

# ANNUAL REPORT

---

## 2017/18





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PART A  
**GENERAL  
INFORMATION**





# 1. FOREWORD BY THE MEMBER OF THE EXECUTIVE COUNCIL

HONOURABLE SEAPARO C. SEKOATI

I am indeed delighted to present the Annual Report of the Limpopo Gambling Board for the 2017/18 financial year to the Honourable Members of the Limpopo Provincial Legislature as well as to all other interested parties.

While it is a fact that our state owned agencies require more funds to perform their many and varied responsibilities, the Gambling Board has managed to carry out its mandate as enshrined in the Provincial Gambling Act to the best of its abilities despite the budgetary constraints that it faced.

The gambling industry has contributed immensely to the economy of the province through the revenue that has been generated and the contribution made with regard to job creation. The industry is assisting in ensuring that the issue of unemployment is addressed through the employment of the historically disadvantaged people in the gambling industry establishments.

Consequently, the Five Bingo Operator licences issued by the Board in the 2016/17 financial year became operational during this financial year, and the Board managed to open four of seven Bingo Sites in Musina, Senwabarwana, Lephallale and Bela-Bela. The Groblersdal, Tzaneen and Phalaborwa Bingo Sites are expected to be operational in 2018/19. While these operations have created job opportunities, they have also generated more revenue for the Provincial fiscus.

I would like to express my sincere gratitude to the now retired Chief Executive Officer of the Board, Mr. Serobi Maja, who in partnership with my office, kept the Board running smoothly until the new Board Members were appointed on 31 October 2017. His commitment, dedication and work ethic will forever remain indelible in our minds.

Finally, a word of gratitude goes to the newly appointed Board members, staff of the Board as well as to the licensed gambling operators for the manner in which they all conducted themselves during the course of the year.

**Honourable Seaparo C. Sekoati**

MEC for Economic Development, Environment and Tourism





## 2. GENERAL INFORMATION

**REGISTERED NAME:** Limpopo Gambling Board

**PHYSICAL ADDRESS:** 8 Hans van Rensburg Street, Polokwane, 0699

**POSTAL ADDRESS:** Private Bag x 9520, Polokwane, 0700

**TELEPHONE NUMBERS:** (015) 230 2300

**EMAIL ADDRESS:** ceo@lgb.co.za

**WEBSITE ADDRESS:** www.lgb.org.za

**EXTERNAL AUDITORS:** Auditor-General of South Africa

**PHYSICAL ADDRESS:** 32 Dimitri Crescent, Polokwane Extension 1

**TELEPHONE NUMBER:** (015) 283-9300

**BANKERS:** Standard Bank

**PHYSICAL ADDRESS:** Mall of the North, Polokwane

**TELEPHONE NUMBER: :** (015) 265-2000



### 3. LIST OF ABBREVIATIONS/ACRONYMS

**AGSA** Auditor-General of South Africa

**BBBEE** Broad Based Black Economic Empowerment

**CEO** Chief Executive Officer

**CFO** Chief Financial Officer

**IA** Internal Audit

**LEDET** Limpopo Department of Economic Development, Environment and Tourism

**LGB** Limpopo Gambling Board

**LPM** Limited Payout Machines

**MCS** Monitoring and Control Systems

**MEC** Member of Executive Council

**MTEF** Medium Term Expenditure Framework

**PDI** Previously Disadvantaged Individuals

**PFMA** Public Finance Management Act

**RFA** Request for Application

**RTP** Return to Player

**SCM** Supply Chain Management

**SMME** Small Medium and Micro Enterprises

**TR** Treasury Regulations





## 4. FOREWORD BY THE CHAIRPERSON

**MR. M.E.TJANE**

It is indeed my singular honour and privilege to express my sincere gratitude to the MEC for Economic Development, Environment and Tourism for the support that we received from his office and the entire Executive Council of the Province during the course of the year.

The 2017/18 financial year saw turmoil in the country due to growing unemployment and inequality, which affected vulnerable members of society. This placed huge expectations on Government Departments and Agencies to play an active role in alleviating these challenges.

The new Board was appointed on the 31st of October 2017 and had to hit the ground running as there were a number of decisions that needed approval by the Board. Amongst the top priorities, was the appointment of the new CEO of the Limpopo Gambling Board, which we managed to complete within 5 months. The Board expresses its gratitude to the staff, in particular, the Acting CEO, Ms Yvonne Mathabatha, who managed to keep the ship intact in the absence of a Board.

Pursuant to our mandate as Limpopo Gambling Board, we continued to license and regulate all forms of legal gambling in the Province without fear or favour as per our laws and regulations. We believe that the licensing of LPMs, Bingo, and the opening of Bookmaker sites will serve not only to create more job opportunities and revenue for the Provincial Treasury, but will also serve as much needed entertainment facilities for the people of Limpopo. With the addition of two boutique hotels that are to be built at Vegas Bingo in Lephalale and Galaxy Bingo in Tzaneen, the Board is confident and encouraged that these facilities will also promote tourism in the Province.

While the scourge of illegal online gambling continues to give us sleepless nights, we are indeed hopeful that the plans and strategies that we have put in place will, within the foreseeable future, serve to eradicate this menace from our Province. The Board, in partnership with the South African Police Service (SAPS) and the National Prosecuting Authority (NPA), are working on strategies to eradicate this scourge that has already covered all five (5) Municipal Districts of our Province.

As gambling in itself has the potential to create an addiction, the Board continued to ensure that campaigns aimed at educating the public to gamble responsibly are conducted throughout the Province. The public responded positively to these campaigns and appreciated the efforts of the Limpopo Gambling Board and the National Responsible Gambling Foundation to create responsible gambling awareness. As a result of these efforts, Limpopo continued to have very negligible numbers of problem gamblers that received counselling from the National Responsible Gambling Foundation.

A word of credit goes to all the gambling operators in the Province who continued to comply with the Provincial as well as the National Gambling Acts, Regulations, Rules and their Licensing Conditions.







*“Pursuant to our mandate as Limpopo Gambling Board,  
we continued to license and regulate all forms of legal  
gambling in the Province without fear or favour as per  
our laws and regulations.”*

Although, we may have shown some regress in our audit status, this has not resulted in a qualified audit and we will endeavour to remedy this in the financial year 2018/19. The Board received an unqualified audit opinion with matters of emphasis. We hope that the presence of a full Board complement, as well as the appointment of all key personnel, will lend us in good stead to improve on our audit outcomes. We will also be in a better position to meet all our performance goals as per the APP for 2018/19.

I wish to express my sincere gratitude to all the Members of the Board without whose dedication and commitment, we would not have managed to accomplish the many and varied tasks of the Board.

Lastly, we wish to give thanks and appreciation to the management team and all staff of the Board for the excellent work that they continue doing for our Province.



**Mr. W.E Tjiane**  
Chairperson





## 5. OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

**MR. M.G. MAKOKO**

It is my pleasure to present the Annual Report for 2017/18 to the Executive Authority of the Board.

The management and staff have ensured that all the licensed gambling operators in the province comply with the Provincial Gambling Act, Regulations and Rules as well as with the National Gambling Act and all other applicable laws of the Republic of South Africa.

### **SERVICE DELIVERY OVERVIEW**

The Board has implemented three key service delivery programmes in line with the approved Annual Performance Plan. The Board has achieved all the targets.

In the 2016/17 financial year 14 targets were planned and 13 were achieved. In the 2017/18 financial year, 15 targets were planned and all 15 were achieved. This represents 100% of the total targets achieved.

While the licensed gambling operators continued to live up to their expectations with regard to compliance and the payment of applicable levies, the mushrooming of illegal gambling operations continued to be a scourge, not only in our province but nationally. Our Law Enforcement Unit continued to be a pain in the neck of these illegal operators. However, much more still needs to be done to ensure that the province finally deal with these illegal operators in collaboration with the law enforcement agencies.

Furthermore, despite the budgeting constraints that faced us, we managed to audit and ensure that the licensed gambling operators continued to pay their levies to the Board for transmission through to the Limpopo Department of Economic Development, Environment and Tourism and to the Provincial Treasury. For the 2017/18 financial year, an amount of R 99, 060, 511.00 was received and R 88, 941, 450.00 was paid over to the Limpopo Provincial Treasury. This amount will go a long way towards the realisation of the objectives as outlined in the Limpopo Development Plan.

The year 2017 marked the 17th year of Sun Meropa's operations. On 29 July 2017 the 60 room Sun Meropa Hotel was opened. The hotel development capital expenditure amounted to R 76m. It is hoped that the new hotel with modern facilities will serve to attract tourists to the Province, while at the same time providing more job opportunities for the local people.

With the introduction of the concept of Limited Payout Machines, which was designed to empower the previously disadvantaged people in the country, four Type B LPM sites and 24 Type A LPM sites were licensed during the financial year. A total of 1108 LPMs were active at the end of the financial year, out of over 1200 LPMs licensed by Board. More LPM site licensees will be licensed to provide leisure and entertainment facilities for people of the province.



## GENERAL FINANCIAL REVIEW OF THE PUBLIC ENTITY

The appropriated budget for the 2017/18 financial year was R 67, 502, 000.00. The Board's own revenue amounted to R 99, 060, 511.00. This was in compliance with GRAP as the Board is forbidden to utilise its own revenue. This amount is not appropriated but has to be accounted for in the budget. Own Revenue amounting to R 99, 060, 511.00 and interest received of R 1, 330, 011.00, gives a total of R 100, 390, 522.00, which has been collected during the financial year. The Board has surrendered levies amounting to R 88, 941, 450.00.

The Board utilised 93% of goods and services. Only 86% of the employee cost was spent, due to resignations and delayed appointments.

The Board will continue to ensure that it complies with all Treasury Regulations and directives. The Board was allocated an additional R 10, 000, 000.00 to cater for building, Investigations and Law Enforcement.

The Board was granted an additional R2.6 million for Corporate Social Investment projects, whereby the Board collaborated with the Department of Education and donated learning tools in the Mogalakwena, Sekhukhune and Mopani districts and renovated schools in the Capricorn District.

## HUMAN RESOURCE CONSTRAINTS AND CHALLENGES FACING THE ENTITY

As a result of budgetary constraints, the Entity does not have sufficient personnel to meet its requirements.

The Board is in the process of filling the post of the Senior Manager Finance which has been vacant during the financial year. The Board will also employ 10 interns during 2018/19 in order to provide skills to the youth; address unemployment challenges amongst the youth and improve capacity of the Board to deliver on its mandate.

The Board embarked on reviewing its organisational structure during the year in order to increase its staff and to align with the five year strategic plan.

The Board will focus more on the following areas during the next financial year:

- Deal with illegal gambling in collaboration with other stakeholders within the gambling industry
- Address the transformation agenda of the gambling industry
- More engagements with the stakeholders within the gambling industry
- Ensure the promotion of responsible gambling

In conclusion, I wish to express my profound gratitude to the members of the Board for the unwavering support they gave the staff since they were appointed on 31 October 2017. Furthermore I thank most sincerely, the Department of Economic Development, Environment and Tourism as well as the MEC, Honourable C.S Sekoati, for the role he played to ensure that the Board was able to carry out its mandate despite the financial constraints.

A word of gratitude also goes to Members of the Portfolio Committee on Economic Development, Environment and Tourism, the Standing Committee on Public Accounts and all other stakeholders, for without their support, we would not have realised our objectives.

Credit also goes to the Premier of the Province, Hon. C.S. Mathabatha and all members of the Executive Council for their support and encouragement.



**Mr. M.G. Makoko**  
Chief Executive Officer



# 6. STATEMENT OF RESPONSIBILITY

## STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2018

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 free from any omissions.
- The Annual Report has been prepared in accordance with the guideline on the Annual Report, as issued by the National Treasury.
- The Annual Financial Statements (Part E) have been prepared in accordance with the GRAP standards applicable to the Board.
- The Board is responsible for the preparation of the Annual Financial Statements and for the judgments made in this information.

The Board is responsible for establishing and implementing a system of internal control and this 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 External Auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2018.

Yours faithfully



**Mr. M.G. Makoko**

Chief Executive Officer



**Mr. M.E. Tjiane**

Chairperson





## 7. STRATEGIC OVERVIEW

### 7.1. VISION

The innovative and leading gambling regulator in Africa.

### 7.2. MISSION

To regulate the gambling industry in a responsible and ethical manner for the benefit of the people of the Province by ensuring compliance with Legislation, promoting responsible gambling, and facilitating sustainable local economic development.

### 7.3. VALUES

- Integrity
- Responsibility
- Consultation
- Transparency
- Diversity
- Teamwork



# 8. LEGISLATIVE AND OTHER MANDATES

In terms of the PFMA, the Limpopo Gambling Board is listed as a Schedule 3C public entity.

The mandate of the Board is to regulate, control and monitor gambling activities in the Province in accordance with the Limpopo Gambling Act, Act No 3 of 2013.

The pursuit of the vision and the mission above will be regulated and guided by the following broad legislative mandates:

## 8.1. CONSTITUTIONAL MANDATES

The Constitution of the Republic of South Africa, 1996, (Act No. of 108 of 1996), establishes that the casinos, racing, gambling and wagering are matters of concurrent National and Provincial Legislative competence.

## 8.2. LEGISLATIVE MANDATES

### LIMPOPO GAMBLING ACT, NO. 3 OF 2013

The Act empowers the MEC to establish and appoint the Board to manage the affairs of the entity on behalf of the Department of Economic Development, Environment and Tourism.

The objectives of the Board are to license, regulate and monitor gambling activities in the Province.

The Limpopo Gambling Act, No. 3 of 2013 came into operation on 1 September 2014 and it consequently repealed the Limpopo Gambling Act, No. 4 of 1996.

### NATIONAL GAMBLING ACT, ACT NO.7 OF 2004 AS AMENDED

The Board must comply with national norms and standards during the licensing process.

The Act empowers the Minister to prescribe the maximum number of casino licenses that may be granted in the Republic and each Province.

### THE CRIMINAL PROCEDURE ACT, NO 51 OF 1977

The law enforcement inspectors of the Board were declared as Peace Officers in terms of section 334 of the abovementioned Act and are now conferred with the following powers:

- Powers conferred upon a Police Official In terms of Chapter 2 of the CPA;
- Powers to arrest a person without a warrant – Section 40(1) of the CPA;
- Powers conferred upon a Peace Officer - Section 41(1) of the CPA ;
- The execution of warrants of arrest - Section 44 of the CPA;
- Powers to issue written notice - Section 56 of the CPA; and
- Powers to issue written notice - Section 341 of the CPA.



Relevant Legislation used to govern illegal gambling

- Limpopo Gambling Act, No 3 of 2013;
- National Gambling Act, No. 7 of 2004;
- National Lotteries Act, No. 57 of 1997;
- Prevention of Organised Crime Act, No. 121 of 1998 ; and
- Prevention and Combating of Fraud and Corruption Act, No. 12 of 2004.

### 8.3. POLICY MANDATES

The following policy mandates are key to the Board in its endeavour to achieve its legislative mandates:

- **Responsible Gambling**

The National Responsible Gambling Foundation is a resource that integrates research and monitoring public education and awareness, training, treatment and counselling.

- **Broad Based Black Economic Empowerment**

To economically empower the previously marginalised black masses in the main stream economy.

- **Limpopo Gambling Regulations**

New Regulations to the Limpopo Gambling Act are in the process of being drafted and it is hoped that they will be promulgated by the end of the next financial year.



**WINNERS KNOW  
WHEN TO STOP**

**A GAMBLING PROBLEM HURTS**  
Call Our Toll Free Counselling Line  
**0800 006 008**  
or SMS **076 675 0710**



## 9. MEMBERS OF THE BOARD



**Mr. Elijah Tjiane**  
Chairperson



**Ms. Lucy Montjane**  
Deputy Chairperson



**Hosi/Adv. Aarone Mahumani**  
Board Member



**Ms. Keleabetswe Tlouane**  
LEDET Representative



**Mr. Serobi Maja**  
Board Member







**Ms. Makosha Maditsi**  
Board Member



**Mr. Chipwane Nkadimeng**  
Board Member



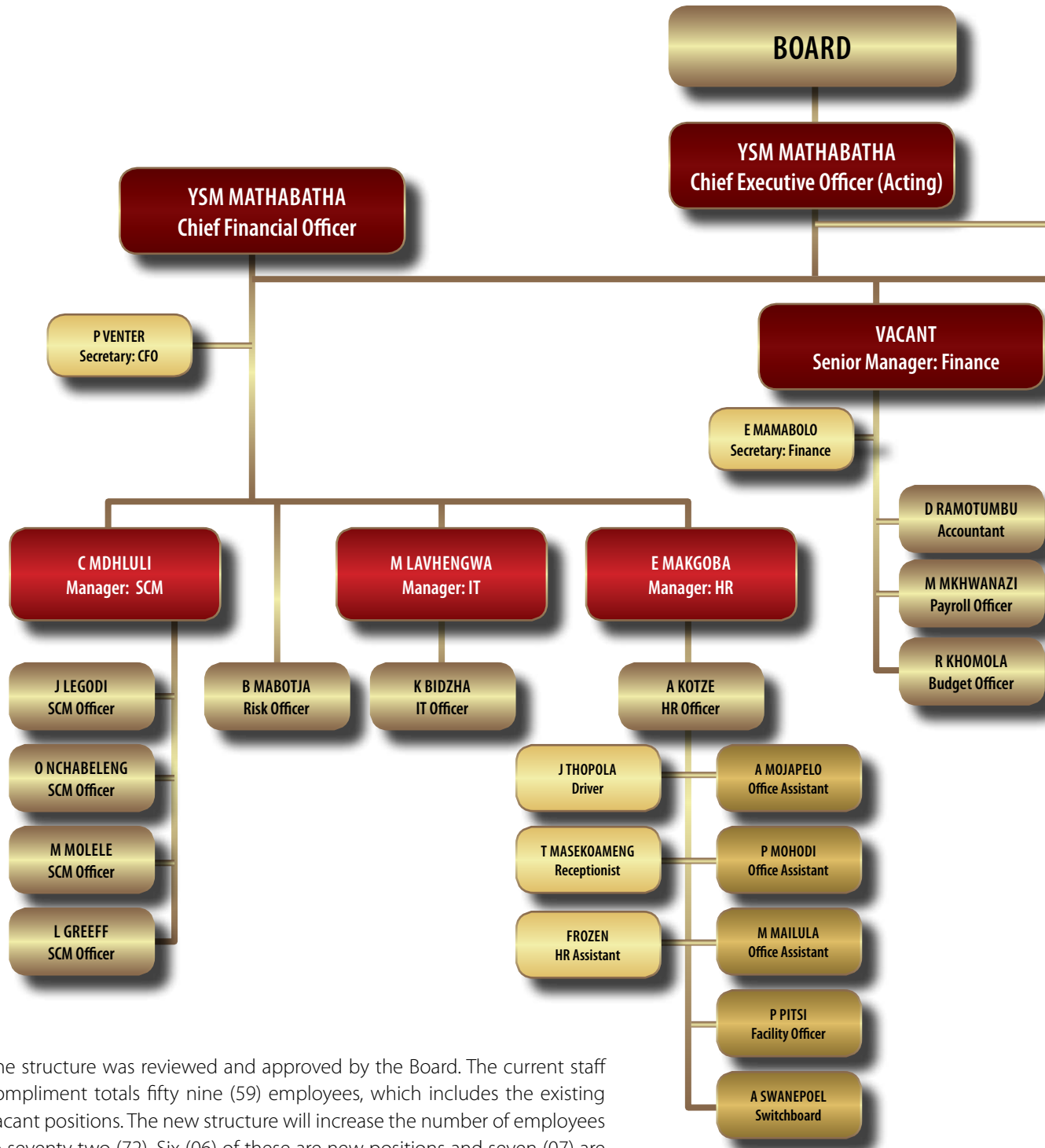
**Mr. Magoro Tema**  
Treasury Representative



**Mr. Mokgase Gregory Makoko**  
Chief Executive Officer



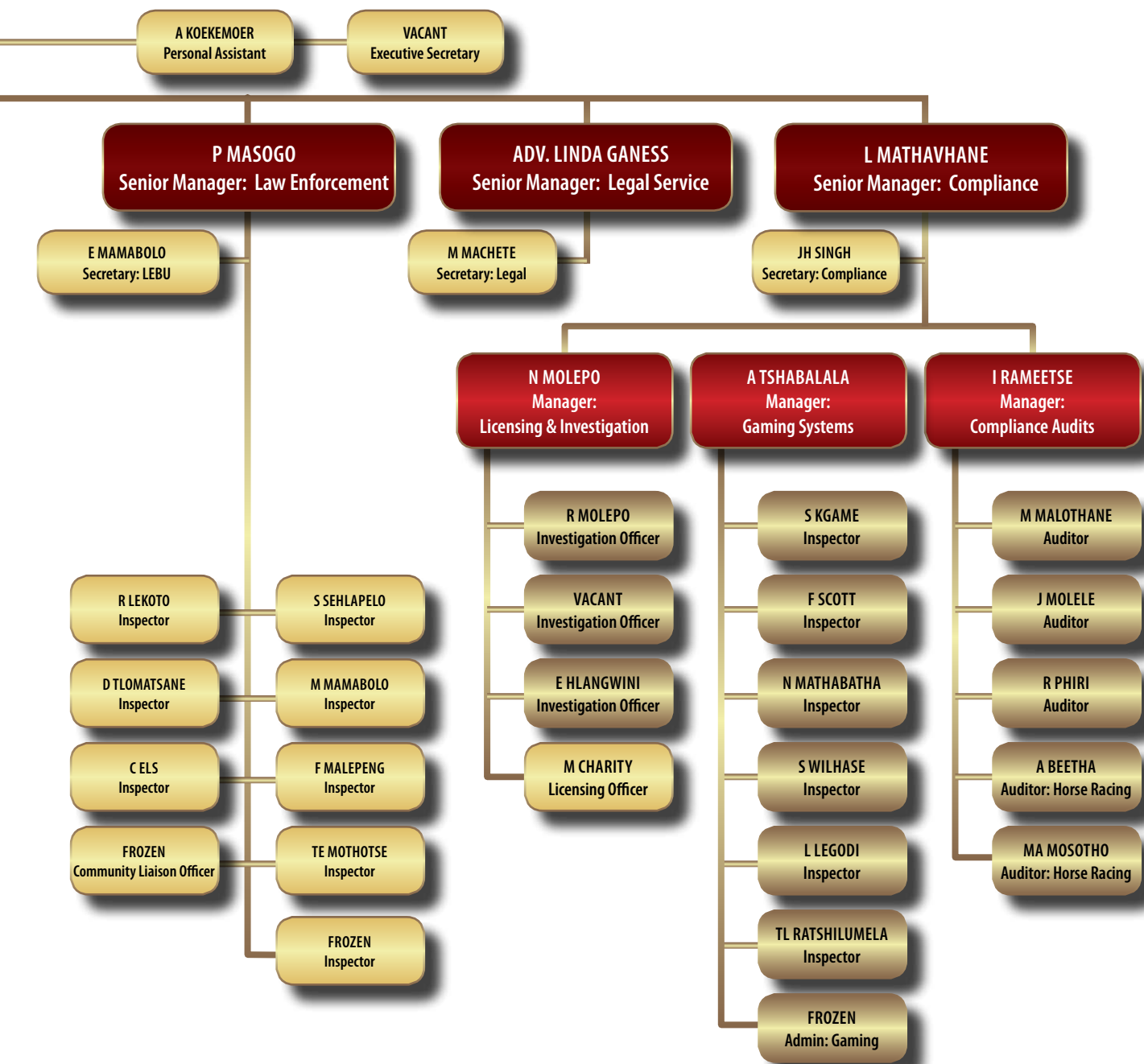
# 10. ORGANISATIONAL STRUCTURE



The structure was reviewed and approved by the Board. The current staff compliment totals fifty nine (59) employees, which includes the existing vacant positions. The new structure will increase the number of employees to seventy two (72). Six (06) of these are new positions and seven (07) are additional posts.

