National Gambling Board
South Africa

a member of **the dti** group

# ANNUAL REPORT 2019/20

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# NATIONAL GAMBLING BOARD

# ANNUAL REPORT

# 2019/20

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# MINISTER’S NOTE TO PARLIAMENT

**DEAR HONOURABLE SPEAKER,**

I have the honour, in terms of section 65 of the Public Finance Management Act, 1999 (Act 1 of 1999), to present the Annual Report of the National Gambling Board, South Africa for the year ended 31 March 2020.

**Mr Ebrahim Patel**
Minister of Trade, Industry and Competition
Executive Authority of the National Gambling Board

# CONTENTS

# LIST OF ABBREVIATIONS/ACRONYMS

| | |
|---|---|
| 4IR | Fourth Industrial Revolution |
| AA | Accounting Authority |
| AFS | Annual Financial Statements |
| AGSA | Auditor-General South Africa |
| APP | Annual Performance Plan |
| AR | Annual Report |
| ARC | Audit and Risk Committee |
| ARCC | Audit and Risk Committee Charter |
| B-BBEE | Broad-Based Black Economic Empowerment |
| CEO | Chief Executive Officer |
| CCO | Chief Compliance Officer |
| CFO | Chief Financial Officer |
| CIPC | Companies and Intellectual Property Commission |
| CPF | Community Policing Forum |
| DDG | Deputy Director-General |
| DG | Director-General |
| DMA | Disaster Management Act, 2002 (Act 57 of 2002) |
| EBT | Electronic Bingo Terminal |
| FIC | Financial Intelligence Centre |
| FICA | Financial Intelligence Centre Act, 2001 (Act 38 of 2001) |
| 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 |
| HCO | Human Capital Optimisation |
| HDI | Historically Disadvantaged Individual |
| HR | Human Resource |
| IAGR | International Association for Gambling Regulators |
| IGOR | Illegal Gambling Operatives Register |
| ILO | International Labour Organisation |
| IR | Integrated Report |
| ISO | Independent Site Operator |
| KPA | Key Performance Areas |
| LPM | Limited Pay-out Machine |
| MTSF | Medium Term Strategic Framework |
| NCEMS | National Central Electronic Monitoring System |
| NGA | National Gambling Act, 2004 (Act 7 of 2004) |
| NGB | National Gambling Board |
| NGR | National Gambling Regulator |
| NGRF | National Gambling Regulators Forum |
| NLC | National Lotteries Commission |
| NRCS | National Regulator for Compulsory Specifications |
| NT | National Treasury |
| PFMA | Public Finance Management Act, 1999 (Act 1 of 1999) |
| PLA | Provincial Licensing Authority |
| POCA | Prevention of Organised Crime Act |
| PPPFA | Preferential Procurement Policy Framework Act |
| RMC | Risk Management Committee |
| RO | Route Operator |
| SABS | South African Bureau of Standards |
| SANAS | South African National Accreditation System |
| SAPS | South African Police Service |
| SCM | Supply Chain Management |
| SDS | Service Delivery Standards |
| SMME | Small, Medium and Micro Enterprises |
| SOOG | Strategic Outcome Oriented Goal |
| SP | Strategic Plan |
| SPCIG | Stakeholders Priority Committee on addressing Illegal Gambling |
| **the dtic** | Department of Trade, Industry and Competition |
| UWC | Unlawful Winnings Committee |
| YTD | Year-to-Date |

# PART A

# GENERAL INFORMATION

# NGB'S GENERAL INFORMATION

| | |
|---|---|
| **REGISTERED NAME:** | National Gambling Board of South Africa |
| **PHYSICAL ADDRESS:** | 420 Witch Hazel Avenue<br>Eco Glades 2<br>Block C<br>Eco Park<br>Centurion<br>0144 |
| **POSTAL ADDRESS:** | Private Bag X27<br>Hatfield<br>0028 |
| **TELEPHONE NUMBER/S:** | +27 10 003 3475 |
| **FAX NUMBER:** | +27 86 618 5729 |
| **E-MAIL ADDRESS:** | info@ngb.org.za |
| **WEBSITE ADDRESS:** | www.ngb.org.za |
| **EXTERNAL AUDITORS:** | Middel and Partners Incorporated |
| **BANKERS:** | Standard Bank South Africa |


NGB
National
Gambling
Board
South Africa

# Foreword by the **MINISTER**

*Mr Ebrahim Patel*
Minister of Trade, Industry and Competition

This Annual Report provides an account of the National Gambling Board (NGB) for the past financial year ending March 2020.

The sixth government administration took office following the national elections in May 2019, with a re-imagined industrial strategy for the country focused on localisation and a renewed promise, passion and urgency to address long standing socio-economic challenges.

**the dtic** work with the NGB enables a regulatory framework to be in place to govern the operation of gambling services. This Report covers the activities of the Board and highlights key developments in the sector.

The activities of the Board were affected by the Covid-19 pandemic subsequent to the financial reporting period covered in this Report.

In the new financial year, every agency of **the dtic** will be required to play its role in ensuring a steady recovery from the pandemic and to continue execution of the policy vision of government, outlined by President Ramaphosa at the start of this administration.

In closing, I thank the Accounting Authority and her team for ensuring that processes and controls were in place leading to the achievement of a clean audit.

**Mr Ebrahim Patel**
Minister of Trade, Industry and Competition

# Foreword by the **Accounting Authority**

*Ms Caroline Kongwa*

The Financial Year 2019/20 realised the continued responsibility of the National Gambling Board (NGB), as enshrined in its vision and mission, to ensure a fair gambling market in South Africa that keeps up to date with worldwide gambling trends and endeavours to protect the public and other vulnerable groups from the potentially harmful effects of gambling. Globally the greater part of FY2019/20 continued to experience a constant development of new gambling products as well as changes in technology and the year was one of considerable progress for the NGB as gambling revenues continued on their positive growth trajectory, the public was continuously made aware of the harmful effects of gambling and industry operators were constantly kept in check in terms of compliance with legislation.

*"The NGB's mission as a gambling regulator ... requires the regulator to be innovative, vigilant and agile in achieving its objectives. GGR generated by the industry in FY2019/20 amounted to R33 billion, of which 10% were taxes and levies collected out of it, amounting to R3.2 billion."*

The current gambling model of South Africa is predominantly land-based meaning that people gamble only at licensed brick and mortar establishments across the four (4) legal modes of gambling, i.e. casinos, horse racing and sports betting sites, Limited Payout Machine (LPM) sites, and Bingo sites. However, just as the year was rounding up, this land-based model was adversely affected by the advent of a global pandemic, COVID-19, that has left the international community, the domestic economy and the gambling industry in economic turmoil as countries move to institute stringent measures to contain the spread of the virus. The Government declared the outbreak of coronavirus a national state of disaster and invoked the Disaster Management Act, 2002 (Act 57 of 2002). This was followed by the issuance of regulations, commonly referred to as "Lockdown Regulations", which resulted in the total lockdown of the nation from midnight 26 March 2020 and the total shutdown of the gambling industry, except for betting online.

Despite the gloomy end to the FY2019/20, NGB managed to achieve its 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 (4) SOOGs in terms of enforcing compliance, enhancing stakeholder liaison and statutory advisory service, optimising organisational excellence and enforcing gaming technical compliance.

The NGB continued to enforce compliance for the co-ordination of concurrent national and provincial legislative competence, uniform norms and standards and enforcement in gambling legislation. Specifically, to more effectively evaluate compliance monitoring of licensees by PLAs, the NGB developed a compliance barometer to improve the evaluation of the compliance status of each PLA. Based on the barometer and amongst other findings, the PLAs were found to be 98% compliant with the NGA.

Engagements were conducted with banking institutions and licensees and they were educated on ways to comply with the requirements of the NGA. In terms of enforcement, there were several initiatives implemented during the year involving other law enforcement agencies to assist the PLAs in the detection and prosecution of illegal gambling activities. As a result, there was improved collaboration with law enforcement agencies, and it was subsequently reported by PLAs that there was an increase in the number of detected illegal gambling sites raided and admission of guilt fines paid. A database of websites that offer illegal online gambling was maintained. This information was forwarded to the South African Police Services (SAPS)' Cybercrimes Unit through the Stakeholders Priority Committee on Illegal Gambling (SPCIG) for further investigation and possible charging of offenders.

The NGB embarked on a process to engage with all stakeholders of the gambling industry to develop a suitable dispensation for improved regulatory consistency through the establishment of further norms and standards. To this end in FY2019/20 stakeholders were invited to contribute to the development of further national norms and standards, and inputs were subsequently workshopped at an event hosted by the NGB centred on four (4) main themes of Industry Transformation, Industry Certification, Gaming Technology, and Gaming Regulations.

In its efforts to enhance stakeholder liaison and statutory advisory services in the FY2019/20, the NGB undertook and surpassed its initial target of several broad-based education interventions to educate the public about the risks and socio-economic impact of gambling. Various interventions spanning from school visits, exhibitions, community visits, radio and TV interviews as well as print and mobile media campaigns were undertaken in the year. The NGB also collaborated with **the dtic** during FY2019/20 on public outreach programmes, where it engaged with communities at various events. Also, the NGB hosted a 2-day conference on 18-19 July 2019 in Pretoria, under the theme, 'The Gambling Regulators' and Operators' Dialogue' attended by regulators, industry operators and other interested parties.

In FY2019/20, the NGB undertook three (3) research projects intending to get an in-depth understanding of the gambling industry in so far as transformation and inclusive growth, the impact of Electronic Bingo Terminals (EBTs) on other regulated modes of gambling and the impact of the Fourth Industrial Revolution (4IR) on the gambling industry is concerned. The over-arching findings from these studies included the lack of a transformation strategy within the industry from a regulatory perspective, significant inconsistencies amongst the various provinces when it comes to the licensing of Bingo and specifically EBTs and the main technologies generating rapid and fundamental changes within the gambling sector in South Africa. The recommendations that emanated from the research projects undertaken were subsequently applied in a focused strategic framework for the organisation for the next five (5) years (FY2020-FY2025) which aims to develop an industry-wide transformation agenda for the gambling industry, provide authoritative advice on policy, statutory matters and legislation and conduct a technical analysis of gaming control and regulation.

GGR generated by the industry in FY2019/20 amounted to R33 billion, of which 10% were taxes and levies collected out of it, amounting to R3.2 billion. Although total gambling revenue is largely made up of casino sector revenue (R18.3 billion in FY2019/20), there was negative growth in revenue in this sector between FY2018/19 and FY2019/20. This was due to a fall in the number of operational casino gambling positions over the same period. The sector, however, remains the largest generator of gambling revenue in all provinces in FY2019/20. All other gambling modes showed increases in the growth of GGR. The betting sector was the second-largest generator of gambling revenue between FY2018/19 and FY2019/20 and had the highest growth amongst the gambling modes between the two periods of 21.3%. This was followed by the Bingo sector growing by 14.6% from the previous financial year and lastly the LPM sector growing by 9.9%.

In terms of optimising organisational excellence, the NGB developed and implemented a performance-based budgeting system in the 2019/2020 financial year. Revenue received during the financial year exceeded the projected budget as additional revenue was generated from the LPM sector.

In enforcing gaming technical compliance, the National Central Electronic Management System (NCEMS) enabled the NGB to fulfil its oversight responsibility for the LPM sector in terms of section 27 of the National Gambling Act, 2004 (Act 7 of 2004) (the NGA). The NGB maintained national functional registers and was able to track and keep a record of a national register of gambling machines that enabled regulators to identify, approve and register all gambling machines and devices in the Republic of South Africa.

Moving forward, the new FY2020/21 begins in extraordinary circumstances with COVID-19 having a profound effect on our lives, business and the economy at large and this is poised to have an impact on the gambling industry. The gambling industry in similarity to other parts of the economy is feeling the effects of the measures taken to respond to the virus, which will bring significant challenges for the year ahead for all of us. From an economic perspective, revenues have declined drastically by more than 50% during the period of the lockdown and may never go back to previous levels due to restrictions concerning social distancing leaving the industry susceptible to numerous job losses as well as tax losses. Socially, social distancing measures imply that for the greater part of the day people will now be within the confines of their homes be it for work or leisure. This may lead to feelings of isolation and depression for some as well as financial uncertainty and lure people into participating in illegal forms of gambling for example online gambling. At the time of writing, we are already seeing a surge in illegal gambling activities. As such now more than ever, punter protection is paramount and the industry should be vigilant in reducing gambling-related harm.

The NGB's mission as a gambling regulator therefore, remains challenging and requires the regulator to be innovative, vigilant and agile in achieving its objectives. By building on prior successes, the NGB now accelerates progress towards the goals outlined in our 2020-2025 Strategic Plan (SP).

I extend my gratitude to all officials of the NGB for the effort, initiative and enthusiasm in demonstrated achievement in the key performance areas as well as the achievement of the fifth consecutive clean audit.

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

**Ms Caroline Kongwa**
**Accounting Authority of the National Gambling Board**
30 September 2020

# STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

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 Middel and Partners Incorporated.

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

The Annual Report has been prepared following the guidelines of the Annual Report as issued by the National Treasury (NT).

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

The AA is responsible for the preparation of the Annual Financial Statements and the judgments 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 2020.

Yours faithfully

**Ms Caroline Kongwa**
**Accounting Authority of the National Gambling Board**

30 September 2020

# STRATEGIC OVERVIEW

The NGB is established in terms of the National Gambling Act, 2004 (Act 7 of 2004) (the NGA). It is also registered as a Schedule 3A Public Entity in terms of the Public Finance Management Act, 1999 (Act 1 of 1999)(the PFMA). The Mission, Vision and Values of the NGB are as follows:

## 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 (NGA), 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 drawn from the Constitution of the Republic of South Africa, 1996, and its enabling legislation, the National Gambling Act, 2004 (Act 7 of 2004) (the NGA). Schedule 4, Part A of the Constitution sets out gambling as a concurrent legislative competence and lists casinos, racing, gambling and wagering (excluding lotteries and sports pools) as functional areas for both national and provincial government. Section 65 of the NGA read with sections 21, 27, 32, 33 and 34, as well as in the National Gambling Regulations (NGR), 2004 and the Regulations on LPMs, 2000 sets out the mandate of the NGB.

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, and
  - 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, and
- 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.

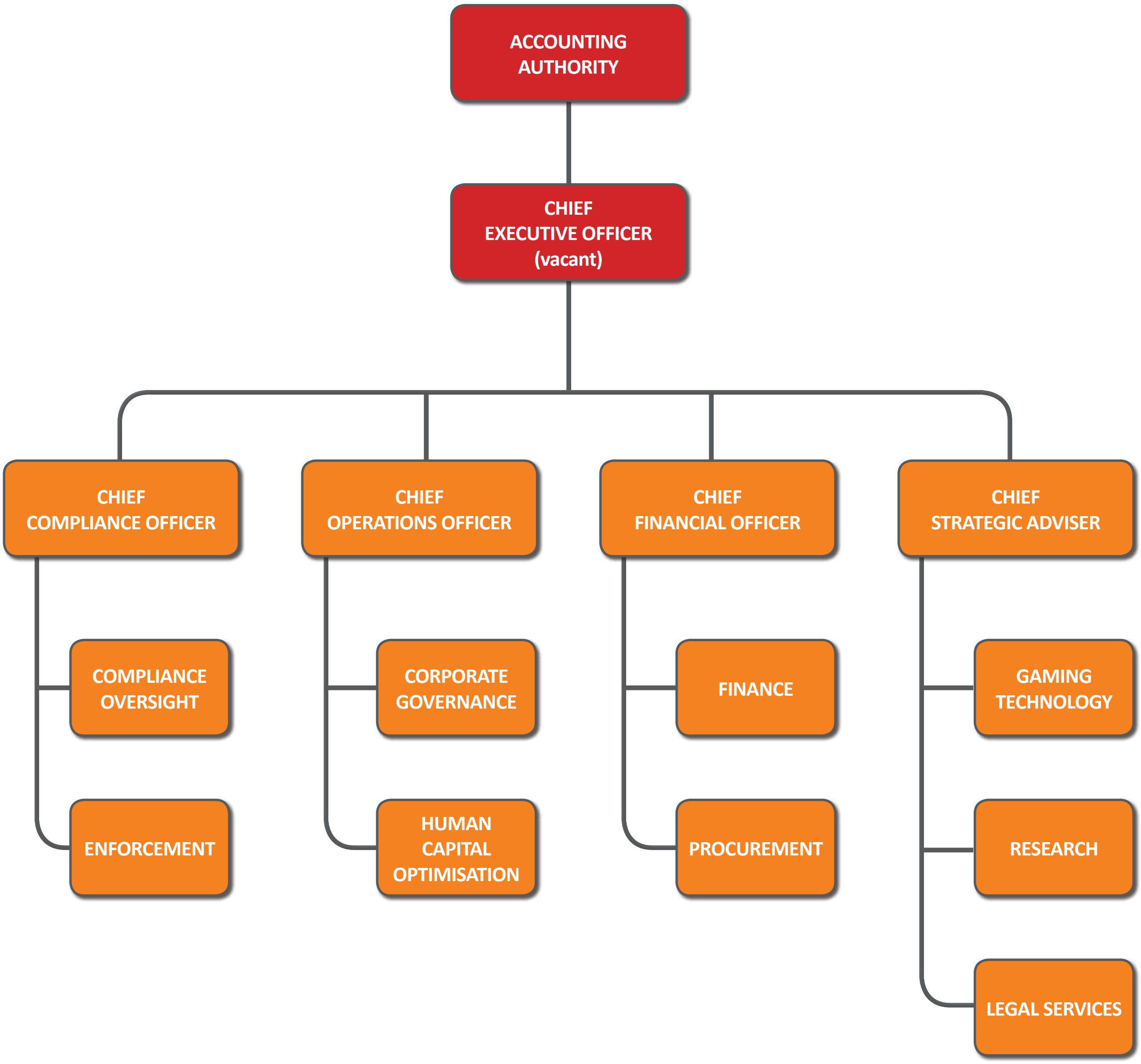
The impact of the work of the NGB is manifested by the effect and quality of its advice and recommendation to the National Gambling Policy Council (NGPC) on, amongst others, matters of national policy and legislative changes relating to gambling.

## OTHER MANDATES

The implementation of the NGB's mandate is also indirectly governed by the following legislation:

- The Public Finance Management Act (PFMA), 1999 (Act 1 of 1999)
- The Prevention of Organised Crime Act (POCA), 1998 (Act 121 of 1998)
- 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 Financial Intelligence Centre Act (FICA), 2001 (Act 38 of 2001)

# ORGANISATIONAL STRUCTURE



# PART B

# PERFORMANCE INFORMATION

# 1. AUDITORS REPORT ON PRE-DETERMINED OBJECTIVES

Middel and Partners Incorporated currently perform 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 pre-determined objectives is included in the Report to Management, with material findings being reported under the pre-determined Objectives heading in the Report on Other Legal and Regulatory Requirements section of the Auditor's Report.

Refer to page 65 of the Annual Report for the Auditor's Report, published as Part F: Financial Information.

# 2. SITUATIONAL ANALYSIS

## 2.1 SERVICE DELIVERY ENVIRONMENT

Society must be protected against the harmful effects of gambling and regulating the industry serves to control and monitor the balance between the negative impacts of gambling against the socio-economic benefits of gambling. Apart from the overwhelmingly negative aspects often associated with gambling, the NGB did not lose sight of the fact that the gambling industry contributes significantly to the growth of the economy in the form of revenue generation, as well as employment creation.

Whilst South Africa continues to be threatened by the triple challenge of poverty, unemployment and inequality, notwithstanding slow economic growth which in 2018 culminated into a recession, the challenge of gambling regulation continues to be that of maintaining a balance between revenue generation and protection of the public, particularly vulnerable persons,whilst taking cognisance of the Government's developmental priorities.

The gambling industry continues to grow with revenues amounting to over R33 billion in the FY2019/20. The taxes or levies collected from the gambling industry as a source of revenue for the Government amounted to R3.2 billion in FY2019/20, a slight increase from the previous financial year. Positive growth in gross gambling revenue between FY2018/19 and FY2019/20 was witnessed in all modes of gambling except the casino sector, with the highest growth being in the betting sector (21.3%), followed by the LPM sector (9.9%) then the bingo sector (14.6%). The casino sector declined 1.3% from the previous financial year, and continues to dominate the market space generating a greater proportion of gambling revenues. However, this share in the total market continues to decline over the years, as we see an upward surge in revenues generated in other modes of gambling i.e. betting on horse racing and sport, LPMs and bingo.

The global gambling market is experiencing influential growth from a significant digital and data revolution which has trickled down to the South African domestic gambling market. This digital age is changing gambling concerning format and access and requires a response from regulators, researchers and addictive gambling treatment providers. Performance in this regard was focused on the issues this raises for consumers and gambling regulation.

4IR brings challenges and opportunities for the NGB and the industry in general. The opportunities include high-tech opportunities and job creation, but this also brings the challenge of up-skilling and reskilling employees who will be impacted by the changes brought by advances in technology.

4IR fits in with the evolving profile of the punter. The punter is becoming technologically skilled and very demanding in terms of what products stimulate their interest, and where and how they access that product. The punter behaviour, demands and the disruptive changes brought about by the 4IR are challenges that the NGB has to address and regulate in a manner that does not discourage innovation and investment in new technologies whilst at the same time never losing sight of the need to protect society from the overstimulation and latent effects of gambling.

In a country currently plagued by high unemployment (27.5%), surveys have shown that the gambling industry and particularly the casino sector is an important employer and creates increased employment opportunities whilst tax revenues that gambling establishments generate have direct economic benefits in that they help foster local economic development that aids in alleviating this triple threat. However, the unemployed group of people is also vulnerable and easily susceptible to the overstimulation and latent need to gamble as a means of alleviating their status and this presents an opportunity for gambling regulation to protect them.

The gambling environment has been continuously changing, with new technology and a host of new products coming onto the market. This presents a challenge for a gambling regulator, such as the NGB, and requires the regulator to be innovative and agile in achieving its objectives. The NGB has embraced the benefits of the evolution of information technology through the implementation of best practices in performing its mandate in terms of the NGA. To support improved industrial performance, dynamism and competitiveness of local companies, the NGB monitored the LPM industry through a technologically driven National Central Electronic Monitoring System (NCEMS) ensuring that gambling revenues were accurately captured and allocated to relevant stakeholders.

The gambling industry of South Africa has not been spared by the impact of the declaration of a state of a national disaster, that was announced in South Africa towards the end of March 2020. Pandemics like the novel coronavirus, also known as COVID-19, are known to cause economic damage through multiple channels, including short-term fiscal shocks and longer-term negative shocks to economic growth. This negatively impacted and threatened the destination model to gambling in South Africa, as people were unable to access three of the modes of gambling namely, casinos, LPMs, bingo and betting shops while bookmakers are also affected negatively by the cancellation of the markets they depend on for the outcome of betting contingencies such as sports and horse racing. This affected gambling revenue and taxes ultimately, presenting a challenge for the NGB's strategic quest.

Although the gambling industry managed to generate a total amount of R32 billion in GGR during FY2019/20 and taxes worth R3.1 billion were collected, the end of the Financial Year 2019/20 was marred by the entrance of the global pandemic, that has left the international community, the domestic economy and the gambling industry in economic turmoil as countries institute stringent measures to contain the spread of the virus. The nationwide shutdown in response to the COVID-19 pandemic instituted at the end of March threatens the growth trajectory of these revenues and taxes. This leaves the industry on its knees and the road ahead presents challenges not only from an economic perspective but from a social perspective as the more people are urged to stay at home, the more they may be drawn to illegal online gambling with no control of the overstimulation and latent need to gamble online. As such and like many other gambling jurisdictions, South Africa has had to question the continued prohibition of online gambling and ways of transforming this stance into an economic recovery plan for the future regulation of the industry as a response to the devastating effects of the COVID-19 pandemic and going forward.

One of the objectives for the regulation of gambling includes the protection of society from the overstimulation of the latent need to gamble through the limitation of gambling opportunities. Gambling is a form of recreation and entertainment often in a safe environment when the destination approach is prioritised. The legal gambling industry is well-regulated and compliant in various respects to offer a safe environment to participate in gambling activities and offers the opportunity to become part of new social groups.

Compliance oversight is a key priority for regulators to protect the interests of the punters. The NGB ensures that there is access to education and information through awareness campaigns, free counselling, access to rehabilitation programmes and an exclusions register for those who need assistance with a problem or addictive gambling.

The NGB conducted continuous oversight inspections in nine (9) provinces., In general, there was a concerted effort displayed towards compliance with the NGA and provincial legislation, and PLAs have exhibited greater efforts towards compliance. The NGB prioritised monitoring PLA compliance with the FICA through improving oversight capabilities. The NGB improved on reporting mechanisms utilised for the evaluation of applications in terms of LPM Regulations of 2000.

