

ANNUAL REPORT 2018/19



National Gambling Board
South Africa

a member of **the dci** group



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PART A GENERAL INFORMATION

NGB'S GENERAL INFORMATION

Registered name	National Gambling Board of South Africa
Physical address	420 Witch-Hazel Avenue Eco Glades 2, Block C Eco Park, Centurion, 0144
Postal address	Private Bag X27 Hatfield, 0028
Telephone number/s	+27 10 003 3475
Fax number	+27 86 618 5729
Email address	info@ngb.org.za
Website address	www.ngb.org.za
External auditor	Auditor-General South Africa
Banker	Standard Bank South Africa



*"A new Department of Trade, Industry and Competition has been established, through a merger of **the dti** and Economic Development Department, which will drive the implementation of a more focused, high-impact industrial strategy."*

FOREWORD BY THE MINISTER

Mr Ebrahim Patel

The Annual Report of the National Gambling Board coincides with the beginning of the 6th administration of the democratic South Africa.

The focus of the new administration is to boost economic growth and enable deeper levels of economic inclusion and transformation.

A new Department of Trade, Industry and Competition has been established, through a merger of **the dti** and Economic Development Department, which will drive the implementation of a more focused, high-impact industrial strategy.

Over the next five years, the focus will be on practical actions and improved governance, to pull our economy onto the higher growth levels we require to create decent work and entrepreneurial opportunities for many more South Africans, particularly young people. There are no quick fixes if we want to build this high-growth, high-employment, high-inclusion economy.

Using the resources and mandate of the trade, industry and competition portfolio, we will support efforts to unleash private investment and energise the state to boost economic growth and inclusion. This is an essential part of building confidence and the platform for job-creation.

As priorities for the new Administration we have outlined six focus (6) areas in the trade, industry and competition portfolio:

First, to support improved industrial performance, dynamism and competitiveness of local companies.

These include developing Master Plans in priority sectors to help create conducive conditions for industries to grow, improve their industrial capacities and sophistication, focus more on export orientation and reclaim domestic market space lost to imports.

The Master Plans will be action-oriented, developed and carried out in partnership with business and labour and implemented in stages, so that we can move expeditiously.

Second, to improve the levels of fixed investment in the economy

Over the five-year period from 2018/19, Government set a target of R1.4 trillion in new investment in the economy. The vast bulk of this must come from the private sector.



The state's role will be to enable higher levels of fixed investment (both domestic and foreign), through addressing infrastructure and skills gaps; and by partnering with the private sector through a range of incentives and financial packages.

Third, to expand markets for our products and facilitate entry to those markets.

The single biggest initiative is the African Continental Free Trade Area (AfCFTA) which will connect 1.2 billion people into a single bloc where local products will be traded between countries, with minimal tariffs. These agreements lay the basis for increased intra-African trade and can cement the continent's position as the next growth frontier.

The implementation phase was launched on 7 July 2019, at a Special African Union Summit meeting in Niger, with the intention to come into effect on 1 July 2020.

The Agreement will fundamentally change and reshape the South African economy. Already, exports to other African countries support about 250 000 South African jobs and it is the fastest-growing market for our manufactured exports.

Fourth, to promote economic inclusion.

This means opening up and changing our market structure, to bring more young people, women and Black Industrialists into the economy.

To enhance the growth of black industrialists, we will combine the efforts of the Department and its agencies into a seamless and coordinated programme. Over the next five (5) years, we will support an additional four hundred (400) Black Industrialists' projects with financial support of R40 billion, through identifying sustainable businesses and promoting both industrialists, new enterprise formation and worker involvement in the enterprises, using a combination of private and public sector resources.

Fifth, to promote more equitable spatial and industrial development.

A pillar of our industrial policy is to develop new investment clusters through special economic zones, revitalisation of industrial sites and support for business and digital hubs.

Sixth, to improve the capability of the state.

This means being more responsive to the needs of South Africa's entrepreneurs, moving faster in making decisions and carrying out functions, coordinating better between departments and agencies and creating a business-encouraging environment in which more investment and more job creation can take place.

Part of a smart state is partnering with domestic businesses to invest more in innovation and R&D, as new techniques, new products and new distribution platforms can move South Africa up the value-chain and enhance job creation.

All public entities will have to work with a greater sense of urgency to support government in achieving its ambitions for the new administration. This is what has been called the spirit of *khawuleza*, and it must define our approach both within Government and public entities to addressing the structures in the economy which impede growth, economic inclusion and job creation.

I wish to thank the Accounting Authority, Ms Caroline Kongwa, as well as the staff of the NGB for their work over the last year and wish them well in their efforts to carry out their public mandate.

Mr Ebrahim Patel
Minister of Trade and Industry

31 July 2019



“NGB’s achievements were based on performance outcomes relative to building an effectively regulated and supervised gambling industry that upholds domestic, continental and internationally recognised standards of compliance.”

FOREWORD BY THE ACCOUNTING AUTHORITY

Ms Caroline Kongwa

The regulation of the Gambling Industry in South Africa continues to take cognisance of the Department of Trade, Industry and Competition’s endeavour to pull the economy into higher growth levels required to create decent work and entrepreneurial opportunities for more South Africans, particularly young people. The past year was one of considerable progress both for the National Gambling Board (NGB) as it involved both new initiatives and the consolidation and refinement of earlier work.

The gambling environment is continuously changing with new technology and a host of new products coming into the market. This renders the job of a gambling regulator, like the NGB, quite challenging and requires the gambling regulator to be innovative and agile in achieving its objectives.

NGB’s achievements were based on performance outcomes relative to building an effectively regulated and supervised gambling industry that upholds domestic, continental and internationally recognised standards of compliance. Its strategic endeavour was mainly to control, regulate and monitor gambling whilst preventing and minimising its harm. Therefore, key performance areas were guided by the four Strategic Outcome Oriented Goals (SOOGs) in terms of enforcing compliance, enhancing stakeholder liaison and statutory advisory services, optimising organisational excellence and enforcing gaming technical compliance.

The NGB was involved in continuous deliberations on the National Gambling Amendment Bill, 2018. The purpose of the bill is to provide for the reconfiguration of the NGB to become the National Gambling Regulator led by a Chief Executive Officer without a board structure; the automatic forfeiture of unlawful winnings to the National Gambling Regulator; the extension of the National Central Electronic Monitoring System (NCEMS) to other modes of gambling; and the enhancement of the powers of the national inspectorate to curb illegal gambling activities; amongst others. The NGB was able, in the last financial year, to support improved industrial performance, dynamism and competitiveness of local companies, through the technology-driven monitoring system for Limited Payout Machines (LPMs) administered via a National Central Electronic Monitoring System (NCEMS). This system enabled the NGB to have a self-sustainable financial model resulting in increased revenue for the NGB to fund its operational activities such as conducting a national multi-media awareness campaign to inform and educate the public about illegal gambling. The ongoing maintenance of various national registers and databases contributed to the upholding of a central hub of information in terms



of machines and devices, probity, exclusions and gambling sector performance. NGB also monitored illegal online gambling offered to the public and recommended the blocking of these websites from access by the public. The combatting of illegal gambling and strengthened assistance with PLAs, the confiscating of unlawful winnings, ongoing education of the public in terms of legal and illegal gambling modes and the consequences of participation of unlawful gambling activities, were high on the NGB's agenda of activities during FY2018/19 in its endeavour to promote improved industry performance and competitiveness. The NGB participated in the dti's national roadshows in all provinces, as well as embarked on a national multi-media awareness campaign to inform the public, and educate various stakeholders about illegal gambling. Multi-disciplinary task teams on enforcement worked together to investigate and in some instances raid illegal gambling operations.

Gambling promotes investment in infrastructure and the creation of employment. Property value such as the establishments around a casino are enhanced. One of the economic benefits derived from the industry is its ability to generate revenues for the government from taxes and levies collected in the industry. These revenues are an important tool for improving the levels of fixed investment in the economy towards infrastructure improvement, building schools and enhanced service delivery amongst others. Gross Gambling Revenue (GGR) generated from the casino industry continues to dominate over other modes of gambling. Notwithstanding this, the relative share in GGR from casinos has been declining over time whilst the relative share in GGR from other modes has been steadily increasing. Ongoing research was conducted in terms of the latest trends and developments in terms of market conduct and market share, the impact of gambling, ongoing benchmarking of the South African gambling industry with other jurisdictions in terms of player protection, main laws of governing sanctions and the range and effectiveness of different sanctions imposed in the gambling industry, common and different characteristics in terms of the prevalence of gambling globally, as well as a cross jurisdictional regulatory overview of betting.

The gambling industry also seeks to promote the economic empowerment of the historically disadvantaged. As such in order to promote economic inclusion, the NGB also focused on its key mandate, namely to conduct continuous oversight over Provincial Licensing Authorities (PLAs) in all nine provinces on their compliance with the National Gambling Act (NGA) and provincial legislation as well as Broad Based Black Economic Empowerment (BBBEE) legislation and report on findings accordingly. The main outcome of monitoring and evaluation was the strengthened relationship between the NGB and the PLAs, the increased awareness of PLAs of the importance of complying with legal and BBBEE requirements when licensing and the uniform application of national norms and standards determined by the NGA, as well as an opportunity for the PLAs to rectify possible non-compliance to avoid being sanctioned. In addition to this, the NGB embarked on a research study to determine Transformation and Growth in the Gambling Industry which will be completed in the following financial year. In 2019/20 we envisage more change in the industry which requires continued strong partnerships with other regulators, consumer representatives and government. Most importantly, we need the industry to step up and work to raise standards and reduce the risk of harm. The challenge now is to support the industry in the raising of standards of compliance and in making gambling fairer and safer for all.

I extend my gratitude to all officials of the NGB for the effort, initiative and enthusiasm demonstrated in achieving 100% of key performance areas and compliance with the PFMA.

The unrelenting support from **the dti**, the Director-General of the dti and the Minister of Trade and Industry has been invaluable.

Ms Caroline Kongwa

Accounting Authority of the National Gambling Board

31 July 2019

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the Annual Report are consistent with the annual financial statements audited by the Auditor-General.

The Annual Report is complete, accurate and free from any omissions.

The Annual Report has been prepared in accordance with the guidelines of the annual report as issued by National Treasury.

The Annual Financial Statements (Part F) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) applicable to the Public Entity.

The AA is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The AA is responsible for establishing and implementing a system of internal control which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In my opinion, the annual report fairly reflects the operations, performance information, human resource information and financial affairs of the NGB for the financial year ended 31 March 2019.

Yours faithfully



Ms Caroline Kongwa

Accounting Authority of the National Gambling Board

31 July 2019



VISION, MISSION AND VALUES

The NGB is established in terms of the National Gambling Act, 2004 (Act 7 of 2004) ("the NGA") under the Executive Authority (EA) of the Minister of Trade and Industry, in an effort to enable **the dti** to achieve its objectives and ultimately its mandate. The NGB's mandate is to promote gambling activities in a legal, safe and crime-free environment and protect punters from the overstimulation of the latent need to gamble.

VISION

To position South Africa as the pre-eminent jurisdiction with an exemplary and effectively regulated gambling industry.



MISSION

Lead the regulation of the gambling industry in the fulfillment of the National Gambling Act, 2004 (Act 7 of 2004), through an effectively regulated and supervised gambling industry that upholds domestic, continental and internationally recognised standards of compliance.



VALUES

Professionalism; moral integrity; transparency; commitment and consistency; effective implementation of resolutions; responsive communication; teamwork; respect and tolerance.



LEGISLATIVE AND OTHER MANDATES

The mandate of the NGB is set out in section 65 of the NGA read with sections 21, 27, 32, 33 and 34, as well as in the National Gambling Regulations, 2004 and the Regulations on LPMs, 2000.

The work of the NGB is also indirectly governed by the legislative framework, including but not limited to the following legislation:

- Constitution of the Republic of South Africa, 1996
- The Public Finance Management Act (PFMA), 1999 (Act 1 of 1999)
- The Prevention of Organised Crime Act (POCA), 1998 (Act 121 of 1998)
- The Financial Intelligence Centre Act (FICA), 2001 (Act 38 of 2001)
- Broad-Based Black Economic Empowerment Act (B-BBEE), 2003 (Act 53 of 2003)
- Consumer Protection Act (CPA), 2008 (Act 68 of 2008)
- Competition Act, 1998 (Act 89 of 1998)
- Intergovernmental Relations Framework Act (IGRFA), 2005 (Act 113 of 2005)

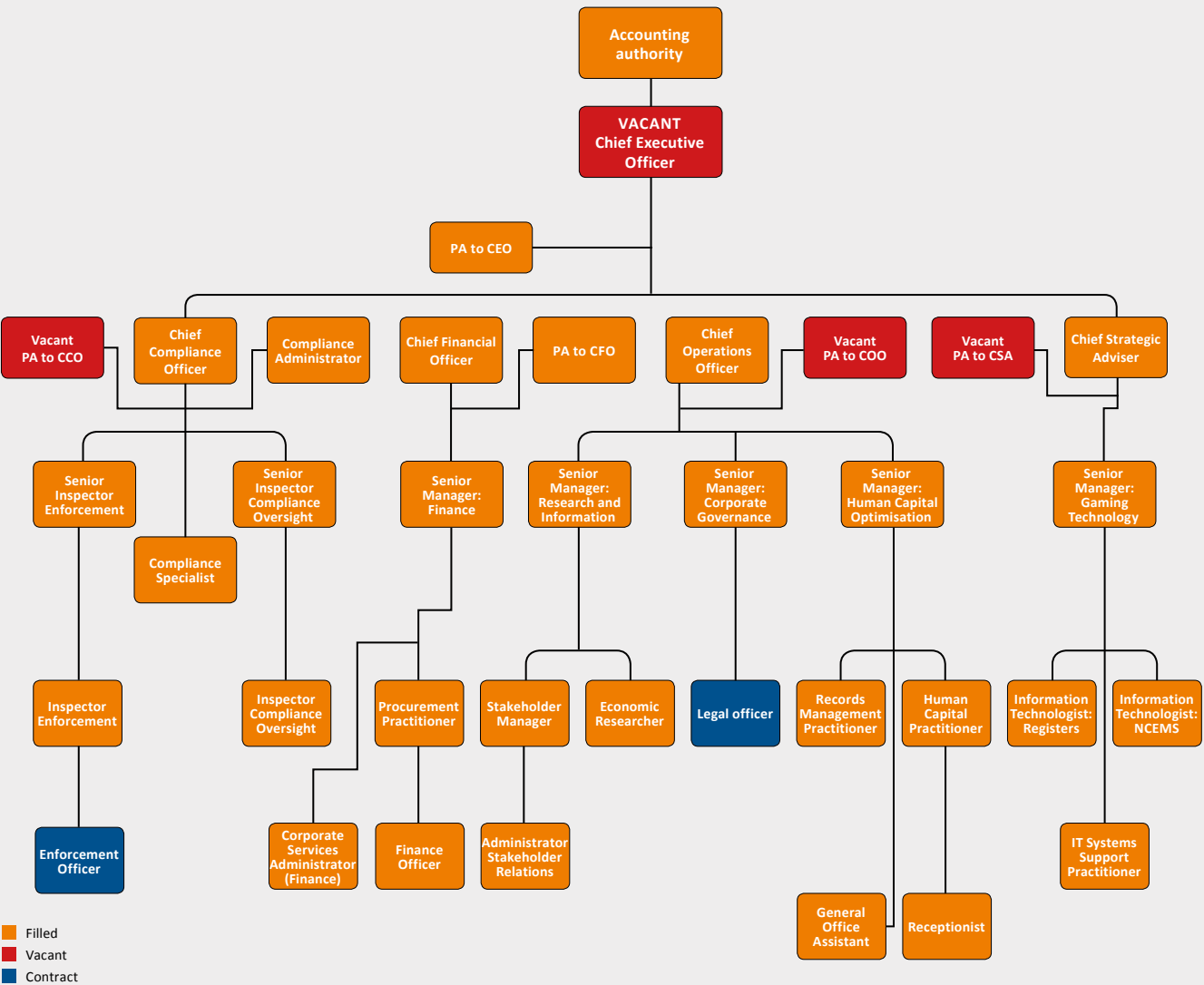
The services and products of the NGB are stated in the NGA as follows:

- Oversight of gambling in the Republic of South Africa by:
 - Evaluating the issuing of national licences by the PLAs
 - Evaluating the compliance monitoring of licensees by PLAs
 - Conducting oversight evaluation of the performance of PLAs to ensure that the national norms and standards established by the NGA are applied uniformly and consistently throughout the Republic of South Africa
 - Research and monitoring of market conduct and market share

- Assist PLAs to ensure that unlicensed gambling activities are detected
- Establish and maintain a national registry of every gambling machine or gambling device manufactured within or imported into the Republic of South Africa, as well as maintaining all other legislator-prescribed registers
- Assign a permanent and unique registration number for each machine or device
- Investigate the circumstances of the gambling activity that relate to any unlawful winnings that the NGB held in trust and either delivering the winnings to the person who won them or applying to the High Court for an order to declare the winnings to be forfeited to the State

The impact of the work of the NGB is manifested by the effect and quality of its advice and recommendation to the National Gambling Policy Council (NGPC) on, amongst others, matters of national policy and legislative changes relating to gambling.

ORGANISATIONAL STRUCTURE





PART B PERFORMANCE INFORMATION

AUDITOR'S REPORT: PREDETERMINED OBJECTIVES



The Auditor-General South Africa (AGSA) currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the Report to Management, with material findings being reported under the Predetermined Objectives heading in the Report on Other Legal and Regulatory Requirements section of the Auditor's Report.

Refer to page 93 of the Annual Report for the Auditor's Report, in Part F: Financial Information.

SITUATIONAL ANALYSIS

Service delivery environment

The NGB is an implementing entity of **the dti**, mandated amongst other functions in the NGA to coordinate activities relating to the exercise of concurrent competence within the national and provincial spheres of government to establish certain uniform norms and standards in the gambling industry. These provisions apply throughout the Republic of South Africa with regards to gambling and wagering pertaining to casinos, betting on horse racing/sports/other contingencies, LPMs and bingo to ensure that gambling activities are effectively regulated and licensed.

The NGB is further required to ensure that members of the public who participate in any licensed gambling activity are protected; society and the economy are protected against over-stimulation of the latent demand for gambling; and the licensing of gambling activities is transparent, fair and equitable. This will safeguard the public at large participating in gambling activities against the adverse effects of gambling.

The NGB is the “overseer of gambling regulation in order to protect consumers in the gambling industry”. The gambling sector is segmented into the following regulatory areas: casinos; LPMs; machine operators; gaming equipment manufacturers and distributors; gambling certification and testing laboratories; licensing of employees and key employees in the sector; bingo; and betting.

National and provincial government have concurrent legislative competency and this has culminated into ten pieces of gambling legislation which set out gambling regulation in South Africa. Concurrent jurisdiction thus requires a vigorous collaboration between the NGB, PLAs and other stakeholders to ensure implementation of the NGA and provincial legislation.

To this end, the NGB reviewed its Communication and Stakeholder Management Strategy to improve communication with internal and external stakeholders. The framework provided the foundation to facilitate improved relationships and education within the gambling industry. The NGB participated in and embarked on different public awareness events and initiatives to inform the public about the nature of gambling, legal and illegal forms of gambling, education about consequences when participating in illegal gambling, where to report fraudulent illegal gambling activities and where to obtain assistance in terms of problem or compulsive addictive gambling.

In keeping with governmental priorities with regards to Batho Pele, the NGB has also developed Service Delivery Standards (SDSs) which have been incorporated into the NGB organisational strategy that will guide the NGB’s stakeholders with regards to the level of commitment and quality of services offered by the NGB.

Information was also shared on the NGB website in terms of updated national gambling statistics, gambling sector performance information, the NGB Strategic Plan 2018/23, gambling bulletins, corporate brochures, and brief extracts which inform the public about various gambling-related matters.

The NGB monitored transformation within the gambling industry in line with the B-BBEE Act and the Codes of Good Practice. Information in terms of the B-BBEE contributor levels per operator and per gambling mode, as well as direct employment figures (per province and gambling mode) have been updated and shared.

The establishment of a register of illegal gambling operators to minimise and control the diffusion of illegal gambling operatives was set as a ministerial priority in the Shareholder Compact 2018/19. This was part of an all-encompassing strategy to curb illegal gambling and was executed in FY2018/19.

Organisational environment

The NGB has endeavoured to be an efficient and highly productive entity that maximises the benefits of its relationship with stakeholders, performance of staff and management through effective leadership, systems, processes, resources and an ethical organisational culture.

The following strategic human capital pillars were identified over the Medium Term Expenditure Framework period to ensure that human capital issues are effectively addressed, such as:

- a) Creating a high-performance organisational culture, recognising teamwork and spirit
- b) Creating a learning and development organisational culture
- c) Strategic talent acquisition and retention for organisational effectiveness
- d) Overhaul of the organisational reward strategy
- e) Development of an integrated information management system
- f) Enforcement of legislative compliance and diversity



Key policy developments and legislative changes

The National Gambling Amendment Bill, 2018

The National Gambling Amendment Bill, 2018 is currently subject matter of a legislative review process. The Bill seeks to, *inter alia*:

- Amend the National Gambling Act, 2004
- Provide for the repositioning of the NGB as the National Gambling Regulator (NGR)
- Strengthen enforcement powers of the NGR
- Strengthen the regulation of casinos, betting and bingo by extending the NCEMS to all modes
- Provide for forfeiture of unlawful winnings to the NGR without application to the High Court
- Amend the quorum for the NGPC

This Bill is intended to improve on the current South African regulatory environment of the gambling industry; provide for more coherent exercise of concurrent national and provincial legislative competence by strengthening national norms and standards; provide for more effective national oversight by establishing the National Gambling Regulator, extending the monitoring of gambling activities beyond the LPM sector, and improving the manner of decision making by the NGPC.

Cybercrimes and Cybersecurity Bill, 2017

The Cybercrimes and Cybersecurity Bill was gazetted in Government Gazette No. 39161, Notice No. 878 on 2 September 2015. The Bill seeks to:

- Create offences which have a bearing on cybercrime and to prescribe penalties
- Criminalise the distribution of data messages which are harmful and to provide for interim protection orders
- Further regulate jurisdiction in respect of cybercrimes
- Further regulate the powers to investigate cybercrimes
- Further regulate aspects relating to mutual assistance in respect of the investigation of cybercrime
- Provide for the establishment of a 24/7 point of contact

- Further provide for the proof of certain facts by affidavit
- Impose obligation on electronic communications service providers and financial institutions to assist in the investigation of cybercrimes and to report cybercrimes
- Provide for the establishment of structures to promote cybersecurity and capacity building
- Regulate the identification and declaration of critical information infrastructures and measures to protect critical information infrastructures
- Provide that the executive may enter into agreements with foreign states to promote cybersecurity
- Delete and amend provisions of certain laws

It is foreseeable that the Bill will improve regulatory capacity and enforcement in the fields of cybercrime and security; reduce the cost of cybercrime and the negative effects thereof on society and the economy; and improve institutional compliance by providing the necessary safeguards against cyber invasion.

Draft Control of Tobacco Products and Electronic Delivery Systems Bill (“Tobacco Bill”)

The Draft Control of Tobacco Products and Electronic Delivery Systems Bill was published in the Government Gazette by the Department of Health on 9 May 2018 for public comments. The key areas that the Bill will regulate are:

- the restrictions on public smoking
- the sale and advertising of tobacco products and electronic delivery systems
- the prohibition on financial or other support
- the prohibition of vending machines
- the standardisation of the packaging and appearance of tobacco products and electronic delivery systems
- restriction on the sale of products

It is foreseeable that this Bill will have an impact on the operations of licensees such as casinos, in that if passed, smoking will be prohibited in enclosed public spaces and enclosed workplaces. There will no longer be designated smoking areas in enclosed public places, and in some instances, smoking will be prohibited in outdoor areas.

SITUATIONAL ANALYSIS CONTINUED

Strategic outcome oriented goals (SOOGs)

The NGB is one of the national regulatory agencies of **the dti**. Its SOOGs are derived from the NGA and are aligned to the SOOGs of **the dti** as informed by the government's Medium Term Strategic Framework (MTSF) priorities as depicted in the following diagram.

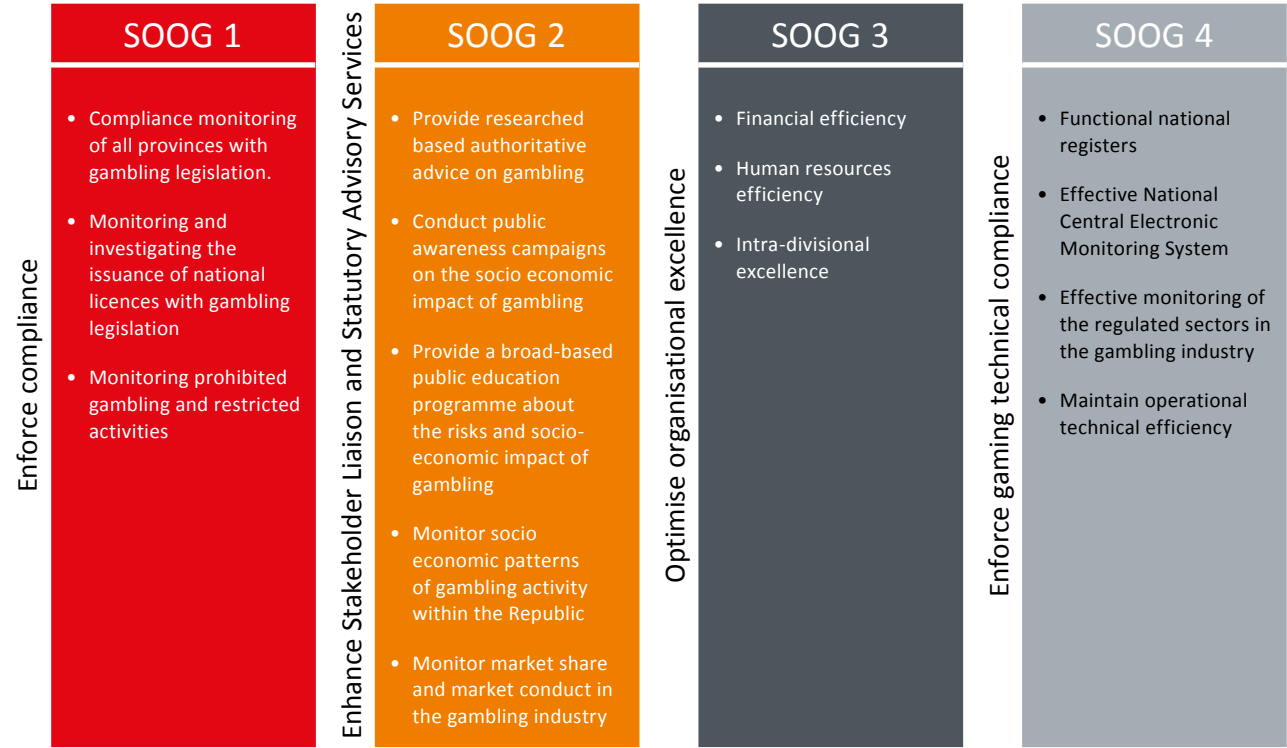
Government's MTSF priorities	Government outcome	The dti strategic outcome oriented goals	NGB strategic outcome oriented goals	Responsible NGB programme
Priority 4 Decent employment, through inclusive economic growth	Outcome 4 Decent employment, through inclusive economic growth	Facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation	Enhance Stakeholder Liaison and Statutory Advisory Services	Divisional Programme: Stakeholder Liaison and Advisory Services
		Create a fair regulatory environment that enables investment, trade and enterprise development, in an equitable and socially responsible manner	Enforce Compliance	Divisional Programme: Compliance
		Facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth		Divisional Programme: Compliance and Stakeholder Liaison and Advisory Services
Priority 8 Pursuing African development and enhanced international cooperation	Outcome 11 Create a better South Africa, a better Africa and a better world	Build mutually-beneficial regional and global relations, advance South Africa's trade, industrial policy and economic development objectives	Enhance Stakeholder Liaison and Statutory Advisory Services	Divisional Programme: Stakeholder Liaison and Advisory Services
Priority 10 Building a developmental state, including improvement of public services and strengthening of democratic institutions	Outcome 12 An efficient, effective and development-orientated public service and empowered, fair and inclusive citizenship	Promote a professional, competitive and customer-focused working environment that ensures effective and efficient service delivery	Optimise Organisational Excellence	Divisional Programme: Corporate Services

SITUATIONAL ANALYSIS CONTINUED



In order to give effect to the SOOGs during the FY2018/19, the NGB focused on the prioritised areas of performance as reflected in the following figure below to ensure that a meaningful impact from its determined outcomes was achieved.