The Board requested that the positions of the Company Secretary and the Manager: CEO be prioritised for 2018/19.





# 11. LGB DEPARTMENTS

## CEO'S OFFICE



CEO - Mr. Gregory Makoko, PA to CEO (Acting) Ms. Penny Venter, Senior Manager: Legal Services - Adv. Linda Ganess, and Secretary - Merriam Machete.

## CFO'S OFFICE



CFO - Yvonne Mathabatha, IT Manager - Mashudu Lavhengwa, Ms. Ethel Makgoba - HR Manager, Charles Mdhului - Manager Supply Chain

## CEO AND SENIOR MANAGERS



CEO - Gregory Makoko, CFO - Yvonne Mathabatha, Senior Manager Law Enforcement - Dr. Phillemon Masogo, Senior Manager Compliance - Londani Mathavhane, Senior Manager Legal - Adv. Linda Ganess

## FINANCE



Ms. Madikgomo Mathabatha, Ms. Eunice Mamabolo and Ms. Mathaphelo Mkhwanazi.



## COMPLIANCE UNIT



Mr. Londani Mathavhane - Senior Manager, Mr. Jarryd Singh - Secretary, Mr. Jomo Tshabalala - Manager Gambling Control, Ms. Lolo Legodi (Shadung), Mr. Shaun Wilhase, Mr. Fred Scott, Mr. Leonard Ratshilumela, Mr. Sam Kgame, Mr. Nelson Mathabatha, Ms. Naomi Molepo - Manager Licensing, Ms. Mayroon Charity, Mr. Robert Molepo, Ms. Ecornia Hlangwini, Mr. Isaac Rameetse - Manager Audit, Mr. Mmutla Malothane, Mr. Alfred Beetha, Ms. Maphuti (Agnes) Mosotho, Ms. Renolda Phiri, Mr. John Molele

## GAMBLING CONTROL



Senior Manager - Londani Mathavhane , Mr. Jomo Tshabalala - Manager, Ms. Lolo Legodi (Shadung), Mr. Shaun Wilhase, Mr. Fred Scott, Mr. Leonard Ratshilumela, Mr. Sam Kgame, Mr. Nelson Mathabatha.

## LICENSING AND INVESTIGATIONS



Senior Manager - Londani Mathavhane, Ms. Naomi Molepo - Manager, Ms. Mayroon Charity, Mr. Robert Molepo, Ms. Ecornia Hlangwini



## AUDIT SECTION



Mr. Isaac Rameetse - Manager, Mr. Mmutla Malothane, Mr. Alfred Beetha, Ms. Maphuti (Agnes) Mosotho, Ms. Renolda Phiri, Mr. John Molele

## SUPPLY CHAIN MANAGEMENT



Mr. Charles Mdhuli - Manager, Ms. Lizel Greeff (Viljoen), Mr. Mokgethwa (Norman) Molele, and Ms. Olga (Peloane) Nchabeleng.

## HUMAN RESOURCES MANAGEMENT



Ms. Ethel Makgoba - Manager, Ms. Adéle Kotze, Mr. Jonas Thopola, Ms. Thandi Masekoameng, Mr. Johannes Mailula, Mr. Peter Pitsi, Ms. Phillepine Mohodi, and Ms. Agnes Mojapelo.



PART B

**PERFORMANCE  
INFORMATION**





# 1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

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The AGSA currently performs the necessary audit procedures on the performance information to provide reasonable 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 page 62 of the Report of the Auditors Report, published as Part E: Financial Information.







## 2. SITUATIONAL ANALYSIS

### 2.1 SERVICE DELIVERY ENVIRONMENT

#### 2.1.1 LAW ENFORCEMENT

The Unit consists of a Senior Manager, Seven (7) Inspectors and a secretary.

The Unit's current priority is the investigation and eradication of illegal online gambling activities. There are currently more than twenty-five (25) illegal dens offering illegal online gambling activities to the public under the guise of Internet Cafés. The crime has spread to all parts of the Province, including small towns and villages. The Unit, together with SAPS members, is making great strides in the combating of illegal online gambling and has secured a conviction in the Marble Hall area. The accused was sentenced to pay an admission of guilt fine in the Modimolle Regional Court and 26 computers were forfeited to the Board. The Board is investigating the existing illegal dens on a continuous basis along with the assistance of the SAPS.

#### 2.1.2 COMPLIANCE

Goldrush Bingo Bela-Bela and Vegas Bingo Lephalale opened on 22 September 2017 and 14 December 2017 respectively.

Three (3) Bookmaker Sites became operational during the financial year and one (1) Totalisator Site was closed at the request of the Licensee due to the business not being viable; whereas one (1) Totalisator Site was temporarily closed during the financial year under review due to a dispute with the Landlord, bringing the number of operational Bookmakers and Totalisators to fifty-six (56) and twenty-five (25) respectively.

Gambling Levies and fees paid to the Board have increased as a result of the introduction of more operational Bingo, Bookmaker, Totalisator and Casino Licences.



### 2.1.2.1 Compliance Statistics

**Table 1 – Number of Gambling Machines**

| CASINO               | TOTAL      |
|----------------------|------------|
| Meropa Casino        | 417        |
| Khoroni Casino       | 150        |
| Thaba Moshate Casino | 150        |
| <b>Total</b>         | <b>717</b> |

**Table 2 – Gambling Tables**

| CASINO               | AMERICAN ROULETTE | BLACKJACK | POKER     | TOUCH BET ROULETTE | BACCARAT  | TOTAL     |
|----------------------|-------------------|-----------|-----------|--------------------|-----------|-----------|
| Meropa Casino        | 11                | 04        | 01        | 01                 | 01        | 18        |
| Khoroni Casino       | 05                | 03        | 00        | 00                 | 00        | 08        |
| Thaba Moshate Casino | 07                | 03        | 01        | 00                 | 00        | 11        |
| <b>Total</b>         | <b>23</b>         | <b>10</b> | <b>02</b> | <b>01</b>          | <b>01</b> | <b>37</b> |

**Table 3 – Number of LPMs and LPM Sites**

| MUNICIPAL DISTRICT | TOTAL NUMBER OF LPMs | TOTAL NUMBER OF LPM SITES | VUKANI LPMs | VUKANI SITES | GOLDRUSH LPMs | GOLDRUSH SITES |
|--------------------|----------------------|---------------------------|-------------|--------------|---------------|----------------|
| Capricorn          | 243                  | 48                        | 168         | 35           | 75            | 13             |
| Waterberg          | 164                  | 29                        | 128         | 21           | 36            | 08             |
| Mopani             | 304                  | 46                        | 188         | 23           | 116           | 23             |
| Sekhukhune         | 200                  | 40                        | 148         | 30           | 52            | 10             |
| Vhembe             | 197                  | 35                        | 143         | 23           | 54            | 12             |
| <b>Total</b>       | <b>1108</b>          | <b>198</b>                | <b>775</b>  | <b>132</b>   | <b>333</b>    | <b>66</b>      |

**Table 4 – Bingo**

| BINGO OPERATOR                      | GAMING MACHINES | NUMBER OF GAMBLING MACHINES TESTED |
|-------------------------------------|-----------------|------------------------------------|
| Galaxy Gaming Limpopo (Bochum)      | 100             | 100                                |
| Galaxy Gaming Limpopo (Musina)      | 128             | 128                                |
| Goldrush Gaming Limpopo (Bela-Bela) | 118             | 118                                |
| Vegas Bingo (Lephalale)             | 164             | 164                                |
| <b>Total</b>                        | <b>510</b>      | <b>510</b>                         |



**Table 5 – Casino Gambling Machines Tested**

| CASINO               | NUMBER OF GAMBLING MACHINES TESTED |
|----------------------|------------------------------------|
| Meropa Casino        | 77                                 |
| Khoroni Casino       | 96                                 |
| Thaba Moshate Casino | 100                                |
| <b>Total</b>         | <b>273</b>                         |

**Table 6 – LPM Site Inspections**

|                 | CAPRICORN | WATERBERG | MOPANI    | SEKHUKHUNE | VHEMBE    | TOTAL      |
|-----------------|-----------|-----------|-----------|------------|-----------|------------|
| Vukani Gaming   | 32        | 23        | 30        | 31         | 28        | 144        |
| Goldrush Gaming | 21        | 11        | 33        | 15         | 12        | 92         |
| <b>Total</b>    | <b>53</b> | <b>34</b> | <b>63</b> | <b>46</b>  | <b>40</b> | <b>236</b> |

**Table 7 – Gambling Machines Distribution**

| INTO THE PROVINCE | OUT OF THE PROVINCE | WITHIN THE PROVINCE | THROUGH THE PROVINCE | TOTAL |
|-------------------|---------------------|---------------------|----------------------|-------|
| 1311              | 241                 | 580                 | 272                  | 2404  |

**Table 8 – LOC Approvals**

| SOFTWARE | HARDWARE | MCS | TOTAL |
|----------|----------|-----|-------|
| 813      | 101      | 10  | 924   |

**Table 9 – Licensing**

| CASINOS, LPM ROUTES & LPM SITES | SUN MEROPA CASINO | KHORONI CASINO | THABA MOSHATE CASINO | VUKANI GAMING LIMPOPO – LPM ROUTE OPERATOR | VUKANI – LPM SITES | GOLDRUSH GAMING LIMPOPO – LPM ROUTE OPERATOR | GOLDRUSH – LPM SITES | GOLDRUSH BINGO | GALAXY BINGO | TOTAL PER CATEGORY |
|---------------------------------|-------------------|----------------|----------------------|--|--------------------|--|----------------------|----------------|--------------|--------------------|
| New Licences: Employees         | 19                | 24             | 30                   | 4  | 142                | 1  | 54                   | 20             | 30           | 324                |
| Renewals: Employees             | 6                 | 18             | 0                    | 5  | 22                 | 1  | 9                    | 0              | 16           | 77                 |
| <b>Total per Licensee</b>       | <b>25</b>         | <b>42</b>      | <b>30</b>            | <b>9</b>                                   | <b>164</b>         | <b>2</b>                                     | <b>63</b>            | <b>20</b>      | <b>46</b>    | <b>401</b>         |



Table 9 – Licensing (continued)

| BOOKMAKERS & TOTALISATORS   | HOLLYWOOD – BOOKMAKER | BETSA – BOOKMAKER | BETTING WORLD – BOOKMAKER | PHUMELELA – TOTALISATOR | BETTA GAMING – BOOKMAKER | OCTOBER WIND | IDADA TRADING | FORTWOOD | PORTAPA   | TOTAL PER CATEGORY |
|-----------------------------|-----------------------|-------------------|---------------------------|-------------------------|--------------------------|--------------|---------------|----------|-----------|--------------------|
| New Licences: Key Employees | 116                   | 16                | 18                        | 8                       | 87                       | 35           | 19            | 3        | 40        | 342                |
| Renewals: Key Employees     | 10                    | 8                 | 2                         | 1                       | 0                        | 2            | 6             | 0        | 0         | 29                 |
| <b>Total per Licensee</b>   | <b>126</b>            | <b>24</b>         | <b>20</b>                 | <b>9</b>                | <b>87</b>                | <b>37</b>    | <b>25</b>     | <b>3</b> | <b>40</b> | <b>371</b>         |

Table 10 – Number of Employees

| TOTAL NUMBER OF EMPLOYEES IN THE GAMBLING INDUSTRY OF LIMPOPO |             |
|---|-------------|
| PDI   | 2918        |
| Non-PDI   | 711         |
| <b>Total Employed</b>   | <b>3629</b> |

|                        | KHORONI CASINO | MEROPA CASINO | THABA MOSHATE CASINO | VUKANI GAMING LIMPOPO – LPM ROUTE OPERATOR | VUKANI – LPM SITES | GOLDRUSH GAMING LIMPOPO – LPM ROUTE OPERATOR | GOLDRUSH – LPM SITES | PHUMELELA GAMING & LEISURE | HOLLYWOOD – BOOKMAKER | BETSA – BOOKMAKER | BETTING WORLD - BOOKMAKER |
|------------------------|----------------|---------------|----------------------|--|--------------------|--|----------------------|----------------------------|-----------------------|-------------------|---------------------------|
| PDI                    | 185            | 301           | 236                  | 18   | 457                | 21   | 425                  | 248                        | 0                     | 31                | 151                       |
| Non – PDI              | 2              | 7             | 0                    | 1  | 112                | 3  | 21                   | 1                          | 543                   | 0                 | 0                         |
| <b>Total employees</b> | <b>187</b>     | <b>308</b>    | <b>236</b>           | <b>19</b>                                  | <b>569</b>         | <b>24</b>                                    | <b>446</b>           | <b>249</b>                 | <b>543</b>            | <b>31</b>         | <b>151</b>                |

|                        | BETTA GAMING – BOOKMAKER | OCTOBER WIND | IDADA TRADING | FORTWOOD  | PORTAPA   | GALAXY BINGO | GOLDRUSH BINGO | VEGAS BINGO |
|------------------------|--------------------------|--------------|---------------|-----------|-----------|--------------|----------------|-------------|
| PDI                    | 291                      | 125          | 91            | 10        | 83        | 154          | 58             | 33          |
| Non – PDI              | 0                        | 11           | 0             | 0         | 1         | 7            | 1              | 1           |
| <b>Total employees</b> | <b>291</b>               | <b>136</b>   | <b>91</b>     | <b>10</b> | <b>84</b> | <b>161</b>   | <b>59</b>      | <b>34</b>   |

### 2.1.2.2 Gambling Performance

#### a. Patronage – Casinos per Annum

| ESTIMATED NUMBER OF PATRONS WHO VISITED THE TWO CASINOS |           |
|---|-----------|
| 2017/18   | 1 353 331 |
| 2016/17   | 1 645 690 |



**Table 11 – Casino Patronage per Quarter**

| QUARTER ENDED | JUNE     | SEPTEMBER | DECEMBER | MARCH   | TOTAL     |
|---------------|----------|-----------|----------|---------|-----------|
| 2017/18       | 256 915  | 290 228   | 347 337  | 458 851 | 1 353 331 |
| 2016/17       | 434 619  | 439 843   | 417 215  | 354 013 | 1 645 690 |
| Variance      | -177 704 | -149 615  | -69 878  | 104 838 | -292 359  |
| Variance%     | -40.89%  | -34.02%   | -16.75%  | 29.61%  | -17.77%   |

**b. Patronage Spend Per Visit - Casinos**

Punters' average spend per quarter and per day during the 2016/17 and 2017/18 financial years were as follows:

**Table 12 – Patronage spend per visit**

|            | JUNE          | SEPTEMBER   | DECEMBER      | MARCH         |
|------------|---------------|-------------|---------------|---------------|
| 2017/18    | 6 043.21      | 5 310.66    | 4 651.22      | 3 329.27      |
| 2016/17    | 4 686.18      | 3 872.32    | 4 361.39      | 3 639.03      |
| Variance   | 1357.03       | 1 438.34    | 289.83        | -309.76       |
| Variance % | 29%           | 37%         | 7%            | -9%           |
| Punters    | 25 6915       | 290 228     | 347 337       | 458 851       |
| Turnover   | 1 552 590 234 | 154 130 195 | 1 615 541 214 | 1 527 638 728 |

**Table 13 - Average spend per Punter per Day**

| QUARTER ENDED                        | JUNE     | SEPTEMBER | DECEMBER | MARCH    |
|--------------------------------------|----------|-----------|----------|----------|
| 2017/18                              | 66.41    | 58.36     | 50.56    | 36.99    |
| 2016/17                              | 51.00    | 42.00     | 47.00    | 40.00    |
| variance                             | 15.41    | 16.36     | 3.56     | 3.01     |
| variance %                           | 30.21%   | 38.95%    | 7.57%    | -7.52%   |
| Average spend per Punter per Quarter | 6 043.21 | 5 310.66  | 4 651.22 | 3 329.27 |
| Days per Quarter                     | 91       | 91        | 92       | 90       |

**c. Total Money Wagered - Casinos**

The total money wagered at the Licensees during the 2016/17 and 2017/18 financial year was as follows

**Table 14 – Total Money wagered - Casinos**

|           | JUNE<br>R'000 | SEPTEMBER<br>R'000 | DECEMBER<br>R'000 | MARCH<br>R'000 |
|-----------|---------------|--------------------|-------------------|----------------|
| 2017/18   | 1 552 590 234 | 1 541 301 951      | 1 615 541 214     | 1 527 638 727  |
| 2016/17   | 2 036 702 150 | 1 703 210 740      | 1 819 638 471     | 1 288 265 178  |
| Variance  | -484 111 916  | -161 908 789       | -204 097 256      | 239 373 549    |
| Variance% | -24%          | -10%               | -11%              | 19%            |



**d. Gross Gaming Revenue (GGR)**

- Casinos

The GGR generated by the Casino Licensees during the 2016/17 and 2017/18 financial years amounted to R 453 916 745 and R 415 976 609 respectively. The monthly GGR generated by the Licensees was as follows as a monthly percentage of the annual GGR:

**Table - 15 Casino GGR**

| MONTH   | APR | MAY | JUNE | JULY | AUG | SEPT | OCT | NOV | DEC | JAN | FEB | MAR |
|---------|-----|-----|------|------|-----|------|-----|-----|-----|-----|-----|-----|
| 2017/18 | 7%  | 11% | 7%   | 7%   | 10% | 6%   | 10% | 7%  | 6%  | 12% | 8%  | 10% |
| 2016/17 | 8%  | 8%  | 9%   | 8%   | 9%  | 9%   | 7%  | 7%  | 6%  | 13% | 7%  | 9%  |

- Limited Payout Machines (LPMs)

The GGR generated by the LPM Licensees during the 2016/17 and 2017/18 financial years amounted to R 202 387 413 and R 230 243 292 respectively. The monthly GGR generated by the Licensees was as follows as a monthly percentage of the annual GGR:

**Table 16 - LPM GGR**

| MONTH   | APR | MAY | JUNE | JULY | AUG | SEPT | OCT | NOV | DEC | JAN | FEB | MAR |
|---------|-----|-----|------|------|-----|------|-----|-----|-----|-----|-----|-----|
| 2017/18 | 7%  | 10% | 8%   | 11%  | 8%  | 8%   | 10% | 8%  | 9%  | 7%  | 8%  | 8%  |
| 2016/17 | 9%  | 7%  | 7%   | 10%  | 8%  | 10%  | 8%  | 7%  | 10% | 7%  | 7%  | 10% |

**e. Return to Player Percentage(RTP\*\*)**

Casino Licensees' RTP percentage, for the 2016/17 and 2017/18 financial years was as follows:

**Table 17 – Casino RTP**

| MONTH   | APR | MAY | JUNE | JULY | AUG | SEPT | OCT | NOV | DEC | JAN | FEB | MAR |
|---------|-----|-----|------|------|-----|------|-----|-----|-----|-----|-----|-----|
| 2017/18 | 94% | 94% | 94%  | 94%  | 94% | 93%  | 94% | 94% | 94% | 94% | 94% | 94% |
| 2016/17 | 94% | 94% | 94%  | 94%  | 94% | 93%  | 94% | 94% | 93% | 94% | 94% | 94% |

Casinos Average RTP %: 2017/18 = 94% (2016/17 = 94%) . The prescribed minimum RTP for casinos is 80 %

The LPM Route Operators' RTP percentage, for the 2016/17 and 2017/18 financial years was as follows:

**Table 18 – LPM RTP**

| MONTH   | APR | MAY | JUNE | JULY | AUG | SEPT | OCT | NOV | DEC | JAN | FEB | MAR |
|---------|-----|-----|------|------|-----|------|-----|-----|-----|-----|-----|-----|
| 2017/18 | 91% | 91% | 91%  | 91%  | 91% | 91%  | 91% | 91% | 91% | 91% | 91% | 91% |
| 2016/17 | 91% | 91% | 91%  | 91%  | 91% | 91%  | 91% | 91% | 91% | 91% | 91% | 91% |

LPMs Average RTP %: 2017/18 = 91% (2016/17 = 91%). The prescribed minimum RTP for LPMs is 75 %

\*\* RTP Formula = 100 % less (Gross Gaming Revenue ÷ money wagered)



**f. Levies Collected Per Month from Licensees**

**Table 19 - Total levies generated by the licensed Casinos and LPM Route Operators - 2015/16 and 2016/17**

|              | CASINO LEVIES<br>2015/16<br>R'000 | CASINO LEVIES<br>2016/17<br>R'000 | VARIANCE<br>R'000 | VARIANCE<br>% | LPMs LEVIES<br>2015/16<br>R'000 | LPMs LEVIES<br>2016/17<br>R'000 | VARIANCE<br>R'000 | VARIANCE<br>% |
|--------------|-----------------------------------|-----------------------------------|-------------------|---------------|---------------------------------|---------------------------------|-------------------|---------------|
| April        | 3 029 293                         | 2 617 605                         | -411 687          | -14%          | 1 405 658                       | 1 578 645                       | 172 986           | 12%           |
| May          | 2 960 365                         | 3 870 956                         | 910 590           | 31%           | 1 523 181                       | 2 056 989                       | 533 807           | 35%           |
| June         | 3 731 543                         | 2 448 790                         | -1 282 752        | -34%          | 1 858 550                       | 1 639 426                       | -219 124          | -12%          |
| July         | 3 015 543                         | 2 648 573                         | -366 969          | -12%          | 1 596 685                       | 1 768 764                       | 172 079           | 11%           |
| August       | 3 345 095                         | 3 379 382                         | 34 287            | 1%            | 1 569 666                       | 2 223 675                       | 654 009           | 42%           |
| September    | 3 700 773                         | 1 994 736                         | -1 706 037        | -46%          | 1 903 407                       | 1 326 871                       | -576 536          | -30%          |
| October      | 2 902 256                         | 3 393 458                         | 491 201           | 17%           | 1 549 526                       | 2 221 171                       | 671 645           | 43%           |
| November     | 2 884 296                         | 2 611 406                         | -272 889          | -9%           | 1 559 988                       | 1 764 439                       | 204 451           | 13%           |
| December     | 2 369 203                         | 2 026 497                         | -342 706          | -14%          | 1 275 190                       | 1 457 042                       | 181 851           | 14%           |
| January      | 4 939 666                         | 4 183 625                         | -756 040          | -15%          | 2 478 304                       | 2 802 142                       | 323 838           | 13%           |
| February     | 2 773 270                         | 2 719 784                         | -53 486           | -2%           | 1 535 969                       | 1 833 005                       | 297 035           | 19%           |
| March        | 3 645 259                         | 3 463 195                         | -182 064          | -5%           | 1 982 611                       | 2 352 145                       | 369 534           | 19%           |
| <b>TOTAL</b> | <b>39 296 567</b>                 | <b>35 358 011</b>                 | <b>-3 938 555</b> | <b>-10%</b>   | <b>20 238 741</b>               | <b>23 024 320</b>               | <b>2 785 578</b>  | <b>14%</b>    |

**N.B:** The decrease in Casino levies can partly be attributed to the decrease in the number of punters who visited the Casinos; whereas the increase in LPM levies can partly be attributed to the increase in the number of LPMs rolled out during the financial year.

**Table 20 – Unclaimed dividend**

|              | BINGO LEVIES<br>2016/17<br>R | BINGO LEVIES<br>2017/18<br>R | VARIANCE         | VARIANCE    |
|--------------|------------------------------|------------------------------|------------------|-------------|
| April        | -                            | 44 448                       | 44 448           | 100%        |
| May          | -                            | 46 501                       | 46 501           | 100%        |
| June         | -                            | 46 967                       | 46 967           | 100%        |
| July         | -                            | 55 835                       | 55 835           | 100%        |
| August       | -                            | 115 477                      | 115 477          | 100%        |
| September    | -                            | 103 671                      | 103 671          | 100%        |
| October      | -                            | 266 442                      | 266 442          | 100%        |
| November     | -                            | 271 476                      | 271 476          | 100%        |
| December     | -                            | 231 719                      | 231 719          | 100%        |
| January      | -                            | 715 743                      | 715 743          | 100%        |
| February     | -                            | 470 518                      | 470 518          | 100%        |
| March        | -                            | 665 085                      | 665 085          | 100%        |
| <b>TOTAL</b> | <b>-</b>                     | <b>3 033 887</b>             | <b>3 033 887</b> | <b>100%</b> |

N.B: Three Bingo Operators (Galaxy Bingo, Vegas Bingo and Goldrush Bingo) started to operate in the 2017/18 financial year; as such, there is no comparative information for the 2016/17 financial year.