The mushrooming of illegal gambling (i.e. online as a borderless industry, server-based and other illegal gambling modes) is of huge concern to regulators. South African financial institutions are frequently utilised as mediums of exchange between an online gambler and illegal online operator's participation in illegal online gambling.

Illegal gambling threatens to erode the regulated environment as it impacts the legal industry in that illegal gambling activities are operated by unlicensed operators, primarily through online platforms. These illegal operators offer games that compete with legal modes, which may have a considerable impact on the gambling revenues generated by licensed gambling modes. This ultimately also has a tremendous impact on tax revenue for the Government, whilst further consequences include loss of employment opportunities and participation in local economic activities, as well as an erosion of consumer rights and protection. The illegal online gambling industry, in particular, has gained momentum over the last few years and is now prominent throughout both urban and township communities.

In terms of Section 16 of the NGA, a punter may not receive gambling winnings if, at the time of the gambling activity, they were either a minor or an excluded person, or the gambling activity itself was illegal. The NGA requires operators and banks to refer such winnings to the NGB for investigation. Upon investigation, the NGB will either refund the winnings to the punter if they were lawfully entitled to receive the winnings, or apply to the High Court for the winnings to be forfeited to the State.

During FY2019/20, the NGB finalised sixteen matters at Court, with forfeiture orders being granted in all sixteen (16). The total amount forfeited was R89,408.93.

A common challenge experienced by the NGB is a poor or inaccurate understanding of gambling and the NGB's role, by members of the public (punters), and coupled with this is a misperception that the Provincial Licensing Authorities (PLAs) report to the NGB. A large number of citizens do not appear to be aware of what is legal and what is not, and this lack of education about gambling puts punters at risk of being exposed to unlawful gambling activities, as well as a gambling addiction.

To address this, the NGB had prioritised the provision of broad-based public education and awareness interventions throughout the year, to improve the levels of awareness and understanding about the risks and socio-economic impact of gambling.

The NGB thus embarked on national/provincial public awareness programmes or campaigns to educate and inform the public about the nature, risks and socio-economic impact of gambling. The NGB continued its national multi-media education and awareness campaign, to educate the broader public about the pros and cons of gambling. This national media campaign was rolled out in the form of community radio stations, print media and the use of mobile trailer billboards. These interventions were aimed at members of the public, to ensure that they are well informed and educated, which in turn, may contribute to the reduction of problem gambling cases.

To ensure that the NGB reached the broadest audience during its public education activities, the interventions included TV and radio interviews at both national and community levels, exhibitions at high-traffic-volume sites such as malls and taxi ranks, mobile billboards and articles through print media.

## 2.2 ORGANISATIONAL ENVIRONMENT

One of the NGB's objectives for the period under review was to perform the NGB's mandate efficiently, effectively and economically, within available financial and human resources. 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 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.

The NGB is pleased to report that the financial resources entrusted to it by the general public through a grant allocation emanating from tax collections were utilised strictly for the advancement of the entity's regulatory mandate. Strict adherence to budgetary control measures was enforced, leading to a surplus of R11.3 million during FY2019/2020.

## 2.3 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

**National Gambling Amendment Bill, 2018**

The National Gambling Amendment Bill, 2018 is currently a subject matter of a legislative review process. This is a proposed amendment to the NGB's primary enabling legislation. 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.

**Cybercrimes Bill**

During July 2020, the National Council of Provinces (NCOP) passed the Cybercrimes Bill. The Cybercrimes Bill was initially introduced as the Cybercrimes and Cybersecurity Bill in 2017. The objectives of the Bill are, among others, to create offences and impose penalties which have a bearing on cybercrime, to criminalise the distribution of data messages which are harmful and to provide for interim protection orders, and to further regulate jurisdiction in respect of cybercrimes. The Bill also aims to regulate the powers to investigate cybercrimes, to further regulate aspects relating to mutual assistance in respect of the investigation of cybercrimes and to provide for the establishment of a 24/7 Point of Contact. The Bill further imposes obligations on electronic communications service providers and financial institutions to assist in the investigation of cybercrimes.

The Bill, if assented, will greatly assist law enforcement agencies in the gathering of evidence relating to illegal online gambling.

**Western Cape Nineteenth Gambling and Racing Amendment Bill**

The notice for comment on the Western Cape Nineteenth Gambling and Racing Amendment Bill was published in the Province of the Western Cape: Provincial Gazette Extraordinary on 2 May 2019 for public comments. The objective of the the Bill is to amend the Western Cape Gambling and Racing Act, 1996 (Act 4 of 1996) in order to promote and facilitate the financial self-sufficiency of the Board.

The Bill proposes, *inter alia*, that the prescribed annual licence fees will now be payable to the Western Cape Gambling and Racing Board instead of the Western Cape Government. Casino operator fees and limited gambling machine operator fees will also be payable to the Board. The Bill proposes a significant increase to existing rates for licensees, with the ten (10) year exclusivity period being removed.

It is foreseeable that the Bill, were it assented to, may have the effect of creating even higher barriers of entry for new participants in the LPM industry, stifling competition and in turn entrenching the existence of monopolies. This detracts from the Government's transformation agenda as this could lead to fewer Historically Disadvantaged Individuals (HDIs) gaining access into the gambling industry.

**Draft Control of Tobacco Products and Electronic Delivery Systems 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; and
- 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.

## .2.4 STRATEGIC OUTCOME ORIENTED GOALS (SOOGS)

The NGB's response to **the dtic**'s Strategic Plans (SP) is illustrated in the mapping of the **dtic** to the SOOG's of the NGB. The linkages of the SOOG's are depicted in the schematic below.

| GOVERNMENT'S MTSF PRIORITIES | GOVERNMENT OUTCOME | the dti STRATEGIC OUTCOME ORIENTED GOALS | NGB STRATEGIC OUTCOME ORIENTED GOALS | RESPONSIBLE NGB PROGRAMME |
|---|---|---|---|---|
| Priority 4<br>Decent employment, through inclusive economic growth | Outcome 4<br>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<br>Pursuing African development and enhanced international cooperation | Outcome 11<br>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<br>Building a developmental state, including improvement of public services and strengthening of democratic institutions | Outcome 12<br>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 |

*The National Gambling Board is committed to proper, fair and effective regulation of the gambling industry.*

| PROGRAMME 1 | | | COMPLIANCE |
|---|---|---|---|
| SOOG | 1 | Strategic Outcome-Oriented Goal | Enforce Compliance |
| SO | 1.1 | Strategic objective | Monitor compliance of all provinces with gambling legislation. |
| SO | 1.2 | Strategic objective | Monitor PLAs compliance in terms of legislation on anti-money laundering and financing of terrorism. |
| SO | 1.3 | Strategic objective | Provide researched-based authoritative advice on gambling. |
| SO | 1.4 | Strategic objective | Monitor prohibited gambling and restricted activities. |
| SO | 1.5 | Strategic objective | Monitor enforcement activities conducted by PLAs. |
| PROGRAMME 2 | | | ADVISORY AND SUPPORT SERVICES |
| SOOG | 2 | Strategic Outcome-Oriented Goal | Enhance Advisory and Support Services |
| SO | 2.1 | Strategic objective | Provide a broad-based public education programme about the risks and socio-economic impact of gambling. |
| SO | 2.2 | Strategic objective | Monitor and report on patterns of gambling activity within the Republic. |
| SO | 2.3 | Strategic objective | Monitor and report on market share and market conduct in the gambling industry. |
| PROGRAMME 3 | | | FINANCE AND PROCUREMENT SERVICES |
| SOOG | 3 | Strategic Outcome-Oriented Goal | Optimise Organisational Excellence |
| SO | 3.1 | Strategic objective | Ensure financial efficiency. |
| PROGRAMME 4 | | | TECHNICAL COMPLIANCE |
| SOOG | 4 | Strategic Outcome-Oriented Goal | Enforce Gaming Technical Compliance |
| SO | 4.1 | Strategic objective | Functional National Registers. |
| SO | 4.2 | Strategic objective | Effective National Central Electronic Monitoring System. |
| SO | 4.3 | Strategic objective | Maintain operational technical efficiency. |

To give effect to the SOOGs during the FY2019/20, the NGB focused on the prioritised areas of performance as reflected in the following figure to ensure that a meaningful impact from its determined outcomes was achieved.

The SOOGs that are set out in the SP FY2019/24 were developed into actionable programmes in the Annual Performance Plan (APP) FY2019/20 and budgeted for in the entity's Business Plan FY2019/20.

**SOOG 1** — ENFORCE COMPLIANCE

- Monitor compliance of all provinces with gambling legislation
- Monitor PLAs compliance in terms of legislation on anti-money laundering and financing terrorism
- Provide researched based authoritative advice on gambling
- Monitor prohibited gambling and restricted activities
- Monitor enforcement activities conducted by PLAs

**SOOG 2** — ENHANCE ADVISORY AND SUPPORT SERVICES

- Provided a broad-based public education programme about the risks and socio-economic impact of gambling
- Monitor and report on patterns of gambling activity within the Republic
- Monitor and report on market share and market conduct in the gambling industry

**SOOG 3** — OPTIMISE ORGANISATIONAL EXCELLENCE

- Financial efficiency

**SOOG 4** — ENFORCE GAMING TECHNICAL COMPLIANCE

- Functional National Registers
- Effective National Central Electronic Monitoring System
- Maintain Operational technical efficiency

# 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.**

Programme 1

# COMPLIANCE

# 3. PERFORMANCE INFORMATION BY PROGRAMME

## (CONTINUED)

### 3.1 PROGRAMME 1: COMPLIANCE

#### PURPOSE OF THE PROGRAMME

**Purpose:**

The division provided mandated operational core functions in terms of the NGA, 2004 (Act 7 of 2004).

The Compliance Division provided enforcement in line with statutory imperatives as provided for in gambling legislation that pertains to the enforcement of gambling-related requirements.

The Compliance Division oversaw the co-ordination of concurrent national and provincial legislative competence over matters relating to casinos, bingo, LPMs and betting, and to provide for the continued regulation of those matters. Further to this, the division also monitored PLA compliance with uniform norms and standards applicable to national and provincial regulation and licensing of certain gambling activities.

The issue of illegal gambling continued to be a challenge in the country and the intensity of unlicensed gambling varies from province to province. The Enforcement unit within the Compliance Division continued to assist the PLAs to ensure that unlicensed gambling activities are detected and dealt with and perpetrators are brought to book.

**Description of the Programme:**

The strategic imperatives for the programme as mandated in the NGA and are summarised as follows:

- Monitor compliance of all PLAs with gambling legislation,
- Monitor and investigate the issuance of national licences with gambling legislation,
- Provide research-based authoritative advice on gambling,
- Monitor prohibited gambling and restricted activities, and
- Assist PLAs to ensure that unlicensed gambling activities are detected.

The division assisted the NGB in regulating the gambling sector in the following segments:

- Casinos,
- LPMs,
- Gambling equipment manufacturers and distributors,
- Bingo, and
- Betting on horse racing and sport.

#### STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

| PROGRAMME/ACTIVITY/OBJECTIVE: COMPLIANCE | | | | | |
|---|---|---|---|---|---|
| **STRATEGIC OBJECTIVES** | **ACTUAL ACHIEVEMENT 2018/2019** | **PLANNED TARGET 2019/2020** | **ACTUAL ACHIEVEMENT 2019/2020** | **DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/2020** | **COMMENT ON DEVIATIONS** |
| Compliance monitoring of all provinces with gambling legislation | Nine (9) three-tier compliance evaluation assessments conducted | Conduct nine three-tier on-site evaluations.<br><br>Consolidated compliance evaluation assessment report | Achieved<br><br>Nine (9) three-tier compliance evaluation assessment reports and one (1) annual consolidated compliance evaluation assessment report were presented to the Accounting Authority | None | N/A |
| Monitoring PLA compliance in terms of legislation on anti-money laundering and financing of terrorism | N/A | Evaluate nine (9) PLA compliance with FICA.<br><br>One consolidated report on PLA compliance with FICA submitted to FIC | Not achieved | Nine (9) PLAs were evaluated in terms of their compliance with the FIC Act. However, one (1) consolidated report on PLA's compliance with the FIC Act was not submitted to FIC by the due date | Controls to meet reporting requirements have been implemented to ensure timeous reporting |

| PROGRAMME/ACTIVITY/OBJECTIVE: COMPLIANCE | | | | | |
|---|---|---|---|---|---|
| **STRATEGIC OBJECTIVES** | **ACTUAL ACHIEVEMENT 2018/2019** | **PLANNED TARGET 2019/2020** | **ACTUAL ACHIEVEMENT 2019/2020** | **DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/2020** | **COMMENT ON DEVIATIONS** |
| Provide research-based authoritative advice on gambling | S65 advisory report presented to the Accounting Authority | S65 advisory report presented to the Accounting Authority | Achieved<br><br>S65 advisory report was presented to the Accounting Authority | None | N/A |
| Monitoring prohibited gambling and restricted activities | Approved framework to combat prohibited gambling and restricted activities | Framework to combat prohibited gambling and restricted activities approved | Not achieved | Inadequate evidence to support the information contained in the report. | Controls over the review of the report have been implemented to ensure adequate supporting evidence is attached to each report |
| Monitor enforcement activities conducted by PLAs | N/A | Conduct nine (9) enforcement evaluation assessments.<br><br>One (1) consolidated evaluation assessment report submitted to the Accounting Authority | Not achieved | Inadequate evidence to support the information contained in the report | Controls over the review of the report have been implemented to ensure adequate supporting evidence is attached to each report |

## KEY ACHIEVEMENTS

The NGB conducted onsite inspections of all nine (9) provinces during FY2019/20 and reported on findings accordingly. The entity improved on its methodology, approach and tools for evaluation that were utilised during the financial year.

Dates on which evaluations were conducted are reflected below:

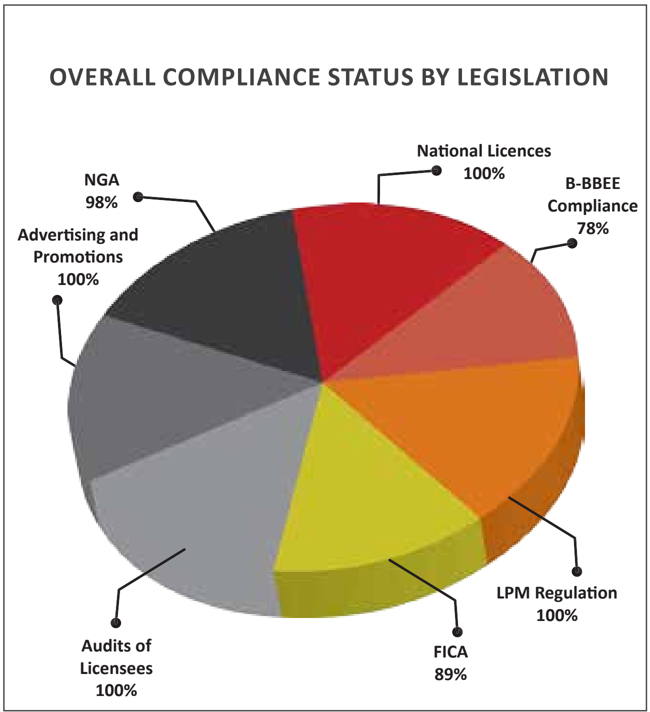
***Table 1: Evaluation dates per province***

| PROVINCE | EVALUATION DATES | QUARTER CONDUCTED |
|---|---|---|
| Northern Cape Gambling Board | 22 to 24 May 2019 | Quarter 1 |
| KwaZulu Natal Gambling and Betting Board | 18 June to 21 June 2019 | |
| Limpopo Gambling Board | 11 to 14 June 2019 | |
| Western Cape Gambling and Racing Board | 13 to 16 August 2019 | Quarter 2 |
| Mpumalanga Economic Regulator | 06 to 09 August 2019 | |
| Free State Gambling and Liquor Authority | 17 to 20 September 2019 | |
| Gauteng Gambling Board | 08 to 11 October 2019 | |
| Eastern Cape Gambling Board | 05 to 08 November 2019 | Quarter 3 |
| North West Gambling Board | 19 to 22 November 2019 | |

To more effectively evaluate the compliance monitoring of licensees by PLAs, the NGB developed a compliance barometer to improve the evaluation of the compliance status of each PLA. The information collected during the oversight visits that had been conducted during

Q1 to Q3 were utilised to populate information on the barometer.

Based on the barometer as illustrated in the table below, the




following was noted from the evaluation of all nine PLAs:

***Figure 1: Overall compliance status by legislation***

(a) The PLAs are 98% compliant with the NGA;
(b) PLAs were found to be fully compliant with the LPM Regulations, and are adequately monitoring and auditing its licensees' compliance to the provincial and national legislation, and were thus found to be 100% compliant in that regard,
(c) The PLAs are 78% compliant with the Broad-Based Black Economic Empowerment (B-BBEE) Act as some PLAs have, in their licensing of operators, set targets that are higher than those in the Generic Codes of Good Practice without obtaining approval from the Minister to deviate from the Codes as required by section 10(2)(a) of the B-BBEE Act,
(d) The PLAs are 89% compliant with FICA as one PLA (Northern Cape) did not conduct any FICA inspections during the period under review, and
(e) Based on the oversight evaluation on advertising and promotions and the processes followed when issuing national licences, all the PLAs were found to be 100% compliant as they complied with the relevant legislation.

In terms of enforcement, there were several initiatives implemented during the year involving other law enforcement agencies to assist the PLAs in the detection and prosecution of illegal gambling activities. As a result, there was an improved collaboration by law enforcement agencies, and it was subsequently reported by PLAs that there was an increase in the number of detected illegal gambling sites raided and admission of guilt fines paid.

Nine (9) enforcement evaluations were conducted for the financial year, providing an overall summary of the activities implemented by PLAs to ensure the detection of illegal gambling activities. Engagements were conducted with banking institutions, and licensees and they were educated on ways to comply with the requirements of the NGA.

There was a challenge experienced with matters relating to participation in international lotteries, and these have been referred to law enforcement authorities responsible for the investigation of proceeds of crime that are not related to the provisions of the NGA. Nevertheless, investigations on the forfeiture of unlawful winnings were conducted, and where winnings confiscated were found to be lawful, refunds were effected.

A database of websites that offer illegal online gambling was maintained. The number of illegal online gambling websites detected has increased by eighteen (18) from forty (40) to fifty-eight (58). This information was forwarded to the South African Police Services' Cybercrimes Unit through the Stakeholders Priority Committee on addressing Illegal Gambling (SPCIG) for further investigation and possible charging of offenders.

**Section 65 Advisory Report**

The NGB is mandated in terms of Section 65(2) of the NGA to advise the Minister based on the performance of the NGB against its objects and functions as provided for in S65, as well as on matters to be considered by the NGPC in terms of S62 of the NGA. One of the recommendations of the Wiehahn Report, 1995, was that legislators should ensure that the gambling industry is regulated in a controlled and uniform manner throughout South Africa. In its preamble, the NGA states that it provides for the creation of additional uniform norms and standards applicable throughout South Africa and creates a role for the National Gambling Policy Council (NGPC) to ensure a degree of uniformity in regulating the gambling industry. The need to develop further norms and standards stems from the provincial fragmentation of the application and implementation of existing national policy and legislation throughout the Republic.

The need for consistency in gambling regulation was also raised at the National Gambling Conference, The Gambling Regulators and Operators Dialogue, hosted by the NGB on the 18th and 19th of July 2019, and attended by regulators, industry operators and other interested parties. The issue was raised as a consistent and priority concern for the industry, following which, the NGB took cognizance of the issue raised and indicated that a process would be embarked upon for engagement with all stakeholders to develop a suitable dispensation for improved regulatory consistency through the establishment of further norms and standards. To this end in FY2019/20, an invitation to contribute to the development of further national norms and standards was sent out to all stakeholders in the industry and inputs were received. A subsequent workshop was then hosted by the NGB in which the consolidated inputs centred around four (4) main themes of Industry Transformation, Industry Certification, Gaming Technology, and Gaming Regulations were discussed in preparation for a draft on norms and standards for the gambling industry.

Programme 2

# ADVISORY AND SUPPORT SERVICES

# 3. PERFORMANCE INFORMATION BY PROGRAMME

## (CONTINUED)

### 3.2 PROGRAMME 2: ADVISORY AND SUPPORT SERVICES

#### PURPOSE OF THE PROGRAMME

**Purpose:**

This programme consisted of Stakeholder Liaison, Research and Information, Legal Services, Human Capital Optimisation and Records Management.

**Stakeholder Liaison**

The Stakeholder Liaison unit provided strategic coordination and communication, as well as secretariat services to inter-governmental forums. This included, but was 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, as well as participating in any unregulated gambling modes and consequences of overstimulation of gambling.

**Human Capital Optimisation (HCO)**

The function of the Human Capital Optimisation unit, was to provide human resources systems and processes that support the operations and determination of performance levels as provided in the business, and operational documents of the NGB. This unit ensured that there is compliance with labour laws and that there is a performance management system in place.

**Records Management**

The function of the Records Management unit was to ensure that there is proper maintenance and access to records as and when required.

**Litigation Services**

Litigation services were provided to the NGB.

**Description of the Programme:**

The strategic imperatives for the programme as mandated in the NGA are summarised as follows:

a) Provide researched-based authoritative advice on gambling amongst other policy, statutory matters, legislation and reforms,
b) Facilitate public dialogue with stakeholders,
c) Conduct public awareness campaigns and education programmes to inform the public and stakeholders on the socio-economic impact of gambling and illegal forms of gambling,
d) Conduct research to monitor the socio-economic patterns of gambling activity within the Republic and provide authoritative advice on gambling, and
e) Report on the gambling sector performance in South Africa by monitoring market share and market conduct in the gambling industry.

#### STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

| PROGRAMME/ACTIVITY/OBJECTIVE: | | | | | |
|---|---|---|---|---|---|
| **STRATEGIC OBJECTIVES** | **ACTUAL ACHIEVEMENT 2018/2019** | **PLANNED TARGET 2019/2020** | **ACTUAL ACHIEVEMENT 2019/2020** | **DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/2020** | **COMMENT ON DEVIATIONS** |
| Provide a broad-based public education programme about the risks and socio-economic impact of gambling | Four (4) broad-based public educational programmes through targeted interventions conducted | Eight broad-based public educational interventions about the risks and socio-economic impact of gambling | Conducted thirteen (13) broad-based public education interventions about the risks and socio-economic impact of gambling | Over-achieved | The NGB conducted five (5) additional public education interventions |

| PROGRAMME/ACTIVITY/OBJECTIVE: | | | | | |
|---|---|---|---|---|---|
| STRATEGIC OBJECTIVES | ACTUAL ACHIEVEMENT 2018/2019 | PLANNED TARGET 2019/2020 | ACTUAL ACHIEVEMENT 2019/2020 | DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/2020 | COMMENT ON DEVIATIONS |
| Monitor and report on patterns of gambling activity within the Republic of South Africa | Four (4) reports and one (1) annual report on research conducted on the impact of gambling presented to the Accounting Authority | Four (4) reports on research conducted on the impact of gambling presented to the Accounting Authority | Four (4) reports on the impact of gambling and four (4) reports on benchmarking the South African gambling industry with other jurisdictions were presented to the Accounting Authority | Over-achieved | Four (4) additional reports on benchmarking the South African gambling industry with other jurisdictions were presented to the Accounting Authority |
| Monitor and report on market share and market conduct in the gambling industry | 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 | Four (4) reports (based on unaudited data) and one (1) annual report on audited gambling sector performance, and four (4) reports on market share and economic analysis were presented to the Accounting Authority | Over-Achieved | Four (4) additional reports on market share and economic analysis were presented to the Accounting Authority |

## KEY ACHIEVEMENTS

### Stakeholder Liaison

During the financial year 2019/20, the NGB conducted thirteen (13) broad-based public education interventions to educate the public about the risks and socio-economic impact of gambling. This exceeded the planned target of eight (8) interventions for the year.

The interventions were as follows:

(a) On 12 June 2019, the NGB visited Bona Lesedi High School in Mamelodi. This provided the NGB with an opportunity to educate learners about the risks and socio-economic impact of gambling and the dangers of underage gambling.

(b) On 28 June 2019, the NGB held an exhibition stand at Gezina Galleries in Gezina, Pretoria. This allowed the NGB to provide a broad-based public education intervention about the risks and socio-economic impact of gambling, and answering questions raised related to its mandate and illegal gambling.

(c) On 25 July 2019, the NGB visited Bona Lesedi High School in Mamelodi, Pretoria. The visit served a dual purpose, one being the commemoration of Mandela Month where NGB staff contributed sanitary towels and dignity packs to the learners. The other purpose was to engage with the learners and teachers about making the right choices as well as to educate them about underage gambling.

