



National Gambling Board
South Africa

a member of **the dtic** group



ANNUAL REPORT

2020 | 2021



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 2021.

Mr Ebrahim Patel

Minister of Trade, Industry and Competition



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PART A

General
Information

NGBs GENERAL INFORMATION

REGISTERED NAME	National Gambling Board of South Africa
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EXTERNAL AUDITORS	Rakoma and Associates Incorporated
BANKERS	Standard Bank South Africa



LIST OF ABBREVIATIONS/ACRONYMS

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



LIST OF ABBREVIATIONS/ACRONYMS

NRCS	National Regulator for Compulsory Specifications
PFMA	Public Finance Management Act, 1999 (Act 1 of 1999)
PGB	Provincial Gambling Board
PLA	Provincial Licensing Authority
RMC	Risk Management Committee
SABS	South African Bureau of Standards
SANAS	South African National Accreditation System
SANS	South African National Standards
SAPS	South African Police Service
SARGF	South African Responsible Gambling Foundation
SCM	Supply Chain Management
SDS	Service Delivery Standards
SLC	Service Level Contract
SMME	Small, Medium and Micro Enterprises
SOOG	Strategic Outcome Oriented Goal
TC	Technical Committee
the dtic	Department of Trade, Industry and Competition
UWC	Unlawful Winnings Committee
YTD	Year-to-Date



FOREWORD BY THE MINISTER

Mr Ebrahim Patel



This Annual Report provides an account of the National Gambling Board (NGB) for the past financial year ending March 2021. The activities of the Board were affected by the COVID-19 pandemic during the financial reporting period covered in this Report.

The Report sets out the performance information, governance report, human resources and financial information for the past financial year.

In the new financial year ending March 2022, every entity of **the dtic** has been requested to report on its contribution to South Africa's national development goals, with a focus on seven key areas, which are termed 'joint indicators'. In this way, the combined efforts of all public entities will begin to be aligned to the national priorities in a more explicit manner.

The joint key performance indicators cover among others, the work of sector masterplans, initiatives to boost levels of investment and localisation in the economy, expanding trade within the continent, enabling better local economic development,

supporting the growth of new industries (in the green economy and through beneficiation) and building a capable state.

In respect of building a capable state, for example, all public entities will be required to review their procedures, timeframes for delivery, forms to be filled and public communication of services to simplify these, make processes expeditious where possible, remove unnecessary red-tape where these exist and make it easier for users to access services.

Within its role and mandate, the NGB will need to identify its contribution to each of these areas and strengthen its capacity to be a smart and effective regulator.

I wish to convey my condolences to the friends and families of those loved ones we lost due to the COVID-19 pandemic.

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.

"The past year was extraordinarily challenging for the country and the gambling industry owing to the effects of the global COVID-19 pandemic."

Mr Ebrahim Patel
Minister of Trade, Industry and Competition



FOREWORD BY THE ACCOUNTING AUTHORITY

Ms Caroline Kongwa

The financial year 2020/21 marked another year in which the NGB was committed to ensuring a fair environment for the gambling market in South Africa. Our renewed obligation to ensure the integrity of the industry through strict oversight of gambling establishments, as well as protecting the public and other vulnerable groups from the potentially harmful effects of gambling, was guided through six (6) specific outcomes aimed at enhancing the regulatory process. This report details the NGB's operations and milestones over the course of the financial year.

“The NGB formally adopted the COVID-19 protocols for the gambling industry and provided input on directions for the reopening of the gambling industry that would combat, mitigate and manage the spread of the COVID-19 pandemic to employees, patrons and citizens at large.”

The year presented unprecedented challenges and risks due to the global COVID-19 pandemic. The Government declared the outbreak of the coronavirus a national state of disaster and invoked the National 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 27 March 2020 and subsequently, the total shutdown of the land-based gambling industry. Although the economy was permitted to reopen by end of June 2020, this was subject to strict regulations that included reduced capacity, curfew times, travel restrictions etc. all of which had adverse effects on the performance of the industry for the rest of the financial year.