Table 21 - Total levies generated by the licensed Totalizators and Bookmakers - 2016/17 and 2017/18:

|              | TOTALISATOR<br>2015/16 | TOTALISATOR<br>2016/17 | VARIANCE      | VARIANCE  | BOOKMAKERS<br>2015/16 | BOOKMAKERS<br>2016/17 | VARIANCE       | VARIANCE   |
|--------------|------------------------|------------------------|---------------|-----------|-----------------------|-----------------------|----------------|------------|
|              | R                      | R                      | R             | %         | R                     | R                     | R              | %          |
| April        | 357 342                | 442 210                | 84 868        | 24%       | 1 416 562             | 1 784 135             | 367 572        | 26%        |
| May          | 424 531                | 318 700                | -105 831      | -25%      | 1 073 920             | 2 623 394             | 1549 474       | 144%       |
| June         | 293 220                | 306 684                | 13 464        | 5%        | 1 913 366             | 1 436 341             | -477 025       | -25%       |
| July         | 401 827                | 419 531                | 17 703        | 4%        | 1 647 904             | 1 494 315             | -153 588       | -9%        |
| August       | 324 441                | 332 250                | 7 808         | 2%        | 1 056 535             | 2 720 911             | 1664 375       | 158%       |
| September    | 344 928                | 355 250                | 10 322        | 3%        | 2 144 355             | 945 151               | -1199 203      | -56%       |
| October      | 452 617                | 452 787                | 169           | 0%        | 1 655 779             | 2 423 904             | 768 124        | 46%        |
| November     | 331 970                | 335 392                | 3 421         | 1%        | 1 628 170             | 1 998 556             | 370 386        | 23%        |
| December     | 203 977                | 421 039                | 217 062       | 106%      | 1 005 219             | 1 155 303             | 150 083        | 15%        |
| January      | 496 765                | 359 004                | -137 761      | -28%      | 2 271 290             | 3 109 007             | 837 717        | 37%        |
| February     | 348 643                | 344 107                | -4 536        | -1%       | 1 852 350             | 1 654 067             | -198 282       | -11%       |
| March        | 345 295                | 333 662                | -11 632       | -3%       | 2 211 847             | 1 756 511             | -455 335       | -21%       |
| <b>TOTAL</b> | <b>4 325 563</b>       | <b>4 420 621</b>       | <b>95 058</b> | <b>2%</b> | <b>19 877 301</b>     | <b>23 101 600</b>     | <b>3224298</b> | <b>16%</b> |

N.B: The increase in bookmaker levies can mainly be attributable to the increase in the number of operational licensed Bookmaker sites; whereas, the increase in Totalizators levies can mainly be attributed increase in the number of operational licensed Totalizators sites.

#### g. Unclaimed Dividend

Unclaimed dividend levy for 2016/17 and 2017/18 were R 396 891 and R 360 971 respectively.

Table 22 – Unclaimed dividend

|              | UNCLAIMED DIVIDEND LEVY<br>2016/17 | UNCLAIMED DIVIDEND LEVY<br>2017/18 | VARIANCE       | VARIANCE   |
|--------------|------------------------------------|------------------------------------|----------------|------------|
|              | R                                  | R                                  | R              | %          |
| April        | 32 022                             | 33 324                             | 1 301          | 4%         |
| May          | 29 067                             | 32 421                             | 3 354          | 12%        |
| June         | 27 765                             | 27 630                             | -134           | 0%         |
| July         | 40 290                             | 23 110                             | -17 180        | -43%       |
| August       | 35 657                             | 31 579                             | -4 078         | -11%       |
| September    | 32 966                             | 25 321                             | -7 645         | -23%       |
| October      | 44 033                             | 28 199                             | -15 833        | -56%       |
| November     | 28 624                             | 28 503                             | -121           | 0%         |
| December     | 36 201                             | 31 521                             | -4 679         | -15%       |
| January      | 26 028                             | 40 367                             | 14 338         | 36%        |
| February     | 29 392                             | 30 638                             | 1 246          | 4%         |
| March        | 34 840                             | 28 187                             | -6 653         | -19%       |
| <b>TOTAL</b> | <b>396 891</b>                     | <b>360 800</b>                     | <b>-36 091</b> | <b>-9%</b> |

N.B: The levy on Unclaimed dividends decreased by R -36 091 (-9%) compared to the previous financial year. The small percentage decrease in unclaimed dividends shows that fewer punters claimed their dividends from the Totalisator timeously in line with the Totalisator Rules.

All levies are paid over to Limpopo Provincial Treasury.



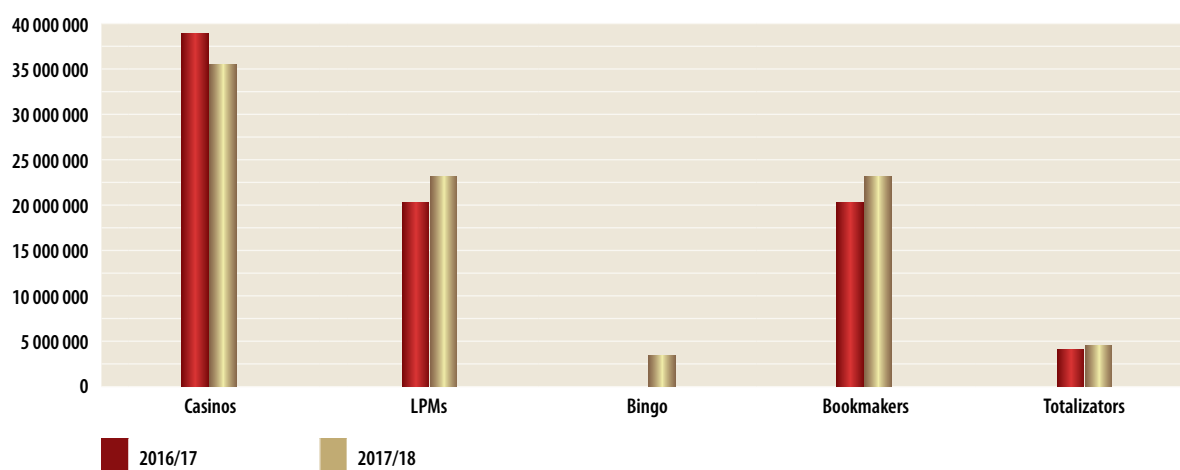


The split of Gross Gambling Revenue and Levies between gambling slot machines, gambling tables and Limited Payout Machines was as follows:

**Table 23 – GGR**

|             | GAMBLING MACHINES | GAMBLING TABLES | LPMs        | BINGO      | TOTAL       |
|-------------|-------------------|-----------------|-------------|------------|-------------|
| GGR 2017/18 | 351 411 632       | 64 564 978      | 230 243 202 | 35 692 791 | 681 912 603 |
| GGR 2016/17 | 392 688 199       | 69 624 362      | 202 387 413 | -          | 664 699 974 |
| Variance    | -41 276 568       | -5 059 384      | 27 855 789  | 35 692 791 | 17 212 629  |
| % Variance  | -11%              | -7%             | 14%         | 100%       | 3%          |

The total levies paid by Licensees for the financial year 2017/18 are as follows:



| YEAR    | CASINOS       | LPMs          | BINGO        | BOOKMAKERS    | TOTALISATORS | TOTAL         |
|---------|---------------|---------------|--------------|---------------|--------------|---------------|
| 2015/16 | 39,296,567.76 | 20,238,741.30 | -            | 19,877,301.17 | 4,325,563.30 | 83,737,173.53 |
| 2016/17 | 35,358,011.80 | 23,024,320.23 | 2,033,887.23 | 23,101,600.09 | 4,420,621.47 | 88,938,440.82 |

## 2.2 ORGANISATIONAL ENVIRONMENT

The Board's vacancy rate has increased due to the organisational structure being reviewed where additional posts were added. The Board has four (4) Business Units namely; Legal, Finance, Compliance and Law Enforcement. The Legal Unit is under the CEO's Business Unit with one (1) Senior Manager for Legal Services, Company Secretary, Senior Manager Corporate Services, Manager CEO's Office and Labour Relations Manager. The Finance Unit is headed by the CFO with one (1) Senior Manager and Manager Internal Control and three (3) Managers namely IT, Supply Chain and Human Resources. The Compliance Business Unit is headed by the Senior Manager Compliance with three (3) Managers namely; Investigations, Gaming Control and Audit. Law Enforcement Business Unit is headed by the Senior Manager Law Enforcement.



## 2.3 STRATEGIC OUTCOME ORIENTED GOALS

The strategic outcome oriented goal is to regulate and monitor gambling activities in the Province in-line with the Limpopo Gambling Act, Act No 3 of 2013.

To achieve this goal, the Board issued twenty eight (28) corporate licences, four (4) of which are Type B LPM Site licences, twenty four (24) Type A LPM Sites. Further, the Board conducted forty eight (48) Compliance inspections and forty two (42) Audits to ensure that the Licensees comply with the Limpopo Gambling Act, the National Gambling Act, the Financial Intelligence Centre Act, the Broad Based Economic Empowerment Act and other relevant Legislations.

## 2.4 STRATEGIC OBJECTIVES OF THE BOARD

### OBJECTIVE 1: SOCIAL AWARENESS AND UPLIFTMENT

To promote responsible gambling and contribute towards the upliftment of the disadvantaged communities within the Province.

### OBJECTIVE 2: FINANCIAL SUSTAINABILITY

To maintain an effective and efficient financial management system through compliance to PFMA Legislation, Regulations and Practice Notes.

### OBJECTIVE 3: ENFORCEMENT OF LEGISLATION.

To ensure that all gambling activities conducted within the Province are compliant with Legislation.

### OBJECTIVE 4: CAPABLE AND WELL GOVERNED ORGANISATION

To strengthen and effectively manage their system and procedures to ensure sound practices are adhered to.

### OBJECTIVE 5: SKILLED, COMPETENT AND INNOVATIVE WORKFORCE.

To provide adequate, focused training opportunities to ensure competent, skilled and innovative staff.

### REVIEWING OF THE APP

According to the National Treasury Framework Guideline of 2008 on the preparation of the APP, the Board needs to amend the following:

### Vision

The innovative and leading gambling regulator in Africa.



## PART B: PROGRAMMES AND SUB-PROGRAMMES

### STRATEGIC OBJECTIVE ANNUAL TARGETS 2013-2020

The following programmes and sub-programmes of the actual strategic objectives were amended as follows and the strategic objective "Crime Awareness Campaigns Conducted" has also been added into the table on the APP :

| STRATEGIC OBJECTIVE            |   | AUDITED /ACTUAL PERFORMANCE  |  |  | ESTIMATED PERFORMANCE  | MEDIUM- TERM TARGET   |  |  |
|--------------------------------|---|--|--|--|--|---|--|--|
|                                |   | 2013/14  | 2014/15  | 2015/16  | 2016/17  | 2017/18   | 2018/19  | 2019/20  |
| <b>PROGRAMME 3: COMPLIANCE</b> |   |  |  |  |  |   |  |  |
| 3.1                            | Ensured a regulated equitable and socially responsible gambling environment | Regulated 100% of gambling industry, issued 42 Licenses, performed 22 Compliance Audits, 18 Levy Audits and 2 Monitoring reports | Regulated 100% of gambling industry, issued 20 Licenses, performed 15 inspections, performed 13 Compliance Audits, 10 Levy Audits and 2 Monitoring reports | Regulated 100% of gambling industry, issued 20 Licenses, performed 44 inspections, performed 24 Compliance Audits, 18 Levy Audits and 2 Monitoring reports | Regulated 100% of gambling industry, issued 20 Licenses, performed 44 inspections, performed 24 Compliance Audits, 18 Levy Audits and 2 Monitoring reports | Regulated 100% of gambling industry, issued 20 Licenses, performed 48 inspections, performed 24 Compliance Audits, 18 Levy Audits and 2 Monitoring reports<br>02 Responsible Gambling Campaigns Conducted | Regulated and compliant gambling industry.   | Regulated and compliant gambling industry.   |
| 4.1                            | Reduced illegal gambling throughout the Province                            | 360 investigations of illegal gambling activities  | 360 investigations of illegal gambling activities  | 360 investigations of illegal gambling activities  | 360 investigations of illegal gambling activities  | 360 investigations of illegal gambling activities conducted<br>130 crime awareness campaigns conducted  | 360 investigations of illegal gambling activities conducted<br>130 crime awareness campaigns conducted | 360 investigations of illegal gambling activities conducted<br>130 crime awareness campaigns conducted |

### PROGRAMME PERFORMANCE INDICATOR AND QUARTERLY TARGETS 2014-2021

The following programmes and sub-programmes of the performance were amended as follows:

#### OLD DATA

##### Programme 3: Compliance

##### Sub-programme 3.4.1: Number of Compliance Audit Reports Produced

| PROGRAMME PERFORMANCE INDICATOR |  | REPORTING PERIOD | ANNUAL TARGET | QUARTERLY TARGET |         |         |         |
|---------------------------------|--|------------------|---------------|------------------|---------|---------|---------|
|                                 |  |                  |               | 2015/16          | 2016/17 | 2017/18 | 2018/19 |
| 3.4.1                           | Number of compliance inspection reports produced | Quarterly        | 24            | 6                | 6       | 6       | 6       |

#### NEW DATA

##### Programme 3: Compliance

##### Sub-programme 3.4.1: Number of Compliance Audit Reports Produced

| PROGRAMME PERFORMANCE INDICATOR |   | REPORTING PERIOD | ANNUAL TARGET | QUARTERLY TARGET |         |         |         |
|---------------------------------|---|------------------|---------------|------------------|---------|---------|---------|
|                                 |   |                  |               | 2015/16          | 2016/17 | 2017/18 | 2018/19 |
| 3.4.1                           | Number of compliance audit reports produced | Quarterly        | 24            | 6                | 6       | 6       | 6       |



## PROGRAMME 4: LAW ENFORCEMENT

### Sub-programme 4.1.1: Number of Crime Awareness Campaigns Conducted

#### Quarterly targets for 2017/18

The annual target was calculated incorrectly as 88, instead of 120 for the following sub-programme of the performance and has been amended as follows:

| PROGRAMME PERFORMANCE INDICATOR                     | REPORTING PERIOD | ANNUAL TARGET | QUARTERLY TARGET |         |         |         |
|---|------------------|---------------|------------------|---------|---------|---------|
|   |                  |               | 2015/16          | 2016/17 | 2017/18 | 2018/19 |
| 4.1.1 Number of crime awareness campaigns conducted | Quarterly        | 120           | 35               | 35      | 35      | 15      |

## ANNEXURE E: TECHNICAL INDICATOR DESCRIPTIONS

The following items of the Technical Indicator for the Number of Responsible Gambling Campaigns Conducted have been amended as follows:

### OLD DATA

#### Programme 3: Compliance

#### Sub-programme 3.1: Responsible Gambling Campaigns Conducted

##### Indicator Number 3.1.1

|                                  |  |
|----------------------------------|--|
| <b>Short description</b>         | Number of Responsible Gambling Awareness Campaigns conducted |
| <b>Source/collection of data</b> | Management Reports on the Responsible Gambling Campaigns     |
| <b>Calculation type</b>          | Number of Campaigns  |
| <b>Reporting cycle</b>           | Bi-Annual  |
| <b>Desired performance</b>       | Responsible gambling campaigns performed                     |

### NEW DATA

#### Sub-programme 3.1: Responsible Gambling Campaigns Conducted

##### Indicator Number 3.1.1

|                                  |  |
|----------------------------------|--|
| <b>Short description</b>         | Responsible Gambling Awareness Campaigns conducted including public educational and awareness campaigns. The campaigns will include planned and unscheduled campaigns. |
| <b>Source/collection of data</b> | Management Reports on the Responsible Gambling Campaigns and attendance registers.   |
| <b>Calculation type</b>          | Cumulative.  |
| <b>Reporting cycle</b>           | Quarterly.   |
| <b>Desired performance</b>       | Responsible gambling campaigns performed and increased public awareness on responsible gambling.   |



### 3. PERFORMANCE INFORMATION BY PROGRAMME

| PERFORMANCE INDICATOR   | ACTUAL ACHIEVEMENTS 2016/17 | PLANNED TARGET 2017/18 | ACTUAL ACHIEVEMENT 2017/18 | DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2017/18 | COMMENTS ON DEVIATIONS |
|---|-----------------------------|------------------------|----------------------------|---|------------------------|
| <b>PROGRAMME 1: GOVERNANCE</b><br>The purpose of this programme is to provide executive and strategic direction to the Board. |                             |                        |                            |   |                        |
| Number of Internal Audit Coverage Plans Produced  | 1                           | 1                      | 1                          | 0   | None                   |
| Number of Risk Reports Produced   | 4                           | 4                      | 4                          | 0   | None                   |
| Number of Quarterly Performance Reports submitted to LEDET  | 4                           | 4                      | 4                          | 0   | None                   |
| Number of CSI Projects Initiated  | N/A                         | 7                      | 7                          | 0   | None                   |

| PROGRAMME 1: GOVERNANCE | BUDGET 2017/2018 R'000 | ACTUAL 2017/2018 R'000 | VARIANCE 2017/2018 R'000 | BUDGET 2016/2017 R'000 | ACTUAL 2016/2017 R'000 | VARIANCE 2016/2017 R'000 |
|-------------------------|------------------------|------------------------|--------------------------|------------------------|------------------------|--------------------------|
| Capital Budget          | 22                     | 12                     | 10                       | 291                    | 169                    | 122                      |
| Personnel Budget        | 6 014                  | 4 966                  | 1 048                    | 5 213                  | 4 801                  | 412                      |
| Operational Budget      | 7 175                  | 5 089                  | 2 086                    | 6 066                  | 5 958                  | 108                      |

| PERFORMANCE INDICATOR   | ACTUAL ACHIEVEMENTS 2016/17 | PLANNED TARGET 2017/18 | ACTUAL ACHIEVEMENT 2017/18 | DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2017/18 | COMMENTS ON DEVIATIONS |
|---|-----------------------------|------------------------|----------------------------|---|------------------------|
| <b>PROGRAMME 2: FINANCE</b><br>The purpose of this programme is to ensure efficient and effective utilization of resources through strategic prioritisation |                             |                        |                            |   |                        |
| Number of In-year monitoring reports submitted to Provincial Treasury and LEDET   | 12                          | 12                     | 12                         | 0   | None                   |
| Number of IT Reports Produced   | 12                          | 12                     | 12                         | 0   | None                   |
| Number of Human Resources Reports Produced  | 4                           | 4                      | 4                          | 0   | None                   |

| PROGRAMME 2: FINANCE | BUDGET 2017/2018 R'000 | ACTUAL 2017/2018 R'000 | VARIANCE 2017/2018 R'000 | BUDGET 2016/2017 R'000 | ACTUAL 2016/2017 R'000 | VARIANCE 2016/2017 R'000 |
|----------------------|------------------------|------------------------|--------------------------|------------------------|------------------------|--------------------------|
| Capital Budget       | 223                    | 145                    | 78                       | 324                    | 316                    | 8                        |
| Personnel Budget     | 5 936                  | 4 846                  | 1 090                    | 5 876                  | 5 294                  | 582                      |
| Operational Budget   | 4 193                  | 4 575                  | -382                     | 2 289                  | 3 381                  | -1 092                   |



| PROGRAMME 2: FINANCE<br>SUB-PROGRAMME: IT | BUDGET<br>2017/2018<br>R'000 | ACTUAL<br>2017/2018<br>R'000 | VARIANCE<br>2017/2018<br>R'000 | BUDGET<br>2016/2017<br>R'000 | ACTUAL<br>2016/2017<br>R'000 | VARIANCE<br>2016/2017<br>R'000 |
|---|------------------------------|------------------------------|--------------------------------|------------------------------|------------------------------|--------------------------------|
| Capital Budget                            | 497                          | 462                          | 35                             | 307                          | 132                          | 175                            |
| Personnel Budget                          | 1 522                        | 1 441                        | 81                             | 1 522                        | 1 321                        | 201                            |
| Operational Budget                        | 973                          | 808                          | 165                            | 360                          | 346                          | 14                             |

| PROGRAMME 2: FINANCE<br>SUB-PROGRAMME: HR | BUDGET<br>2017/2018<br>R'000 | ACTUAL<br>2017/2018<br>R'000 | VARIANCE<br>2017/2018<br>R'000 | BUDGET<br>2016/2017<br>R'000 | ACTUAL<br>2016/2017<br>R'000 | VARIANCE<br>2016/2017<br>R'000 |
|---|------------------------------|------------------------------|--------------------------------|------------------------------|------------------------------|--------------------------------|
| Capital Budget                            | 25                           | 57                           | -32                            | 99                           | 99                           | 0                              |
| Personnel Budget                          | 3 386                        | 3 034                        | 352                            | 3 196                        | 2 896                        | 300                            |
| Operational Budget                        | 1 188                        | 913                          | 275                            | 558                          | 397                          | 161                            |

| PERFORMANCE INDICATOR   | ACTUAL ACHIEVEMENTS 2016/17 | PLANNED TARGET 2017/18 | ACTUAL ACHIEVEMENT 2017/18 | DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2017/18 | COMMENTS ON DEVIATIONS   |
|---|-----------------------------|------------------------|----------------------------|---|--|
| <b>PROGRAMME 3: COMPLIANCE</b>  |                             |                        |                            |   |  |
| The purpose of this programme is to promote responsible gambling through visibility and awareness and also to ensure that gambling activities are compliant with relevant Legislations. |                             |                        |                            |   |  |
| Number of Responsible Gambling Campaigns conducted  | 5                           | 2                      | 4                          | 2   | The additional campaigns were as a result of the LEDET MEC's Imbizos.              |
| Number of Corporate licenses issued   | 26                          | 20                     | 28                         | 8   | Additional LPM licences became available, due to the closure of various LPM Sites. |
| Number of Compliance Inspection Reports Produced  | 44                          | 48                     | 48                         | 0   | None   |
| Number of Compliance Audit Reports Produced   | 23                          | 24                     | 24                         | 0   | None   |
| Number of Levy Audit Reports Produced   | 18                          | 18                     | 18                         | 0   | None   |
| Number of Monitoring Reports Produced   | 2                           | 2                      | 2                          | 0   | None   |

| PROGRAMME 3: COMPLIANCE | BUDGET<br>2017/2018<br>R'000 | ACTUAL<br>2017/2018<br>R'000 | VARIANCE<br>2017/2018<br>R'000 | BUDGET<br>2016/2017<br>R'000 | ACTUAL<br>2016/2017<br>R'000 | VARIANCE<br>2016/2017<br>R'000 |
|-------------------------|------------------------------|------------------------------|--------------------------------|------------------------------|------------------------------|--------------------------------|
| Capital Budget          | 571                          | 79                           | 492                            | 1 376                        | 1 335                        | 41                             |
| Personnel Budget        | 13 149                       | 11 534                       | 1 615                          | 12 529                       | 10 420                       | 2 109                          |
| Operational Budget      | 4 023                        | 4023                         | 0                              | 2 814                        | 5 413                        | -2 599                         |



| PERFORMANCE INDICATOR   | ACTUAL ACHIEVEMENTS 2015/16 | PLANNED TARGET 2016/17 | ACTUAL ACHIEVEMENT 2016/17 | DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2016/17 | COMMENTS ON DEVIATIONS  |
|---|-----------------------------|------------------------|----------------------------|---|---|
| <b>PROGRAMME 4: LAW ENFORCEMENT</b><br>The purpose of this programme is to reduce illegal gambling throughout the Province. |                             |                        |                            |   |   |
| Number of Crime Awareness Campaigns Conducted   | 76                          | 120                    | 120                        | 0   | None  |
| Number of Investigations on Illegal Gambling activities conducted   | 360                         | 360                    | 365                        | 5   | Over achieving, as a result of the rapidly increasing number of illegal online gambling activities within the Province. |

| PROGRAMME 4: LAW ENFORCEMENT | BUDGET 2017/2018 R'000 | ACTUAL 2017/2018 R'000 | VARIANCE 2017/2018 R'000 | BUDGET 2016/2017 R'000 | ACTUAL 2016/2017 R'000 | VARIANCE 2016/2017 R'000 |
|------------------------------|------------------------|------------------------|--------------------------|------------------------|------------------------|--------------------------|
| Capital Budget               | 35                     | 0                      | 35                       | 550                    | 452                    | 98                       |
| Personnel Budget             | 4 826                  | 4 398                  | 428                      | 4 739                  | 4 062                  | 677                      |
| Operational Budget           | 1 303                  | 950                    | 353                      | 1 180                  | 1 032                  | 148                      |

### LINKING PERFORMANCE WITH BUDGET

| LGB                | BUDGET 2017/2018 R'000 | ACTUAL 2017/2018 R'000 | VARIANCE 2017/2018 R'000 | BUDGET 2016/2017 R'000 | ACTUAL 2016/2017 R'000 | VARIANCE 2016/2017 R'000 |
|--------------------|------------------------|------------------------|--------------------------|------------------------|------------------------|--------------------------|
| Capital Budget     | 1 406                  | 787                    | 619                      | 3 974                  | 3 531                  | 443                      |
| Personnel Budget   | 37 958                 | 33 098                 | 4 860                    | 35 673                 | 31 324                 | 4 349                    |
| Operational Budget | 33 130                 | 30 573                 | 2 557                    | 28 058                 | 30 747                 | -2 689                   |



PART C  
**GOVERNANCE**





## 1. INTRODUCTION

The Board is mandated by LEDET to regulate and monitor gambling activities in the Province and in particular, to ensure the eradication of unlawful gambling activities, promoting responsible gambling and to collect gambling revenue from licensed gambling establishments.