(d) On 26 July 2019, the NGB addressed the community at Tsakane. The intervention was arranged in collaboration with the Tsakane South African Police Services (SAPS) and Tsakane Community Policing Forum (CPF). The visit was informed and necessitated by an article that was published in the Daily Sun on 3 June 2019 addressing the issue of underage gambling in Tsakane Schools.

(e) The NGB hosted a 2-day conference on 18-19 July 2019 in Pretoria, under the theme, 'The Gambling Regulators' and Operators' Dialogue'. The media coverage generated afforded the NGB access to the public which was used to further raise awareness on the pros and cons of gambling.

(f) On 30 - 31 October 2019, there was an exhibition at the Maponya Mall in Soweto. This allowed the NGB to educate the public about the interventions relating to risks, and the socio-economic impact of gambling as well as to highlight its role as a National Gambling Regulator (NGR).

(g) On 03 December 2019, the NGB together with **the dtic** conducted a joint festive season awareness campaign on gambling and liquor consumption in Polokwane.

(h) On 23 December 2019, the NGB engaged with the community in Tembisa, Ekurhuleni particularly targeting the youth to educate them about the risks and socio-economic impact of gambling.

(i) An article was published in the Sunday Times Select on 09 January 2020 which focused on illegal gambling, and its harms to the society in general as well as to the economy of South Africa.

(j) An interview was conducted on the TV channel 157, Moja Love, on 04 February 2020. The show was called Umphakathi, which is a daily community-focused programme that centres on real-life challenges experienced in South African society. The topic of the episode was gambling and addiction.

(k) A radio interview was conducted on the Madibaz community radio station which is based in the Eastern Cape on 02 March 2020. The interview focused on responsible gambling, and preventative measures to avoid irresponsible gambling.

(l) The NGB conducted a national multi-media education and awareness campaign, to educate the broader public about the pros and cons of gambling. This national media campaign was rolled out in the form of community radio stations, print and mobile trailer during quarters one (1) and two (2).

The NGB also collaborated with **the dtic** during 2019/20 on public outreach programmes, where it engaged with communities at the following events:

(a) In the Limpopo Province at Modimolle-Vaal Water on 11 September 2019, and Ga-Phaahla and Gravellote on 12 September 2019,
(b) In the Eastern Cape in Dimbaza on 21 November 2019 and Makana on 22 November 2019, and
(c) In the Western Cape in Vredenburg on 18 February 2020, in Malmesbury on 19 February 2020 and Swellendam on 20 February 2020.

In addition to these planned and collaborative activities, the NGB was invited by **the dtic** to exhibit at the Gauteng Youth Expo at Germiston on 03 May 2019. The event was led by the then Deputy Minister of Trade and Industry and Competition, Mr Bulelani Mangwanishe MP, and Councillor Mzwandile Masina, the Executive Mayor of Ekurhuleni.

The NGB also hosted a workshop for the development of Norms and Standards for the gambling industry on 11 December 2019. The workshop brought regulators and other gambling industry role-players together, to jointly deliberate on inputs submitted by industry stakeholders and the NGB's responses thereto. Although the development of such a document is the competency of **the dtic**, the workshop was hosted and facilitated by the NGB.

The above-mentioned interventions all had the effect of raising public education and awareness regarding gambling, whilst also strengthening relationships with key stakeholders in the industry.

**Research**

Research undertaken in FY2019/20 aimed to advise the Minister and the NGPC on policy considerations emanating from the research. Over the last five years, the NGB has pursued various research projects to gain an in-depth understanding of the gambling industry. These research studies were aimed at determining the Socio-economic impact of gambling, the impact of illegal and online gambling due to concerns around this mushrooming industry which impedes revenues, creates unfair competition, and increases challenges associated with pathological gambling, Transformation and growth in the gambling industry, the impact of Electronic Bingo Terminals (EBTs) on the traditional bingo, LPMs, casino sectors. and the impact of the 4IR on the current and future regulation of gambling in South Africa.

In this last financial year, FY2019/20 the organisation specifically sought to establish the current status of transformation and inclusive growth within the South African Gambling Industry to reflect on economic participation of HDIs and women in the South African gambling industry (excluding National Lottery). The overarching finding from this study, was the lack thereof of transformation strategies within the industry from a regulatory perspective, as transformation is primarily enforced through licensing conditions based on the B-BBEE Act as a transformation tool.

The NGB also endeavoured to unpack the pertinent issue of the increase in the proliferation of gambling by way of Electronic Bingo Terminals, and how this impacts on other regulated modes of gambling such as traditional bingo, LPM and casino, given that the current regulatory framework does not make provision for EBTs and no distinction is made between traditional bingo and EBTs. The study investigated how the bingo industry is regulated in the various provinces and which licensing conditions exist, and found that there are significant inconsistencies amongst the various provinces when it comes to the licensing of Bingo and specifically EBTs, and a definite disconnect in terms of reporting. As such, one of the main recommendations emanating from the study, was the need for the development of national norms and standards that address the total number of bingo licenses to be rolled out in each province, the provincial allocation of licenses, and the total number of seats/gaming positions per license for the successful regulate bingo (and EBTs) in the context of casinos and LPMs.

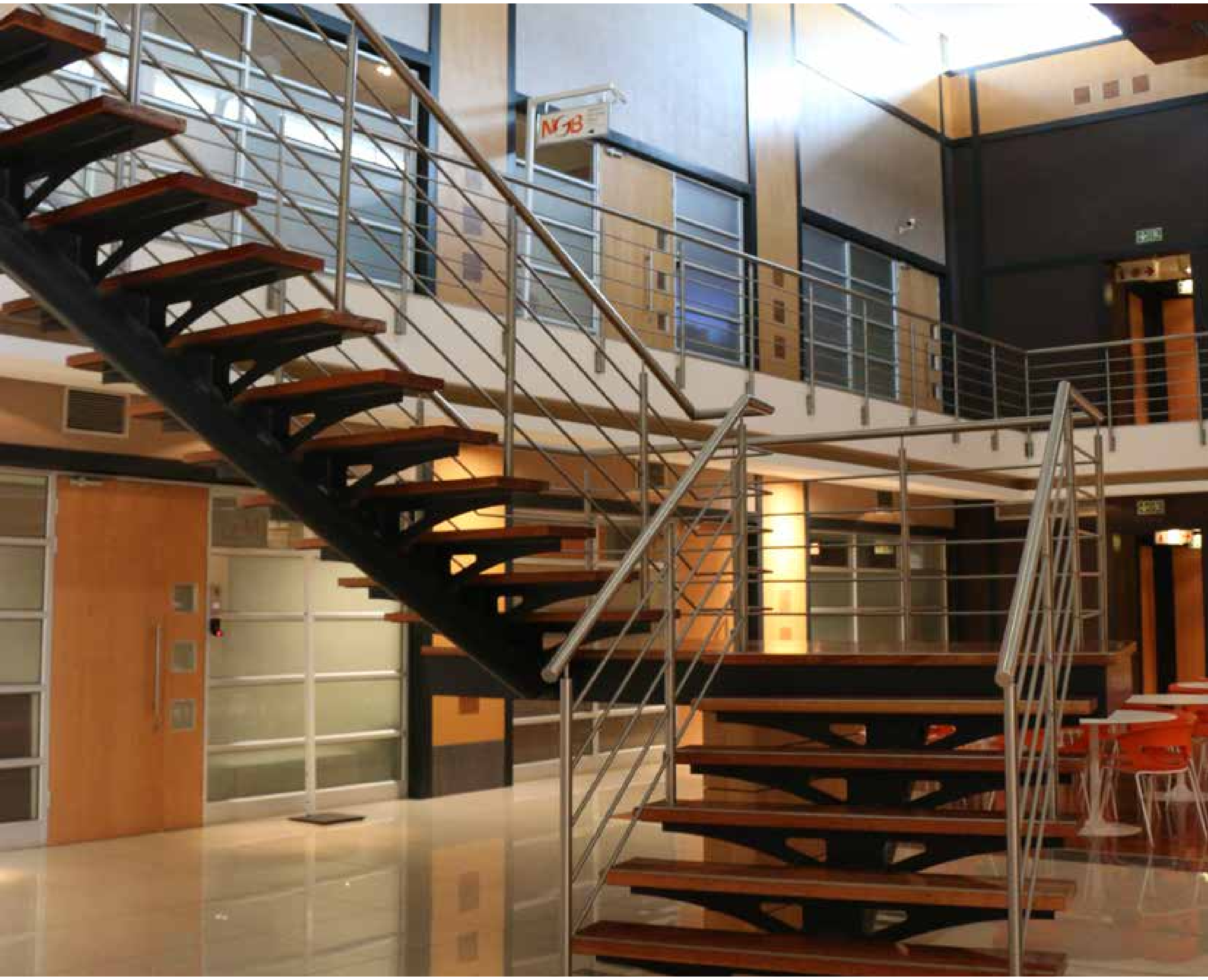
Lastly, for the FY2019/20, the NGB explored the impact of the 4IR on the gambling industry with the intent of establishing what the key implications of the 4IR on the regulation of gambling in South Africa are, concerning its impact on the destination model, and the role of the NGB in protecting society from the stimulation of demand for gambling. This study reviewed various 4IR technologies that are generating rapid and fundamental changes within the gambling sector in South Africa, such as artificial intelligence, blockchain, virtual reality, and social media, amongst others. Key issues and recommendations that emanated from the study were centred on the increased use of 4IR related technologies in the regulation of the gambling industry.

In rethinking industrial strategy, and the NGBs strategic focus, the organisation therefore considered the recommendations from the research projects undertaken in FY2019/20 in cultivating the strategic outcomes for the organisation for the next five (5) years (FY2020 - FY2025). The lack of transformation strategies within the industry informed the development of the strategic outcome of *Economic transformation and increased participation of Historically Disadvantaged Individuals (HDIs) in the mainstream gambling industry* over the next five (5) years, to develop an industry-wide transformation agenda. The need for the development of national norms and standards, to govern the regulation of EBTs, prompted the organisation to pursue the strategic outcome of the *Uniformity of legislation in the gambling industry,* to provide authoritative policy advice, statutory matters and legislation. Lastly, as regulation continues to take place in a dynamic and ever-changing gambling environment, the NGB undertakes to conduct a *technical analysis of gaming control and regulation*.

**Gambling Sector Performance**

Gross gambling revenue generated by the industry in FY2019/20 amounted to R33 billion, of which 10% were taxes and levies collected, amounting to R3.2 billion. Although total gambling revenue is largely made up of casino sector revenue (R18.4 billion in FY2019/20), there was negative growth in revenue in this sector between FY2018/19 and FY2019/20. This was due to a fall in the number of operational casino gambling positions over the same period. The sector, however, remains the largest generator of gambling revenue in all provinces in FY2019/20. All other gambling modes showed increases in the growth of GGR. The betting sector was the second largest generator of gambling revenue between FY2018/19 and FY2019/20 and had the highest growth amongst the gambling modes between the two periods of 21.3%. This was followed by the Bingo sector growing by 14.6% from the previous financial year and lastly the LPM sector growing by 9.9%.

Apart from the impacts of the COVID-19 global pandemic, existing constraints such as electricity supply limitations (i.e. load-shedding), a decline in public sector investment, slowdown in employment creation, as well as further weakening of business and household/consumer confidence, hampered the growth of the economy during the financial year. Consequently, the economic impact on the gambling industry of the COVID-19 pandemic is expected to be exacerbated by the current constrained economic environment, where the negative GDP growth rate was experienced in quarter four (4) of the FY2019/20. The negative economic outlook, as well as the effects of the COVID-19 outbreak, are likely to affect the performance and growth of the South African gambling industry going forward. This is by way of constrained incomes of households due to negative GDP growth leading to a slowdown in gambling activity, gambling revenue losses due to the closing down of operations during COVID-19 nationwide lockdown, reduced Government tax revenues collected from the gambling industry and potential employment losses as gambling operators struggle to rebound to pre-COVID-19 revenue generation levels. As such, although the sector has maintained a positive growth trajectory with gross gambling revenues continuously rising annually, albeit the decreasing share of the industry's major contributor, the casino sector's, average growth of the industry is expected to be lower in FY2020/21 due to emerging issues exacerbated by the global pandemic.



Programme 3

# FINANCE AND PROCUREMENT SERVICES

# 3. PERFORMANCE INFORMATION BY PROGRAMME

## (CONTINUED)

### 3.3 PROGRAMME 3: FINANCE AND PROCUREMENT SERVICES

#### PURPOSE OF THE PROGRAMME:

**Purpose**

This programme provided strategic financial and procurement management support to the organisation.

**Finance**

The core function of the Finance unit was to provide overall management of the financial affairs of the NGB. This unit has facilitated the financial planning and reporting for both internal and external users of the financial information.

**Procurement Services**

The core objective of Supply Chain Management (SCM) was to ensure that the procurement processes of the NGB are in line with Government's prescripts and guidelines. This unit ensured that service providers delivered goods and services in terms of their contractual obligations to the NGB.

**Description of the Programme**

The performance outcomes of this function include:

**Financial Efficiency**

Effective control, support, utilisation, maintenance and management of financial resources.

#### STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

| PROGRAMME/ACTIVITY/OBJECTIVE: | | | | | |
|---|---|---|---|---|---|
| STRATEGIC OBJECTIVES | ACTUAL ACHIEVEMENT 2018/2019 | PLANNED TARGET 2019/2020 | ACTUAL ACHIEVEMENT 2019/2020 | DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/2020 | COMMENT ON DEVIATIONS |
| Financial efficiency | 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.<br><br>A quarterly and annual PFMA compliance report were submitted to the Accounting Authority.<br><br>As at 31 March 2020, 99.9% of the budget has been spent. This is within the 5% acceptable variance for expenditure.<br><br>In addition, the entity has incurred no fruitless, wasteful, and irregular expenditure to date for the financial year 2019/2020 | N/A | N/A |

## KEY ACHIEVEMENTS

### Financial Services

The NGB developed and implemented a performance-based budgeting system in the FY2019/20. Revenue received during the financial year exceeded the projected budget as additional revenue was generated from the LPM sector. Such allocations were directed, amongst others, towards hosting the NGB conference. Overall expenditure incurred against the budget was in terms of the relevant prescripts applicable to Schedule 3A Public Entities. Consequently, there was no unauthorised, fruitless, wasteful and irregular expenditure recorded for FY2019/20. This is consistent with the past three (3) consecutive financial year's performance.

The procurement of goods and services was per the Preferential Procurement Policy Framework Act, (PPPFA), 2000. In this regard, the NGB undertook to develop suppliers as required by the B-BBEE Act. A Supplier Development Programme was established which targeted service providers who generated a turnover not exceeding R10 million per annum. Twelve (12) service providers benefited from this programme which ensured that these service providers were paid within fifteen (15) calendar days from the date of provision of an invoice to contribute towards their financial sustainability. The standard turnaround time for the payment of invoices is thirty (30) days in terms of the PFMA.

The NGB maintained accurate and complete financial records and reported monthly and quarterly on its financial performance, position and cash flows. Throughout the financial year, the entity consistently reported a surplus, which amounted to R11.3 million as at 31 March 2020. The entity's assets significantly exceeded its liabilities at a ratio of 1:0.36 which is indicative of a strong financial position. This was made possible by collecting debt within R20.9 days as opposed to the norm of a thirty (30) day collection period. Cash available at the end of the financial year amounted to R49.9 million, which exceeds the entity's financial commitments of R27.3 million, which reaffirms the entity's liquidity position coupled with the ability to timeously meet its financial obligations.

Overall, the entity 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.

Programme 4

# TECHNICAL COMPLIANCE

# 3. PERFORMANCE INFORMATION BY PROGRAMME

## (CONTINUED)

### 3.4 PROGRAMME 4: TECHNICAL COMPLIANCE

#### PURPOSE OF THE PROGRAMME:

**Purpose**

This division provided mandated operational core functions in terms of the National Gambling Act, 2004, (Act 7 of 2004). The Technical Compliance Division provided a technical analysis of the modes of gambling, systems audit and enforcement in line with statutory imperatives as provided for in gambling legislation. The division provided reliable information through national centralised databases, and contributes towards providing accessible, transparent and sufficient access for citizens to ensure economic growth.

**Functional National Registers**

The NGB is the custodian of national registers in terms of the NGA. The Act requires that the NGB must establish and maintain, in the prescribed manner, and form national registers to provide a national repository of gambling sector-specific information. The NGB is required to provide the information in its registry to PLAs in the prescribed manner and form to ensure information sharing and compliance as contemplated in the Act.

**National Central Electronic Monitoring System (NCEMS)**

The NGB is obliged by Section 27 of the NGA, read with Regulation 14 of the National Gambling Regulations to supply, install, commission, operate, manage and maintain a National Central Electronic Monitoring System (NCEMS) which is capable of detecting and monitoring significant events, associated with any LPM that is made available for play in the Republic, and analysing and reporting data according to the requirements of Sections 21 to 26 of the NGA.

The NCEMS enabled the NGB to fulfil its oversight responsibility for the PLAs in terms of Section 27 of the Act, maintain the national register in terms of Section 21 of the NGA, monitor and evaluate the PLAs compliance with the NGA, and this enabled the NGB to assist the PLAs to detect and suppress unlawful gambling and unlicensed gambling activities.

The NCEMS is essentially a system to track each LPM operated by a Route Operator (RO) or Independent Site Operator (ISO) in terms of location and status, record and validate every transaction on the LPM in real-time, and periodically report collected data.

**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 supports the strategic objectives 4.1, 4.2 and 4.3, and the Mission Statement of the NGB. ICT was geared at supporting and enhancing the overall organisational performance through the provision of assistive technologies.

**Description of the Programme:**

The strategic imperatives for the programme as mandated by the NGA are summarised as follows:

(a) Functional national registers,
(b) Effective NCEMS,
(c) Effective monitoring of regulated sectors in the gambling industry, and
(d) Maintain operational technical efficiency.

The division assisted the NGB in regulating the gambling sector in the following segments:

- Casinos,
- LPMs,
- Gambling equipment manufacturers and distributors,
- Bingo, and
- Betting on horse racing and sport.

**Maintain operational technical efficiency**

(a) Efficient and effective ICT operations, and
(b) Uninterrupted ICT infrastructure.

#### STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

| PROGRAMME/ACTIVITY/OBJECTIVE: | | | | | |
|---|---|---|---|---|---|
| STRATEGIC OBJECTIVES | ACTUAL ACHIEVEMENT 2018/2019 | PLANNED TARGET 2019/2020 | ACTUAL ACHIEVEMENT 2019/2020 | DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/2020 | COMMENT ON DEVIATIONS |
| Functional national registers | Over-achieved.<br><br>100% uptime of national functional registers | Analysis of functionality, effectiveness and maintenance of 95% uptime of national registers | 100% uptime of national functional registers | Over-achieved | 5% deviation increase in uptime. |

| PROGRAMME/ACTIVITY/OBJECTIVE: | | | | | |
|---|---|---|---|---|---|
| STRATEGIC OBJECTIVES | ACTUAL ACHIEVEMENT 2018/2019 | PLANNED TARGET 2019/2020 | ACTUAL ACHIEVEMENT 2019/2020 | DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/2020 | COMMENT ON DEVIATIONS |
| Effective NCEMS | Over-achieved.<br><br>99.9% uptime on a fully operational NCEMS | Analysis of functionality, effectiveness and maintenance of 95% uptime of national registers | 99.95% uptime on a fully operational NCEMS | Over-achieved | 4.95% deviation increase in uptime. |
| Maintain operational technical efficiency | Over-achieved<br><br>The uptime received on all IT Systems during the 2018/2019 financial year was 99.9% | 98% uptime of all ICT systems | 99.73% on ICT systems for this financial year | Over-achieved | 1.73% deviation increase in uptime. |

## KEY ACHIEVEMENTS

### 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. To improve the efficiency and maintenance of the registers, the need arose to have four (4) of the five (5) national registers automated.

A 100% uptime of national functional registers was achieved against a target of 95% uptime during the FY2019/20. Details of the work performed to maintain registers are summarised below.

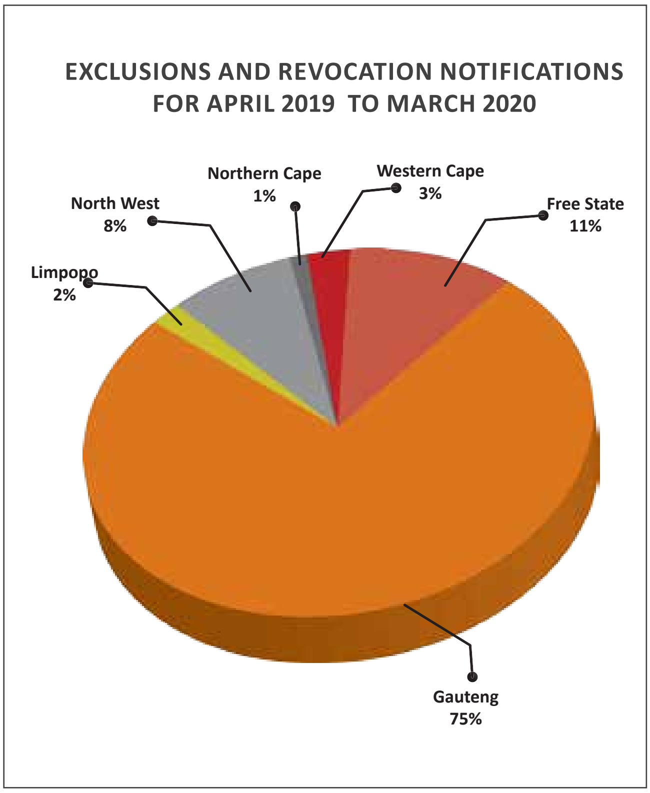



**Figure 2:** ***Total reported annual exclusions and revocations per province:***

Figure 2 demonstrates that a total of three hundred and forty-five (345) notifications were received during the period under review for self-exclusion and notifications. Gauteng had the highest number of exclusions and revocations with two-hundred and sixty (260) followed by the Free State with thirty-nine (39) and North-West with twenty-six (26).

### Illegal gambling operatives' registers (IGOR)

The NGB maintained a register of illegal gambling operatives. 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.

### 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. As such, regulators had control over all licensed gambling machines and gambling devices in the country, by sharing such information through the use of the national register. As at 31 March 2020, twenty-one thousand one hundred and sixty-three (21,163) machines were on the register, and fourteen thousand seven hundred and twenty-one (14,721) software were listed.

Figure 3 shows the total count of the information captured on the new national registers as at 31 March 2020.

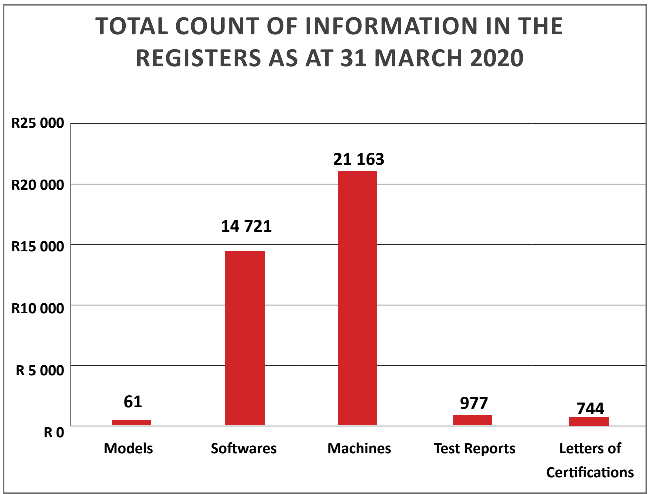



*Figure 3: Total count of information in the registers as at 31 March 2020.*

A total of nine hundred and seventy-seven (977) test reports have been uploaded, and a total of seven hundred and forty-four (744) letters of certification have been registered onto the national registers system.

### Operational NCEMS

*Table 2: National and Phase 1 allocation per province*

| PROVINCE | PROVISIONED BY NATIONAL GAMBLING ACT | PHASE 1 |
|---|---|---|
| Eastern Cape | 6000 | 3000 |
| Free State | 4000 | 2000 |
| Gauteng | 10000 | 5000 |
| KwaZulu-Natal | 9000 | 4500 |
| Limpopo | 3000 | 1500 |
| Mpumalanga | 4000 | 2000 |
| North West | 3000 | 1500 |
| Northern Cape | 2000 | 1000 |
| Western Cape | 9000 | 4500 |
| National | 50000 | 25000 |

National LPM allocation 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 allocated 18% each which is the second highest allocation of the National total. Northern Cape has the lowest allocation of 4%, or 2 000 LPMs. North West and Limpopo are allocated 6% each, whilst Mpumalanga and Free State each have an allocation of 8% of the national total. Eastern Cape has 6 000 LPMs allocated which translates to 12% of the national allocation.

