total amount of leave days due to each employee at year end multiplied by each employee's respective daily rate of remuneration which is calculated from the respective employee's gross annual remuneration package.

### **13th Cheque**

The employees of the Board are entitled to a 13th cheque if the Board achieves greater than 80% of its annual performance plan targets. The 13th cheque accrues on a pro-rata basis as services are rendered by the employees, and management's assessment is that the required level of performance has or will be achieved.

## **1.2.10 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

### **Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the entity's incremental borrowing rate. Where finance charges are material the minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability over the lease term.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

### **Operating leases - lessee**

Leases where the lessor retains the risk and reward of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance on a straight line basis over the period of the lease.

## **1.2.11 Prepayments**

Prepayments for goods or services are avoided and arise only where required by the contractual arrangements with the supplier.

## **1.2.12 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

## **1.2.13 Irregular expenditure**

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the Annual Financial Statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the Annual Financial Statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant expenditure item, be disclosed as such in the note to the Annual Financial Statements and updated accordingly in the irregular expenditure register.

## **1.2.14 Taxation**

No provision for taxation has been made as the Eastern Cape Gambling Board is exempted in terms of Section 10 (1)(cA)(1) of the Income Tax Act (Act 58 of 1962).

### 1.2.15 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the provincial sphere of government are considered to be related parties.

Key management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management member in their dealings with the entity.

### 1.2.16 Budget information

Comparison of budget and actual amounts are presented in a separate additional financial statement: Statement of Comparison of Actual and Budget Amounts. The entity presents both the approved and the final budget amounts. Differences (variances) between the actual amounts and budget amounts are also presented. The financial statements and budget are both prepared on the accrual basis.

### 1.2.17 Accounting estimates and judgements

Management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. The determination of estimates requires the exercise of judgement based on various assumptions and other factors including historical experience. Actual results in the future may vary from the estimates. Judgements and estimates are principally made in the following areas:

- The calculation of residual value per asset and the estimation of the remaining useful lives of each item of property, plant and equipment and intangible assets (refer note 1.2.1, 7 and 1.2.2 respectively).
- The estimation of the level of performance of staff in providing for performance bonuses at year end (refer note 11). Due to budget limitations on the overall bonus pool the amounts provided for are however not subject to material estimation uncertainty.
- Assessment and classification of finance and operating leases based on the risks and rewards of ownership (refer notes 1.2.10, 12 and 23).

### 1.2.18 Commitments

- Commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes only when required by the reporting framework.
- Items are classified as commitments where the entity contractually commits itself to future transactions that will normally result in the outflow of resources.
- Commitments are disclosed as required by the reporting framework only for approved and contracted capital commitments, where the expenditure has been approved and awarded at the reporting date.
- Commitments that are approved but not yet contracted, where the expenditure has been approved but has yet to be awarded or is awaiting finalisation at the reporting date are not disclosed.

### 1.2.19 Subsequent events

Events between the financial year end and the Annual Financial Statement reporting date which could materially impact on the fair presentation of the Annual Financial Statements have been duly considered.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2021

	2021	2020
	R	R
<b>2. CASH AND CASH EQUIVALENTS</b>		
<b>Cash and cash equivalents consist of:</b>		
Bank balances	15 796 506	13 028 603
Cash on hand	5 000	5 000
	15 801 506	13 033 603
Investigation deposits	3 156 528	4 077 745
	<b>18 958 034</b>	<b>17 111 348</b>

## 3. PREPAYMENTS

Business licences	439 575	525 397
Other prepaid expenditure	28 216	48 466
	<b>467 791</b>	<b>573 863</b>

## 4. STATUTORY RECEIVABLES FOR DISTRIBUTION FROM NON-EXCHANGE TRANSACTIONS

Government taxes and levies from non-exchange transactions	<b>14 255 312</b>	<b>8 058 063</b>
Less: Impairment allowance of statutory receivables for distribution	(198 379)	(198 379)
	<b>14 056 933</b>	<b>7 859 684</b>

Taxes and levies are gambling taxes for March 2021 that were not yet due or received at period-end. There was only one overdue account relating to a bookmaker that closed down during the year under review, and this has been impaired fully as a result.

