

REPORT OF THE PORTFOLIO COMMITTEE ON PREMIER'S OFFICE, FINANCE; ECONOMIC DEVELOPMENT AND TOURISM

2014/15 ANNUAL REPORT OF THE MPUMALANGA GAMBLING BOARD

1. INTRODUCTION

The Portfolio Committee on Premier's Office, Finance; Economic Development and Tourism (the Committee) has a mandate as per Section 114(2) (b) of the Constitution of the Republic of South Africa (Act. 108 of 1996), read with rule 219(4) of the Rules and Orders of the Mpumalanga Provincial Legislature (the Rules), to oversee the performance of the Mpumalanga Gambling Board (the entity).

Section 133(b) of the Constitution requires the Member of the Executive Council to provide the Legislature with full and regular reports concerning matters under their control. Thus the tabling of the 2014/15 Annual Report of the Mpumalanga Gambling Board was in compliance with section 65(a) of the Public Finance Management Act (Act 1 of 1999) (PFMA).

The consideration and scrutiny of the 2014/15 Annual Report of the entity was for the Committee to satisfy itself that the entity's performance was in line with its approved 2014/15 Annual Performance Plan (APP) and the budget that was appropriated for the financial year under review. The Annual Report oversight exercise is a mechanism of the Committee to ensure that public funds allocated to the department in the year under review, were used economically, efficiently, equitably and effectively. There should ultimately be value for money in any activity undertaken by the entity. Thus, the Executive Authority was held to account for the entity's performance in the 2014/15 financial year.

2. METHOD OF WORK

The MEC tabled the 2014/15 Annual Report in accordance with Section 65(a) of the PFMA and the Speaker subsequently applied rule 201(1) of the Rules and Orders of the Mpumalanga Provincial Legislature by referring the report to the Committee for consideration and report back to the House.

On 28 October 2015 the Committee considered a detailed analysis of the 2014/15 Annual Report and raised key observations and questions that were sent to the department for written responses.

Thereafter, on 12 November 2015, the Committee interacted with the MEC and Acting HOD of the mother department, Department of Economic Development and Tourism, the CEO and the Senior Management team of the entity on the 2014/15 Annual Report. The Committee met again on 18 November 2015 to consider its report.

3. STRATEGIC OUTCOME ORIENTED GOALS

As part of the oversight exercise, the Committee sought to evaluate the extent to which the entity's planned activities during the year under review were guided by its strategic objective and key policy priorities, as well as the national and provincial government policy priorities.

Table 1: Strategic Outcome Oriented Goals

Department's Strategic Outcome Goals	Targets in 2014/15	Achievements/challenges
Goal 1: Industry Expansion – Grow the gambling industry in the Province responsibly	<ul style="list-style-type: none"> - Fourth casino - Bingo Operations 	<ul style="list-style-type: none"> - The fourth casino licence has not been finalised, due to the pending High Court process. - The Board had licensed two Bingo operations in the Province; one in Steve Tshwete Municipality, Middelburg and the other in Msukalligwa Municipality, Ermelo. Going forward, the Board is considering to rollout more Bingo licences, as necessitated by demand.
Goal 2: Effective Regulation – Effective	<ul style="list-style-type: none"> - Governance 	<ul style="list-style-type: none"> - the industry is indeed effectively

<p>and efficient regulation of the gambling industry in the Province</p>	<ul style="list-style-type: none"> - Public awareness - Operations 	<p>regulated in the Province; and we have ensured the fairness of games, suitable persons and third-parties, responsible gambling programmes, as well as combatting illegal gambling.</p>
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4. REPORT OF THE AUDITOR GENERAL

The Entity received a clean audit opinion for the 2014/15 financial year from the Auditor General South Africa. The clean Audit Opinion has been sustained since the previous financial years. The Entity managed to achieve 17 out of 19 targets for the 2014/15 financial year, meaning that only two targets were not achieved mainly (the 4th Casino licence and the socio-economic study). This translates to 89.5% of targets achieved during the 2014/15 financial year.