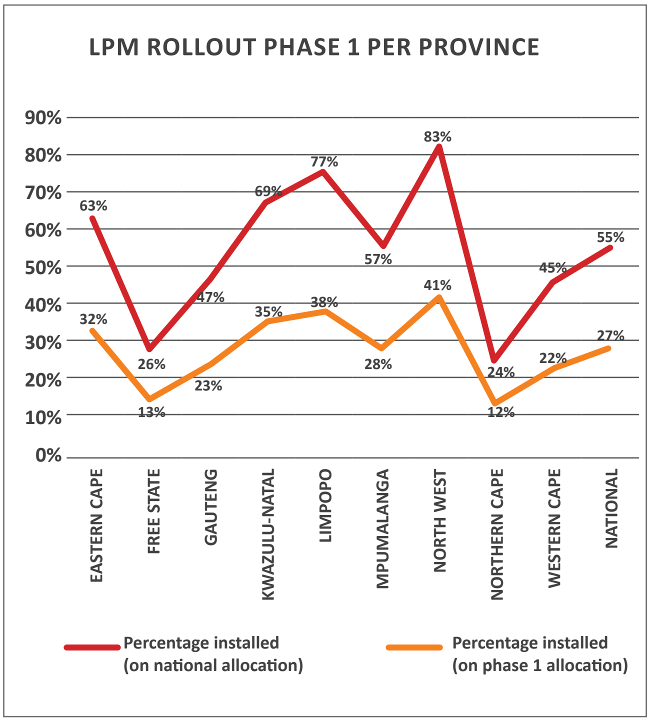



*Figure 4: LPM Phase 1 rollout per province*

The figure above represents the percentage of rollout LPMs FY2019/20. North West has the highest rollout of 83% of phase 1 allocation, or 41% of the national allocation, followed by Limpopo with the highest rollout of 77% of phase 1 allocation, or 38% of national allocation and Eastern Cape with 63% on phase 1 allocation, or 32% on national allocation, and KwaZulu-Natal with 69% of phase 1 allocations or 35% of national allocation.

Northern Cape had the slowest rollout of LPMs at 24% of phase 1 allocation or 12% of the national allocation. The rollout in the province is at 55% of the phase 1 allocations and 27% at national allocation.

*Did you know that gambling is a game of chance? Sometimes you win, sometimes you don't.*

## LINKING PERFORMANCE WITH BUDGETS

### Linking performance with budgets

*Figure 5: Programme expenditure*

| PROGRAMME/ACTIVITY/ OBJECTIVE | 2018/2019 BUDGET | 2018/2019 ACTUAL EXPENDITURE | 2018/2019 (OVER) / UNDER EXPENDITURE | 2019/2020 BUDGET | 2019/2020 ACTUAL EXPENDITURE | 2019/2020 (OVER) / UNDER EXPENDITURE |
|---|---|---|---|---|---|---|
| Compliance | 18 632 994 | 6 285 124 | 6 142 091 | 10 035 746 | 7 748 805 | 2 286 941 |
| Advisory And Support Services | 30 381 358 | 23 069 686 | 973 723 | 22 760 435 | 26 937 078 | (4 176 643) |
| Finance and Procurement | 6 200 460 | 18 900 820 | (66 246) | 21 068 906 | 17 452 659 | 3 616 247 |
| Technical Compliance | 180 380 906 | 175 067 290 | 5 330 681 | 195 386 143 | 198 876 594 | (3 490 451) |
| **TOTAL** | **235 595 718** | **223 322 920** | **12 380 249** | **249 251 230** | **251 015 136** | **(1 763 906)** |

A summary of financial information against performance and expenditure has been elaborated on above, and can be expressed in rand values as per Figure 5.

### Revenue and expenditure analysis

As at 31 March 2020, a grant of R33.8 million was received from **the dtic**, constituting 100% of the NGB's annual grant allocation for the FY2019/20. Additional revenue amounting to R228.5 million was received from other sources, which includes NCEMS monitoring fees of R220.3 million, interest on short-term investments amounting to R3.8 million and rental income of R4.3 million.

A surplus of R11.3 million was reported during the year ended 31 March 2020, against a budgeted surplus of R2.4 million.

Total actual expenditure as at 31 March 2020 amounted to R251.0 million. This represents 101% of the budgeted year-to-date expenditure against the planned expenditure of R249.3 million.

A significant portion (76%) of the entity's expenditure was incurred against professional and consulting fees, mainly for the payment of the NCEMS operator in exchange for the LPM monitoring services rendered on behalf of the NGB. Personnel expenditure accounts for 13% of the entity's total expenditure, followed by administrative expenses, travel-related expenditure and depreciation at 6%, 2% and 1% respectively.

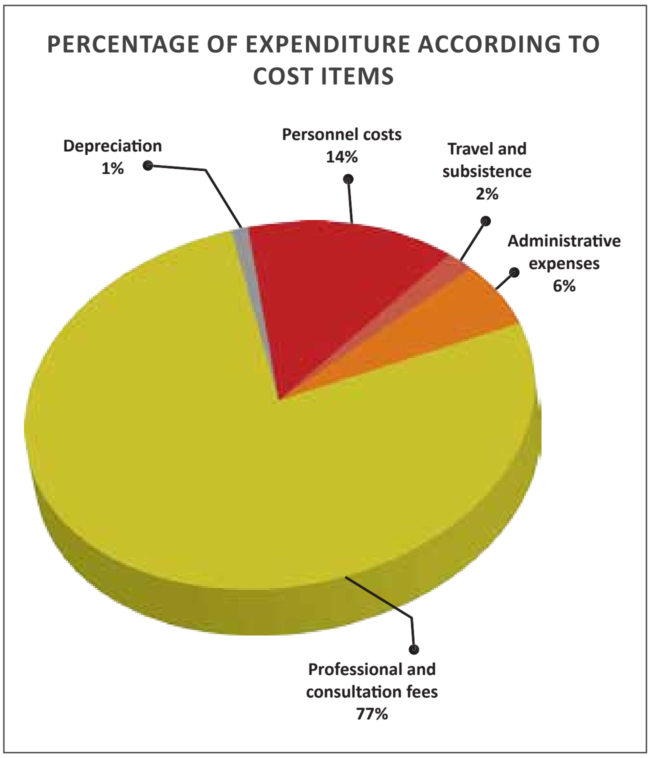



*Figure 6: Percentage of Expenditure According to Cost Items*

*An informed gambler is a protected gambler*
*Gamble responsibly.*

# 4. REVENUE COLLECTION

*Figure 7: Revenue – Budget versus actual revenue (FY2018/19 and FY2019/20)*

| PROGRAMMES | 2019/20 ESTIMATE | 2019/20 ACTUAL AMOUNT COLLECTED | 2019/20 (OVER) / UNDER EXPENDITURE | 2018/19 ESTIMATE | 2018/19 ACTUAL AMOUNT COLLECTED | 2018/19 (OVER) / UNDER COLLECTION |
|---|---|---|---|---|---|---|
| Government Grant | 33 797 000 | 33 797 000 | - | 32 624 | 32 624 | - |
| NCEMS Licence Fees | 210 000 000 | 220 337 797 | 10 337 797 | 202 030 | 202 034 | 4 |
| Interest Received | 3 150 000 | 3 800 744 | 650 744 | 2 992 | 3 018 | 26 |
| Rental | 4 661 178 | 4 408 210 | (252 962) | 4 440 | 4 422 | (18) |
| Miscellaneous Income | - | - | - | - | - | - |
| **TOTAL** | **251 608 172** | **262 343 751** | **10 735 579** | **242 086** | **242 098** | **12** |

The NGB receives its funding from National Treasury (NT) through **the dtic**. Other sources of revenue include LPMs monitoring fees, interest and rental income.

Total revenue amounting to R262.3 million was received during the year, which comprised a grant of R33.8 million, and a further R7.4 million received from other sources including interest and rental income. Revenue from the NCEMS monitoring fees of R220.3 million was received. This significantly increased as a result of the collection of 6% monitoring fees from the LPM industry. This represents 84% of the NGB's revenue sources.

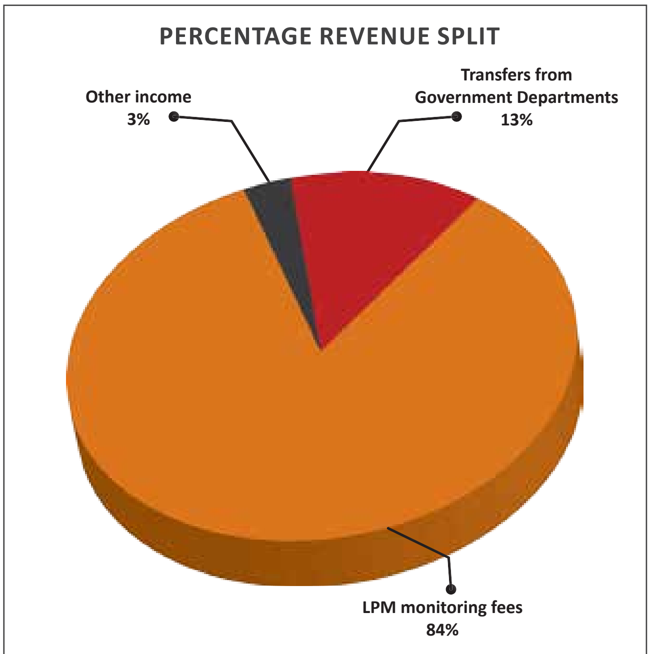



*Figure 8: Percentage Revenue Split.*

In the current FY2019/20, LPM monitoring fees accounted for 84% of total revenue, while 13% of the revenue was received from the dtic grant allocation. The remainder of the revenue (3%) was received from other sources such as rental income and interest received.

## CAPITAL INVESTMENT

### Capital investment, maintenance and asset management plan

The NGB maintains a fixed asset register with a total asset value of R10.68 million. R6 million of these assets are in the form of Property Plant and Equipment (PPE). PPE is predominantly in the form of leasehold improvements which are attached to the entity's leased office premises. Other PPE items are in the form of computer equipment, motor vehicles, office furniture and equipment.

Intangible assets makeup R4.6 million of the NGB's non-current assets and are mainly internally generated national registers.

### Safeguarding of assets

Every employee is 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 bi-annual basis to confirm the existence and condition of all NGB assets. While employees are held liable for the loss of assets arising out of negligence, the overall risk of loss of the entity's assets has been passed on to an external insurance service provider.

### Asset maintenance

Expenditure was incurred towards the maintenance of office equipment and the leasehold improvements, to ensure that they are effectively and efficiently utilised over their economic useful life.

# PART C

# GAMBLING SECTOR PERFORMANCE AND NATIONAL STATISTICS

# OVERVIEW OF THE GAMBLING INDUSTRY

The National Gambling Board (NGB) is mandated by the National Gambling Act (NGA), 2004 (Act 7 of 2004), Section 65(2)(e) to monitor market conduct and market share of casino, bingo, LPMs and betting on horse racing and sports in the South African gambling industry. In doing so, the NGB has gathered provincial gambling statistics and information for the period 1 April 2019 to 31 March 2020.

NGB monitors market conduct (e.g. number of operators, gambling positions and outlets in the South African gambling sector), and also gathers and analyses national gambling statistics in terms of Turnover (TO), Gross Gambling Revenue (GGR), and the collection of taxes/levies. An overview of the gambling industry monitored from FY2018/19 to FY2019/20 reflected that overall, there was growth in gambling turnover, GGR and taxes, although the number of casino operational gambling positions declined as illustrated in Figure 9 below.

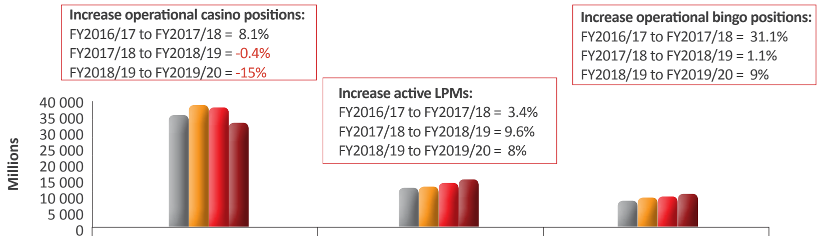
**Figure 9:** ***Overview of the gambling industry as at 31 March 2020***

| VARIABLE | FY2018/19 MARKET CONDUCT – AS AT QUARTER 4 STATISTICS – TOTAL ALL QUARTERS | FY2019/20 MARKET CONDUCT – AS AT QUARTER 4 STATISTICS – TOTAL ALL QUARTERS | FY2019/20 QUARTER 1 | FY2019/20 QUARTER 2 | FY2019/20 QUARTER 3 | FY2019/20 QUARTER 4 |
|---|---|---|---|---|---|---|
| Number of operational casinos | 39 | 39 | 39 | 39 | 39 | 39 |
| Number of operational slots (casinos) | 24 781 | 24 469 | 24 612 | 24 617 | 24 373 | 24 469 |
| Number of operational table (casinos) | 932 | 935 | 942 | 942 | 940 | 935 |
| Number of operational gambling positions (casinos) | 35 768 | 30 515 | 31 020 | 31 021 | 30 417 | 30 515 |
| Number of operational totalisator outlets | 388 | 367 | 385 | 478 | 326 | 368 |
| Number of operational bookmakers | 295 | 255 | 299 | 300 | 313 | 255 |
| Number of operational bookmaker outlets | 602 | 550 | 578 | 583 | 548 | 550 |
| Number of operational Limited Payout Machine (LPMs) site operators | 2 347 | 2 497 | 2 390 | 2 372 | 2 424 | 2 498 |
| Number of active LPMs | 13 034 | 14 130 | 13 609 | 13 314 | 14 018 | 14 140 |
| Number of operational bingo outlets | 52 | 56 | 55 | 56 | 56 | 56 |
| Number of operational bingo positions | 8 610 | 9 427 | 8 844 | 9 165 | 9 423 | 9 427 |
| Traditional | 1 219 | 1 324 | 1 271 | 1 324 | 1 324 | 1 324 |
| Electronic Bingo Terminals | 7 391 | 8 103 | 7 573 | 7 841 | 8 099 | 8 103 |
| National gambling statistics: Turnover | R 425 598 013 152 | R451 922 940 905 | R108 863 633 017 | R115 942 839 921 | R115 323 088 514 | R111 793 379 453 |
| National gambling statistics: GGR | R 30 790 766 660 | R32 651 969 283 | R7 651 141 979 | R8 289 962 104 | R8 603 545 919 | R8 107 319 281 |
| National gambling statistics: Taxes/levies collected | R 3 094 798 852 | R3 208 768 506 | R763 618 764 | R815 818 371 | R848 676 649 | R780 654 721 |

# MARKET SHARE AND MARKET CONDUCT

Analysing market share and market conduct in the industry, enables the NGB to monitor and identify modes of gambling that drive revenue growth and profitability. Analysis of the growth in GGR and gambling positions per gambling mode between FY2016/17 and FY2018/19 reflected the following growth and trends as shown in  Figure 10 below.

**INCREASE IN THE NUMBER OF OPERATIONAL GAMBLING POSITIONS IN THE CASINO, LPM & BINGO SECTORS: FY2016/17 - FY2019/20**



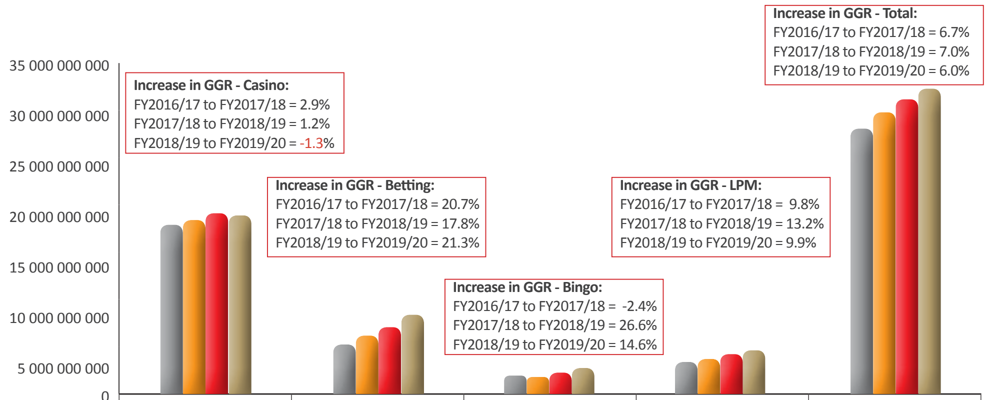

| | Casino | Limited payout machines | Bingo |
|---|---|---|---|
| Operational positions, FY2016/17 | 33 249 | 11 502 | 6 497 |
| Operational positions, FY2017/18 | 35 929 | 11 896 | 8 520 |
| Operational positions, FY2018/19 | 35 768 | 13 034 | 8 610 |
| Operational positions, FY2019/20 | 30 515 | 14 130 | 9 427 |

***Figure 10**: Increase in the number of gambling positions in the casino, LPM & bingo sectors: FY2016/17 – FY2019/20*

Operational gambling positions were monitored in the casino, LPM and bingo sectors from FY2017 to FY2020. It is evident from Figure 10 above that the highest increase in gambling positions was recorded in the Bingo sector (increase by 9% between FY2018/19 and FY2019/20 of the number of operational bingo positions) followed by the LPM sector i.e. an increase of 8% in the number of active LPMs from 13 034 in FY2018/19 to 14 130  in FY2019/20. Negative growth in the number of operational gambling positions in casinos was however noted again between FY2018/19 and FY2019/20. Traditional bingo positions, however, increased from a previous decrease whilst an increase was noted in the number of EBTs.

Figure 11 shows the growth in GGR across the gambling modes over the period FY2016/17 and FY2019/20.  Positive growth in GGR has been recorded in all gambling modes except the casino sector which declined by 1.3%. The highest growth in GGR was noted in the betting sector (21.3% from FY2018/19 to FY2019/20) followed by the bingo sector 14.6% and LPM sector (by 9.9% from FY2018/19 to FY2019/20).  This growth is notably less than the previous year's growth, showing the effects of the Covid-19 global pandemic.

**GROWTH IN GGR, ALL MODES: FY2016/17 – FY2019/20**




| | GGR Casino | GGR Betting | GGR Bingo | GGR LPM | TOTAL |
|---|---|---|---|---|---|
| GGR, FY2016/17 | 17 900 747 071 | 5 085 630 664 | 1 278 664 383 | 2 696 846 443 | 26 961 888 560 |
| GGR, FY2017/18 | 18 417 094 967 | 6 136 832 908 | 1 248 509 057 | 2 960 822 948 | 28 763 259 881 |
| GGR, FY2018/19 | 18 632 408 686 | 7 227 082 554 | 1 580 744 888 | 3 350 530 532 | 30 790 766 660 |
| GGR, FY2019/20 | 18 394 077 253 | 8 765 264 386 | 1 810 774 980 | 3 681 852 665 | 32 651 969 283 |

***Figure 11:** Growth in GGR, all modes (FY2016/17 – FY2019/20)*

Provincially, the highest growth (increase) in GGR generated per province was noted in Mpumalanga (by 22.3% from FY2018/19 to FY2019/20), followed by the Western Cape (by 8.8%) and KwaZulu-Natal (by 8.5%) during the same period.

Figure 12 below illustrates the decline in GGR market share of casinos from FY2010 to FY2020, compared to the steady increase of market share in the betting, bingo and LPM sectors. Of the total GGR from all modes of gambling (R33 billion), casino GGR accounted for 56.3% of the gambling market followed by betting GGR with a market share of 26.8%. LPM GGR accounted for 11.3% of the market whilst bingo GGR had the least market share in terms of GGR of 5.5%.

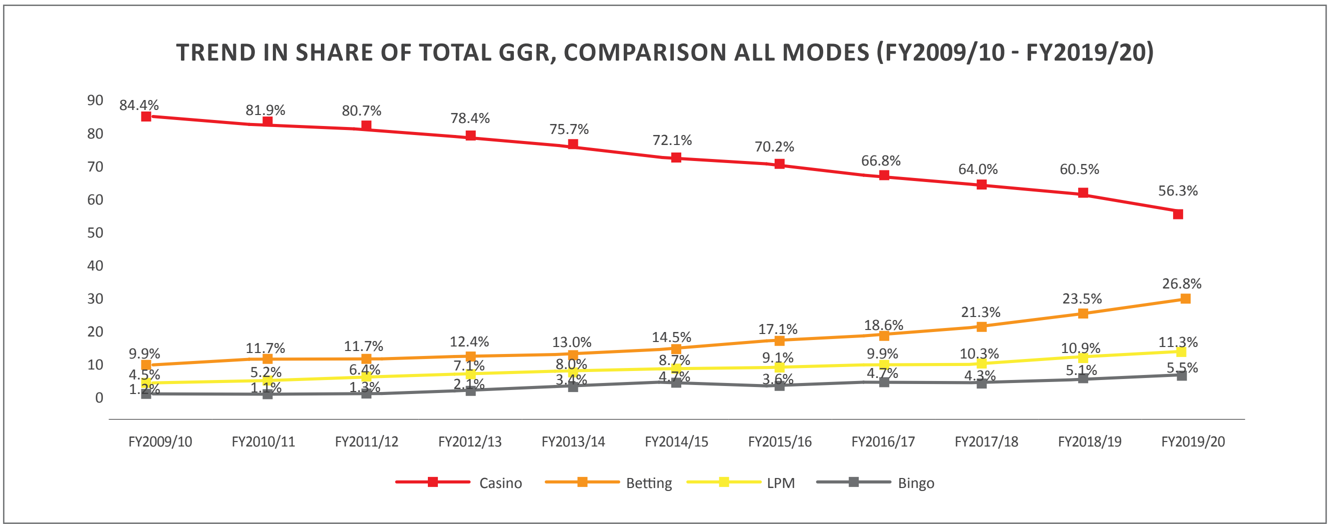



*Figure 12: Trend in the share of total GGR, comparison all modes (FY2009/10 – FY2019/20)*

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, by 7.0% from FY2017/18 to R 30.8 billion in FY2018/19 and by 6% to R33 billion in FY2019/20. During FY2019/20, casinos accounted for the highest GGR generated, being 56.3% as compared to other gambling modes. Compared to all other provinces, Gauteng at a 40.2% share, accounted for the highest amount of GGR generated, as illustrated in Figures 13 and 14.

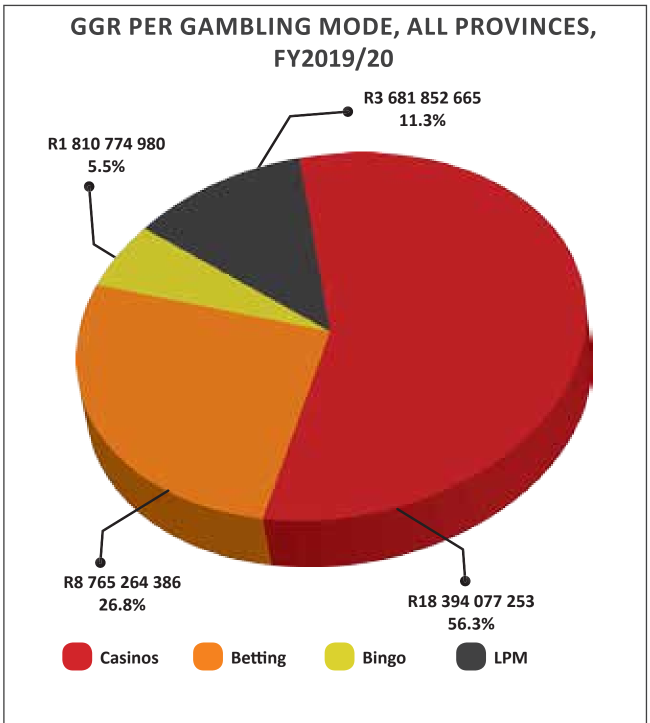



*Figure 13: GGR per gambling mode, all provinces, FY2019/20*

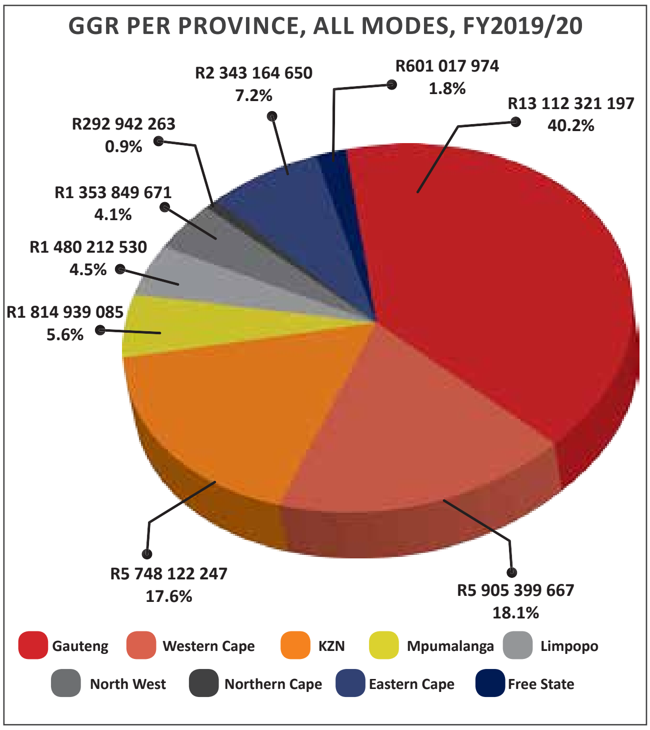



*Figure 14: GGR per province, all modes, FY2019/20*

Taxes/levies collected 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, by 6.8% to R3,1 billion from FY2017/18 to FY2018/19 and by 1.0% to R3.2 billion in FY2019/20. During FY2019/20, at 58.7%, casinos contributed the highest amount of taxes/levies paid in comparison with other gambling modes – refer to Figure 15. At 37% Gauteng accounted for the highest amount of taxes/levies paid compared to all other provinces as illustrated in Figure 16.