## 5. STATUTORY RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade debtors	28 275	33 360
	<b>28 275</b>	<b>33 360</b>

### Trade debtors - Age analysis

120 days and older	19 307	-
90 days	-	17 600
60 days	1 295	-
30 days	943	-
Current	6 730	15 760
<b>TOTAL</b>	<b>28 275</b>	<b>33 360</b>

Amounts past due, but not impaired (greater than 30 days ageing)	21 545	17 600
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Trade debtors have been reclassified as statutory receivables due to the adoption of GRAP 108.

## 6. OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Deposits	16 830	16 830
Sundry debtors	91 439	232 163
	<b>108 269</b>	<b>248 993</b>

Sundry debtors at year-end relate primarily to refunds due from a supplier and SARS.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2021

### 7. PROPERTY, PLANT AND EQUIPMENT

	2021			2020		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
	(R)	(R)	(R)	(R)	(R)	(R)
Buildings	16 834 282	1 079 046	15 755 236	7 386 088	1 016 218	6 369 870
Cell phones leased	540 148	266 474	273 674	723 903	264 775	459 128
Computer equipment	4 240 482	2 766 274	1 474 208	4 204 205	2 475 402	1 728 803
Fixtures and fittings	2 251 584	1 007 142	1 244 442	2 251 584	797 619	1 453 965
Furniture and equipment	1 773 674	1 164 629	609 045	1 766 519	1 032 802	733 717
Land	1 070 750	-	1 070 750	1 070 750	-	1 070 750
Motor vehicles	3 000 089	1 249 407	1 750 682	3 000 089	803 829	2 196 260
	<b>29 711 009</b>	<b>7 532 972</b>	<b>22 178 037</b>	<b>20 403 138</b>	<b>6 390 646</b>	<b>14 012 493</b>

#### Reconciliation of property, plant and equipment - 31 March 2021

	Opening balance	Additions	Disposals	Depreciation	Impairment	Total
	(R)	(R)	(R)	(R)	(R)	(R)
Buildings	6 369 870	9 448 194	-	62 828	-	15 755 236
Cell phones leased	459 128	96 736	45 058	235 496	1 636	273 674
Computer equipment	1 728 803	680 126	54 687	877 765	2 269	1 474 208
Fixtures and fittings	1 453 965	-	-	209 523	-	1 244 442
Furniture and equipment	733 717	7 155	-	131 827	-	609 045
Land	1 070 750	-	-	-	-	1 070 750
Motor vehicles	2 196 260	-	-	445 578	-	1 750 682
	<b>14 012 493</b>	<b>10 232 211</b>	<b>99 745</b>	<b>1 963 017</b>	<b>3 905</b>	<b>22 178 037</b>

Land and Buildings comprise of Erf7360, Beacon Bay, measuring 2376 m<sup>2</sup>, purchased in 2002 together with an office building. In the previous period a project to extend the building commenced and is more than 90% complete at year-end. The additions for the year of R9 448 194 (2020: R1 555 369) represent the construction costs to date, and the remaining commitment is disclosed in note 32.

Due to budget constraints certain fully depreciated items are still in use, as sufficient funding was not available to replace them at the end of their estimated useful lives. This relates primarily to 16 items of computer equipment and 202 items of furniture and equipment with a historical acquisition cost of R58 486 and R658 453 respectively, included in the balances reflected above.

None of the property, plant and equipment have been provided as guarantee for liabilities.

Included in Note 19 is expenditure incurred on assets to repair and maintain them totalling R40 157

Computer equipment reflected above includes 16 leased iPads with a carrying value of R143 288 as at year-end.

Indicators of any possible change in useful life or residual values were considered and assessed by management including inspection and assessment of the condition of assets at year-end, no indications of impairment were present apart from the damaged cellphones and laptops impaired above.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2021

### 7. PROPERTY, PLANT AND EQUIPMENT (continued)

#### Reconciliation of property, plant and equipment - 31 March 2020

	Opening balance (R)	Additions (R)	Disposals (R)	Depreciation (R)	Impairment (R)	Total (R)
Buildings	4 843 001	1 555 369	-	28 500	-	6 369 870
Cell phones leased	103 808	472 442	1 723	112 020	3 379	459 128
Computer equipment	1 690 187	977 141	48 289	890 236	-	1 728 803
Fixtures and fittings	1 464 444	195 961	-	206 440	-	1 453 965
Furniture and equipment	534 912	322 322	-	123 517	-	733 717
Land	1 070 750	-	-	-	-	1 070 750
Motor vehicles	2 275 925	377 055	85 000	371 720	-	2 196 260
<b>Total</b>	<b>11 983 027</b>	<b>3 900 290</b>	<b>135 012</b>	<b>1 732 433</b>	<b>3 379</b>	<b>14 012 493</b>