Annually the Board enters into a Performance Agreement with the MEC of LEDET.

The Performance Agreement out-lines that the Board's mandate shall:-

Take full responsibility for the preparation, finalisation and drawing up of Business Plans of the Board.

- Ensure that such Business Plans are aligned with the overall objectives of LEDET.
- Ensure that such Business Plans have been submitted to the MEC for approval prior to the implementation of these plans in line with the PFMA requirements.
- The Board undertakes to schedule and hold regular quarterly meetings with the MEC to ensure the MEC is kept informed of developments within the Board.

The Parties agree to conduct their relationship on the principles of transparency, mutual respect, bona fides, integrity and trust.

Where the MEC issues the Board with directives that have not been approved in the Board Business Plans, the MEC shall provide the Board with sufficient information and additional resources to carry out such directives within thirty (30) days of receipt of such directives.

The Board received a grant from LEDET to the amount of R67 502 million.

The Board submits written reports on the projects and the status of funds to LEDET quarterly on stipulated dates.

The Department agreed with the Board that levies collected must be transferred monthly to the Department of Provincial Treasury, as the mandate of the Board is to collect taxes on their behalf.

## 2. PORTFOLIO COMMITTEES

The Board gave presentations to the Portfolio Committee on Economic Development, Environment and Tourism on the following dates:

- 25 April 2017
- 11 May 2017
- 27 June 2017
- 22 August 2017
- 26 October 2017

## 3. EXECUTIVE AUTHORITY

The Board submitted the following reports to the Executive Authority monthly and quarterly. The Acting General Manager came to the Board quarterly to discuss the reports submitted to the Department. The Revenue Unit of LEDET came monthly to reconcile the levies transferred to the Department against the audited information done by the Compliance Business Unit. Management made presentations of their reviewed reports to the MEC.



| SCHEDULE AND SECTION/<br>REG | REPORT                        | NO. OF REPORTS PER<br>ANNUM | NO. OF REPORTS<br>SUBMITTED | DATE               | DATE SUBMITTED   |
|------------------------------|-------------------------------|-----------------------------|-----------------------------|--------------------|--|
| 2,3/s54(1)                   | Public Entity (IYM<br>Report) | 12                          | 12                          | 15th of each month | 16 May 2017<br>21 June 2017<br>12 July 2017<br>15 August 2017<br>11 September 2017<br>11 October 2017<br>10 November 2017<br>14 December 2017<br>12 January 2018<br>15 February 2018<br>13 March 2018<br>13 April 2018 |

## CHALLENGES FROM FINANCE

| NO. | SECTION:<br>SLA | REPORT OR DOCUMENT                                  | SUBMISSION DATE | DATE SUBMITTED  |
|-----|-----------------|---|-----------------|---|
| 31  | 4.8             | Procurement Plan                                    | 30 April 2018   | 17 April 2018   |
| 2   | 4A.1            | Levies  | Monthly         | Revenue was transferred monthly, totalling R 88 million for the financial year. |
| 3   | 8.1             | Progress report of the projects and status of funds |                 |   |
|     |                 | First quarter                                       | 31 July 2017    | 27 July 2017  |
|     |                 | Second quarter                                      | 31 October 2017 | 25 October 2017   |
|     |                 | Third quarter                                       | 31 January 2018 | 30 January 2018   |
|     |                 | Fourth quarter                                      | 30 April 2018   | 18 April 2018   |

## 4. THE BOARD

### 4.1 INTRODUCTION

The Limpopo Gambling Board was established in terms of Section 2 of the Limpopo Gambling Act, Act No. 4 of 1996, as amended (hereinafter referred to as "The Act").

Section 3 of the Act governs the powers and functions of the Board and it states as follows:

#### 1. The Board shall:

- (a) exercise such powers and perform such functions-
  - (i) assigned to it in terms of this Act;
  - (ii) assigned to it in terms of any other Act;
- (b) advise the responsible Member or furnish a report or recommendations to the responsible Member on any matter referred to the Board by the responsible member for consideration or arising from the application of this Act relating to the control over gambling and racing in the Province.



2. The Board may, with the approval of the responsible Member and if an Act of any other Province provide therefore, exercise such powers and perform such functions and duties in terms of such Act in respect of persons and matters in the said Province as the Board may in terms of this Act exercise and perform in this Province.
3. The Board may, notwithstanding anything to the contrary in another Act contained; pay a reward to any person who has furnished information relating to an alleged contravention of a provision of this Act.
4. Notwithstanding anything to the contrary contained in this Act, the responsible Member may, in the absence of a Board, exercise and perform the powers and functions of the Board, excluding the granting and revocation of licences.

In addition to this section, the Board must take cognisance of section 49(2) of the Public Finance Management Act, Act 29 of 1999 (PFMA), which states that:

"If the public entity-

- (a) has a board or other controlling body, that board or controlling body is the accounting authority for that entity."

#### 4.2 THE ROLE OF THE BOARD IS AS FOLLOWS

- To promote a culture of responsible gambling in the Province.
- To ensure the eradication of all forms of illegal gambling in the Province.
- To ensure the creation of an organisation capable of recruiting, retaining, continuously developing its workforce, and aiming at enhancing its effectiveness and employee well-being.
- To ensure the availability of real-time information using technology in support of decision making processes.
- To ensure that the Board has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective.
- To ensure that the Board establishes, implements, and maintains good principles of corporate governance, accounting practices, and sound systems of internal control.
- To ensure that the Board plans and utilises limited resources economically, efficiently and effectively.

#### 4.3 COMPOSITION OF THE BOARD

| NAME              | DESIGNATION                     | DATE APPOINTED | DATE OF EXPIRY OF TERM | QUALIFICATIONS  | AREA OF EXPERTISE  | BOARD DIRECTORSHIPS  | OTHER COMMITTEES                  | NO. OF MEETINGS ATTENDED 2016/17 |
|-------------------|---------------------------------|----------------|------------------------|---|--|--|-----------------------------------|----------------------------------|
| Mr. M.E. Tjiane   | Chairperson of the Board        | 31.10.2017     | 31.10.2022             | <ul style="list-style-type: none"> <li>• MBL (current studies, mini thesis Pending)</li> <li>• B.Pharm</li> </ul>   | <ul style="list-style-type: none"> <li>• Business Management.</li> <li>• Leadership.</li> <li>• Healthcare</li> </ul>      | <ul style="list-style-type: none"> <li>• LGB Board</li> </ul>                                      | None.                             | 2/2                              |
| Ms. B.L. Montjane | Deputy Chairperson of the Board | 31.10.2017     | 31.10.2022             | <ul style="list-style-type: none"> <li>• B.Juris.</li> <li>• Certificate in Legal Training,</li> <li>• Certificate in Debt Counselling,</li> <li>• Certificate in Mediation Law</li> <li>• Certificate in Corporate Governance</li> </ul> | <ul style="list-style-type: none"> <li>• Law</li> <li>• Debt counselling</li> <li>• Legal Costs &amp; Mediation</li> </ul> | <ul style="list-style-type: none"> <li>• LGB Board</li> <li>• Lucetta Legal Consultancy</li> </ul> | Licensing & Compliance Committee. | 2/2                              |



|                          | DESIGNATION                                       | DATE APPOINTED | DATE OF EXPIRY OF TERM | QUALIFICATIONS  | AREA OF EXPERTISE   | BOARD DIRECTORSHIPS  | OTHER COMMITTEES   | NO. OF MEETINGS ATTENDED 2016/17 |
|--------------------------|---|----------------|------------------------|---|---|--|--|----------------------------------|
| Hosi/ Adv. K.A. Mahumani | Member  | 31.10.2017     | 31.10.2022             | <ul style="list-style-type: none"> <li>Bachelor of Law,</li> <li>Post-graduate Diploma in Labour Law,</li> <li>Master of Laws (LLM)</li> </ul>  | <ul style="list-style-type: none"> <li>Law</li> </ul>   | <ul style="list-style-type: none"> <li>LGB Board</li> </ul>                                | <ul style="list-style-type: none"> <li>Licensing &amp; Compliance Committee.</li> <li>Audit &amp; Risk Committee.</li> </ul> | 2/2                              |
| Ms. M.E. Maditsi         | Member  | 31.10.2017     | 31.10.2022             | <ul style="list-style-type: none"> <li>Current: Bachelor of Public Administration</li> <li>Diploma in Advanced filmmaking &amp; broadcasting,</li> <li>Certificate in food preparation and cooking.</li> <li>Certificate in food preparation and cooking principles/ practical</li> </ul> | <ul style="list-style-type: none"> <li>Administration</li> </ul>  | <ul style="list-style-type: none"> <li>LGB Board</li> </ul>                                | <ul style="list-style-type: none"> <li>HR, Remuneration &amp; Ethics Committee.</li> </ul>                                   | 2/2                              |
| Mr. C.C. Nkdimeng        | Member  | 31.10.2017     | 31.10.2022             | <ul style="list-style-type: none"> <li>Bachelor of Arts,</li> <li>Honours in Public Governance</li> </ul>   | <ul style="list-style-type: none"> <li>Governance</li> <li>Administration</li> <li>Tourism</li> </ul>   | <ul style="list-style-type: none"> <li>LGB Board</li> </ul>                                | <ul style="list-style-type: none"> <li>HR, Remuneration &amp; Ethics Committee.</li> </ul>                                   | 1/2                              |
| Mr. Serobi Maja          | Member  | 31.10.2017     | 31.10.2022             | <ul style="list-style-type: none"> <li>Bachelor of Arts</li> </ul>  | <ul style="list-style-type: none"> <li>Administration</li> <li>Governance</li> <li>Gambling</li> </ul>  | <ul style="list-style-type: none"> <li>LGB Board</li> <li>UNIVEN</li> <li>SARGF</li> </ul> |  | 2/2                              |
| Ms. K.C. Tlouane         | Departmental Representative (LEDET)               | 31.10.2017     | 31.10.2022             | <ul style="list-style-type: none"> <li>BA in Education,</li> <li>M Ed in Environmental Education,</li> <li>Management Programme</li> </ul>  | <ul style="list-style-type: none"> <li>Environmental Education</li> <li>Environmental Management</li> <li>Project Management</li> <li>Strategic Planning</li> </ul> | <ul style="list-style-type: none"> <li>LGB Board</li> </ul>                                | <ul style="list-style-type: none"> <li>HR, Remuneration &amp; Ethics Committee.</li> </ul>                                   | 2/2                              |
| Mr. Magoro Tema          | Departmental Representative (Provincial Treasury) | 31.10.2017     | 31.10.2022             | <ul style="list-style-type: none"> <li>MBA (Finance),</li> <li>Hons B.Com (Accounting),</li> <li>B.Com (Accounting)</li> </ul>  | <ul style="list-style-type: none"> <li>Accounting &amp; Finance</li> </ul>  | <ul style="list-style-type: none"> <li>LGB Board</li> </ul>                                | <ul style="list-style-type: none"> <li>Audit &amp; Risk Committee.</li> </ul>  | 2/2                              |

#### 4.4 AUDIT COMMITTEE

| NAME OF MEMBERS                  | DESIGNATION     | NO. OF MEETINGS ATTENDED | TERM ENDED | DATE APPOINTED |
|----------------------------------|-----------------|--------------------------|------------|----------------|
| Hosi/Adv. K.A. Mahumani          | Chairperson     | 2/2                      | 31.10.2022 | 08.11.2017     |
| Mr. Magoro Tema                  | Member          | 1/2                      | 31.10.2022 | 08.11.2017     |
| Ms. Millicent Mashamaite CA (SA) | Co-Opted Member | 1/1                      | 31.10.2022 | 01.02.2018     |
| Adv. J.L. Thubakgale             | Co-Opted Member | 1/1                      | 31.10.2022 | 01.02.2018     |
| Mr. T.A. Ramawa                  | Co-Opted Member | 0/1                      | 31.10.2022 | 01.02.2018     |

#### 4.5 REMUNERATION AND HUMAN RESOURCE COMMITTEE

| NAME OF MEMBERS   | DESIGNATION | NO. OF MEETINGS ATTENDED | TERM ENDED | DATE APPOINTED |
|-------------------|-------------|--------------------------|------------|----------------|
| Ms. M.E. Maditsi  | Chairperson | 3/3                      | 31.10.2022 | 08.11.2017     |
| Mr. C.C. Nkdimeng | Member      | 3/3                      | 31.10.2022 | 08.11.2017     |
| Ms. K.C. Tlouane  | Member      | 2/3                      | 31.10.2022 | 08.11.2017     |



#### 4.6 LICENSING AND COMPLIANCE COMMITTEE

| NAME OF MEMBERS         | DESIGNATION | NO. OF MEETINGS ATTENDED | TERM ENDED | DATE APPOINTED |
|-------------------------|-------------|--------------------------|------------|----------------|
| Mr. Serobi Maja         | Chairperson | 3/3                      | 31.10.2022 | 08.11.2017     |
| Ms. B.L. Montjane       | Member      | 3/3                      | 31.10.2022 | 08.11.2017     |
| Hosi/Adv. K.A. Mahumani | Member      | 3/3                      | 31.10.2022 | 08.11.2017     |

#### 4.7 REMUNERATION OF BOARD MEMBERS

| NAME                    | TRAVELLING & SUBSISTENCE | SITTING ALLOWANCE | RETAINER       | TOTAL          |
|-------------------------|--------------------------|-------------------|----------------|----------------|
| Mr. M.E. Tjjane         | 25 569                   | 77 748            | 25 779         | 129 096        |
| Ms. B.L. Montjane       | 28 575                   | 57 312            | 36 101         | 121 988        |
| Hosi/Adv. K.A. Mahumani | 38 890                   | 49 660            | 25 027         | 113 577        |
| Ms. M.E. Maditsi        | 34 942                   | 57 109            | 25 027         | 117 078        |
| Mr. C.C. Nkadameng      | 18 503                   | 29 796            | 18 770         | 67 069         |
| Mr. Serobi Maja         | 28 515                   | 34 762            | 25 027         | 88 304         |
| <b>TOTAL</b>            | <b>174 994</b>           | <b>306 387</b>    | <b>155 731</b> | <b>637 112</b> |

## 5. RISK MANAGEMENT

### 5.1 OF RISK MANAGEMENT

#### Risk Management defined

Risk management is a continuous, comprehensive and systematic approach effected by an organisation's, management and other personnel aimed at identifying, measuring and controlling an organisation's exposure to accidental loss, theft and liability involving human, financial, physical and natural resources.

The Accounting Officer has set the tone at the top by supporting Enterprise Risk Management and allocating human and financial resources towards the implementation thereof.

The Risk Management function of the Limpopo Gambling Board, which is within the Finance Business Unit, has in place the Risk Management Strategy, Policy and Charter that ensures adherence to the PFMA section 38(1) (a)(i).

The Risk Management Committee meets quarterly during the year to monitor the progress on the implementation of the mitigation strategies.

The Limpopo Gambling Board has continued to cultivate a culture of risk management throughout the entity by ensuring:

- Compliance with Section 38 of the Public Finance Management Act;
- Compliance with Section 27.2 of the Treasury Regulations;
- To promote and entrench risk management as value creation;



- To improve the LGB's risk maturity from a defensive risk management position to a responsive risk management position; and
- To embed risk management into LGB's business operations to support decision making and thereby increasing the likelihood of achieving the LGB's strategic objectives.

## 5.2 RISK MANAGEMENT PROCESS

The approach that was adopted in the execution of this process was the entity-wide to Enterprise Risk Management (ERM).

Limpopo Gambling Board has a Risk Profile which is updated on a quarterly basis or as and when the need arises and is further revised on an annual basis after conducting a Risk Assessment for approval by the Board, following a process whereby the Risk Management Officer would have performed a risk assessment with the risk owners and all staff during the workshop by identifying new, emerging risks and further reassessing the previous year's risk register. The profile was then consolidated and presented to the Accounting Officer for approval. The risk profile is inclusive of mitigation measures that were compiled by management and are monitored on an ongoing basis, and internal audit provides quality assurance thereof. The Risk Committee has met 3 (three) times during the year, and has submitted quarterly monitoring reports to the Chief Executive Officer who further recommends them for submission to the audit committee. There were only two (2) Audit Committee Meetings for the 2017/18 financial year, as the Board was only appointed on 31 October 2017.

As LGB operates in the gambling environment which is unstable and is being influenced by various risk factors, which can have a significant high and negative impact. LGB's management thus ensures accountability and responsibility in relation to an effective risk management structure and principles that are established and maintained.

## 5.3 RISK ASSESSMENT PARTICIPANTS AND QUALITY OF RESULTS

The following LGB Business Units participated in the Operational and Strategic Risk Assessment Workshops held in November 2017:

| TASK DESCRIPTION   | UNIT DETAILS   |                                       |
|--------------------|--|---------------------------------------|
| Strategic Risks    | Strategic and Operational Support (Senior & Middle Managers) |                                       |
| Operational Risks: | 1  | Finance Unit                          |
|                    | 2  | Compliance Unit                       |
|                    | 3  | Law Enforcement Unit                  |
|                    | 4  | Legal Services Unit                   |
|                    | 5  | Risk Management (within Finance Unit) |
|                    | 6  | Human Resources Unit                  |
|                    | 7  | Supply Chain Management Unit          |
|                    | 8  | Information Technology Unit           |



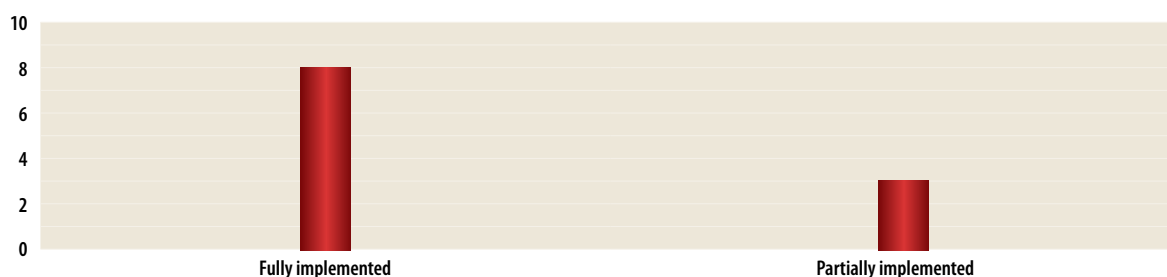
The aforementioned risk assessment resulted in the achievement of the following objectives:

- Identification of strategic and operational risks, based on the relevant objectives of the Board;
- Consideration and evaluation of the risk impact and the likelihood ratings per risk were identified;
- The identification of risk mitigation strategies to reduce risk exposure;
- Consideration of any additional risks where necessary;
- The update of the risk profile.

#### 5.4 PROGRESS MADE IN ADDRESSING RISKS IDENTIFIED

Eleven (11) of the twenty two (22) strategic risks were prioritised for the 2017/18 financial year. On the eleven (11) that were prioritised eight (8) have been mitigated to acceptable levels. Internal Audit provided reasonable assurance that the control design is adequate and effective for the achievement of organisational objectives. The Board will, therefore, ensure enhanced controls in 2018/19 that will assist in mitigating the remaining three (3) prioritised risks mitigation plans that are partially implemented.

#### Mitigation Status on Prioritised Risks



Partially Implemented Mitigation as depicted in the graph above is elaborated below:

| TASK DESCRIPTION   | UNIT DETAILS  |
|--|---|
| 1. Fruitless, Wasteful and Irregular Expenditure                                     | Documenting Internal Processes still in progress and awaiting approval of Provincial Transversal Policies.        |
| 2. ICT not geared towards business requirements.                                     | The Board does not have an offsite back-up to date. We are in the process of acquiring the required IT equipment. |
| 3. Inadequate Legislation to assist the LGB to carry out its mandate and strategies. | Review of the regulations is still in progress with Office Of The Premier.  |



## 6. INTERNAL CONTROL UNIT

LGB has no Internal Control Unit in place; hence the CFO's Unit ensures there are processes in place. Upon the receipt of the Auditor General 2016-17 Final Report, the Limpopo Gambling Board Management developed action plans on the template recommended by Treasury to ensure that the findings do not recur in future. The template was submitted to Treasury on a quarterly basis to indicate the progress of the action plans. The Internal Audit has then provided assurance regarding the status core of the action plans report.

The Board's challenge is that Provincial Treasury has issued an Instruction Note that indicates that all Departments and Public entities must establish Internal Control Units. The Board is in the process of establishing the Unit and has advertised the position of Manager Internal Control.

## 7. INTERNAL AUDIT AND AUDIT COMMITTEES

### OBJECTIVE AND ROLE OF INTERNAL AUDIT

The Internal Audit of the Board is outsourced to Shumba Inc.

Internal Audit (IA) is an independent, objective assurance and consulting activity designed to add value and improve LGB's operations. The objective of the IA function is to assist LGB to accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

The Internal Audit function reviews the following:

- The reliability and integrity of financial and operational information;
- Compliance with laws, regulations, policies and contracts;
- Safeguarding of assets;
- The economical and efficient use of resources;
- Establishment of operational goals and objectives; and
- Appropriateness of processes for the achievement of objectives.

The primary role of the IA function is to assist the Board, Audit Committee, and Executive Management in the effective discharge of their duties and responsibilities.

The IA, through engagement with the internal stake-holders, formulated a three year rolling plan incorporating an annual plan which was approved by the Audit Committee. The IA head reports at each Audit Committee meeting.