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 16 represents gambling taxes collected as a percentage of GGR generated by province for all modes combined.

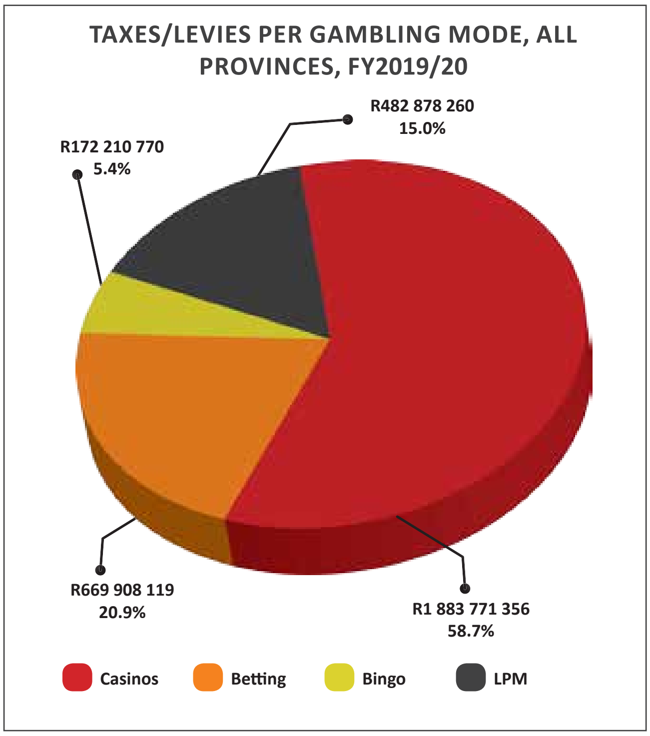



*Figure 15: Taxes/levies per gambling mode, all provinces, FY2019/20*

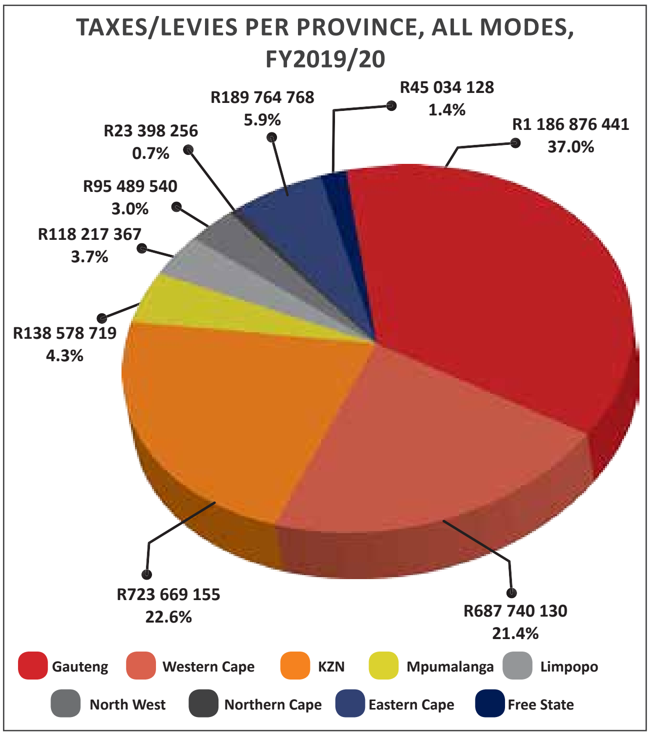



*Figure 16: Taxes/levies per province, all modes, FY2019/20*

## GROSS GAMBLING REVENUE AND ECONOMIC GROWTH

The market prospects and future sustainability of the gambling industry in South Africa, are directly dependent on the economic environment within which it operates. Figure 17 below shows the trend in Growth Domestic Product (GDP) growth rate, quarter on quarter against GGR growth rate. The trend reveals that gambling revenues over the last decade have fluctuated growing strongest in 2012-Q4 and lowest in 2013-Q1. From 2017 however, GGR generally moved almost in congruence with growth trends in GDP also showing a decline during the 2018 and 2019 recessions. GDP declined 2.0% (quarter on quarter) in the first quarter of 2020 after previously declining by 1.4% as GGR also fell by 5.6% (quarter on quarter) from previously growing by 3.8%. In the second quarter of 2020, GDP declined by 51% owing to the Covid-19 pandemic and this also impacted the GGR as it fell 83% during the same period.

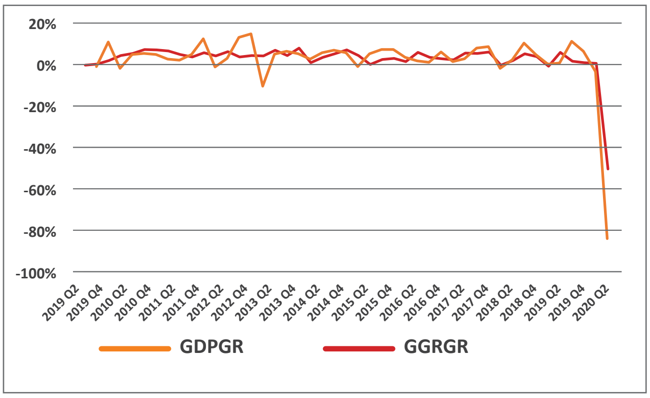



*Figure 17: GDP Growth Rate and GGR Growth Rate FY2009/10Q2- FY2020/21Q1*

## OPERATORS PER GAMBLING MODE

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

i. Casino sector:

As at 31 March 2020 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 Tsogo Sun Holdings/Hosken Consolidated Investments (14 casinos), Sun International (13 casinos), Peermont Resorts (8 casinos), London Clubs International (1 casino), Northern Cape Casino Consultants (1 casino), the Billion Group (1 casino) and African Pioneer Gaming (Pty) Ltd (1 casino) as reflected in figure 18 below.

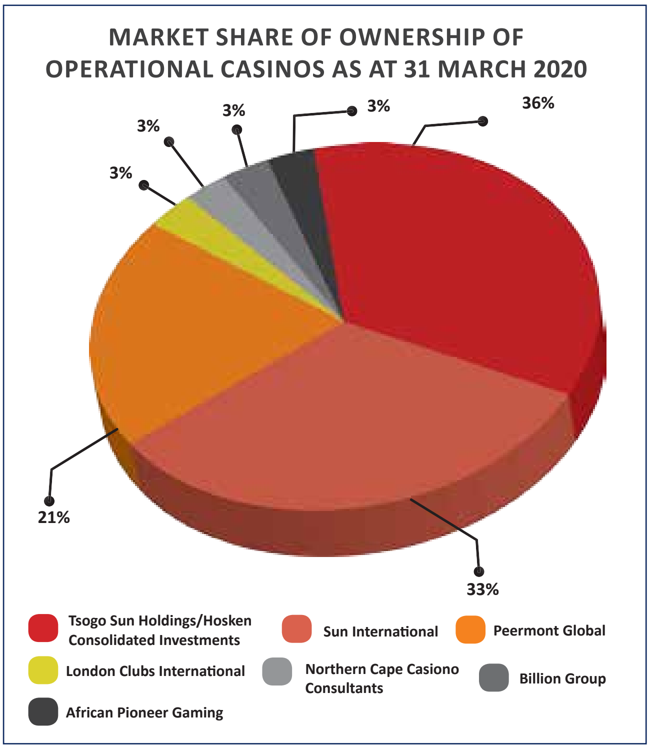



*Figure 18: Market share of ownership of operational casinos as at 31 March 2020*

ii. LPM sector:

The share of relevant LPM operators which are operational across the country are illustrated in Figure 19 below as at 31 March 2020. Vukani Gaming operated in all nine provinces, Goldrush Gaming operated in six provinces (Gauteng, KwaZulu-Natal, Limpopo, North West, Northern Cape, and Free State), Grand Gaming operated in three provinces (Gauteng, Western Cape and Mpumalanga), Crazy Slots and Hot Slots in Gauteng, Kingdom Slots, KZN Slots, Luck@it and Great Bingo in KwaZulu-Natal, Varloflash, Tshufi Gaming, I Slots, Vegas slots and Magic Slots operate in North West, Pioneer operated in Eastern Cape and an independent operator was also operational in Mpumalanga.

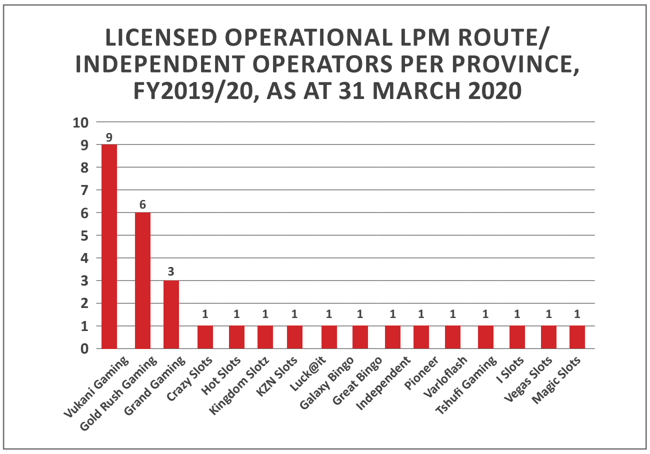



*Figure 19: Ownership of LPM (route and independent operators) by number of provinces occupied as at 31 March 2020*

iii. Bingo sector:

As at 31 March 2020, bingo is licensed and rolled out in six out of the nine 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 20 below:

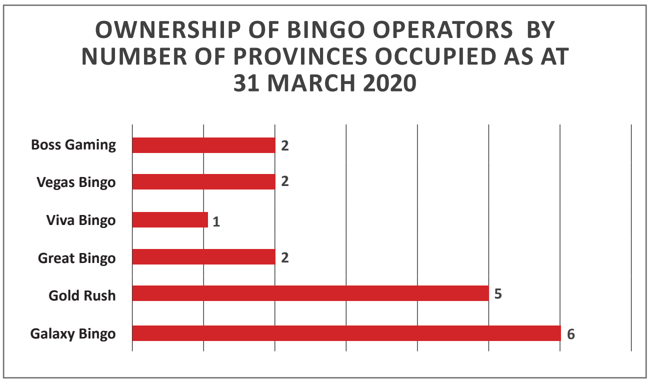



*Figure 20: Ownership of bingo operators by number of provinces occupied as at 31 March 2020*

iv. Betting sector:

Gold Circle is the totalisator operator in KwaZulu-Natal, Phumelela in Gauteng, Mpumalanga, Limpopo, North West, Northern Cape, Eastern Cape and the Free State. Kenilworth Racing (totalisator) is operating in the 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 a presence in eight provinces except for 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. Licensed bookmakers are located in all the provinces throughout the Republic. Bets can be placed on horse racing and sport (on and off course), as well as on any other legal contingency.

# B-BBEE IN THE GAMBLING INDUSTRY

Broad-Based Black Economic Empowerment (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 dtic**. The gambling industry, to date, does not have its own transformation charter. Thus, gambling enterprises are measured in terms of the generic scorecard 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 dtic** 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 is as follows: Ownership, management control, employment equity, skills development, preferential procurement, enterprise (supplier) development and socio-economic development.

Based on the information submitted by Provincial Licensing Authorities (PLAs), the average B-BBEE status or contributor level of the South African gambling industry as at 31 March 2020 per gambling mode and operator, was as follows and is indicated in Figure 21 below:

- Average B-BBEE level for casino operators: Level 1.5
- Average B-BBEE level for totalisators: Level 5.5
- Average B-BBEE level for LPM operators: Level 1.9

Average B-BBEE level for bingo operators: Level 2.4 (currently only operational in Gauteng, Mpumalanga, North West, Eastern Cape and KwaZulu-Natal).

A detailed breakdown of B-BBEE levels, per gambling mode and operator, from FY2012 to FY2020, is reflected below.

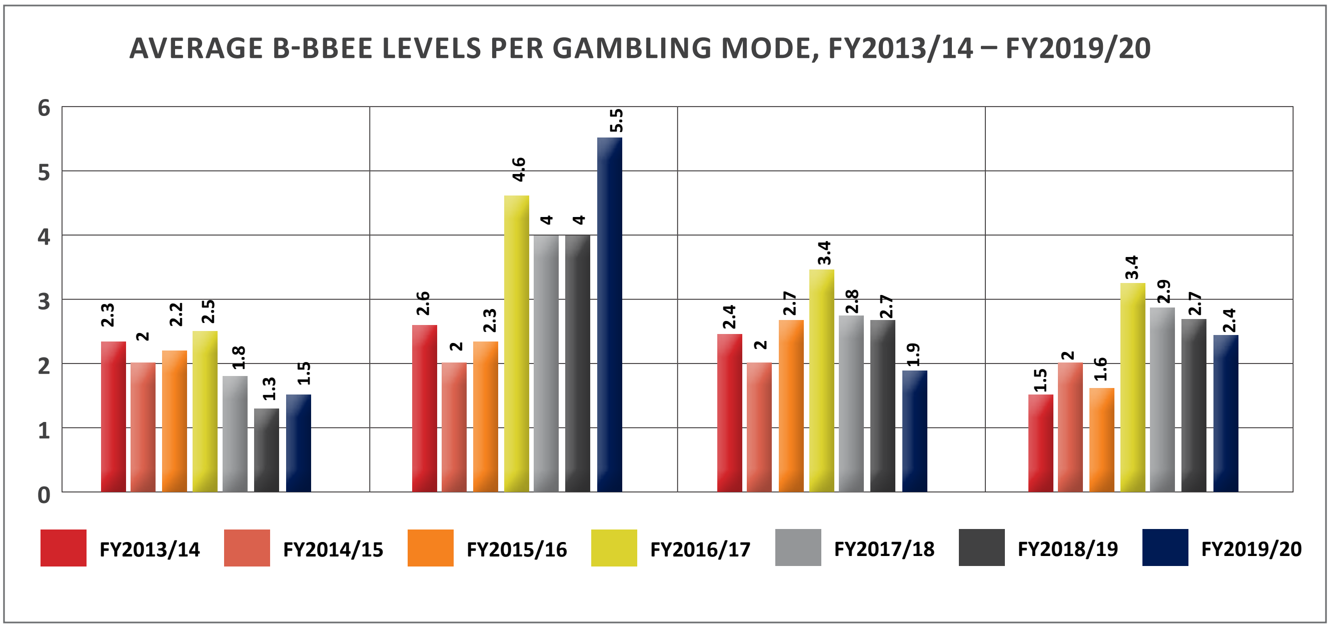



*Figure 21: Average B-BBEE levels per gambling mode, FY2013/14 – FY2019/20*

*"Gambling presents an opportunity for encouraging participation of Small, Medium and Micro Enterprises (SMMEs), cooperatives, townships as well as rural enterprises and economic empowerment of the historically disadvantaged."*

| Province | Name of Casino | Controlling Shareholder | Contributor/ B-BBEE | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | FY2011/12 | FY2012/13 | FY2013/14 | FY2014/15 | FY2015/16 | FY2016/17 | FY2017/18 | FY2018/19 | FY2019/20 |
| Gauteng | Morula Sun Casino (GT) | Sun International | 2 | 2 | 2 | 2 | 2 | 4 | Closed | Closed | Closed |
| | Carnival City (GT) | Sun International | | | | | | | | | |
| | Time Square (GT) | Sun International | | | | | 2 | 2 | 1 | 1 | |
| | Montecasino (GT) | Tsogo Sun | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 1 | |
| | Gold Reef City Casino (GT) | Tsogo Sun | 3 | 2 | 2 | 2 | 2 | 2 | 1 | 1 | |
| | Silverstar Casino (GT) | Tsogo Sun | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 | |
| | Emperors Palace (GT) | Peermont Global | 2 | 2 | 2 | 2 | 2 | 1 | 1 | 1 | |
| | Emerald Safari Resort (GT) | London Clubs International | | | 3 | 2 | 2 | 4 | 2 | 2 | |
| Western Cape | Grandwest Casino (WC) | Sun International | 3 | 3 | 2 | 2 | 2 | 4 | 3 | 2 | 1 |
| | Golden Valley Casino (WC) | Sun International | 3 | 3 | 2 | 2 | 3 | 3 | 1 | 4 | 2 |
| | Caledon Hotel Spa Casino (WC) | Tsogo Sun | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 1 |
| | Casino Mykonos (WC) | Tsogo Sun | | | | | | | | | 2 |
| | Garden Route Casino (WC) | Tsogo Sun | | | | | | | | | 1 |
| KwaZulu-Natal | Sibaya Casino (KZN) | Sun International | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 1 | 1 |
| | Suncoast Casino (KZN) | Tsogo Sun | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 1 | 1 |
| | Black Rock Casino (KZN) | Tsogo Sun | 3 | 3 | 3 | 2 | 2 | 2 | 1 | 1 | 1 |
| | Golden Horse Casino (KZN) | Tsogo Sun | 2 | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| | Umfolozi Casino (KZN) | Peermont Global | 2 | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| Mpumalanga | The Ridge Casino (MP) | Tsogo Sun | 3 | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| | Emnotweni Casino (MP) | Tsogo Sun | 3 | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| | Graceland Hotel Casino (MP) | Peermont Global | | | | | | | | | 1 |
| Limpopo | Meropa Casino (LP) | Sun International | 2 | 2 | 2 | 2 | 2 | 4 | 1 | 1 | 1 |
| | Khoroni Hotel Casino (LP) | Peermont Global | | | | | | | | | 1 |
| | Thaba Moshate (LP) | Peermont Global | | | | | | | | | 1 |
| North West | Sun City (NW) | Sun International | 3 | 3 | 3 | 3 | 2 | 1 | 1 | 1 | 1 |
| | Carousel Casino (NW) | Sun International | | 2 | 2 | 2 | 2 | 4 | 2 | 1 | 3 |
| | Mmabatho Palms Casino (NW) | Peermont Global | | | | | | | | | 1 |
| | Rio Casino (NW) | Peermont Global | | | | | | | | | 1 |
| Northern Cape | Flamingo Casino (NC) | Sun International | 4 | 4 | 4 | 2 | 4 | 4 | 4 | 2 | 2 |
| | Desert Palace Hotel Resort (NC) | Northern Cape Consultants Kairo | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| | Grand Oasis Casino | Tsogo Sun | | | | | 2 | 2 | 2 | 2 | 2 |
| Eastern Cape | Boardwalk Casino (EC) | Sun International | 3 | 3 | 3 | 2 | 2 | 3 | 3 | | 2 |

| Province | Name of Casino | Controlling Shareholder | Contributor/ B-BBEE | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | FY2011/12 | FY2012/13 | FY2013/14 | FY2014/15 | FY2015/16 | FY2016/17 | FY2017/18 | FY2018/19 | FY2019/20 |
| | Wild Coast Sun (EC) | Sun International | 3 | 3 | 3 | 3 | 2 | 2 | 2 | | 2 |
| | Hemingways Casino (EC) | Tsogo Sun | 3 | 3 | 3 | 2 | 1 | 1 | 1 | | 1 |
| | Queens Casino (EC) | African Pioneer Gaming Pty Ltd | | | 2 | 3 | 2 | 3 | 3 | | 8 |
| | Mayfair Casino (EC) | Billion Group | | | | | | | | | 1 |
| Free State | Windmill Casino (FS) | Sun International | 2 | 2 | 2 | 2 | 2 | 4 | 2 | 2 | 2 |
| | Naledi (FS) | Sun International | 2 | | | | | | Not rated | Not rated | Closed |
| | Gold Fields | Tsogo Sun | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 1 | 1 |
| | Frontier Inn | Peermont Global | | | | | | | | | 1 |
| **Average B-BBEE Level** | | | **2,5** | **2,4** | **2,3** | **2,1** | **2,0** | **2,3** | **1,6** | **1,4** | **1,5** |

*Table 4: B-BBEE levels for totalisators from FY2011/12 to FY2019/20*

| B-BBEE LEVELS, TOTALISATORS, FY2011/12 – FY2019/20 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Name of totalisator | Name of province | Contributor / B-BBEE level | | | | | | | | |
| | | FY2011/12 | FY2012/13 | FY2013/14 | FY2014/15 | FY2015/16 | FY2016/17 | FY2017/18 | FY2918/19 | FY2019/20 |
| Gold Circle | Western Cape | 4 | 4 | 4 | | | | | | |
| Kenilworth Racing (Phumelela) | | | | | 2 | 2 | 4 | 4 | 4 | 8 |
| Gold Circle | KwaZulu-Natal | | | 4 | 4 | 2 | 3 | 4 | 4 | 6 |
| Phumelela | Limpopo | 3 | 3 | 2 | 2 | 2 | 5 | 4 | 4 | 6 |
| Phumelela | Mpumalanga | 3 | 3 | 2 | 2 | 2 | 5 | 4 | 4 | 4 |
| Phumelela | Gauteng | | 3 | 2 | 2 | 2 | 5 | 4 | 4 | |
| Phumelela | North West | 4 | 3 | 3 | 3 | 2 | 5 | 4 | 4 | 6 |
| Phumelela | Free State | 3 | 3 | 2 | 2 | 2 | 5 | 4 | 4 | 4 |
| Phumelela | Eastern Cape | | | 2 | 2 | 2 | 5 | | | 6 |
| Phumelela | Northern Cape | | | | | 5 | 4 | 4 | 4 | 4 |
| **Average** | | **3,4** | **3,2** | **2,6** | **2,4** | **2,3** | **4,6** | **4,0** | **4,0** | **5,5** |

*Table 5: B-BBEE levels for the LPM sector from FY2011/12 to FY2019/20*

**B-BBEE LEVELS, LPMs, FY2011/12 – FY2019/20**

| Name of province | Name of route operators | Contributor / B-BBEE level | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | FY2011/12 | FY2012/13 | FY2013/14 | FY2014/15 | FY2015/16 | FY2016/17 | FY2017/18 | FY2018/19 | FY2019/20 |
| 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 | | | | | | | Not compliant | Non-Compliant | |
| Eastern Cape | Vukani Gaming | | | 3 | 3 | 3 | 3 | 3 | | 1 |
| | Pioneer Slots | | | 3 | 1 | 2 | | 4 | | 1 |
| Free State | Vukani Gaming | 3 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 1 |
| | Goldrush | | | | | | | 2 | 2 | 2 |
| KwaZulu-Natal | Vukani Gaming | 1 | 1 | 3 | 2 | 2 | 2 | 2 | 2 | 1 |
| | Kingdom Slots | 4 | 4 | 3 | 3 | 5 | 2 | 5 | 4 | 3 |
| | Luck-at-it | 1 | 1 | 1 | 1 | 2 | 5 | 1 | 2 | 1 |
| | KZN Slots | 5 | 5 | 5 | 5 | 5 | | 4 | 4 | 3 |
| Limpopo | Vukani Gaming | 2 | 2 | 3 | 2 | 2 | 1 | 1 | 1 | 1 |
| | Goldrush | 3 | 3 | 1 | 1 | 1 | 4 | 1 | 1 | 1 |
| Mpumalanga | Vukani Gaming | 4 | 3 | 3 | 2 | 2 | 3 | 3 | 1 | 2 |
| | Tripple 7 Slots | | | | | | | | | 4 (Exempt Micro Enterprise) |
| | Hendecol Gaming | | | | | | | | | 1 (Exempt Micro Enterprise) |
| | Grand Gaming | | | 2 | 2 | 2 | Level 2 QSE | 4 (Exempt) | Exempt | 4 |
| | Galaxy Gaming | | | | | 1 | 2 (Exempt | 1 (Exempt) | Exempt | 2 |
| | Decatex Gaming | | | | | | | | | 1 (Exempt Micro Enterprise) |

| B-BBEE LEVELS, LPMs, FY2011/12 – FY2019/20 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Name of province | Name of route operators | Contributor / B-BBEE level | | | | | | | | |
| | | FY2011/12 | FY2012/13 | FY2013/14 | FY2014/15 | FY2015/16 | FY2016/17 | FY2017/18 | FY2018/19 | FY2019/20 |
| North West | Vukani Gaming | 4 | 2 | 2 | 2 | 1 | 4 | 2 | 2 | 1 |
| | Bathusi | | 3 | 3 | 3 | | | | | N/A |
| | Goldrush Gaming | | 3 | 1 | 1 | 1 | 2 | 2 | 2 | 2 |
| | Varloflash | | | | | | 4 | 2 | 2 | 2 |
| | Tshufi Gaming | | | | | | | | 2 | 2 |
| | Magic Slots | | | | | | | | 2 | 2 |
| | I-Slots | | | | | | | | 2 | 2 |
| | Vegas Slots Rustenberg | | | | | | | | | 2 |
| | Vegas Slots Vryburg | | | | | | | | | 2 |
| Western Cape | Vukani Gaming | 2 | 3 | 3 | 2 | 3 | 3 | 2 | 2 | 2 |
| | Grand Slots | 4 | 4 | 3 | | | | | | |
| | Grand Gaming | | | | 2 | 5 | 5 | 4 | 4 | 3 |
| Northern Cape | Goldrush Gaming | | | | | | 2 | 2 | 2 | 2 |
| | Vukani Gaming | | | | | 2 | 2 | 2 | 2 | 2 |
| **Average:** | | **2,8** | **2,4** | **2,5** | **2,1** | **2,7** | **3,6** | **2,8** | **2,7** | **1,9** |

