NLC APP 2023/24
Briefing to the Department of Trade, Industry & Competition Portfolio Committee
10 May 2023

CONTENTS

1. NLC DELEGATION

2. NLC OPERATING MODEL

3. APP TARGETS 2023/24

4. **NLC | DTIC JOINT KPI's**

5. FINANCIAL OVERVIEW BUDGET 2023/24

NLC BOARD DELEGATION

Prof B Pityana   NLC Chairperson

Ms B Ferguson   NLC Board member

Ms P Mvulane   NLC Board member

Mr L October   NLC Board member

NLC DELEGATION

Ms Jodi Scholtz — NLC Commissioner

Ms Tina Maharaj — Chief Financial Officer

Mr Vincent Jones — Chief Audit Executive

Ms Tintswalo Nkuna — Executive Manager: Regulatory Compliance

Mr Mothibi Ramusi — Chief Information Officer

Mr Sanele Dlamini — Acting Chief Operations Officer

Ms Anashnee Maharaj-Domun — Senior Manager: Corporate Performance

Ms Khau Moloko — Senior Manager: Human Capital Management

Ministry requests affecting the 2023/24 APP

Matters that the Minister has requested the NLC to address during the period of the APP

1. Complete implementation actions on the SIU findings to date, to complement the work of the law enforcement agencies, including integrity measures involving staff, recipients and Board members of the NLC

2. Complete the review of the pro-active funding programme

3. Finalise investigations of all transactions involving consultants over the past 10 years, including law firms, IT services and public relations services

4. Initiate a wider investigation beyond the pro-active funding projects, to include all contracts by the NLC and all channels through which payments were made by or on behalf of the NLC

5. Investigations into the activities of the regions of the NLC

6. Review all previous forensic and internal reports and consider recommendations for systemic changes to avoid opportunities for corruption

6. Review findings of Auditor General in management reports over the past 10 years

7. Support for whistle-blowers who were threatened or dismissed

8. Addressing the position of communities or NGOs who were deprived of the support for which the NLC funding was designed

9. Promoting transparency: consider publication of monthly reports on beneficiaries with details of project geo-location

10. Oversight visits to project sites by NLC Board

11. Approve grant funding that positively impacts on communities and the targeted sectors, and that is free from corruption.