### A) PROGRESS REPORT FOR THE YEAR

#### 1<sup>st</sup> Quarter Progress

| PLANNED ACTIVITY                           | PLANNED EXECUTION DATE | ACTUAL RESULTS |
|--|------------------------|----------------|
| Internal Audit Coverage Plan (1 Year Plan) | April 2017             | Done           |
| Review of Financial Statements             | May 2017               | Done           |





## 2<sup>nd</sup> Quarter Progress

| PLANNED ACTIVITY                                   | PLANNED EXECUTION DATE | ACTUAL RESULTS |
|--|------------------------|----------------|
| Audit Of Performance Objectives 1st Quarter review | July 2017              | Done           |
| Risk Monitoring Quality Assurance 1st Quarter      | July 2017              | Done           |
| Finance Audit                                      | August 2017            | Done           |
| Law Enforcement Audit                              | September 2017         | Done           |

## 3<sup>rd</sup> Quarter Progress

| PLANNED ACTIVITY                              | PLANNED EXECUTION DATE | ACTUAL RESULTS |
|---|------------------------|----------------|
| <b>ADHOC ASSIGNMENT</b>                       |                        |                |
| Interim Review Of Financial Statements        | October 2017           | Done           |
| Risk Monitoring Quality Assurance 2nd Quarter | October 2017           | Done           |
| Audit Of Predetermined Objectives 2nd Quarter | November 2017          | Done           |
| Information Technology Audit                  | December 2017          | Done           |
| AG Action Plan Follow up                      | December 2017          | Done           |
| Supply Chain Management Audit                 | December 2017          | Done           |

## 4<sup>th</sup> Quarter Progress

| PLANNED ACTIVITY                              | PLANNED EXECUTION DATE | ACTUAL RESULTS |
|---|------------------------|----------------|
| Audit Of Predetermined Objectives 3rd Quarter | January 2018           | Done           |
| Risk Monitoring Quality Assurance 3rd Quarter | January 2018           | Done           |
| Occupational Health and Safety Audit (OHS)    | March 2018             | Done           |
| Compliance                                    | March 2018             | Done           |

## Key activities and objectives of the Audit Committee

The Limpopo Gambling Board has established the Audit Committee as a Sub-Committee of its controlling body ("Board") to assist the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards. The Committee shall not perform any management functions or assume any management responsibilities. It provides a forum for discussing business risk and control issues for developing relevant recommendations for consideration by the Board. The Committee shall mainly make recommendations to the Board for its approval or final decision. The membership, resources, responsibilities and authorities (composition, functions and operation) of the Committee to perform its role effectively, is stipulated in these Terms of Reference, which may be amended by the Board from time to time. The Committee is constituted in terms of the requirements of sound corporate governance practices and operates within that framework.



## Audit Committee Members Information

| NAME                             | QUALIFICATIONS  | INTERNAL OR EXTERNAL     | IF INTERNAL, POSITION IN THE PUBLIC ENTITY | DATE APPOINTED | EXPIRY TERM OF OFFICE | NO. OF MEETINGS ATTENDED 2016/17 |
|----------------------------------|---|--------------------------|--|----------------|-----------------------|----------------------------------|
| Hosi/Adv. K.A. Mahumani          | <ul style="list-style-type: none"> <li>Bachelor of Law,</li> <li>Post-graduate Diploma in Labour Law,</li> <li>Master of Laws (LLM)</li> </ul>            | External Chairperson     | N/A  | 08.11.2017     | 31.10.2022            | 2/2                              |
| Mr. Magoro Tema                  | <ul style="list-style-type: none"> <li>MBA (Finance),</li> <li>Hons B.Com (Accounting),</li> <li>B.Com (Accounting),</li> </ul>                           | External Board member    | Representing Provincial Treasury           | 08.11.2017     | 31.10.2022            | 1/2                              |
| Ms. Millicent Mashamaite CA (SA) | <ul style="list-style-type: none"> <li>Chartered Accountant (SA)</li> <li>Certified Ethics Officer</li> </ul>   | External Co-Opted Member | N/A  | 01.02.2018     | 31.10.2022            | 1/1                              |
| Adv. J.L. Thubakgale             | <ul style="list-style-type: none"> <li>B.JURIS</li> <li>LLB</li> <li>LLM</li> <li>Postgraduate Diploma: Labour Law</li> <li>MBA</li> </ul>                | External Co-Opted Member | N/A  | 01.02.2018     | 31.10.2022            | 1/1                              |
| Mr. T.A. Ramawa                  | <ul style="list-style-type: none"> <li>Chartered Accountant (CA)</li> <li>Registered Auditor (RA)</li> <li>Professional Internal Auditor (PIA)</li> </ul> | External Co-Opted Member | N/A  | 01.02.2018     | 31.10.2022            | 0/1                              |

## 8. COMPLIANCE WITH LAWS AND REGULATIONS

Management submitted reports to the Board. Provincial Treasury held Quarterly Bi-Laterals with the entity.

## 9. FRAUD AND CORRUPTION

The Limpopo Gambling Board has a Risk, Fraud and Corruption Prevention Committee in place that has met three (3) times for the year. The Limpopo Gambling Board has a zero tolerance stance on Fraud and Corruption. The annual Fraud Risk Awareness Workshop was done on the 16th of December 2017. LGB further ensures the planned mitigation of identified fraud risks is implemented throughout the organisation.

The Limpopo Gambling Boards Fraud and Corruption Prevention Plan comprises two areas, namely education and communication.

### CREATING AWARENESS

- Employee awareness**

Formal awareness presentations were conducted for employees of Limpopo Gambling Board during the Fraud and Corruption Prevention Awareness Workshop. The ongoing creation of awareness amongst all employees is, however, the responsibility of all unit senior managers and managers.

- Communication**

The objective of communication is further to create awareness amongst employees, the public and other stakeholders of the plan, in order to facilitate a culture where all stakeholders strive to contribute towards making it a success.



- **Progress made (Education and Communication)**

During the 2017/18 financial year, Limpopo Gambling Board conducted an Awareness Fraud and Corruption Prevention Workshop to all staff.

- **Internal Audit plan**

A robust Internal Audit plan, which focuses on the prevalent high fraud and corruption risks, serves as an effective preventative measure. The audit plan was executed as planned.

- **Disclosure of interests**

All staff members of the Limpopo Gambling Board were required to disclose their specific personal assets and business interests on an annual basis.

- **Progress made**

Disclosure of interest was made and was facilitated by Human Resources in the form of circulars to remind staff. The Senior Managers have completed the disclosure of interest and this was submitted to the Commissioner.

- **Whistle Blowing**

There are mechanisms in place to report fraud and corruption and how these operate, for instance our Whistle Blowing Policy - The need for officials to make factual confidential disclosures about fraud and corruption they might be aware of.

The Limpopo Gambling Board has a Whistle Blowing Policy in place which is aligned to the Protected Disclosure Act. No 26 of 2000.

- **How these cases are reported and what action is taken**

Where a case is reported, the following process will ensue:

Action taken by LGB will depend on the nature of the concern and the possible actions to the matters raised may, among others be:-

- investigated internally by the Risk Management Officer; and/or
- referred to the SAPS or other relevant law enforcement agency.

No cases were reported with regard to fraud and corruption during the 2017/18 financial year.

## 10. MINIMISING CONFLICT OF INTEREST

- All staff members of the Limpopo Gambling Board are required to disclose their specific personal assets and business interests on appointment.
- Every year the Human Resources Unit issues a circular reminding officials to disclose any new business interests.
- The Senior Managers complete financial disclosure forms which are submitted to the Executive Authority annually.
- Suppliers are required to complete an SBD4 for declaration of interest purposes prior to engagement of business activities with LGB and the centralised supplier database (CSD), introduced by National Treasury, and also assists in minimising the risk of disloyal suppliers.



## 11. CODE OF CONDUCT

The growth and success of the gambling industry in the Limpopo Province is dependent on public confidence and trust that is conducted honestly.

The Board considers it desirable to provide further guidance to its members and employees to assist them in gaining a clear picture of the behaviour expected in the execution of their various functions.

These standards apply to all members and employees of the Board, as well as consultants engaged by the Board.

All newly appointed employees are made aware of the Board's code of conduct during induction.

If a member or employee becomes aware of, anticipates, or suspects, corrupt conduct on the part of an organisation, a member of the public, or another Board Member or employee, he or she must report this matter to the Chairperson or the CEO without delay.

## 12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The Board has an Occupational Health and Safety Committee and a Health and Safety Policy, which is geared towards providing and maintaining a safe and healthy workplace for employees of the Board. Two committee meetings were held during this financial year. Monthly inspections are done to identify any risks and health issues. Matters arising from the inspection reports are attended to immediately. Establishing a safe assembly point during evacuation is still a challenge as the Municipality should assist with approval.

## 13. SOCIAL RESPONSIBILITY

The Board was given an additional amount of R2.5 million for CSI projects. This is 2% of the total revenue transferred to the Provincial Fiscus.

The Board distributed learning tools for Grade R learners for early childhood development to 27 schools in the following districts: Waterberg, Sekhukhune and Mopani. The cost of the learning tools amounted to R 493 977

The Board collaborated with the Limpopo Department of Education and the following schools were identified for renovations to be carried out:

| NAME OF SCHOOL         | DISTRICT             | AMOUNT SPENT |
|------------------------|----------------------|--------------|
| Rantshu Primary School | Polokwane District   | R417 989     |
| Nkoana Primary School  | Polokwane District   | R590 943     |
| Mamothe Primary School | Polokwane District   | R417 255     |
| Lebowakgomo Secondary  | Lebowakgomo District | R472 170     |



## 14. AUDIT COMMITTEE REPORT

### 14.1 INTRODUCTION

We are pleased to present our report for the financial year ended 31 March 2018. The Limpopo Gambling Board has an Audit Committee which operates in terms of the Board's approved Audit Committee Charter.

The Audit Committee consists of the members listed hereunder and meets at least two (02) times per annum as per the Audit Committee Charter. During the year two (02) scheduled and Audit Committee Meetings were held.

| NAME OF MEMBERS         | DESIGNATION              | NO. OF MEETINGS ATTENDED | DATE APPOINTED |
|-------------------------|--------------------------|--------------------------|----------------|
| Hosi/Adv. K.A. Mahumani | External Chairperson     | 2/2                      | 08.11.2017     |
| Mr. M.B. Tema           | External Board member    | 1/2                      | 08.11.2017     |
| Ms. M.M. Mashamaite     | External Co-Opted Member | 1/1                      | 01.02.2018     |
| Adv. J.L. Thubakgale    | External Co-Opted Member | 1/1                      | 01.02.2018     |
| Mr. T.A. Ramawa         | External Co-Opted Member | 0/1                      | 01.02.2018     |

### 14.2 AUDIT COMMITTEE RESPONSIBILITIES

We report that we have complied with our responsibilities arising from Section 51(1) (a) (i)-(iv) of the Public Finance Management Act and Treasury Regulation 3.1.13. We also report that we have adopted appropriate formal Terms of Reference as incorporated in our Audit Committee Charter. The Audit Committee Charter has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

### 14.3 THE EFFECTIVENESS OF INTERNAL CONTROL

We are of the opinion, based on the information given by Management, the Internal Audit and the discussions with the External Auditors(AGSA) on the results of its audit, that the internal controls are operating to ensure that the financial records may be relied upon for preparing the Annual Financial Statements, and accountability for assets and liabilities is maintained.

From the various reports from Internal Auditors, the audit report on the Annual Financial Statements, as well as the Management Letter of the Auditor General, it was noted that no significant misstatements were reported.

The annual performance report contained some misstatements. There was non-compliance with supply chain regulations.

Our review of the findings of Internal Audit work, which was based on the risk assessment conducted, revealed certain weaknesses which were then raised with the Board.

The internal control weaknesses identified and reported by External Auditors, management monitored and adhered to the plan.

The review process on non-compliance with regulations and misstatements on annual performance will have to be intensified from the Audit Committee down to Internal Audit and Management.



#### 14.4 IN-YEAR MANAGEMENT AND MONTHLY/QUARTERLY REPORT

LGB has submitted monthly and quarterly reports to the Department of Economic Development, Environment and Tourism.

#### 14.5 EVALUATION OF FINANCIAL STATEMENTS

We have reviewed the Financial Statements for the year ended 31 March 2018 and we are satisfied that matters have been adequately resolved.

We concur and accept the conclusion of the External Auditors on the Financial Statements and are of the opinion that the Audited Financial Statements must be accepted and read together with the Report of the Auditor-General.



**Hosi/Adv. K.A Mahumani**

Chairperson of the Audit Committee





PART D

# **HUMAN RESOURCE MANAGEMENT**



## 1. INTRODUCTION

The Human Resources Unit aims to assist and support other Business Units with any matters pertaining to the daily running of the business affecting its employees.

A workforce planning framework and key strategies to attract and recruit a skilled and capable workforce are in place. The success of the Limpopo Gambling Board in delivering its operational and developmental goals depends primarily on efficiency and effectiveness where employees carry out their duties. Managing performance is therefore a key Human Resources Management Tool.

The Limpopo Gambling Board ensures that employees are engaged in wellness programmes every year through the EAP.

### 1.1 POLICY DEVELOPMENT

- **Organisational review**

The organisational structure was reviewed and approved by the Board in March 2018 to address issues pertaining to staff shortages

- **Policy review**

Policies are currently in the process of being reviewed to ensure that LGB keeps abreast with updates and changes in various laws and Acts.

- **Staff development**

Employees are provided with training to ensure that they are furnished and equipped with the necessary skills to enable them to perform their jobs, which will enhance productivity.

- **Challenges**

The Board is currently utilising a manual performance management system and wanted to embark on a new project of implementing an electronic PMS system, but due to budgetary constraints the project had to be put on hold.

## 2. HUMAN RESOURCE OVERSIGHT STATISTIC

The public entity must provide the following key information on Human Resources. All the financial amounts must agree with the amounts disclosed in the Annual Financial Statements.

### 2. PERSONNEL COST BY PROGRAMME

| PROGRAMME              | TOTAL EXPENDITURE FOR THE ENTITY (R'000) | PERSONNEL EXPENDITURE (R'000) | PERSONNEL EXPENDITURE AS A % OF TOTAL EXPENDITURE (R'000) | NO. OF EMPLOYEES | AVERAGE PERSONNEL COST PER EMPLOYEE (R'000) |
|------------------------|--|-------------------------------|---|------------------|---|
| Ceo                    | 10 067                                   | 4 966                         | 49%   | 5                | 1 270                                       |
| Finance                | 9 553                                    | 4 763                         | 50%   | 7                | 700   |
| Law Enforcement        | 5 348                                    | 4 397                         | 82%   | 9                | 502   |
| Supply Chain           | 17 082                                   | 2 878                         | 17%   | 5                | 592   |
| Human Resources        | 4 007                                    | 3 241                         | 81%   | 9                | 347   |
| Compliance             | 15 637                                   | 11 534                        | 53 %  | 19               | 625   |
| Information Technology | 2 717                                    | 1 441                         | 53%   | 2                | 747   |
| <b>TOTAL</b>           | <b>64 411</b>                            | <b>33 088</b>                 | <b>51%</b>  | <b>56</b>        | <b>4 787</b>                                |



## 2.2 TRAINING COSTS

| DIRECTORATE/BUSINESS UNIT | PERSONNEL EXPENDITURE (R'000) | TRAINING EXPENDITURE (R'000) | TRAINING EXPENDITURE AS A % OF PERSONNEL COST (%) | NO. OF EMPLOYEES TRAINED | AVERAGE TRAINING COST PER EMPLOYEE (R'000) |
|---------------------------|-------------------------------|------------------------------|---|--------------------------|--|
| Ceo & Board Members       | 5 083                         | 49                           | -   | 5                        | 9  |
| Finance                   | 4 902                         | 92                           | 5   | 4                        | 23   |
| Law Enforcement           | 4 521                         | -                            | -   | 7                        | -  |
| Supply Chain              | 2 963                         | -                            | -   | 1                        | -  |
| Human Resources           | 3 130                         | 18                           | -   | 2                        | 9  |
| Compliance                | 11 891                        | 25                           | 46  | 11                       | 2  |
| Information Technology    | 1 494                         | -                            | -   | 0                        | -  |
| <b>Total</b>              | <b>33 989</b>                 | <b>185</b>                   | <b>51</b>   | <b>30</b>                | <b>44</b>                                  |

## 2.3 EMPLOYMENT AND VACANCIES

| PROGRAMME       | 2016/17 NO. OF EMPLOYEES | 2016/17 APPROVED POSTS | 2017/18 NO. OF EMPLOYEES | 2017/18 VACANCIES | % OF VACANCIES |
|-----------------|--------------------------|------------------------|--------------------------|-------------------|----------------|
| CEO             | 4                        | 5                      | 4                        | 5                 | 50%            |
| Finance         | 7                        | 8                      | 7                        | 1                 | 28%            |
| Supply Chain    | 5                        | 5                      | 5                        | 1                 | 20%            |
| Human Resource  | 9                        | 9                      | 8                        | 2                 | 25%            |
| Compliance      | 20                       | 21                     | 20                       | 6                 | 30%            |
| Law Enforcement | 9                        | 9                      | 9                        | 1                 | 11%            |
| IT              | 2                        | 2                      | 2                        | 0                 | 0%             |

| PROGRAMME              | 2016/17 NO. OF EMPLOYEES | 2016/17 APPROVED POSTS | 2017/18 NO. OF EMPLOYEES | 2017/18 VACANCIES | % OF VACANCIES |
|------------------------|--------------------------|------------------------|--------------------------|-------------------|----------------|
| Top Management         | 2                        | 2                      | 1                        | 1                 | 1%             |
| Senior Management      | 4                        | 4                      | 3                        | 1                 | 33%            |
| Professional qualified | 6                        | 6                      | 6                        | 0                 | 0%             |
| Skilled                | 23                       | 24                     | 23                       | 1                 | 4%             |
| Semi-skilled           | 16                       | 17                     | 16                       | 1                 | 6%             |
| Unskilled              | 5                        | 5                      | 5                        | 0                 | 0%             |
| <b>TOTAL</b>           | <b>56</b>                | <b>58</b>              | <b>54</b>                | <b>4</b>          | <b>7%</b>      |



## 2.4 EMPLOYMENT CHANGES

| PROGRAMME              | EMPLOYMENT AT BEGINNING OF PERIOD | APPOINTMENTS | TERMINATIONS | EMPLOYMENT AT END OF PERIOD |
|------------------------|-----------------------------------|--------------|--------------|-----------------------------|
| Top Management         | 2                                 | 0            | 1            | 1                           |
| Senior Management      | 4                                 | 0            | 0            | 4                           |
| Professional qualified | 6                                 | 0            | 0            | 6                           |
| Skilled                | 23                                | 0            | 0            | 23                          |
| Semi-skilled           | 16                                | 0            | 0            | 16                          |
| Unskilled              | 5                                 | 0            | 1            | 4                           |
| <b>TOTAL</b>           | <b>56</b>                         | <b>0</b>     | <b>2</b>     | <b>54</b>                   |

## 2.5 REASON FOR STAFF LEAVING

| REASON             | NUMBER   | % OF TOTAL NO. OF STAFF LEAVING |
|--------------------|----------|---------------------------------|
| Death              | 1        | 50%                             |
| Resignation        | 0        | 0%                              |
| Dismissal          | 0        | 0%                              |
| Retirement         | 0        | 0%                              |
| Ill health         | 0        | 0%                              |
| Expiry of contract | 1        | 50%                             |
| Other              | 0        | 0%                              |
| <b>TOTAL</b>       | <b>2</b> | <b>100%</b>                     |

Most staff leave the organisation mainly for growth.

## 2.6 LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

|                       |   |
|-----------------------|---|
| Verbal Warning        | 0 |
| Written Warning       | 0 |
| Final Written warning | 0 |
| Dismissal             | 0 |



## 2.7 EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

| LEVELS                 | MALE      |           |          |          |          |          |          |          |
|------------------------|-----------|-----------|----------|----------|----------|----------|----------|----------|
|                        | AFRICAN   |           | COLOURED |          | INDIAN   |          | WHITE    |          |
|                        | CURRENT   | TARGET    | CURRENT  | TARGET   | CURRENT  | TARGET   | CURRENT  | TARGET   |
| Top Management         | 0         | 1         | 0        | 0        | 0        | 0        | 0        | 0        |
| Senior Management      | 2         | 3         | 0        | 0        | 0        | 0        | 0        | 0        |
| Professional qualified | 4         | 3         | 0        | 0        | 0        | 0        | 0        | 0        |
| Skilled                | 9         | 10        | 1        | 1        | 0        | 0        | 1        | 1        |
| Semi-skilled           | 6         | 7         | 0        | 0        | 1        | 0        | 1        | 1        |
| Unskilled              | 2         | 2         | 0        | 0        | 0        | 0        | 0        | 0        |
| <b>TOTAL</b>           | <b>23</b> | <b>26</b> | <b>1</b> | <b>1</b> | <b>1</b> | <b>0</b> | <b>2</b> | <b>2</b> |

| LEVELS                 | FEMALE    |           |          |          |          |          |          |          |
|------------------------|-----------|-----------|----------|----------|----------|----------|----------|----------|
|                        | AFRICAN   |           | COLOURED |          | INDIAN   |          | WHITE    |          |
|                        | CURRENT   | TARGET    | CURRENT  | TARGET   | CURRENT  | TARGET   | CURRENT  | TARGET   |
| Top Management         | 1         | 1         | 0        | 0        | 0        | 0        | 0        | 0        |
| Senior Management      | 0         | 0         | 0        | 0        | 1        | 1        | 0        | 0        |
| Professional qualified | 2         | 3         | 0        | 0        | 0        | 0        | 0        | 0        |
| Skilled                | 8         | 10        | 0        | 0        | 0        | 0        | 2        | 1        |
| Semi-skilled           | 4         | 6         | 1        | 1        | 0        | 0        | 2        | 3        |
| Unskilled              | 2         | 2         | 0        | 0        | 0        | 0        | 0        | 1        |
| <b>TOTAL</b>           | <b>17</b> | <b>22</b> | <b>1</b> | <b>1</b> | <b>1</b> | <b>1</b> | <b>4</b> | <b>5</b> |

| LEVELS                 | DISABLED STAFF |          |          |          |
|------------------------|----------------|----------|----------|----------|
|                        | MALE           |          | FEMALE   |          |
|                        | CURRENT        | TARGET   | CURRENT  | TARGET   |
| Top Management         | 0              | 0        | 0        | 0        |
| Senior Management      | 0              | 0        | 0        | 0        |
| Professional qualified | 0              | 0        | 0        | 0        |
| Skilled                | 0              | 0        | 0        | 0        |
| Semi-skilled           | 1              | 1        | 0        | 0        |
| Unskilled              | 0              | 0        | 0        | 0        |
| <b>TOTAL</b>           | <b>1</b>       | <b>1</b> | <b>0</b> | <b>0</b> |





PART E  
**FINANCIAL  
INFORMATION**

# DIRECTORS' RESPONSIBILITIES AND APPROVAL

The members are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the annual financial statements fairly present the state of affairs of the Board as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The members acknowledge that they are ultimately responsible for the system of internal financial control established by the Board and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Board and all employees are required to maintain the highest ethical standards in ensuring the Board's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Board is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the Board endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or Loss.

The members have reviewed the Board's cash flow forecast for the year to 31 March 2019 and, in the light of this review and the current financial position, they are satisfied that the Board has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Board is wholly dependent on the Limpopo Department of Economic Development, Environment and Tourism for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the Limpopo Department of Economic Development, Environment and Tourism has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the members are primarily responsible for the financial affairs of the Board, they are supported by the Board's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on pages 62 to 65.

The annual financial statements set out on pages 66 to 113, which have been prepared on the going concern basis, were approved by the members on 27 July 2018 and were signed on its behalf by:



**Mr. M.G. Makoko**

Chief Executive Officer



**Mr. M.E. Tjiane**

Chairperson





# REPORT OF THE BOARD

The members submit their report for the year ended 31 March 2018.

## 1. REVIEW OF ACTIVITIES

### MAIN BUSINESS AND OPERATIONS

The Board operates principally in South Africa. The mandate of the Board is to regulate, control and monitor activities in the Province in line with the Limpopo Gambling Board Act No. 3 of 2013.

The operating results and state of affairs of the Board are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

## 2. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The entity is wholly dependent on the Limpopo Department of Economic Development, Environment and Tourism for continued funding of operations.

## 3. SUBSEQUENT EVENTS

The members are not aware of any matter or circumstance arising since the end of the financial year.

## 4. NON-CURRENT ASSETS

No major changes in the nature of the non-current assets of the Board occurred during the year, as well as the policies relating to their use.