Those exempted excluded

*Table 6: B-BBEE levels for the bingo sector from FY2011/12 to FY2019/20*

| B-BBEE LEVELS, BINGO, FY2011/12 – FY2019/20 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Name of province | Name of bingo | Contributor / BBBEE level | | | | | | | | |
| | operators | FY2011/12 | FY2012/13 | FY2013/14 | FY2014/15 | FY2015/16 | FY2016/17 | FY2017/18 | FY201819 | FY2019/20 |
| 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* | |

| B-BBEE LEVELS, BINGO, FY2011/12 – FY2019/20 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Name of province | Name of bingo operators | Contributor / BBBEE level | | | | | | | | |
| | | FY2011/12 | FY2012/13 | FY2013/14 | FY2014/15 | FY2015/16 | FY2016/17 | FY2017/18 | FY201819 | FY2019/20 |
| Mpumalanga | Viva Bingo | | 4 | 4 (Exempt) | 1 | 2 | 4 (Exempt) | | | |
| | Goldrush Bingo | | | | | | 8 | 8 | | 8 |
| | Galaxy Bingo | | | | | | | 2 (Exempt) | 1 | 1 |
| | Great Bingo | | | | | | | 1 (Exempt) | 1 (Exempt) | 1 (Exempt Micro Enterprise) |
| | Goldrush Bingo | | | | | | | 2 (Exempt) | 8 and | 2 (Exempt Micro Enterprise) |
| | | | | | | | | | 2 (Exempt) | |
| | Star Bingo | | | | | | | | 4 (Exempt) | 4 (Exempt Micro Enterprise) |
| North West | Goldrush Bingo | | | N/A | 4 | 1 | 2 | 2 | 2 | 2 |
| | Galaxy Bingo | | | | 1 | 1 | 4 | 4 | 2 | 2 |
| | Eliocube | | | | | | | | 2 | 2 |
| Eastern Cape | Galaxy Bingo | | | 1 | 1 | 1.8* | 2 | 2 | | 1.8 |
| | Boss Gaming | | | | | | 2 | 2 | | 2 |
| | Goldrush Bingo | | | | | | 2 | 2 | | 2 |
| KwaZulu-Natal | Galaxy Bingo | | | | | 1 | 2 | 2 | 2 | 2 |
| | Great Bingo | | | | | | 1 | 1 | 1 | 1 |
| | Goldrush Bingo | | | | | | 4 | N/A | N/A | 4 |
| Limpopo | Boss Gaming | | | | | | 4 | | 4 | 2 |
| | Galaxy Bingo | | | | | | 2 | 2 | 2 | 2 |
| | Goldrush Bingo | | | | | | | 2 | 2 | 2 |
| | Vegas Bingo | | | | | | | 2 | 2 | 2 |
| **Average:** | | **3,0** | **2,7** | **1,7** | **1,8** | **1,4** | **3,0** | **2,5** | **1,9** | **2,4** |

*** Average**
**Those exempted excluded**

## EMPLOYMENT IN THE GAMBLING INDUSTRY

The NGB monitors direct employment numbers in the gambling sector (industry and regulators). A total number of Thirty four thousand, three hundred and forty six (34,346) people (direct employment) were employed in the gambling industry (including at regulators) as at 31 March 2020. In general, the casino sector, and provincially, KwaZulu-Natal, accounted for the highest numbers in terms of direct employment in the gambling industry as reflected in Figure 22 below.

*Figure 22: Direct employment per province and mode, FY2019/20*

| DIRECT EMPLOYMENT PER PROVINCE AND MODE, FY2019/20 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| FY2019/20 | PROVINCE | | | | | | | | | TOTAL |
| Gambling mode | Gauteng | Western Cape | KwaZulu-Natal | Mpumalanga | Limpopo | North West | Northern Cape | Eastern Cape | Free State | |
| Casinos | 5491 | 3447 | 4746 | 720 | 456 | 660 | 306 | 1466 | 631 | 17923 |
| Totalisators | 205 | 464 | 1266 | 69 | 82 | 27 | 12 | 58 | 47 | 2230 |
| Bookmakers | 528 | 153 | 3208 | 1 108 | 1328 | 904 | 132 | 447 | 395 | 8203 |
| LPMs | 138 | 74 | 101 | 135 | 768 | 125 | 23 | 1333 | 170 | 2867 |
| Bingo | 468 | N/A | 679 | 172 | 205 | 171 | N/A | 776 | N/A | 2471 |
| Regulators | | | | | | | | | | |
| NGB | 33 | | | | | | | | | 33 |
| PLAs | 112 | 66 | 77 | 78 | 62 | 88 | 16 | | 120 | 619 |
| **TOTAL** | **6975** | **4204** | **10077** | **2282** | **2901** | **1975** | **489** | **4080** | **1363** | **34346** |

***the dtic** facilitates transformation of the economy to promote industrial development, investment, competitiveness and employment creation*

# PART D

# GOVERNANCE

# 1. 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 Public Finance Management Act (PFMA) and runs in tandem with the principles contained in the King Report on Corporate Governance. Parliament, the Executive and the Accounting Authority (AA) of the public entity are responsible for Corporate Governance.

# 2. PORTFOLIO COMMITTEES

The National Gambling Board (NGB) had not been required to attend any Portfolio Committee meetings during the reporting period.

# 3. EXECUTIVE AUTHORITY

The NGB submitted to **the dtic** the Strategic Plan (SP) FY2019/24 and Annual Performance Plan (APP) FY2019/22 for the entity, which was approved on 25 June 2019.

***Figure 23: Quarterly assessments for the NGB***

| Quarterly Assessment For Fy2017/18 | Actual Achievements Against Planned Targets | Date Submitted |
|---|---|---|
| Quarter 1 (April to June) | 100% | 31 July 2019 |
| Quarter 2 (July to September) | 100% | 31 October 2019 |
| Quarter 3 (October to December) | 100% | 31 January 2020 |
| Quarter 4 (January to March) | 75% | 30 April 2020 |

# 4. THE ACCOUNTING AUTHORITY

According to findings of the Auditor-General of South Africa (AGSA) as detailed in the NGB's Audit Report FY2013/14, the NGB had been placed under administration by the Minister, in addressing the role, powers and statutory functions of the NGB since 2014 until the present. Ms Caroline Kongwa remained the Administrator appointed by the Minister, and in terms of Section 49 of the PFMA, served as the AA of the entity. This was to ensure that the goals and objectives of the NGB were performed within the limits of the NGB's financial resources.

Due to the imminent repositioning of the NGB to the National Gambling Regulator (NGR), the position of Chief Executive Officer (CEO) will not be filled until the repositioning has been completed, and the NGB will remain under administration until this process has been finalised.

***Figure 24: Profile of the AA***

| NAME | QUALIFICATIONS | INTERNAL POSITION WITHIN NGB | DATE APPOINTED | DATE RESIGNED |
|---|---|---|---|---|
| Ms C Kongwa | • LLM Degree (University of Pretoria),<br>• LLB Degree (University of Durban Westville),<br>• Postgraduate Diploma in International, African and Regional law (University of Durban Westville),<br>• Certificate in Economic and Developmental Policy (University of Witwatersrand), and<br>• Certificate in Labour Relations (University of Pretoria) | Administrator | September 2014 | N/A |

# 5. INTERNAL AUDIT

The NGB has an outsourced internal audit function, which provides combined assurance to stakeholders on the integrity of the 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, the proposed budget, and an 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, and
- Providing a 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 they reported to the ARC.

## KEY ACTIVITIES AND OBJECTIVES OF THE INTERNAL AUDIT FOR FY2019/20

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, and
- 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.

# 6. AUDIT AND RISK COMMITTEE

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 (IR).

## KEY ACTIVITIES AND OBJECTIVES OF THE AUDIT AND RISK COMMITTEE FOR FY2019/20

The ARC was established for the purpose of overseeing the accounting and financial reporting process of the NGB as well as the audit of the financial statements of the NGB. This includes exercising oversight over the performance reporting process to confirm that the NGB has adhered to its service delivery requirements as mandated in the NGA.

The primary purpose of the ARC is to be a liaison and overseer of the work of an external auditor. The ARC consisted of six (6) members with the required skills and competences to discharge their duties as contained in the ARC Charter. The NGB confirms that ARC members are independent and were not directly involved in the NGB's day-to-day operations. This allowed the ARC members to devote more time to overall fiscal responsibility matters based on their defined roles.

*Figure 25: Committees*

| COMMITTEE | NO. OF MEETINGS HELD | NO. OF MEMBERS | NAME OF MEMBERS |
|---|---|---|---|
| Audit and Risk Committee (ARC) | 4 | 6 | Dr C Sanangura |
| | | | Mr J Matshiya |
| | | | Mr Z Le Guma |
| | | | Ms N Hedder |
| | | | Ms N Deiner |
| | | | Mr M Sass* |

*** Resigned 31 May 2019**

Figure 26 indicates relevant information on the Audit and Risk Committee members.

*Figure 26: Details of ARC members*

| NAME | QUALIFICATIONS | INTERNAL OR EXTERNAL | IF INTERNAL, POSITION IN THE PUBLIC ENTITY | DATE APPOINTED | DATE RESIGNED | NO. OF MEETINGS ATTENDED |
|---|---|---|---|---|---|---|
| Dr C Sanangura | • Chartered Director of South Africa CD(SA),<br>• Doctorate in Business Administration (DBA),<br>• Masters in Business Administration (MBA),<br>• Fellow Chartered Institute of Secretaries and Administration (FCIS),<br>• Fellow Chartered Institute of Business Management (FCIBM), and<br>• Associated Chartered Certified Accountant (ACCA) | External | N/A | December 2017 | N/A | 4 |
| Mr J Matshiya | • Bachelor of Commerce,<br>• Higher Diploma Computer Auditing, and<br>• Certified Information Systems Auditor (CISA) | External | N/A | October 2015 | N/A | 4 |
| Ms N Hedder | • BProc<br>• LLB<br>• MCom Tax<br>• Admitted Attorney<br>• Conveyancer<br>• Notary Public | External | N/A | December 2017 | N/A | 4 |
| Ms G Deiner | • BCompt<br>• Higher Diploma in Education – Postgraduate<br>• BA degree Professional Accountant (SA) | External | N/A | July 2019 | N/A | 3 |
| Mr Z Le Guma | • Masters in Business Administration (MBA)<br>• CA (SA)<br>• BCom (Hon) Accounting<br>• BCom (Accounting)<br>• BCom (Hon) Management Accounting | External | N/A | July 2019 | N/A | 3 |

## REMUNERATION OF COMMITTEE MEMBERS OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee (ARC) members were remunerated according to the National Treasury (NT) circular, which categorises emoluments for different categories of listed public entities. The ARC members were also reimbursed for travel expenses incurred when attending official meetings. Figure 26 reflects the remuneration paid to ARC members during the financial year.

*Figure 27: Remuneration to ARC members*

| NAME | REMUNERATION | OTHER ALLOWANCE | OTHER REIMBURSEMENTS | TOTAL |
|---|---|---|---|---|
| Dr C Sanangura | 53 790 | - | - | 53 790 |
| Mr J Matshiya | 26 967 | - | - | 26 967 |
| Mr Z Le Guma | 21 729 | - | - | 21 729 |
| Ms N Hedder | 28 809 | - | - | 28 809 |
| Ms N Deiner | 13 095 | - | - | 13 095 |
| Mr M Sass* | 2 619 | - | - | 2 619 |
| **TOTAL** | | | | **147 009** |

* **Resigned 31 May 2019**

## RISK MANAGEMENT COMMITTEE

The Risk Management Committee (RMC) members were not remunerated because they are Senior Managers of the NGB. The NGB has an independent Chairperson for the committee who was remunerated according to the NT circular, which categorises emoluments for different categories of listed public entities. Also, the RMC Chairperson was reimbursed for travel expenses incurred when attending official meetings.

# 7. 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.

# PART E

# HUMAN RESOURCE MANAGEMENT

# HUMAN RESOURCE MANAGMENT

## OVERVIEW OF HUMAN RESOURCE (HR) MATTERS

The nature of the human capital function within the National Gambling Board (NGB) is broadly encapsulated in the NGB's legislative framework. The National Gambling Act (NGA), 2004 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 Accounting Authority (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, by ensuring that vacant posts on the structure are filled. One (1) position, that of CEO could not be filled due to the moratorium on its filling.

## WORKFORCE PLANNING FRAMEWORK AND KEY STRATEGIES TO ATTRACT AND RECRUIT A SKILLED AND CAPABLE WORKFORCE

Talent acquisition policies and processes were developed and implemented through the Talent Management Plan. The Recruitment and Selection Policy as well as Retention Policy, were reviewed to ensure alignment to the Talent Management Plan to equip the NGB to attract and retain a skilled workforce.

## EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

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, and
- Performance management is an ongoing process rather than an event.

Performance outcomes were appropriately differentiated to reflect the different levels of the 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 potential. The system was further enhanced by reviewing the current policy and processes to ensure effectiveness and efficiency.

## EMPLOYEE WELLNESS PROGRAMMES

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 is an important human capital aspect as it affects productivity. The NGB has a developed employee wellness plan with the primary goal of informing, empowering and providing employees with the skills to take ownership of their wellbeing and to improve on their work-life balance.

## POLICY DEVELOPMENT

Human capital policies are in place and have been reviewed in FY2019/20 to ensure that they were aligned to the Strategic Plan (SP) and legislative requirements. Furthermore, developed and revised policies will be effectively implemented to mitigate human capital risk and to increase organisational effectiveness going forward.

## HIGHLIGHT ACHIEVEMENTS

The AA approved the Human Capital Strategy 2019/24 in April 2019. This strategy is aimed at ensuring that the NGB has adequate capable human capital, that will enable it to achieve its strategic objectives. The strategy further details the organisational structure, roles and behaviours needed to take the organisation forward.

## CHALLENGES FACED BY THE PUBLIC ENTITY

The entity has been stable as there were no labour unrests during the period under review.

## FUTURE HR PLANS/GOALS

The concerted effort in the future will be in ensuring that, the NGB retain its talent, develop, re-skilling, upskilling the current human capital to meet future demands.

## HUMAN RESOURCE OVERSIGHT STATISTICS

*Table 7: Personnel cost by Programme*

| PROGRAMME/ ACTIVITY/OBJECTIVE | TOTAL EXPENDITURE FOR THE ENTITY | PERSONNEL EXPENDITURE | PERSONNEL EXP. AS A % OF TOTAL EXP. | NO. OF EMPLOYEES | AVERAGE PERSONNEL COST PER EMPLOYEE |
|---|---|---|---|---|---|
| ASSD | 26 937 078 | 15 816 407 | 6.30% | 12 | 1 318 033 |
| Finance | 17 452 659 | 3 300 337 | 1.31% | 5 | 660 067 |
| Compliance | 7 748 805 | 6 694 334 | 2.67% | 7 | 956 333 |
| Technical Compliance | 198 876 594 | 7 962 620 | 3.17% | 11 | 723 875 |
| **TOTAL** | **251 015 136** | **33 773 698** | **13.45%** | **35** | **964 963** |

*Table 8: Personnel cost by Salary band*

| LEVEL | PERSONNEL EXPENDITURE | % OF PERSONNEL EXP. TO TOTAL PERSONNEL COST | NO. OF EMPLOYEES | AVERAGE PERSONNEL COST PER EMPLOYEE |
|---|---|---|---|---|
| Top Management | 7 416 475 | 22.0% | 4 | 1 854 118 |
| Senior Management | 9 227 090 | 27.3% | 6 | 1 537 848 |
| Professional qualified | 8 287 375 | 24.5% | 9 | 920 820 |
| Skilled | 8 072 870 | 23.9% | 13 | 620 990 |
| Semi-skilled | 769 888 | 2.3% | 3 | 256 629 |
| Unskilled | - | - | - | - |
| **TOTAL** | **33 773 698** | **100%** | **35** | **964 963** |

*Table 9: Performance Rewards*

| PROGRAMME//ACTIVITY/ OBJECTIVE | PERFORMANCE REWARDS | PERSONNEL EXPENDITURE | % OF PERFORMANCE REWARDS TO TOTAL PERSONNEL COST |
|---|---|---|---|
| Top Management | 399 207 | 7 416 475 | 1.18% |
| Senior Management | 555 032 | 9 227 090 | 1.64% |
| Professional qualified | 419 464 | 8 287 375 | 1.24% |
| Skilled | 389 148 | 8 072 870 | 1.15% |
| Semi-skilled | 44 735 | 769 888 | 0.13% |
| Unskilled | - | - | - |
| **TOTAL** | 1 807 586 | **33 773 698** | **5,35%** |

*Table 10: Training Costs*

| PROGRAMME// ACTIVITY/OBJECTIVE | PERSONNEL EXPENDITURE | TRAINING EXPENDITURE | TRAINING EXPENDITURE AS A % OF PERSONNEL COST | NO. OF EMPLOYEES TRAINED | AVG TRAINING COST PER EMPLOYEE |
|---|---|---|---|---|---|
| ASSD | 15 816 407 | 148 244 | 0,44% | 6 | 24 707 |
| Finance | 3 300 337 | 274 649 | 0.81% | 4 | 68 662 |
| Compliance | 6 694 334 | 30 940 | 0.09% | 2 | 15 470 |
| Technical Compliance | 7 962 620 | 241 735 | 0.72% | 5 | 48 347 |
| **TOTAL** | **33 773 698** | **695 568** | **2.06%** | **17** | **40 916** |

*Table 11: Employment and vacancies*

| PROGRAMME/ACTIVITY/ OBJECTIVE | 2019/2020 APPROVED POSTS | 2019/2020 NO. OF EMPLOYEES | 2019/2020 VACANCIES | % OF VACANCIES |
|---|---|---|---|---|
| ASSD | 12 | 12 | - | - |
| Finance | 7 | 5 | - | - |
| Compliance | 7 | 7 | - | - |
| Technical Compliance | 13 | 11 | - | - |
| **TOTAL** | **39** | **35** | **-** | **-** |

**As at the end of the financial year, there were zero vacancies. The vacancies that existed for the Finance Manager, Personal Assistant: CSA and Personal Assistant: CFO were filled accordingly. The position of CEO was placed on hold.**

*Table 12: Employment and vacancies per programme*

| PROGRAMME / ACTIVITY / OBJECTIVE | 2018/2019 NO. OF EMPLOYEES | 2019/2020 APPROVED POSTS | 2019/2020 NO. OF EMPLOYEES | 2019/2020 VACANCIES | % OF VACANCIES |
|---|---|---|---|---|---|
| Top Management | 1 | 5 | 4 | - | - |
| Senior Management | 8 | 6 | 7 | - | - |
| Professional qualified | 3 | 10 | 5 | - | - |
| Skilled | 15 | 15 | 16 | - | - |
| Semi-skilled | 2 | 3 | 3 | - | - |
| Unskilled | - | - | - | - | - |
| **TOTAL** | **29** | **39** | **35** | **-** | **-** |

**The position of CEO has been put on hold due to a moratorium placed on its filling.**

*Table 13: Employment changes*

| SALARY BAND | EMPLOYMENT AT BEGINNING OF THE PERIOD | APPOINTMENTS | TERMINATIONS | EMPLOYMENT AT END OF THE PERIOD |
|---|---|---|---|---|
| Top Management | 1 | 3 | - | 4 |
| Senior Management | 8 | - | 1 | 7 |
| Professional qualified | 3 | 3 | 1 | 5 |
| Skilled | 15 | 2 | 1 | 16 |
| Semi-skilled | 2 | 1 | - | 3 |
| Unskilled | - | - | - | - |
| **TOTAL** | **29** | **9** | **3** | **35** |

**There were changes in employment ranks within the financial year. This was evident as there was appointment and terminations within the senior management, professional and skilled category of positions.**

*Table 14: Reasons for Staff leaving*

| REASON | NUMBER | % OF TOTAL NO. OF STAFF LEAVING |
|---|---|---|
| Death | - | - |
| Resignation | 1 | 1 |
| Dismissal | - | - |
| Retirement | 1 | 1 |
| Ill health | - | - |
| Expiry of contract | - | - |
| Other | - | - |
| **TOTAL** | **2** | **2** |

*Table 15: Labour Relations: Misconduct and disciplinary action*

| NATURE OF DISCIPLINARY ACTION | NUMBER |
|---|---|
| Verbal Warning | - |
| Written Warning | 1 |
| Final Written warning | - |
| Dismissal | - |
| **TOTAL** | **1** |

*Table 16: Equity Target and Employment Equity Status - Male*

| LEVELS | MALE | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | AFRICAN | | COLOURED | | INDIAN | | WHITE | |
| | CURRENT | TARGET | CURRENT | TARGET | CURRENT | TARGET | CURRENT | TARGET |
| Top Management | 1 | - | - | - | - | - | - | - |
| Senior Management | 4 | - | - | - | 1 | - | - | - |
| Professional qualified | 2 | - | - | - | - | - | - | - |
| Skilled | 3 | - | - | - | - | - | - | - |
| Semi-skilled | 1 | - | - | - | - | - | - | - |
| Unskilled | - | - | - | - | - | - | - | - |
| **TOTAL** | **11** | **-** | **-** | **-** | **1** | **-** | **-** | **-** |

*Table 17: Equity Target and Employment Equity Status - Female*

| LEVELS | FEMALE | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | AFRICAN | | COLOURED | | INDIAN | | WHITE | |
| | CURRENT | TARGET | CURRENT | TARGET | CURRENT | TARGET | CURRENT | TARGET |
| Top Management | 2 | - | - | - | 1 | - | - | - |
| Senior Management | 1 | - | - | - | - | - | 1 | - |
| Professional qualified | 6 | - | - | - | 1 | - | - | - |
| Skilled | 10 | - | - | - | - | - | - | - |
| Semi-skilled | 2 | - | - | - | - | - | - | - |
| Unskilled | - | - | - | - | - | - | - | - |
| **TOTAL** | **21** | **-** | **-** | **-** | **2** | **-** | **1** | **-** |

*Table 18: Equity Target and Employment Equity Status – Disabled staff*

| LEVELS | DISABLED STAFF | | | |
|---|---|---|---|---|
| | MALE | | FEMALE | |
| | CURRENT | TARGET | CURRENT | TARGET |
| Top Management | - | - | - | - |
| Senior Management | - | - | - | - |
| Professional qualified | - | - | - | - |
| Skilled | - | - | - | - |
| Semi-skilled | - | - | - | - |
| Unskilled | - | - | - | - |
| **TOTAL** | **-** | **-** | **-** | **-** |

## B-BBEE COMPLIANCE PERFORMANCE INFORMATION

Being a Schedule 3A Public Entity, the NGB is required in terms of Section 13G(1) of the B-BBEE Act read with Regulations 12(1) and (2) of the B-BBEE Regulations to report on its B-BBEE compliance in its annual audited financial statements and Annual Report (AR). This would require the NGB to appoint a South African National Accreditation System (SANAS) accredited agency to assist the NGB in obtaining its B-BBEE verification certificate for each respective financial year.

The NGB duly obtained its verification certificate, issued on 31 May 2019, which is valid for 12 months. This was submitted to the B-BBEE Commission, together with the NGB's Compliance Report, comprising Form B-BBEE 1 and the NGB AR, which incorporates its Annual Financial Statements (AFS).

The NGB will continue to ensure that it obtains certification for each financial year henceforth.

The following table indicates compliance to the B-BBEE requirements of the B-BBEE Act of 2013 and as determined by the Department of Trade, Industry and Competition (**the dtic**).