5. OVERVIEW BY THE MEC

The MEC, Hon SE Kholwane presented a brief overview on the entity's performance for the 2014/15 financial year. The following points emerged from the presentation:

- The MEC reported that the MGB continued to be the shining star during the financial year under review. The MGB achieved all its targets but one, that is, issuing of the fourth Casino License.
- He reported that this was because the Request for Proposal (RFP) process was cancelled. Furthermore, the MEC reported that the matter has been challenged through the courts.
- He reported that the entity had an effective Board which was chaired by Mr. Jerry Vilakazi during the period under review.
- The MEC reported that the entity once more received a clean audit during the year under review, which is as a result of good governance practices and adherence to sound financial discipline.

6. PART A: GENERAL INFORMATION

6.1. OBSERVATION ON THE DEPARTMENT'S COMPLIANCE WITH NATIONAL TREASURY GUIDE ON THE PREPARATION OF THE ANNUAL REPORT

The entity complied with the annual report treasury guide for public entities, with exception to the following areas:

- The content of the information in the annual report of MGB does not fully conform to the guide by National Treasury on Annual Report preparations for public entities.
- The information on the Strategic-outcome oriented goals does not indicate the progress made towards the achievement of the goals.
- The information in the service delivery environment is not in line with the requirements of the Treasury guide.
- The information on programmes' performance does not provide strategies to address underperformance.
- Most of the tables in the Annual Report do not provide narratives of the information reported which is inconsistent with the Treasury guide.
- Part D of the Annual report does not provide explanations required on the tables presented.

6.2. SERVICE DELIVERY ENVIRONMENT

The Committee noted the following with regard to the service delivery environment of the entity:

Although the guideline stipulates for public entities to comment on the service rendered to the public and also the problems encountered; the Annual Report of MGB does not indicate such information (**AR, page 21**). The information provided seems like a narration of issues affecting the Gambling industry, but not specific to gambling in Mpumalanga province.

The only issue reported is that the board embarked on a province-wide responsible gambling campaign, which was aimed at highlighting the dangers associated with gambling. The entity reported that there were no significant challenges that affected the achievement of the planned objectives, except for an objective relating to the issuing of the fourth casino license which is still being considered.

6.3. ORGANISATIONAL ENVIRONMENT

In terms of the workforce, the approved staff structure of the MGB is comprised of 58 employees. On 31 March 2015, the total staff compliment consisted of 55 employees with 3 vacancies which were not filled due to Government's decision to freeze vacant posts. The entity reported that no significant impact was felt as a result of these vacancies.

7. PART B: OVERVIEW OF THE ENTITY'S PERFORMANCE

7.1. BUDGET PERFORMANCE

With regards to the budget performance, the Committee noted that:

7.1.1. The entity spent 99.9% of its total budget that was allocated in the 2014/15 financial year;

7.1.2. The overall gambling revenue collection reflects a total of **R84 800 000** compared to the estimated **R79 900 000** which is 6% above the estimate.

The table below indicates the spending pattern of the entity for the year under review.

Table 2: Expenditure pattern for the current Financial Year

Programmes	Budget	Actual Expenditure	(Over)/Under expenditure	% Spent
1. BOARD	1 597 369	1 739 009	(141 640)	108,8
2. Executive Office	2 409 979	2 452 445	(42 466)	101,7
3. Investigations and Licensing	4 428 532	4 414 908	13 624	99,6
4. Gambling Control	5 598 749	5 618 338	(19 589)	100,3

5. Gambling Audit	5 670 915	5 683 367	(12 452)	100,2
6. Legal Services	1 955 535	1 942 204	13 331	
7. Corporate Services	27 226 253	27 110 217	116 036	99,5
8. Communications	4 670 019	982 010	12 498	99,7
9. Transformation and Sustainability	1 095 869	4 657 521	113 859	89,6
TOTAL	53 260 001	54 600 019	53 201	99,9

7.2. REVENUE COLLECTION

Table 3 below indicates the revenue collected during the 2014/15 financial year:

Table 3: Revenue collected during the financial year under review:

	Estimate	Actual	Over/under
R'000	2014/15	2014/15	2014/15
Total	79,9 million	84,8 million	4,8 million

7.3. PROGRAMME ANALYSIS

7.3.1. PROGRAMME 1: EXECUTIVE OFFICE

The purpose of the Programme is to ensure that the MGB operates in accordance with national and international gambling policies and standards as well as to ensure effective and efficient administration and management of the organisation.