The NGB formally adopted the COVID-19 protocols for the gambling industry and provided input on directions for the reopening of the gambling industry that would combat, mitigate and manage the spread of the COVID-19 pandemic to employees, patrons and citizens at large. In addition, the South African Economic Reconstruction and Recovery Plan was introduced during FY2020/21 and NGB gave effect to this by incorporating the intended outcomes of this plan in its Annual Performance Plan (APP) FY2021/24.

The gambling industry of South Africa was certainly not spared of the impact of the COVID-19 global pandemic. It negatively impacted and threatened the destination model to gambling in South Africa, as regulations to curb the spread of the disease restricted the full participation of people in gambling activities.



As one of the NGB's focal responsibilities is to monitor and analyse the developments in the South African gambling market, the NGB endeavoured to effectively monitor socio-economic patterns of gambling activity within the Republic through monitoring market share and market conduct in the gambling industry as well as conducting economic analysis and research on the impact of gambling in South Africa. Consequently, the NGB observed that the COVID-19 pandemic had adverse effects on the macro and micro-economic environments of South Africa, upon which the gambling industry depends. As such, as much as economic growth was negatively impacted in FY2020/21, resulting in increased unemployment and lower levels of household disposable income, so too were gambling revenues negatively affected during the same period.

Prior to the COVID-19 pandemic, the South African gambling industry was a multi-billion rand sector. In FY2019/20, bets wagered (turnover) reached over R452 billion, while gross gambling revenue amounted to R32,7 billion. The outbreak of the highly contagious coronavirus plunged gambling revenue growth into the negative in FY2020/21 and presented the traditional gambling industry with unparalleled losses of over R10,0 billion in gambling revenue, as Gross Gambling Revenue (GGR) plummeted to R23,3 billion, with a further consequential loss of R1,0 billion in taxes collected from the industry.

The pandemic brought significant challenges to the casino, Limited Payout Machines (LPM) and Bingo sectors, all of which recorded negative growth rates. However, the betting sector was the only mode that showed positive growth. Despite some

tough periods during FY2020/21, with most sporting events cancelled around the world, the betting sector rebounded to greater heights. Historically, the composition of the gambling industry over the years in terms of market share has been such that casinos dominated in terms of the generation of revenue, followed by betting, LPMs and then Bingo. However, COVID-19 may also have accelerated the structural change in many gambling sectors, bringing a faster decline in land-based gambling, alongside more growth in online gambling. The impact of the COVID-19 pandemic changed the gambling landscape in FY2020/21 as betting took up the larger share of the market in GGR since it was the only gambling mode where a punter is permitted to place a bet online and people had uninterrupted access to this mode of gambling.

The NGB further observed that as much as the COVID-19 pandemic affected the performance of the gambling industry in FY2020/21, it also had potential social implications for the industry. Various literature reviews conducted during FY2020/21 showed that due to its addictive nature, punters were susceptible to increasing mental health problems such as stress, anxiety and depression brought about by people being confined to their homes and job losses which could lead to higher levels of problem gambling and addiction. One particular concern was that people with compulsive habits would turn to the forms of gambling activities that attracted a higher potential for addiction, such as online casino games or other online-based gambling, which in South Africa are prohibited with the exception of betting online. The NGB therefore continuously raised awareness of the consequences and risks of the over stimulation that led to the latent need to gamble in FY2020/21 through its broad-based public education outcome.

In its continued quest to have uniformity of legislation in the gambling industry through the provision of authoritative advice provided to the Minister on policy, statutory matters and legislation, the NGB provided advisory reports on the future regulation of the gambling industry and the economic recovery and reconstruction plan for the gambling industry to the dtic.

The NGB also undertook research on the gambling industry and market structure to develop a business case for a market inquiry on identification of possible prohibited practices in the gambling industry in terms of the Competition Act. This research demonstrated that the market structure of the South African gambling industry resembled that of an oligopoly with a few large companies participating in the market as well high barriers to entry, realising the potential need for a further inquiry into the market by the Competition Commission.