12. Publish requests for proposals for the new Lotto license, evaluate the applications and make recommendations on suitable firms
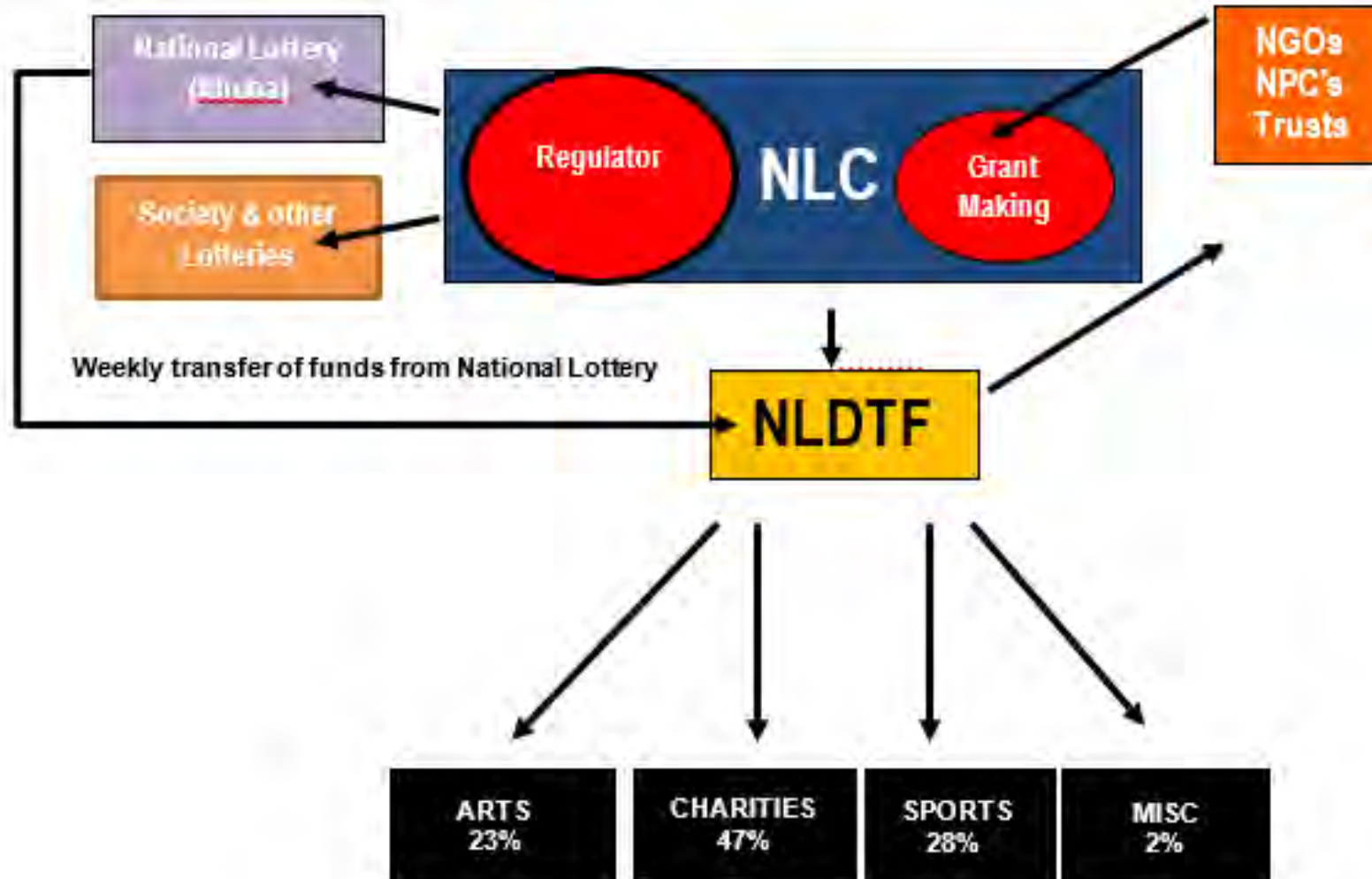
NLC

APP TARGETS 2023/24

In line with its mandate, vision and mission, **NLC's formulation of** programme activities and targets is aligned to the political, social and economic realities of South Africa. The Board has determined that the rebuilding of the NLC is premised on 3 pillars as follows:

- *Returning the NLC to its core mandates of regulation and grant making and reinstating its credibility*
- *Restoring governance and integrity with zero tolerance for fraud and corruption*
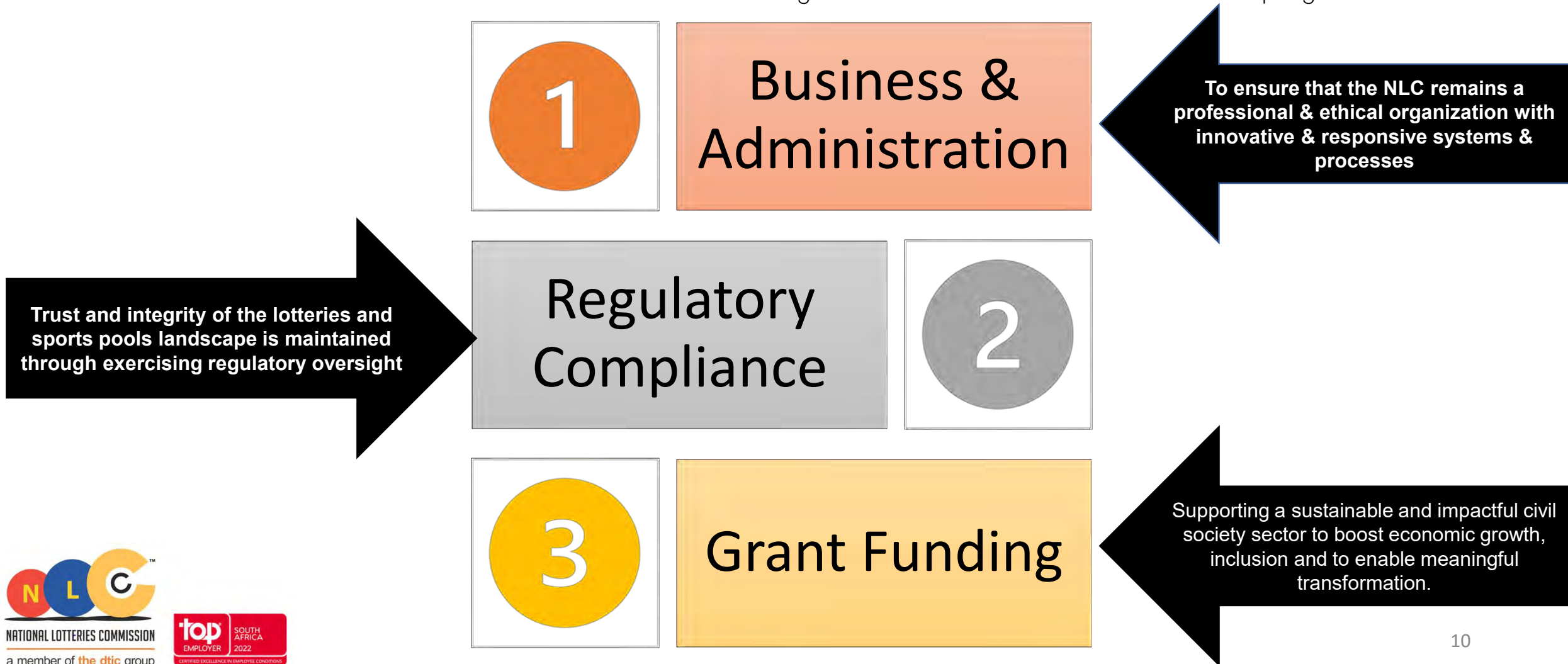- *Building operational excellence*