The SOOGs that are set out in the Strategic Plan 2018/23 were developed into actionable programmes in the Annual Performance Plan 2018/19 (APP) and budgeted for in the entity’s Business Plan 2018/19. The key products and services of the NGB are outlined in “Legislative and Other Mandates” as set out on page 10.



NATIONAL GAMBLING BOARD TEAM





PERFORMANCE INFORMATION BY PROGRAMME

Performance information by programme

The performance objectives of the NGB as aligned to the mandate provided by the NGA are enhanced stakeholder liaison and statutory advisory services, enforced compliance, optimised organisational

excellence and gaming technical compliance representing the four programmes or divisions which provided the business framework to manage all SOOGs with specific activities linked to each SOOG. Specific projects and activities culminated from each programme.



NGB Executives

From left: Ms Kaveshka Mackerduth (Chief Financial Officer), Ms Caroline Kongwa (Chief Strategic Advisor), Ms Poppy Kweyama (Chief Operations Officer), Mr Mongezi Menye (Chief Compliance Officer)

PROGRAMME 1: COMPLIANCE



Compliance Division

From left: Mr Mongezi Menye (Chief Compliance Officer), Ms Lutho Grootboom (Compliance Administrator), Mr Dennis Makhari (Compliance Specialist), Ms Bawinile Ngcobo (Senior Inspector: Enforcement), Mr Sydney Ramasodi (Senior Inspector: Compliance), Ms Yandisa Ngesi (Inspector: Compliance), Mr Levy Mathiane (Inspector: Enforcement).

PROGRAMME 1: COMPLIANCE CONTINUED

Purpose of the programme

The purpose of the programme is to provide mandated operational core functions in terms of the NGA.

Sub-programmes

Compliance Oversight

The Compliance Division oversees the co-ordination of concurrent national and provincial legislative competence over matters relating to casinos, racing, gambling and wagering; and provides for the continued regulation of those matters. Further to this, the division monitors PLAs' compliance with uniform norms and standards applicable to national and provincial regulation and licensing of certain gambling activities.

The issue of illegal gambling continues to be a challenge in the country. The intensity of unlicensed gambling varies from province to province. The Compliance Division will continue to assist the PLAs to ensure that unlicensed gambling activities are detected and dealt with and perpetrators are brought to book with the full might of the law.

Enforcement

The function of enforcement was regulated in line with the legislation with a two-fold approach, addressing alignment by licensed institutions and addressing illegal gambling activities and the suppression thereof. There is systemic growth in this area which indirectly impacts on the business of licensed institutions. The focus area shift was directed to online gambling, which is illegal in South Africa.

Performance objectives

The performance objectives of this function included:

- a) Monitoring compliance of all PLAs with gambling legislation
- b) Monitoring and investigating the issuance of national licences with gambling legislation
- c) Monitoring prohibited gambling and restricted activities
- d) Assisting PLAs to ensure that unlicensed gambling activities are detected

PROGRAMME 1: COMPLIANCE CONTINUED



Strategic objectives, performance indicators, planned targets and actual achievements

PROGRAMME 1: COMPLIANCE								
Strategic objectives	Performance indicator	Actual performance against target					Deviation from Planned target to actual Achievement 2018/19	Comments on deviation
		Actual achievement 2015/16	Actual achievement 2016/17	Actual achievement 2017/18	Planned target 2018/19	Actual achievement 2018/19		
Compliance monitoring of all provinces with gambling legislation	Number of three (3) tier compliance evaluation assessments conducted	Ten (10) Consolidated reports on the evaluation of the issuance of national licenses, compliance monitoring of licensees and performance of PLAs	Ten (10) consolidated reports on the evaluation of the issuance of national licenses, compliance monitoring of licensees, and performance of PLAs	Nine (9) three-tier compliance evaluation assessment reports and one (1) annual consolidated compliance evaluation assessment report presented to the Accounting Authority	Nine (9) three-tier compliance evaluation assessments conducted	Achieved Nine(9) three tier compliance evaluation assessments conducted	None	N/A
Monitoring and investigating the issuance of national licences with gambling legislation	Number of compliance evaluation assessments on the issuance of National Licenses by PLAs conducted	N/A	N/A	Nine (9) provincial compliance evaluation assessment reports on the issuance of national licenses by PLAs and one (1) annual consolidated compliance evaluation assessment report on the issuance of national licenses by PLAs presented to the Accounting Authority	Nine (9) provincial compliance evaluation assessments conducted on the issuance of national licenses by PLAs	Achieved Nine (9) provincial compliance evaluation assessments conducted on the issuance of national licenses by PLAs	None	N/A

PROGRAMME 1: COMPLIANCE CONTINUED

PROGRAMME 1: COMPLIANCE								
Strategic objectives	Performance indicator	Actual performance against target					Deviation from Planned target to actual Achievement 2018/19	Comments on deviation
		Actual achievement 2015/16	Actual achievement 2016/17	Actual achievement 2017/18	Planned target 2018/19	Actual achievement 2018/19		
Monitoring prohibited gambling and restricted activities	Framework to combat prohibited gambling and restricted activities approved by the Accounting Authority	N/A	N/A	Four (4) reports and one (1) annual report on prohibited gambling and restricted activities presented to the Accounting Authority	Approved framework to combat prohibited gambling and restricted activities	Achieved Framework to combat prohibited gambling and restricted activities approved	None	N/A

Key achievements of sub-programmes

Compliance Oversight

In terms of section 33 of the NGA, the NGB is responsible and empowered to evaluate compliance by PLAs with the licensing standards as set out in the NGA. It is a condition of every provincial licence that the licensee must comply with every applicable provision of the NGA. It is the role of the PLA to monitor compliance by licensees with conditions of licences issued.

The NGB has successfully conducted onsite inspections in all nine (9) provinces and reported on findings accordingly. The entity improved on its methodology, approach and tools for evaluation that were utilised during the course of the financial year.

Dates on which evaluations were conducted are reflected in Figure 1.

PROGRAMME 1: COMPLIANCE CONTINUED



Figure 1: Evaluation dates per province

Provincial legislative authority	Evaluation dates	Quarter
Northern Cape Gambling Board	22 to 25 May 2018	Quarter 1
KwaZulu-Natal Gambling and Betting Board	19 June to 22 June 2018	
Limpopo Gambling Board	26 to 29 June 2018	
Western Cape Gambling and Racing Board	14 to 17 August 2018	Quarter 2
Mpumalanga Economic Regulator	21 to 24 August 2018	
Free State Gambling and Liquor Authority	25 to 28 September 2018	
Gauteng Gambling Board	16 to 19 October 2018	Quarter 3
Eastern Cape Gambling Board	06 to 09 November 2018	
North West Gambling Board	20 to 23 November 2018	

The NGB succeeded in performing nine (9) oversight evaluations that were planned for the year. An assessment of the effectiveness of the three (3) tier compliance evaluation assessments conducted in the nine (9) PLA jurisdictions was completed, and a consolidated report finalised.

The following areas of non-compliance were identified during the oversight evaluations:

- In conducting probity investigations, it was noted compliance with FICA requirements was not adhered to. The Compliance Oversight team clarified that the PLA had incorrectly interpreted the advice of FIC, and they still bear the responsibility to report suspicious incidents/transactions.
- Matters of competition were found to be a concern as there is inconsistency in how provinces interpret the NGA in respect of competition. Some provinces permit advertising in certain establishments and permit advertising on social media. A recommendation was made that this issue be raised at the next CEO Forum, which is a forum comprising CEOs of all PLAs.
- PLAs were informed that operators licensed by them were not remitting unlawful winnings to the NGB in terms of Section 16 (3) of the NGA and the PLAs were requested to ensure that licensees comply with the NGA.
- It was also noted that PLAs were failing to comply with provisions of National Registers. The NGB impressed upon PLAs to ensure that they begin to entrench a culture of complying with required provisions. The PLAs have started to comply with the provisions of the National Registers, and this progress will be monitored by the NGB.
- PLAs imposed more strict B-BBEE license conditions than those stipulated in the B-BBEE codes. As a result, B-BBEE Commission conducted training to PLAs on the application of B-BBEE codes and on how to structure an application for deviation from the generic codes.

PROGRAMME 1: COMPLIANCE CONTINUED

LPM applications in excess of five (5) machines

The Compliance Oversight Inspectorate received and evaluated LPM applications in excess of five (5) machines per site, in terms of Regulations 3(2) of the LPM Regulations, 2000. Below is a high level summary of evaluations that were conducted over the financial year:

Figure 2: Summary of type B evaluations conducted

Applications status	Total number from all provinces
Rolled over from FY2017/18	1
Received during FY2018/19	33
Approved	19
Declined	–
Referred back	–
Withdrawn by PLA	–
Pending approval	15

The results in Figure 2 can be further analysed as follows:

- One (1) application rolled-over from FY 2017/18
- Applications were received from: Limpopo – one (1), North West – twelve (12), Gauteng – one (1), KwaZulu-Natal – nine (9), and the Eastern cape – ten (10)
- Approvals related to: Limpopo – one (1), North West – seven (7), Gauteng – one (1), Eastern Cape – ten (10)
- No applications were declined
- Applications where further information was requested from PLAs to be provided and/or further consideration of information is North West – six (6) and KwaZulu-Natal – nine (9)
- No applications were withdrawn

Enforcement

Provide assistance to PLAs and law enforcement agencies in combating illegal gambling operations

The NGB continued to collaborate with PLAs and law enforcement agencies with the aim of gathering intelligence for use in eradicating illegal gambling activities.

In its efforts to assist PLAs and law enforcement agencies, the NGB developed a framework to combat prohibited gambling and restricted activities. The development of the framework was based on a recommendation from research conducted on socio-economic impact of illegal gambling. The framework was developed after consultation with relevant stakeholders and law enforcement agencies. This framework is expected to provide a national gambling model to regulate illegal gambling across the country.

The NGB managed to secure cooperation from the national security structures (NATJOINTS), which includes governmental law enforcement agencies such as the National Prosecuting Authority, South African Police Services, the Department of International Relations and Cooperation and the Department of Home Affairs.

Further engagement with other institutions such as the Financial Intelligence Centre (who forms part of the above-mentioned committee), financial institutions, the Films and Publications Board (FPB), Wireless Applications and Service Providers Association (WASPA), Estate Agency Affairs Board were undertaken during the year to widen networks with other agencies involved in the law enforcement.

The NGB also revived its law enforcement forum which is formulated with the purpose to:

- facilitate cooperation and coordination among its PLA’s
- promote the exchange of information and experience among its members, share information and views on prohibited gambling trends in the gambling industry
- identify emerging prohibited gambling challenges

During the Enforcement oversight visits to the nine PLAs, the Enforcement Unit accompanied the respective PLAs to onsite inspections of casinos, bingo halls and bookmaker establishments:

PROGRAMME 1: COMPLIANCE CONTINUED



Figure 3: A summary of the gambling establishments inspected as at 31 March 2019

PLAs	Name of establishment inspected per mode of gambling			
	Casino	Bingo	Bookmaker	LPM
Limpopo	Thaba-moshate	–	World Betting	Gamblers Saloon
Gauteng	Monte Casino	Marco Polo	Sepels	Crazy Slots
Mpumalanga	The Ridge	Galaxy Bingo	BetSA Sportsbetting	Hazyview Tattersalls
North West	The Rio	Goldrush Bingo	Betting world Klerksdorp	Betting world Klerksdorp
KwaZulu-Natal	Isibaya	Gold Rush Bingo (LPM and Bingo) Ballito	Marshall World of Sport Ballito	Marshal World of Sport Ballito
Free State	Goldfields	–	BetXchange	Biz News Café
Northern Cape	Desert Palace	–	Score Bet Kimberley	–
Western Cape	Golden Valley	–	Hollywood Bets	Hollywood Bets
Eastern Cape	Queens Casino	Bingo Royale East London	Hollywood Sports Book	Hollywood Sports Book

The purpose of the onsite visits was to establish the licencees' compliance with respect to surveillance systems, self-exclusions, handling of unlawful winnings, which result from self-exclusions and winnings by minors, FIC-related matters and the manner in which complaints from punters were dealt with.

Enforcement evaluated various enforcement activities implemented by PLAs during oversight evaluations conducted on the nine (9) PLAs. Generally, all PLAs were cooperative and were willing to work together with the NGB.

The NGB further inspected the above-listed operators for compliance with the following:

- displaying of operator license
- mechanisms in place to ensure that minors and excluded persons are prohibited from designated gambling areas
- displays of relevant responsible gambling signage and that minors are prohibited from the designated areas

PROGRAMME 1: COMPLIANCE CONTINUED

Statistics in relation to inspections, investigations and raids conducted by PLAs

Figure 4: National overview of inspections, investigations and raids conducted

#	PLA	Number of raids conducted	Number of inspections/ investigations	Number of Items Seized, Arrests and/or convictions made	Machines destroyed
1.	Western Cape Gambling and Racing Board	14	14	–	–
2.	Free State Gambling and Liquor Authority	–	19	–	–
3.	Eastern Cape Gambling and Betting Board	28	43	Convictions: 6 Gambling Machines/Equipment Seized: 30 Court Cases Pending: 2	–
4.	Northern Cape Gambling Board	1	1	–	–
5.	Gauteng Gambling Board	176	44	Gambling Machines/Equipment Seized: 430	–
6.	North West Gambling Board	6	60	5	–
7.	Limpopo Gambling Board	1	12	–	–
8.	KwaZulu-Natal Gambling and Betting Board	14	10	–	–
9.	Mpumalanga Economic Regulator	–	–	–	–
National total		240	203	Convictions: 6 Gambling Machines/Equipment Seized: 460 Court Cases Pending: 2	–

PROGRAMME 1: COMPLIANCE CONTINUED



The national overview statistics submitted by PLAs in the current financial year revealed that:

- Two hundred and forty (240) raids were conducted across the provinces, with Gauteng province conducting the highest raids of one hundred and seventy-six (176) and seizing about four hundred and thirty (430) illegal gambling equipment
- Eastern Cape province reported the highest number of convictions (06) with other provinces cases still pending finalisation by courts

It was reported that due to the self-exclusion regulations pending gazette, the PLAs' licensees opted to implement their own internal procedures for handling unlawful winnings. However, these procedures were not aligned to the requirements of Section 16(3) of the NGA. The PLAs were advised of this requirement to comply.

Suppression of illegal gambling activities

Enforcement held four (4) meetings with Reserve Bank, First National Bank, Standard Bank and Nedbank. The aim was to communicate the NGB's mandate in terms of unlawful winnings and procedures for remittance by respective law enforcement agencies to include banks.

Illegal gambling cases investigated by PLAs were presented to the Stakeholders Priority Committee for Illegal Gambling (SPCIG), and have been handed over to the Asset Forfeiture Unit (AFU) and Directorate for Priority Crime Investigations (DPCI) for further investigation. There is an increase in the number of illegal gambling cases which indirectly impacts the business of licensed institutions.

The issue of illegal gambling continued to be a challenge in the country and the intensity of unlicensed gambling varied from province to province. The Compliance Division continued to assist the PLAs to ensure that unlicensed gambling activities are detected and dealt with.

Unlawful winnings

Seventy-four (74) unlawful winnings cases presented to the unlawful winnings committee during 2018/19 were recommended for forfeiture. The decision by the unlawful winnings committee has been communicated to the punters. The NGB has not received any appeals on the decision to forfeit, as the punters were fully informed of the illegality of their participation and the consequences thereof.

Out of the total number of matters that were presented to the unlawful winnings committee in 2018/19, only one (1) was recommended for a refund to the punter and three (3) for further investigation.

PROGRAMME 2: STAKEHOLDER LIAISON AND ADVISORY SERVICES



Advisory and Support Services Division

From Left: Ms Tshepiso Kungwane (Human Capital Practitioner), Ms Keletso Makopo (Administrator: Stakeholder Relations), Ms Zaza Kumalo (Stakeholder Manager), Ms Poppy Kweyama (Chief Operations Officer), Ms Phetogo Mabe (Receptionist), Mr Ndimiso Msimango (Legal Officer), Mr Bryan Arumugam (Senior Manager: Corporate Governance).

Absent: Ms Florence Molotja (Records Management Practitioner), Ms Estelle Jonkheid (Senior Manager: Research & Information – Absent).



PROGRAMME 2: STAKEHOLDER LIAISON AND ADVISORY SERVICES CONTINUED

Purpose of the programme

This programme consists of two (2) divisions namely Stakeholder Liaison, as well as Research. Interaction with various stakeholders in the gambling/law enforcement/banking industries serve to promote understanding of gambling legislation, support in the combating of illegal gambling, as well as to inform stakeholders about the socio-economic impact of gambling. Research is conducted to monitor the impact of gambling and provide input to advise in terms of gambling policy, strategy and frameworks.

Sub-programmes

Stakeholder liaison

The Stakeholder and Liaison Division provides strategic coordination and communication, as well as secretarial services to the various internal and external stakeholders of the NGB such as PLAs, the gambling, law enforcement and/or the banking industries as required. This includes, but is not limited to, embarking on public awareness campaigns and educational programmes to inform stakeholders and the public on the socio-economic impact of gambling, illegal forms of gambling and the consequences of participation in any unregulated gambling modes. The division is also responsible for strategic planning and support.

Research and information

The Research Division conducts research to monitor and report on gambling sector performance in the South African gambling industry, specifically market conduct, market share, B-BBEE contributor levels and employment based on national gambling statistics (turnover, GGR and taxes/levies) and information collected from PLAs.

Commissioned research includes, but is not limited to, projects to determine the socio-economic impact of gambling in South Africa, as well as to benchmark South Africa with other countries in terms of the prevalence of gambling, problem gambling, legal gambling modes, online gambling, illegal online websites and content, tax rates, and regulations in terms of advertising, amongst others. Other desk research includes economic analysis and insights in terms of market share from economic and institutional perspectives, as well as reports on illegal gambling with specific reference to illegal online gambling.

Performance objectives

The following strategic objectives were attended to during the reporting period:

- a) Provide researched-based authoritative advice on gambling amongst other policy, statutory matters, legislation and reforms
- b) Develop an approach to concurrent gambling regulation
- c) Facilitate public dialogue with stakeholders
- d) Conduct public awareness campaigns on the socioeconomic impact of gambling
- e) Conduct research on the impact of gambling
- f) Monitor socio-economic patterns of gambling activity within the Republic
- g) Update information on the performance of the regulated gambling sectors
- h) Monitor market share and market conduct in the gambling industry

PROGRAMME 2: STAKEHOLDER LIAISON AND ADVISORY SERVICES CONTINUED

Strategic objectives, performance indicators, planned targets and actual achievements

PROGRAMME 2: STAKEHOLDER LIAISON AND ADVISORY SERVICES								
Strategic objectives	Performance indicator	Actual performance against target					Deviation from Planned target to actual Achievement 2018/19	Comments on Deviation
		Actual achievement 2015/16	Actual achievement 2016/17	Actual achievement 2017/18	Planned target 2018/19	Actual achievement 2018/19		
Provided research based authoritative advice on gambling	Number of reports on advice in terms of S65 of the NGA presented to the Accounting Authority	S65 advisory reports presented to the Accounting Authority	S65 advisory report presented to the Accounting Authority	S65 advisory report presented to the Accounting Authority	S65 advisory report presented to the Accounting Authority	Achieved S65 advisory report was presented to the Accounting Authority	None	N/A
Conducted public awareness campaigns on the socio-economic impact of gambling	Number of broad-based public awareness campaigns conducted	Approval of communication and stakeholder strategy by the Accounting Authority	Responsible Gambling advocacy campaign and public events conducted and information published	Four (4) reports and one (1) annual report on facilitated broad-based public awareness campaigns presented to the Accounting Authority	Four (4) broad-based public awareness campaigns conducted	Over achieved Fourteen broad-based public awareness campaigns were conducted	This was as a result of the NGB being invited to participate in additional events that were not planned	N/A



PROGRAMME 2: STAKEHOLDER LIAISON AND ADVISORY SERVICES CONTINUED

PROGRAMME 2: STAKEHOLDER LIAISON AND ADVISORY SERVICES								
Strategic objectives	Performance indicator	Actual performance against target					Deviation from Planned target to actual Achievement 2018/19	Comments on Deviation
		Actual achievement 2015/16	Actual achievement 2016/17	Actual achievement 2017/18	Planned target 2018/19	Actual achievement 2018/19		
Provide a broad-based public education programme about the risks and socio-economic impact of gambling	Number of broad-based public educational programmes through targeted interventions conducted	N/A	N/A	Four (4) reports and one (1) annual report on facilitated broad-based stakeholder participation through targeted intervention presented to the Accounting Authority	Four (4) broad-based public educational programmes through targeted interventions conducted	Over-achieved Eight (8) broad-based public educational programmes through targeted interventions were conducted	This was as a result of the NGB being invited to participate in additional events that were not planned	N/A
Monitor socio-economic patterns of gambling activity within the Republic	Number of reports on research conducted on the impact of gambling presented to the Accounting Authority	Research on the impact gambling conducted and a report presented to the Accounting Authority	Research on the socio-economic impact of gambling conducted and a report presented to the Accounting Authority	Four (4) reports and one (1) annual report on research conducted on the impact of gambling presented to the Accounting Authority	Four (4) quarterly reports and one (1) annual report on research conducted on the impact of gambling presented to the Accounting Authority	Achieved Four (4) quarterly reports and one (1) annual report on research conducted on the impact of gambling were presented to the Accounting Authority	None	N/A

PROGRAMME 2: STAKEHOLDER LIAISON AND ADVISORY SERVICES CONTINUED

PROGRAMME 2: STAKEHOLDER LIAISON AND ADVISORY SERVICES

Strategic objectives	Performance indicator	Actual performance against target					Deviation from Planned target to actual Achievement 2018/19	Comments on Deviation
		Actual achievement 2015/16	Actual achievement 2016/17	Actual achievement 2017/18	Planned target 2018/19	Actual achievement 2018/19		
Monitor market share and market conduct in the gambling industry	Number of reports on gambling sector performance presented to the Accounting Authority	Audited gambling sector performance reports were produced	Annual audited gambling sector performance report	Four (4) reports (based on unaudited data) and one (1) annual report on audited gambling sector performance presented to the Accounting Authority	Four (4) reports (based on unaudited data) and one (1) annual report on audited gambling sector performance presented to the Accounting Authority	Achieved Four (4) reports (based on unaudited data) and one (1) annual report on audited gambling sector performance was presented to the Accounting Authority	None	N/A

Key achievements of sub-programmes

Research

The aim of research reports was to advise the Minister and the NGPC on policy considerations emanating from the research conducted.

Research to determine transformation and growth in the South African gambling industry

The rationale of the research is mainly to advise on transformation and growth in the gambling industry with specific focus on current shareholding in terms of licensed operators within all regulated gambling modes and the impact of mergers and acquisitions, the current levels of transformation in terms of B-BBEE contributor levels and reaching set targets, identification of licensees who are complying or not, and challenges. Key findings of the research reflect that the average B-BBEE status or level of the South African gambling industry as at 31 March 2019 per gambling mode and operator was casinos at 1.8, totalisators at 4.0, LPMs at 2.8 and bingo at 2.9.

In terms of shareholding, the gambling industry has a few major role players, being involved in more than one (1) sector of the gaming industry:

- Hosken Consolidated Investments Limited (HCI) and its subsidiary companies, being involved in the casino, LPM, and Bingo sectors
- Sun International Limited and its subsidiary companies, also being involved in the casino, LPM and bingo sectors
- RECM and Calibre (RAC) and its subsidiary companies, being involved in the LPM, Betting and Bingo sectors
- The most prominent role player in the LPM sector is Vukani Gaming Corporation (Pty) Ltd, also known as V-slots
- Goldrush Bingo and Galaxy Bingo are the two (2) most prominent licensed bingo operators within the bingo industry
- Phumelela Gaming and Leisure Limited is the major role player within the Betting on Horseracing sector, being licensed totalisator in seven (7) of the nine (9) provinces in South Africa

PROGRAMME 2: STAKEHOLDER LIAISON AND ADVISORY SERVICES CONTINUED



In terms of B-BBEE guidelines provided by PLAs for their licensees, the KwaZulu-Natal Gaming and Betting Board (KZNGBB) developed a Transformation Guide for the Horseracing and Betting sector in the province. The Board's Transformation Minimum Standards Guideline does not replace the B-BBEE Act, but should be read in conjunction with the B-BBEE Act. These minimum standards are applicable to new entrants/applicants to the industry as well as existing licensees within the horseracing and betting sector within the Gaming and Betting Industry. This guide aims to provide clarity on the implementation of B-BBEE and outlines the Board's expectations in respect of transformation. The objectives of the Transformation Minimum Standards are to substantially increase participation of Historically Disadvantaged Persons (HDPs) in the horseracing and betting sector of the gaming and betting Industry, and to develop a framework that includes targets and criteria for B-BBEE within the sector, thereby supporting the implementation of B-BBEE within the Province of KwaZulu-Natal.

Research to benchmark the regulation of gambling in South Africa with other countries

This related to research that was conducted throughout the financial year to position South Africa against other gambling jurisdictions across the globe by identifying various issues that are imminent in the regulation of gambling so as to draw the necessary conclusions on current best practices, challenges and priorities.