### 8. INTANGIBLE ASSETS

	Cost (R)	2021 Accumulated Amortisation (R)	Carrying Value (R)	Cost (R)	2020 Accumulated Amortisation (R)	Carrying Value (R)
Computer software	259 326	161 313	98 013	859 649	687 249	172 400
Internally generated software	3 914 823	903 961	3 010 862	3 914 823	260 988	3 653 835
<b>Total</b>	<b>4 174 149</b>	<b>1 065 274</b>	<b>3 108 875</b>	<b>4 774 472</b>	<b>948 237</b>	<b>3 826 235</b>

#### Reconciliation of intangible assets - 31 March 2021

	Opening Balance (R)	Additions (R)	Disposals (R)	Transfers (R)	Amortisation (R)	Total (R)
Computer software	172 400	-	-	-	74 387	98 013
Internally generated software	3 653 835	-	-	-	642 973	3 010 862
<b>Total</b>	<b>3 826 235</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>717 360</b>	<b>3 108 875</b>

#### Reconciliation of intangible assets - 31 March 2020

	Opening Balance (R)	Additions (R)	Disposals (R)	Transfers (R)	Amortisation (R)	Total (R)
Computer software	89 909	138 003	-	-	55 511	172 400
Internally generated software	3 646 703	268 120	-	-	260 988	3 653 835
<b>Total</b>	<b>3 736 612</b>	<b>406 123</b>	<b>-</b>	<b>-</b>	<b>316 499</b>	<b>3 826 235</b>

None of the intangible assets have been provided as guarantee for liabilities.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### for the year ended 31 March 2021

	2021	2020
	R	R
<b>9. COLLECTIONS FOR DISTRIBUTION FROM NON-EXCHANGE TRANSACTIONS</b>		
Taxes and levies	13 992 390	8 006 041
	<b>13 992 390</b>	<b>8 006 041</b>

Taxes and levies for distribution are gambling taxes for March 2021 that were distributed to the provincial revenue fund after year-end.

### 10. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Accruals	5 355 555	4 990 133
Investigation deposit accounts	3 156 528	4 077 745
Trade payables	2 815 172	2 213 497
	<b>11 327 255</b>	<b>11 281 375</b>

No Trade payables are overdue and relate to goods and services received in March 2021.

### 11. PROVISIONS

#### Current Provisions

Performance bonus provision opening balance	2 915 106	3 347 150
Provision used during the year	(2 892 094)	(3 857 474)
Over/ (Under) provision	23 012	(510 324)
Provision for the year	2 790 349	3 425 430
Performance bonus provision closing balance	2 813 361	2 915 106
Current portion of Provision for Long service awards	146 772	72 203
<b>Current provisions closing balance</b>	<b>2 960 133</b>	<b>2 987 309</b>

#### Non-Current Provisions

Provision for long service award opening balance	534 800	515 398
Provision used during the year	(82 000)	(207 000)
(Over)/ Under provision	-	-
Provision for the year	192 765	226 402
Less: current portion	(146 772)	(72 203)
<b>Non-current provisions closing balance</b>	<b>498 793</b>	<b>462 597</b>

The performance bonus provision is raised in terms of the Policy on the Integrated Performance Management System, and payouts are dependent on the final moderated individual performance scores which are approved by the Board after the external audit each year. Payouts are also limited to the funds / budget available at the time.

The provision for long service award is raised in terms of the long service award policy. The current portion relates only to employees who qualify for a long service award in the next twelve months. The non-current portion relates to those who may qualify within in the next five years. Management has discounted and adjusted this amount for the probability of staff leaving the employ of the entity before they are eligible for an award.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2021

	2021	2020
	R	R
<b>12. FINANCE LEASE OBLIGATION</b>		
Minimum lease payments due		
- within one year	324 079	323 480
- later than one year but not later than five years	47 226	268 999
<b>Present value of minimum lease payments</b>	<b>371 305</b>	<b>592 479</b>
<b>Current liabilities</b>	<b>324 079</b>	<b>323 480</b>
<b>Non-current liabilities</b>	<b>47 226</b>	<b>268 999</b>

Mobile devices were acquired through cellular airtime agreements which are for a two-year lease term after which ownership of the device is retained by the Board.