THE PLATFORM

In addition, the following supplementary activities will underpin the above initiatives in restoring credibility to the NLC:

a. Integrity testing and lifestyle audits (Board, Management and all employees);

b. Board Strategy Session to be convened in June – National Consultative Indaba tentatively scheduled for September

c. Robust Strategic-based funding (formerly known as proactive-funding) model supported by credible research and the introduction of strategic implementing partners;

d. Improvement of controls as identified by the AGSA as deficiencies within the value chain;

e. The conceptualization and introduction of the NLC Reparation Programme;

f. Promoting greater transparency through the publication of the names of all grant recipients;

g. Developing a robust operating model with the introduction of an inspectorate function

NLC APP 2023/24

An Annual Performance Plan sets out the activities, outputs and outcomes that an entity seeks to achieve, with the resources available and the timeframes within which targets are to be met. The NLC has 3 core programmes:

1 Business & Administration
→ **To ensure that the NLC remains a professional & ethical organization with innovative & responsive systems & processes**

Trust and integrity of the lotteries and sports pools landscape is maintained through exercising regulatory oversight →
Regulatory Compliance **2**

3 Grant Funding
← Supporting a sustainable and impactful civil society sector to boost economic growth, inclusion and to enable meaningful transformation.

PROGRAMME 1

Develop and implement the organisational review and redesign strategy

Conduct the enterprise-wide Fraud Risk Assessment

Conduct lifestyle audits and integrity testing, and enforce consequence management based on identified leads, indicators, and findings from the SIU reports.

Conduct the grantee/applicant survey

Implement phase 1 of the digital transformation strategy

Output Indicator	Annual Target	Q1	Q2	Q3	Q4
1.1 Develop and implement the organisational review and redesign strategy	Development and implementation of the organisational review and redesign strategy	Develop the ToR and appoint the service provider	Develop the organisational review and redesign strategy	Implement phase 1 of the organisational review and redesign strategy	Implement phase 2 of the organisational review and redesign strategy
1.2 An enterprise-wide Fraud Risk Assessment is conducted	Conduct the enterprise-wide Fraud Risk Assessment	Conduct the assessment on end-to-end processes for Grant Funding & Supply Chain Management with all relevant stakeholders	Conduct the assessment on end-to-end processes for HCM, Finance & Regulatory Compliance with all relevant stakeholders	The Draft Fraud Detection & Prevention Plan tabled to Exco for recommendation to the Board	Develop the Fraud Detection & Prevention Plan for Board approval
1.3 Develop, implement and enforce the Consequence and Ethics Management Strategy	Conduct lifestyle audits and integrity testing, and enforce consequence management based on identified leads, indicators, and findings from the SIU reports.	Develop a consequence and ethics management strategy that prevents and deters unethical conduct and acts of corruption.	Conduct Integrity testing and checks for all NLC officials.