7.3.1.1. Programme Performance

The programme has achieved all four of its planned targets for the 2014/15 financial year indicating 100% achievement of targets in the programme.

7.3.1.2. Expenditure of the Programme

The programme's adjusted budget was **R2 409 979** for the 2014/15 financial year and the expenditure was at 102% of the budget. Table 4 below indicates the spending of the programme:

Table 4: Programme Expenditure

Executive Office	Final	Actual expenditure	Over/under	%
Compensation of Employees	2 164 224	2 164 224	-	100%
Goods and Services	245 755	288 221	(42 466)	117,2%
Total	2 409 979	2 452 445	(42 466)	101,7%

The entity reported that the **R 42 466** overspending was incurred on subsistence and travelling expenses due to the unpredictable nature of travel involved in the Executive Office.

7.3.2. PROGRAMME 2: INVESTIGATIONS AND LICENSING

The purpose of the programme is to facilitate the expansion of the industry as well to investigate or review the suitability or continued suitability of applicants or licenses.

7.3.2.1. Programme Performance

The programme has achieved (50%) 1 of its 2 targets for the 2014/15 financial year. The programme failed to achieve the target of granting of the application of the fourth casino in the Province. The entity reported that the RFP for the fourth casino was cancelled.

7.3.2.2. Expenditure of the Programme

The programme's adjusted budget was **R4 428 532** for the 2014/15 financial year and the expenditure was at 99,6% of the budget.

Investigations and Licensing	Final	Actual	Over/under	%
Compensation of Employees	4 392 843	4 392 843	-	100%
Goods and Services	35 689	22 065	13 624	61,8%
Total	4 428 532	4 414 908	13 624	99,6%

7.3.3. PROGRAMME 3: GAMBLING CONTROL

The purpose of the programme is to ensure regulatory compliance of all gambling operations and equipment as well as to combat all forms of prohibited gambling.

7.3.3.1. Programme Performance

The programme achieved 100% (2 of its 2) planned targets.

7.3.3.2. Expenditure of the Programme

The programme's adjusted budget was **R 5 598 749** for the 2014/15 financial year and the expenditure was at 100.3% of the budget.

Gambling Control	Final	Actual	Over/under	%
Compensation of Employees	4 982 349	4 982 349	-	100%
Goods and Services	616 400	635 989	(19 589)	103.1%
Total	5 598 749	5 618 338	(19 589)	100.3%

7.3.4. PROGRAMME 4: GAMBLING AUDIT

The programme's mandate is to provide assurance that complete and accurate gambling levies are recorded as prescribed.

Programme Performance

The programme achieved 100% (2 of its 2) planned targets

7.3.4.1. Expenditure of the Programme

The programme's adjusted budget was **R5 670 915** for the 2014/15 financial year and the expenditure was at 100.2% of the budget.

Gambling Audit	Final	Actual	Over/under	%
Compensation of employees	5 310 619	5 310 619	-	100%
Goods and Services	360 296	372 748	(12 452)	103,4%

Total	5 670 915	5 683 367	(12 452)	100,2%
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7.3.5. PROGRAMME 5: LEGAL SERVICES

The mandate of this programme is to ensure effective and efficient gambling legislation as well as to ensure that the Board comply with corporate governance practices.

7.3.5.1. Performance of the Programme

The programme achieved 100% (2 of its 2) planned targets for the year under review.

7.3.5.2. Expenditure of the Programme

The programme's adjusted budget was **R3 252 902** for the 2014/15 financial year and the expenditure was at **113.1%** of its budget.

