



Wes-Kaapse Provinsiale Parlement Western Cape Provincial Parliament IPalamente yePhondo leNtshona Koloni

REPORT OF THE STANDING COMMITTEE ON FINANCE, ECONOMIC OPPORTUNITIES AND TOURISM ON THE ANNUAL REPORTS OF THE PROVINCIAL TREASURY AND THE WESTERN CAPE GAMBLING AND RACING BOARD FOR THE YEAR ENDED 31 MARCH 2019, DATED 12 NOVEMBER 2019

1. Introduction

The Annual Report programme for the 2018/19 financial year was advertised in newspapers, inviting stakeholders and members of the public to attend and participate in the discussions.

Members of the Standing Committee on Finance, Economic Opportunities and Tourism (the Committee) deliberated on Part A: General Information, Part B: Performance Information and Part D: Human Resource Management of the Annual Reports of the Provincial Treasury and its Entity, the Western Cape Gambling and Racing Board, on 1 November 2019.

Members of the public were also given an opportunity to pose questions and make oral submissions. The Committee did not receive any input from the public.

2. Overview

The Committee considered the Annual Reports of the Provincial Treasury (the Department) and its Entity; Western Cape Gambling and Racing Board (the Board).

Before proceeding to the consideration of the Annual Reports, the Minister, the Acting Head of Department, the respective Chief Executive Officer and Chairperson of the Board were given an opportunity to make opening remarks.

In the year under review, the Provincial Treasury received its sixth consecutive clean audit, spent 98.97 percent of the adjusted appropriation amount and achieved 98.3 percent of their targets. The Board received an unqualified audit with findings for the 2018/19 financial year. For the year under review, the WCGRB fully achieved 15 and partially achieved 17 approved targets.

3. Deliberations on the 2018/19 Annual Reports

3.1 Provincial Treasury: Findings/Concerns

3.1.1 In the year under review, the Department struggled to keep its vacancies under control. There was an under-expenditure for the filling of posts in terms of the graduate interns. The Department has a bursary programme, which enables bursars to work back their bursary obligations. Some of the bursary holders either did not achieve the marks they needed to fulfil their internship or they decided to study further, resulting in less intern positions being filled at the Department.

- 3.1.2 The vacancy rate at senior management level, for the year under review, was concerning. There were also many acting positions at senior management level. Additionally, there was a vacancy rate of 38 percent in the Supply Chain Management (SCM) unit, which is one of the most crucial sections across government. The Department is in the process of filling these vacancies in the SCM unit. The position of Head of Department will also be filled as at 1 December 2019.
- 3.1.3 Related to the vacancies, the Department's performance and over-achievement of some of its targets seemed to be happening at a cost to employee wellness. There has been an increase in sick leave taken by employees, which has been reflected in Table 3.10.1, on page 133 of the Annual Report, and will be further reflected in the next Annual Report.
- 3.1.4 The most resignations in the Department occurred in the 30 to 39 age group. Many of the resignations were due to "insufficient progression possibilities". Most people within this age group are in the middle of their career, which was concerning. Employees in the age group of 30 to 39 are seen as "upwardly mobile" and would be on the lookout for better remuneration and better opportunities for career progression. Most resignations were within the SCM unit. The Department's biggest competitor for employees are municipalities as they offer better employment/salary packages.
- 3.1.5 The Department's level of adherence to its own Employment Equity plan was concerning, especially at top management and senior management levels. There were two positions available at top management level and both were filled by males. This was also linked to the young, black employees in the 30 to 39 year age group that were leaving the Department due to better offers elsewhere.
- 3.1.6 Part of the strategy that national government is using to address the country's deficit is to contain the Wage Bill. This is a challenge for the Western Cape as salaries make up 54 percent of the total expenditure in the Province, which is the lowest of all the provinces in the country. Targeting Cost of Employment (COE) as it relates to reducing expenditure may not be the most effective way of dealing with the Wage Bill.
- 3.1.7 In terms of SCM and Corporate Governance practices, more work had to be done with municipalities to enable them to manage and spend their budgets. The Department has a very structured approach to supporting municipalities. There are a few units within the Department that are specifically focused on municipalities. The units assess the municipalities and a forum has been set up to assist municipalities. The Department has introduced a number of projects to municipalities that focus on capacity building and building the skills pipeline within municipalities. SCM has been a key focus area in terms of addressing the internal control deficiencies within municipalities.