“Prior to the COVID-19 pandemic, the South African gambling industry was a multi-billion rand sector. In FY2019/20, bets wagered (turnover) reached over R452,0 billion, whilst gross gambling revenue amounted to R32,7 billion.”



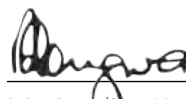
The NGB continued to account for and identify all legal gambling machines, devices and owners, licensed juristic and natural persons and excluded persons.

As part of its outcome to enhance economic transformation and increased participation of HDIs in the mainstream gambling industry, the NGB undertook to develop an industry-wide transformation agenda in FY2020/21. In addition, the NGB provided comments to the Western Cape Nineteenth Gambling and Racing Amendment Bill on legal imperatives, gaming control and research on the proposed increase in LPM operator fees, as it pertains to the transformation of the gambling industry.

The NGB continued to account for and identify all legal gambling machines, devices and owners, licensed juristic and natural persons and excluded persons. Through the National Central Electronic Management System (NCEMS), the NGB was able to fulfil its oversight responsibility for the LPM sector in terms of section 27 of the National Gambling Act, 2004. Further, the NGB maintained national functional registers and was able to track and keep a national register of gambling machines that enabled regulators to identify, approve and register all gambling machines and devices in South Africa.

Moving forward, FY2021/22 will mark another challenging year of operations for the industry with the COVID-19 pandemic still rampant. The NGB however continues to commit to its regulation of the industry through its responsible gambling efforts, research and oversight activities. It will monitor developments that affect the gambling industry to make policy recommendations.

The NGB has been able to sustain a clean audit for the sixth consecutive year while under administration. I thank our officials and commend them for their extraordinary service given the challenges of the past financial year as well as the support from the Minister of Trade, Industry and Competition and the Director-General of **the dtic**.



Ms Caroline Kongwa

Accounting Authority of the National Gambling Board
31 July 2021



STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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 Rakoma & Associates Incorporated.

The annual report is complete, accurate and free from any omissions. The annual report has been prepared in accordance with the guidelines as issued by National Treasury.

The Annual Financial Statements (Part F) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) standards applicable to the National Gambling Board.

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

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

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

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2021.

Yours faithfully



Ms Caroline Kongwa

Accounting Authority of the National Gambling Board
31 July 2021



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:



Vision

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



Mission

Lead the regulation of the gambling industry in the fulfillment of the National Gambling Act, 2004, 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 NGB is established in terms of the NGA. The NGB is a Schedule 3A Public Entity in terms of the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999). The mandate of the NGB is set out in sections 33 and 34, read with sections 32, 21 and 65 of the NGA, and these are:

- 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 so as to ensure that
 - the national norms and standards established by the NGA are applied uniformly
 - and consistently throughout the Republic
 - Assisting PLAs to ensure that the unlicensed gambling activities are detected
- Monitoring of market conduct and market share
- Monitoring socio-economic patterns of gambling activity and research and identify patterns of the socio-economic impact of gambling and addictive or compulsive gambling
- Establishing and maintaining a national registry of every gambling machine or gambling device manufactured within or imported into the Republic, as well as maintaining all other legislator prescribed registers
- Investigating the circumstances of any gambling activity that relates to unlawful winnings that the NGB has held in trust, and either deliver the winnings to the person who won them if not found to be illegal winnings or apply to the High Court for an order to declare the winnings, forfeited to the State if the gambling activity was found to be illegal
- Advising and providing recommendations to the National Gambling Policy Council (NGPC) on, amongst others, matters of national policy and legislative changes relating to gambling

Other mandates

In addition, the NGB is required to comply with other legislative frameworks, including but not limited to the following legislation:

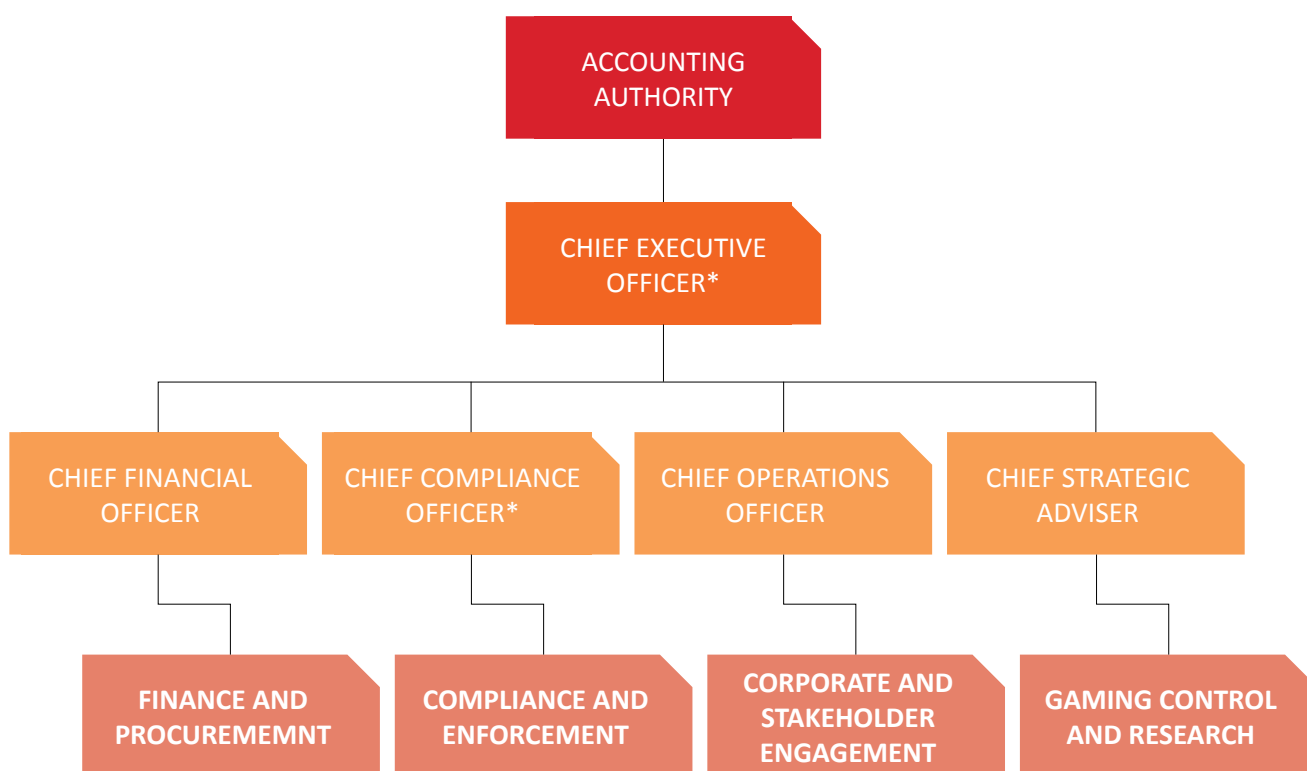
- Constitution of the Republic of South Africa, 1996
- The Public Finance Management Act (PFMA), 1999 (Act 1 of 1999)
- The Prevention of Organised Crime Act (POCA), 1998 (Act 121 of 1998)
- The Financial Intelligence Centre Act (FICA), 2001 (Act 38 of 2001)
- Broad-Based Black Economic Empowerment Act (B-BBEE), 2003 (Act 53 of 2003)
- Consumer Protection Act (CPA), 2008 (Act 68 of 2008)
- Competition Act, 1998 (Act 89 of 1998)
- Intergovernmental Relations Framework Act (IGRFA), 2005 (Act 13 of 2005)

Policy mandates

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



ORGANISATIONAL STRUCTURE



* Vacant position

The NGB comprises of four (4) divisions and programme. Each division is headed by a suitably qualified individual mandated to deliver against the entities desired performance.

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





National
Gambling
Board

South Africa

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PART B

Performance
Information

1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

Rakoma & Associates 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 predetermined objectives is included in the management report, with material findings being reported under the Predetermined

Objectives heading in the report on other legal and regulatory requirements section of the auditor's report.

Refer to page 72 of the Auditors Report, published as Part F: Financial Information.