As such, ongoing issues based on the research conducted in-house are mainly in terms of player protection, main laws of governing sanctions and the range and effectiveness of different sanctions imposed in the gambling industry, common and different characteristics about gambling prevalence globally, as well as a cross jurisdictional regulatory overview of betting. Key highlights emerging out of reports are reflected below in terms of how other countries deal with these matters:

- Measures were compared in terms of player protection in countries such as Brazil, Russia, India, China, South Africa (referred to as the BRICS countries), Australia, Spain, France, Cyprus and Denmark, with the focus on age restrictions, institutions to deal with and assist problem gamblers with addictive gambling behaviour, set operating hours, self-exclusion programmes, wager and time limits, deposit limits and warning messages. Although South Africa compared well with other countries, deposit limits as a player protection mechanism can be considered
- Various jurisdictions (such as the BRICS countries, United Kingdom, Montenegro, Portugal, Poland and Columbia) were monitored in terms of the main laws of governing sanctions. In most countries, it was found that sanctions applicable in the gambling industry are mainly penalties against licensed operators who breach license conditions, penalties for unlicensed gambling operators, penalties for persons who engage in unlicensed and illegal gambling, for breaching regulations on advertising of unlawful gambling and penalties for facilitating unlicensed gambling. In the South African gambling industry, sanctions are in place and the NGA imposes a sanction of a fine of up to R10 million or imprisonment of up to ten (10) years if convicted of committing an offence in terms of the Act. The challenge that this presents is that the actual extent of the sanction remains at the discretion of the courts based on the type of offense or who commits it, and this leaves room for inconsistencies
- The socio-economic impact of and specifically the prevalence of gambling revealed the following common and different characteristics about gambling globally, namely:
 - The participation in gambling has over the years surged across the world with more males participating in it than females
 - Generally, over a quarter of the population participate in gambling and it is mostly the youth aged (18-35) involved in the activity
 - It is also interesting to note that the main reason for gambling in the African countries is cited as a source of income whilst in developed nations it is more a leisure activity
 - Gambling across jurisdictions is a regressive activity as poorer households spend a larger proportion of their income on it than richer households
 - There are substantial economic impacts of gambling however on government revenue, infrastructure development, as well as employment
 - Whilst social benefits exist through revenue collection, negative social effects are also rampant such as problem gambling and crime
 - The regulatory insights from various jurisdictions reveal a number of pertinent issues in the gambling industry; these include the issue of enforcing zoning laws to prevent gambling establishments from operating near schools, churches and in residential areas which has been raised in the Bahamas

PROGRAMME 2: STAKEHOLDER LIAISON AND ADVISORY SERVICES CONTINUED

- In Israel, the power of police was challenged when the Israeli Supreme Court confirmed that legislation at the time did not allow the police to force Internet Service Providers (ISPs) to block online gambling websites
- Affiliates are coming under increasing scrutiny from regulators who are keen to clamp down on opportunistic advertising practices which could be harmful
- The issue of enforcement by the police in matters concerning illegal gambling needs to be continuously addressed with respect to their powers and rights to enforce
- South Africa also needs to monitor whether gambling establishments, as well as those that they are affiliated to are conforming to the gambling advertising laws as this has an impact on society and particularly children
- In a cross jurisdictional regulatory overview of betting, South Africa was compared with various other countries such as Argentina, Austria, Belgium, Czech Republic, Denmark, Finland, Ireland, Sweden, Switzerland and the United Kingdom. It was found that South Africa is on par with most countries in respect of the regulating and permitting of both land-based and online betting on sports, horse racing and other contingencies. However, some other types of betting, for example spread betting, betting on the outcome of lotto, dog racing, virtual betting, as well as betting exchanges are not being explicitly mentioned in the NGA, or at national level. The South African betting industry closely resembles that of Argentina and Australia where the industry was regulated at provincial or state level. Like Australia, South Africa prohibits online gambling with the exception of online sports and horse race betting. It is important that South Africa takes heed of unlicensed online gambling operators and raises awareness around the illegality of such operators as potential gamblers are prone to have the urge to want to gamble by placing bets on the sporting event and may be susceptible to such betting opportunities

Research to monitor websites offering illegal online gambling to South Africans

Research was conducted to monitor and report on websites offering illegal online gambling to South Africans and encouraging South Africans to participate in illegal online gambling.

Based on key observations, immediate blocking of the following websites was recommended:

<https://www.onlinecasinossouthafrica.com>

<https://www.mfortune.co.uk/>

<https://www.onlinegamblingsa.com/>

<https://gamblingsites.com>

<https://www.highooncasino.com>

<https://www.yakocasino.com/en/index>

<https://www.thunderboltcasino.com>

<https://www.blackdiamondcasino.net/en-ZA>

<https://www.mfortune.co.uk>

<https://www.playmillion.com>

<https://superiorcasino.com>

<https://legalgamblingandthelaw.com>

<https://toponlinecasinos.co.za>

<https://fhatscasino.co.za>

These online gambling websites do not mention the illegality of this type of gambling. This makes it difficult for South Africans to be aware of illegal online gambling. In addition to this, online gambling is viewed as lawless and punters can take part in it without any repercussions. As such, it is imperative that NGB raises awareness and informs the public about illegal online gambling, and the consequences when participating on an ongoing basis. The possibility of blocking such websites needs to be key in debates with stakeholders in terms of the combating of illegal gambling.

PROGRAMME 2: STAKEHOLDER LIAISON AND ADVISORY SERVICES CONTINUED



Research to determine the impact of EBTs on the traditional bingo, LPM and casino industries

The purpose thereof is to determine the impact of the current and future roll-out of EBTs on traditional bingo as well as on the current and estimated future roll-out of LPMs and operational gambling positions in casinos in South Africa (SA) within the context of the regulated gambling industry. The latest research findings revealed that gambling was introduced to the different provinces' economic landscapes as a way to achieve and enhance economic growth and development through the stimulation of different sectors (e.g. tourism, catering and accommodation, etc.). One (1) of the major objectives has been the creation of sustainable employment opportunities in order to uplift, advance and economically empower historically disadvantaged communities.

Bingo, casinos and LPMs are currently regulated as legal modes of gambling in South Africa. For the purposes of this study, it needs to be highlighted that currently two (2) forms of bingo are offered for play in South Africa namely traditional bingo and playing on EBTs. However, there is no provision made for EBTs and no distinction made in the current regulatory framework between traditional and electronic bingo and there is a growing concern and acknowledgement of the definition and regulation of bingo within the different provinces. Over the past few years, it has been noted that within the bingo industry the trend has shifted from a decline in traditional bingo to an increase in EBTs. EBTs are currently found in bingo halls, however, as a result of the growth in the number of EBTs and bingo outlets, the other gambling sectors regard EBTs as a threat.

Stakeholder Liaison

The NGB participated in various public education and awareness campaigns during FY2018/19, namely:

- **the dti's** national education and awareness roadshows in all provinces, distributed corporate brochures and briefed the public at twenty three (23) events across all provinces on the following – the role and mandate of the NGB; the difference between legal and illegal modes of gambling, how to gamble responsibly, symptoms of addictive gambling behaviour, where and how to get assistance with regards to problem gambling, and where to report illegal gambling activities, as well as the contact details of all PLAs
- An advertisement was published in two (2) editions of the *Equinox* magazine to educate the public about responsible gambling, as well as to provide the contact details of the South African Responsible Gambling Programme (SARGF) to create awareness in terms of assistance with problem gambling
- A national radio campaign was conducted to inform the public about illegal gambling, as well as where and how to get assistance with problem gambling. The message was broadcasted in Sesotho, Xhosa and IsiZulu on Ukhozi FM, and Umhlobo Wenene FM
- The NGB participated in various episodes of the *Responsible Gambling* programme screened by Soweto TV. The NGB was a panelist alongside the Gauteng Gambling Board, **the dti**, SARGF and a licensed gambling operator (Goldrush) to educate the public about the South African gambling landscape, nature of gambling, treatment programmes, taxation of gambling winnings and online gambling
- The NGB's participation in the 14th Gaming Regulators Africa Forum's (GRAf) Conference in Gaborone, Botswana by educating delegates on the "*The socio-economic impact of gambling regulation*" and "*Self-exclusions: A deeper analysis*"
- The 3rd Gambling Indaba Conference was held at Emperors Palace with the theme: "*Unlocking the industrial opportunities within the African gambling industry*". The NGB briefed delegates on the socio-economic impact of gambling in South Africa
- The NGB conducted awareness and educated communities and members of the South African Police Services (SAPS) in Kimberley, Northern Cape, and the Winelands Policing Areas on legal and illegal gambling

PROGRAMME 2: STAKEHOLDER LIAISON AND ADVISORY SERVICES CONTINUED

- NGB participated in an interview on SABC 1 during a consumer affairs programme called “*Yilungelo Lakho*” with the main aim to promote responsible gambling and explain regulatory processes and procedures
- The NGB briefed officials of the Limpopo Gambling Board on the gambling sector and regulatory performance matters with specific reference to Limpopo province. This event impacted positively on the relationship-building initiative of the NGB with provincial licensing authorities
- The NGB interacted with members of the public who attended the Berlin November Horse Racing event in the Eastern Cape and share information on various gambling related matters
- The NGB embarked on a national multi-media public awareness campaign to raise awareness about legal and illegal gambling modes, consequences of participation and where to report illegal gambling, as well as the negative impact of spending household money and/or grants on gambling. Different messages supporting the objectives of the campaign were printed in community newspapers and on mobile billboards, shared via live reads on community radio, as well as shared with viewers via animated scripts on television. Gauteng and KwaZulu-Natal provinces were targeted to ensure that the public is educated and informed
- The NGB briefed SAPS – Liquor Control, Western Cape Liquor Authority on various gambling-related matters
- The NGB participated in a radio interview on illegal gambling on Ligwalagwala FM. Listeners were briefed on legal gambling modes, the role of NGB, job opportunities in the gambling industry, underage gambling and self-exclusion
- The NGB also participated in public hearings in all nine (9) provinces in collaboration with **the dti** that were conducted by the National Council of Provinces (NCOP) regarding the NGAB

PROGRAMME 3: CORPORATE SERVICES



Corporate Services Division

From left: Mr Robert Gcaba (Finance Officer), Ms Thivhasali Lidzhegu (Corporate Services Practitioner), Ms Reabetswe Makena (Procurement Officer), Ms Kaveshka Mackerduth (Chief Financial Officer), Ms Zanele Kuali (Personal Assistant: Chief Financial Officer), Mr Surgeon Mthombeni (Senior Manager: Finance), Mr Gerald Mametse (Senior Manager: Human Capital Optimisation).

PROGRAMME 3: CORPORATE SERVICES CONTINUED

Purpose of the programme

This programme provides strategic financial management functions, human resources, records management and facilities management services to support the organisation.

Corporate services facilitate the overall management of the NGB and provide strategic financial management functions, human resources and IT infrastructure support to the organisation. It is the custodian of human and financial resources. The division has four (4) units that provide specialised services to the NGB.

Sub-programmes

Finance

The core functions of the Finance unit were to provide overall management of the financial affairs of the NGB. To this end, Finance ensured an equitable allocation of financial resources amongst the various programmes and monitored expenditure against the budget. This unit provided for the financial planning and reporting for both internal and external users of the financial information.

Supply Chain Management (SCM)

The core objective of SCM was to ensure that the procurement processes of the NGB were in line with the government prescripts and guidelines. The unit also ensured that procurement of goods and services required by the entity to achieve its objectives were procured in a manner that was fair, transparent, equitable, competitive, cost effective and compliant with procurement laws and regulations. This unit managed the performance of suppliers of goods and services to ensure that the entity receives value for money for all expenditure incurred.

Human Capital Optimisation (HCO)

The Human Capital Optimisation Unit is a strategic business solutions enabler through the deployment of human capital with the responsibility to ensure that the organisation is able to achieve its vision.

The function of HCO was to provide support to the human resources systems and processes that support the operations and determination of performance levels as provided for in the business and operational documents of the NGB. This unit ensured that there were sufficient up-to-date processes and compliant implementation with the existing labour laws. The Unit also managed the performance agreements with personnel.

As a service organisation, the NGB's greatest asset is its employees. HCO ensured that the full service potential of each employee was maximised. This was achieved by implementing recruitment processes which were designed to ensure that the job requirements are matched with the requisite skills.

Records Management

The Records Management Unit ensured that there is proper maintenance and access to records as and when required.

Legal Services

Legal Services researched and provided authoritative advice for the NGB, to **the dti** on regulatory strategies and inputs on legislation and policy development. Legal Services further provided legal advice on internal NGB matters.

Performance objectives

The performance objectives of this division include:

- a) Effective control support utilisation maintenance and management of financial resources
- b) Efficient and effective skilled workforce
- c) Efficient and effective document management system
- d) Efficient and effective provision of legal services
- e) Efficient and effective governance structures

PROGRAMME 3: CORPORATE SERVICES CONTINUED



Strategic objectives, performance indicators, planned targets and actual achievements

PROGRAMME 3: CORPORATE SERVICES								
Strategic objectives	Performance indicator	Actual performance against target					Deviation from planned target to actual	Comments on deviation
		Actual achievement 2015/16	Actual achievement 2016/17	Actual achievement 2017/18	Planned target 2018/19	Actual achievement 2018/19		
Ensure financial efficiency	Number of reports on financial systems, processes and PFMA compliance, presented to the Accounting Authority	Unqualified audit report with no audit findings reported in the management report	Clean audit achieved with one (1) audit finding in the 2015/16 financial year	Four (4) reports and one (1) annual report on financial systems, processes and PFMA compliance presented to the Accounting Authority	Four (4) reports and one (1) annual report on financial systems, processes and PFMA compliance presented to the Accounting Authority	Achieved Four (4) reports and one (1) annual report on financial systems, processes and PFMA compliance presented to the Accounting Authority	None	N/A
Ensure human resources efficiency	Percentage implementation of the 5-year human capital strategy and plan	Reported on 60% Implementation of the human capital plan (Year 2)	Report on 100% Implementation of the human capital strategy and plan (year 3)	Four (4) reports and one (1) annual report on % implementation of the 5-year human capital strategy and plan (year 4) presented to the Accounting Authority	100% annual implementation of the human capital strategy and plan (year 5)	Achieved Annual Human capital strategy and plan (year 5) were 100% implemented	None	N/A

PROGRAMME 3: CORPORATE SERVICES CONTINUED

PROGRAMME 3: CORPORATE SERVICES								
Strategic objectives	Performance indicator	Actual performance against target					Deviation from planned target to actual Achievement 2018/19	Comments on deviation
		Actual achievement 2015/16	Actual achievement 2016/17	Actual achievement 2017/18	Planned target 2018/19	Actual achievement 2018/19		
Ensure intra-divisional excellence	Number of organisational performance reports presented to the Accounting Authority	N/A	N/A	Four (4) organisational performance reports presented to the Accounting Authority	Four (4) organisational performance reports presented to the Accounting Authority	Achieved Four (4) organisational performance reports were presented to the Accounting Authority	None	N/A
	Number of organisational strategic reports presented to the Accounting Authority	N/A	N/A	Four (4) annual organisational strategic reports presented to the Accounting Authority	Four (4) annual organisational strategic reports presented to the Accounting Authority	Achieved Four (4) annual organisational strategic reports were presented to the Accounting Authority	None	N/A

PROGRAMME 3: CORPORATE SERVICES CONTINUED



Key achievements of sub-programmes

Human Capital Optimisation

100% of the activities as outlined in the Human Capital Strategy have been reported as achieved. These activities included amongst others:

- Improving internal communication channels with employees through sustained dialogue and innovative communication models such as the workplace forum, employee induction programmes etc.
- Review of all human resource policies as well as workshopping staff on policies.
- Bursary policy was revised and seven (7) officials were awarded same to ensure staff development and retention.

Legal Services

Legal Services provided legal advice on internal NGB matters. The Unit also played a pivotal role in providing legal support during the National Gambling Amendment Bill legislative process.

Convergence of Gambling Platforms has been a matter of legal interest

Gambling machines have in the past been developed to work only with software of a specific manufacturer. That is, any given gambling machine manufacturer would develop own software to operate on such machines.

There was also desire by each gambling machine manufacturer to develop casino monitoring systems in an attempt to monopolise supply of systems, gambling machines and gambling games to casinos. This move did not work as casinos expressed desire to diversify in order to achieve optimal performance.

Recent trends have further shown that the landscape is about to be reconfigured substantially. The effects of consolidation in the industry and new technologies are expected to speed up the reconfiguration. The consolidation in the gambling industry by manufacturers buying out other manufacturer has resulted in different brands able to share games that operate on previously different platforms.

Manufacturers like Bally Technologies and WMS who were previously competitors are now owned by one (1) parent company Scientific Games. This trend of consolidation is expected to speed up decoupling of game software and machine hardware, thereby nudging development of server-based games which can be shared on different platforms from the same parent company.

South African Configuration

South Africa has defined modes of gambling as casino, LPM, bingo, and wagering. Casino machines are somewhat configured differently from LPM machines and also differently from EBTs.

There is also considerable difference between software designed for use in casinos, LPM, and bingo halls. This is due to particular legislative requirements for each of the platforms.

Projected impact of the Fourth Industrial Revolution

Superfast communication speeds and very low latency will make it possible to instantly download and upgrade or downgrade games into a machine that is installed at a gambling floor. This functionality has benefits of cutting down lead times and machine downtime when it comes to upgrading faulty or obsolete games. It also makes it possible to more accurately and regularly verify signatures of installed software. Changing of software depending on player option can also happen at runtime. This means that a single device can be used at any given point in time as either a casino, LPM, EBT, or betting terminal for bookmakers and indeed lottery games. By simply selecting an LPM game, the entire LPM game software can be downloaded into the machine and have software signature verified at a fraction of a second.

Biometric technologies can also be used with phenomenal speed and efficiency to detect excluded persons and prevent them from gambling. Real-time face or fingerprint recognition can make it possible for each gambling machine to instantly identify a gambler before each game commences and react accordingly.

Convergence of virtual reality (VR), augmented reality (AR) and gambling will likely spell new gambling avenues. Currently there are no gambling games that have fully incorporated VR and AR. It will be possible to design gambling games into a gaming game architecture with features that appeal to an ordinary gambler and gamers alike.

PROGRAMME 3: CORPORATE SERVICES CONTINUED

Projected impact on the regulatory regime

In the current regime, it is clear to identify areas of national competence from those of provincial competence. This is due to the fact that the various modes of gambling are clearly separable, and all gambling activities are contact based activities.

Bookmakers do take online and other remote bets thereby enabling transactions across provincial boundaries. This therefore creates problems for those provinces whose revenues cross boundaries to other provinces. The fact that bookmaker licenses are “Provincial Licenses” does not help the situation. If these were all “National Licenses”, affected provinces would be empowered by current legislation to take action against offending bookmakers and hence bookmakers would be deterred from violating other provinces.

The next era of gambling platforms require that all provinces be technologically capable and well-resourced to meet the challenges that will be imposed by the hi-tech gambling industry. It is common knowledge that different provinces have varying strengths in matters of technical compliance. One recognizes that it will be a considerable challenge to duplicate these technological capabilities nine times in order to ensure that each province is up to the challenge.

The South African gambling industry of the future will therefore add considerable stress to the insufficiently resourced provinces. This can lead to severe loss of revenues, noncompliant products in the field, and uncontrolled product upgrades and downgrades.

Areas of Concern remain although there are discussions around the impact of the impending fourth (4th) industrial revolution, not enough urgency is placed on such interactions. This therefore begs the question, if regulators are not equipped to fully regulate this massive cyber space, what power to protect citizens of the Republic will they really have?

Financial Services

The reason for the existence of the Finance and Supply Chain Management units is to provide support to all divisions within the NGB, thereby ensuring organisational excellence. While Finance is the custodian of the entity’s assets and financial resources, SCM ensures that goods and services are procured timeously for all units to ensure the achievement of their set objectives. Both Finance and SCM must conduct their affairs in a manner that complies with the Public Finance Management Act (PFMA), Preferential Procurement Policy Framework Act (PPPFA) and other relevant prescripts.

On an annual basis, the NGB opens itself up for external scrutiny by independent auditors who perform an audit of the affairs of the entity with a view to expressing an opinion on whether its financial statements are a fair presentation of its financial position, financial performance and cash flows, and that these are in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act 1 of 1999) (PFMA).

The NGB has during the financial year implemented and maintained internal controls, policies and procedures to ensure that its financial statements are a true reflection of its financial affairs and that it complies with laws and regulations, in an attempt to achieve a clean audit on a year-on-year basis.

No unauthorised, fruitless, wasteful and irregular expenditure was recorded for FY2018/19. This is consistent with the past three (3) consecutive financial years performance.

PROGRAMME 4: TECHNICAL COMPLIANCE



Technical Compliance Division

From left: Mr Shelton Pagiwa (Senior Manager: Gaming Technology), Ms Sibahle Nqwata (Legal Advisor), Ms Thobekile Mokebe (Information Technologist: Monitoring System), Ms Ravisha Harripershad (Information Technologist: National Registers), Ms Caroline Kongwa (Chief Strategic Advisor), Mr Sakhi Mhlongo (IT Systems Support Practitioner), Ms Yvonne Gwenhure (Economic Researcher), Mr Zane Rama (Legal Researcher).

PROGRAMME 4: TECHNICAL COMPLIANCE CONTINUED

Purpose of the programme

This Division provides mandated operational core functions in terms of the NGA, 2004 (Act 7 of 2004). The Technical Compliance Division provides technical analysis of the modes of gambling, systems audits and enforcement in line with statutory imperatives as provided for in gambling legislation pertaining to gambling related requirements. It further provides reliable information through central information national databases and contributes towards providing accessible, transparent and sufficient access for economic citizens in order to ensure economic growth.

Sub-Programmes

Functional National Registers

The NGB introduced a number of Registers and Systems to gather and consolidate different kinds of information from Gambling Regulators and the Industry as required or mandated by the NGA, 2004. The following five (5) Registries, collectively known as Registry, were established:

- (i) Gaming Machines and Devices – established but not yet operational
- (ii) Probity – established but not yet operational
- (iii) Information Sharing – established but not yet operational
- (iv) Exclusions – established and operational despite legal challenges that are experienced in this regard
- (v) Illegal Gambling Operators – established

Illegal Gambling Operative Register (IGOR) which has been established as a requirement by **the dti** outside the NGA has proven to be an effective tool in monitoring and blacklisting illegals operatives so that they are not considered in future licence applications.

The Registry ensures that NGB is able to provide the required information to all PLAs in the prescribed manner and form which ensured information sharing and compliance as contemplated in the NGA.

National Central Electronic Monitoring System (NCEMS)

The function of NCEMS is to detect and monitor significant events associated with limited pay-out machines anywhere in the country, and analyse and report consistency or inconsistency of data derived from the System. In addition, the System serves to inform the NGB as well as the various PGBs and enable access of the PGBs to the data originating from the respective Provinces at any point in time.

In order for the NGB to meet the requirements of its mandate, it appointed a service provider (Route Monitoring) to operate NCEMS on its behalf. In ensuring that the purpose of the NCEMS is realised, the NCEMS Management Committee (NMC) and the Operation and Change Management Committee (NOCMC) were established from representatives of the NGB, Route Monitoring and PLAs/PGBs. The NCEMS enabled the NGB to fulfil its oversight responsibility over PLAs in terms of section 65 of the NGA, maintain the national register in terms of section 21 of the NGA, monitor and evaluate compliance of the PLAs with the NGA and enabled the NGB to assist the PLAs to detect and suppress unlawful gambling and unlicensed gambling activities.

The availability of the System ensured that the NGB complied with section 27 of the NGA read with regulation 14 of the National Gambling Regulations to supply, install, commission, operate, manage and maintain a NCEMS which is capable of detecting and monitoring significant events associated with any LPM that was made available for play in the Republic of South Africa and analysing and reporting data according to the requirements of the standards determined in respect of the NCEMS, in terms of the Standards Act, 2008, as well as requirements of sections 21 to 26 of the NGA.

Information and Communication Technology (ICT)

The function of the ICT Unit was to support the NGB in matters of ICT strategic development and maintenance of the communication and management systems, thereby safeguarding the assets of the NGB. The unit ensured that the ICT support functions were carried out in a manner that supported the strategic objectives for functional national registers, an effective NCEMS and maintained operational technical efficiency. ICT was geared to support and enhance the overall organisational performance through the provision of assistive technologies.

PROGRAMME 4: TECHNICAL COMPLIANCE CONTINUED



Strategic objectives, performance indicators, planned targets and actual achievements

PROGRAMME 4: TECHNICAL COMPLIANCE								
Strategic objectives	Performance indicator	Actual performance against target					Deviation from planned target to actual Achievement 2018/19	Comments on deviation
		Actual achievement 2015/16	Actual achievement 2016/17	Actual achievement 2017/18	Planned target 2018/19	Actual achievement 2018/19		
Ensure functional national registers	Percentage uptime on national functional registers	Status report on the establishment and updates of national registers	Report on the establishment and updates of national registers	Four (4) analytical reports and one (1) annual audit consolidated report on national functional registers presented to the Accounting Authority	90% uptime of national functional registers	Over-achieved 100% uptime of national functional registers	There were effective internal controls in place that allowed for the national registers to operate optimally. In addition, there was a dedicated resource that managed the national registers within the NGB	N/A
Ensure effective NCEMS	% uptime of a fully operational NCEMS	N/A	N/A	Four (4) reports and one (1) annual report on a fully operational NCEMS presented to the Accounting Authority	90% uptime of NCEMS, analysis of data, detection and monitoring of significant events associated with any LPM made available for play in the Republic	Over-achieved 99.9% uptime on a fully operational NCEMS	There were effective internal controls in place that allowed for the NCEMS to operate optimally. In addition, there was a dedicated resource that managed the NCEMS within the NGB	N/A

PROGRAMME 4: TECHNICAL COMPLIANCE CONTINUED

PROGRAMME 4: TECHNICAL COMPLIANCE								
Strategic objectives	Performance indicator	Actual performance against target					Deviation from planned target to actual Achievement 2018/19	Comments on deviation
		Actual achievement 2015/16	Actual achievement 2016/17	Actual achievement 2017/18	Planned target 2018/19	Actual achievement 2018/19		
Ensure effective monitoring of the regulated sectors in the gambling industry	Number of reports on monitoring of the casino industry; bingo industry; betting and wagering industry, and LPM industry presented to the Accounting Authority	N/A	N/A	Four (4) reports and one (1) annual report on compliance monitoring of the casino industry; bingo industry; betting and wagering industry; and LPM industry presented to the Accounting Authority	Four (4) reports and one (1) annual report on compliance monitoring of the casino industry; bingo industry; betting and wagering industry; and LPM industry presented to the Accounting Authority	Achieved Four (4) Reports and one (1) annual report on monitoring of the casino, bingo, betting and wagering and LPM industry was prepared and submitted to the AA	None	N/A
Maintain operational technical efficiency	Percentage uptime of all IT systems	100% uptime	Maintain uptime on all IT System at 98% or above	Four (4) reports and one (1) consolidated annual report on 98 % uptime or above of all IT systems presented to the Accounting Authority	98% uptime of all IT systems	Over-achieved The uptime received on all IT Systems during 2018/19 financial year was 99.9%.	An additional Resource was allocated to the IT department which resulted in efficiency improvement	N/A

PROGRAMME 4: TECHNICAL COMPLIANCE CONTINUED



Key achievements of sub-programmes

The SABS has set up a Technical Committee whose membership included all industry stakeholders, including gambling regulators. The main purpose of the Technical Committee was to review, update and develop the South African National Standards (SANS) relevant to the gambling industry, i.e. SANS 1718 set of gambling technical standards. Participation included meetings and workshops, as well as an electronic ballot voting system to take decisions in relation to the draft standards. The NGB participated and contributed to the Technical Committee engagements during FY2018/19.