The contract does not distinguish between subscription and equipment lease repayment amounts or specify an interest rate. Mobile devices were capitalised at their fair value when sold on a standalone basis, as this was lower than the present value of total subscriptions payable. All contracts have fixed subscriptions over the lease term and no arrangements have been entered into for contingent rent.

There was no default during the period and no terms have been renegotiated.

### 13. REVENUE

#### Revenue from exchange transactions:

The amounts included in revenue arising from exchange of services are as follows:

Fees	10 064 601	11 518 345
Recoveries	2 707 066	2 521 093
Sundry income	64 410	386 550
	<b>12 836 077</b>	<b>14 425 988</b>

Recoveries revenue arises as a result of recoverable costs involved in the investigation and evaluation process pursuant to the issuance of licenses. Costs are recovered against investigation deposit accounts.

#### Revenue from non-exchange transactions

The amount included in revenue arising from non-exchange transactions is as follows:

Unconditional Government Funding - Department of Economic Development, Environmental Affairs and Tourism	61 350 000	58 710 000
	<b>61 350 000</b>	<b>58 710 000</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### for the year ended 31 March 2021

	2021	2020
	R	R
<b>14. ADMINISTRATIVE EXPENDITURE</b>		
Bank charges	44 458	61 444
Board members - fees	1 207 850	1 151 300
Board members - travel and subsistence	51 552	390 938
Internal audit fees	749 066	585 391
Consultation fees	437 626	269 703
Evaluation and hearings	1 400 941	1 336 605
Inspection, investigation, compliance and audit costs	255 906	896 487
Stationery and printing	249 653	598 360
Training and development	482 343	1 721 997
Travelling and subsistence	266 031	1 397 378
Stakeholder events	126 352	1 160 246
	<b>5 271 778</b>	<b>9 569 849</b>

Evaluation and hearings costs reflected above are recovered from investigation deposit accounts as reflected in Note 10.

#### 15. CORPORATE SOCIAL INVESTMENT

The Board has supported various schools and projects in the year under review including focus on the Education Basket as per the CSI Policy, investing in learner support material for mathematics and science from Grade R – 7. The total direct amount spent on Corporate Social Investment is R282 827 (2020: R561 662).

#### 16. CONSUMER PROTECTION AND PUBLIC EDUCATION

The Board undertook various responsible gambling and public education activities amounting to R244 513 (2020: R2 568 019). Expenditure reduced from prior years as a result of lockdown regulations, however rollout of responsible gambling campaigns in the province were conducted using print and electronic media, as well as event platforms.

#### 17. EMPLOYEE COSTS

Basic salary	37 501 427	36 378 918
Casual and temporary labour	3 856	40 000
Funeral benefit	7 289	7 604
Insurance	129 108	122 526
Medical aid - company contributions	1 619 099	1 672 858
Pension	3 589 349	3 574 446
Performance awards	2 790 349	3 425 430
Recruitment costs	22 235	218 774
Other non pensionable allowances	902 853	931 490
Unemployment Insurance Fund	101 666	104 910
Skills development levy	282 661	423 280
	<b>46 949 892</b>	<b>46 900 236</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2021

	2021	2020
	R	R
<b>17.EMPLOYEE COSTS (continued)</b>		
<b>Senior Management Remuneration:</b>		
<b>Remuneration of the Chief Executive Officer</b>		
Allowances	120 000	120 000
Bonus	297 987	308 400
Fund contributions	409 533	389 413
Salary	2 746 730	2 683 778
13th Cheque	259 609	259 609
	<b>3 833 859</b>	<b>3 761 200</b>
<b>Remuneration of the Chief Financial Officer</b>		
Allowances	70 000	70 000
Bonus	180 923	187 246
Fund contributions	201 577	193 532
Salary	1 717 614	1 675 219
Long Service award	-	5 000
13th Cheque	157 622	157 622
	<b>2 327 736</b>	<b>2 288 619</b>
<b>Remuneration of the Compliance &amp; Licensing Manager</b>		
Allowances	108 000	108 000
Bonus	180 923	187 246
Fund contributions	261 253	256 023
Salary	1 619 938	1 574 728
13th Cheque	157 622	157 622
	<b>2 327 736</b>	<b>2 283 619</b>
<b>SENIOR MANAGEMENT REMUNERATION</b>	<b>8 489 331</b>	<b>8 333 437</b>