Conduct phase 1 of the lifestyle audits, focusing on NLC Management and Grant Funding officials. | Conduct second layer of the lifestyle audits, focusing on all NLC officials. | Produce a report on the lifestyle audit& integrity testing findings and enforcement of the consequence and ethics management strategy |
| 2.1 The grantee/applicant survey is conducted | Conduct the grantee/applicant survey | Issue the RFP to the research panel and conclude appointment | Implement the survey | Implement the survey | Produce a report with recommendations for Board noting |
| 2.2 Phase 1 of the digital transformation strategy is implemented | Implement phase 1 of the digital transformation strategy | Implement phase 1 of the digital transformation strategy | Implement phase 1 of the digital transformation strategy | Implement phase 1 of the digital transformation strategy | Provide a report to Exco for approval on the completion of implementing phase 1 of the Dx Strategy |

PROGRAMME 2

Implementation of the National Lottery & Sports Pools Monitoring Matrix

Educate 1000 stakeholders on the harmful effects of gaming

Percentage increase in the number of compliant lottery schemes

Develop the Know Your Customer (KYC) strategy for online lottery play

QUARTERLY MILESTONES – PROGRAMME 2

Output Indicator	Annual Target	Q1	Q2	Q3	Q4
3.1 The National Lottery & Sports Pools monitoring matrix implemented	Implementation of the National Lottery & Sports Pools Monitoring Matrix	Implementation of the National Lottery & Sports Pools Monitoring Matrix	Implementation of the National Lottery & Sports Pools Monitoring Matrix	Implementation of the National Lottery & Sports Pools Monitoring Matrix	Implementation of the National Lottery & Sports Pools Monitoring Matrix
3.2 Educate 1000 stakeholders on the harmful effects of gaming	Educate 1000 stakeholders on the harmful effects of gaming	Educate 250 stakeholders on the harmful effects of gaming	Educate 500 stakeholders on the harmful effects of gaming	Educate 750 stakeholders on the harmful effects of gaming	Educate 1000 stakeholders 00on the harmful effects of gaming
3.3 Percentage increase in the number of compliant lottery schemes	50% increase in the number of compliant lottery schemes	10% of lottery schemes are compliant	20% of lottery schemes are compliant	35% of lottery schemes are compliant	50% of lottery schemes are compliant
3.4 Know Your Customer (KYC) Strategy for online lottery play developed	Develop the Know Your Customer (KYC) strategy for online lottery play	Develop the ToR and appoint the service provider	Conduct the analysis	Conduct the analysis	Produce the Know Your Customer (KYC) strategy for online lottery play

PROGRAMME 3

Three (3) Strategic partnerships for the research-based model are formalised and implemented

Conduct an impact assessment evaluation on small grants

Complete

3000 Monitoring

assessments

Implement 9 structured capacity building programs nationally

QUARTERLY MILESTONES – PROGRAMME 3

Output Indicator	Annual Target	Q1	Q2	Q3	Q4
4.1 Number of strategic partnerships formalised and implemented for the research-based model	Three (3) Strategic partnerships for the research-based model are formalised and implemented	Conduct research, develop the ToR and issue the call	Formalise the relationship with strategic partners	Implement the strategic partnership model for research-based funding	Produce a monitoring and evaluation report on the implementation of the strategic partnership model for Board approval
4.2 Impact Assessment Evaluation on Small Grants	Conduct an impact assessment evaluation on small grants	Develop the ToR and appoint the service provider	Conduct the assessment	Conduct the assessment	Produce an impact assessment evaluation on the small grants for Board noting
4.3 3000 monitoring assessments completed	Completion of 3000 monitoring assessments	Complete 750 monitoring assessments	Complete 1500 monitoring assessments	Complete 2250 monitoring assessments	Complete 3000 monitoring assessments
4.4 Number of structured capacity building programs implemented nationally	Implement 9 structured capacity building programs nationally	Review of the capacity building & mentorship programme model	Pilot the reviewed model	Implement 5 structured capacity building programs	Implement 4 structured capacity building programs