The NGB participated in accreditation assessments of testing agents for technical competency and quality management processes in accordance with international best practices, i.e. the mandatory ISO/IEC 17025, as well as the voluntary ISO/IEC 17020. Assessments for ISO/IEC 17025 were based on the newly released 2017 version. The NGB further attended the dedicated training session as well as the annual assessor's conclave session wherein assessors received training in respect of the ISO/IEC 17025:2017.

The NGB assisted the North West Province by providing technical assistance by way of a member of the North West Gambling Tribunal Committee which was constituted in terms of the provisions of the North West Gambling Act. The North West Gambling Tribunal concluded proceedings in matters involving Peermont Global (Pty) Ltd and the North West Gambling Board; Vukani Gaming and the North West Gambling Board; as well as CJ Coertze and the North West Gambling Board.

Regular meetings were held with NRCS to foster good relations and to assist with matters relating to the certification processes. The meetings, that also included Testing Agents, were befitting as they enabled much needed communication on matters of common interest. The meetings were also used to engage and assist Testing Agents to be able to submit Test Reports electronically into the National Register of Gambling Machines and Devices.

Operational NCEMS

Reporting on annual analysis of the LPM gambling sector performance was made possible through the effective and efficient management of the NCEMS. This included, but was not limited to the following achievements:

- The continuous monitoring of LPMs through the NCEMS Operational Change Committee that convened on a monthly basis, and NCEMS Management Committee that convened on a quarterly basis
- Proper contract management over the service level agreement with the NCEMS Operator
- NCEMS effectiveness in detecting, analysing and reporting on significant events associated therewith
- A compliance audit of the NCEMS operator against their contractual obligations

LPM rollout of Phase 1 per province

Section 13 of the National Gambling Regulations, 2004 stipulates the national and Phase 1 LPM rollout and allocation.

PROGRAMME 4: TECHNICAL COMPLIANCE CONTINUED

Figure 5: National and Phase 1 allocation per province

Province	National allocation	Phase 1 allocation
Eastern Cape	6 000	3 000
Free State	4 000	2 000
Gauteng	10 000	5 000
KwaZulu-Natal	9 000	4 500
Limpopo	3 000	1 500
Mpumalanga	4 000	2 000
North West	3 000	1 500
Northern Cape	2 000	1 000
Western Cape	9 000	4 500
National	50 000	25 000

Figure 5 demonstrates the national allocations of LPMs per province. Gauteng is allocated 20% of the total 50 000 LPMs, the most number of LPMs allocated in any one province. KwaZulu-Natal and Western Cape were allocated 18% each, i.e. the second highest allocation of the national total. Mpumalanga had the lowest allocation of 4%, or 2 000 LPMs. North West and the Northern Cape had been allocated 6% each, whilst Limpopo and the Free State each have an allocation of 8% of the national total. The Eastern Cape had 6 000 LPMs allocated which translates to 12% of the national total.

Figure 6: LPM Phase 1 rollout per province

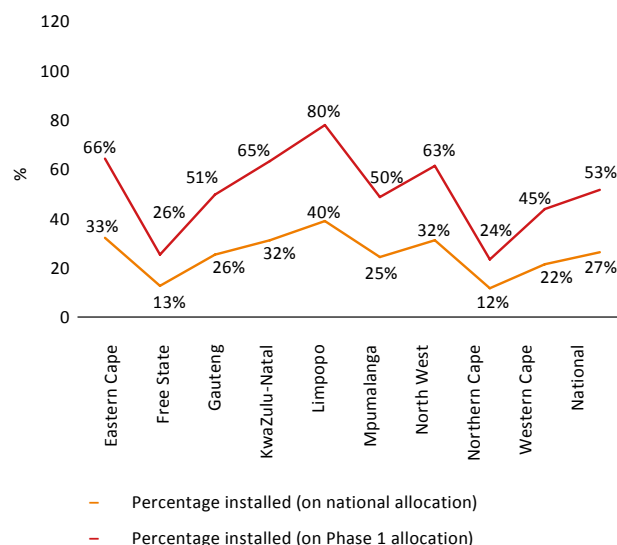


Figure 6 above represents the percentage rollout LPMs as at end of FY2018/19. LPM rollout per province as percentage of total national allocation and provincial allocation and also as percentage of Phase 1 of provincial allocation. Limpopo still has the highest roll-out percentage as measured against total allocated for the province, i.e. 40% when measured against national allocation and the percentage stands at 80% against Phase 1 allocations. Eastern Cape has 33% and 66% respectively. North West follows with 32% and 63% respectively. Northern Cape has the lowest rollout percentage at 12% and 24% respectively, followed by Free State with 13% and 26% respectively. National rollout stands at 27% and 53% respectively.

PROGRAMME 4: TECHNICAL COMPLIANCE CONTINUED



Figure 7: LPM rollout changes per province

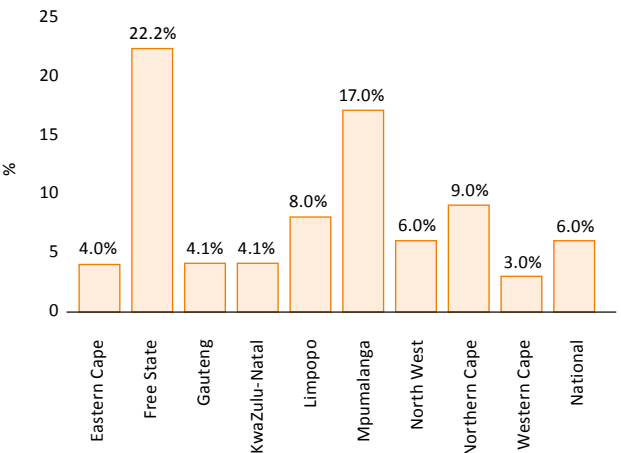


Figure 7 shows that there was a general trend of growth of installed LPMs across the nine (9) provinces. Western Cape showed the lowest increase of 3%. Free State had the highest increase of 22.2 % during FY2018/19.

Nationally, there has been a marginal increase of 6% in the number of LPMs rollout since March 2018. This translates to an industry growth of just 6% during the same period.

National functional registers

The function of established and maintained national functional registers is to ensure the efficient maintenance and updating of national functional registers (machines and devices, probity, information sharing and exclusions), and specifically the establishment of illegal gambling operative registers. In order to improve the efficiency and maintenance of the registers, the need arose to have four (4) of the five (5) national registers automated. Although not required by the Act, the NGB developed an Illegal gambling operatives' register (IGOR).

Quarterly and annual consolidated reports on the maintenance, accessibility, functionality and content (statistics) of registers were produced.

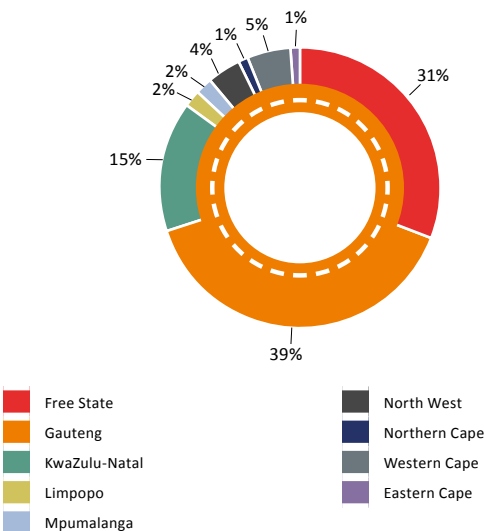
Figure 8 shows the registers and its users.

Figure 8: Registers and users

Register	Users
National Register of Gambling Machines and Devices	PLAs Test Labs Manufacturers NGB
National Probity Register	PLAs, NGB
Central Registry of Information	PLAs, NGB
IGOR	PLA, NGB
National Central Electronic Monitoring System	PLAs, NGB, Operators
Exclusion Register	NGB, PLAs, Operators

Details of the work performed to maintain registers are summarised below.

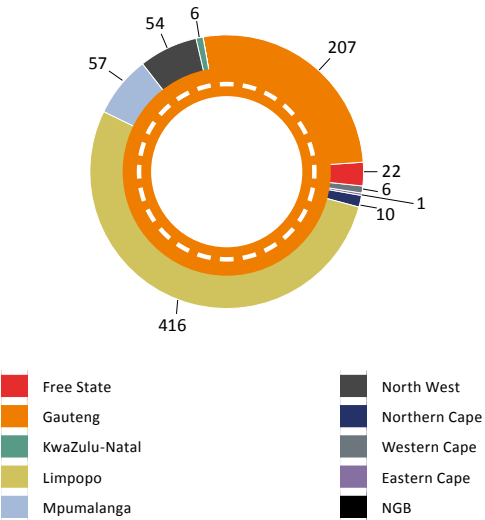
Figure 9: Total reported annual exclusions per province



PROGRAMME 4: TECHNICAL COMPLIANCE CONTINUED

Figure 9 demonstrates that a total of two hundred thirty one (231) exclusions applications and were received during the period under review for self-exclusions and are registered in the exclusion register. Gauteng had the highest number of exclusions with ninety (90) followed by Free State with seventy one (71) and Kwa-Zulu Natal with thirty four (34).

Figure 10: Total cases reported per province as at 31 March 2019



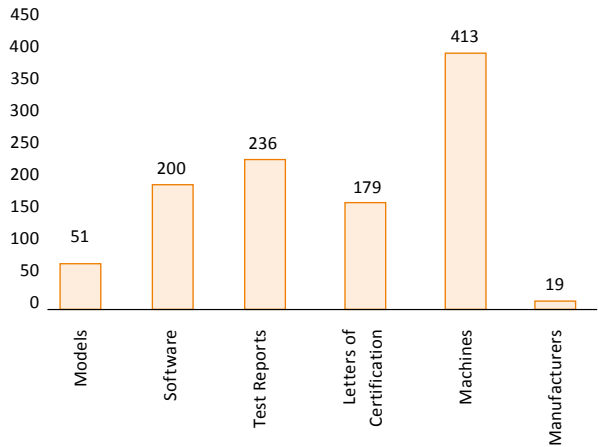
Illegal gambling operatives' registers (IGOR)

The NGB developed a register of illegal gambling operatives. Figure 10 reflects the number of cases that are currently registered on IGOR. The NGB is tasked to combat illegal gambling, and especially illegal online gambling in South Africa. IGOR has been rolled out for use by PLAs. Limpopo province accounted for the highest number of cases that have been registered of four hundred and sixteen (416).

National register of gambling machines and devices

This register enabled regulators to identify, approve and register all gambling machines and devices in the Republic of South Africa, as required by legislation. Regulators are able to uniquely know the number of both gambling machines and gambling devices in the country. Regulators are able to share information on all registered gambling machines and gambling devices and have control over all licensed gambling machines and gambling devices which enable them to identify illegal gambling machines and gambling devices. As at 31 March 2019, twenty thousand three hundred and eighty three (20 383) machines were on the machine register, and sixteen thousand and sixty two (16 062) licensed software were listed on the old registers are being cleaned to be moved to the new registers.

Figure 11 below shows the total count of the information captured on the new national registers as at 31 March 2019:



LINKING PERFORMANCE WITH BUDGETS



Summary of financial information

Performance in the light of expenditure that has been elaborated on above can be expressed in rand values as per the Figure 13.

Revenue and expenditure analysis

As at 31 March 2019, a grant of R32,63 million had been received from **the dti**, constituting 100% of the NGB's annual budget allocation for FY2018/19.

Additional revenue amounting to R209,47 million was received from other sources, which sources include NCEMS monitoring fees of R202,03 million, interest on short-term investments amounting to R3,02 million and other income amounting to R4,42 million.

Total expenditure for the year ended 31 March 2019 was R223,23 million. This represents 95% of the budgeted year-to-date expenditure against planned expenditure of R235,6 million, and a positive variance of 5%.

A surplus of R18,88 million was reported during the year ended 31 March 2019, against a budgeted surplus of R6,49 million.

The Statement of Financial Position reflects a total asset balance of R70,19 million, which exceeds the total liabilities of R34,59 million.

The Cash Flow Statement reflects a Cash and Cash Equivalents balance of R33,94 million. This balance includes confiscated winnings amounting to R4,95 million.

Figure 12: Programme expenditure

Programmes	2018/19			2017/18		
	Budget R'000	Actual expenditure R'000	(Over)/Under expenditure R'000	Budget R'000	Actual expenditure R'000	(Over)/Under expenditure R'000
Stakeholder Liaison	18 632 994	12 490 902	6 142 091	14 217	8 807	5 411
Corporate Services	30 381 358	29 407 634	973 723	27 139	28 702	(1 563)
Compliance	6 200 460	6 266 706	(66 246)	4 185	3 623	562
Technical Compliance	180 380 906	175 050 224	5 330 681	32 973	47 728	(14 756)
Total	235 595 718	223 215 468	12 380 249	78 514	88 860	(10 346)

REVENUE COLLECTION

Figure 13: Revenue – Budget versus actual revenue (FY2017/18 and FY2018/19)

Programmes	2018/19			2017/18		
	Estimate R'000	Actual amount collected R'000	Over/(Under) Expenditure R'000	Estimate R'000	Actual amount collected R'000	Over/(Under) Collection R'000
Government Grant	32 624 000	32 624 000	–	31 627	31 637	–
NCEMS Licence Fees	202 030 000	202 034 064	4 064	45 733	63 694	17 961
Interest Received	2 992 684	3 018 230	25 546	3 146	2 884	(262)
Rental	4 440 000	4 422 524	(17 475)	3 649	4 297	649
Miscellaneous Income	–	–	–	40	40	–
Total	242 086 684	242 098 819	12 135	84 195	102 542	18 347

The NGB receives a grant from **the dti**. This is in the form of a government grant that was received in two separate tranches over the FY.

In the current FY, 13% of the revenue of the NGB was as a result of **the dti** grant. This was significantly lower when compared to the previous financial year of 31%.

Total revenue amounting to R242,1 million was received during the year, which comprised a grant of R32,6 million and a further R7,4 million received from other sources including interest and rental income. Revenue from the NCEMS monitoring fees of R202,0 million was received. This significantly increased as a result collection of a 6% monitoring fees from the LPM industry. This represents 83% of the NGB's revenue sources.

Capital investment

Capital investment, maintenance and asset management plan

The NGB maintains a fixed asset register with a total asset value of R13,39 million. The NGB's major assets are in the form of leasehold improvements which are attached to the entity's leased office building. In addition, other assets owned predominantly relate to furniture and equipment.

Safeguarding of assets

Every employee was the custodian of equipment, furniture and other fixed assets issued to him/her and was therefore responsible for the safekeeping thereof. Asset verification exercises were conducted on a quarterly basis to confirm the existence and condition of all NGB assets.

Asset maintenance

All assets were maintained in accordance with the asset management plan to ensure assets could be effectively and efficiently utilised over their economically useful life.



PART C GAMBLING SECTOR PERFORMANCE AND NATIONAL STATISTICS

GAMBLING SECTOR PERFORMANCE AND NATIONAL STATISTICS

Overview of the gambling industry

One of the key mandates of the NGB is to monitor market share and market conduct in the South African gambling industry. In doing so, the NGB has gathered provincial gambling statistics and information in terms of market conduct and market share applicable to the legal gambling modes regulated by the NGB in South Africa for the period 1 April 2018 to 31 March 2019. These modes are casino, bingo, LPMs and betting on horse racing and sports.

An overview or snap shot of the gambling industry monitored from FY2017/18 to FY2018/19 reflected that overall, growth has been recorded in all sectors, except in the number of casino operational gambling positions as illustrated in Figure 14 below.

Figure 14: Snap shot of the gambling industry, FY2017/18 and FY2018/19

Variable	FY2017/18 Market conduct – as at Quarter 4 Statistics – Total all Quarters	FY2018/19 Market conduct – as at Quarter 4 Statistics – Total all Quarters	FY2018/19 Quarter 1	FY2018/19 Quarter 2	FY2018/19 Quarter 3	FY2018/19 Quarter 4
Number of operational casinos	38	39	38	38	39	39
Number of operational slots (casinos)	25 195	24 781	24 911	24 756	25 089	24 781
Number of operational tables (casinos)	976	932	956	952	950	932
Number of operational gambling positions (casinos)	35 929	35 768	35 515	35 478	35 340	35 768
Number of operational totalisator outlets	382	388	385	391	385	388
Number of operational bookmakers	284	295	287	294	296	295
Number of operational bookmaker outlets	542	602	555	568	606	602
Number of operational Limited Payout Machine (LPM) site operators	2 211	2 347	2 327	2 311	2 387	2 347

GAMBLING SECTOR PERFORMANCE AND NATIONAL STATISTICS CONTINUED



Variable	FY2017/18 Market conduct – as at Quarter 4 Statistics – Total all Quarters	FY2018/19 Market conduct – as at Quarter 4 Statistics – Total all Quarters	FY2018/19 Quarter 1	FY2018/19 Quarter 2	FY2018/19 Quarter 3	FY2018/19 Quarter 4
Number of active LPMs	11 744	13 034	12 789	12 778	13 409	13 034
Number of operational bingo outlets	50	52	50	51	52	52
Number of operational bingo positions						
Total	8 520	8 610	7 991	8 372	8 693	8 610
Traditional	1 977	1 219	1 179	1 351	1 351	1 219
EBTs	6 543	7 391	6 812	7 021	7 342	7 391
National gambling statistics: Turnover	R389 799 128 064	R425 598 013 152	R99 657 625 989	R106 593 056 577	R111 464 575 998	R107 882 754 588
National gambling statistics: GGR generated	R28 763 259 881	R30 790 766 660	R7 245 643 329	R7 795 528 653	R7 964 076 550	R7 785 518 128
National gambling statistics: Taxes/levies collected	R2 898 984 519	R3 094 798 852	R770 691 431	R767 635 368	R784 968 996	R771 503 057

MARKET CONDUCT AND MARKET SHARE

The generation of GGR was monitored and tracked over time. Analysis of the growth in GGR and gambling positions per gambling mode during the period FY2015/16 to FY2018/19 reflected the following growth and trends as shown in figures 15 and 16.

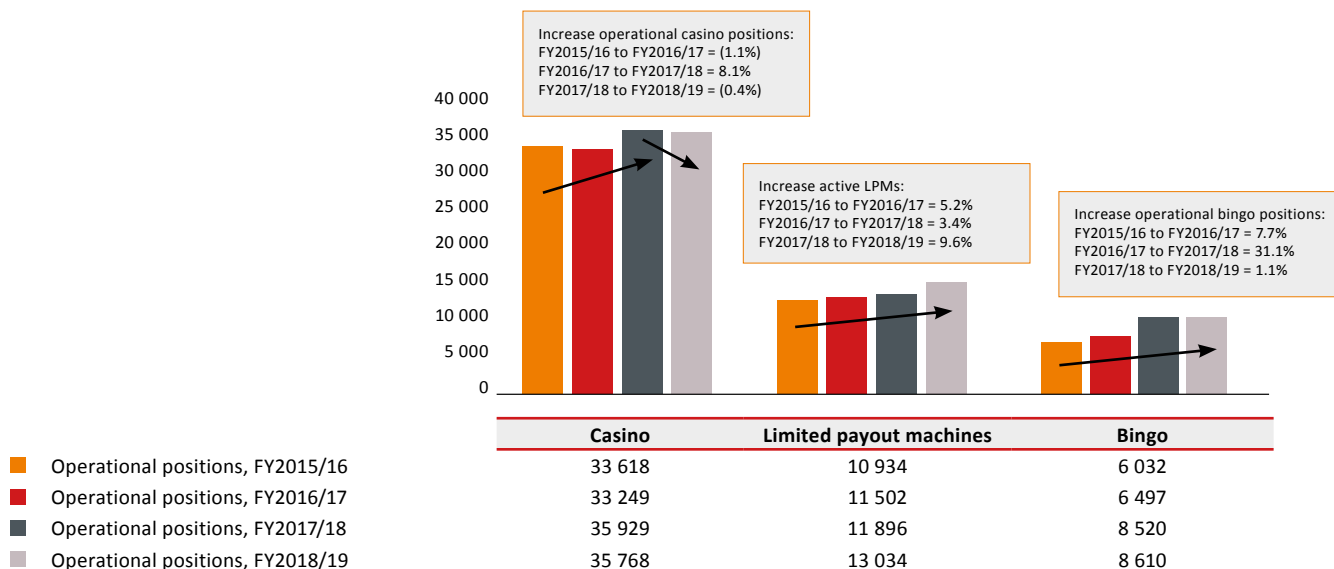
Based on the monitoring of increases in the number of operational gambling positions in the casino, LPM and bingo sectors from FY2016 to FY2019, it is evident from Figure 15 below that the highest increase in gambling positions was recorded in the LPM sector i.e. an increase by 9.6% in the number of active LPMs from 11 896 in FY2017/18 to 13 034 in FY2018/19. The number of operational bingo positions increased by 1.1% from FY2017/18 to 8 610 in FY2018/19, whereas negative growth in the number of operational gambling positions in casinos was noted. Traditional bingo positions continue to decrease whereas an increase was noted in the number of EBTs.

In terms of the generation of GGR, Figure 16 shows that positive growth in GGR has been recorded in all gambling modes, whereas the highest increase in GGR was noted in the bingo sector (26.6% from FY2017/18 to FY2018/19) followed by the betting sector (by 17.8% from FY2017/18 to FY2018/19) specifically as a result of betting on sports as offered by bookmakers. For the LPM sector an increase by 13.2% was reflected during the same period.

The highest growth (increase) in GGR generated per province was noted in Limpopo (by 23.4% from FY2017/18 to FY2018/19), followed by KwaZulu-Natal (by 19.7%) and Mpumalanga (by 14.1%) during the same period. Negative growth in GGR was recorded in North West and Northern Cape.

Figure 15: Increase in the number of operational gambling positions in the casino, LPM and bingo sectors: FY2015/16 – FY2018/19

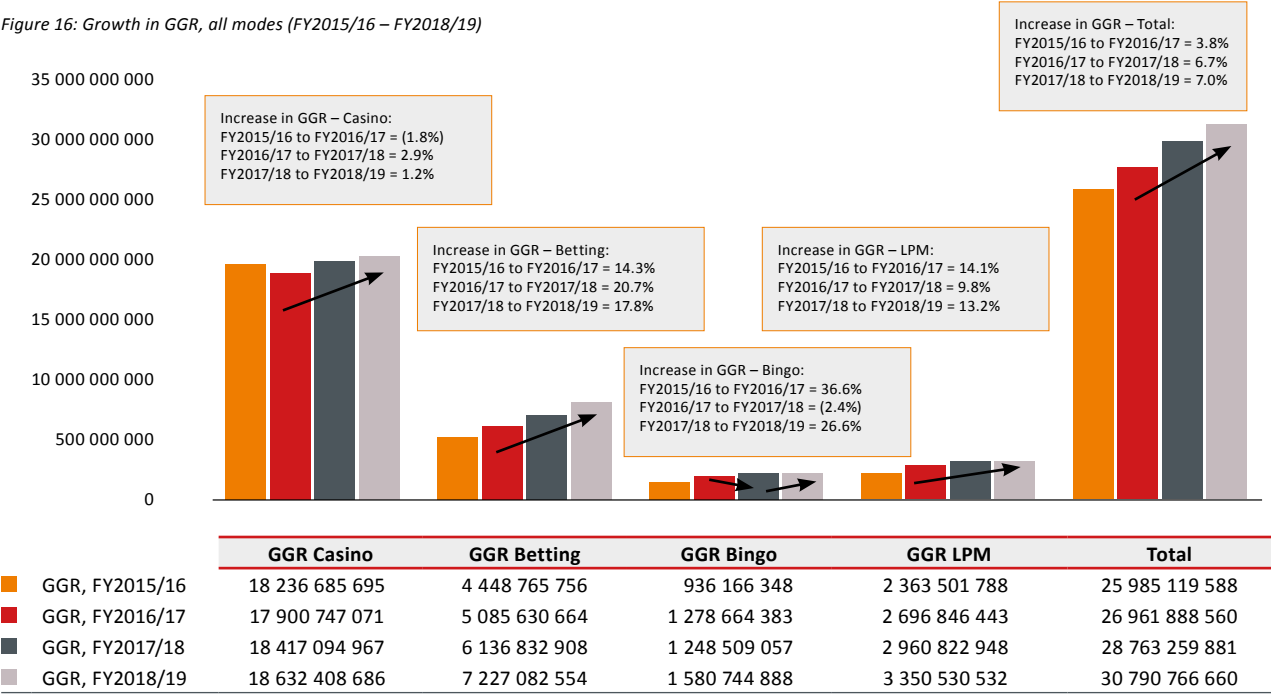
Increase in the number of operational gambling positions in the casino, LPM & bingo sectors: FY2015/16 – FY2018/19



MARKET CONDUCT AND MARKET SHARE CONTINUED



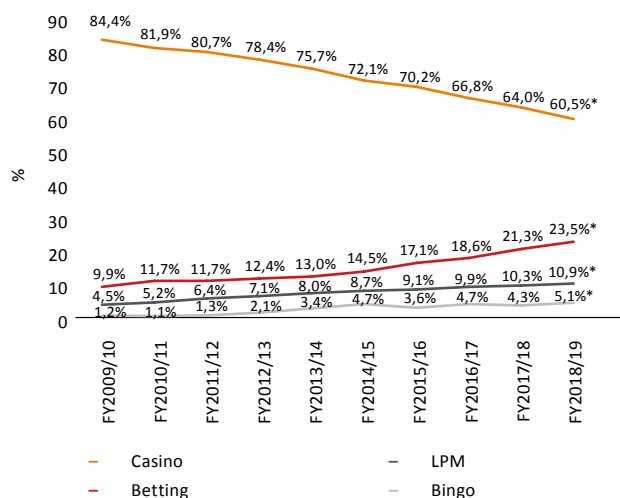
Figure 16: Growth in GGR, all modes (FY2015/16 – FY2018/19)



MARKET CONDUCT AND MARKET SHARE CONTINUED

Figure 17 below illustrates the decline in GGR market share of casinos from FY2010 to FY2019, compared to the steady increase of market share in the betting, bingo and LPM sectors. Of the total GGR from all modes of gambling (R30,8 billion) casino GGR accounted for 60.5% of the gambling market followed by betting GGR with a market share of 23.5%. LPM GGR accounted for 10.9% of the market whilst bingo GGR had the least market share in terms of GGR of 5.1%.

Figure 17: Trend in GGR, comparison all modes (FY2009/10 to FY2018/19)



Overall, GGR increased by 3.8% from R26,0 billion in FY2015/16 to R27,0 billion in FY2016/17, by 6.7% from FY2016/17 to R28,8 billion in FY2017/18, and by 7.0% from FY2017/18 to R 30,8 billion in FY2018/19. During FY2018/19, casinos accounted for the highest GGR generated, being 60.5% as compared to other gambling modes. Compared to all other provinces, Gauteng at a 44.3% share, accounted for the highest amount of GGR generated, as illustrated in figures 18 and 19.