## 5. BOARD MEMBERS

The members of the Board during the year and to the date of this report are as follows:

| <b>NAME</b>                            | <b>CHANGES</b>            |
|--|---------------------------|
| Mr. M.E. Tjiane - Chairperson          | Appointed 31 October 2017 |
| Ms. B.L. Montjane - Deputy Chairperson | Appointed 31 October 2017 |
| Hosi/Adv. K.A. Mahumani                | Appointed 31 October 2017 |
| Ms. M.E. Maditsi                       | Appointed 31 October 2017 |
| Mr. C.C. Nkadimeng                     | Appointed 31 October 2017 |



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**NAME****CHANGES**

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|   |                           |
|---|---------------------------|
| Ms. K.C. Tlouane - LEDET Representative   | Appointed 31 October 2017 |
| Mr. M.B. Tema - Treasury Representative   | Appointed 31 October 2017 |
| Mr.S. Maja                                | Appointed 31 October 2017 |
| Mr. M.G. Makoko - Chief Executive Officer | Appointed 01 May 2018     |

**6. BANKERS**

The bankers of the Board are Standard Bank.

**7. ACCOUNTING POLICIES**

The Annual Financial Statements prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Standards Board, as the prescribed framework by National Treasury.





# REPORT OF THE AUDITOR-GENERAL

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

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### OPINION

1. I have audited the financial statements of the Limpopo Gambling Board set out on pages ... to ..., which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget information with actual information for the year then ended, as well as the 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 Limpopo Gambling Board as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with SA Standards of General Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act, 1999 (Act No.1 of 1999) (PFMA).
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 this auditor's report.
4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the 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.

#### EMPHASIS OF MATTER

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

#### Restatement of corresponding figures

7. As disclosed in note 30 to the financial statements, the corresponding figures for 31 March 2017 have been restated as a result of an error in the financial statements of the entity at, and for the year ended 31 March 2018.

#### OTHER MATTER

8. I draw attention to the matter below. My opinion is not modified in respect of this matter.

#### OTHER MATTER PARAGRAPH

9. The following other matter paragraph will be included in our auditor's report to draw the users' attention to matters regarding the audit, the auditor's responsibilities and the auditor's report:

#### Unaudited supplementary schedules

10. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon





## RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

11. The board of directors, which constitute the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework 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.
12. In preparing the financial statements, the accounting authority is responsible for assessing the 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 accounting authority either intends to liquidate the 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

13. 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.
14. 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

15. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
16. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to 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.
17. 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 annual performance report of the entity for the year ended 31 March 2018:

| <b>PROGRAMMES</b>            | <b>PAGES IN THE ANNUAL PERFORMANCE REPORT</b> |
|------------------------------|---|
| Programme 3: Compliance      | 37 – 38                                       |
| Programme 4: Law enforcement | 38  |



18. 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.
19. The material findings in respect of the reliability of the selected programme are as follows:

#### **PROGRAMME 3 – COMPLIANCE**

##### **Number of responsible gambling campaigns**

**Reported achievement did not agree with the evidence provided, i.e. not valid and/or accurate and/or complete**

20. The achievement for target responsible gambling campaign reported in the annual performance report was eight. However, the supporting evidence provided did not agree to the reported achievement and indicated an achievement of four.
21. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programme:
  - Programme 4: Law enforcement

#### **OTHER MATTER**

22. I draw attention to the matter below.

##### **Achievement of planned targets**

23. Refer to the annual performance report on page(s) x to x; x to x for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a number of targets. This information should be considered in the context of the qualified opinion expressed on the reliability of the reported performance information in paragraph(s) x; x; x of this report.

## **REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION**

#### **INTRODUCTION AND SCOPE**

24. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
25. The material finding on compliance with specific matters in key legislations is as follows:

##### **Expenditure management**

26. Effective steps were not taken to prevent irregular expenditure amounting to R405 706 as disclosed in note 39 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA and treasury regulation 9.1.1



## OTHER INFORMATION

27. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the Chairperson's report, Chief Executive Officer's report and audit committee's report. The other information does not include 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.
28. 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 thereon.
29. 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.
30. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

## INTERNAL CONTROL DEFICIENCIES

31. 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 thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in, the findings on the annual performance report and the findings on compliance with legislation included in this report.

### LEADERSHIP

32. The leadership did not fill the key vacant position of senior manager finance within 12 months; furthermore, policies and procedures were not updated with recent changes in legislation.

### FINANCIAL AND PERFORMANCE MANAGEMENT

33. Although the leadership reviewed the annual performance report prior to their submission for audit, shortcomings in the internal control environment resulted in a number of misstatements identified.
34. The review and monitoring of compliance with applicable laws and regulations was inadequate.

Auditor - General

Polokwane

31 July 2018



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



# STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

|  | NOTES | 2018<br>R         | 2017<br>R         |
|--|-------|-------------------|-------------------|
| <b>ASSETS</b>                          |       |                   |                   |
| <b>CURRENT ASSETS</b>                  |       |                   |                   |
| Receivables from exchange transactions | 7     | 161 591           | 211 353           |
| Cash and cash equivalents              | 9     | 22 118 100        | 28 418 522        |
|  |       | <b>22 279 691</b> | <b>28 629 875</b> |
| <b>NON-CURRENT ASSETS</b>              |       |                   |                   |
| Property, plant and equipment          | 3     | 5 740 367         | 6 137 278         |
| Intangible assets                      | 4     | 483 031           | 603 788           |
|  |       | <b>6 223 398</b>  | <b>6 741 066</b>  |
| <b>Total Assets</b>                    |       | <b>28 503 089</b> | <b>35 370 941</b> |
| <b>LIABILITIES</b>                     |       |                   |                   |
| <b>CURRENT LIABILITIES</b>             |       |                   |                   |
| Payables from exchange transactions    | 12    | 1 708 958         | 2 200 297         |
| Long service award                     | 6     | 99 136            | 33 083            |
| Staff accrual                          | 10    | 1 273 211         | 1 102 037         |
| Deferred income                        | 11    | 2 532 622         | 7 456 233         |
|  |       | <b>5 613 927</b>  | <b>10 791 650</b> |
| <b>NON-CURRENT LIABILITIES</b>         |       |                   |                   |
| Operating lease liability              | 5     | 13 271 252        | 12 434 293        |
| Long service award                     | 6     | 217 720           | 222 224           |
|  |       | <b>13 488 972</b> | <b>12 656 517</b> |
| <b>Total Liabilities</b>               |       | <b>19 102 899</b> | <b>23 448 167</b> |
| Net Assets                             |       | 9 400 190         | 11 922 774        |
| <b>Accumulated surplus</b>             |       | <b>9 400 190</b>  | <b>11 922 774</b> |



# STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2018

|   | NOTES | 2018<br>R           | 2017<br>R           |
|---|-------|---------------------|---------------------|
| <b>REVENUE</b>                                  |       |                     |                     |
| <b>REVENUE FROM EXCHANGE TRANSACTIONS</b>       |       |                     |                     |
| Operating revenue                               | 13    | 9 668 645           | 13 113 176          |
| Interest received                               | 14    | 1 330 011           | 1 107 397           |
| Gain on disposal of assets and liabilities      |       | -                   | 592 218             |
| <b>Total revenue from exchange transactions</b> |       | <b>10 998 656</b>   | <b>14 812 791</b>   |
| <b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>   |       |                     |                     |
| Government grants & subsidies                   | 15    | 67 502 000          | 61 273 000          |
| Other operating revenue                         | 16    | 89 391 866          | 85 183 469          |
| Total revenue from non-exchange transactions    |       | 156 893 866         | 146 456 469         |
| <b>Total revenue</b>                            |       | <b>167 892 522</b>  | <b>161 269 260</b>  |
| <b>EXPENDITURE</b>                              |       |                     |                     |
| Employee related costs                          | 17    | (33 098 648)        | (30 933 628)        |
| Board members' expenses                         | 19    | (1 468 341)         | (2 829 804)         |
| Depreciation and amortisation                   |       | (1 286 479)         | (926 841)           |
| Finance costs                                   | 20    | -                   | (38 262)            |
| Debt impairment                                 | 8     | 100 000             | (320 000)           |
| Loss on disposal of assets and liabilities      |       | (17 930)            | -                   |
| Operating expenses                              | 23    | (27 899 766)        | (26 512 737)        |
| <b>Total expenditure</b>                        |       | <b>(63 671 164)</b> | <b>(61 561 272)</b> |
| <b>Surplus for the year</b>                     |       | <b>104 221 358</b>  | <b>99 707 988</b>   |



# STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2018

|  | ACCUMULATED<br>SURPLUS<br>R | TOTAL NET ASSETS<br>R |
|--|-----------------------------|-----------------------|
| Opening balance as previously reported                   | (2 325 935)                 | (2 325 935)           |
| <b>Adjustments</b>                                       |                             |                       |
| Prior year adjustments                                   | (164)                       | (164)                 |
| <b>Balance at 01 April 2016 as restated*</b>             | <b>(2 326 099)</b>          | <b>(2 326 099)</b>    |
| <b>Changes in net assets</b>                             |                             |                       |
| Funds surrendered  | (85 459 115)                | (85 459 115)          |
| Net income (losses) recognised directly in net assets    | (85 459 115)                | (85 459 115)          |
| Surplus for the year                                     | 99 707 988                  | 99 707 988            |
| Total recognised income and expenses for the year        | 14 248 873                  | 14 248 873            |
| <b>Total changes</b>                                     | <b>14 248 873</b>           | <b>14 248 873</b>     |
| <b>Restated* Balance at 01 April 2017</b>                | <b>11 922 774</b>           | <b>11 922 774</b>     |
| <b>Changes in net assets</b>                             |                             |                       |
| Funds surrendered  | (106 743 942)               | (106 743 942)         |
| Net income (losses) recognised directly in net assets    | (106 743 942)               | (106 743 942)         |
| Surplus for the year                                     | 104 221 358                 | 104 221 358           |
| <b>Total recognised income and expenses for the year</b> | <b>(2 522 584)</b>          | <b>(2 522 584)</b>    |
| <b>Total changes</b>                                     | <b>(2 522 584)</b>          | <b>(2 522 584)</b>    |
| <b>Balance at 31 March 2018</b>                          | <b>9 400 190</b>            | <b>9 400 190</b>      |



# CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

|   | NOTES | 2018<br>R            | 2017<br>R            |
|---|-------|----------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |       |                      |                      |
| <b>RECEIPTS</b>   |       |                      |                      |
| Grants and subsidies  |       | 67 502 000           | 61 273 000           |
| Other operating income                                      |       | 94 283 390           | 102 617 306          |
| Interest income   |       | 1 330 011            | 1 107 397            |
|   |       | <b>163 115 401</b>   | <b>164 997 703</b>   |
| <b>PAYMENTS</b>   |       |                      |                      |
| Employee costs  |       | (32 865 925)         | (31 035 887)         |
| Operating expenses  |       | (27 551 024)         | (23 136 144)         |
| Funds surrendered   |       | (106 743 942)        | (85 459 115)         |
| Board expenses  |       | (1 468 341)          | (2 829 804)          |
|   |       | <b>(168 629 232)</b> | <b>(142 460 950)</b> |
| <b>Net cash flows from operating activities</b>             | 25    | <b>(5 513 831)</b>   | <b>22 536 753</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |       |                      |                      |
| Purchase of property, plant and equipment                   | 3     | (786 591)            | (2 927 483)          |
| Proceeds from sale of property, plant and equipment         | 3     | -                    | 1 087 969            |
| Purchase of other intangible assets                         | 4     | -                    | (603 788)            |
| <b>Net cash flows from investing activities</b>             |       | <b>(786 591)</b>     | <b>(2 443 302)</b>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |       |                      |                      |
| Finance lease payments                                      |       | -                    | (223 376)            |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |       | <b>(6 300 422)</b>   | <b>19 870 075</b>    |
| Cash and cash equivalents at the beginning of the year      |       | 28 418 522           | 8 548 447            |
| <b>Cash and cash equivalents at the end of the year</b>     | 9     | <b>22 118 100</b>    | <b>28 418 522</b>    |



# STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

|  | APPROVED<br>BUDGET<br>R | ADJUSTMENTS<br>R | FINAL BUDGET<br>R   | ACTUAL<br>AMOUNTS ON<br>COMPARABLE<br>BASIS<br>R | DIFFERENCE<br>BETWEEN FINAL<br>BUDGET AND<br>ACTUAL<br>R | REFERENCE |
|--|-------------------------|------------------|---------------------|--|--|-----------|
| <b>STATEMENT OF FINANCIAL PERFORMANCE</b>  |                         |                  |                     |  |  |           |
| <b>REVENUE</b>   |                         |                  |                     |  |  |           |
| <b>Revenue from exchange transactions</b>  |                         |                  |                     |  |  |           |
| Operating income   | -                       | -                | -                   | 9 668 645  | 9 668 645  |           |
| Interest received  | -                       | -                | -                   | 1 330 011  | 1 330 011  | 38        |
| <b>Total revenue from exchange transactions</b>  | <b>-</b>                | <b>-</b>         | <b>-</b>            | <b>10 998 656</b>                                | <b>10 998 656</b>  |           |
| <b>Revenue from non-exchange transactions</b>  |                         |                  |                     |  |  |           |
| <i>Transfer revenue</i>  |                         |                  |                     |  |  |           |
| Government grants & subsidies  | 67 502 000              | -                | 67 502 000          | 67 502 000                                       | -  |           |
| Other operating revenue  | 107 900 000             | -                | 107 900 000         | 89 391 866                                       | (18 508 134)   |           |
| <b>Total revenue from non- exchange transactions</b>   | <b>175 402 000</b>      | <b>-</b>         | <b>175 402 000</b>  | <b>156 893 866</b>                               | <b>(18 508 134)</b>                                      |           |
| <b>Total revenue</b>   | <b>175 402 000</b>      | <b>-</b>         | <b>175 402 000</b>  | <b>167 892 522</b>                               | <b>(7 509 478)</b>                                       |           |
| <b>EXPENDITURE</b>   |                         |                  |                     |  |  |           |
| Personnel  | (36 563 396)            | (1 436 502)      | (37 999 898)        | (33 098 648)                                     | 4 901 250  | 38        |
| Board members' expenses  | (4 180 120)             | 1 618 948        | (2 561 172)         | (1 468 341)                                      | 1 092 831  | 38        |
| Depreciation and amortisation  | (848 808)               | -                | (848 808)           | (1 286 479)                                      | (437 671)  | 38        |
| Debt Impairment  | -                       | -                | -                   | 100 000  | 100 000  | 38        |
| Operating expenses   | (30 202 058)            | 523 227          | (29 678 831)        | (27 899 766)                                     | 1 779 065  | 38        |
| <b>Total expenditure</b>   | <b>(71 794 382)</b>     | <b>705 673</b>   | <b>(71 088 709)</b> | <b>(63 653 234)</b>                              | <b>7 435 475</b>   |           |
| <b>Operating surplus</b>   | <b>103 607 618</b>      | <b>705 673</b>   | <b>104 313 291</b>  | <b>104 239 288</b>                               | <b>(74 003)</b>  |           |
| Loss on disposal of assets and liabilities   | -                       | -                | -                   | (17 930)   | (17 930)   |           |
| <b>Surplus before taxation</b>   | <b>103 607 618</b>      | <b>705 673</b>   | <b>104 313 291</b>  | <b>104 221 358</b>                               | <b>(91 933)</b>  |           |
| <b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b> | <b>103 607 618</b>      | <b>705 673</b>   | <b>104 313 291</b>  | <b>104 221 358</b>                               | <b>(91 933)</b>  |           |
| <b>STATEMENT OF FINANCIAL POSITION</b>   |                         |                  |                     |  |  |           |
| <b>ASSETS</b>  |                         |                  |                     |  |  |           |
| <b>Non-Current Assets</b>  |                         |                  |                     |  |  |           |
| Property, plant and equipment  | 699 750                 | 705 673          | 1 405 423           | 783 591  | (621 832)  | 38        |
| <b>Total Assets</b>  | <b>699 750</b>          | <b>705 673</b>   | <b>1 405 423</b>    | <b>783 591</b>                                   | <b>(621 832)</b>   |           |
| <b>Net Assets</b>  | <b>699 750</b>          | <b>705 673</b>   | <b>1 405 423</b>    | <b>783 591</b>                                   | <b>(621 832)</b>   |           |







# ACCOUNTING POLICIES

## 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

### 1.1 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the Board.

### 1.2 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared based on the expectation that the Board will continue to operate as a going concern in the foreseeable future.

### 1.3 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements. In the process of applying the Board's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the annual financial statements:

#### **Trade receivables**

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.



## **Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The Board reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including supply and demand, together with economic factors such as exchange inflation and interest.

## **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 10 - Provisions.

## **Useful lives of property, plant and equipment**

The Board's management determines the estimated residual values, depreciation methods as well as useful lives and related depreciation charges for the property, plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

## **Long service awards**

The present value of the long service award obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of the long service award obligation.

The Board determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the long service award obligations. In determining the appropriate discount rate, the Board considers the interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 6.



## 1.4 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, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

| <b>ITEM</b>        | <b>DEPRECIATION METHOD</b> | <b>AVERAGE USEFUL LIFE</b> |
|--------------------|----------------------------|----------------------------|
| Fittings           | Straight line              | 10 years                   |
| Motor vehicles     | Straight line              | 5 - 12 years               |
| Office equipment   | Straight line              | 15 - 25 years              |
| Computer equipment | Straight line              | 3 years                    |
| Military equipment | Straight line              | 5 - 12 years               |
| Furniture          | Straight line              | 15 - 25years               |

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.



The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The Board assesses at each reporting date whether there is any indication that the Board expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit.

Items of property, plant and equipment 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 from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The Board separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note - PPE 3).

## 1.5 INTANGIBLE ASSETS

An intangible asset is an identifiable non-monetary asset without physical substance. An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

The Board assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.



The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| <b>ITEM</b>       | <b>DEPRECIATION METHOD</b> | <b>AVERAGE USEFUL LIFE</b> |
|-------------------|----------------------------|----------------------------|
| Computer software | Straight line              | 5 years                    |

## 1.6 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from an Board's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Board estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the Board uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.



A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the Board designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;



- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

### Classification

The Board has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| CLASS                                  | CATEGORY                                   |
|--|--|
| Receivables from exchange transactions | Financial asset measured at amortised cost |
| Cash and cash equivalents              | Financial asset measured at amortised cost |

The Board has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| CLASS                               | CATEGORY                                       |
|-------------------------------------|--|
| Payables from exchange transactions | Financial liability measured at amortised cost |

### Initial recognition

The Board recognises a financial asset or a financial liability in its statement of financial position when the Board becomes a party to the contractual provisions of the instrument.

The Board recognises financial assets using trade date accounting.

### Initial measurement of financial assets and financial liabilities

The Board measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

### Subsequent measurement of financial assets and financial liabilities

The Board measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.



## Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

## Impairment and uncollectibility of financial assets

The Board assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost.

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is measured at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

## Derecognition Financial assets

The Board derecognises financial assets using trade date accounting.

The Board derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the Board transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the Board, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Board :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.





The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the Board transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the Board adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the Board obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the Board recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the Board has retained substantially all the risks and rewards of ownership of the transferred asset, the Board continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the Board recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

## **Financial liabilities**

The Board removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).



## **Presentation**

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the Board currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the Board does not offset the transferred asset and the associated liability.

## **Financial liabilities held at amortised cost**

Trade and other payables and finance lease liabilities are included in financial liabilities held at amortised cost. Items classified within trade and other payables are not usually re-measured, as obligations are usually known with a high degree of certainty due to their short term maturity, therefore the carrying amount would approximate the fair value. Where the effect on fair value at initial recognition of any extended payment terms is not material no adjustments are made.

## **Loans and receivables**

Loans and receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Where the effect on fair value at initial recognition of any extended payment terms is not material no adjustments are made.

Loans and receivables are subsequently measured at amortised cost using the effective interest rate methods less any impairment loss. Interest income is recognised in the Statement of Financial Performance by applying the effective interest rate.

Trade and other receivables and cash and cash equivalents that have fixed or determinable payments that are not quoted in active market are classified as loans and receivables.

## **Cash and Cash Equivalents**

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date. Cash and cash equivalents includes cash on hand, deposits held at call with banks and other highly liquid investments with original maturities of three months or less. For the purpose of the Cash Flow Statement, cash and cash equivalents comprise cash on hand net of bank overdrafts, all of which are available for use by the Board unless otherwise stated. The cash flow statement is prepared on the basis of the direct method.



## 1.7 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.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

### **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 interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

### **Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

## 1.8 INVENTORIES

The Board does not operate an inventory system for consumables that are bought in bulk as the stock levels are always immaterial at reporting dates. These transactions are charged to the statement of financial performance on monthly basis to various divisional accounts. The consumables at hand on the reporting date are counted to determine if they are material for disclosure in the Financial Statements.

## 1.9 IMPAIRMENT OF CASH-GENERATING ASSETS

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).



Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use. Useful life is either:

- the period of time over which an asset is expected to be used by the Board; or
- the number of production or similar units expected to be obtained from the asset by the Board.

#### 1.10 EMPLOYEE BENEFITS

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits. Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.



### **Short-term employee benefits**

Short-term employee benefits are employee benefits (other than termination 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) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Board recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The Board measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Board recognise the expected cost of bonus, incentive and performance related payments when the Board has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the Board has no realistic alternative but to make the payments.

### **Post-employment benefits: Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the Board during a reporting period, the Board recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense.



Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

### 1.11 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the Board 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.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating expenses / losses.

If the Board has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 27.

### 1.12 COMMITMENTS

Items are classified as commitments when the Board has committed itself to future transactions that will normally result in the outflow of cash.



Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts are be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.13 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the Board receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.



## Interest

Interest is recognised, in surplus or deficit, using the effective interest rate method.

### 1.14 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the Board can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

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.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.





## Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the Board satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

## Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the Board.

When, as a result of a non-exchange transaction, the Board recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

## Transfers

Apart from Services in kind, which are not recognised, the Board recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The Board recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

## Government grants

The Board receives a grant from Government for each financial year. The grant is recognised when there is assurance that:

- the Board will comply with the conditions attached to the grant; and
- the grant will be received.

### 1.15 ACCUMULATED SURPLUS

In terms of Section 53(3) of Public Finance Management Act a public entity which must submit a budget in terms of Subsection (1) may not budget for a deficit and may not accumulate surpluses unless the prior written approval has been obtained from the National Treasury. Pursuant to this provision surpluses at each reporting date are surrendered unless retention has been authorised. Funds generated by the Board are surrendered as per Instruction Note 2 of 2013.



### 1.16 COMPARATIVE FIGURES

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.17 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.

### 1.18 IRREGULAR EXPENDITURE

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

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 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 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 programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.



### 1.19 BUDGET INFORMATION

The Board typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the Board shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification. The approved budget covers the fiscal period from 01/04/2017 to 31/03/2018.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.20 RELATED PARTIES

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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 in their dealings with the entity.

The Board is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the Board is exempt from the disclosures in accordance with the above, it discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.



### 1.21 EVENTS AFTER REPORTING DATE

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Board will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The Board will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.22 PRIOR PERIOD ERROR

Prior period errors are omissions from and misstatements in, the Board's Financial statements for one or more prior periods arising from failure to use/misuse of reliable information that:

- was available when the financial statements for the period was issued, and
- could have been reasonably expected to be taken into account in those financial statements.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 2. NEW STANDARDS AND INTERPRETATIONS

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2018 or later periods:

### GRAP 20: RELATED PARTIES

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;



- the entity is controlled or jointly controlled by a person identified in (a); and
- a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The Board expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the entity's annual financial statements.

#### **GRAP 109: ACCOUNTING BY PRINCIPALS AND AGENTS**

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The Board expects to adopt the standard for the first time when the Minister sets the effective date for the standard. The impact of this standard is currently being assessed.

#### **IGRAP 19: LIABILITIES TO PAY LEVIES**

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.