the dtic

IMPACT TARGETS

the dtic – IMPACT TARGETS

Targets	What it is about?	The NLC's contribution
Driving R40 billion in additional local output committed or achieved	This output is intended to show the impact of the dtic group interventions on manufacturing and productive services output. It will be measured on a gross basis, from projects that are championed by the dtic group or through social compacting. This includes for example, projects financially supported by the dtic group; projects which entail localisation of a product previously imported; projects which result from competition agreements where a merging entity commits to supplier development; and projects which expand production to meet new export demand.	NLC SCM Report detailing local procurement of goods and services.
100 000 Jobs to be created (50 000 SEF & 50 000 full time jobs)	This output reflects the number of jobs and job opportunities created as a result of the interventions of the dtic group. It is measured in two parts. The first measurement is the total number of permanent, full-time jobs created in the firms and sectors that have received financial or non-financial support from the dtic group. The second measurement is the total number of 'job opportunities' created which is defined as temporary, construction, part-time, or seasonal jobs created. This output will therefore include jobs created as part of a sector Master Plan; as a result of an export contract; new greenfield or brownfield investments; competition settlements which include supplier development or localisation; and new investments in SEZs as well as jobs under the Social Employment Fund.	10 000 Jobs created

the dtic – IMPACT TARGETS

Targets	What it is about?	The NLC's contribution
R30 Billion in support programmes administered by or in partnership with the dtic-group	This output reflects the value of financial support provided by the dtic group to enterprises. It is measured as the value of financial support approved (but not necessarily disbursed) by the dtic, IDC and NEF including grants, loans, and equity and export promotion funds. Also included in the definition are financial disbursements from competition settlements, disbursements by the Social Employment fund, and BEE-mandated funds such as the employment equity investment programme (EEIP). In addition, the IDC and NEF will contribute R 24.2 billion to the annual target of R30 billion.	**NLC** funding provided for projects through the NLDTF
R15 billion support programmes to enterprises in areas outside the 5 main metros	This output reflects the value of financial support provided by the dtic group to enterprises located outside of the main metro areas. It is measured as the value of financial support approved (but not necessarily disbursed) by the dtic, IDC and NEF including grants, loans, and equity and export promotion funds. The beneficiary enterprise must be located outside of the Johannesburg, Ekurhuleni, eThekwini, Cape Town and Tshwane metro areas. In addition, the IDC will contribute R14 billion and the NEF R284 million towards the achievement of this target.	Education & Awareness Workshops nationally
1000 Case studies of firms, workers, entrepreneurs, professionals or communities impacted by the dtic measures; including 12 local films/ documentaries telling the SA story	This output refers to production of 1 000 case studies of firms, workers, entrepreneurs, professionals or communities impacted by the dtic measures; including 12 local films/documentaries telling the SA story. The output will be measured through a simple count of the dtic success stories profiled by the dtic programmes and entities through written case studies, examples used in presentations, website highlights, advertising campaigns and social media platforms; as well as financing of 12 films that tell the SA story, including aspects of our painful history development of charging infrastructure.	NLC = 200 case studies

the dtic – IMPACT TARGETS

Targets	What it is about?	The NLC's contribution
Community Outreach Programmes by **the dtic** Group	This output refers to the undertaking of community outreach programmes by relevant programmes and entities within the dtic group. This entails: (1) Community outreach sessions showcasing the range of government support and programmes available to SMMEs (which includes bringing the dtic, DFIs, SARS and CIPC and other relevant agencies. (2) Information dashboards on each district; or (3) Coordination meeting with other entities to integrate dtic efforts within the district development model to bring the three spheres' contributions together.	20 education and awareness workshops in districts on NLC regulatory matters
Oversight of other entities to ensure that at least 95% of planned KPIs are achieved	This output refers to the implementation of effective oversight of the balance of the dtic's entities excluding the DFIs. The main measure is the production of Action Minutes which assess the efficiency of Technical Infrastructure institutions by ensuring that 95% of KPI's of their APP's are achieved.	Oversight over the regulatory entities and ensuring that 95% of KPIs on their APPs are achieved. **All entities** expected to achieve 95% of targets planned for the year

FINANCIAL OVERVIEW BUDGET 2023/24

FINANCIAL OVERVIEW – BUDGET AT A GLANCE

The NLDTF does not receive an appropriation from the fiscus, however as stipulated in section 23 of the Lotteries Act, the revenue of the fund (i.e NLDTF) consists of-

a)   The sums paid to the fund in terms of section 14(2)(e) - share of ticket sales
        from the national lottery

b)   Interest and dividends derived from the investment of money standing to the credit of the fund; and

c)   Other money lawfully paid into the fund.