The amount shown as bonuses above relates to the provision raised in terms of the Policy on the Integrated Performance Management System.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2021

	2021	2020
	R	R
<b>18. MARKETING AND RESEARCH COSTS</b>		
The costs for marketing and research include the following:		
Advertising, subscriptions and publications	267 135	270 899
Research and public education	339 466	281 960
	<b>606 601</b>	<b>552 859</b>

### 19. OTHER OPERATING EXPENDITURE

Canteen and catering	19 531	197 773
Communication costs	1 105 099	1 007 826
Computer consumables	64 283	42 083
Courier and delivery charges	1 287	1 426
Consumables	50 592	8 008
Fuel, oil and licenses	142 152	335 785
Insurance premiums	313 767	306 793
Software support	41 676	29 527
Maintenance and repairs	141 023	387 603
Municipal services	498 295	507 325
Rentals in respect of operating leases - plant, machinery and equipment	134 173	158 199
Security services	395 607	391 464
Software annual license fees	2 012 523	1 420 544
Staff wellness programme	37 322	81 320
Uniforms and crockery	-	2 648
	<b>4 957 330</b>	<b>4 878 324</b>

### 20. STATUTORY AUDIT FEES

Statutory Audit - Auditor-General	1 203 767	1 242 924
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### 21. FINANCE INCOME

#### Interest Revenue

Bank	1 041 899	2 260 976
Statutory receivables	10 490	20 032
	<b>1 052 389</b>	<b>2 281 008</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2021

	2021	2020
	R	R
<b>22. CASH GENERATED FROM OPERATIONS</b>		
Surplus	9 420 163	3 183 743
<b>Adjustments for:</b>		
Amortisation of intangible assets	717 360	316 499
Depreciation and impairment of PPE	1 966 922	1 735 812
Interest income	(1 052 389)	(2 281 008)
Cash (profit) / loss on disposal of assets (refer below)	(8 750)	(22 013)
<b>Changes in working capital:</b>		
Increase in trade and other payables and provisions	6 041 249	(11 417 005)
(Increase) / Decrease in statutory and other receivables and prepayments	(5 945 368)	8 840 623
	<b>11 139 188</b>	<b>356 650</b>
<b>Disposal of Property, Plant and Equipment</b>		
Proceeds received	(108 495)	(157 024)
Carrying value of disposals	99 745	135 011
<b>Cash (profit) / loss on assets disposed during the year</b>	<b>(8 750)</b>	<b>(22 013)</b>
Proceeds receivable (excluded above)	(7 975)	-
<b>(Profit) on disposal of PPE</b>	<b>(16 725)</b>	<b>(22 013)</b>

### 23. OPERATING LEASE COMMITMENTS

Minimum lease payments due		
- within one year	108 547	56 878
- later than one year and not later than five years	208 048	-
<b>Present value of minimum lease payments</b>	<b>316 595</b>	<b>56 878</b>

The Eastern Cape Gambling Board has operational lease agreements with the following terms:

- Four photocopy machines for a period of 36 months ending in February 2024 and with a minimum monthly charge of R9046 which remains constant. The machines will be returned to the lessor at the end of the period. The lessor is required to provide maintenance and insurance for the equipment during the period of the agreement and retains the risks and rewards of ownership.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2021

	2021	2020
	R	R
<b>24. TRAINING AND DEVELOPMENT COSTS</b>		
<b>Overseas Travel</b>		
Car hire	-	751
Daily allowance	-	83 824
Training	-	56 577
Travel and accommodation	-	537 763
<b>Local Travel</b>		
Car hire	-	151 280
Daily allowance	-	40 601
Training	286 705	320 691
Travel and accommodation	2 653	377 809
<b>Bursary</b>		
Registration fees and books	192 985	152 701
	<b>482 343</b>	<b>1 721 997</b>

Included in the comparative figures for training costs is travel and accommodation that relates to overseas and local conferences attended by selected Board members and staff during the 2019/20 financial year. The costs relating to this line item are budgeted for under training and development and reported as such in the Annual Financial Statements.