3.2 Western Cape Gambling and Racing Board: Findings/Concerns

- 3.2.1 There are still two vacancies on the Board currently, with another two vacancies that will occur at the end of March 2020, even though the Committee held interviews with candidates at the end of August 2019 and made recommendations to the Minister in early September 2019, after the Department informed the Committee that the vacancies needed to be filled urgently. Currently, if one member cannot attend a Board meeting, the meeting will not be deemed quorate. The Board has reminded the Minister and the Department about the filling of vacancies, however, the concerns have not been responded to.
- 3.2.2 The Board implements Corporate Social Investment (CSI) initiatives through license holders, which means that the Board, itself, does not run CSI initiatives. There was a concern about whether the Board monitors these license holders with regards to whether CSI initiatives are implemented. However, there are sectorial sub-committees within the Board, which receive reports from license holders about CSI initiatives, on a quarterly basis. The sub-committees

also engage with various beneficiaries of the CSI initiatives, however, this work is not reflected in the Annual Report.

- 3.2.3 The Annual Report stated that the Board engaged the industry on Broad-Based Black Economic Empowerment (B-BBEE) achievements and monitored the set targets for the various sectors of the industry. However, the Board also indicated that there was no B-BBEE sector code or sector charter for the gambling industry. Each regulator imposes its own B-BBEE compliance targets. The Board has committees for each of the sectors of the gambling industry, which engages with license holders on the challenges and progress with B-BBEE targets, however, this information is not reflected in the Annual Report.
- 3.2.4 The Board's ability to become self-sufficient came into question. There is a gap in legislation in terms of the casino exclusivity fee and the Limited Pay-out Machines (LPM) operator fee, which the Board is associated with. Legislation will have to be amended to reflect those amended fees.
- 3.2.5 There was a concern regarding the policy rationale to locate the Board under Provincial Treasury and not under the Department of Economic Development and Tourism. The Western Cape is the only province where a gambling board falls under Provincial Treasury and not economic development committees.
- 3.2.6 There was confusion about whether pigeon-racing in the Western Cape was categorised under sporting activities or if it was a form of gambling, which is illegal, as there is no legislation that sanctions animal racing, except horse-racing.
- 3.2.7 Online gambling and e-gaming has also been a concern for the gambling industry, as online gambling is illegal. There are illegal, online gambling businesses disguised as internet cafes, however, the Board works closely with the police to curtail these illegal activities. E-gaming has also posed quite a bit of a challenge. The Board has had discussions around how this matter should be legislated.

4. Resolutions/Actions

The Committee RESOLVED to, at a future date:

- 4.1 Invite the Department to brief the Committee on the key developments on data mining and dash boarding into SCM performance information; and
- 4.2 Write a letter to the Department and the Minister of Finance and Economic Opportunities to enquire about the timeline of events from when the Committee made the recommendations of candidates to fill the vacancies on the Western Cape Gambling and Racing Board, to when the Minister's recommendation would be brought before the Executive Council for final approval, and the reasons for the delay so far.

5. Information Requested

5.1 The Committee REQUESTED that the Department, submits, by 15 January 2019:

- 5.1.1 A list of the challenges the Department experiences within the SCM space, as engaged with the National Treasury;
- 5.1.2 A status report on the provincial Public Private Partnerships indicated on page 18 of the Department's Annual Report; and
- 5.1.3 A report on the nature of the grievances lodged as per Table 3.12.4 of the Department's Annual Report.

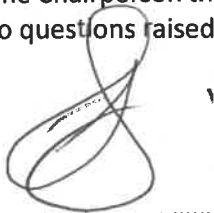
5.2 The Committee REQUESTED that the Western Cape Gambling and Racing Board, submits, by 15 January 2019:

- 5.2.1 A report on CSI initiatives that the Board engages licensees on;
- 5.2.2 A report on B-BBEE compliance targets, achievements, initiatives and reporting mechanisms;
- 5.2.3 A report on online gambling and e-gaming in the Western Cape; and
- 5.2.4 A status report on pigeon-racing in the Western Cape.

5.3 The Committee RECOMMENDED that the Budget Committee consider requesting a briefing from Provincial Treasury on gender-based budgeting and how this will be implemented in departments in the future.

6. Conclusion

The Chairperson thanked the Minister, Department and the Board for their preparation and responses to questions raised by the Committee members.



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ADV D BAARTMAN, MPP

CHAIRPERSON: STANDING COMMITTEE ON FINANCE, ECONOMIC OPPORTUNITIES AND TOURISM

DATE: 12 NOVEMBER 2019