



# 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 2021**

### **1. Introduction**

The Annual Report programme for the 2020/21 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 3 February 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 a clean audit outcomes for the 2020/21 financial year.

### **3. Deliberations on the 2020/21 Annual Reports**

#### **3.1 Provincial Treasury: Findings/Concerns and Observations**

3.1.1 The Minister indicated that there were several highlights during the year under review, such as the production of new research reports and innovations in respect of the Provincial Economic Review and Outlook and the Municipal Economic Review and Outlook, the development and adaptation of the budget process which assisted the Western Cape Government to respond to the COVID-19 pandemic, and the implementation of additional measures to respond to risks in the procurement environment, in the form of the Central Procurement Advisory Committee (CPAC) and the Procurement Disclosure Report. The Provincial Treasury achieved these goals under difficult circumstances brought upon by the COVID-19 pandemic.

- 3.1.2 The powers/responsibilities in respect of the condonation working committee were held within the National Treasury before it was delegated to the Provincial Treasury. There was a lack of processing of condonations, so prior irregular expenditures had accumulated over time before the responsibilities of the condonation working committee were delegated to Provincial Treasury. The transfer of duties to Provincial Treasury meant that a framework and governance structures had to be developed and implemented so that there was guidance on the minimum requirements for condonations, as well as checks and balances within the governance system. In the Western Cape, in respect of irregular expenditure - in almost every case - disciplinary measures were taken, value-for-money was attained and very minimal loss was incurred. Most of the cases received by the Provincial Treasury were of an administrative nature. At the closure of every assessment, communication is sent to the accounting officer indicating the recommendation for whether the irregular expenditure has been condoned or not. This communication includes remedial steps to ensure that the irregular expenditure does not reoccur, and there is commitment from the accounting officer to ensure that the irregular expenditure is contained. The Provincial Treasury has worked through most of the condonation cases for all the departments. A strategy was developed to tackle the departments with the highest amount of irregular expenditure and to work its way down.
- 3.1.3 The Provincial Treasury indicated that the CPAC was an advisory structure, only, without decision-making powers. However, the CPAC drew on the depths of skills and experience of the most senior procurement officials across the Western Cape, specifically to deal with complex challenges associated with procurement during the COVID-19 pandemic. The CPAC created a peer group to which accounting officers, Chief Financial Officers and procurement staff could seek advice from. The CPAC has assisted accounting officers to manage risks in respect of complex COVID-19 procurement matters.
- 3.1.4 The Committee noted that the Western Cape Supplier Evidence Bank (WCSEB) was an excellent initiative, however, a question was raised about whether a supplier would be able to appeal a negative review if the need arose for this. While the WCSEB was an excellent tool, it was important to ensure that all suppliers were treated fairly. The Provincial Treasury indicated that there was a Client Support Centre that the suppliers were able to contact if they needed assistance. In the case of consistent non-performance of suppliers (with evidence provided) in the WCSEB, departments are able to request that these suppliers are restricted or that they not be utilised in the future. The Provincial Treasury analyses the information and evidence provided with the complaints and if the supplier is found to be at fault, Provincial Treasury sends the information to National Treasury and further requests that the supplier be restricted from providing the service. There have only been a few cases such as these in the Western Cape over the last few years.
- 3.1.5 The Procurement Disclosure Report (PDR), initiated by the Western Cape's Provincial Treasury, was proposed to the National Treasury as well as provincial treasury departments in other provinces, as an initiative that could be pursued nationally. This proposal was welcomed by National Treasury and other provincial treasury departments, and a national framework was developed, largely based on the Western Cape Provincial Treasury's existing framework. This resulted in the national disclosure of COVID-19-related reporting. The Provincial Treasury has expanded this initiative to include more extensive quarterly reports and an annual report that provides more outcome-related information in respect of the procurement space. The success of this initiative was due to the historical investments made by Provincial Treasury into data

systems and technology, and the team effort put into the project, especially by Ms Janine Mostert, who was recognised by the Civil Service Awards in the Western Cape as the leading support employee in the Province in respect of the PDR.