### 25. BOARD AND COMMITTEE MEMBERS EMOLUMENTS

	Board Fees	Expenses / Allowances	Sub Committees	Other	Total
	R	R	R	R	R
<b>31 March 2021</b>					
For services as Board and committee members	868 500	-	174 100	165 250	1 207 850
<b>31 March 2020</b>					
For services as Board and committee members	696 000	-	198 000	257 300	1 151 300

#### Detailed Board members emoluments:

Board Members	31 March 2021				
	Board Fees	Retainer	Board Committee Fees	Training Overseas & Local	Total
	R	R	R	R	R
Adv N Mayosi	145 500	144 000	-	-	289 500
M Vena	164 500	-	28 700	-	193 200
O Mtati	224 500	-	29 400	4 250	258 150
P White	160 500	-	24 300	-	184 800
T Huisman	173 500	-	34 900	17 000	225 400
	<b>868 500</b>	<b>144 000</b>	<b>117 300</b>	<b>21 250</b>	<b>1 151 050</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2021

## 25. BOARD AND COMMITTEE MEMBERS EMOLUMENTS (continued)

Audit committee members (who are not Board members)	31 March 2021				
	Board Fees	Retainer	Board Committee Fees	Training Overseas & Local	Total
	R	R	R	R	R
L Smith	-	-	13 500	-	13 500
T Mnqeta	-	-	20 500	-	20 500
T Maphanga	-	-	9 500	-	9 500
T Cumming	-	-	13 300	-	13 300
	-	-	<b>56 800</b>	-	<b>56 800</b>
<b>TOTAL</b>	<b>868 500</b>	<b>144 000</b>	<b>174 100</b>	<b>21 250</b>	<b>1 207 850</b>

In 2020/21 R277 000 (2019/20: R78 000) of the Board members fees reflected in this note were recovered against investigation deposits in the license application process and are included in Recoveries revenue in Note 13.

Board Members	31 March 2020				
	Board Fees	Retainer	Board Committee Fees	Training Overseas & Local	Total
	R	R	R	R	R
Adv N Mayosi	156 000	144 000	-	-	300 000
M Vena	102 000	-	25 600	17 000	144 600
O Mtati	200 000	-	33 200	25 500	258 700
P White	119 000	-	31 100	25 500	175 600
V Fredericks	-	-	4 500	-	4 500
T Huisman	119 000	-	38 000	29 750	186 750
	<b>696 000</b>	<b>144 000</b>	<b>132 400</b>	<b>97 750</b>	<b>1 070 150</b>
<b>Audit committee members (who are not Board members)</b>					
L Smith	-	-	37 500	6 050	43 550
T Mnqeta	-	-	28 100	9 500	37 600
	-	-	<b>65 600</b>	<b>15 550</b>	<b>81 150</b>
<b>TOTAL</b>	<b>696 000</b>	<b>144 000</b>	<b>198 000</b>	<b>113 300</b>	<b>1 151 300</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2021

### 26. RELATED PARTIES

#### Relationships

##### a) DEDEAT:

The ECGB is a Schedule 3C Public Entity falling under DEDEAT. The latter serves as the Executive Authority of the ECGB. The ECGB receives a grant from the DEDEAT for its operations as disclosed in Note 13, collects gambling taxes and fees on DEDEAT's behalf and pays them over monthly.

##### b) Key management personnel

Refer Note 25 and Note 17 for details of Board members and Senior Management remuneration respectively.

##### c) East London Industrial Development Zone (EL IDZ)

The ECGB and the EL IDZ both fall under the oversight authority of the Eastern Cape Provincial Legislature. EL IDZ have been contracted to provide an offsite disaster recovery hosting service for a period of 36 months ending in January 2023 at a cost of R10 212 per month. Contracting is on a normal supplier relationship basis, subsequent to normal procurement procedures and the terms are no more or no less favourable than the standard terms used to conclude transactions with another entity or person.