Legal Services	Final	Actual	Over/under	%
Compensation of employees	1 907 293	1 907 293	-	100%
Goods and Services	48 242	34 911	13 331	72.3%
Board (Compensation of Employees)	1 097 500	1 103 000	(5 500)	100.5%
Board (Goods & Services)	499 869	636 009	(136 140)	127,2%
Total	3 252 902	3 681 213	(128 309)	113,1%

The entity reported that the **R 141 640** of overspending was incurred on subsistence and travelling expenses due to the unpredictable nature of travel involving the Board.

7.3.6. PROGRAMME 6: CORPORATE SERVICES

The programme is responsible to ensure efficient and effective human resources and financial management.

7.3.6.1. Performance of the Programme

The programme achieved 100% (1 out of the 1) planned targets for the year under review.

7.3.6.2. Expenditure of the Programme

The programme's adjusted budget was **R25 833 034** for the 2014/15 financial year and the expenditure was at 99.5% of the budget.

Corporate Services	Final	Actual	Over/under	%
Compensation of employees	9 552 742	9 339 811	212 931	97,7%
Goods and Services	16 280 292	16 377 187	(96 895)	100,5%
Total	27 228 253	27 110 217	118 036	99,5%

7.3.7. PROGRAMME 7: COMMUNICATIONS

The purpose of the programme is to ensure public awareness of the gambling industry as well as to ensure efficient and effective information management.

7.3.7.1. Performance of the Programme

The programme achieved 100% (3 out of the 3) planned targets for the year under review.

7.3.7.2. Expenditure of the Programme

The programme's adjusted budget was **R4 670 019** for the 2014/15 financial year and the expenditure was at 99.7% of the budget.

Communications	Final	Actual	Over/under	%
Compensation of employees	4 456 782	4 456 782	-	100%
Goods and Services	213 237	200 739	12 498	94,1%
Total	4 670 019	4 657 521	12 498	99,7%

7.3.8. PROGRAMME 8: TRANSFORMATION AND SUSTAINABILITY

The purpose of this programme is to ensure growth and transformation of the industry responsibly, to facilitate market research and industry studies, and to ensure effective strategic planning.

7.3.8.1. Performance of the Programme

The programme achieved 2 out of the 3 planned targets for the year under review.

7.3.8.2. Expenditure of the Programme

The programme's adjusted budget was **R1 095 869** for the 2014/15 financial year and the expenditure was at 89.6% of the budget.

Transformation and sustainability	Final	Actual	Over/under	%
Compensation of employees	1 061 719	953 931		89,8%
Goods and Services	34 150	28 079	6 071	82,2%
Total	1 095 869	982 010	113 859	89,6%

The entity reported that the **R 113 859** underspending in the programme was attributable to a vacant position during the year. All vacant positions were abolished and not budgeted for in the 2015/16 financial years therefore preventing such occurrences.

8. PART C: GOVERNANCE

The entity reported the following social responsibility programmes provided by each Casino in the three districts of the province:

8.1. Emnotweni Casino (Mbombela)

Organization	Amount
Learnship Program for 1 person studying at the Midrand Graduate Institute (Bio Science)	R 82 006
SOS Children Village in Kabokweni for vulnerable and abused children	R 98 928
Ehlanzeni Chess Federation Sponsorship – SA Chess Tournament	R 15 000

Herfsakker Old Age Home in Nelspruit	R 14 143
Mpumalanga Ladies Bowls Tournament Sponsorship (Nelspruit)	R 8 192
Curro Nelspruit Golf Sponsorship in Nelspruit	R 2 600
Donation DASHA kids for disabled children in Nelspruit	R 1000
Total	R221 869

8.2. The Ridge Casino (Emalahleni)

Organisation	Amount
Middelburg Care Village contribution towards children's orphan home	R 21 984
Moves for Live- chess project to improve maths and science through the medium of chess at Hlalanikahle Primary School and Isibukosenu Primary School in Witbank	R 216 483
Youth in Action – accomodation for a trainer who performed counselling and outreach programmes in Witbank and Middelburg	R 847
Lend a Pay with Annie – SPCA Project where dog food was purchased and donated to the SPCA	R 914
Total	R 240 228