Figure 18: GGR per gambling mode, all provinces, FY2018/19

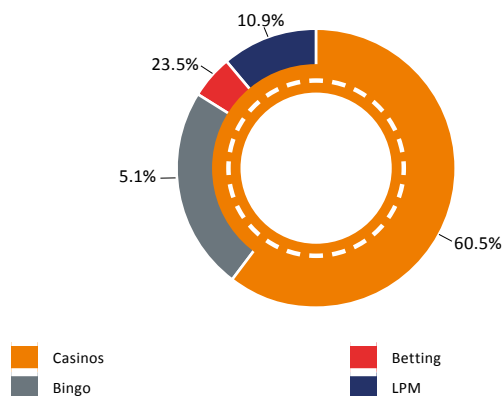
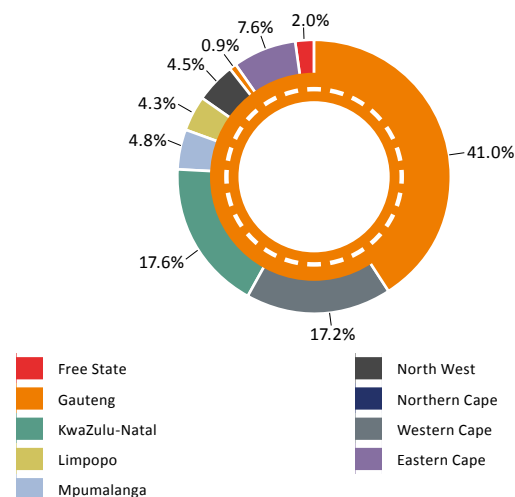


Figure 19: GGR per province, all modes, FY2018/19



The collection of taxes/levies decreased by 1.0% from R2,8 billion in FY2015/16 to R2,7 billion in FY2016/17, but increased by 5.7% to R2,9 billion in FY2017/18, and by 6.8% to R3,1 billion from FY2017/18

MARKET CONDUCT AND MARKET SHARE CONTINUED



to FY2018/19. During FY2018/19, at 62.3%, casinos contributed the highest amount of taxes/levies paid in comparison to other gambling modes – refer to figures 20. At 36.7% Gauteng accounted for the highest amount of taxes/levies paid compared to all other provinces as illustrated in Figure 21. One of the economic benefits derived from the gambling industry is its ability to generate revenues for the government from taxes and levies collected. These revenues are an important tool for the administration of fiscal policy in the form of government expenditure towards economic development, infrastructure improvement, building schools, enhanced service delivery etc. Figure 22 presents gambling taxes collected as a percentage of GGR generated by province for all modes combined.

Figure 20: Taxes/levies per gambling mode, all provinces, FY2018/19

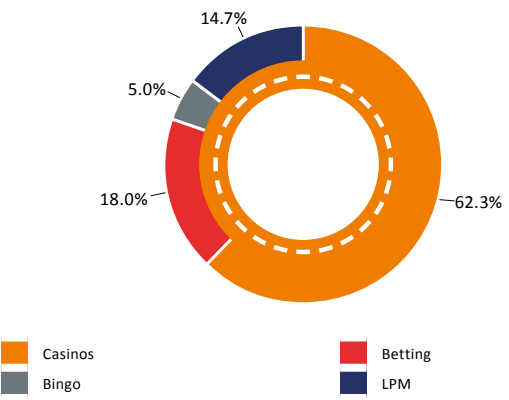


Figure 21: Taxes/levies per province, all modes, FY2018/19

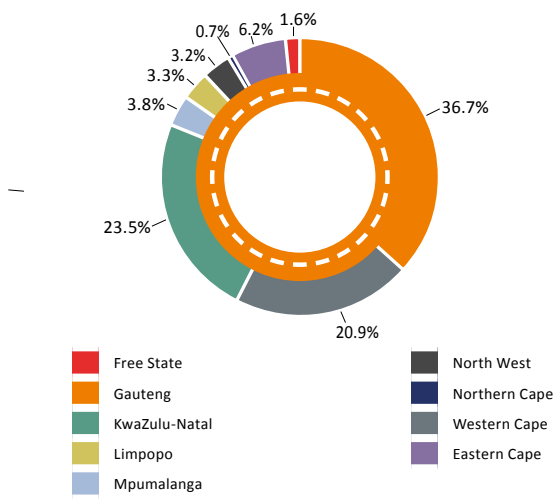
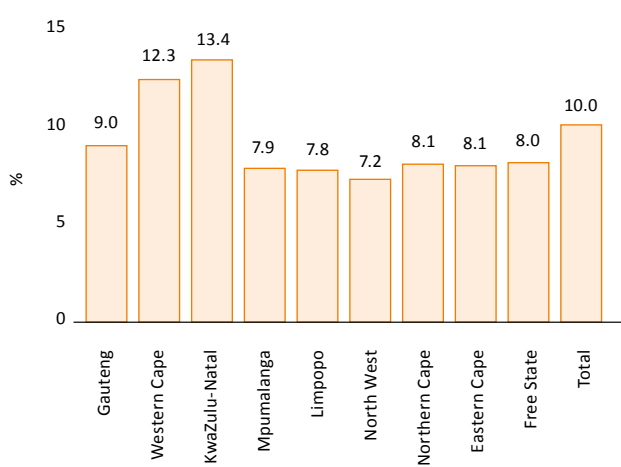


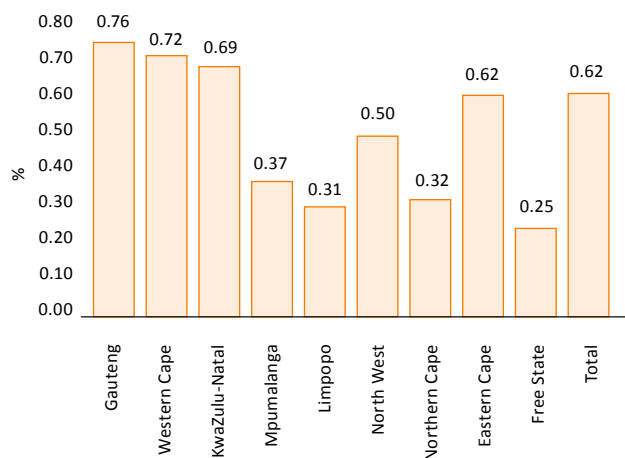
Figure 22: Taxes as a proportion of Gross Gambling Revenues FY2018/19



GROSS GAMBLING REVENUE AND ECONOMIC GROWTH

Gauteng is South Africa's economic powerhouse with respect to economic output contributing just over a third to South Africa's economic growth. Likewise, Gauteng generates the highest gambling revenues. Figure 23 illustrates provincial GGR as a percentage of provincial GDP. Gauteng province gross gambling revenue as a percentage of its GDP is the highest at 0.76% followed by Western Cape (0.72%) and KwaZulu-Natal (0.69%). Although Northern Cape, the least populous province, contributed just 2% to national GDP, making it the smallest provincial economy, its gambling revenue contribution to provincial GDP is 0.32% a notch higher than that of the Free State which is 0.25%.

Figure 23: Provincial GGR as a percentage of Provincial GDP 2018

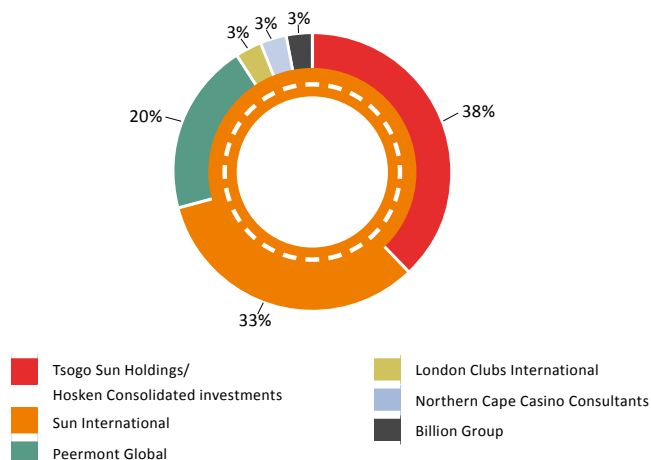


Operators per gambling mode

Ownership in the various gambling industries is monitored and illustrated below:

- i **Casino sector:** As at 31 March 2019 a total number of 39 casinos (out of a maximum of 41 licenses) were operational in South Africa. The controlling shareholders for operational casinos are Sun International (13 casinos), Tsogo Sun Holdings/Hosken Consolidated Investments (15 casinos), Peermont Resorts (8 casinos), London Clubs International (1 casino), Northern Cape Casino Consultants (1 casino) and the Billion Group (1 casino). However according to Who Owns Whom 2017, Tsogo Sun Holdings acquired 100% stake in Niveus Investments which means that Tsogo Sun Holdings in essence owns 15 casinos as reflected in figure 24.

Figure 24: Market share of ownership of operational casinos as at 31 March 2019

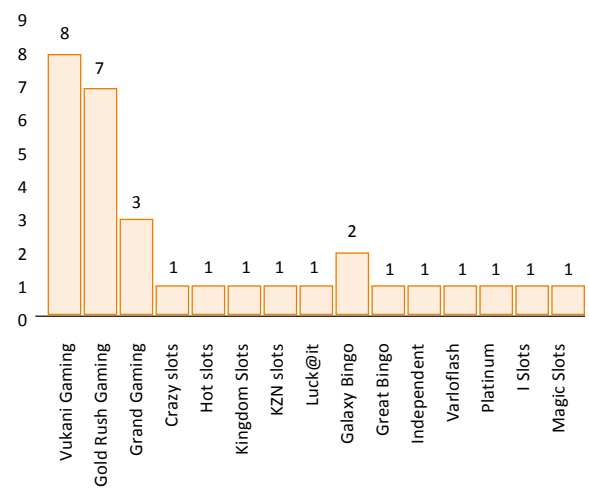


- ii **LPM sector:** The share of relevant LPM operators which are operational across the country are illustrated in Figure 25 as at 31 March 2019. Vukani Gaming operates LPMs in eight (8) provinces, followed by Goldrush Gaming which operates LPMs in seven (7) provinces, Grand Gaming which operates in three (3) provinces and Galaxy Bingo in two (2) provinces. The rest of the route operators are licensed to operate LPMs in one province each. Vukani Gaming Corporation however owns Luck At It in KZN.

GROSS GAMBLING REVENUE AND ECONOMIC GROWTH CONTINUED

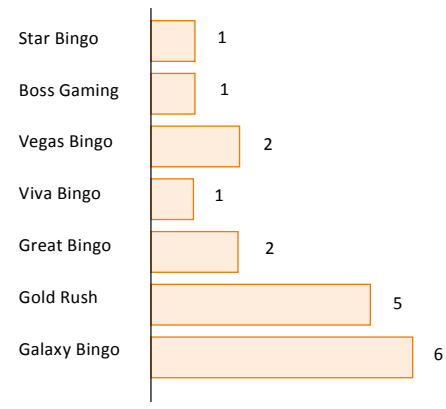


Figure 25: Ownership of LPM (route and independent operators) by number of provinces occupied as at 31 March 2019



iii. **Bingo sector:** As at 31 March 2019, bingo is licensed and rolled out in six (6) out of the nine (9) provinces namely Gauteng, North West, Limpopo, Mpumalanga, KwaZulu-Natal and Eastern Cape. The bingo operators which are operational in South Africa are represented by Galaxy Bingo in Gauteng, KwaZulu-Natal, Mpumalanga, Limpopo, North West and Eastern Cape; Goldrush in Gauteng, KwaZulu-Natal, Limpopo, North West and Eastern Cape; Great Bingo in KwaZulu-Natal and Mpumalanga, Vegas Bingo in Limpopo and North West, and Boss Gaming in Eastern Cape as illustrated in Figure 26.

Figure 26: Ownership of bingo operators by number of provinces occupied as at 31 March 2019



iv. **Betting sector:** Gold Circle is the totalisator operator in KwaZulu-Natal, and Phumelela in Gauteng, Mpumalanga, Limpopo, North West, Northern Cape, Eastern Cape and the Free State. Phumelela is a vertically integrated horse racing administrator and betting operator. It also conducts fixed-odds betting on horse racing, sport and numbers (lotteries) through a number of its bookmaking outlets around South Africa, as well as via a call-centre and the internet. Kenilworth Racing (totalisator) is operating in Western Cape, however, Phumelela currently manages the Western Cape racing operations on behalf of the Kenilworth Racing Trust. In essence, Phumelela has expanded its operations to include the Western Cape and has presence in eight (8) provinces with the exception of KwaZulu-Natal. Trotco (Pty) Ltd t/a Ithotho is also licensed in KwaZulu-Natal as a totalisator and a racecourse operator. Telebet call centres are located in Gauteng and Eastern Cape. PowerBet Gaming is a totalisator operating in Mpumalanga. Supabets also offers betting via a call centre and on the internet. Licensed bookmakers are located in all the provinces throughout the Republic.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) IN THE GAMBLING INDUSTRY

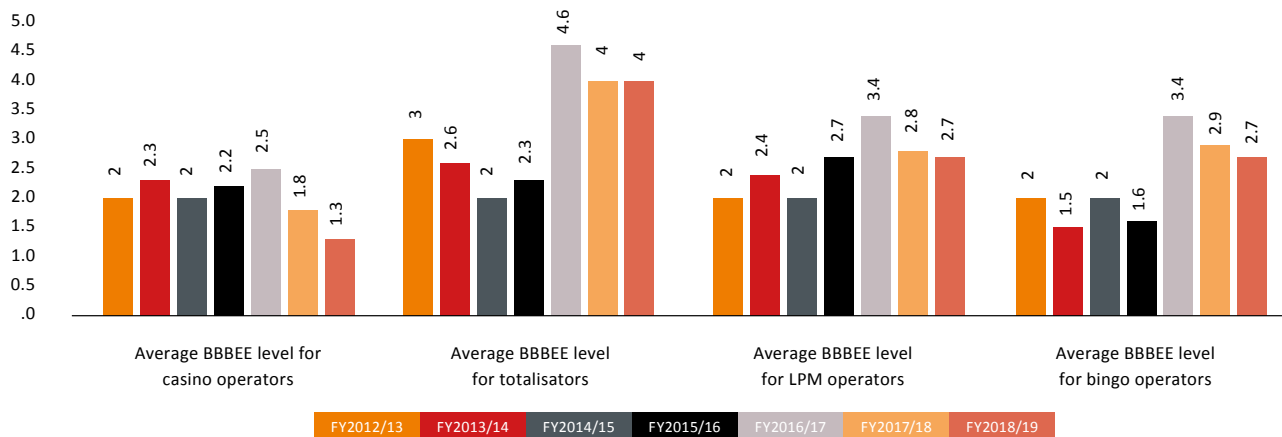
B-BBEE is an economic and political imperative in South Africa. Empowerment in the South African gambling industry is measured in terms of the Codes of Good practice published by **the dti**. The gambling industry, to date, does not have its own transformation charter. Thus gambling enterprises are measured in terms of the generic score card and more specifically, the following: Ownership, Management Control, Employment Equity, Skills Development, Preferential Procurement, Enterprise Development and Socio-Economic Development. However, on 11 October 2013, the **the dti** released the revised B-BBEE Codes of Good Practice. The old and the new codes have been merged to monitor contributor levels applicable to FY2018, and as follows: Ownership, management control, employment equity, skills development, preferential procurement, enterprise (supplier) development and socio-economic development.

Based on the information submitted by PLAs, the average B-BBEE status or contributor level of the South African gambling industry as at 31 March 2019 per gambling mode and operator, was as follows:

- i Average B-BBEE level for casino operators: Level 1.3
- ii Average B-BBEE level for totalisators: Level 4
- iii Average B-BBEE level for LPM operators: Level 2.7
- iv Average B-BBEE level for bingo operators: Level 2.7 (currently only operational in Gauteng, Mpumalanga, North West, Eastern Cape and KwaZulu-Natal).

These figures however exclude Eastern Cape statistics for FY2018/19 that are still outstanding.

Figure 27: Average B-BBEE levels per gambling mode, FY2012/13 – FY2018/19



**Eastern Cape Statistics FY2018/19 outstanding

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) IN THE GAMBLING INDUSTRY CONTINUED



A detailed breakdown of B-BBEE levels, per gambling mode and operator, from FY2012 to FY2019, is reflected below.

Figure 28: B-BBEE levels for the casino sector from FY2011/12 to FY2018/19

B-BBEE LEVELS, CASINO, FY2011/12 – FY2018/19									
Controlling shareholders	Name of casino	Contributor / B-BBEE level							
		FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Sun International	Boardwalk Casino (EC)	3	3	3	2	2	3	3	
	Wild Coast Sun (EC)	3	3	3	3	2	2	2	
	Sibaya Casino (KZN)	2	2	2	2	2	3	3	1
	Windmill Casino (FS)	2	2	2	2	2	4	2	2
	Naledi (FS)	2						Not rated	Not rated
	Flamingo Casino (NC)	4	4	4	2	4	4	4	2
	Meropa Casino (LP)	2	2	2	2	2	4	1	1
	Grandwest Casino (WC)	3	3	2	2	2	4	3	2
	Golden Valley Casino (WC)	3	3	2	2	3	3	1	4
	Sun City (NW)	3	3	3	3	2	1	1	1
	Carousel Casino (NW)		2	2	2	2	4	2	1
	Morula Sun Casino (GT)	2	2	2	2	2	4	Closed	Closed
	Carnival City (GT)					2	2	1	1
	Time Square (GT)							Not rated	1
Average for casinos based on available information		2.7	2.7	2.5	2.3	2.3	3.2	2.1	1.6

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) IN THE GAMBLING INDUSTRY CONTINUED

B-BBEE LEVELS, CASINO, FY2011/12 – FY2018/19									
Controlling shareholders	Name of casino	Contributor / B-BBEE level							
		FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Tsogo Sun Holdings/ Hosken Consolidated Investments	Hemingways Casino (EC),	3	3	3	2	1	1	1	
	Queens Casino (EC)			2	3	2	3	3	
	Suncoast Casino (KZN)	2	2	2	2	2	2	1	1
	Black Rock Casino (KZN)	3	3	3	2	2	2	1	1
	Golden Horse Casino (KZN)	2	2	2	2	2	1	1	1
	Goldfields Casino (FS)	2	2	2	2	2	2	1	1
	The Ridge Casino (MP)	3	2	2	2	2	1	1	1
	Emnotweni Casino (MP)	3	2	2	2	2	1	1	1
	Caledon Hotel Spa Casino (WC)	2	2	2	2	2	2	2	1
	Casino Mykonos (WC)	2	2	2	2	2	2	1	1
	Garden Route Casino (WC)	3	2	2	2	2	2	1	1
	Montecasino (GT)	2	2	2	2	1	1	1	1
	Gold Reef City Casino (GT)	2	2	2	2	2	2	1	1
	Silverstar Casino (GT)			2	2	2	2	1	1
Average for Tsogo Sun		2.4	2.2	2.1	2.1	1.9	1.7	1.2	1
Peermont Global	Umfolozi Casino (KZN)	2	2	2	2	2	1	1	1
	Frontier Inn and Casino (FS)	2	2	2	2	1	2	1	1
	Graceland Hotel Casino (MP)	2	2	2	2	2	1	1	1
	Khoroni Hotel Casino (LP)	2	2	2	2	2	6	1	1
	Mmabatho Palms Casino (NW)	4	2	2	2	2	1	1	1
	Rio Casino (NW)	3	2	2	2	2	1	1	1
	Emperors Palace (GT)	2	2	2	2	2	3	2	2
	Thaba Moshate (LP)					6	3	1	1
Peermont Global: Average		2.4	2.0	2.0	2.0	2.4	2.3	1.2	1.4

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) IN THE GAMBLING INDUSTRY CONTINUED



B-BBEE LEVELS, CASINO, FY2011/12 – FY2018/19									
Controlling shareholders	Name of casino	Contributor / B-BBEE level							
		FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
London Clubs International	Emerald Safari Resort (GT)			3	2	2	4	2	2
Northern Cape Casino Consultants	Desert Palace Hotel Resort (NC)	2	2	2	2	2	2	2	2
Nivieus Investments	Grand Oasis Casino					2	2	2	2
Average for casinos based on available information		2.4	2.2	2.3	2.1	2.1	2.5	1.8	1.3

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) IN THE GAMBLING INDUSTRY CONTINUED

Figure 29: B-BBEE levels for totalisators from FY2011/12 to FY2018/19

B-BBEE LEVELS, TOTALISATORS, FY2011/12 – FY2018/19									
Name of totalisator	Name of province	Contributor / B-BBEE level							
		FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Gold Circle Kenilworth Racing (Phumelela)	Western Cape	4	4	4	2	2	4	4	4
Gold Circle Phumelela	KwaZulu-Natal			4	4	2	3	4	4
Phumelela	Limpopo	3	3	2	2	2	5	4	4
Phumelela	Mpumalanga	3	3	2	2	2	5	4	4
Phumelela	Gauteng		3	2	2	2	5	4	4
Phumelela	North West	4	3	3	3	2	5	4	4
Phumelela	Free State	3	3	2	2	2	5	4	4
Phumelela	Eastern Cape			2	2	2	5		
Phumelela	Northern Cape					5	4	4	4
Average		3.4	3.2	2.6	2.4	2.3	4.6	4	4

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) IN THE GAMBLING INDUSTRY CONTINUED



Figure 30: B-BBEE levels for the LPM sector from FY2011/12 to FY2018/19

B-BBEE LEVELS, LPMs, FY2011/12 – FY2018/19									
Name of province	Name of route Operators	Contributor / B-BBEE level							
		FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Gauteng	Vukani Gaming		1	3	2	2	1	1	1
	Gold Rush Gaming					2	7	7	5
	Zico Gaming	1	3	1	3	3			
	Hot Slots				0	8	8		8
	Grand Gaming		1	4	3	5	8	6	6
	Egoli Gaming	2	1	1	4	2			
	Crazy Slots							Non-compliant	Non-Compliant
Eastern Cape	Vukani Gaming			3	3	3	3	3	
	Pioneer Slots			3	1	2		4	
Free State	Vukani Gaming	3	1	1	1	2	2	2	2
	Goldrush							2	2
KwaZulu-Natal	Vukani Gaming	1	1	3	2	2	2	2	2
	Kingdom Slots	4	4	3	3	5	2	5	4
	Luck-at-it	1	1	1	1	2	5	1	2
	KZN Slots	5	5	5	5	5		4	4
Limpopo	Vukani Gaming	2	2	3	2	2	1	1	1
	Goldrush	3	3	1	1	1	4	1	1
Mpumalanga	Vukani Gaming	4	3	3	2	2	3	3	1
	Thaba Gare (Independent)	2	2	2	3				
	Zimele		3						
	Grand Gaming			2	2	2	Level 2 QSE 4 (Exempt)	Exempt	
	Galaxy Gaming					1	2 (Exempt)	1 (Exempt)	Exempt
	Reno Gaming & Entertainment						1 (Exempt)	Exempt	

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) IN THE GAMBLING INDUSTRY CONTINUED

B-BBEE LEVELS, LPMs, FY2011/12 – FY2018/19									
Name of province	Name of route Operators	Contributor / B-BBEE level							
		FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
North West	Vukani Gaming	4	2	2	2	1	4	2	2
	Bathusi		3	3	3				
	Goldrush Gaming		3	1	1	1	2	2	2
	Varloflash						4	2	2
	Tshufi Gaming								2
	Magic Slots								2
	I-Slots								2
Western Cape	Vukani Gaming	2	3	3	2	3	3	2	2
	Grand Slots	4	4	3					
	Grand Gaming				2	5	5	4	4
Northern Cape	Goldrush Gaming						2	2	2
	Vukani Gaming					2	2	2	2
Average:		2.7	2.3	2.4	2.3	2.7	3.4	2.8	2.7

Those who are exempt from B-BBEE compliance are excluded.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) IN THE GAMBLING INDUSTRY CONTINUED



Figure 31: B-BBEE levels for the bingo sector from FY2011/12 to FY2018/19

B-BBEE LEVELS, BINGO, FY2011/12 – FY2018/19									
Name of province	Name of bingo operators	Contributor / BBBEE level							
		FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Gauteng	Viva Bingo	3	2	2	3.7*	1.6*	7.5*		
	Galaxy Bingo		2	2	2	2	2*	1	1
	Goldrush							7.8*	7.8*
Mpumalanga	Viva Bingo		4	4 (Exempt)	1	2	4 (Exempt)		
	Goldrush Bingo						8	8	
	Galaxy Bingo							2 (Exempt)	1
	Great Bingo							1 (Exempt)	1 (Exempt)
	Goldrush Bingo							2 (Exempt)	8 and 2 (Exempt)
	Star Bingo								4 (Exempt)
North West	Goldrush Bingo			N/A	4	1	2	2	2
	Galaxy Bingo				1	1	4	4	2
	Eliocube								2
Eastern Cape	Galaxy Bingo			1	1	1.8*	2	2	
	Bingo Royale			N/A	1	2			
	Boss Gaming						2	2	
	Goldrush Bingo						2	2	
KwaZulu-Natal	Galaxy Bingo					1	2	2	2
	Great Bingo						1	1	1
	Goldrush Bingo						4	N/A	N/A
Limpopo	Boss Gaming						4		4
	Galaxy Bingo						2	2	2
	Planet Bingo						4		
	Goldrush Bingo							2	2
	Vegas Bingo							2	2
Average:			2.7	1	2	1.6	3.4	2.9	2.7**

* Average

** Eastern Cape Statistics for FY2018/19 are outstanding.

Those who are exempt from B-BBEE compliance are excluded

EMPLOYMENT IN THE GAMBLING INDUSTRY

NGB monitors direct employment numbers in the gambling sector (industry and regulators). A total number of twenty eight thousand five hundred and eighty three (28 583) people (direct employment) were employed in the gambling industry (including at regulators) as at 31 March 2019. In general, the casino sector, and KwaZulu-Natal province, accounted for the highest numbers in terms of direct employment in the gambling industry as reflected in the Figure 32.

Figure 32: Direct employment per province and mode, FY2018 (industry and regulators)

DIRECT EMPLOYMENT PER PROVINCE AND MODE, FY2018/19											
FY 2018/19	Gambling mode	PROVINCE									Total
		Gauteng	Western Cape	KwaZulu- Natal	Mpuma- langa	Limpopo	North West	Northern Cape	Eastern Cape	Free State	
	Casinos	5 491	4 363	4 829	722	87	745	248		694	17 179
	Totalisators	205	17	1 266	96	13	91	12		80	1 780
	Bookmakers	528	159	3 354	1 131	297	881	70		330	6 750
	LPMs	138	68	97	203	219	103	23		40	891
	Bingo	468	N/A	438	145	91	172	N/A		N/A	1 314
	Regulators										669
	NGB	33									
	PLAs	112	70	80	79	66	88	19		122	
Total		6 975	4 677	10 064	2 376	773	4 011	372		1 266	28 583*

* Eastern Cape Statistics for FY2018/19 are outstanding.

RESPONSIBLE GAMBLING



The South African Responsible Gambling Foundation (SARGF) ('The Foundation') is a Not Profit Company (NPC) in terms of the Companies Act, 2008 (Act 71 of 2008 as amended) and acknowledged internationally as an integrated, comprehensive and exceptionally cost-effective response to meeting the social needs which have risen as a result of gambling being legalised in South Africa since 1996.

It is funded by contributions from the South African gambling industry – which includes the casino, betting, bingo and LPM industries. The industry contribution is curbed at 0.1% of the industry's GGR. An estimated R26,9 million has been invested into the programme since its inception up to the period under review.

The SARGF provides free treatment and counselling to individuals affected by gambling as well as prevention programmes and industry training. Activities and services are as follows:

- Treatment and counselling
- Education and public awareness
- Industry support (operators and regulators Training and Collateral)
- Research
- National schools programme
- Public Sector Workshops
- Employee wellness programme.

