



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

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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 2022, DATED 29 NOVEMBER 2022

1. Introduction

The Annual Report programme for the 2021/22 financial year was advertised in newspapers, inviting stakeholders and members of the public to attend and participate in the virtual meeting and 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 2022.

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 for this Annual Report deliberation.

2. Overview

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

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

The Provincial Treasury and the Board received clean audit outcomes for the 2021/22 financial year.

3. Deliberations on the 2021/22 Annual Reports

3.1 Provincial Treasury: Findings/Concerns and Observations

3.1.1 Minister M Wenger, Minister of Finance and Economic Opportunities, reminded Members that the year under review was still during the COVID-19 pandemic, which was a difficult time for all. It was a year that required ongoing agility in terms of fiscal management during the budget process as well as the supply chain processes. The Provincial Treasury was instrumental in guiding the Western Cape Government departments and navigating through the COVID-19 crisis, given its mandate to drive good financial governance across the provincial and local government spheres. The Provincial Treasury excelled in its mission to build capacity in the public sector by being adaptive, innovative and supportive.

- 3.1.2 The year under review was also a period where municipalities required guidance, particularly vulnerable municipalities. Provincial Treasury officials have started to resume their visits to municipalities, post-COVID-19. A hybrid approach was also being used to set up physical and virtual meetings so that there was more engagement between municipalities and Provincial Treasury officials.
- 3.1.3 All the municipalities in the Western Cape operated differently, therefore, it was impossible to have a “one-size-fits-all” approach. The Provincial Treasury worked with municipalities to determine what their specific vulnerabilities were, and the strategies needed to address the challenges over time. In the case of Beaufort West Municipality, the Provincial Executive took the decision to intervene, and National Treasury assisted with preparing a recovery plan for the Municipality, which the previous Provincial Minister of Finance signed off on in the last financial year. The Provincial Treasury has been working very closely with Beaufort West Municipality and there were early signs of progress.
- 3.1.4 In terms of Kannaland Municipality, it was being charged with instability at a political level, which was not in the immediate control of the Provincial Treasury. Political instability inevitably damages the quality of public administration. There were very few people who wanted to be public officials in that type of environment. This created a vulnerability, which the Provincial Treasury needed to provide guidance on. The Provincial Treasury added that it acted in accordance with the law when it identified municipalities that were in distress or if there were instances of instability that threatened the financial sustainability of a municipality.
- 3.1.5 The Provincial Treasury was focused on unlocking value from good governance. The first intervention was to invest in its employees and to seek talent with digital skills as well as people skills. The Provincial Treasury has been looking at accelerating digitisation i.e., moving to digital platforms and automating certain functions and tasks.
- 3.1.6 The Procurement Dashboard is a user-friendly web-based dashboard developed by Provincial Treasury. The Dashboard has allowed users to filter key information in respect of the departmental procurement plans. The Dashboard consists of approximately 4 000 tenders and assists suppliers to access and plan for future tender opportunities. This was especially important for small businesses, who could prepare to participate in government opportunities.
- 3.1.7 It was a challenge to navigate Public Private Partnerships (PPPs). The PPP framework was complicated and was currently under review at a national level. Provincial Treasury has always been interested in the prospects that well-designed and appropriate PPPs would have for unlocking capacity partnerships and financial partnerships for service delivery. There was a pipeline of PPPs that other departments were beginning to explore, and Provincial Treasury was playing a supportive role with this. From a fiscal perspective, the Provincial Treasury supported the formation of a project preparation facility to support the development of PPPs, where these are appropriate mechanisms.
- 3.1.8 In 2016, Provincial Treasury did a Public Entity Review, which was a desktop analysis of how the Western Cape public entities fared against other entities in the country. This study showed that the Western Cape Government was performing well. Currently, post-Zondo Commission, the Provincial Treasury has started looking at what the entities were doing and where they could improve in terms of performance. The Provincial Treasury has engaged with a service provider to look at the laws and regulations that impacts on the public entities. Provincial Treasury has assessed the financial health of public entities, the findings of the Zondo

Commission, and the requirements that the public entities need to have in terms of operating expenditure as well as capital expenditure. This study is almost at completion and the output of this work will result in a guideline for accounting officers to refer to so that they can better manage their public entities.