*Table 19: Compliance with the B-BBEE requirements*

| HAS THE DEPARTMENT / PUBLIC ENTITY APPLIED ANY RELEVANT CODE OF GOOD PRACTICE (B-BBEE CERTIFICATE LEVELS 1 – 8) WITH REGARDS TO THE FOLLOWING: | | |
|---|---|---|
| **CRITERIA** | **RESPONSE YES / NO** | **DISCUSSION (*INCLUDE A DISCUSSION ON YOUR RESPONSE AND INDICATE WHAT MEASURES HAVE BEEN TAKEN TO COMPLY*)** |
| Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law? | No | NGB does not issue licenses |
| Developing and implementing a preferential procurement policy? | Yes | Preferential procurement policy in place. The policy is compliant with legislative requirements. The policy is reviewed annually. |
| Determining qualification criteria for the sale of state-owned enterprises? | No | |
| Developing criteria for entering into partnerships with the private sector? | No | |
| Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment? | No | |

# PART F

# FINANCIAL INFORMATION

# THE AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2020.

## 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) (PFMA) 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.

During the year under review, the internal auditors presented to the ARC audit outcomes on the following:

- Financial Discipline and Control Review,
- Performance Audit on Pre-determined Objectives,
- Compliance Audit,
- ICT General Control review,
- ICT Vulnerability assessment,
- Annual Financial Statements review, and
- Contract Management review.

There were no significant areas of concern that were identified during the financial year. Also, 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 dtic** convened with the NGB's internal auditors quarterly. Formal reports were tabled at these meetings by the NGB internal auditors. These reports include, 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 NT 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 of the public entity.

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

## EVALUATION OF ANNUAL FINANCIAL STATEMENTS

We have reviewed the Annual Financial Statements (AFS) prepared by the public entity for FY2019/20. There were no matters of concern that were brought to the attention of the committee that warranted intervention.

## 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 external auditors.

## APPRECIATION

The ARC wishes to express its appreciation to the management of the NGB, Middel and Partners Incorporated (external auditors) and SAB&T (internal auditors) who assisted the Audit and Risk Committee in performing its functions effectively.

**Dr C Sanangura**
**Chairperson of the Audit and Risk Committee of the National Gambling Board**

30 September 2020

# INDEPENDENT AUDITOR'S REPORT 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 69 to 103, which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In our opinion, the financial statements present fairly, in all material respects, the financial position of the National Gambling Board as at 31 March 2020, 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 No1 of 1999) (PFMA).

### Basis for opinion

3. We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of this auditor's report.

4. We are independent of the public entity in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of professional conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* and the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* respectively.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of 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, the accounting authority is responsible for assessing the public entity'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 accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

8. Our 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 our 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.

9. A further description of our 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 of 2004 (PAA) and the general notice issued in terms thereof, we have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. We performed procedures to identify material findings but not to gather evidence to express assurance.

11. Our procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. We have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the planning documents. Our procedures do not examine whether the actions taken by the public entity enabled service delivery. Our procedures also do 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, our findings do not extend to these matters.

12. We 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 2020:

| Programmes | Pages in annual performance report |
|---|---|
| Programme 1: Compliance | 22 - 23 |
| Programme 2: Advisory and support services | 26 – 27 |
| Programme 3: Finance and procurement services | 31 |
| Programme 4: Technical compliance | 34 - 35 |

13. We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We 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. We did not identify any material findings on the usefulness and reliability of the reported performance information for these programmes.

 - Compliance
 - Advisory and support services
 - Finance and procurement services
 - Technical compliance

### Other matter

15. We draw attention to the matter below. Our opinions are not modified in respect of this matter.

### Achievement of planned targets

16. Refer to the annual performance report on pages 22, 23, 26, 27, 31 34 and 35 for information on the achievement of planned targets for the year and explanations provided for the under and 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, we have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

18. We did not identify any 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. Our opinion on the financial statements and my findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

21. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with financial statements and the selected programmes presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We have nothing to report in this regard.

## INTERNAL CONTROL DEFICIENCIES

22. We considered internal control relevant to our audit of the financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance on it. We did not identify any significant deficiencies in internal control.

**Michael John Rossouw CA(SA) RA**
Director
Registered Auditor
30 September 2020
25 Sovereign Drive,
Milestone Place, Block B,
Route 21 Corporate Park,
Irene, Centurion

MIDDEL & PARTNERS
CHARTERED ACCOUNTANTS (SA) • REGISTERED AUDITORS

# ANNEXURE – AUDITOR'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our 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 our responsibility for the audit of the financial statements as described in this auditor's report, we 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 our 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 the accounting authority.
   - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of National Gambling Board to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. Our 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 operating as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

3. We 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 we identify during our audit.

4. We also confirm to the accounting authority that we 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 our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

# ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The Accounting Authority is required by the Public Finance Management Act, (PFMA), 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 Accounting Authority 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 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 Accounting Authority 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 Accounting Authority to meet these responsibilities, the Accounting Authority 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 Accounting Authority 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 Accounting Authority has reviewed the entity's cash flow forecast for the year to 31 March 2021 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 dependent on **the dtic** for continued funding for its operational requirements. The Annual Financial Statements are prepared on the basis that the entity is a going concern and that **the dtic** has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the Accounting Authority 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 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 hereto.

The Annual Financial Statements which have been prepared on the going concern basis, were approved by the Accounting Authority on 30 September 2020 and were signed by:

**Ms Caroline Kongwa**
**Accounting Authority of the National Gambling Board**

30 September 2020

# STATEMENT OF FINANCIAL POSITION

## AS AT 31 MARCH 2020

| Figures in Rand | Note(s) | 2020 | 2019 Restated* |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 3 | 49 941 829 | 33 936 920 |
| Inventories | 4 | 55 417 | 29 181 |
| Receivables from exchange transactions | 5 | 2 508 126 | 5 086 070 |
| Accrued income - LPM monitoring fees | 6 | 12 631 319 | 16 311 200 |
| | | **65 136 691** | **55 363 371** |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 7 | 6 050 618 | 7 860 330 |
| Intangible assets | 8 | 4 637 245 | 5 530 679 |
| Receivables from exchange transactions | 5 | 866 229 | 1 439 154 |
| | | **11 554 092** | **14 830 163** |
| **Total Assets** | | **76 690 783** | **70 193 534** |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Payables from exchange transactions | 9 | 10 607 281 | 10 884 485 |
| NCEMS service fees payable | 10 | 10 649 774 | 13 571 543 |
| Provisions for short-term employee benefits | 11 | 4 171 323 | 3 307 637 |
| | | **25 428 378** | **27 763 665** |
| **Non-Current Liabilities** | | | |
| Deferred rent and accommodation | | 4 497 994 | 6 994 073 |
| **Total Liabilities** | | **29 926 372** | **34 757 738** |
| **Net Assets** | | **46 764 411** | **35 435 796** |
| Accumulated surplus | | 46 764 411 | 35 435 796 |

*** See Note 24**

# STATEMENT OF FINANCIAL PERFORMANCE

## FOR THE YEAR ENDED 31 MARCH 2020

| Figures in Rand | Note(s) | 2020 | 2019 Restated* |
|---|---|---|---|
| **REVENUE** | | | |
| **Revenue from exchange transactions** | | | |
| Limited payout machines (LPM) monitoring fees | 12 | 220 337 797 | 202 034 064 |
| Interest received | | 3 800 744 | 3 018 230 |
| Other income | 13 | 4 408 210 | 4 422 525 |
| **Total revenue from exchange transactions** | | **228 546 751** | **209 474 819** |
| **Revenue from non-exchange transactions** | | | |
| Government grants | | 33 797 000 | 32 624 000 |
| **Total revenue** | | **262 343 751** | **242 098 819** |
| **EXPENDITURE** | | | |
| Depreciation and amortisation | 7&8 | (3 158 366) | (2 537 576) |
| Employee related costs | 14 | (27 049 972) | (21 774 971) |
| Executive Managers' Remuneration | 15 | (6 870 736) | (3 855 792) |
| Operating leases | 16 | (7 623 828) | (7 584 660) |
| NCEMS Service Fees | 12&17 | (183 614 831) | (168 361 720) |
| General Expenses | 18 | (22 697 403) | (19 208 201) |
| **Total expenditure** | | **(251 015 136)** | **(223 322 920)** |
| **Surplus for the year** | | **11 328 615** | **18 775 899** |

*** See Note 24**

# STATEMENT OF CHANGES IN NET ASSETS

## FOR THE YEAR ENDED 31 MARCH 2020

| Figures in Rand | Accumulated surplus | Total net assets |
|---|---|---|
| Opening balance as previously reported | 30 733 077 | 30 733 077 |
| Prior year adjustments | (63 465) | (63 465) |
| **Balance at 01 April 2018 as restated*** | **30 669 612** | **30 669 612** |
| Surplus for the year | 18 883 351 | 18 883 351 |
| Transfer of cash surplus to the National Treasury | (14 009 716) | (14 009 716) |
| Correction of errors | (107 451) | (107 451) |
| Total changes | 4 766 184 | 4 766 184 |
| **Restated* Balance at 01 April 2019** | **35 435 796** | **35 435 796** |
| Surplus for the year | 11 328 615 | 11 328 615 |
| Total changes | 11 328 615 | 11 328 615 |
| **Balance at 31 March 2020** | **46 764 411** | **46 764 411** |

*** See Note 24**

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED 31 MARCH 2020

| Figures in Rand | Note(s) | 2020 | 2019 Restated* |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Receipts** | | | |
| Grants | | 33 797 000 | 32 624 000 |
| Interest received | | 3 778 656 | 2 992 881 |
| Rental income | | 8 000 332 | 2 277 180 |
| Limited payout machines (LPM) monitoring fees | | 224 039 056 | 203 749 584 |
| | | 269 615 044 | 241 643 645 |
| **Payments** | | | |
| Employee related costs | | (33 824 368) | (31 882 015) |
| Suppliers | | (219 621 886) | (204 406 833) |
| | | (253 446 254) | (236 288 848) |
| **Net cash flows from operating activities** | 19 | **16 168 790** | **5 354 797** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | 7 | (457 522) | (1 245 228) |
| Purchase of other intangible assets | 8 | - | (1 581 253) |
| **Net cash flows from investing activities** | | **(457 522)** | **(2 826 481)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from confiscated winnings | | 293 643 | 405 301 |
| **Net (decrease)/increase in cash and cash equivalents** | | **16 004 910** | **2 933 617** |
| Cash and cash equivalents at the beginning of the year | | 33 936 920 | 31 003 303 |
| **Cash and cash equivalents at the end of the year** | 3 | **49 941 830** | **33 936 920** |

*** See Note 24**

# STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

## FOR THE YEAR ENDED 31 MARCH 2020

**Budget on Accrual Basis**

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual 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 | 210 000 000 | - | **210 000 000** | 220 337 797 | **10 337 797** | 31 |
| Interest received (trading) | 3 150 000 | - | **3 150 000** | 3 800 744 | **650 744** | 31 |
| Other income | 4 661 172 | - | **4 661 172** | 4 408 210 | **(252 962)** | 31 |
| **Total revenue from exchange transactions** | **217 811 172** | **-** | **217 811 172** | **228 546 751** | **10 735 579** | |
| **REVENUE FROM NON-EXCHANGE TRANSACTIONS** | | | | | | |
| **Transfer revenue** | | | | | | |
| Government grants | 33 797 000 | - | **33 797 000** | 33 797 000 | **-** | |
| **Total revenue** | **251 608 172** | | **251 608 172** | **262 343 751** | **10 735 579** | |
| **Expenditure** | | | | | | |
| Employee related costs | (34 927 680) | - | **(34 927 680)** | (27 049 972) | **7 877 708** | 31 |
| Executive managers' remuneration | (6 776 972) | - | **(6 776 972)** | (6 870 736) | **(93 764)** | 31 |
| Depreciation and amortisation | (2 671 960) | - | **(2 671 960)** | (3 158 366) | **(486 406)** | 31 |
| Operating leases | (8 400 000) | - | **(8 400 000)** | (7 623 828) | **776 172** | 31 |
| NCEMS service fees | (175 000 000) | - | **(175 000 000)** | (183 614 831) | **(8 614 831)** | 31 |
| General expenses | (21 474 618) | - | **(21 474 618)** | (22 697 403) | **(1 222 785)** | 31 |
| **Total expenditure** | **(249 251 230)** | **-** | **(249 251 230)** | **(251 015 136)** | **(1 763 906)** | |
| **Surplus for the year** | **2 356 942** | **-** | **2 356 942** | **11 328 615** | **8 971 673** | |
| | - | | | | | |

# STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

## FOR THE YEAR ENDED 31 MARCH 2020

**Budget on Accrual Basis**

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **STATEMENT OF FINANCIAL POSITION** | | | | | | |
| **Assets** | | | | | | |
| **Non-Current Assets** | | | | | | |
| Property, plant and equipment | 1 030 000 | - | 1 030 000 | 457 523 | (572 477) | 31 |
| Intangible assets | 380 000 | - | 380 000 | - | (380 000) | 31 |
| | **1 410 000** | **-** | **1 410 000** | **457 523** | **(952 477)** | |
| **Total Assets** | **1 410 000** | **-** | **1 410 000** | **457 523** | **(952 477)** | |
| **Net Assets** | **1 410 000** | **-** | **1 410 000** | **457 523** | **(952 477)** | |
| **Net Assets** | | | | | | |
| **NET ASSETS ATTRIBUTABLE TO OWNERS OF CONTROLLING ENTITY** | | | | | | |
| **Reserves** | | | | | | |
| Accumulated surplus | 1 410 000 | - | 1 410 000 | 457 523 | (952 477) | |

# ACCOUNTING POLICIES

## 1. 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 (PFMA) (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.

### 1.1 Presentation currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the entity.

### 1.2 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.

### 1.3 Rounding

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

### 1.4 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 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.

# ACCOUNTING POLICIES

### 1.5 Property, plant and equipment (continued)

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at the 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, it's 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.

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.

### 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.

# ACCOUNTING POLICIES

### 1.6 Intangible assets (continued)

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, or
- 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, or
- 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.

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.

### 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.

# ACCOUNTING POLICIES

**1.8 Financial instruments (continued)**

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.

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.

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, or
- 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,
  - 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

# ACCOUNTING POLICIES

**1.8 Financial instruments (continued)**

– Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

**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.

**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 a 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.

**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:

# ACCOUNTING POLICIES

### 1.8 Financial instruments (continued)

- Cash and short-term deposits are well placed with 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.

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 dtic to the NGB, and
- The nature of the entity's business is on a 30 day 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.

### 1.9 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).

### 1.10 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.

**Operating leases - lessor**

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.

### 1.11 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 the 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.

### 1.12 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
- Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

# ACCOUNTING POLICIES

### 1.12 Inventories (continued)

The cost of inventories comprises 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 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.

### 1.13 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).

The 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.

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 obtained from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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 tests 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 overdesigned or overcapacity asset. Overdesigned 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

### 1.13 Impairment of non-cash-generating assets (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 assesses 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.

### 1.14 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.

### 1.15 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 a 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.

### 1.16 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.

# ACCOUNTING POLICIES

### 1.16 Revenue from exchange transactions (continued)

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.

Revenue from exchange transactions include LPM monitoring fees, interest received, rental income and profit from the sale of assets.

**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.

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 the services performed to date as a percentage of total services to be performed.

### 1.17 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.

The entity's revenue from non-exchange transactions is a grant allocation from Government.

**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.

### 1.18 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.

### 1.19 Fruitless 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

# ACCOUNTING POLICIES

### 1.19 Fruitless expenditure (continued)

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.

### 1.20 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.

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 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.

### 1.21 Budget information

The entity is typically subjected 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 2019/04/01 to 2020/03/31.

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.

### 1.22 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.

# ACCOUNTING POLICIES

### 1.22 Related parties (continued)

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.

### 1.23 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 2020

### 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 2020 or later periods:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|---|---|---|
| GRAP 104 (amended): Financial Instruments | 01 April 2020 | Unlikely there will be a material impact |
| Guideline: Guideline on the Application of Materiality to Financial Statements | 01 April 2020 | Unlikely there will be a material impact |
| IGRAP 20: Accounting for Adjustments to Revenue | 01 April 2020 | Unlikely there will be a material impact |
| GRAP 1 (amended): Presentation of Financial Statements | 01 April 2020 | Unlikely there will be a material impact |
| IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue | 01 April 2020 | Unlikely there will be a material impact |

While GRAP 108 is effective from 01 April 2019, entities have three years from the date of adopting the Standards to change their accounting policies for classification and measurement. The NGB has elected to make use of the available period to assess the impact of the Standard on the entity and change its accounting policies if required.

### 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

| | | |
|---|---|---|
| Cash on hand | 2 025 | 3 556 |
| Bank balances | 44 699 760 | 28 986 963 |
| Short-term deposits - Confiscated winnings | 5 240 044 | 4 946 401 |
| | **49 941 829** | **33 936 920** |

### 4. INVENTORIES

| | | |
|---|---|---|
| Stationery on hand and consumables | 55 417 | 29 181 |
| Inventories recognised as an expense during the year | 103 457 | 132 356 |

### 5. RECEIVABLES FROM EXCHANGE TRANSACTIONS

| | | |
|---|---|---|
| Trade debtors | 10 030 | 50 503 |
| Pre-payments | 1 484 290 | 940 150 |
| Operating lease receivables | 1 669 408 | 5 261 559 |
| Non-current portion of prepayments | 210 627 | 273 012 |
| | **3 374 355** | **6 525 224** |

| | | |
|---|---|---|
| Non-current assets | 866 229 | 1 439 154 |
| Current assets | 2 508 126 | 5 086 070 |
| | **3 374 355** | **6 525 224** |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2020

| Figures in Rand | 2020 | 2019 |
|---|---|---|
| **6. ACCRUED INCOME - LPM MONITORING FEES** | | |
| LPM monitoring fees accrued but not yet received | 12 631 319 | 16 311 200 |

LPM monitoring fees are recognised as current assets when they accrue to the NGB from LPM operators.

### 7. PROPERTY, PLANT AND EQUIPMENT

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation | Carrying value | Cost / Valuation | Accumulated depreciation | Carrying value |
| Furniture and office equipment | 3 715 682 | (2 267 246) | 1 448 436 | 3 740 182 | (1 882 216) | 1 857 966 |
| Motor vehicles | 1 113 177 | (510 537) | 602 640 | 1 113 177 | (335 902) | 777 275 |
| IT equipment | 2 454 573 | (1 456 673) | 997 900 | 2 021 487 | (960 913) | 1 060 574 |
| Leasehold improvements | 11 059 797 | (8 058 155) | 3 001 642 | 11 059 797 | (6 895 282) | 4 164 515 |
| **Total** | **18 343 229** | **(12 292 611)** | **6 050 618** | **17 934 643** | **(10 074 313)** | **7 860 330** |

**Reconciliation of property, plant and equipment - 2020**

| | Opening balance | Additions | Disposals | Depreciation | Total |
|---|---|---|---|---|---|
| Furniture & office equipment | 1 857 966 | 5 698 | (2 300) | (412 928) | 1 448 436 |
| Motor vehicles | 777 275 | - | - | (174 635) | 602 640 |
| IT equipment | 1 060 574 | 451 823 | - | (514 497) | 997 900 |
| Leasehold improvements | 4 164 515 | - | - | (1 162 873) | 3 001 642 |
| | **7 860 330** | **457 521** | **(2 300)** | **(2 264 933)** | **6 050 618** |

**Reconciliation of property, plant and equipment - 2019**

| | 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** |

**Pledged as security**

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2020

| Figures in Rand | 2020 | 2019 |
|---|---|---|

### 8. INTANGIBLE ASSETS

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated amortisation | Carrying value | Cost / Valuation | Accumulated amortisation | Carrying value |
| Computer software, internally generated | 5 104 712 | (908 025) | 4 196 687 | 5 602 573 | (764 690) | 4 837 883 |
| Computer software, other | 1 453 550 | (1 012 992) | 440 558 | 1 453 550 | (760 754) | 692 796 |
| Total | **6 558 262** | **(1 921 017)** | **4 637 245** | **7 056 123** | **(1 525 444)** | **5 530 679** |

**Reconciliation of intangible assets - 2020**

| | Opening balance | Amortisation | Total |
|---|---|---|---|
| Computer software, internally generated | 4 837 883 | (641 196) | 4 196 687 |
| Computer software, other | 692 796 | (252 238) | 440 558 |
| | **5 530 679** | **(893 434)** | **4 637 245** |

**Reconciliation of intangible assets - 2019**

| | 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** |

**Pledged as security**

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

### 9. PAYABLES FROM EXCHANGE TRANSACTIONS

| | 2020 | 2019 |
|---|---|---|
| Trade payables | 2 969 360 | 4 396 489 |
| Deferred rent and accommodation | 2 359 945 | 1 542 206 |
| Unidentified confiscated gambling winnings | 4 652 707 | 4 447 099 |
| SARS for PAYE and UIF | 38 542 | - |
| Confiscated winnings from identified punters | 586 727 | 498 691 |
| | **10 607 281** | **10 884 485** |

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 indentity 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

## FOR THE YEAR ENDED 31 MARCH 2020

| Figures in Rand | 2020 | 2019 |
|---|---|---|
| **10. NCEMS SERVICE FEES PAYABLE** | | |
| NCEMS service fees incurred but not yet paid | 10 649 774 | 13 571 543 |

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

### 11. PROVISIONS FOR SHORT-TERM EMPLOYEE BENEFITS

**Reconciliation of provisions for short-term employee benefits - 2020**

| | Opening Balance | Additions | Utilised during the year | Reversed during the year | Total |
|---|---|---|---|---|---|
| Leave provision | 1 040 337 | 2 696 660 | (2 329 127) | - | 1 407 870 |
| Provision for Compensation Commissioner | 138 917 | 58 568 | - | - | 197 485 |
| Provision for performance bonuses | 2 128 383 | 2 565 968 | (1 370 002) | (758 381) | 2 565 968 |
| | **3 307 637** | **5 321 196** | **(3 699 129)** | **(758 381)** | **4 171 323** |

**Reconciliation of provisions for short-term employee benefits - 2019**

| | Opening Balance | Additions | Utilised during the year | Reversed during the year | Total |
|---|---|---|---|---|---|
| Leave provision | 1 122 109 | 1 923 653 | (2 005 425) | - | 1 040 337 |
| 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** | **4 040 893** | **(3 018 251)** | **(426 689)** | **3 307 637** |

**Provisions for short-term employee benefits (continued) 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 in 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 the 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 uncertainty about the amount and timing of the expected outflows relating to the leave pay provision.

**Provision for Compensation Commissioner**

The provision for Compensation Commissioner relates to a provision for an amount to be paid as 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 R197,485 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 2019/20 financial period, which ROE will result in an assessment and an invoice from the Commissioner.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2020

| Figures in Rand | 2020 | 2019 |
|---|---|---|

### 12. LIMITED PAYOUT MACHINES (LPM) MONITORING FEES

| | | |
|---|---|---|
| LPM monitoring fees charged | 220 337 797 | 202 034 064 |

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

| | | |
|---|---|---|
| Rental income - related party | 4 408 182 | 4 422 515 |
| Profit on sale of assets and other refunds | 28 | 10 |
| | **4 408 210** | **4 422 525** |

**Future minimum lease payments under non-cancellable operating leases for office buildings:**

| | | |
|---|---|---|
| Within 1 year | 4 636 672 | 4 284 990 |
| 2 to 5 years | 4 099 689 | 8 736 631 |
| | **8 736 361** | **13 021 621** |

The NGB has leased a building to **the dtic** under a sub-letting arrangement for a period of 8 years and four months, effective from 01 December 2012. Monthly rental payments of R182,898 (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.

The NGB has leased another building to **the dtic** for occupation by the B- BBEE Commission under a sub-letting arrangement for a period of 5 years and six months, effective from 01 May 2017. As at 31 March 2020 monthly rental payments of R185,422 (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

| | | |
|---|---|---|
| Basic | 21 954 443 | 19 140 800 |
| UIF | 51 415 | 49 721 |
| Leave pay provision charge | 470 145 | (85 980) |
| Employee benefits | 674 199 | 606 082 |
| 13th Cheques | 2 221 365 | 1 460 217 |
| Housing benefits and allowances | 1 580 000 | 535 000 |
| Other salary related | 98 405 | 69 131 |
| | **27 049 972** | **21 774 971** |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2020

| Figures in Rand | 2020 | 2019 |
|---|---|---|

### 15. EXECUTIVE MANAGERS' REMUNERATION

**Executive**

**2020**

| | Emoluments | Allowances | Pension fund | 13th Cheque | Other benefits | Total |
|---|---|---|---|---|---|---|
| Chief Financial Officer: Ms K Mackerduth | 1 287 866 | 39 600 | 174 677 | 121 879 | 45 580 | 1 669 602 |
| Chief Strategic Advisor: Ms. Caroline Kongwa | 1 680 120 | 39 600 | 227 880 | 159 000 | 58 881 | 2 165 481 |
| Chief Operations Officer: Ms. P Kweyama (Appointment date: 01 May 2019) | 1 111 587 | 28 300 | 151 580 | 114 833 | 39 647 | 1 445 947 |
| Chief Compliance Officer: Mr M Menye (Appointment date: 06 May 2019) | 1 102 737 | 33 900 | 151 580 | 114 833 | 39 647 | 1 442 697 |
| | **5 182 310** | **141 400** | **705 717** | **510 545** | **183 755** | **6 723 727** |

Over and above the remuneration disclosed above the Chief Financial Officer: Ms. K. Mackerduth received a performance bonus of R137,976 during the year ended 31 March 2020. While the expenditure was provided for in the previous financial period, the payment was made during the current period. The Chief Strategic Advisor serves in the capacity as the Accounting Authority.