A free and confidential treatment and counselling service is provided to any person with a gambling problem. These services can be accessed through a 24/7 counselling toll free line (0800 006 008). This service includes telephonic psycho-education and motivational interviewing. The Foundation's treatment and counselling programme is designed to assist problem gamblers to come to terms with their gambling problem and possible triggers.

During FY2018/19, the toll free counselling line received a total number of about 4 177 calls of which fourteen percent (467) related to self exclusion and twenty four percent (1 006) of the calls were mainly from problem gamblers. These are individuals who have the urge to gamble continuously despite harmful negative consequences

or a desire to stop. Thirty one percent (1 301) of these were calls for information, and these individuals wanted to enquire about the services and mandate of the Foundation. Seventeen percent (729) were miscellaneous calls, a mixture of calls of different nature such as calls inquiring about a slot machine mechanical fault or how to register in order to place a bet. Less than one percent (6) of callers were mainly family referrals – a free service that provides information and referrals for families and young people seeking support. Thirteen percent (552) of the calls were those individuals seeking advice and guidance on how to assist a person with a gambling addiction – these calls did not require further intervention.

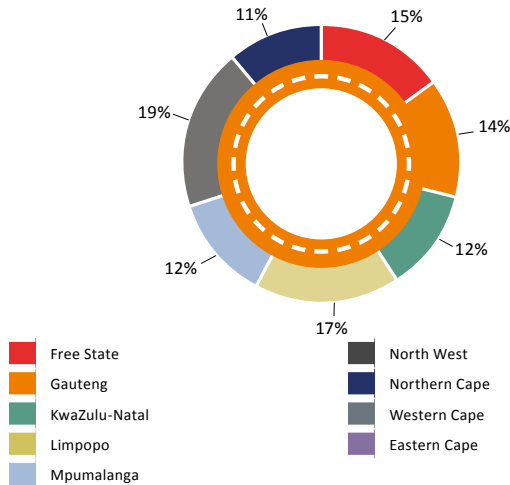
Taking Risks Wisely – National schools programme

This programme in particular is designed for school groups between Grade 8 to Grade 12. The purpose of this programme is to create awareness and educate school-going learners about choices and the consequences of the choices they make. The programme has three components – the edutainment, learner workshops and teacher workshops. A key component of this programme is to provide insight for learners gambling in and outside schools and who are participating in illegal gambling, as well as to highlight that no underage gambling is allowed. Educators are also informed about the signs and symptoms of a problem gambler and the consequences of problem gambling. During the period under review, the Foundation took a strategic decision to target schools to be visited, mainly those that are within a 50km radius of a gambling establishment.

The Foundation visited seventy three (73) schools across the country to present edutainment on responsible gambling and learner workshops. A total of 17 316 learners in Grade 9 and Grade 12 were capacitated on gambling harm prevention. The figures that follow give a depiction of the provincial spread and reach in percentages and numbers respectively.

RESPONSIBLE GAMBLING CONTINUED

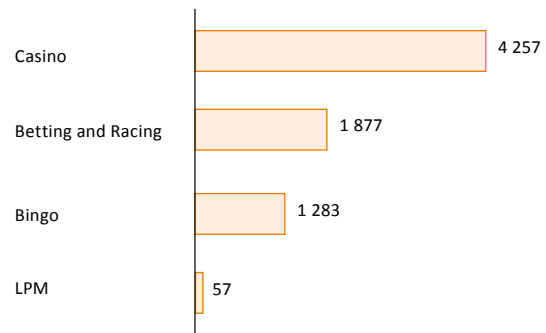
Figure 33: Provincial breakdown schools visited (%) 2018/2019



Industry support (operators and regulators)

The Foundation has a mandate to provide responsible gambling training to all licensed operators in the South African gambling industry across all provinces, including PLAs. Over the years, the numbers of employees trained has varied between different sectors such as bingo (1 283), betting (1 877), limited pay-out machines (57) and the casino (4 257) industries. The graph below shows that more casino employees received training during FY 2018/19.

Figure 34: Industry Support Training 2018/2019



Public education and awareness campaigns

Under the ambit of public education and awareness campaigns, the SARGF's programmes are advertised on various platforms including the media in the form of television, radio, print publications and collateral displayed in all gambling venues. In response to the organisational strategy on marketing and communication, the Foundation promoted responsible gambling and its treatment and counselling programme including the toll free counselling line in various public platforms such as consumer shows and exhibitions. Most beneficiaries were reached in Gauteng (10 505), KwaZulu-Natal (6 089), Eastern Cape (6 001) and Western Cape (4 415); less so in other provinces.



PART D GOVERNANCE

GOVERNANCE

Introduction

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, corporate governance regarding public entities is applied through the precepts of the PFMA and runs in tandem with the principles contained in the King Report on Corporate Governance. Parliament, the Executive and the AA of the public entity are responsible for corporate governance.

Portfolio committees

The NGB tabled a number of strategic documents at the Portfolio Committee for Trade and Industry through the Minister.

Executive authority

The NGB submitted to **the dti** the Strategic Plan 2018/23 and APP 2018/19 for the entity, which was approved on 30 March 2018.

The overall performance of the entity against the set targets/predetermined objectives as indicated in the APP was evaluated by **the dti** on a quarterly basis.

Figure 35: Quarterly assessments for the NGB

Quarterly assessment for FY2018/19	Actual achievements against planned targets	Date submitted	Assessment rating received
Quarter 1 (April to June)	100%	31 July 2018	Report noted
Quarter 2 (July to September)	100%	31 October 2018	Report noted
Quarter 3 (October to December)	100%	31 January 2019	Report noted
Quarter 4 (January to March)	100%	30 April 2019	Report noted

The Accounting Authority (AA)

Pursuant to findings of the AGSA as detailed in the NGB's Audit Report 2013/14, the NGB had been placed under administration by the Minister, in addressing the role, powers and statutory functions of the NGB since 2014 until present. Ms Caroline Kongwa remained the Administrator appointed by the Minister, and in terms of section 49 of the PFMA, serving as the AA of the entity. This was to ensure that the goals and objectives of the NGB were performed within the limits of financial resources of the NGB.

Due to the imminent repositioning of the NGB to the NGR, the position of the CEO will not be filled until the repositioning has been completed, and the NGB will remain under administration until such time as this process has been finalised.



Figure 36: Profile of the AA

Name	Qualifications	Internal position within the NGB	Date appointed	Date resigned
Ms C Kongwa	- LLM Degree (University of Pretoria) - LLB Degree (University of Durban Westville) - Postgraduate Diploma in International, African and Regional law (University of Durban Westville) - Certificate in Economic and Developmental Policy (University of Witwatersrand) - Certificate in Labour Relations (University of Pretoria)	Administrator	September 2014	N/A

Remuneration of members of the audit and risk committee

The Audit and Risk Committee (ARC) members were remunerated according to the National Treasury circular, which categorises emoluments for different categories of listed public entities.

The ARC members were reimbursed for travel expenses incurred when attending official meetings. Accommodation, travel (flight and

other transport-related expenditure) and meal costs were borne by the NGB.

Figure 37 reflects the remuneration paid to ARC members over the financial year.

Figure 37: Remuneration to ARC members

Name	Remuneration (R)	Total (R)
Ms G Deiner*	37 251	37 251
Mr J Matshiya**	38 220	38 220
Mr M Sass	20 952	20 952
Dr C Sanangura***	36 666	36 666
Ms N Hedder	20 952	20 952

* Member's term of office expired in December 2018

** Member has served as Acting Chairperson from January 2019 until May 2019

*** Member has served as Acting Chairperson since July 2019

Risk management

Risk management was spearheaded by executive management within the NGB. The NGB used a participative approach to risk management which ensured that there was an all-inclusive risk management process.

Risk identification for FY2018/19 was conducted. Risks were identified, measured and allocated to the units and individuals responsible for mitigation thereof.

As a result, a risk register for FY2018/19 was reviewed and updated. Progress was monitored on an ongoing basis and reported to **the dti** on a quarterly basis.

All matters relating to risk management were presented to the ARC for guidance and oversight. Further risk-based audits were performed by the internal auditors to evaluate the effectiveness of internal controls put in place to mitigate risk.

Internal audit

The NGB has an outsourced internal audit function, which provides combined assurance to stakeholders on the integrity of information provided, governance of the organisation and assurance of existing internal control systems that are resilient to eminent change. The King Report recommends the establishment of this function. It is also prescribed by Treasury Regulations.

The objective of the internal audit function is to provide an assessment of the effectiveness of the organisation's system of internal control and risk management efforts. The ARC is mandated to monitor the performance of the internal auditors, including reports submitted, budget proposed and overall audit scope proposed for the year. In assisting the AA, internal audit must evaluate governance processes and provide adequate assurance on the effectiveness of internal processes. These include:

- Incorporating a risk-based internal audit approach in their annual plan and executing audits accordingly
- Providing adequate assurance on effective governance, risk management and internal control environment
- Providing written assessment on the effectiveness of the organisation's internal control processes

The internal audit service provider has completed the audit projects as approved in their internal audit annual plan. Their audit approach was risk-based and reported to the ARC.

Key activities and objectives of the internal audit for FY2018/19

The internal auditors performed the following reviews during the financial year:

- Financial discipline and control review
- Performance audit on pre-determined objectives
- Compliance audit
- ICT general control review
- ICT vulnerability assessment
- Annual financial statements review
- Contract management review

The objective of the selected reviews was to evaluate if the NGB has, and implements internal controls which are adequate to mitigate and/or prevent identified risks. In most instances, these controls were adequate.

Key activities and objectives of the audit and risk committee for FY2018/19

The ARC was established in terms of section 77 of the PFMA and the Treasury Regulations. The objective of establishing the ARC is to ensure the integrity of integrated reporting.



Figure 38: Details of ARC members

Name	Qualifications	Internal or external	Internal position in the NGB	Date Appointed	Date Resigned/ term end
Ms G Deiner*	- BCompt - Higher Diploma in Education – Postgraduate - BA degree - Professional Accountant (SA)	External	N/A	January 2013	December 2018
Mr J Matshiya	- Bachelor of Commerce - Higher Diploma Computer Auditing - Certified Information Systems Auditor (CISA)	External	N/A	October 2015	N/A
Mr M Sass	- MCom - Certified Internal Auditor (CIA) - Chartered Accountant (SA) - BCompt (Hons) & CTA - BCom (Hons) - B Com (Acc)	External	N/A	December 2017	N/A
Dr C Sanangura	- Chartered Director of South Africa CD(SA) - Doctorate in Business Administration (DBA) - Masters in Business Administration (MBA) - Fellow Chartered Institute of Secretaries and Administration (FCIS) - Fellow Chartered Institute of Business Management (FCIBM) - Associated Chartered Certified Accountant (ACCA)	External	N/A	December 2017	N/A
Ms N Hedder	- BProc - LLB - MCom Tax - Admitted Attorney - Conveyancer - Notary Public	External	N/A	December 2017	N/A

Figure 39: Attendance at meetings

Date of meeting	Ms G Deiner* (Chairperson)	Mr J Matshiya	Mr M Sass	Dr C Sanangura	Ms N Hedder
30 May 2018	✓	✓	✓	✓	✓
24 July 2018	✓	✓	✓	✓	✓
24 October 2018	✓	✓	✓	✓	✓
28 January 2019	X	✓	X	✓	✓
Total number of meetings attended	3	4	3	4	4

* Member's term ended in December 2018

All committee meetings were attended by the Administrator, Ms C Kongwa.

During the financial year, the ARC reviewed quarterly financial reports and made recommendations to the AA on the approval of NGB financial and ICT policies, quarterly reports, Annual Financial Statements 2017/18, Annual Report 2017/18, risk management documentation, as well as irregular expenditure.

The objectives were to:

- Provide an oversight role over the financial affairs of the entity
- Provide advice to the AA on all matters relating to finance, ICT, internal control effectiveness and risk management
- Review the work performed by the internal auditors

Relevant information on the audit and risk committee members

Figure 39 includes details of ARC members.

Compliance with laws and regulations

A governance framework, as well as a checklist were created to continually enable the officials to observe the law when performing any function. The NGB utilised a corporate calendar to ensure that timelines for submitting corporate information were met.

Fraud and corruption

The entity's Fraud Prevention Plan was approved as part of the Strategic Plan 2018/23. The entity has, through the RMC reported on areas of fraud and corruption.

The NGB established a fraud hotline, fraudalert@ngb.org.za and/or 012 686 8800. The information is displayed on the NGB's website and the public are encouraged to report matters accordingly.

Any matter raised was sent directly for the attention of the externally appointed internal auditors. Matters were thereafter brought to the attention of the AA for actioning and the ARC for noting progress.



There were a number of emails that were received by the internal auditors in relation to fraudulent activities that were reported. All matters related to illegal gambling activities were escalated to the Enforcement Unit for further investigation.

Minimising conflict of interest

Conflict of interest in SCM was regulated by a Conflict of Interest Policy. Once an interest was declared, the affected party was recused from the proceedings if the interest has the potential of affecting the decision-making of the party. The extent of the conflict was assessed to determine whether it can be managed.

During every meeting held, including interviews for positions, staff and/or panelists were required to declare their interests.

The NGB's Employee Rules and Regulation Policy provided a continuous responsibility for the staff to declare matters of conflict of interest. Employees were required to declare any additional remunerative work that they perform. In instances where remunerative work was performed, consent of the AA was required to perform the said duties.

Code of conduct

The NGB strictly applied its Code of Conduct and has in all cases applied the disciplinary policy where it is applicable. During the year under review, there was one employee who was charged for misconduct.

The NGB utilised the Disciplinary Code, the Employee's Rules and Regulations, and the Conflict of Interest Policy, and employees were required to submit a declaration of financial interest.

Health, safety and environmental issues

The NGB participated in initiatives promoting health and safety. The NGB was committed to ensuring that the approved Disaster Recovery Plan was realistic and implementable. In terms of the NGB's processes, it was required to undertake two evacuation drills per year. These were conducted under the supervision of the City of Tshwane Emergency Services Department. Entities that did not comply, were issued with fail certificates. The NGB was able to schedule two evacuations during FY2018/19.

In addition to the above, the NGB formed part of the Operational Health and Safety Committee. Members were from fellow entities that were accommodated within Block C Office Park. The committee convened on a quarterly basis to discuss matters of health and safety, as well as to educate the committee on the same.

The NGB strived to work within a paperless environment. In saying this, the entity has implemented internal controls that minimise the use of paper.

Company/board secretary

The NGB is a Schedule 3A Public Entity and, as such, is exempted from filing returns as would be required of a registered company in terms of the Companies Act (as amended). Due to the NGB being placed under administration by the Minister, the NGB no longer has a board and the Administrator thus serves as the AA.

Notwithstanding the above, the NGB appointed a Senior Manager: Corporate Governance who was responsible to ensure that the entity operated in terms of good governance.

Social responsibility

The NGB did not participate in any social responsibility projects.



PART E HUMAN RESOURCE MANAGEMENT

HUMAN RESOURCE MANAGEMENT



Introduction

Overview of human resource (HR) matters

The nature of the human capital function within the NGB is broadly encapsulated in the NGB's legislative framework. The NGA requires the Accounting Authority (AA) to appoint suitably qualified and experienced staff to enable the NGB to carry out its functions. The NGA further requires the AA, in consultation with the Minister, to determine remuneration, allowances, employment benefits and other terms and conditions of employment.

HR priorities for the year under review and the impact of these priorities

HR priorities for the year under review centred around ensuring that there was an efficient and effective workforce within the NGB.

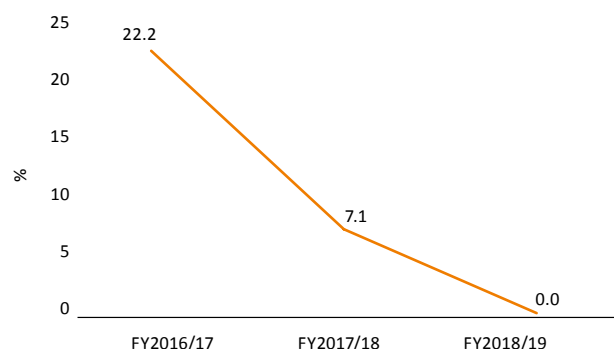
Human Capital Optimisation made concerted efforts to ensure implementation of the recruitment and selection policy for the entity during the financial year.

The entity has a staff complement of thirty four (34) officials as per the approved organisational structure.

The NGB has analysed the vacancy rate over the past three financial years and compared it to the rate in the current financial year as depicted in Figure 41. The vacancy rate in FY2016/17 was 22.1%. The vacancy rate for FY2017/18 was 7.1%. The vacancy rate for the FY2018/19 was 0.0%. This is representative of a reduction in the vacancy rate and is consistent with the progressive actions and outlook of Human Capital Optimisation in ensuring that the entity has been steadfast in filling vacancies.

The vacancy rate of 0% for FY2018/19 translated to the filling of all vacancies that existed within the organisation. The position of CEO will remain vacant as a result of the decision taken by the Minister not to fill the position until such time that the repositioning of the NGB into the national gambling regulator has been finalised.

Figure 40: Vacancy trend over the past three financial years – FY2016/17, FY2017/18 and FY2018/19



Performance management and development system

The NGB's performance management process ensured appropriate alignment of individual, team and business unit performance objectives with those of the NGB. This enabled translation of the NGB's strategic focus areas into individual action plans.

The NGB's performance management process was focused on the following core principles:

- Performance management is consistently applied across the NGB to ensure effective alignment of strategic objectives and individual outputs
- Performance objectives are based on a scorecard of metrics featuring both financial and non-financial indicators, which are aligned with the NGB's strategic imperatives
- Performance management is an ongoing process rather than an event

Performance outcomes were appropriately differentiated to reflect the different levels of contribution made by employees to the success of the NGB. Where performance deficits were identified, these were dealt with actively, with the primary objective of returning the employee to full performance. The system was further

HUMAN RESOURCE MANAGEMENT CONTINUED

enhanced by reviewing the current policy and processes to ensure effectiveness and efficiency.

Organisational design and change management

There was a revision to the organisational structure for the period under review. Human capital competencies, skills, knowledge and abilities should always be kept in line to ensure that the organisation is in a position to deliver on its mandate. Business processes have been mapped out, automated and implemented to increase understanding of work and work linkages.

There were several change initiatives held with staff in order to improve the communication flow within the entity and also to ensure that staff are kept abreast with all developments within the organisation.

The NGB further embarked on a job evaluation exercise to ensure that there is parity between remuneration to employees and their related job descriptions. The entity through recommendations of its Job Evaluation Committee implemented the results of the job evaluation exercise.

Talent management and retention

The NGB is to adopt a forward-looking approach in terms of filling vacancies and, in addition, finding creative ways to attract and retain its skilled workforce as an alternative to resignations. The entity has an approved Retention Policy in place.

The entity further enhanced the usage of a competency assessment as a tool to address development of senior managers.

Reward strategy

The NGB's reward strategies were reviewed to ensure that employees were adequately rewarded and recognised for the work they perform. The NGB conducted benchmarking exercises with similar entities with a view to assessing the market value of our rewards to employees.

It is a firm view of the NGB that employee benefits should be reviewed and consolidated with a view to providing value adding benefits to NGB employees.

The NGB approved and implemented the new Remuneration Policy.

Workforce diversity

The NGB has a diverse workforce and its gender profile in terms of women representation is commendable. However, the NGB has not attracted people with disabilities. This challenge is rife in the public and private sector and thus requires innovative talent attraction methods. Targets should be put in place by the NGB and practical efforts should be explored to attain the target. To this end, the NGB developed and implemented the Employment Equity Policy and the Employment Equity Plan with a view to assisting the entity in realising its Employment Equity targets.

Employee wellness

Employee wellness programmes are recognised as good organisational practices by international organisations such as the International Labour Organisation (ILO). In the context of the NGB, employee wellness was an important human capital aspect as it affects productivity. The NGB has planned to develop an employee wellness policy and programme with the primary goal of informing, empowering and providing employees with the skills to take ownership of their wellbeing. The NGB undertook a Financial Wellbeing and Mental Health initiatives through the assistance from external stakeholders.

Human capital technology

The NGB is currently operating VIP for payroll and ESS for Leave Management. The NGB has moved to an integrated human capital system within the organisation that incorporates all the components of human capital management. The system is currently being interrogated to ensure it assists in the provision of reliable data that can be used for reporting and decision-making purposes. Discussions are being held with the service provider to further interrogate other functionalities that can be beneficial to the entity.

Human capital policies and procedures

Human capital policies are in place and have been reviewed in FY2018/19 to ensure that they were aligned to the Strategic Plan and legislative requirements. Furthermore, developed and revised policies will be effectively implemented to mitigate human capital risk and to increase organisational effectiveness going forward.



Achievements and future HR plans/goals

The AA approved the Human Capital Strategy 2017/22 in April 2017. This strategy is critical to ensuring that the staffing needs and requirements within the NGB are identified and addressed. Implementation and realisation of this plan has been the primary focus area within the financial year.

Furthermore, HCO has implemented the Annual Training Plan in ensuring that there is value-added benefit to the organisation, as well as the employees' personal development.

Human resource oversight statistics

Figure 41: Personnel cost by programme

Programme	Total expenditure for the entity (R)	Personnel expenditure (R)	Personnel exp. as a % of total exp.	Number of employees	Average personnel cost per employee (R)
Stakeholder	12 490 902	6 251 704	2.80%	6	1 041 951
Administration	29 407 635	10 072 554	4.51%	12	839 379
Compliance	6 266 706	5 281 197	2.37%	5	1 056 239
Technical Compliance	175 050 225	3 784 965	1.70%	4	946 241
Total	223 215 468	25 390 420	11.37%	27	940 386

Total employee costs for FY2018/19 amounted to R25 390 420. The highest costs were evidenced under the administration programme. This is directly linked to the programme having the highest number of staff members. The above mentioned staff costs are inclusive of two fixed term contract positions of Enforcement Officer and Legal Officer.

Figure 42: Personnel cost by salary band

Level	Personnel expenditure (R)	% of personnel exp. to total personnel cost	Number of employees	Average personnel cost per employee (R)
Top Management	3 701 751	14.58%	1	3 701 751
Senior Management	9 242 654	36.40%	7	1 320 379
Professional qualified	5 739 649	22.61%	7	819 949
Skilled	6 040 548	23.79%	10	604 055
Semi-skilled	665 818	2.62%	2	332 909
Unskilled	–	–	–	–
Total	25 390 420	100%	27	940 386

HUMAN RESOURCE MANAGEMENT CONTINUED

Figure 43: Performance rewards

Programme	Performance rewards (R)	Personnel expenditure (R)	% of performance rewards to total personnel cost
Top Management	341 087	3 701 751	9.21%
Senior Management	753 477	9 242 654	8.15%
Professional qualified	482 104	5 739 649	8.40%
Skilled	450 768	6 040 548	7.46%
Semi-skilled	41 931	665 818	6.30%
Unskilled	–	–	–
Total	2 069 367	25 390 420	8%

Figure 44: Training costs

Directorate/ business unit	Personnel expenditure (R)	Training expenditure (R)	Training expenditure as a % of personnel Cost	Number of employees trained	Average training cost per employee (R)
Stakeholder	6 251 704	553 978	2.18	5	110 796
Administration	10 072 554	162 806	0.64	9	18 090
Compliance	5 281 197	74 879	0.29	5	14 976
Technical Compliance	3 784 965	447 228	1.76	5	89 446
Total	25 390 420	1 238 891	4.88	24	51 620

Included in the training costs as per Figure 45 above are bursaries awarded to staff members of the NGB. During FY2018/19, two bursaries were awarded, for Masters in Business Administration (MBA) and for a Post graduate Diploma in Business Administration.

HUMAN RESOURCE MANAGEMENT CONTINUED



Figure 45: Employment and vacancies per programme

Programme	FY2017/18 Number of employees	FY2018/19 Approved posts	FY2018/19 Number of employees	FY2018/19 Vacancies	% of vacancies
Stakeholder	5	7	6	—	—
Administration	12	14	12	—	—
Compliance	4	7	5	—	—
Technical Compliance	5	6	4	—	—
Total	26	34	27	—	—

As at the end of the financial year, there were zero vacancies. The vacancies that existed for the Chief Strategic Adviser (CSA), Chief Operations Officer (COO) and Chief Compliance Officer (CCO) were filled accordingly. The position of Chief Executive Officer was placed on hold. A moratorium was placed on the vacancies for three positions for Personal Assistants.

Figure 46: Employment and vacancies per employee category

Programme	FY2017/18 Number of employees	FY2018/19 Approved posts	FY2018/19 Number of employees	FY2018/19 Vacancies	% of vacancies
Top Management	1	5	1	—	—
Senior Management	7	7	7	—	—
Professional qualified	7	7	7	—	—
Skilled	9	13	10	—	—
Semi-skilled	2	2	2	—	—
Unskilled	—	—	—	—	—
Total	26	34	27	—	—

* The position of CEO has been put on hold due to the decision taken by Minister.

A moratorium has been placed on the three positions for PAs.

HUMAN RESOURCE MANAGEMENT CONTINUED

Figure 47: Employment changes

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	1	–	–	1
Senior Management	7	–	–	7
Professional qualified	7	–	–	7
Skilled	9	2	1	10
Semi-skilled	2	–	–	2
Unskilled	–	–	–	–
Total	26	2	1	27

There were changes in employment ranks within the financial year. This was evident as there were appointments and terminations within the skilled category of positions in the organisation.

During FY2018/19, there was one termination as a result of resignation.

Figure 48: Reasons for staff leaving

Reason	Number	% of total number of staff leaving
Death	–	–
Resignation	1	100%
Dismissal	–	–
Retirement	–	–
Ill health	–	–
Expiry of contract	–	–
Other	–	–
Total	1	100%

Figure 49: Labour relations – misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	–
Written warning	2
Final written warning	–
Dismissal	–
Total	2

0



Figure 50: Equity target and Employment Equity status

Category	African		Coloured		Indian		White		Disability	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
National (EAP) targets	34.2%	39.2%	5.2%	6.1%	1.1%	1.9%	5.5%	6.7%	2.0%	2.0%
NGB – Average	48.1%	37.0%	0.0%	0.0%	7.4%	3.7%	3.7%	0.0%	0.0%	0.0%
Top	50.0%	25.0%	0.0%	0.0%	25.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Senior	14.3%	57.1%	0.0%	0.0%	0.0%	14.3%	14.3%	0.0%	0.0%	0.0%
Professional qualified	57.1%	28.6%	0.0%	0.0%	14.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Skilled	70.0%	30.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Semi-skilled	50.0%	50.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Unskilled	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Variances	-13.9%	2.2%	5.2%	6.1%	-6.3%	-1.8%	1.8%	6.7%	2.0%	2.0%

The NGB has set Employment Equity targets according to the National Employment Equity targets.

National Employment Equity targets have been set for females in management positions at 50% and people with disabilities at 2%. The national targets when applied against the NGB's organisational structure translate to the following:

- There were twelve (12) approved top and senior management positions at the NGB. As at the end of the financial year, only five (5) were occupied by females. This translates to a 41.7% representation of females in this category in comparison to the 50% national target.
- There are no people with disabilities currently employed at the NGB.