To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the interpretation is not yet set by the Minister of Finance.

The Board expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

It is unlikely that the interpretation will have a material impact on the entity's annual financial statements.

#### **GRAP 17 (AS AMENDED 2016): PROPERTY, PLANT AND EQUIPMENT**

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods



of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term “specialist military equipment” in IPSAS 17 was replaced with the term “weapon systems” and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The Board expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the entity’s annual financial statements.

#### **GRAP 26 (AS AMENDED 2016): IMPAIRMENT OF CASH-GENERATING ASSETS**

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB’s Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB’s recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The Board expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the entity’s annual financial statements.

#### **GRAP 31 (AS AMENDED 2016): INTANGIBLE ASSETS**

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB’s Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The Board expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the entity’s annual financial statements.





### 3. PROPERTY, PLANT AND EQUIPMENT

|                    | 2018                  |   |                     | 2017                  |   |                     |
|--------------------|-----------------------|---|---------------------|-----------------------|---|---------------------|
|                    | COST / VALUATION<br>R | ACCUMULATED<br>DEPRECIATION AND<br>ACCUMULATED<br>IMPAIRMENT<br>R | CARRYING VALUE<br>R | COST / VALUATION<br>R | ACCUMULATED<br>DEPRECIATION AND<br>ACCUMULATED<br>IMPAIRMENT<br>R | CARRYING VALUE<br>R |
| Fittings           | 3 244 475             | (1 650 241)   | 1 594 234           | 3 244 475             | (1 325 793)   | 1 918 682           |
| Motor vehicles     | 2 410 993             | (869 676)   | 1 541 317           | 2 410 993             | (481 455)   | 1 929 538           |
| Office equipment   | 586 106               | (205 594)   | 380 512             | 523 862               | (224 613)   | 299 249             |
| Computer equipment | 1 806 248             | (934 592)   | 871 656             | 1 752 531             | (1 099 208)   | 653 323             |
| Furniture          | 2 028 376             | (680 648)   | 1 347 728           | 1 952 843             | (623 441)   | 1 329 402           |
| Military equipment | 36 316                | (31 396)  | 4 920               | 12 140                | (5 056)   | 7 084               |
| <b>Total</b>       | <b>10 112 514</b>     | <b>(4 372 147)</b>  | <b>5 740 367</b>    | <b>9 896 844</b>      | <b>(3 759 566)</b>  | <b>6 137 278</b>    |

#### RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2018

|                    | OPENING BALANCE<br>R | ADDITIONS<br>R | DISPOSALS<br>R  | DEPRECIATION<br>R  | TOTAL<br>R       |
|--------------------|----------------------|----------------|-----------------|--------------------|------------------|
| Fittings           | 1 918 682            | -              | -               | (324 448)          | 1 594 234        |
| Motor vehicles     | 1 929 538            | -              | -               | (388 221)          | 1 541 317        |
| Office equipment   | 299 249              | 160 088        | (8 462)         | (70 363)           | 380 512          |
| Computer equipment | 653 323              | 471 446        | -               | (253 113)          | 871 656          |
| Furniture          | 1 329 402            | 155 057        | (9 315)         | (127 416)          | 1 347 728        |
| Military equipment | 7 084                | -              | -               | (2 164)            | 4 920            |
|                    | <b>6 137 278</b>     | <b>786 591</b> | <b>(17 777)</b> | <b>(1 165 725)</b> | <b>5 740 367</b> |

#### RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2017

|                    |                  |                  |                  |                  |                  |
|--------------------|------------------|------------------|------------------|------------------|------------------|
| Fittings           | 2 243 129        | -                | -                | (324 447)        | 1 918 682        |
| Motor vehicles     | 1 030 675        | 1 558 200        | (452 283)        | (207 054)        | 1 929 538        |
| Office equipment   | 290 155          | 75 044           | (20 680)         | (45 270)         | 299 249          |
| Computer equipment | 263 753          | 547 732          | -                | (158 162)        | 653 323          |
| Furniture          | 690 076          | 746 507          | (22 788)         | (84 393)         | 1 329 402        |
| Military equipment | 7 612            | -                | -                | (528)            | 7 084            |
| Leased assets      | 106 987          | -                | -                | (106 987)        | -                |
|                    | <b>4 632 387</b> | <b>2 927 483</b> | <b>(495 751)</b> | <b>(926 841)</b> | <b>6 137 278</b> |

#### EXPENDITURE INCURRED TO REPAIR AND MAINTAIN PROPERTY, PLANT AND EQUIPMENT

|  | 2018<br>R | 2017<br>R |
|--|-----------|-----------|
| Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance |           |           |
| Operating expenses   | 49 350    | 107 253   |



#### 4. INTANGIBLE ASSETS

|                   | 2018                  |   |                     | 2017                  |   |                     |
|-------------------|-----------------------|---|---------------------|-----------------------|---|---------------------|
|                   | COST / VALUATION<br>R | ACCUMULATED<br>AMORTISATION<br>AND ACCUMULATED<br>IMPAIRMENT<br>R | CARRYING VALUE<br>R | COST / VALUATION<br>R | ACCUMULATED<br>AMORTISATION<br>AND ACCUMULATED<br>IMPAIRMENT<br>R | CARRYING VALUE<br>R |
| Trademarks        | -                     | -   | -                   | 7 866                 | (7 866)   | -                   |
| Computer software | 603 789               | (120 758)   | 483 031             | 665 238               | (61 450)  | 603 788             |
|                   | <b>603 789</b>        | <b>(120 758)</b>  | <b>483 031</b>      | <b>673 104</b>        | <b>(69 316)</b>   | <b>603 788</b>      |

#### RECONCILIATION OF INTANGIBLE ASSETS - 2018

|                   | OPENING BALANCE<br>R | ADDITIONS<br>R | AMORTISATION<br>R | TOTAL<br>R |
|-------------------|----------------------|----------------|-------------------|------------|
| Computer software | 603 788              | -              | (120 757)         | 483 031    |

#### RECONCILIATION OF INTANGIBLE ASSETS - 2017

|                   |   |         |   |         |
|-------------------|---|---------|---|---------|
| Computer software | - | 603 788 | - | 603 788 |
|-------------------|---|---------|---|---------|

#### CHANGE IN ACCOUNTING ESTIMATE

During the year, the board reassessed useful lives of its intangible assets from 1 (one) year to 5 (five) years. This change did not have any impact on the amortization of intangible assets since all intangible assets in use at the beginning of the year were fully amortized and were scrapped during the year. The affected assets were brought into use for the first time in current year and were amortized at the new rates.

#### 5. OPERATING LEASE LIABILITY

|                           | 2018<br>R  | 2017<br>R  |
|---------------------------|------------|------------|
| Operating lease liability | 13 271 252 | 12 434 293 |

#### 6. LONG SERVICE AWARD

The amounts recognised in the statement of financial position are as follows:

#### CARRYING VALUE

|   |                  |                  |
|---|------------------|------------------|
| Present value of the long service liability-wholly unfunded | (316 856)        | (255 307)        |
| Non-current liabilities                                     | (217 720)        | (222 224)        |
| Current liabilities   | (99 136)         | (33 083)         |
|   | <b>(316 856)</b> | <b>(255 307)</b> |



## 6. LONG SERVICE AWARD

| 2018<br>R | 2017<br>R |
|-----------|-----------|
|-----------|-----------|

### MOVEMENT IN THE EMPLOYEE LONG TERM SERVICE AWARD LIABILITY

|  |                |                |
|--|----------------|----------------|
| Opening liability  | 255 307        | 243 003        |
| Benefits paid  | (22 500)       | (37 500)       |
| Net expense recognised in the statement of financial performance | 84 049         | 49 804         |
|  | <b>316 856</b> | <b>255 307</b> |

### NET EXPENSE RECOGNISED IN THE STATEMENT OF FINANCIAL PERFORMANCE

|                      |               |               |
|----------------------|---------------|---------------|
| Current service cost | 27 810        | 28 659        |
| Interest cost        | 22 592        | 21 145        |
| Actuarial losses     | 33 647        | -             |
|                      | <b>84 049</b> | <b>49 804</b> |

### CALCULATION OF ACTUARIAL LOSSES

|   |               |          |
|---|---------------|----------|
| Adjustment due to Actual Benefit Payments | (17 452)      | -        |
| Change in Demographic Assumptions         | (4 828)       | -        |
| Change in Real Discount Rate              | 23 489        | -        |
| Unexpected Changes in Membership          | 19 513        | -        |
| Other Miscellaneous Items                 | 12 925        | -        |
|   | <b>33 647</b> | <b>-</b> |

### KEY ASSUMPTIONS USED

#### Assumptions used at the reporting date:

|                        |         |         |
|------------------------|---------|---------|
| Discount rates used    | 7.60 %  | 8.91 %  |
| Real discount rate     | 7.60 %  | 8.91 %  |
| Average retirement age | 65.00 % | 65.00 % |

Assumed discount rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed discount rates would have the following effects:

|                         | One percentage<br>increase | One percentage<br>decrease |
|-------------------------|----------------------------|----------------------------|
| Long service obligation | 301 235                    | 334 451                    |

|                         | 2018<br>R | 2017<br>R | 2016<br>R | 2015<br>R |
|-------------------------|-----------|-----------|-----------|-----------|
| Long service obligation | 316 856   | 255 307   | 243 003   | 213 345   |



## 7. RECEIVABLES FROM EXCHANGE TRANSACTIONS

|  | 2018<br>R      | 2017<br>R      |
|--|----------------|----------------|
| Trade debtors  | 220 194        | 364 447        |
| Prepaid expenses and deposit                         | 154 944        | 123 237        |
| Sundry debtors                                       | 6 453          | 43 669         |
| Provision for impairment (relating to trade debtors) | (220 000)      | (320 000)      |
|  | <b>161 591</b> | <b>211 353</b> |

### TRADE AND OTHER RECEIVABLES IMPAIRED

As of 31 March 2018, trade and other receivables of R 220 000 (2017: R 320 000) were impaired and provided for.

The amount of the provision was R (220 000) as of 31 March 2018 (2017: R 320 000).

The ageing of these loans is as follows:

|               |         |         |
|---------------|---------|---------|
| 3 to 6 months | 220 000 | 320 000 |
|---------------|---------|---------|

### RECONCILIATION OF PROVISION FOR IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

|                          |                |                |
|--------------------------|----------------|----------------|
| Opening balance          | 320 000        | -              |
| Provision for impairment | (100 000)      | 320 000        |
|                          | <b>220 000</b> | <b>320 000</b> |

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying amount of receivables mentioned above. The Board does not hold any collateral as security.

## 8. DEBT IMPAIRMENT

|                 |           |         |
|-----------------|-----------|---------|
| Debt impairment | (100 000) | 320 000 |
|-----------------|-----------|---------|

## 9. CASH AND CASH EQUIVALENTS

|                                       |                   |                   |
|---------------------------------------|-------------------|-------------------|
| Cash and cash equivalents consist of: |                   |                   |
| Cash on hand                          | 5 000             | 2 000             |
| Bank balances                         | 22 113 100        | 28 416 522        |
|                                       | <b>22 118 100</b> | <b>28 418 522</b> |



## 7. RECEIVABLES FROM EXCHANGE TRANSACTIONS

|  | 2018<br>R      | 2017<br>R      |
|--|----------------|----------------|
| Trade debtors  | 220 194        | 364 447        |
| Prepaid expenses and deposit                         | 154 944        | 123 237        |
| Sundry debtors                                       | 6 453          | 43 669         |
| Provision for impairment (relating to trade debtors) | (220 000)      | (320 000)      |
|  | <b>161 591</b> | <b>211 353</b> |

### TRADE AND OTHER RECEIVABLES IMPAIRED

As of 31 March 2018, trade and other receivables of R 220 000 (2017: R 320 000) were impaired and provided for.

The amount of the provision was R (220 000) as of 31 March 2018 (2017: R 320 000).

The ageing of these loans is as follows:

|               |         |         |
|---------------|---------|---------|
| 3 to 6 months | 220 000 | 320 000 |
|---------------|---------|---------|

### RECONCILIATION OF PROVISION FOR IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

|                          |                |                |
|--------------------------|----------------|----------------|
| Opening balance          | 320 000        | -              |
| Provision for impairment | (100 000)      | 320 000        |
|                          | <b>220 000</b> | <b>320 000</b> |

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying amount of receivables mentioned above. The Board does not hold any collateral as security.

## 8. DEBT IMPAIRMENT

|                 |           |         |
|-----------------|-----------|---------|
| Debt impairment | (100 000) | 320 000 |
|-----------------|-----------|---------|

## 9. CASH AND CASH EQUIVALENTS

|                                       |                   |                   |
|---------------------------------------|-------------------|-------------------|
| Cash and cash equivalents consist of: |                   |                   |
| Cash on hand                          | 5 000             | 2 000             |
| Bank balances                         | 22 113 100        | 28 416 522        |
|                                       | <b>22 118 100</b> | <b>28 418 522</b> |



## 7. RECEIVABLES FROM EXCHANGE TRANSACTIONS

|   | OPENING<br>BALANCE<br>R | ADDITIONS<br>R   | UTILISED DURING<br>THE YEAR<br>R | TOTAL<br>R       |
|---|-------------------------|------------------|----------------------------------|------------------|
| <b>RECONCILIATION OF STAFF ACCRUAL - 2018</b>             |                         |                  |                                  |                  |
| Leave days  | 736 906                 | 3 225 773        | (3 064 623)                      | 898 056          |
| 13 <sup>th</sup> cheques and savings (CEO and Management) | 365 131                 | 1 550 664        | (1 540 640)                      | 375 155          |
|   | <b>1 102 037</b>        | <b>4 776 437</b> | <b>(4 605 263)</b>               | <b>1 273 211</b> |

### RECONCILIATION OF STAFF ACCRUAL - 2017

|   |                  |                  |                    |                  |
|---|------------------|------------------|--------------------|------------------|
| Leave days  | 867 927          | 3 099 828        | (3 230 849)        | 736 906          |
| 13 <sup>th</sup> cheques and savings (CEO and Management) | 348 673          | 1 487 194        | (1 470 736)        | 365 131          |
|   | <b>1 216 600</b> | <b>4 587 022</b> | <b>(4 701 585)</b> | <b>1 102 037</b> |

## 11. DEFERRED INCOME

|   | 2018<br>R        | 2017<br>R        |
|---|------------------|------------------|
| <b>RECONCILIATION FOR THE DEFERRED INCOME</b> |                  |                  |
| Opening balance                               | 7 456 233        | 9 458 636        |
| Recognised as income                          | (7 456 233)      | (9 458 636)      |
| Received in advance                           | 2 532 622        | 7 456 233        |
|   | <b>2 532 622</b> | <b>7 456 233</b> |

Deferred income is a money received for services which have not yet been delivered.

## 12. PAYABLES FROM EXCHANGE TRANSACTIONS

|                 |                  |                  |
|-----------------|------------------|------------------|
| Trade payables  | 1 237 707        | 841 818          |
| Pay As You Earn | -                | 463 573          |
| Other payables  | 471 251          | 894 906          |
|                 | <b>1 708 958</b> | <b>2 200 297</b> |

## 13. OPERATING REVENUE

|                               |                  |                   |
|-------------------------------|------------------|-------------------|
| Annual license fees           | 7 882 733        | 7 628 544         |
| Bingo application fees        | 70 509           | 47 950            |
| Bingo licence fees            | -                | 149 359           |
| Certificate of suitability    | 8 798            | 17 596            |
| Employee registration fees    | 731 220          | 1 114 327         |
| Horse racing application fees | 158 364          | 316 728           |
| Investigation fees            | 424 749          | 3 583 711         |
| LPM application fees          | 280 442          | 228 461           |
| LPM license fees              | 111 830          | 26 500            |
|                               | <b>9 668 645</b> | <b>13 113 176</b> |



| <b>14. INVESTMENT REVENUE</b> | <b>2018<br/>R</b> | <b>2017<br/>R</b> |
|-------------------------------|-------------------|-------------------|
| <b>INTEREST REVENUE</b>       |                   |                   |
| Bank                          | 1 330 011         | 1 107 397         |

#### **15. GOVERNMENT GRANTS AND SUBSIDIES**

|   |            |            |
|---|------------|------------|
| <b>OPERATING GRANTS</b>                                     |            |            |
| Department of Economic Development, Environment and Tourism | 67 502 000 | 61 273 000 |

#### **UNCONDITIONAL GRANTS**

Included in above are the following grants and subsidies received:

|                               |            |            |
|-------------------------------|------------|------------|
| Unconditional grants received | 67 502 000 | 61 273 000 |
|-------------------------------|------------|------------|

#### **16. OTHER OPERATING REVENUE**

|               |                   |                   |
|---------------|-------------------|-------------------|
| Levies        | 88 941 450        | 83 738 174        |
| Sundry Income | 450 416           | 1 445 295         |
|               | <b>89 391 866</b> | <b>85 183 469</b> |

#### **17. EMPLOYEE RELATED COSTS**

|                                     |                   |                   |
|-------------------------------------|-------------------|-------------------|
| Basic                               | 26 256 513        | 24 284 587        |
| Medical aid - company contributions | 891 900           | 872 580           |
| UIF                                 | 97 204            | 96 722            |
| Leave pay provision charge          | 364 788           | 370 320           |
| Pension fund                        | 2 611 656         | 2 632 416         |
| Long-service awards                 | 84 049            | 28 659            |
| 13th Cheques                        | 1 586 725         | 1 487 194         |
| Housing benefits and allowances     | 824 675           | 780 490           |
| Danger allowance                    | 37 788            | 32 794            |
| Cell phone allowance                | 343 350           | 347 866           |
|                                     | <b>33 098 648</b> | <b>30 933 628</b> |

#### **18. DEFINED CONTRIBUTION PLAN**

The employer contributes a percentage of an employee's salary to the Old Mutual Pension Fund which is subject to the Pension Fund Act, where it is vested on the employee's behalf. On retirement the employee will receive contributions plus returns on investment. The employer has no obligation other than to make the monthly payments and no further risk. The risk of market movements lies with the employee.

|              |                  |                  |
|--------------|------------------|------------------|
| Senior staff | 487 892          | 725 102          |
| Other staff  | 2 123 764        | 1 907 314        |
|              | <b>2 611 656</b> | <b>2 632 416</b> |



| <b>19. BOARD MEMBERS' EXPENSES</b>     | <b>2018<br/>R</b> | <b>2017<br/>R</b> |
|--|-------------------|-------------------|
| Accommodation                          | 284 053           | 147 872           |
| Board meetings                         | 280 033           | 22 491            |
| International conferences and seminars | 270 919           | 1 447 543         |
| Monthly allowance                      | 462 119           | 1 158 502         |
| Subsistence and travelling             | 171 217           | 53 396            |
|  | <b>1 468 341</b>  | <b>2 829 804</b>  |

| <b>20. FINANCE COSTS</b> |   |        |
|--------------------------|---|--------|
| Finance leases           | - | 38 262 |

| <b>21. CSI PROJECT EXPENSES</b> |           |   |
|---------------------------------|-----------|---|
| CSI expenses                    | 2 427 190 | - |

The CSI project relates to the amount received from Treasury earmarked for performing community social upliftment projects.

| <b>22. FINANCIAL INSTRUMENTS DISCLOSURE</b> | <b>AT AMORTISED<br/>COST<br/>R</b> | <b>TOTAL<br/>R</b> |
|---|------------------------------------|--------------------|
|---|------------------------------------|--------------------|

#### CATEGORIES OF FINANCIAL INSTRUMENTS: 2018

| <b>Financial assets</b>                |                   |                   |
|--|-------------------|-------------------|
| Receivables from exchange transactions | 6 647             | 6 647             |
| Cash and cash equivalents              | 22 118 100        | 22 118 100        |
|  | <b>22 124 747</b> | <b>22 124 747</b> |

| <b>Financial liabilities</b>        |           |           |
|-------------------------------------|-----------|-----------|
| Payables from exchange transactions | 1 708 958 | 1 708 958 |

#### CATEGORIES OF FINANCIAL INSTRUMENTS: 2017

| <b>Financial assets</b>                |                   |                   |
|--|-------------------|-------------------|
| Receivables from exchange transactions | 88 116            | 88 116            |
| Cash and cash equivalents              | 28 418 522        | 28 418 522        |
|  | <b>28 506 638</b> | <b>28 506 638</b> |

| <b>Financial liabilities</b>        |           |           |
|-------------------------------------|-----------|-----------|
| Payables from exchange transactions | 2 200 297 | 2 200 297 |

#### FINANCIAL INSTRUMENTS IN STATEMENT OF FINANCIAL PERFORMANCE : 2018

|                 |           |           |
|-----------------|-----------|-----------|
| Interest income | 1 330 011 | 1 330 011 |
|-----------------|-----------|-----------|

#### FINANCIAL INSTRUMENTS IN STATEMENT OF FINANCIAL PERFORMANCE : 2017

|                  |                  |                  |
|------------------|------------------|------------------|
| Interest income  | 1 107 397        | 1 107 397        |
| Interest expense | (38 262)         | (38 262)         |
|                  | <b>1 069 135</b> | <b>1 069 135</b> |





### 23. OPERATING EXPENSES

|   | 2018<br>R         | 2017<br>R         |
|---|-------------------|-------------------|
| Advertising and promotions                  | 323 992           | 12 540            |
| Assessment rates                            | 433 317           | 431 991           |
| Audit committee expenses - meetings         | 42 113            | 64 379            |
| Audit fees - Auditor General                | 1 553 173         | 1 034 585         |
| Audit fees - internal                       | 307 769           | 222 740           |
| Bad debts written off                       | 3 121             | -                 |
| Bank charges                                | 53 968            | 109 138           |
| Building maintenance                        | 57 992            | 257 145           |
| Bursaries                                   | 173 932           | 125 828           |
| CSI project expenses                        | 2 427 190         | -                 |
| Cleaning materials                          | 271 734           | 17 221            |
| Communication                               | 495 743           | 174 432           |
| Computer expenses                           | 127 501           | 118 600           |
| Consultation and research                   | 934 086           | 310 531           |
| Consumables                                 | 120 780           | -                 |
| Courier and postage                         | 5 727             | 3 175             |
| Court settlement                            | -                 | 1 114 997         |
| Crime awareness campaign                    | 120 650           | 39 200            |
| Equipment maintenance                       | 37 582            | 14 632            |
| Insurance                                   | 176 871           | 148 531           |
| Investigation fees                          | 36 042            | 3 143 721         |
| Law enforcement expenses                    | 9 140             | 2 318             |
| Legal fees                                  | 748 717           | 1 656 761         |
| License fees                                | 236 295           | 172 500           |
| Magazines, books and periodicals            | 4 800             | 16 500            |
| Motor vehicle expenses - fuel               | 131 871           | 383 816           |
| Motor vehicle expenses - repairs            | 11 768            | 92 621            |
| Occupational injuries and diseases act fund | 131 722           | 131 722           |
| Operating lease charges - building          | 11 357 959        | 11 357 959        |
| Other expenses                              | 5 474             | 13 261            |
| Placement fees                              | 20 146            | -                 |
| Printing and stationery                     | 461 480           | 505 232           |
| Refreshments                                | 35 209            | 35 852            |
| Reimbursive travelling                      | 1 342 235         | 878 550           |
| Rental - postal box                         | 1 800             | 1 640             |
| Rental expenses                             | 150 454           | 80 845            |
| Responsible gambling awareness              | 2 159 030         | 1 007 928         |
| Security expenses                           | 795 487           | 589 683           |
| Skills development levy                     | 301 180           | 290 857           |
| Staff meals and accommodation               | 1 117 402         | 916 223           |
| Staff subsistence and toll fees             | 124 215           | 111 735           |
| Staff training - inhouse                    | 213 659           | 125 475           |
| Staff welfare                               | 54 029            | 16 991            |
| Subscriptions                               | 88 155            | 42 203            |
| Telephone and fax                           | 299 516           | 381 861           |
| Water and electricity                       | 394 740           | 356 818           |
|   | <b>27 899 766</b> | <b>26 512 737</b> |



## 24. TAXATION

2018  
R

2017  
R

No provision has been made for 2018 tax as the Limpopo Gambling Board is exempt from tax in terms of the provisions of Section 10(1)(cA)(i) of the Income Tax Act.