Transactions:	Notes	2021 R	2020 R
<b>a) DEDEAT</b>			
<b>COLLECTIONS FOR DISTRIBUTION</b>			
Opening balance		8 006 041	17 024 786
Taxes and levies billed on behalf of DEDEAT/Provincial Revenue Fund		104 321 183	190 531 135
Taxes and levies paid over to DEDEAT/Provincial Revenue Fund		(98 334 834)	(199 549 880)
<b>Outstanding collections for distribution at year end</b>	<b>9</b>	<b>13 992 390</b>	<b>8 006 041</b>
<b>STATUTORY RECEIVABLES</b>			
Amounts collected from licensees not paid over at year-end		(155 197)	(222 669)
Amounts payable to East Cape Racing (refer note 36)		219 740	76 312
<b>Outstanding receivables at year end</b>	<b>5</b>	<b>14 056 933</b>	<b>7 859 684</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2021

## 27. RISK MANAGEMENT

### Liquidity Risk:

The Board manages liquidity risk through an ongoing review of future commitments. Cash flow forecasts are prepared and monitored. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

	2021	2020
	R	R
Maturity analysis of non-derivative financial liabilities		
Contractual maturities due		
- within one year	25 643 724	19 610 896
- in second year	47 226	268 999
	<b>25 690 950</b>	<b>19 879 895</b>

### Credit Risk:

Credit risk consists mainly of cash deposits, cash equivalents and other receivables. The Board only deposits cash with major banks with high credit standards and therefore has no concentration of credit risks. Other receivables relate primarily to timing of refunds that may be contractually due over the year-end, or outstanding staff debt. These are both assessed as having low credit risk due to the ongoing contractual terms and employment contracts. As at 31 March 2021, other receivables were not impaired.

If counterparties have independent credit ratings, these ratings are used. Otherwise, if there is no independent rating, credit quality is assessed based primarily on past experience or other factors. The entity's maximum exposure to credit risk is equal to the cost amount of the financial assets at balance sheet date and is summarised below:

	2021	2020
	R	R
Cash and cash equivalents	18 958 034	17 111 348
Other receivables from exchange transactions	108 269	248 993

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### for the year ended 31 March 2021

#### 28. FINANCIAL INSTRUMENTS

	Amortised Cost	Fair Value
	R	R
<b>31 March 2021</b>		
<b>Financial Assets</b>	<b>108 269</b>	<b>18 958 034</b>
Cash and cash equivalents		18 958 034
Other receivables from exchange transactions	108 269	
<b>Financial Liabilities</b>	<b>(25 690 950)</b>	
Payable on collection for distributions	(13 992 390)	
Trade and other payables from exchange transactions	(11 327 255)	
Finance lease obligation	(371 305)	
<b>31 March 2020</b>		
<b>Financial Assets</b>	<b>248 993</b>	<b>17 111 348</b>
Cash and cash equivalents		17 111 348
Other receivables from exchange transactions	248 993	
<b>Financial Liabilities</b>	<b>(19 879 895)</b>	
Payable on collection for distributions	(8 006 041)	
Trade and other payables from exchange transactions	(11 281 375)	
Finance lease obligation	(592 479)	

#### 29. GOING CONCERN

The entity receives an annual grant and prepares budget on the basis of such grant. The entity is not able to generate sufficient cash flow from its own revenue to cover its operations. As such the entity is dependent for its continued operation in the foreseeable future on continued Government Grant funding. Management has determined that such funding is reasonably expected to continue and therefore has prepared these Annual Financial Statements on the going concern basis.

#### 30. EVENTS AFTER REPORTING DATE

Management has reviewed the events between 31 March 2021 and the date of issue by the Accounting Authority to the Executive Authority. No events occurred during this time frame which provides further information on the amounts disclosed as at 31 March 2021, except for the information included in Note 33.

#### 31. TAXATION

The income of the entity is exempt from tax in terms of section 10(1) (cA) of the Income Tax Act (Act 58 of 1962).

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2021

## 32. COMMITMENTS

	2021	2020
	R	R
<b>Capital Commitments</b>		
Approved and Contracted for:		
Property, plant and equipment - Buildings	1 951 016	9 893 155
- Computer equipment	1 505 628	417 042
- Motor vehicles	871 125	-
- Furniture and equipment	261 855	-
Intangible Assets	149 813	28 632
	<b>4 739 436</b>	<b>10 338 829</b>

## 33. CONTINGENCIES

	2021	2020
	R	R

### CONTINGENT LIABILITIES

#### Civil litigation proceedings

The Board is a defendant in three civil litigation proceedings at year-end. Should the Board not be successful in these proceedings, the likely estimate for the applicant's legal costs are as reflected. Any further costs / settlement amount in excess of this cannot be reliably estimated pending the outcome of the matters.