A further analysis of the targets against the NGB's status quo reviews the following:

- Indians are over-represented as they form a combined total of 11.1% against target of 3% (males – 1 and females – 2)
- There is under-representation of whites and coloureds

Attempts made to address variances

The approved Employment Equity Plan provided for specific interventions in ensuring that the NGB worked towards meeting the desired Employment Equity targets. The plan was implemented and monitored. Advertisements for all positions were clearly designed to target under-represented categories, i.e. coloureds, whites and people with disabilities.



PART F FINANCIAL INFORMATION

REPORT OF THE AUDIT AND RISK COMMITTEE



We are pleased to present our report for the financial year ended 31 March 2019.

Audit and Risk Committee (ARC) responsibility

The ARC reports that it has complied with its responsibilities arising from Section 51 (1)(a)(ii) of the Public Finance Management Act, 1999 (Act 1 of 1999) and Treasury Regulation 27.1. The ARC also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

Our review of the findings of the internal audit work, which was based on the risk assessments conducted in the public entity, revealed minor weaknesses, which were then raised with the public entity.

The following internal audit work was completed during the year under review:

- Financial Discipline and Control Review
- Performance Audit on Pre-determined Objectives
- Compliance Audit
- ICT General Control Review
- ICT Vulnerability Assessment;
- Annual Financial Statements Review
- Contract Management Review

There were no significant areas of concern that were identified during the financial year.

In addition, the committee is satisfied that the internal audit function is operating effectively and that the Internal Audit Plan is implemented.

In an attempt to ensure that the NGB has been operating effectively, the Internal Audit Unit of **the dti** convened with the internal auditors of the NGB on a quarterly basis. Formal reports were tabled at these meetings by the NGB internal auditors. These reports included, but were not limited to, the performance of the entity, financial affairs and internal control effectiveness.

In-year management and quarterly report

The public entity has reported quarterly to the National Treasury as is required by the PFMA.

Quarterly reports were reviewed by the ARC and recommendations were made to the AA for the approval of the said reports. The committee was satisfied with the quality and content of the quarterly reports for the NGB.

The NGB ARC submitted quarterly reports on the performance of the NGB to the Audit Committee of **the dti**.

Evaluation of annual financial statements

We have reviewed the annual financial statements prepared by the public entity for FY2018/19. There were no matters of concern that were brought to the attention of the committee that warranted intervention.

REPORT OF THE AUDIT AND RISK COMMITTEE CONTINUED

Auditor's report

We have reviewed the entity's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved.

The ARC concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

Appreciation

The ARC congratulates the AA and the staff of the NGB on the achievement of a clean audit outcome for the fourth consecutive year and we wish to once more extend our heartfelt appreciation to them for their continued and ongoing efforts and commitment in supporting the ARC to discharge its statutory mandate and governance obligations.

On a personal note as Chairperson of the ARC, I am most appreciative of the dedication, valuable inputs and support of my ARC colleagues.



Dr Cleopas Sanangura

Acting Chairperson of the Audit and Risk Committee of the National Gambling Board

31 July 2019

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON NATIONAL GAMBLING BOARD



Report on the audit of the financial statements

Opinion

1. We have audited the financial statements of the National Gambling Board set out on pages 97 to 142, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Gambling Board as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practise (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA)

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the public entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, accounting authority is responsible for assessing the National Gambling Board's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

8. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON NATIONAL GAMBLING BOARD

CONTINUED

9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. 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 public entity for the year ended 31 March 2019:

Programme	Pages in the annual performance report
Programme 1 – Compliance	21 – 29
Programme 2 – Stakeholder liaison and advisory services	30 – 38
Programme 4 – Technical compliance	45 – 52

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not raise any material findings on the usefulness and reliability of the reported performance information for these programmes:
- Compliance
 - Stakeholder liaison and advisory services
 - Technical compliance

Other matter

15. I draw attention to the matter below.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON NATIONAL GAMBLING BOARD CONTINUED



Achievement of planned targets

16. Refer to the annual performance report on pages 21 to 54 for information on the achievement of planned targets for the year and explanations provided for the over achievement of a number of targets.

Report on the audit of compliance with legislation

Introduction and scope

17. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
18. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

19. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
20. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.
22. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary..

Internal control deficiencies

23. 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.

Auditor - General

Pretoria

31 July 2019



ANNEXURE – AUDITOR-GENERAL’S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the public entity’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity’s internal control.
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by accounting authority.
 - conclude on the appropriateness of the accounting authority/ [insert other’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Gambling Board

ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a public entity to cease continuing as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL



The Accounting Authority (AA) is required by the Public Finance Management Act 1999 (Act 1 of 1999) to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the AA to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The AA acknowledges it is ultimately responsible for the system of internal financial control established by the entity and places considerable importance on maintaining a strong control environment. To enable the AA to meet these responsibilities, the AA sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring that the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The AA is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The AA has reviewed the entity's cash flow forecast for the year to 31 July 2019 and, in the light of this review and the current financial position, is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The NGB is substantially dependent on **the dti** for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that **the dti** has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the AA is primarily responsible for the financial affairs of the NGB, it is supported by the entity's internal auditors and the Audit and Risk Committee (ARC) as assurance providers with respect to matters of oversight and governance.

The external auditors are responsible for independently auditing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is attached.

The annual financial statements which have been prepared on the going concern basis, were approved by the AA on 31 July 2019 and were signed by:

Ms Caroline Kongwa

Accounting Authority of the National Gambling Board

31 July 2019

STATEMENT OF FINANCIAL POSITION

as at 31 March 2019

Figures in Rand	Note(s)	2019	2018
ASSETS			
Current assets			
Cash and cash equivalents	3	33 936 920	31 003 303
Inventories	4	29 181	15 443
Receivables from exchange transactions	5	5 357 287	3 258 757
Accrued income – LPM monitoring fees	6	16 311 200	18 001 995
		55 634 588	52 279 498
Non-current assets			
Property, plant and equipment	7	7 860 330	8 646 011
Intangible assets	8	5 530 679	4 401 434
Receivables from exchange transactions	5	1 166 142	1 219 976
		14 557 151	14 267 421
Total assets		70 191 739	66 546 919
LIABILITIES			
Current liabilities			
Payables from exchange transactions	9	10 906 999	7 100 676
NCEMS service fees payable	10	13 571 543	17 413 682
Provisions	11	3 219 539	2 711 684
		27 698 081	27 226 042
Non-current liabilities			
Deferred rent and accommodation		6 886 946	8 587 800
Total liabilities		34 585 027	35 813 842
Net assets		35 606 712	30 733 077
Accumulated surplus		35 606 712	30 733 077

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2019

Figures in Rand	Note(s)	2019	2018
REVENUE			
Revenue from exchange transactions			
Limited payout machines (LPM) monitoring fees	12	202 034 064	63 694 286
Interest received		3 018 230	2 884 268
Other income	13	4 422 525	4 336 340
Total revenue from exchange transactions		209 474 819	70 914 894
Revenue from non-exchange transactions			
Government grants		32 624 000	31 627 000
Total revenue		242 098 819	102 541 894
EXPENDITURE			
Depreciation and amortisation	7&8	(2 537 576)	(2 335 648)
Employee related costs	14	(21 688 669)	(15 880 687)
Executive managers' remuneration	15	(3 855 792)	(3 349 688)
Finance costs		-	(22)
Operating leases	16	(7 563 510)	(7 733 874)
NCEMS service fees	12&17	(168 361 720)	(43 389 792)
General expenses	18	(19 208 201)	(16 170 195)
Total expenditure		(223 215 468)	(88 859 906)
Surplus for the year		18 883 351	13 681 988

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2019

Figures in Rand	Accumulated surplus	Total net assets
Balance at 1 April 2017	27 427 782	27 427 782
Changes in net assets		
Surplus for the year	13 681 988	13 681 988
Transfer of cash surplus to the National Treasury	(10 376 693)	(10 376 693)
Total changes	3 305 295	3 305 295
Balance at 1 April 2018	30 733 077	30 733 077
Changes in net assets		
Surplus for the year	18 883 351	18 883 351
Transfer of cash surplus to the National Treasury	(14 009 716)	(14 009 716)
Total changes	4 873 635	4 873 635
Balance at 31 March 2019	35 606 712	35 606 712

CASH FLOW STATEMENT

for the year ended 31 March 2019

Figures in Rand	Note(s)	2019	2018
Cash flows from operating activities			
Receipts			
Grants		32 624 000	31 627 000
Interest received		2 992 881	2 861 969
Rental income		2 277 180	2 214 149
Limited payout machines (LPM) monitoring fees		203 749 584	45 714 488
		241 643 645	82 417 606
Payments			
Employee related costs		(31 882 015)	(19 406 518)
Suppliers		(204 406 833)	(61 324 208)
		(236 288 848)	(80 730 726)
Net cash flows from operating activities	19	5 354 797	1 686 880
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(1 245 228)	(1 036 093)
Proceeds from sale of property, plant and equipment	7	–	161 555
Purchase of other intangible assets	8	(1 581 253)	(3 461 007)
Net cash flows from investing activities		(2 826 481)	(4 335 545)
Cash flows from financing activities			
Proceeds from confiscated winnings		405 301	353 356
Confiscated winnings refunded/surrendered to the State	9	–	(1 247 710)
Net cash flows from financing activities		405 301	(894 354)
Net (decrease)/increase in cash and cash equivalents		2 933 617	(3 543 019)
Cash and cash equivalents at the beginning of the year		31 003 303	34 546 322
Cash and cash equivalents at the end of the year	3	33 936 920	31 003 303

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

for the year ended 31 March 2019

Budget on accrual basis Figures in Rand	Approved budget	Adjustments	Final budget	Amounts on comparable basis	Difference between final budget and actual	Reference
STATEMENT OF FINANCIAL PERFORMANCE						
Revenue						
Revenue from exchange transactions						
Limited payout machines (LPM) monitoring fees	170 490 866	31 539 134	202 030 000	202 034 064	4 064	29
Interest received (trading)	4 562 263	(1 569 579)	2 992 684	3 018 230	25 546	29
Other income	4 311 566	128 434	4 440 000	4 422 525	(17 475)	29
Total revenue from exchange transactions	179 364 695	30 097 989	209 462 684	209 474 819	12 135	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants	32 624 000	–	32 624 000	32 624 000	–	
Total revenue	211 988 695	30 097 989	242 086 684	242 098 819	12 135	
Expenditure						
Employee related costs	(22 697 468)	930 753	(21 766 715)	(21 688 669)	78 046	29
Executive managers' remuneration	(3 892 011)	60 257	(3 831 754)	(3 855 792)	(24 038)	29
Depreciation and amortisation	(2 671 960)	123 126	(2 548 834)	(2 537 576)	11 258	29
Operating leases	(8 166 173)	626 173	(7 540 000)	(7 563 510)	(23 510)	29
NCEMS service fees	(142 075 721)	(26 282 612)	(168 358 333)	(168 361 720)	(3 387)	29
Other operating expenses	(29 790 038)	(1 760 044)	(31 550 082)	(19 208 201)	12 341 881	29
Total expenditure	(209 293 371)	(26 302 347)	(235 595 718)	(223 215 468)	12 380 250	
Surplus for the year	2 695 324	3 795 642	6 490 966	18 883 351	12 392 385	

STATEMENT OF COMPARISON AND ACTUAL AMOUNTS

for the year ended 31 March 2019

Budget on accrual basis Figures in Rand	Approved budget	Adjustments	Final budget	Amounts on comparable basis	Difference between final budget and actual	Reference
STATEMENT OF FINANCIAL POSITION						
Assets						
Non-current assets						
Property, plant and equipment	547 000	768 715	1 315 715	1 314 000	(1 715)	29
Intangible assets	418 000	1 164 779	1 582 779	1 581 254	(1 525)	29
	965 000	1 933 494	2 898 494	2 895 254	(3 240)	
Total assets	965 000	1 933 494	2 898 494	2 895 254	(3 240)	
Net assets	965 000	1 933 494	2 898 494	2 895 254	(3 240)	
Net assets						
Net assets attributable to owners of controlling entity						
Reserves						
Accumulated surplus	965 000	1 933 494	2 898 494	2 895 254	(3 240)	

ACCOUNTING POLICIES

I. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 55(1) of the Public Finance Management Act 1999 (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

I.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

I.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

I.3 Rounding

Unless otherwise stated all financial figures have been rounded off to the nearest one rand.

I.4 Significant Accounting Judgements and Estimates

In preparing the financial statements, management makes estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include : provision for doubtful debts; bonus provision; leave provision; useful lives and depreciation methods and asset impairment. Notes relating to the subject are included under the affected areas of the financial statements.

Trade receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flow from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain

ACCOUNTING POLICIES CONTINUED

and could materially change over time. They are significantly affected by a number of factors including obsolescence and information technological advancements, together with economic factors such as inflation.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11 – Provisions.

Residual values and useful lives of PPE

The entity determines the estimated useful lives and related depreciation charges for PPE. Residual values, useful lives and depreciation methods for each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be utilised for more than one financial reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a monetary asset or non-monetary asset, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

ACCOUNTING POLICIES CONTINUED

15. Property, plant and equipment continued

Recognition of costs in the carrying amount for an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are subsequently carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Leasehold improvements	Straight line	over the lease period
Furniture and office equipment	Straight line	3 to 10 years
Motor vehicles	Straight line	5 years
IT equipment	Straight line	3 to 10 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sells as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

ACCOUNTING POLICIES CONTINUED

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

ACCOUNTING POLICIES CONTINUED

1.6 Intangible assets continued

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, internally generated	4 to 10 years
Computer software, other	3 to 10 years
National Databases	4 to 10 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts are non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

ACCOUNTING POLICIES CONTINUED

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

ACCOUNTING POLICIES CONTINUED

1.8 Financial instruments continued

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially favourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

ACCOUNTING POLICIES CONTINUED

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost using effective interest rate.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

ACCOUNTING POLICIES CONTINUED

I.8 Financial instruments continued

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Financial Risk Management

In running its operations the organisation is exposed to interest rate, liquidity, credit and market risks. The NGB has developed a comprehensive risk management process which monitors and controls the impact of such risks on the organisation's daily operations. The risk management process relating to each of these risks is discussed under the headings below.

Credit Risk and Market Risk

Credit risk consists mainly of accounts receivable and cash and cash equivalents. This is the risk of the entity being exposed to counter party failures. Although this risk is unlikely to occur in the short term, it is mitigated as follows:

- Cash and short-term deposits are placed with well established financial institutions of high quality and credit standing and also approved by National Treasury;
- Transactions are entered into with reputable financial institutions which are approved by National Treasury;
- Funds are invested in short-term facilities; and
- The organisation does not raise debtors in its ordinary course of business.

Credit risk with respect to accounts receivable is limited due to the nature of the entity's business and its reliance on government grant as the main source of funding.

ACCOUNTING POLICIES CONTINUED

Market risk is the risk that the value of an investment will decrease due to changes in market factors. The above stated mitigating factors apply to market risk as well.

Interest Rate Risk Management

This is the risk that adverse changes in interest rates will have a negative impact on the net income of the entity. The inherent interest rate risk is concentrated in short term investments and deposits which are highly liquid. This risk is managed by:

- investing in short term deposit accounts;
- transacting with well established financial institutions of high quality credit standing and the accounts bearing interest at prevailing market rates; and
- the entity does not hold significant finance leases with fluctuating interest rates.

Liquidity Risk

This is the risk that the entity may encounter difficulties in raising funds to meet its statutory commitments. Liquidity risk is managed by:

- investing in short term deposit facilities held between 14 and 32 days;
- timeous request and release of funds by the dti to the NGB; and
- the nature of the entity's business is on a 30 days cash cycle basis.

Fair Value

The entity's financial instruments consist mainly of cash and cash equivalents, receivables and trade payables. No financial asset was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial assets. The carrying amounts of financial assets and liabilities approximate their fair values.

I.9 Taxation

The entity is exempt from income taxation in terms of Section 10(1)(cA) of the Income Tax Act, 1962 (Act 58 of 1962).

I.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases

The entity recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the entity's net investment in the finance lease.

ACCOUNTING POLICIES CONTINUED

I.10 Leases continued

Assets held under finance leases are recognised as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statement of financial performance.

Operating leases

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Income for leases is disclosed under revenue in the statement of financial performance.

Leases under which the lessor effectively retains the risks and benefits of ownership are classified as operating leases. Obligations incurred under operating leases are charged against income in equal instalments over the period of the lease.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

I.11 Contingent Liabilities

Contingent liabilities are possible obligations that arose from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within control of the entity; or a present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

I.12 Capital Commitments

Capital commitments are disclosed in respect of contracted amounts for which delivery by the contractor is outstanding at the accounting date, and for amounts which the NGB's approval has been obtained but not yet contracted for.

I.13 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

ACCOUNTING POLICIES CONTINUED

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

I.14 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

ACCOUNTING POLICIES CONTINUED

I.14 Impairment of non-cash-generating assets continued

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Criteria developed by the entity to distinguish non-cash-generating assets from cash-generating assets are as follows:

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets' remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined by using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

ACCOUNTING POLICIES CONTINUED

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.15 Employee benefits

Short-term employee benefits

The cost of all short term employee benefits is recognised during the period in which the employee renders the related service.

The provisions for employee entitlements to salaries and annual leave represent the amount which the organisation has a present obligation to pay as a result of employees' services provided for at the reporting date. The provisions have been calculated at undiscounted amounts based on current salary rates.

Retirement benefits

Provident Fund

Both the entity and employees contribute to a defined contribution fund. Benefits are provided to all eligible employees. Contributions to the Provident fund operated for employees are charged against income as incurred. The funds are externally managed.

ACCOUNTING POLICIES CONTINUED

I.16 Provisions

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Employees entitlement to annual leave is recognized when it accrues. A provision is made on the estimated liability for annual leave as a result of services rendered by employees up to the amount of the obligation.

Employees entitlement to performance bonus is recognised when the NGB has approved a percentage of the annual package as bonus for the year. The provision becomes actual after being qualified by the results of the performance measurement tool applied.

Payment of performance bonuses is at the sole discretion of the NGB. The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

I.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

ACCOUNTING POLICIES CONTINUED

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

ACCOUNTING POLICIES CONTINUED

1.19 Revenue recognition

Revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the NGB and can be reliably measured.

Government grants are recognised when there is reasonable assurance that such grant will be received and all related conditions are complied with. Interest is recognised on a time proportion basis that takes into account the effective yield on assets.

Revenue from non-exchange transactions is distinguished from revenue from exchange transactions. The corresponding trade and other receivables are split between trade and other receivables from exchange transactions and trade and other receivables from non-exchange transactions.

1.20 Comparative figures

Prior period comparative information is presented in the current financial year. Where necessary, comparative figures are adjusted to conform to changes in presentation in the current year.

1.21 Irregular, Fruitless and Wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

In terms of section 55(2)(b)(i) of the Public Finance Management Act, 1999 the financial statements must include particulars of any irregular and fruitless and wasteful expenditure.

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

ACCOUNTING POLICIES CONTINUED

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonation is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

I.23 Budget information

Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/04/01 to 2019/03/31.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

ACCOUNTING POLICIES CONTINUED

1.24 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2019 or later periods:

Standard/Interpretation	Effective date: Years beginning on or after	Expected impact
GRAP 34: Separate Financial Statements	1 April 2020	Unlikely there will be a material impact
GRAP 35: Consolidated Financial Statements	1 April 2020	Unlikely there will be a material impact
GRAP 36: Investments in Associates and Joint Ventures	1 April 2020	Unlikely there will be a material impact
GRAP 37: Joint Arrangements	1 April 2020	Unlikely there will be a material impact
GRAP 38: Disclosure of Interests in Other Entities	1 April 2020	Unlikely there will be a material impact
Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	1 April 2019	Unlikely there will be a material impact
GRAP 110 (as amended 2016): Living and Non-living Resources	1 April 2020	Unlikely there will be a material impact
GRAP 20: Related Parties	1 April 2019	Unlikely there will be a material impact
GRAP 32: Service Concession Arrangements: Grantor	1 April 2019	Unlikely there will be a material impact
IGRAP 19: Liabilities to pay levies	1 April 2019	Unlikely there will be a material impact
GRAP 108: Statutory Receivables	1 April 2019	Unlikely there will be a material impact
GRAP 109: Accounting by Principals and Agents	1 April 2019	Unlikely there will be a material impact
IGRAP 1: Applying the probability test on initial recognition of revenue	1 April 2019	Unlikely there will be a material impact
IGRAP 20: Accounting for adjustments to revenue	1 April 2019	Unlikely there will be a material impact
IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	1 April 2019	Unlikely there will be a material impact
IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	1 April 2019	Unlikely there will be a material impact

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

Figures in Rand	2019	2018
3. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Cash on hand	3 556	995
Bank balances	28 986 963	26 450 608
Short-term deposits – confiscated winnings	4 946 401	4 551 700
	33 936 920	31 003 303
4. INVENTORIES		
Stationery on hand and consumables	29 181	15 443
5. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Trade debtors	48 707	8 429
Prepayments	1 213 163	1 354 082
Operating lease receivables	5 261 559	3 116 222
	6 523 429	4 478 733
Non-current assets	1 166 142	1 219 976
Current assets	5 357 287	3 258 757
	6 523 429	4 478 733
6. ACCRUED INCOME – LPM MONITORING FEES		
LPM monitoring fees accrued but not yet received	16 311 200	18 001 995
LPM monitoring fees are recognised as current assets when they accrue to the NGB from LPM operators.		

7. PROPERTY, PLANT AND EQUIPMENT

Figures in Rand	2019			2018		
	Cost/ valuation	Accumulated depreciation	Carrying value	Cost/ valuation	Accumulated depreciation	Carrying value
Furniture and office equipment	3 740 182	(1 882 216)	1 857 966	3 251 098	(1 582 179)	1 668 919
Motor vehicles	1 113 177	(335 902)	777 275	1 113 177	(161 267)	951 910
IT equipment	2 021 487	(960 913)	1 060 574	1 566 656	(782 230)	784 426
Leasehold improvements	11 059 797	(6 895 282)	4 164 515	10 991 027	(5 750 271)	5 240 756
Total	17 934 643	(10 074 313)	7 860 330	16 921 958	(8 275 947)	8 646 011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

Reconciliation of property, plant and equipment – 2019

Figures in Rand	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and office equipment	1 668 919	608 713	(13 679)	(405 987)	1 857 966
Motor vehicles	951 910	–	–	(174 635)	777 275
IT equipment	784 426	636 518	(435)	(359 935)	1 060 574
Leasehold improvements	5 240 756	68 770	–	(1 145 011)	4 164 515
	8 646 011	1 314 001	(14 114)	(2 085 568)	7 860 330

Reconciliation of property, plant and equipment – 2018

Figures in Rand	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and office equipment	1 949 926	22 859	–	(303 866)	1 668 919
Motor vehicles	390 590	812 100	(122 017)	(128 763)	951 910
IT equipment	828 214	275 585	(12 756)	(306 617)	784 426
Leasehold improvements	6 214 989	140 717	–	(1 114 950)	5 240 756
	9 383 719	1 251 261	(134 773)	(1 854 196)	8 646 011

Pledged as security

None of the assets disclosed above have been pledged as security for liabilities.

8. INTANGIBLE ASSETS

Figures in Rand	2019			2018		
	Cost/ valuation	Accumulated amortisation	Carrying value	Cost/ valuation	Accumulated amortisation	Carrying value
Computer software, internally generated	5 602 573	(764 690)	4 837 883	4 059 795	(572 549)	3 487 246
Computer software, other	1 453 550	(760 754)	692 796	1 507 199	(593 011)	914 188
Total	7 056 123	(1 525 444)	5 530 679	5 566 994	(1 165 560)	4 401 434

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

8. INTANGIBLE ASSETS continued

Reconciliation of intangible assets – 2019

Figures in Rand	Opening balance	Additions	Internally generated	Amortisation	Total
Computer software, internally generated	3 487 246	–	1 542 778	(192 141)	4 837 883
Computer software, other	914 188	38 475	–	(259 867)	692 796
	4 401 434	38 475	1 542 778	(452 008)	5 530 679

Reconciliation of intangible assets – 2018

Figures in Rand	Opening balance	Additions	Internally generated	Amortisation	Total
Computer software, internally generated	751 843	–	2 947 761	(212 358)	3 487 246
Computer software, other	670 036	513 246	–	(269 094)	914 188
	1 421 879	513 246	2 947 761	(481 452)	4 401 434

Pledged as security

None of the assets disclosed above have been pledged as security for liabilities.

9. PAYABLES FROM EXCHANGE TRANSACTIONS

Figures in Rand	2019	2018
Trade payables	4 396 489	1 744 524
Deferred rent and accommodation	1 564 720	815 737
Unidentified confiscated gambling winnings	4 447 099	4 214 250
Confiscated winnings from identified punters	498 691	326 165
	10 906 999	7 100 676

Unidentified confiscated gambling winnings refer to moneys confiscated from suspected illegal gamblers whose identity has not been established by the NGB. Confiscated winnings from identified punters, on the other hand, refer to moneys confiscated from suspected illegal gamblers whose identity has been established through the completion of a form (NGB 2 form) which contains details of such punters from whom such winnings have been confiscated. For all winnings confiscated, banks and establishments are required to complete an NGB 2 form and send it to the NGB to enable the NGB to approach the courts to confirm that such winnings are indeed illegal winnings so they can be forfeited to the State. If the confiscated winnings are declared by the courts not to be illegal winnings, such winnings are refunded to the punters.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

10. NCEMS SERVICE FEES PAYABLE

Figures in Rand	2019	2018
NCEMS service fees incurred but not yet paid	13 571 543	17 413 682

NCEMS service fees are recognised as current liabilities when they accrue to the NCEMS operator.

11. PROVISIONS

Reconciliation of provisions – 2019

Figures in Rand	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Leave provision	1 122 109	1 820 055	(1 989 925)	–	952 239
Provision for Compensation Commissioner	91 045	47 872	–	–	138 917
Provision for performance bonuses	1 498 530	2 069 368	(1 012 826)	(426 689)	2 128 383
	2 711 684	3 937 295	(3 002 751)	(426 689)	3 219 539

Reconciliation of provisions – 2018

Figures in Rand	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Leave provision	1 017 897	1 444 032	(1 339 820)	–	1 122 109
Provision for Compensation Commissioner	54 678	36 367	–	–	91 045
Provision for performance bonuses	1 626 868	1 498 530	(1 577 118)	(49 750)	1 498 530
	2 699 443	2 978 929	(2 916 938)	(49 750)	2 711 684

Provision for performance bonuses

The provision for performance bonuses is based on a maximum limit of 10% of the total annual salary package for all employees. It is anticipated that bonuses will be paid within the next twelve months.

The amount to be paid for bonuses is uncertain as it is linked to the achievement of pre-determined key deliverables, the achievement of which is measured as a percentage of the total key performance areas. The exact amount of future cash outflows related to bonuses can only be determined once performance has been measured.

Leave pay provision

Provision for leave pay is calculated at current salary rate multiplied by the number of available leave credits. The leave credits are expected to become payable when an employee ceases to become an employee of the NGB.

It is not known how many or when employees will leave the employ of the NGB, giving rise to an uncertainty about the amount and timing of the expected outflows relating to the leave pay provision.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

11. PROVISIONS continued

Provision for Compensation Commissioner

The provision for Compensation Commissioner relates to a provision for an amount to be paid as an insurance against occupational injuries for staff. The amount is based on a return of earnings (ROE) which is submitted annually to the Compensation Commissioner. It is anticipated the amount will be paid within the next twelve months.