8.3. Graceland Casino (Secunda)

Organization	Amount
Southern Highveld Community Development Trust	R18 378
Visiting patients in Embalenhle – Basikazi day care centre	R 15 313
Food Parcels for Basizeni Special School, Embalenhle	R 17 706
Visiting patients and conducting training for homebased care givers – Isiphepho Multi-purpose centre in Embalenhle	R 15 313
Garden improvement at Basisikazi and painting of the home. Orphans and vulnerable children visited Graceland and were treated. Repaired and painted the Basizeni Special School.	R 27 605
Care with love (Family and Marriage Society of South Africa) in Embalenhle – garden equipment	R 22 101
Toys for kidzden at Graceland	R 18 807
Family and Marriage Society of South Africa (posters and food)	R 31 283
AIDS day awareness- posters and educational material	R 24 654
Children's party for homeless kids arranged by Highveld Ridge and Family Welfare	R 25 130
School bags and stationery donations for top performing Grade 1-7 for Vukuzithathe Primary School in Embalenhle	R 12 086
Bikers breakfast toy run for collection of toys for homeless kids	R 33 585
Visiting patience at Basizikazi day care center	R 16 385
TOTAL	R 278 246

9. PART D: HUMAN RESOURCE MANAGEMENT

9.1. Human Resource Oversight statistics

The Committee noted that there are 5 male employees at senior management and 3 female employees at senior management indicating that the female representation at senior management positions is not 50%. Furthermore, the Committee noted that there's one disabled female staff member which makes 1.8%, and is less than the employment equity targets of 2%.

The entity also reported on labour relations issues, and reported that one employee was given a written warning as a result of conflict of interest. The Committee requested the entity to report on the nature of offense by the employee that necessitated the written warning. The entity reported that the employee was warned after it was reported that his company was doing business with Government and failed to declare that he is an employee of the State, even though he was not directly involved but his wife was. The same employee resigned subsequent to the warning.

10. FINDINGS

Based on the deliberations with the Mpumalanga Gambling Board on the 2014/15 Annual Report, the Committee made the following findings:

- 10.1.** The entity received a clean audit for the financial year under review. The clean Audit Opinion has been sustained since the previous financial years.
- 10.2.** The entity failed to achieve the target of granting of the application of the fourth casino license in the Province because this matter has been challenged through the courts.
- 10.3.** The Committee acknowledges the social responsibilities provided by the Casinos in the province. However, the Committee is concerned that communities in deep rural areas do not benefit from such.

11. RECOMMENDATIONS

After the deliberations, the Committee recommends that the entity must:

Report of the Portfolio Committee on Premier's Office, Finance; Economic Development and Tourism on the 2014/15 Annual Report of the Mpumalanga Gambling Board

- 11.1. Keep up the good work and ensure that the entity does not regress in the 2015/16 financial year.
- 11.2. Report to the Committee on a quarterly basis on the finalisation of the court case regarding the issuing of the fourth Casino licence.
- 11.3. Develop and implement a mechanism that will monitor the social responsibility programmes provided by the Casinos in the Province to ensure that communities in deep rural areas benefit from it.

12. CONCLUSION

In conclusion, the Chairperson would like to thank the Honourable Members of the Portfolio Committee, the MEC and the acting HOD, the CEO and Senior Management Officials of the entity and the support staff of the Legislature for their availability, dedication and commitment shown during the deliberations.

This Committee report on the 2014/15 Annual Report of the Mpumalanga Gambling Board is hereby tabled to this House with a request to adopt the report with its recommendations for implementation by the entity and report back by the MEC to the Honourable Speaker of the Legislature by no later than **29 February 2016** and thereafter, on quarterly basis.



HON. PS NGOMANA (MPL)

26 | 11 | 2015
DATE

**CHAIRPERSON: PORTFOLIO COMMITTEE ON
PREMIER'S OFFICE, FINANCE; ECONOMIC
DEVELOPEMNT AND TOURISM**