## 25. CASH (USED IN) GENERATED FROM OPERATIONS

|  |                    |                   |
|--|--------------------|-------------------|
| Surplus  | 104 221 358        | 99 707 988        |
| <b>Adjustments for:</b>                          |                    |                   |
| Depreciation and amortisation                    | 1 286 479          | 926 841           |
| Gain (loss) on sale of assets and liabilities    | 17 930             | (592 218)         |
| Finance costs - Finance leases                   | -                  | 38 262            |
| Debt impairment                                  | (100 000)          | 320 000           |
| Bad debts written off                            | 3 121              | -                 |
| Movements in operating lease assets and accruals | 836 959            | 1 793 414         |
| Movements in long service awards                 | 61 549             | 12 304            |
| Movements in staff accruals                      | 171 174            | (114 563)         |
| Surrendered funds                                | (106 743 942)      | (85 459 115)      |
| Other non-cash items                             | (3 272)            | 53 033            |
| <b>Changes in working capital:</b>               |                    |                   |
| Receivables from exchange transactions           | 149 763            | 6 323 064         |
| Payables from exchange transactions              | (491 339)          | 1 530 146         |
| Deferred income                                  | (4 923 611)        | (2 002 403)       |
|  | <b>(5 513 831)</b> | <b>22 536 753</b> |

## 26. COMMITMENTS

### AUTHORISED OPERATIONAL EXPENDITURE

#### Already approved and contracted for

|             |           |           |
|-------------|-----------|-----------|
| Expenditure | 3 984 205 | 4 689 410 |
|-------------|-----------|-----------|

#### Total operational commitments

|   |           |           |
|---|-----------|-----------|
| Already contracted for but not provided for | 3 984 205 | 4 689 410 |
|---|-----------|-----------|

The commitments relate to contracts in respect of insurance, security, internal audit, maintenance, telephone and the Annual Reports. The commitments are funded from existing funds.

### OPERATING LEASES - AS LESSEE (EXPENSE)

#### Minimum lease payments due

|                                     |                   |                   |
|-------------------------------------|-------------------|-------------------|
| - within one year                   | 11 730 848        | 10 591 151        |
| - in second to fifth year inclusive | 57 687 507        | 53 839 367        |
| - later than five years             | -                 | 15 403 796        |
|                                     | <b>69 418 355</b> | <b>79 834 314</b> |



## 26. COMMITMENTS (CONTINUED)

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The Board rents offices in Polokwane at 8 Hans van Rensburg Street. Rental is payable monthly in advance and it escalates at the rate of 10% per annum. The tenant has the option to make an offer to purchase at any time during the currency of the lease agreement. The tenant is also precluded from using the building for other purposes other than that agreed upon in the lease agreement. The landlord can terminate the contract upon expiry of the termination date. There is no contingent rent in the Statement of Financial Performance. The lease expires on the 28th of February 2023.

The Board rents digital printers for a period of three years. Rental is payable monthly in advance and is fixed over the entire contract period. The tenant has the option to renew the rental agreements at reduced rental. Contingent rent is payable based on the number of copies made by the tenant.

## 27. CONTINGENCIES

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- 26.1. Litigation is in the process against the Board relating to employment cases seeking re-instatement and appointment respectively. In the first instance, a former employee is citing unfair dismissal whilst the other relates to an allegation of unfair labour practice. The Board's lawyers and management consider the likelihood of the action against the Board being successful as unlikely and the cases should be resolved within the next year.
- 26.2. Litigation is in process against the Board by an operator citing unfair withdrawal of the licence seeking cancellation of the withdrawal. The lawyers of the Board are unable to ascertain the likelihood of action against the board being successful. Should the action be successful the Board will have to reissue the operating licence. However no other costs will be required, save for costs associated with the legal fees to the amount of R 500 000, since the court has ordered that the operator continue to operate pending the outcome of the trial.
- 26.3. Litigation is in the process against the Board by a Bingo licence applicant who is challenging the award of a licence. The Board's lawyers and Management consider the likelihood of the action against the Board being successful as unlikely, and the case should be resolved within the next two years. There are no other costs associated with the action, save for legal fees estimated to the amount of R 300 000.
- 26.4. The Board is opposing an application made by the Bookmaker's Association of South Africa, who are seeking a declaratory order on whether the Board and other Provinces are allowed to receive bets placed on dog racing taking place in the United Kingdom. There are no financial implications, except for legal fees estimated to be R 80 000.

## 28. RELATED PARTIES

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### RELATIONSHIPS

#### Parent Department

Limpopo Department of Economic Development, Environment and Tourism

#### Board Members

Mr. M.E. Tjiane - Chairperson

Ms. B.L. Montjane - Deputy Chairperson

Hosi/Adv. K.A. Mahumani

Ms. M.E. Maditsi

Mr. C.C. Nkadimeng

Ms. K.C. Tlouane - LEDET Representative

Mr. M.B. Tema -Treasury Representative

Mr.S. Maja



## 28. RELATED PARTIES

### Members of key management

Mr. M.G. Makoko - Chief Executive Officer  
 Ms. Y.S.M. Mathabatha - Chief Financial Officer  
 Adv. L. Ganess - Senior Manager: Legal  
 Mr. L.K. Mathavhane - Senior Manager: Compliance  
 Dr. MP Masogo - Senior Manager: Law Enforcement

| REMUNERATION OF BOARD MEMBERS: 2018    | TRAVELLING & SUBSISTENCE<br>R | SITTING ALLOWANCES<br>R | RETAINER<br>R  | TOTAL<br>R     |
|--|-------------------------------|-------------------------|----------------|----------------|
| Mr. M.E. Tjiane - Chairperson          | 25 569                        | 77 748                  | 25 779         | 129 096        |
| Ms. B.L. Montjane - Deputy Chairperson | 28 575                        | 57 312                  | 36 101         | 121 988        |
| Hosi/Adv. K.A. Mahumani                | 38 890                        | 49 660                  | 25 027         | 113 577        |
| Ms. M.E. Maditsi                       | 34 942                        | 57 109                  | 25 027         | 117 078        |
| Mr. C.C. Nkadameng                     | 18 503                        | 29 796                  | 18 770         | 67 069         |
| Mr.S. Maja                             | 28 515                        | 34 762                  | 25 027         | 88 304         |
|  | <b>174 994</b>                | <b>306 387</b>          | <b>155 731</b> | <b>637 112</b> |

| REMUNERATION OF BOARD MEMBERS: 2017     | TRAVELLING & SUBSISTENCE<br>R | RETAINER<br>R    | TOTAL<br>R       |
|---|-------------------------------|------------------|------------------|
| Mr. M.T. Mokono (Chairperson) *         | 14 061                        | 444 671          | 458 732          |
| Ms. M. J. Mogale (Deputy Chairperson) * | 7 417                         | 444 671          | 452 088          |
| Khosi T.N. Makumbane *                  | 25 156                        | 89 720           | 114 876          |
| Ms. B.L. Montjane *                     | 59 282                        | 89 720           | 149 002          |
| Mr. K.J. Sithole *                      | 20 640                        | 89 720           | 110 360          |
|   | <b>126 556</b>                | <b>1 158 502</b> | <b>1 285 058</b> |

\* The term of office of these board members ended on 31 March 2017.



## 29. EXECUTIVE MANAGEMENT'S EMOLUMENTS

|                         | SALARY<br>R      | HOUSING<br>ALLOWANCE<br>R | TRAVEL<br>ALLOWANCE<br>R | MEDICAL AID<br>R | CELL PHONE<br>ALLOWANCE<br>R | PENSION<br>R   | LEAVE PAYOUT<br>R | SAVINGS<br>R  | ANNUAL<br>PACKAGE<br>R |
|-------------------------|------------------|---------------------------|--------------------------|------------------|------------------------------|----------------|-------------------|---------------|------------------------|
| <b>2018</b>             |                  |                           |                          |                  |                              |                |                   |               |                        |
| S. Maja (CEO)           | 2 642 167        | -                         | 64 855                   | 42 978           | 6 150                        | -              | 170 455           | 20 000        | 2 946 605              |
| Y.S.M. Mathabatha (CFO) | 1 654 153        | 15 307                    | 96 000                   | -                | 24 600                       | 149 748        | -                 | -             | 1 939 808              |
| L. Ganess               | 1 125 914        | 15 307                    | 66 758                   | -                | 21 000                       | 117 847        | -                 | -             | 1 346 826              |
| L.K. Mathavhane         | 1 028 222        | 15 307                    | 84 000                   | -                | 21 000                       | 110 133        | -                 | -             | 1 258 662              |
| M.P. Masogo             | 1 004 988        | 15 307                    | 78 000                   | 29 561           | 21 000                       | 110 164        | -                 | -             | 1 259 020              |
|                         | <b>7 455 444</b> | <b>61 228</b>             | <b>389 613</b>           | <b>72 539</b>    | <b>93 750</b>                | <b>487 892</b> | <b>170 455</b>    | <b>20 000</b> | <b>8 750 921</b>       |
| <b>2017</b>             |                  |                           |                          |                  |                              |                |                   |               |                        |
| S. Maja (CEO)           | 2 024 389        | 12 600                    | 111 180                  | 92 534           | -                            | 175 400        | 305 662           | -             | 2 721 765              |
| Y.S.M. Mathabatha (CFO) | 1 313 350        | 13 800                    | 96 000                   | -                | 24 600                       | 136 501        | -                 | -             | 1 584 251              |
| L. Ganess               | 1 039 095        | 13 800                    | 66 758                   | -                | 21 000                       | 107 433        | -                 | -             | 1 248 086              |
| S. Maahlo               | 769 693          | 10 690                    | 85 500                   | 19 658           | 16 466                       | 80 783         | 162 733           | -             | 1 145 523              |
| L.K. Mathavhane         | 947 289          | 13 800                    | 84 000                   | -                | 21 000                       | 100 411        | -                 | -             | 1 166 500              |
| M.P. Masogo             | 919 800          | 13 800                    | 78 000                   | 33 227           | 21 000                       | 100 386        | -                 | -             | 1 166 213              |
|                         | 7 013 616        | 78 490                    | 521 438                  | 145 419          | 104 066                      | 700 914        | 468 395           | -             | 9 032 338              |



### 30. PRIOR PERIOD ERRORS

Property, plant and equipment were depreciated at the rates determined on purchase. The useful lives and residual values were not appropriately considered during the annual reviews that were performed. The review that happened in current year revealed prior year errors that occurred in previous years. Further, some vehicles were erroneously not depreciated from December 2014. These errors were corrected in current year.

Prior year accruals were not complete in the financial year as some invoices relating to those years were paid for in current year. Corrections were done in current year.

Operating lease commitment disclosed in the prior year were incomplete. This error was discovered and corrected in current year.

### 31. PRIOR-YEAR ADJUSTMENTS

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

|   | AS PREVIOUSLY<br>REPORTED<br>R | CORRECTION OF<br>ERROR<br>R | RE-<br>CLASSIFICATION<br>R | RESTATE<br>R     |
|---|--------------------------------|-----------------------------|----------------------------|------------------|
| <b>STATEMENT OF FINANCIAL POSITION 2016</b> |                                |                             |                            |                  |
| Property, plant and equipment               | 4 582 019                      | 50 366                      | -                          | 4 632 385        |
| Accumulated deficit                         | 2 325 935                      | 164                         | -                          | 2 326 099        |
| Payables from exchange transactions         | (566 586)                      | (50 530)                    | -                          | (617 116)        |
|   | <b>6 341 368</b>               | <b>-</b>                    | <b>-</b>                   | <b>6 341 368</b> |

|   |                    |           |           |                    |
|---|--------------------|-----------|-----------|--------------------|
| <b>STATEMENT OF FINANCIAL POSITION 2017</b> |                    |           |           |                    |
| Property, plant and equipment               | 6 733 949          | 7 117     | (603 788) | 6 137 278          |
| Intangible assets                           | -                  | -         | 603 788   | 603 788            |
| Payables from exchange transactions         | (2 054 725)        | (145 572) | -         | (2 200 297)        |
| Accumulated surplus                         | (12 061 229)       | 138 455   | -         | (11 922 774)       |
|   | <b>(7 382 005)</b> | <b>-</b>  | <b>-</b>  | <b>(7 382 005)</b> |

|   |                    |                |              |                    |
|---|--------------------|----------------|--------------|--------------------|
| <b>STATEMENT OF FINANCIAL PERFORMANCE: 2017</b> |                    |                |              |                    |
| Revenue from exchange transactions              | 1 699 615          | -              | 13 113 176   | 14 812 791         |
| Revenue from non-exchange transactions          | 159 569 645        | -              | (13 113 176) | 146 456 469        |
| Depreciation and amortisation                   | 883 591            | 43 250         | -            | 926 841            |
| Operating expenses                              | 26 367 040         | 145 697        | -            | 26 512 737         |
| <b>Surplus for the year</b>                     | <b>188 519 891</b> | <b>188 947</b> | <b>-</b>     | <b>188 708 838</b> |



### 31. PRIOR-YEAR ADJUSTMENTS

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

|   | AS PREVIOUSLY<br>REPORTED<br>R | CORRECTION OF<br>ERROR<br>R | RE-<br>CLASSIFICATION<br>R | RESTATE<br>R     |
|---|--------------------------------|-----------------------------|----------------------------|------------------|
| <b>STATEMENT OF FINANCIAL POSITION 2016</b> |                                |                             |                            |                  |
| Property, plant and equipment               | 4 582 019                      | 50 366                      | -                          | 4 632 385        |
| Accumulated deficit                         | 2 325 935                      | 164                         | -                          | 2 326 099        |
| Payables from exchange transactions         | (566 586)                      | (50 530)                    | -                          | (617 116)        |
|   | <b>6 341 368</b>               | <b>-</b>                    | <b>-</b>                   | <b>6 341 368</b> |

#### STATEMENT OF FINANCIAL POSITION 2017

|                                     |                    |           |           |                    |
|-------------------------------------|--------------------|-----------|-----------|--------------------|
| Property, plant and equipment       | 6 733 949          | 7 117     | (603 788) | 6 137 278          |
| Intangible assets                   | -                  | -         | 603 788   | 603 788            |
| Payables from exchange transactions | (2 054 725)        | (145 572) | -         | (2 200 297)        |
| Accumulated surplus                 | (12 061 229)       | 138 455   | -         | (11 922 774)       |
|                                     | <b>(7 382 005)</b> | <b>-</b>  | <b>-</b>  | <b>(7 382 005)</b> |

#### STATEMENT OF FINANCIAL PERFORMANCE: 2016

|                               | AS PREVIOUSLY<br>REPORTED<br>R | CORRECTION OF<br>ERROR<br>R | RESTATE<br>R |
|-------------------------------|--------------------------------|-----------------------------|--------------|
| Depreciation and amortisation | 1 047 564                      | 50 366                      | 1 097 930    |

#### COMMITMENTS - OPERATING LEASES - AS LESSEE (EXPENSE): 2017

|                                     |                   |                |                   |
|-------------------------------------|-------------------|----------------|-------------------|
| <b>Minimum lease payments due</b>   |                   |                |                   |
| - within one year                   | 10 521 000        | 70 151         | 10 591 151        |
| - in second to fifth year inclusive | 53 710 755        | 128 612        | 53 839 367        |
| - later than five years             | 15 403 996        | (200)          | 15 403 796        |
|                                     | <b>79 635 751</b> | <b>198 563</b> | <b>79 834 314</b> |

### 32. COMPARATIVE FIGURES

Certain comparative figures have been reclassified.

### 33. RISK MANAGEMENT

#### LIQUIDITY RISK

Liquidity risk is the risk that the organisation would not have sufficient funds available or may encounter difficulties in raising funds to meet its future commitments. This risk is regarded as low considering the Board's current funding structure and management of available cash resources.



### 33. RISK MANAGEMENT (CONTINUED)

The table below provides detail of the Board's remaining contractual maturity for its financial liabilities:

| AT 31 MARCH 2018            | LESS THAN 1<br>YEAR<br>R | BETWEEN 1 AND 2<br>YEARS<br>R | BETWEEN 2 AND 5<br>YEARS<br>R |
|-----------------------------|--------------------------|-------------------------------|-------------------------------|
| Other financial liabilities | 11 573 100               | 57 541 451                    | -                             |
| Trade and other payables    | 1 708 958                | -                             | -                             |
| Staff Accrual               | 1 273 211                | -                             | -                             |
| Long service awards         | 99 136                   | 217 720                       | -                             |

#### AT 31 MARCH 2018

|                             |            |            |            |
|-----------------------------|------------|------------|------------|
| Other financial liabilities | 10 521 000 | 53 710 755 | 15 403 996 |
| Trade and other payables    | 2 200 297  | -          | -          |
| Staff Accrual               | 1 102 037  | -          | -          |
| Long service awards         | 33 083     | 222 224    | -          |

#### CREDIT RISK

Credit risk refers to the risk that counter party will default on its contractual obligations resulting in financial loss to the entity. To mitigate credit risks, the Board has adopted a policy of only dealing with creditworthy parties. Credit risk with respect to trade and other receivables is limited due to our policy of not granting credit to third parties and also due to the fact the Limpopo Gambling Board is not a trading entity or profit orientated. Management manages the credit risk relating to staff loans by deducting payments due by employees monthly from their salaries. Our main source of income is through grants received from the Department of Economic Development, Environment and Tourism.

Financial assets, that potentially subject the entity to credit risk, consist principally of cash and cash equivalents and short term deposits. The entity's cash and cash equivalents and short term deposits are placed with high credit quality financial institution.

#### MARKET RISK

This is the risk that the fair value or future cash flows from a financial instrument will fluctuate as a result of the changes in market prices. Values in financial instruments may change, thus resulting in both potential gains and losses. The entity's activities do not expose it to significant market risks. The entity's activities expose it primarily to the risk of fluctuations in interest rate.

Interest rate risk is a risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Market risk exposures are measured using sensitivity analysis. A sensitivity analysis shows how surplus would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date.





### 33. RISK MANAGEMENT (CONTINUED)

#### INTEREST RATE SENSITIVITY ANALYSIS

The Board's major source of revenue is government grants and to a lesser extent, interest income depending on cash equivalents held. A major expense is on salaries which are fixed for a financial year. The basis points increases or decreases, as detailed in the table below, were determined by Management and represent Management's assessment of the reasonably possible change in interest rates. The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date. As the entity does not have any instruments that affect net assets directly, the disclosure only indicates the effect of the change in interest rates on surplus.

A change in market interest rate at the reporting date would have increased / (decreased) the surplus for the year by amounts below:

| DETAILS                                   | 2018<br>R | 2017<br>R |
|---|-----------|-----------|
| Cash and equivalents (Upward change) 1%   | 221 181   | 284 185   |
| Cash and equivalents (Downward change) 1% | (221 181) | (284 185) |
|   | -         | -         |

#### MAXIMUM EXPOSURE TO CREDIT RISK

The Board's exposure to credit risk with regards to loans and receivables is limited due to the nature of the Board's operations, as explained above. Credit risk is fairly low in respect of staff loans as they are related to the entity.

There has been no significant change during the financial year, or since the end of the financial year, to the entity's exposure to credit risk, the approach of measurement or the objectives, policies and processes for managing this risk.

### 34. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 35. EVENTS AFTER THE REPORTING DATE

The Board is unaware of any matter or event arising since the end of the financial year.

### 36. AMOUNTS TO BE SURRENDERED TO PROVINCIAL TREASURY

|                              |                   |                   |
|------------------------------|-------------------|-------------------|
| Cash and cash equivalents    | 22 118 100        | 28 418 522        |
| Less current liabilities     | (5 613 927)       | (10 612 994)      |
| Less levies                  | (3 010)           | (1 525 852)       |
| Less committed expenditure * | (480 914)         | -                 |
|                              | <b>16 020 249</b> | <b>16 279 676</b> |

The committed expenditure represents the amounts budgeted for the financial year ended 31 March 2018 and contracted for by year end but was performed after year end. These commitments do not form part on the annual budget for the financial year ending 31 March 2019.



### 37. RECONCILIATION BETWEEN BUDGET AND CASH FLOW STATEMENT

Reconciliation of budget surplus/deficit with the net cash generated from operating, investing and financing activities:

|   | 2018<br>R          | 2017<br>R          |
|---|--------------------|--------------------|
| <b>OPERATING ACTIVITIES</b>   |                    |                    |
| Actual amount as presented in the budget statement                    | 104 313 291        | 84 480 095         |
| Basis differences   | (109 827 122)      | (61 943 342)       |
| <b>Net cash flows from operating activities</b>                       | <b>(5 513 831)</b> | <b>22 536 753</b>  |
| <b>INVESTING ACTIVITIES</b>   |                    |                    |
| Actual amount as presented in the budget statement                    | (1 405 423)        | (3 973 939)        |
| Basis differences   | 618 832            | 1 530 637          |
| <b>Net cash flows from investing activities</b>                       | <b>(786 591)</b>   | <b>(2 443 302)</b> |
| <b>FINANCING ACTIVITIES</b>   |                    |                    |
| Basis differences   | -                  | -                  |
| Net cash generated from operating, investing and financing activities | -                  | (223 376)          |
|   | <b>(6 300 422)</b> | <b>19 870 075</b>  |

### 38. BUDGET DIFFERENCES

Material differences between budget and actual amounts Interest received

This is due to monies from levies collected that generated more interest in the Board's account before being remitted over to LEDET.

#### OTHER OPERATING REVENUE

Other operating revenue has declined due to the following:

- Un-operational Bingo Site;
- Delay in opening of Bingo and Bookmakers sites;
- Delays in the approvals of Type B LPM site licence application by the National Gambling Board; and
- Closure of type A LPM sites.

#### EMPLOYEE COSTS

The personnel cost is having saving which is due to vacant posts. Positions could not be filled as there were pending cases.



### 38. BUDGET DIFFERENCES (CONTINUED)

#### BOARD MEMBERS EXPENSES

This is due to appointment of the Board during the third quarter of the year. The Board members determination of allowances has changed from being paid monthly retainer to payment only when there is a meeting or event.

#### DEPRECIATION

Depreciation and amortisation has increased due to reassessment and new assets which were purchased during the year. Server had to be purchased due to the old one was becoming obsolete while it was anticipated to purchase in 2018/19.

#### DEBT IMPAIRMENT

The impairment came into being after operators paid part of the amount which was provided in 2016/17. In current year the Board recovered R100 000 of the amount previously impaired resulting in the reversal of the allowance by the same amount.

#### OPERATING EXPENSES

There were reductions in operating expenses. The audit committee meetings were only held after appointment of the Board. Building maintenance, court settlement, legal fees, fuel and repairs have declined.

#### PROPERTY, PLANT AND EQUIPMENT

There were savings on the budgeted capital expenditure due to savings realised on furniture procurement.

### 39. IRREGULAR EXPENDITURE

|  | 2018<br>R      | 2017<br>R      |
|--|----------------|----------------|
| Opening balance                              | 405 706        | -              |
| Add: Irregular Expenditure - current year    | -              | 405 706        |
| Less: Amounts condoned                       | -              | -              |
| Less: Amounts recoverable (not condoned)     | -              | -              |
| Less: Amounts not recoverable (not condoned) | -              | -              |
|  | <b>405 706</b> | <b>405 706</b> |

#### ANALYSIS OF EXPENDITURE AWAITING CONDONATION PER AGE CLASSIFICATION

|              |                |                |
|--------------|----------------|----------------|
| Current year | -              | 405 706        |
| Prior years  | 405 706        | -              |
|              | <b>405 706</b> | <b>405 706</b> |

#### DETAILS OF IRREGULAR EXPENDITURE

The irregular expenditure disclosed above arose in prior year due to an appointment of a service provider without obtaining the minimum required written price quotations from prospective suppliers. The expenditure was identified as irregular in current year and therefore the disclosure has been restated accordingly.













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