The balance of R138 917 is calculated as a percentage of total earnings (0.41%). The uncertainty about the amount payable arises from the fact that the entity is yet to file its ROE with the Compensation Commissioner for the 2018/19 financial period, which ROE will result in an assessment and invoice from the Commissioner.

12. LIMITED PAYOUT MACHINES (LPM) MONITORING FEES

Figures in Rand	2019	2018
LPM monitoring fees charged	202 034 064	63 694 286

The NGB is required by the National Gambling Act (Act No. 33 of 1996) ("the Act") to establish a National Central Electronic Monitoring System (NCEMS) capable of monitoring significant events relating to limited payout machines (LPMs). To this end, the NGB appointed an NCEMS operator to establish and maintain an NCEMS monitoring system. The NCEMS operator performs this function by connecting to each LPM throughout the country through the internet. LPM's are gambling machines found in pubs, clubs and taverns which resemble gambling machines in casinos except that they have a restricted prize as described in section 26 of the Act. In exchange for monitoring LPM activities, the NGB charges a monitoring fee, which is collected from LPM operators by the NCEMS operator on behalf of the NGB. The NGB pays the NCEMS operator a fee for the services rendered.

13. OTHER INCOME

Figures in Rand	2019	2018
Rental income – related party	4 422 515	4 250 052
Profit on sale of assets and other refunds	10	86 288
	4 422 525	4 336 340
Future minimum lease payments under a non-cancellable operating lease for a leased building:		
Within one year	4 284 990	3 961 017
Two to five years	8 736 631	13 021 350
	13 021 621	16 982 367

The NGB has leased a building to **the dti** under a sub-letting arrangement for a period of 8 years and four months, effective from 1 December 2012. Monthly rental payments of R171 735 (including VAT) are payable to the NGB, with an annual escalation clause of 6.5%. No contingent rent is payable. The lease agreement is not renewable at the end of the lease term.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

The NGB has leased another building to **the dti** for occupation by the BBBEE Commission under a sub-letting arrangement for a period of 5 years and six months, effective from 1 May 2017. As at 31 March 2018 monthly rental payments of R181 863 (including VAT) are payable to the NGB, with an annual escalation clause of 10%. No contingent rent is payable. The lease agreement is not renewable at the end of the lease term.

14. EMPLOYEE RELATED COSTS

Figures in Rand	2019	2018
Basic	19 140 800	15 026 751
UIF	49 721	42 090
Leave pay provision charge	(172 282)	286 143
Employee benefits	606 082	472 449
13th Cheques	1 460 217	–
Housing benefits and allowances	535 000	–
Other salary related	69 131	53 254
	21 688 669	15 880 687

15. EXECUTIVE MANAGERS' REMUNERATION

Executive 2019

Figures in Rand	Emoluments	Allowances	Pension/ provident fund	Medical aid	13 th Cheque	Total
Chief Financial Officer: Ms K Mackerduth	1 217 253	22 100	162 504	–	114 979	1 516 836
Accounting Authority: Ms Caroline Kongwa	1 909 767	–	97 249	8 640	169 259	2 184 915
	3 127 020	22 100	259 753	8 640	284 238	3 701 751

Over and above the remuneration disclosed above the Chief Financial Officer: Ms K. Mackerduth received a performance bonus of R127 755 during the year ended 31 March 2019. While the expenditure was provided for in the previous financial period, the payment was made during the current period.

Over and above the remuneration disclosed above the Accounting Authority: Ms C. Kongwa received a performance bonus of R188 066 during the year ended 31 March 2019. While the expenditure was provided for in the previous financial period, the payment was made during the current period.

Other benefits comprise payments for the administration of the provident fund, disability insurance, group life assurance and funeral insurance for the Chief Financial Officer: Ms K. Mackerduth, R40 752.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

13. EXECUTIVE MANAGERS' REMUNERATION continued

2018

Figures in Rand	Emoluments	Allowances	Pension/ provident fund	Medical Aid	Payment in lieu of leave	Total
Chief Financial Officer: Ms K Mackerduth	1 127 578	9 600	149 976	–	–	1 287 154
Accounting Authority: Ms Caroline Kongwa	1 780 156	–	91 949	8 640	38 573	1 919 318
	2 907 734	9 600	241 925	8 640	38 573	3 206 472

Over and above the remuneration disclosed above the Chief Financial Officer: Ms K. Mackerduth received a performance bonus of R248 851 during the year ended 31 March 2018. While the expenditure was provided for in the previous financial period, the payment was made during the current period.

Over and above the remuneration disclosed above the Accounting Authority: Ms C. Kongwa received a performance bonus of R366 328 during the year ended 31 March 2018. While the expenditure was provided for in the previous financial period, the payment was made during the current period.

Other benefits comprise payments for the administration of the provident fund, disability insurance, group life assurance and funeral insurance for the Chief Financial Officer: Ms K. Mackerduth, R35 455.

Non-executive

2019

Figures in Rand	Members' fees	Total
Ms GA Deiner (Audit Committee Chairperson) – (termination date: 31 December 2018)	37 251	37 251
Mr J Matshiya (Audit Committee member)	38 220	38 220
Mr M Sass (Audit Committee member)	20 952	20 952
Dr C Sanangura (Audit Committee member)	36 666	36 666
Ms N Hedder (Audit Committee member)	20 952	20 952
	154 041	154 041

2018

Figures in Rand	Members' fees	Total
Ms GA Deiner (Audit Committee Chairperson)	76 175	76 175
Ms PN Sibiya (Audit Committee member)	19 864	19 864
Mr J Matshiya (Audit Committee member)	24 830	24 830
Mr M Sass (Audit Committee member)	7 449	7 449
Dr C Sanangura (Audit Committee member)	7 449	7 449
Ms N Hedder (Audit Committee member)	7 449	7 449
	143 216	143 216

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

16. OPERATING LEASE EXPENSE

Figures in Rand	2019	2018
Current year		
Premises	7 386 386	7 625 000
Photocopiers	177 124	108 874
	7 563 510	7 733 874
Future minimum lease payments under non-cancellable operating leases for buildings		
Within one year	8 960 061	8 211 081
Two to five years	23 048 487	32 008 548
	32 008 548	40 219 629

The National Gambling Board leases a building from M&T Development (Pty) Ltd for a period of nine years and eleven months, effective from 1 December 2012. As at 31 March 2019, monthly rental payments of R545 588 (including VAT) are payable, with an annual escalation clause of 10% per annum. The lease is renewable for an optional period of a further nine years and eleven months. The entity is also contracted to Motseng Properties for a period of 15 years, effective from 1 April 2006. The lease payments are R181 863 (including VAT) per month, with an annual escalation clause of 6.5%. No contingent rent is payable. The NGB has an option to renew the lease agreement for a period which is on the same terms and conditions as those contained in the current agreement. The leased building has been sub-let to **the dti** for the remainder of the lease period.

Figures in Rand	2019	2018
Future minimum lease payments under non-cancellable operating lease for photocopiers		
Within one year	82 722	101 295
Two to five years	89 616	–
	172 338	101 295

The NGB is renting three (3) photocopy machines from Konica Minolta over 36 months contracts. Monthly rentals of R9 073 are payable with no escalation clauses. No contingent rent is payable and the lease contracts are not renewable at the end of the lease period.

17. NCEMS SERVICE FEES

Figures in Rand	2019	2018
Service fees paid to NCEMS operator	168 361 720	43 389 792

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

Figures in Rand	2019	2018
18. GENERAL EXPENSES		
Professional and consulting fees		
Legal fees	1 728 321	7 378 137
Research	73 881	1 697 745
Internal Audit	649 549	96 992
Other consulting fees	225 895	1 257 611
	2 677 646	10 430 485
Travel and subsistence		
Travel – local	2 675 959	578 882
Travel – overseas	3 475 422	660 598
	6 151 381	1 239 480
Other operating expenses		
Recruitment costs	137 084	89 478
Advertising	2 489 373	75 271
Training	1 238 891	92 568
Temporary staff costs	79 444	309 387
Internet costs	485 314	185 870
Telephone and fax	79 277	144 507
Printing and stationery	413 597	285 975
Bank charges	44 208	30 071
Car license	1 644	2 200
Cleaning	92 619	83 604
Conferences	476 165	318 000
Copying costs	173 535	126 019
Postage and courier services	4 318	5 638
Fuel and oil	77 310	40 391
Subscriptions and membership fees	790 985	315 357
Water and electricity	516 141	452 956
Software expenses	680 081	291 700
Stationery	132 356	67 136
General maintenance	343 146	63 917
Small office equipment	88 200	20 342
Insurance	134 833	76 325
Refreshments	114 211	85 448
Storage	62 266	8 251
Security costs	115 119	4 104
Loss on disposal of assets	14 115	12 814
Impairment of debtors	–	5 930
Magazines, books and periodicals	–	1 068
	8 784 232	3 194 327

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

Figures in Rand	2019	2018
Repairs and maintenance		
Property, plant and equipment	138 323	139 550
Auditors' remuneration		
External audit fees	1 456 619	1 166 353
	1 594 942	1 305 903
	19 208 201	16 170 195

19. CASH GENERATED FROM OPERATIONS

Figures in Rand	2019	2018
Surplus	18 883 351	13 681 988
Adjustments for:		
Depreciation and amortisation	2 537 576	2 335 648
Profit and loss on disposal of non-current assets	14 115	(67 464)
Transfer of cash surplus to National Treasury	(14 009 716)	(10 376 693)
Movements in provisions	507 855	12 240
Changes in working capital:		
Inventories	(13 739)	19 017
Receivables from exchange transactions	(353 899)	(20 800 339)
Payables from exchange transactions	(2 210 746)	17 311 337
Deferred rent and accommodation	–	(428 854)
	5 354 797	1 686 880

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

20. COMMITMENTS

Figures in Rand

	2019	2018
Authorised capital expenditure		
Already contracted for but not provided for		
Computer equipment	–	52 518
Development of National Registers	–	1 545 652
Board room chairs	–	54 600
Two screens for the board room	–	378 274
Hard drive storage for servers	–	298 272
	–	2 329 316
Total capital commitments		
Already contracted for but not provided for	–	2 329 316
Authorised operational expenditure		
Already contracted for but not provided for		
• Internal audit services	–	248 491
• Website hosting	100 168	233 725
• Legal services	3 720 686	3 720 686
• Quality assurance of bid process	–	499 653
• Research services	1 340 044	1 413 925
• Cleaning services	46 274	131 216
• Internet and telephone services	–	277 542
• Subscriptions to gambling news	–	82 558
• Insurance services	35 879	160 746
• Hosting of National Registers	229 027	372 775
• National Radio Campaign	–	502 458
• Design, layout, printing and publishing of Gambling Sector Performance report	–	16 974
• Advertising in a gambling and hotel magazine	–	103 328
• Advertising in sports publications	–	54 150
• Design and layout of a research report	–	65 180
• Repairs and maintenance - building	–	9 242
• Printers	–	246 009
• On-line subscription to legal publications	–	496 491
• Off-site storage services	–	63 831
• Data lines	121 735	–
• Recruitment services	254 946	–
• Printing of corporate documents	906 675	–
• Multi-media awareness campaign	2 739 817	–
• Training services	173 966	–
• Maintenance of national registers	449 052	–
• Internet and telephone services	3 295 411	–
• Workplace skills plan development	131 348	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

Figures in Rand	2019	2018
• Web hosting	2 109 042	—
• Event management services - conference	3 436 801	—
• Employee wellness services	267 936	—
• Mediation services	230 000	—
• Media monitoring services	225 423	—
• Printers	459 074	—
• Internal audit services	1 186 370	—
• Armed response services	17 201	—
• Security services	273 820	—
• Competency assessments	9 200	—
• Transcription services	46 872	—
• Off-site storage services	41 574	—
	21 848 341	8 698 980
Total operational commitments		
Already contracted for but not provided for	21 848 341	8 698 980
Total commitments		
Authorised capital expenditure	—	2 329 316
Authorised operational expenditure	21 848 341	8 698 980
	21 848 341	11 028 296

The committed operational and capital expenditure will be financed from retained cash surpluses.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

21. RELATED PARTIES

Relationships

Companies and Intellectual Property Commission (CIPC)	Schedule 3A public entity under common control
Companies Tribunal (CT)	Schedule 3A public entity under common control
National Credit Regulator (NCR)	Schedule 3A public entity under common control
National Consumer Tribunal (NCT)	Schedule 3A public entity under common control
National Consumer Commission (NCC)	Schedule 3A public entity under common control
South African National Accreditation System (SANAS)	Schedule 3A public entity under common control
National Metrology Institute of South Africa (NMISA)	Schedule 3A public entity under common control
The Department of Trade and Industry (the dti)	National department in national sphere
National Regulator for Compulsory Specifications (NRCS)	Schedule 3A public entity under common control
National Empowerment Fund (NEF)	Schedule 3A public entity under common control
National Lotteries Commission (NLC)	Schedule 3A public entity under common control
Export Credit Insurance Corporation (ECIC)	Schedule 3B public entity under common control
South African Bureau of Standards (SABS)	Schedule 3B public entity under common control

Figures in Rand

Related party balances

Rental receivable from related parties

Rental for a building leased to the Department of Trade and Industry

3 766 566

1 701 349

Related party transactions

Rental received from related parties

The Department of Trade and Industry

2 277 180

2 214 149

Payments made to related parties

The Department of Trade and Industry – Allowances and reimbursements for the Administrator

2 036 733

1 926 823

The NGB is a signatory to a lease contract with Motseng Properties for office premises located on **the dti** Campus. The NGB has sub-let the office premises to **the dti** which re-imburses the NGB for the rental paid. Further, the NGB is a signatory to a lease contract with M&T Development (Pty) Ltd for office premises located in Eco Park, Centurion. The NGB has sub-let a section of the leased property to **the dti**, for occupation by the Broad-Based Black Economic Empowerment Commission, which re-imburses the NGB for the rental paid.

22. CHANGE IN ACCOUNTING ESTIMATE

Property, plant and equipment and intangible assets

The remaining useful lives of all assets were assessed during the year. A change in accounting estimate was made in relation to Computer Equipment and Computer Software. The effect of the change in accounting estimate on the current year's results was an increase in the current year's surplus by R11 910. The effect of the change in accounting estimate on future financial years will be a decrease in net surplus by R10 302, R809 and R809 for the financial period 2019/20, 2020/21 and years thereafter respectively.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

23. RISK MANAGEMENT

Liquidity risk

Liquidity risk is the risk that the organisation may not be able to meet its financial obligations as they fall due. This risk is regarded as low considering the entity's current funding structures and management of available cash resources. The NGB monitors its cash flow requirements which include its ability to meet financial obligations. The NGB also analyses its financial liabilities based on the remaining period to contractual maturity. Liabilities fall due after 30 days.

Figures in Rand	2019	2018
Other financial liabilities	22 913 823	23 698 621

The table below illustrates the NGB's maturity analysis for non-derivative financial liabilities:

At 31 March 2019	Less than one year	Between one and two years	Between two and five years	Over five years	Total
Figures in Rand					
Operating leases	–	9 042 783	23 138 103	–	32 180 886
Trade and other payables	17 376 291	168 246	5 369 286	–	22 913 823
	17 376 291	9 211 029	28 507 389	–	55 094 709
At 31 March 2018					
Operating leases	917 035	8 211 081	32 008 547	–	41 136 663
Trade and other payables	18 263 797	1 057 343	4 377 481	–	23 698 621
	19 180 832	9 268 424	36 386 028	–	64 835 284

The NGB manages liquidity risk through an on-going review of future commitments. Annual cash flow forecasts are prepared and monitored. The entity receives an annual grant and is, therefore, not exposed to liquidity risk.

Sensitivity analysis

A change in the market interest rate at the reporting date would have increased/(decreased) the surplus for the year by amounts below:

Figures in Rand	2019	2018
Cash and cash equivalents-increase by 1%	339 369	310 033
Cash and cash equivalents-decrease by 1%	(339 369)	(310 033)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

22. RISK MANAGEMENT continued

Interest rate risk

The organisation is exposed to interest rate risk in respect of returns on investments with financial institutions. During the year under review the entity held no finance lease contracts.

Interest rate risk is a risk that adverse changes in interest rates will negatively impact on the net income of the organisation. This exposure to interest rate risk is mitigated by investing on short term basis in fixed deposits. The other factor is that the NGB does not hold significant finance leases with fluctuating interest rates.

Age analysis of financial assets that are past due but not impaired

Trade receivables Figures in Rand	1 – 30 days past due	60 – 90 days past due	90 – 120 days past due	More than 120 days past due	Total
2019	17 461 993	186 174	182 749	3 508 719	21 339 635
2018	13 503 086	6 521 366	149 530	891 873	21 065 855
	30 965 079	6 707 540	332 279	4 400 592	42 405 490

Credit risk and market risk

Credit risk arises mainly from receivables and cash and cash equivalents. The NGB's exposure to credit risk arises because of default of counterparties with the maximum exposure equal to the carrying amount of these instruments. Market risk refers to the risk that the value of an investment will decrease due to moves in market factors. These risks are mitigated as follows:

- Cash and Cash equivalents are placed with high credit quality financial institutions thus rendering the credit risk with regard to cash and cash equivalents limited.
- Transactions are entered into with reputable institutions approved by National Treasury.
- With regard to accounts receivables credit risk is limited by the fact that the organisation does not issue loans to staff or raise debtors in its day to day operations.
- Funds are invested in short term facilities which are highly liquid.
- The entity does not offer credit facilities either to employees or any other person except where a debtor may be raised due to advance on travel and subsistence.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

Exposure to credit risk

Maximum exposure to credit and market risk at the reporting date from financial assets was:

Figures in Rand	2019	2018
Cash and cash equivalents	33 936 919	31 003 304
Other receivables	22 834 628	22 480 729
	56 771 547	53 484 033

Concentration of credit risk

The maximum exposure to credit risk for financial assets at the reporting date by credit rating category was as follows:

Figures in Rand	2019	2018
Cash and cash equivalents (excluding petty cash)	33 933 364	31 002 309
Other receivables	22 834 628	22 480 729
	56 767 992	53 483 038

Financial instruments

The following table shows the classification on the entity's financial instruments together with their carrying values:

Figures in Rand	2019	2018
Cash and cash equivalents (excluding petty cash)	33 933 364	31 002 309
Receivables	22 834 628	22 480 729
Other financial liabilities	(22 913 823)	(23 698 621)
	33 854 169	29 784 417

24. GOING CONCERN

We draw attention to the fact that as at 31 March 2019, the entity reported a net surplus of R18,9 million and a favourable total debt to total assets ratio of 0.49:1. The NGB is substantially dependent on the government for continued funding of its operations. The entity's five year strategy, the annual performance plan and budget were approved by the Minister of **the dti**, which is indicative of a commitment to fund the NGB's operations for the next medium term expenditure framework (MTEF) period. The NGB's ability to continue as a going concern and meet its financial obligations remains intact, and is further strengthened by the additional revenue of R202 million earned from the National Central Electronic Monitoring System (NCEMS) during the year under review, arising out of an eight (8) year contract with the NCEMS operator.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

25. UNAUTHORISED EXPENDITURE

There was no unauthorised expenditure during the year.

26. FRUITLESS AND WASTEFUL EXPENDITURE

There was no fruitless and wasteful expenditure during the year.

27. IRREGULAR EXPENDITURE

There was no irregular expenditure during the year.

28. CONTINGENT LIABILITIES

Figures in Rand	2019	2018
National Treasury - Cash surplus	6 058 984	14 009 716
Former employee vs the NGB	982 739	982 739
Former service provider vs the NGB	78 026	78 026
Unpaid leave	160 816	–
	7 280 565	15 070 481

National Treasury – A contingent liability exists as a result of a cash surplus reported in the current year, 2018/19, which must be surrendered to the National Treasury, unless permission is granted to retain it. The cash surplus has been calculated using a formula prescribed by the National Treasury, through the National Treasury Instruction No. 6 of 2017/2018, as follows: Cash and cash equivalents at the end of the year, plus receivables, less current liabilities, less commitments.

Former employee vs NGB – The NGB received a summons on 26 May 2016 for breach of confidentiality of a settlement agreement from attorneys representing a former employee.

Former service provider vs NGB – A service provider who was contracted by the NGB to provide temporary staff placement lodged a claim at the Magistrate's Court for alleged breach of contract, alleging that the NGB converted temporary staff into permanent placement.

Unpaid leave – An employee who was on unpaid leave has made an application for an extension of sick leave days. The granting of the extended sick leave is contingent upon verification of temporary incapacitation by the NGB, with the assistance of medical professional.

29. EXPLANATION OF VARIANCES

Variances which are equal to or more than R50 000 are explained below. Variances which are below R50 000 are considered immaterial and, therefore, not explained.

Limited payout machines (LPM) monitoring fees/NCEMS service fees

The budget for LPM monitoring fees was increased due to a realisation that the performance of the LPM industry surpassed expectations and was yielding more revenue than anticipated during budgeting.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

Interest received

The budget for interest received was increased when management realised the entity would receive additional income from the NCEMS operator for NCEMS monitoring fees, which income would be invested in the short-term investment facility available to the entity.

Other income

The budget for other income was increased in order to make provision for the straight-lining of the lease receivable which resulted in an increase in the rental income.

Personnel costs

The downward adjustment to the personnel budget was necessitated by the existence of vacant positions.

The positive variance on actual personnel costs was due to forfeiture of leave credits which exceeded the number permissible by the entity's leave policy.

Executive Managers' remuneration

The decrease in the budget for executive remuneration was made to correct a slight over-estimation.

Depreciation and amortisation

The budget for depreciation was reduced due to a delay in the roll-out of internally generated national registers which necessitated that the amortisation thereof be placed on hold.

Operating leases

The reduction of the budget for operating leases was necessitated by a reversal of the deferred lease payable which had an off-setting effect on the operating lease expenditure.

NCEMS service fees

The budget for NCEMS service fees was increased when management realised that the performance of the LPM industry would surpass expectations, resulting in more service fees than anticipated during budgeting.

Other operating expenses

The budget for other operating expenses was increased to make a provision for the procurement of an internet / telephone service, web hosting, printing services and a multi-media awareness campaign.

The positive variance on other operating expenses is due to funds committed for an internet / telephone service (R3,3 million), web hosting (R2,1 million), printing services (R360 403) and a multi-media awareness campaign (R2,2 million). As at the end of the financial period, funds had been committed but unspent due to delays inherent in the procurement and installation of the services required.

Property, plant and equipment (PPE)

The budget for PPE was increased to make provision for the procurement of board room screens and chairs, a carport and office furniture and equipment.

Intangible assets

The budget for intangible software was increased due to the development of national registers.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2019

30. COMPLIANCE WITH THE BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT

In terms of section 13G(1) all spheres of government, public entities and organs of state must report on their compliance with the broad-based black economic empowerment in their audited annual financial statements and annual reports. During the financial period ended 31 March 2019, the NGB was measured for BBBEE compliance with the BBBEE Codes of Good Practice, Gazette No. 38766. The applicable scorecard used to determine the NGB's compliance with the BBBEE Act 53 of 2003 as amended was the Generic Score Card. The NGB was found to be a non-compliant contributor to the BBBEE Act 53 of 2003. The BBBEE certificate is valid until 30 May 2020. The entity is committed to implementing measures to improve its compliance with the BBBEE Act.

SUBMISSION OF THE REPORT IN TERMS OF SECTION 13(G)(I) OF THE B-BBEE ACT READ WITH REGULATION 12(1) AND (2) OF THE B-BBEE REGULATIONS

In terms of section 13G(I) all spheres of government, public entities and organs of state must report on their compliance with the broad-based black economic empowerment in their audited annual financial statements and annual reports. During the financial period ended 31 March 2019, the NGB was measured for BBBEE compliance with the BBBEE Codes of Good Practice, Gazette No. 38766. The applicable scorecard used to determine the NGB's compliance with the BBBEE Act 53 of 2003 as amended was the Generic Score Card. The NGB was found to be a non-compliant contributor to the BBBEE Act 53 of 2003. The BBBEE certificate is valid until 30 May 2020. The entity is committed to implementing measures to improve its compliance with the BBBEE Act.

LIST OF ABBREVIATIONS/ACRONYMS

AA	Accounting Authority
AFS	Annual Financial Statements
AGSA	Auditor-General South Africa
APP	Annual Performance Plan
ARC	Audit and Risk Committee
ATM	Automatic Teller Machine
BASA	Banking Association of South Africa
B-BBEE	Broad-Based Black Economic Empowerment
BRICS	Brazil, Russia, India, China and South Africa
CASA	Casino Association of South Africa
CEO	Chief Executive Officer
CCO	Chief Compliance Officer
CFO	Chief Finance Officer
CIPC	Companies and Intellectual Property Commission
CMS	Compliance Monitoring System
DDG	Deputy Director-General
DG	Director-General
DPCI	Directorate for Priority Crime Investigation
EBT	Electronic Bingo Terminal
FIC	Financial Intelligence Centre
FICA	Financial Intelligence Centre Act, 2001 (Act 38 of 2001)
FNB	First National Bank
FPB	Film and Publications Board
FPP	Fraud Prevention Plan
FSCA	Financial Sector Conduct Authority
FY	Financial Year
GDP	Gross Domestic Product
GRAF	Gaming Regulators Africa Forum
GRAP	Generally Recognised Accounting Practice
GGR	Gross Gambling Revenue
GRC	Gambling Review Commission
HCI	Hosken Investments Limited
HCO	Human Capital Optimisation
HDP	Historically Disadvantaged Person
HR	Human Resource
IAGR	International Association for Gambling Regulators
ICT	Information Communication Technology
IG	Interactive Gambling
IGOR	Illegal Gambling Operatives Register

ILO	International Labour Organisation
ISP	Internet Service Provider
ISPA	Internet Service Providers Association
KZNGBB	KwaZulu-Natal Gaming and Betting Board
LPM	Limited Pay-out Machine
MTSF	Medium Term Strategic Framework
NCEMS	National Central Electronic Monitoring System
NCOP	National Council of Provinces
NGA	National Gambling Act, 2004 (Act 7 of 2004)
NGAB	National Gambling Amendment Bill
NGB	National Gambling Board
NGO	Non-Government Organisation
NGR	National Gambling Regulator
NGRF	National Gambling Regulators Forum
NGPC	National Gambling Policy Council
NLA	National Liquor Authority
NLC	National Lotteries Commission
NPA	National Prosecution Authority
NRCS	National Regulator for Compulsory Specifications
PFMA	Public Finance Management Act, 1999 (Act 1 of 1999)
PGB	Provincial Gambling Board
PLA	Provincial Licensing Authority
RMC	Risk Management Committee
SABS	South African Bureau of Standards
SANAS	South African National Accreditation System
SANS	South African National Standards
SAPS	South African Police Service
SARGF	South African Responsible Gambling Foundation
SCM	Supply Chain Management
SDS	Service Delivery Standards
SLC	Service Level Contract
SMME	Small, Medium and Micro Enterprises
SOOG	Strategic Outcome Oriented Goal
TC	Technical Committee
the dti	Department of Trade and Industry
UWC	Unlawful Winnings Committee
YTD	Year to Date



PROBLEM GAMBLING IS TREATABLE GAMBLE RESPONSIBLY

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