The extension of the 3rd Lottery licence has resulted in 13% increase in revenue compared to the 2023 budget projections of R1.6 billion. Revenue is however expected to decrease to R1.1 billion during the MTEF period mainly because of the transition in the Lottery licence expected in 2025/26.

FINANCIAL OVERVIEW – BUDGET AT A GLANCE

The costs associated with Programme 1: Administration and Business Support

includes the organisational employee costs of R122 million, operational expenditure in terms of goods and services of R249 million and capital expenditure of R69.8 million.

The costs associated with Programme 2: Regulatory Compliance

comprises of R37 million employee costs and R55 million for operational expenditure.

The costs associated with Programme 3: Grant Making

comprises of R1.4 billion which represents the NLDTF budget for allocations, R148 million employee costs and a related R37 million for operational expenditure.

FINANCIAL OVERVIEW – REVENUE

REVENUE

NLDTF
Interest Received
License Signing Fees
Societies & Other Lotteries
Unclaimed and expired prize money
Withdrawals
Interest from the Participants Trust
Sundry Income
RFP Lottery Fee - Application Fee

	Total Budget	Projections	Projections
	2023/24 R 000	2024/25 R 000	2025/26 R 000
	2 103 431	2 170 743	1 397 360
NLDTF	1 815 499	1 881 671	1 100 000
Interest Received	109 499	114 974	119 573
License Signing Fees	2 833	2 833	472
Societies & Other Lotteries	62	65	68
Unclaimed and expired prize money	140 000	145 600	151 424
Withdrawals	20 000	20 000	20 000
Interest from the Participants Trust	1 538	1 600	1 664
Sundry Income	2 000	4 000	4 160
RFP Lottery Fee - Application Fee	12 000	-	-

FINANCIAL OVERVIEW - EXPENDITURE

EXPENDITURE	2 072 106	2 137 158	1 365 672
Allocations	1 401 749	1 439 987	637 128
Advertising & Publicity	15 810	16 442	17 182
Agency Emoluments	2 000	2 080	2 174
Audit Fees	9 295	9 666	10 101
Bank Charges	244	254	265
Board Members Emoluments	6 866	7 141	7 462
ICT Operational Cost	20 995	21 835	22 817
Conferences / Meetings	1 441	1 499	1 566
Consulting Fees	61 120	63 565	66 425
Courier & Postages	162	169	176
Depreciation	6 492	6 752	7 056
Electricity, water, rates & taxes	5 168	5 374	5 616
Refreshments & Catering	1 475	1 534	1 603
General Expenses	787	818	855
Insurance	799	831	868
Legal Fees	46 724	48 593	50 780
Motor Vehicle Expenses	2 400	2 496	2 608
Outsourced services	34 984	36 384	38 021
Print & Stationery	2 647	2 752	2 876
Professional fees	1 000	1 040	1 087
Lease costs	25 778	26 809	28 015
Repairs & Maintenance	6 378	6 634	6 932
Removals	65	68	71
Employee Costs	329 083	342 246	357 647
Recruitment costs - Permanent appointments	1 000	1 040	1 087
Staff Training	3 706	3 854	4 027
Staff Welfare	2 058	2 140	2 237
Subscriptions	435	452	473
Security	7 474	7 773	8 122
RFP Costs	40 162	41 768	43 648
Telephone & Fax	1 494	1 554	1 624
Recruitment -Temporary Staff appointments	-	-	-
Travel & Accommodation	12 532	13 033	13 619
Workmen's Compensation	320	333	348
Investigation cost	15 000	15 600	16 302
Trust Administration Fee	4 058	4 220	4 410
Trustee fees	407	423	442

Thank you