

# Western Cape Gambling and Racing Board

*Issued under embargo until SCOPA is briefed on the audit outcome*



### Auditing to build public confidence

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## 1. Introduction

### 1.1 Reputation promise of the Auditor-General of South Africa

The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

### 1.2 Purpose of document

The purpose of this document is to provide an executive summary of the audit outcomes of the financial audit, audit of performance information and compliance with key legislation of the Western Cape Gambling and Racing Board for the 2017-18 financial year.

### 1.3 Overview

The main purpose of the Western Cape Gambling and Racing Board is to control and regulate gambling and racing within the province of the Western Cape, in a manner that will provide a stable, just, consistent and effective regulatory environment, inspire public confidence and trust, in an environment free from corruption and unlawful gambling and racing activities, and contribute to the economy of the Western Cape in a socially responsible manner.

### 1.4 Organisational structure

Designation	Incumbent
Chairperson	Mr D. Lakay
Chief Executive Officer (CEO)	Mr P. Abrahams
Chief financial officer	Ms Z. Siwa

### 1.5 Funding

As disclosed on page 63 of the entity's annual report, the Western Cape Gambling and Racing Board spent R50,96 million of a budget of R52,77 million resulting in an overall under-expenditure of R1,81 million or 3,4% (2016-17: 10,7% underspent).

As disclosed on page 63 of the entity's annual report, the entity's total revenue budget of R54,3 million was exceeded by R3 million or 5,5% (2016-17: 8,2% over-collected).

The main explanations for the underspending on the expenditure budget and over-collection on the revenue budget are set out on pages 64 and 65 of the entity's annual report.

## 2. Audit opinion history

Details	2017-18	2016-17	2015-16
Audit opinion			
Findings on compliance with key legislation	No	No	No
• Material misstatements in financial statements submitted	No	No	No
• Procurement and contract management	No	No	No
• Expenditure management	No	No	No
• Revenue management	No	No	No
• Strategic plan and performance management	No	No	No
• Utilisation of conditional grants	No	No	No
• Consequence management	No	No	No
Findings on predetermined objectives	No	No	No
Internal control deficiencies	No	No	No

### Audit opinions

	CLEAN AUDIT OPINION (no findings on PDO or compliance with laws & regulations)
	UNQUALIFIED with findings on PDO and/or compliance
	QUALIFIED AUDIT OPINION (with or without findings)
	DISCLAIMER/ADVERSE AUDIT OPINION

PDO = Predetermined objectives (audit of performance information/service delivery/annual performance report)

### 2.1 Significant emphasis of matter

**Material underspending of the budget:** As disclosed in the Statement of Comparison of Budget and Actual Amounts as at 31 March 2018, the entity has materially underspent the overall operating expenditure budget with R2 million (3,7%). The saving mostly due to cost containment measures and relates to savings of communication, travel and subsistence, ICT software upgrade fees, maintenance, cleaning costs, legal fees, audit fees and non-professional services.

**Contingent liability:** As disclosed in note 31 of the Annual financial statements on page 92 of the entity's annual report, The Western Cape Gambling and Racing Act (Act 4 of 1996) imposed a LPM Operator Fee on LPM Licensed Route Operators. The Operator Fee are leviable for ten years which expired in 2014. The Board inadvertently continued to levy the fee which the Route Operators willingly paid. Accordingly, the fee was paid for three years after the expiry of the ten-year period. This overpayment is the subject of the contingent liability which amounts to R17,6 million. Legislative processes are underway to address the contingency and amendments

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to the Act for this purpose has been advertised in the Draft Western Cape 19th Gambling and Racing Amendment Bill. It is expected that the successful implementation of the 19th Amendment Bill will resolve this issue.

### 3. Key focus areas

#### 3.1 Compliance focus areas

No material findings were raised on any of the compliance focus areas indicated in paragraph 2 of this document.

#### 3.2 Predetermined objectives

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 department for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 1 - Board and Administration	19 - 24
Programme 2 - Licensing	24 - 25
Programme 3 - Regulatory Compliance	25 - 26

I did not identify any material findings on the usefulness and reliability of the selected programmes from the reported performance information.

### 4. Internal control deficiencies

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

I did not identify any significant deficiencies in internal control.

### 5. SCOPA resolutions

The entity's annual report did not detail unresolved resolutions or matters of concern included/raised in the *Report of the Standing Committee on Public Accounts*.

## 6. Emerging risks

### 6.1 Standards of GRAP

The ASB, on a regular basis, issues new GRAP standards and interpretations. These standards only become effective once an effective date has been gazetted by the Minister of Finance. A number of GRAP standards and interpretations have been issued by the ASB, but the effective dates have not yet been gazetted. Entities are encouraged to familiarise themselves with such standards to ensure that adequate processes are put in place to ensure full compliance once the standards become effective.

### 6.2 New legislation

**National instruction notes:** Instruction notes are issued by the National Treasury on a continuous basis in terms of section 76 of the PFMA. The arrangement in the Western Cape is that the Provincial Treasury reviews these instruction notes and re-issue them to the various departments and entities on a selective basis. The risk exists that material non-compliance could arise if certain national instruction notes are not complied with, where the necessary approval from the National Treasury to depart from them was not obtained as required by section 79 of the PFMA.

**Treasury regulations:** The treasury regulations are currently being revised, which may introduce a number of new requirements once effective.

### 6.3 Risks that require continuous monitoring

**Local content:** The compliance requirements of local content for commodities within designated sectors are applicable for all tenders. The term tender in terms of the Preferential Procurement Regulations of 2017 is attributed to all awards above R30 000.

**B-BBEE certificates:** Footnote 3 in Treasury Instruction 4A of 2016-17 noted that the Central Supplier Database (CSD) does not verify B-BBEE status level and set a future date for verification of B-BBEE status (1 October 2016). The office of the chief procurement officer (OCPO) failed to achieve this deadline and up to now the CSD does not verify the B-BBEE status of suppliers. The instruction did not exempt institutions from complying with the PPPF Act requirements for obtaining a valid evidence of B-BBEE level status (e.g. sworn affidavits).

**B-BBEE Act:** Paragraph 13G requires all spheres of government, public entities and organs of state to report on their compliance with broad-based black economic empowerment in their audited annual financial statements and annual reports required under the PFMA. Discussions are ongoing between the AGSA and B-BBEE Commission to scope this requirement into the audit for the 2018-19 financial year.

**Central Supplier Database:** The OCPO introduced the Central Supplier Database on 1 September 2015 accessible on [www.csd.gov.za](http://www.csd.gov.za), which will reduce the administrative burden on both the supplier and the administrator. The system verifies and validates information with the South Africa Revenue Service (SARS), Companies and Intellectual Property Commission (CIPC), and Department of Home Affairs amongst others. The system was mandatory from 1 April 2016 for all suppliers to national and provincial government and entities at these two spheres of government.

Permission was granted for the Western Cape Government to run the Western Cape Supplier Database (WCSD) concurrently with the CSD for a year (up to 31 March 2017), provided that the CSD is the master of supplier information and such information cannot be modified by the WCSD and suppliers registered on the CSD should not be excluded or disadvantaged in any way by the existence of the WCSD.

**eTenders Portal:** Suppliers who meet all compliance requirements can access opportunities on [www.eTenders.gov.za](http://www.eTenders.gov.za). The portal enables suppliers to have access to tenders published on the platform. The compulsory implementation of this portal was from 1 April 2016.