Over and above the remuneration disclosed above the Chief Strategic Advisor: Ms. C. Kongwa received a performance bonus of R203,112 during the year ended 31 March 2020. While the expenditure was provided for in the previous financial period, the payment was made during the current period.

Other benefits comprise payments for provident fund administration, disability insurance, group life assurance and funeral insurance and UIF contributions.

Other benefits comprise payments for provident fund administration, disability insurance, group life assurance and funeral insurance and UIF contributions.

**2019**

| | Emoluments | Allowances | Pension fund | Medical Aid | 13th 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

## FOR THE YEAR ENDED 31 MARCH 2020

| Figures in Rand | 2020 | 2019 |
|---|---|---|

### 15. EXECUTIVE MANAGERS' REMUNERATION (CONTINUED)

**Non-executive**

**2020**

| | Members' fees | Total |
|---|---|---|
| Ms GA Deiner (Audit Committee member) - (appointment date: 10 July 2019) | 13 095 | 13 095 |
| Mr Z Le Guma (Audit Committee member) - Appointment date: (18 November 2019) | 21 729 | 21 729 |
| Mr J Matshiya (Audit Committee member) | 26 967 | 26 967 |
| Mr M Sass (Audit Committee member) - (termination date: 31 May 2019) | 2 619 | 2 619 |
| Dr. C Sanangura (Audit Committee member) | 53 790 | 53 790 |
| Ms. N Hedder (Audit Committee member) | 28 809 | 28 809 |
| | **147 009** | **147 009** |

**2019**

| | Members' fees | Total |
|---|---|---|
| Ms GA Deiner (Audit Committee member) | 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** |

### 16. OPERATING LEASE EXPENSE

| | 2020 | 2019 |
|---|---|---|
| **Current year** | | |
| Premises | 7 444 232 | 7 407 536 |
| Photocopiers | 179 596 | 177 124 |
| | **7 623 828** | **7 584 660** |
| **Future minimum lease payments under non-cancellable operating leases for buildings** | | |
| Within 1 year | 9 755 473 | 8 937 735 |
| 2 to 5 years | 13 658 810 | 23 414 283 |
| | **23 414 283** | **32 352 018** |

The National Gambling Board leases a building from M&T Development (Pty) Ltd for a period of nine years and eleven months, effective from 01 December 2012. As at 31 March 2020, monthly rental payments of R600,146 (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 June 2006. The lease payments are R185,422 (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 dtic** for the remainder of the lease period.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2020

| Figures in Rand | 2020 | 2019 |
|---|---|---|

### 16. OPERATING LEASE EXPENSE (CONTINUED)

| | | |
|---|---|---|
| **Future minimum lease payments under non-cancellable operating lease for photocopiers** | | |
| Within 1 year | 179 596 | 82 722 |
| 2 to5 years | 103 767 | 89 616 |
| | **283 363** | **172 338** |

The NGB is renting six (6) photocopy machines from Konica Minolta over a 36 month contract period. Monthly rentals of R6,894 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

| | | |
|---|---|---|
| Service fees paid to the NCEMS operator | 183 614 831 | 168 361 720 |

### 18. GENERAL EXPENSES

| | | |
|---|---|---|
| **Professional and consulting fees** | | |
| Legal fees | 1 723 675 | 1 728 321 |
| Research | 1 913 548 | 73 881 |
| Internal Audit | 682 775 | 649 549 |
| Other consulting fees | 1 189 739 | 225 895 |
| | **5 509 737** | **2 677 646** |
| **Travel and subsistence** | | |
| Travel - local | 1 131 906 | 2 675 959 |
| Travel - overseas | 2 930 548 | 3 475 422 |
| | **4 062 454** | **6 151 381** |
| **Other operating expenses** | | |
| Recruitment costs | 233 855 | 137 084 |
| Advertising | 2 748 048 | 2 489 373 |
| Training | 695 568 | 1 238 891 |
| Temporary staff costs | 5 675 | 79 444 |
| Internet costs | 1 190 106 | 485 314 |
| Telephone and fax | 9 468 | 79 277 |
| Printing | 207 816 | 413 597 |
| Bank charges | 42 398 | 44 208 |
| Car License | 1 680 | 1 644 |
| Cleaning | 98 047 | 92 619 |
| Conferences | 3 636 132 | 476 165 |
| Copying costs | 151 804 | 173 535 |
| Postage and courier services | 2 811 | 4 318 |
| Fuel and oil | 47 163 | 77 310 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2020

| Figures in Rand | 2020 | 2019 |
|---|---|---|
| **18. GENERAL EXPENSES (CONTINUED)** | | |
| Subscriptions and membership fees | 456 920 | 790 985 |
| Water and Electricity | 502 433 | 516 141 |
| Software expenses | 160 430 | 680 081 |
| Stationery | 103 457 | 132 356 |
| General maintenance | 838 385 | 343 146 |
| Small Office Equipment | 6 713 | 88 200 |
| Insurance | 199 637 | 134 833 |
| Refreshments | 127 619 | 114 211 |
| Storage | 25 253 | 62 266 |
| Security costs | 365 201 | 115 119 |
| Loss on Disposal of Assets | 2 300 | 14 115 |
| Magazines, books and periodicals | 12 214 | - |
| | **11 871 133** | **8 784 232** |
| **Repairs and Maintenance** | | |
| Property, plant and equipment | 37 252 | 138 323 |
| **Auditors' Remuneration** | | |
| External audit fees | 1 216 827 | 1 456 619 |
| | **1 254 079** | **1 594 942** |
| | **22 697 403** | **19 208 201** |

### 19. CASH GENERATED FROM OPERATIONS

| Figures in Rand | 2020 | 2019 |
|---|---|---|
| Surplus | 11 328 615 | 18 775 899 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 3 158 367 | 2 537 576 |
| Profit and loss on disposal of non-current assets | 2 300 | 14 115 |
| Transfer of cash surplus to National Treasury | - | (14 009 716) |
| Movements in provisions | 863 685 | 595 954 |
| **Changes in working capital:** | | |
| Inventories | (26 234) | (13 739) |
| Receivables from exchange transactions | 6 830 752 | (353 899) |
| Payables from exchange transactions | (5 988 695) | (2 191 393) |
| | **16 168 790** | **5 354 797** |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2020

| Figures in Rand | 2020 | 2019 |
|---|---|---|
| **20. COMMITMENTS AUTHORISED** | | |
| **Capital expenditure** | | |
| **Already contracted for but not provided for** | | - |
| • Property, plant and equipment | 595 235 | -- |
| • Intangible assets | 298 080 | - |
| | **893 315** | -- |
| **Total capital commitments** | | - |
| Already contracted for but not provided for | 893 315 | - |
| | | |
| **Authorised operational expenditure** | | |
| **Already contracted for but not provided for** | | |
| • Website hosting | - | 100 168 |
| • Legal services | 2 575 912 | 3 720 686 |
| • Research services | 905 892 | 1 327 749 |
| • Cleaning services | - | 52 825 |
| • Short-term insurance services | - | 35 879 |
| • Hosting of National Registers | - | 229 027 |
| • Data lines | 89 047 | 121 735 |
| • Recruitment services | 2 475 | 254 946 |
| • Printing of corporate documents | 232 092 | 576 770 |
| • Multi-media awareness campaign | - | 2 739 817 |
| • Training services | - | 173 966 |
| • Maintenance of national registers | - | 449 052 |
| • Internet and telephone services | 2 371 020 | 3 295 411 |
| • Workplace skills plan development | - | 131 348 |
| • Web hosting | 1 792 903 | 2 109 042 |
| • Event management services - Conference | - | 3 436 801 |
| • Employee wellness services | 241 237 | 267 936 |
| • Mediation services | - | 230 000 |
| • Media monitoring services | 143 451 | 225 423 |
| • Printers | - | 459 074 |
| • Internal audit services | 503 595 | 1 186 370 |
| • Armed response services | 10 371 | 17 201 |
| • Security services | 253 961 | 321 929 |
| • Competency assessments | - | 9 200 |
| • Transcription services | 64 374 | 46 872 |
| • Off-site storage services | 349 940 | 41 574 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2020

| Figures in Rand | 2020 | 2019 |
|---|---|---|
| **20. COMMITMENTS AUTHORISED (CONTINUED)** | | |
| • Skills audit | 409 000 | - |
| • Vetting of recruits | 39 441 | - |
| • Software licenses and upgrades | 87 713 | - |
| • Promotional material | 130 070 | - |
| • External audit services | 2 602 312 | - |
| | **12 804 806** | **21 560 801** |
| **Total operational commitments** | | |
| Already contracted for but not provided for | 12 804 806 | 21 560 801 |
| Total commitments | | |
| **Total commitments** | | |
| Authorised capital expenditure | 893 315 | - |
| Authorised operational expenditure | 12 804 806 | 21 560 801 |
| | **13 698 121** | **21 560 801** |

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

## 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, Industry and Competition (**the dtic**) | 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 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2020

| Figures in Rand | 2020 | 2019 |
|---|---|---|
| **21. RELATED PARTIES (CONTINUED)** | | |
| **Related party balances** | | |
| **Rental receivable from related parties** | | |
| Rental of a building leased to the Department of Trade, Industry and Competition | 418 270 | 3 766 566 |
| **Related party transactions** | | |
| **Rental received from related parties** | | |
| The Department of Trade, Industry and Competition | 8 000 332 | 2 277 180 |
| **Payments made to related parties** | | |
| The Department of Trade, Industry and Competition - Allowances and reimbursements for the Administrator | - | 2 036 733 |

The NGB is a signatory to a lease contract with Motseng Properties for office premises located on the dtic Campus. The NGB has sub-let the office premises to the dtic 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 dtic, for occupation by the Broad-Based Black Economic Empowerment Commission, which re-imburses the NGB for the rental paid.

### 22. AGENT / PRINCIPAL ARRANGEMENT

The NGB is required to establish a NCEMS capable of monitoring significant events relating to LPMs. To this end, the NGB appointed an NCEMS operator to establish and maintain a 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 NGA. 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. All resources required to establish and operate the NCEMS are provided by the NCEMS operator.

The NGB is the principal in the arrangement. Management has exercised reasonable care and judgement in discharging its responsibilities in ensuring that the prescripts of the applicable standards of GRAP apply to this arrangement.

The NGB has entered into a contract with the NCEMS operator for the supply, installation, commissioning, operation, management and maintenance the NCEMS for LPMs in the Republic of South Africa and collection of related monitoring fees on behalf of the NGB for eight (8) years). The contract stipulates terms and conditions of services. Any subsequent changes will be agreed and documented by both parties in the form of an addendum to the existing agreement.

The agent -principal arrangement exists for the purpose of rendering a monitoring service to the LPM industry (3rd party). Risks in relation to failure to monitor the industry has been passed on to NCESM operator in the form of a performance guarantee. The NCEMS operator has furnished the NGB with an irrevocable performance guarantee in the amount of R6 000 000.00 (Six Million Rand), issued by a Financial Service Provider (FSP) approved by the NGB.

### 23. CHANGE IN ACCOUNTING ESTIMATE

**Property, plant and equipment**

The remaining useful lives of all assets were assessed during the year. A change in accounting estimate was made in relation to Computer Equipment. The effect of the change in accounting estimate on the current year's results was an increase in the current year's surplus by R12,866. The effect of the change in accounting estimate on future financial periods will be a decrease in net surplus by R6,433 for the 2020/21 financial period and a decrease in net surplus of R6,433 for 2021/22 financial period.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2020

| Figures in Rand | 2020 | 2019 |
|---|---|---|

### 24. PRIOR-YEAR ERRORS

Pre-payments of a long-term nature were classified as current assets during the 2017/18 and 2018/19 financial periods. This error has been corrected by restating the 2018/19 Statement of Financial Position such that pre-payments of a long-term nature have been reclassified as non-current assets.

Employee benefits (housing allowance, group life assurance, disability insurance, funeral cover and provident fund administration) were excluded from the calculation of leave pay provision for employees. This error was corrected as indicated below.

A date which differs from that specified in an operating lease contract was was used as a basis for calculating the escalation of rentals payable to the landlord. This resulted in a misstatement of rent expenditure and deferred lease payable for the comparative period and periods prior thereto. The Statement of Financial Position and Statement of Financial Performance have been restated as indicated below for the comparative financial period. The opening balance for periods prior to the comparative year has been restated by means of a reduction to retained earnings of R63,465.

Note 19 indicating a list of Commitments has been restated to accurately reflect a total amount of R21,560,801, thereby correcting an amount of R21,848,341 which was overstated by R287,540.

**Statement of Financial Position**

**2019**

| | | As previously reported | Correction of error | Restated |
|---|---|---|---|---|
| Current assets - Receivables from exchange transactions | 5 | 5 357 287 | (271 217) | 5 086 070 |
| Non-current assets - Receivables from exchange transactions | 5 | 1 166 142 | 273 012 | 1 439 154 |
| Provisions for short-term employee benefits | 11 | 952 239 | 88 098 | 1 040 337 |
| Payables from exchange transactions | 9 | 1 564 720 | (22 513) | 1 542 207 |
| Deferred rent and accommodation | | 6 886 946 | 107 127 | 6 994 073 |
| | | **15 927 334** | **174 507** | **16 101 841** |

**Statement of Financial Performance**

**2019**

| | | As previously reported | Correction of error | Restated |
|---|---|---|---|---|
| Operating leases | 16 | 7 563 510 | 21 150 | 7 584 660 |
| Employee related costs | 14 | 21 688 669 | 86 302 | 21 774 971 |
| **Surplus for the year** | | **29 252 179** | **107 452** | **29 359 631** |

The future minimum lease payaments under non-cancellable operating leases disclosure on Note 16 to the AFS has been restated as follows:

| | As previously reported | Correction of error | Restated |
|---|---|---|---|
| Within 1 year | 8 960 061 | (22 326) | 8 937 735 |
| 2 to 5 years | 23 048 487 | 365 796 | 23 414 283 |
| **Surplus for the year** | **32 008 548** | **343 470** | **32 352 018** |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2020

| Figures in Rand | 2020 | 2019 |
|---|---|---|

### 24. PRIOR-YEAR ERRORS (CONTINUED)

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

**2019**

**Prior year error relating to Risk Management**

During the 2018/19 financial period, the risk management disclosure note erroneously included all assets and liabilities as reflected in the Statement of Financial Position, regardless of whether these were financial instruments. All the figures in the risk management note have been restated to exclude amounts that management does not consider to be financial assets and liabilities. These include operating leases, prepayments and other assets and liabilities which do not meet the requirement for financial instruments, with the exception of the sensitivity analysis which remained the same.

The effect of the above restatement on the 2018/19 figures was a reduction of other financial liabilities from R22,913,823 to R17,959,158, a reduction of Maturity analysis total from R55,094,709 to R17,959,158, a reduction of Trade receivables past due but not impaired from R21,339,635 to R3,766,566, a reduction of Maximum exposure to credit and market risk from financial assets from R56,771,547 to R37,703,685, a reduction of maximum exposure to credit risk for financial assets by credit category from R56,767,992 to R37,703,685 and an increase in the carryng vaue of the entity's financial instruments from R33,854,169 to R19,740,972.

The following prior period error adjustments occurred:

### 25. 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.

| | | |
|---|---|---|
| Other financial liabilities | 13 619 137 | 17 959 158 |

The table below illustrates the NGB's Maturity Analysis for non-derivative financial liabilities:

**At 31 March 2020**

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| Trade and other payables | 13 619 137 | - | - | - | 13 619 137 |

**At 31 March 2019**

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| Trade and other payables | 17 959 158 | - | - | - | 17 959 158 |

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:

| | 2020 | 2019 |
|---|---|---|
| Cash and Cash Equivalents-increase by 1% | 499 418 | 339 369 |
| Cash and Cash Equivalents-decrease by 1% | (499 418) | (339 369) |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2020

| Figures in Rand | 2020 | 2019 |
|---|---|---|

## 25. 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 a 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 | 1-30 days past due | 31-90 days past due | 91-120 days past due | More than 120 days past due | Total |
|---|---|---|---|---|---|
| 2020 | 400 925 | - | - | 17 345 | 418 270 |
| 2019 | 367 224 | 183 262 | 182 750 | 3 033 330 | 3 766 566 |
| | **768 149** | **183 262** | **182 750** | **3 050 675** | **4 184 836** |

### 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.

### Exposure to Credit Risk

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

| | | |
|---|---|---|
| Cash and Cash Equivalents | 49 941 830 | 33 936 919 |
| Other Receivables | 418 270 | 3 766 766 |
| | **50 360 100** | **37 703 685** |

### Concentration of credit risk

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

| | | |
|---|---|---|
| Cash and Cash equivalents (excluding petty cash) | 49 941 830 | 33 936 920 |
| Other receivables | 418 270 | 3 766 766 |
| | **50 360 100** | **37 703 686** |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2020

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## 25. RISK MANAGEMENT (CONTINUED)

**Financial Instruments**

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

| | 2020 | 2019 |
|---|---|---|
| Cash and cash equivalents ( excluding petty cash) | 49 939 805 | 33 933 364 |
| Receivables | 418 270 | 3 766 766 |
| Other financial liabilities | (13 619 137) | (17 959 158) |
| | **36 738 938** | **19 740 972** |

## 26. GOING CONCERN

We draw attention to the fact that as at 31 March 2020, the entity reported a net surplus of R11 million and a favourable total debt to total assets ratio of 0.39 : 1. The NGB is substantially dependent on Government for continued funding of its operations. The entity's five year strategy, the Annual Performance Plan (APP) and budget were approved by the Minister of Trade, Industry and Competition (**the dtic**), which is indicative of a commitment to fund the NGB's operations for the next Medium Term Expenditure Framework (MTEF) period. The NGB also earned additional revenue of R220.3 million 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.

While the Annual Financial Statements have been prepared on a going concern basis, it is noteworthy that COVID-19 pandemic will materially and adversely affect the entity's LPM monitoring fees due to the closure of the LPM industry as a result of the national lockdown. The ability of the entity to continue as a going concern is dependent on the return of the LPM industry to operation as the lockdown regulations are relaxed. The advent of Covid-19 has necessitated that the NGB revise its revenue projections and corresponding expenditure projections such that the LPM monitoring fees and corresponding expenditure (NCEMS service fees) have been completely removed from the budget for the 2020/21 financial period. This is aimed at providing for a worst-case scenario in the event the LPM industry continues to be under lockdown for the remainder of the 2020/21 financial period. Due to the unpredictable nature of the pandemic, there is no adequate information to predict how long the lockdown will last. It is anticipated that the measures taken to revise the budget, limiting it to revenue which is not dependent on Covid-19 and the lockdown, will enable the entity to be operational and meet its financial commitments for the 2020/21 financial period. The other factor is the continued receipt of the Government grant from **the dtic**. Management has considered the impact of COVID-19 on all of its assets as at year end for possible impairement.

**Property, plant and equipment:**

Property, plant and equipment predominantly comprises leasehold improvements and internally generated computer software. The entity will continue to utilise these assets during the national lockdown, therefore these assets are not impaired.

**Inventory:**

None of the inventory was impaired as at the end of the financial period as all of it is in the form of consumables, and not held held for sale.

**Trade and other receivables:**

In spite of the lockdown which affected the LPM industry, the trade receivables balance of R12.6 million at year-end was subsequently reduced significantly to R1.4 million, indicating that none of the receivables are impaired.

**Cash and cash equivalents:**

The cash and cash equivalents at year-end were sufficient to cover current as well as non-current liabilities at a ratio of 1.69:1.

Financial liabilities, trade and other payables and commitments:

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2020

| Figures in Rand | 2020 | 2019 |
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### 26. GOING CONCERN (CONTINUED)

The cash and cash equivalents were sufficient to cover all current and non-current liabilities, including commitments, as at year-end.

Management has considered the impact of COVID-19 on all of its assets as at year end for possible impairement.

### 27. UNAUTHORISED EXPENDITURE

There was no unauthorised expenditure during the year.

### 28. FRUITLESS AND WASTEFUL EXPENDITURE

There was no fruitless and wasteful expenditure during the year.

### 29. IRREGULAR EXPENDITURE

There was no irregular expenditure during the year.

### 30. CONTINGENT LIABILITIES

| | 2020 | 2019 |
|---|---|---|
| National Treasury - Cash surplus | 25 954 776 | 6 058 984 |
| Former employee vs the NGB | 982 739 | 982 739 |
| Former service provider vs the NGB | 78 026 | 78 026 |
| Unpaid leave | - | 160 816 |
| | **27 015 541** | **7 280 565** |

**National Treasury** - A contingent liability exists as a result of a cash surplus reported in the current year, 2019/20, 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 alleged breach of 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 in the Magistrate's Court for alleged breach of contract, alleging that the NGB converted temporary staff into permanent placement.

### 31. 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 positive variance on the LPM monitoring fees was due to the performance of the LPM industry, which surpassed expectations and yielded more revenue than anticipated during budgeting.

**Interest received**

The positive variance on interest received was due to the additional LPM monitoring fees which were invested in the short-term investment facility at the South African Reserve Bank.

**Other income**

The negative variance on other income was due to the off-setting effect of the straight-lining of the lease receivable on the rental income.

**Personnel costs**

The positive variance on the personnel budget was a result of vacant positions during the year.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2020

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## 31. EXPLANATION OF VARIANCES (CONTINUED)

**Executive Managers' Remuneration**

The negative variance on executive remuneration resulted from a reclassification of employee benefits from general staff to the executive remuneration disclose. The reclassification was aimed at enhancing disclosure for executive management such that all benefits paid by the organisation on their behalf are disclosed.

**Depreciation and amortisation**

The negative variance on depreciation/amortisation was due to the amortisation of internally generated national registers which had previously been placed on hold during development.

**Operating leases**

The budget saving on operating leases arose from the reversal of the deferred lease payable which had an off-setting effect on the operating lease expenditure.

**NCEMS service fees**

Payment made to the NCEMS operator are based on the percentage of revenue that is derived from the LPM monitoring fee. The NGB collected additional LPM monitoring fees and consequently paid a greater amount to the NCEMS operator.

**General expenses**

The negative variance on other operating expenses was due to expenditure incurred on the hosting of a national gambling conference aimed at addressing gambling related issues affecting the country. The conference was made possible by the availability of funding generated from the LPM sector.

**Property, plant & equipment (PPE)**

The negative variance on PPE was due to unspent budgeted funds for a biometric system and office reconfiguration / partitioning projects which were not undertaken as anticipated. These funds were, however, committed as at the end of the financial period, and are listed in the Commitments note to the AFS (Note 20).

**Intangible assets**

The negative variance on intangible assets was due to unspent funds allocated for the development of a website. The project was not undertaken as anticipated during the year. These funds were, however, committed as at the end of the financial period, and are listed in the Commitments note to the AFS (Note 20).

## 32. EVENTS AFTER THE REPORTING DATE

The following are non-adjusting events after the reporting date:

There is no subsequent event that has not been dealt with in the financial statements. The entity has assessed the impact of the COVID-19 outbreak on its operations and concluded that it will materially and adversely affect the entity's NCEMS revenue. The NGB has revised its budget and removed the LPM fees from its budget forecast for the 2020/21 financial period, due to the uncertainty about the length of the national lockdown.

## 33. 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 2020, the NGB was measured for Broad-Based Black Economic Empowerment (B- BBEE) compliance in accordance with **the dtic** codes of Codes of Good Practice, Gazette Number 38766 and 36928. The applicable scorecard used to determine the NGB's compliance with the B-BBEE Act, 2013 (Act 46 of 2013) was the Codes of Good Practice – Specialised Enterprise. The NGB was found to be a non -compliant contributor to the B -BBEE Act, 2013. The B-BBEE certificate is valid until 30 July 2021. The entity is committed to implementing measures to improve its compliance with the B-BBEE Act, 2013.

# NOTES

# NOTES

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**PROBLEM GAMBLING IS TREATABLE**
**GAMBLE RESPONSIBLY**

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