- 3.1.6 The Provincial Treasury and Department of Economic Development and Tourism collaborated on a project to ascertain the impact of the COVID-19 pandemic on the Western Cape economy and the livelihood of the Province's residents. Each municipality in the Province received a report outlining the impact of the pandemic on key sectors within their specific local economies, as well as the medium to long term growth and development prospects. The Provincial Treasury indicated that this research was useful in terms of shifts made in the MERO. Discussions were also held with municipalities during strategic integrated municipal engagements, which was a key input in the municipal budget processes. The collaboration was also important for the Province in respect of decisions that were made in the various adjustment budgets.
- 3.1.7 National government is in the process of reviewing and reforming the Public Private Partnerships (PPP) Framework. The Provincial Treasury hopes to align its processes with those of national government's so that when the PPP regulations are released, the Provincial Treasury will be in a position to move forward.
- 3.1.8 Fiscal instability within municipalities due to political instability was a concern. This was especially visible recently because of the increase of smaller political parties within municipalities, resulting in some hung councils. This had serious implications for the financial management of municipalities, especially since private investors would be weary of politically unstable municipalities. The Minister indicated that political instability was a risk that was anticipated by the Provincial Treasury, who have put additional measures in place to counteract the implications. 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. The Provincial Treasury developed monitoring systems that created an internal dashboard of vulnerable municipalities in the Province. These municipalities were monitored regularly, on a monthly basis, and these reports were published as well.
- 3.1.9 Previously, the Provincial Treasury indicated that it was introducing Artificial Intelligence (AI) and machine-based learning into its programmes in order to pick up on matters such as corruption, efficacy and efficiency in respect of transactions, and in order to streamline processes and bring certain departmental systems online. The Provincial Treasury updated the Committee on this matter, stating that the country has entered the 4<sup>th</sup> Industrial Revolution and the Provincial Treasury has used machine-based learning and AI to introduce aspects of computer algorithms that can improve systems automatically through experience and data that is collected. Provincial Treasury has introduced a data centre, which has tools that can assist with decision-making issues. The goal was to develop a data portal for the Western Cape, where all the data could be collected and stored. Provincial Treasury has even created a dashboard for matters of conflict of interest, where the system is able to detect where government employees are doing business with government departments. Machine-based learning and AI are being used to automate Provincial Treasury's dashboards.
- 3.1.10 In terms of strategic Supply Chain Management (SCM) at provincial level, Provincial Treasury acts as an enforcer and an enabler. The Provincial Treasury is involved in issuing and designing tools, templates, checklists and governance requirements that create an enabling

environment for departments to move within the much regulated, difficult space of procurement. There was formalised training on SCM as well as integrated and bespoke training, which is less formalised training and can be customised to the needs of the requestor.

- 3.1.11 There was a concern about employment equity within the Provincial Treasury, especially at Senior Management level and providing equitable distribution in terms of having diverse groups of employees. The Provincial Treasury indicated that it tried to have career development discussions with all its staff as part of a performance review process. This was part of management's function and role. The Provincial Treasury added that it was making progress in terms of employment equity; however, it remained an area of concern for the Department and the Minister. Employment Equity was not just about the algorithmic application of targets and mandatory processes; it needed to be a more active process in terms of the diversity of staff and leadership in the Provincial Treasury. The Provincial Treasury has started to look at how it advertises positions, how it markets itself, where it markets itself and the channels that it has used in the past, amongst other things. The approach going forward would be a more "intelligent" approach to ensure that the Provincial Treasury reaches the audience that it wants to reach.

### **3.2 Western Cape Gambling and Racing Board: Findings/Concerns**

- 3.2.1 The Western Cape Gambling and Racing Act (Act 4 of 1996) stated that the Western Cape Gambling and Racing Board (the Board) requires five out of seven board members to be present for a meeting to be quorate. Currently, the Board only consists of six board members. This could be challenging, however, the Board had an excellent attendance record and has not had to adjourn a meeting due to not being quorate. The Board has also made use of the "round-robin" method to communicate with one another. It required a legislative amendment to change the number of Board members that are required for the Board to be quorate.
- 3.2.2 The Western Cape Gambling and Racing Act has been amended 19 times in 21 years, which indicated that the Act needed to be modernised. In terms of the current policy review, the Provincial Treasury has been and will continue to engage with the Board on a new green paper policy.
- 3.2.3 The Board's ability to become financially self-sustainable has been an ongoing discussion for some time. The Board, in its 2020/21 Annual Report, indicated that it receives 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. The Western Cape Nineteenth Gambling and Racing Amendment Act, 2021, which has been adopted into law and gazetted as such, provides for legislated statutory revenue to flow to the Board. However, the Act has not been promulgated by the Premier yet. Once the Act comes into effect, fees of approximately R33 million would be paid to the Board.
- 3.2.4 Another concern was the capacity constraints that the Board was under in terms of the shortage of personnel in some of its key sections, resulting in the Board becoming more and more challenged in respect of the ability to effectively service the requirements of the ever-changing gambling environment. This was especially concerning as this challenge came at a time where the Board needed to be innovative to become self-sufficient. This concern was high on the agenda of the Board, who was in the process of procuring a service provider to assist the Board to develop an optimal organisational structure.