- 3.1.9 In terms of procurement, the Provincial Treasury played an enablement role as well as an enforcement role. This included data management and technology services. The first phase of a procurement process was procurement planning. A procurement planning tool was created as an information technology application procedure. The toolkit allowed government departments to plan better in the procurement space. Government departments were able to plan in terms of budgets for procurement. It was even possible to plan pre-budget because the toolkit managed the departments' performance and their expenditure in the procurement space. This information allowed departments to "pitch" for their budgets and assessed their prior year's performance in respect of procurement.
- 3.1.10 The Committee noted the Provincial Treasury's Western Cape Supplier Evidence Bank initiative; however, a question was raised about the avoidance of subjectivity when assessing or reviewing suppliers, especially within a regulatory environment. The Provincial Treasury indicated that Supply Chain Management's role was to "squeeze out" inappropriate subjectivity. However, this did not remove the need for qualitative assessment, which had an inherent subjectiveness to it. The system was designed from conception, through the contract management process, to limit inappropriate levels of subjectivity.
- 3.1.11 The Provincial Treasury indicated that it was introducing Artificial Intelligence (AI) and machine-learning into its programmes. The Provincial Treasury used two platforms; the Microsoft Power BI Platform, and the second was a platform called Zoho, which was an advanced Customer Relationship Management software used for some machine-learning in terms of trends in audit queries and outcomes. AI was a simulation of human intelligence processes, which relieved the Provincial Treasury of manually compiling and reporting, essentially automating the reports that it had. Accompanying this, was the machine-learning services through Microsoft Power BI, which assisted with reporting requirements that were needed by departments. This included the asset management dashboard capability, the automated conflict of interest tool, and the municipal dashboard that indicated vulnerable municipalities and interventions that were implemented. The Provincial Treasury's Data Centre was assisting in terms of automated reporting and providing this information to stakeholders that required certain information.

3.2 Western Cape Gambling and Racing Board: Findings/Concerns

- 3.2.1 The Western Cape Gambling and Racing Act, 1996 (Act 4 of 1996) stated that the Western Cape Gambling and Racing Board (the Board) required five out of seven board members to be present for a meeting to be quorate. Currently, the Board consisted of five board members. This was a possible risk in terms of being quorate for meetings if one member is unable to attend a scheduled meeting.
- 3.2.2 In terms of illegal gambling activities, the Board continued to engage with law enforcement agencies to curtail illegal gambling activities. The Board was also involved in awareness programmes, which involved public engagements with communities. For the year under

review, the Board investigated 68 reported or identified allegations of illegal gambling. In terms of responsible gambling initiatives, the Board has created a responsible gambling committee, attended by the Board and members of the gambling industry.

- 3.2.3 The Board's ability to become financially self-sustainable has been an ongoing discussion for some time. The Board received its revenue from statutory fees and cannot generate its own income in any other form other than increasing the gambling offerings within the Western Cape gambling industry.
- 3.2.4 The Board's current lease for its premises will expire at the end of October 2023. The lease was held by the Department of Transport and Public Works with funding provided by the Provincial Treasury. However, the Board was advised that it should not rely on government structures and should seek funding for its future accommodation. The Board secured a surplus of R16,8 million from the previous financial year, ring-fenced for its future accommodation needs. The Board indicated that it was more economical to purchase accommodation than to enter into another lease agreement.
- 3.2.5 The Board indicated that Corporate Social Investment (CSI) was imposed through license agreements and conditions. The contributions were monitored through various committees within the Board. The Board also undertook visits to the casinos to monitor the work being done in respect of CSIs.
- 3.2.6 Generally, when casinos applied for licenses, it was done on a competitive bid basis and the requirements were set out in terms of the Request For Proposal (RFP). This meant that when a casino received its license, the commitments that were made in the application, then became the casino's license conditions. This was why the CSI and shareholding agreements of casinos differed from place to place. For Caledon Casino, the Empowerment Trust and the Overberg Community Trust each hold 10% of the Casino's preference shares. The Board oversees the projects funded by Caledon Casino. The Board receives reports from the Casino on a quarterly basis. The Board also assesses the Trusts' beneficiaries and the types of businesses that they operate. The Casino's license conditions were also audited to ensure that the correct CSI amounts were paid to the Trusts.
- 3.2.7 There were several amendments made to the Western Cape Gambling and Racing Act, 1996 (Act 4 of 1996) over the last few years. Provincial Treasury has been doing a lot of research for the new gambling policy. This background research has concluded, and it has laid the groundwork for a policy document, which has also been finalised. The Provincial Treasury was in the final phase of consultations and will deliberate on the policy with the Board. Once this part of the process has concluded, a green paper and white paper will be drafted.