7 200 000

6 000 000

#### Request to retain Surplus Funds

In terms of National Treasury Instruction 12 of 2020/21 issued during the financial year under review, the Board has surplus funds on-hand at 31 March 2021 as disclosed alongside. A request to retain these funds has been submitted to Provincial Treasury. They allow the rollover of capital commitments (refer note 32) based on past practice and in terms of Provincial Instruction 3 of 2013/14. Accordingly, pending their decision, the Board has not raised a liability for the surrender of surplus funds.

4 694 426

-

### CONTINGENT ASSETS

During the previous financial year two court applications were defended by the Board and dismissed with costs in its favour. As at reporting date it is not possible to reliably estimate the amount of costs likely to be recovered in this regard as a process of taxing the relevant bills is still underway, after which a claim against the applicants will be made.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2021

### 34. BUDGET VERSUS ACTUAL

The budget disclosed in the comparison of budget to actual amounts covers the period 01 April 2020 to 31 March 2021 and is for the ECGB entity only. The budget is prepared on the same basis as the Annual Financial Statements, being the accrual basis of accounting. Expenses in the budget are classified in the same manner as for the Financial Statements.

#### Material Budget Variances

	Actual to Budget Variance	
	R	%
<b>Revenue from exchange transactions</b>		
Although exchange revenue reduced by more than 10% from the prior year, the reduction was less than initially forecasted as the industry rebounded after the initial hard lockdown. In addition Recoveries revenues were high as a result of deferred licensing projects that were investigated during the second half of the financial year.	(1 306 458)	(11,3%)
<b>Corporate social investment</b>		
Underspending on CSI initiatives was due primarily to the tightening of lockdown regulations during quarter three and four resulting in a planned project that was not complete at year-end, as well as non-delivery of ordered items that were to be donated.	(163 382)	(36,6%)
<b>Consumer protection and public education</b>		
Underspending on responsible gambling initiatives was due to lockdown delays and difficulties encountered in the procurement processes. As a result the appointed service providers were still in progress with the responsible gambling messaging and survey thereof at year-end.	(769 558)	(75,9%)
<b>Capital Expenditure</b>		
Capital expenditure is underspent primarily as a result of a shortage of steel in order to finalise the building extension project, and assets that were not yet received at the end of March including fleet vehicles and ICT equipment only delivered in April. In addition budgeted systems development costs were not incurred as the Bid had to be reissued due to Bidders not meeting the specifications. Capital commitments in the above regard exist at year end and are disclosed in Note 32.	(3 588 140)	(26,0%)

#### Changes from approved to final budget

The approved budget as disclosed is as per the amended Annual Performance Plan that was tabled in May having taken into account the National lockdown. Changes between the approved and final budget are due primarily to increased revenue projections, as well as reallocations within the approved budget to utilise budget savings in areas of cost pressures. Furthermore the capital expenditure budget was adjusted upwards due to additional grant funding, higher own revenue and savings on operating costs.

### 35. CRIMINAL OR DISCIPLINARY STEPS TAKEN AS A CONSEQUENCE OF MATERIAL LOSSES

No material losses suffered, therefore no disciplinary steps taken.

### 36. PRINCIPAL-AGENT ARRANGEMENTS

Refer to note 26 for details of the taxes collected and paid to the Provincial Revenue Fund /DEDEAT. In addition to this a portion of bookmaker taxes are required to be paid to East Cape Racing as prescribed in schedule III, part B of the Act. The balance at year-end in this regard is included in Trade payables.

Eastern Cape (EC) Racing	2021	2020
	R	R
Opening balance	76 312	527 828
Taxes and levies billed to bookmakers	6 377 860	9 486 972
Taxes and levies paid over to EC Racing	(6 234 432)	(9 887 493)
Amounts impaired	-	(50 995)
<b>Outstanding payable at year end</b>	<b>219 740</b>	<b>76 312</b>







**CONTACT DETAILS**

Eastern Cape Gambling Board  
Quenera Park, Quenera Drive, Beacon Bay, East London, 5205  
PO Box 15355, Beacon Bay, East London  
Tel: 043 702 8300 Fax: 043 748 2218

[www.ecgb.org.za](http://www.ecgb.org.za)

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National Responsible gambling Programme TOLL FREE LINE: 0800 006 008  
ECGBB Fraud Prevention TOLL FREE: 0800 333 818