- 3.2.5 When the COVID-19 pandemic and the Disaster Management Regulations came about, it impacted on the gambling industry and caused a lot of instability and difficulties for the sector, especially in respect of revenue. Recovery of the sector was underway, however, there were more profound structural changes in the industry that required a more systematic review. The intention was to release a discussion document about the gambling industry in the Western Cape that would look at the industry structure, the economic impact, the revenue impact, the social consequences of problem gambling and probity issues.
- 3.2.6 According to the Western Cape Gambling and Racing Act, the Committee does not have to rank candidates applying for board membership in order of preference once the assessments have been finalised, as the final appointment is made by the Executive Council. For the first two years, the Committee did not rank the candidates, however, the Committee was advised in the third round of appointments that it would assist the Minister if Members provided rankings. The Committee provided its ranking of candidates, however, the candidate who was ranked second was chosen, which was allowed in terms of the legislation, however, a question arose concerning whether the Committee should revert to the previous way of recommending candidates to the Minister without ranking them. The Provincial Treasury indicated that the Committee's input and insights on the candidates were valuable and that the Committee played a critical role in assessing the candidates. Following the Committee's recommendations to the Minister, the Provincial Treasury also considered the Western Cape 19<sup>th</sup> Gambling and Racing Amendment Act and the relocation issues at the time, which led to the second-ranked candidate being appointed.
- 3.2.7 The "metaverse" has become a trending topic of conversation and a lifestyle for many people - the youth in particular. There seemed to be a platform in the digital space and within digital gaming that could provide opportunities for the gambling sector. However, the Board indicated that while some bookmakers were taking bets on e-gaming, it was still considered a volatile contingency as bookmakers could not guarantee the intended outcome, which were the contingencies that they liked to offer, to a certain extent. Another challenge was that many e-commerce players were under the age of 18. Although they were not partaking in gambling itself, they were contributing towards the contingencies on which gaming takes place. The matter was still in discussion but there were many questions that needed to be clarified before e-gaming could be considered.
- 3.2.8 In terms of e-commerce, digitalisation and automation in the gambling industry, the Board started digitising some of its business processes in 2018. The Board started with the digitisation of its licencing process, which was completed in September 2021. The Board created a workflow system to automate all its processes for licencing applications and users in the industry.
- 3.2.9 It seemed that the Board's employees were protected from loss of income during the pandemic, however, there seemed to be some unhappiness from employees in respect of the Work From Home Strategy, as indicated by the union. The Board indicated that there were a number of administrative workers who were unable to work from home when the strategy was implemented due to the requirements of their jobs. Additionally, the employees did not have the necessary resources that were required for them to work from home. The union's perception was that the strategy did not favour these employees, however, the Board has since acquired the equipment that would enable the employees to work from home. The

Board has also engaged with the union and the affected employees and the matter has been resolved.

#### **4. Resolutions/Actions**

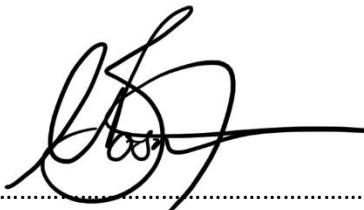
4.1 The Committee REQUESTED that the Western Cape Gambling and Racing Board provides it with the following information:

- 4.1.1 A report comparing the different license fees and different income streams received by the Western Cape Gambling and Racing Board to those received by the Gauteng Gambling Board;
- 4.1.2 An update on the filling of the vacancies in respect of the Regulatory Compliance and Licensing posts;
- 4.1.3 A copy of the latest judgement on the court case that the Board has appealed (Tsogo Sun and 3 Others v WCGRB & 1 Other, case number: 21344/17); and
- 4.1.4 A copy of the research commissioned on digital e-commerce as well as the international research that was finalised.

4.2 The Committee RESOLVED that it would request a briefing from the Provincial Treasury and the Western Cape Gambling and Racing Board on digitisation, the digital economy and e-commerce in the gambling and racing sector.

#### **5. Conclusion**

The Chairperson thanked the Minister, 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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**MR G BOSMAN, MPP**

**CHAIRPERSON: STANDING COMMITTEE ON FINANCE, ECONOMIC OPPORTUNITIES AND TOURISM**

**DATE: 6 July 2022**