4. Resolutions/Actions

4.1 The Committee REQUESTED the following:

- 4.1.1 A report on the Public Entity Review that Provincial Treasury undertook in 2016, the recommendations that stemmed from this Review, and the most recent review undertaken on public entities;
- 4.1.2 A report from the Provincial Treasury on the Section 139 process that was undertaken and how it was applied in respect of the Central Karoo matter;

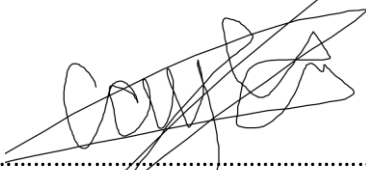
- 4.1.3 A copy of the expenditure review from the Provincial Treasury in respect of learner transport and a brief report on issues identified and the recommendations stemming from the review;
- 4.1.4 A report from the Provincial Treasury indicating a monthly breakdown of the expenses incurred through the procurement office for goods and services for the 2021/22 financial year;
- 4.1.5 A report indicating the vacancies within the Provincial Treasury and how long these positions have been vacant;
- 4.1.6 A report from the Provincial Treasury on the successes and challenges of their pilot programme using machine-learning, and the details in respect of the roll out of this initiative going forward;
- 4.1.7 A report from the Provincial Treasury updating the Committee on the implementation on the Integrated Financial Management System (software), which they discussed in the previous year's Annual Report deliberations;
- 4.1.8 A copy of the revised gambling policy that the Provincial Treasury will complete at the end of November 2022;
- 4.1.9 An update from the Provincial Treasury on the totalisator and horseracing recommendations and consultations in respect of betting sports;
- 4.1.10 A report from the Western Cape Gambling and Racing Board informing the Committee what the Board's recommendations would be for the filling of vacancies, the term of office for board members, and any proposals to streamline the process for the recruitment and appointment of board members;
- 4.1.11 A report from the Western Cape Gambling and Racing Board that provides an update on the court cases that were listed in its 2021/22 Annual Report;
- 4.1.12 A consolidated report from the Western Cape Gambling and Racing Board on all the casinos and its Corporate Social Responsibility requirements and spending in the Western Cape, the casinos' licensing conditions and whether they are fulfilling all their conditions in respect of Corporate Social Investment. The information should be provided for the last quarter of the financial year;
- 4.1.13 A sample/example of a Corporate Social Investment agreement/requirement that is included in license agreements given by the Western Cape Gambling and Racing Board to casinos, and an explanation on how the parameters of the CSI are determined for casino license holders; and
- 4.1.14 A report from the Western Cape Gambling and Racing Board listing the new entrants that were given licenses during the financial year.

4.2 The Committee RECOMMENDED that the Provincial Treasury be commended for continuously being one of the best performing departments in the country and for receiving an unqualified audit outcome, yet again.

5. Conclusion

The Chairperson thanked the Minister, the Provincial Treasury and the Western Cape Gambling and Racing Board for their preparation and responses to questions raised by the Committee members, and

for their hard work and dedication during a difficult financial year.



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MS C MURRAY, MPP
CHAIRPERSON: STANDING COMMITTEE ON FINANCE, ECONOMIC OPPORTUNITIES AND TOURISM
DATE: 29 November 2022