2. SITUATIONAL ANALYSIS

2.1 Service delivery environment

The first quarter of FY2020/21 saw a complete shut down of the gambling industry for the first time in the history of its regulation in South Africa due to the effects of the COVID-19 pandemic, the impact on the gambling industry was visible in the negative performance of the industry during this period. Gambling revenues were down more than 50% owing to a nationwide lockdown being instituted and a complete shut down of all land-based gambling activity.

GGR for Q1 was R1,4 billion, a figure lower than the previous year's GGR of R7,7 billion over the same period and representing a decline of 83%. Q2 saw an improvement in revenues and operation of the industry as GGR generated increased to R6,1 billion but was still not up to previous period trends of FY2019/20 and FY2018/19. A comparison between FY2019/20 Q2 and FY2020/21 Q2 revealed that the betting industry is the only industry that had positive growth year-on-year. It betting industry generated 55% of the total gambling revenue since betting over the phone and on bookmaker's websites was permitted and as such was the only form of safe gambling available for much of the quarter.

Owing to the global COVID-19 pandemic, the performance of the gambling industry in the FY2020/21 slowed down tremendously with GGR for the first two quarters of the year not even surpassing that of the first quarter of the previous financial year, mainly due to complete shut down of the land-based industry as a measure to reduce the spread of the coronavirus. The country's second wave of the virus proved to be deadlier, compounding the public's fears of social interaction, resulting in a reluctance on the part of potential punters to take part in land-based gambling activities. The ban on alcohol meant some gambling establishments attached to pubs – such as limited pay-out machines – had to be closed again. This undoubtedly had implications for the performance of the industry.

As the gambling industry began to operate much more effectively in Q3 despite the country still having measures in place to curb the coronavirus, a second wave of the pandemic emerged in December 2020 which led to the closure of some gambling establishments as well as a slowdown in gambling activity. GGR generated in Q3 amounted to R8,4 billion, an increase from Q2 but still

slightly below previous year's (2019/20 Q3) level of R8,6 billion. Taxes and levies collected have been hit the hardest due to the crumbling revenues and only amounted to R107,5 million in FY2020/21 Q1. However, the taxes recovered slightly to R548 million in FY2020/21 Q2 and R743 million in Q3 although not yet to levels derived before the pandemic.

FY2020/21 as a whole saw the gambling industry generating R23,3 billion in gambling revenue, down by 28.7% from the previous year. Casino GGR declined the most by 50% from FY2019/20 owing to the effects of the COVID-19 pandemic. The share of casino revenue in total revenue breached the 50% mark in terms of market share for the first time in 10 years as casino operational positions were in the negative for the third time in three years, the largest drop being in FY2020/21 due to COVID-19. The betting industry was the only industry to exhibit positive growth (21.2%) in revenue in FY2020/21 as this gambling mode was more accessible than others during the lockdown due to its online accessibility. The LPM and Bingo sectors saw declines in revenue by over a third (-33.9%) and (-39.1%) respectively, in FY2020/21 from FY2019/20.

All provinces except Mpumalanga had negative growth in revenues between FY2019/20 and FY2020/21. The hardest hit province was North West (-49.2%) followed by the Free State (-48.1%). Mpumalanga had growth of 13.4% mainly due to a massive surge in betting GGR in FY2020/21 in spite of the effects of the COVID-19 pandemic. Historically, the composition of the gambling industry over the years in terms of market share has been such that casinos dominated in terms of generation of revenue, followed by betting, LPMs and then Bingo. However, the impact of the COVID-19 pandemic certainly changed that picture, as betting had a greater share of the market in terms of GGR.

In quarter three (3) of the financial year, the gambling industry saw an improvement in performance as lockdown restrictions were a lot less stringent and the industry could operate. This is despite the economic impact on the gambling industry of the COVID-19 pandemic, which was projected and exacerbated by the constrained economic environment where a negative GDP growth rate was experienced in quarter four 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. Although the sector has maintained a positive growth trajectory over the years, a decline in GGR is anticipated.

The gambling environment is continuously changing with new technology and a host of new products coming into the market. This presents a challenge for a gambling regulator, like the NGB, and requires the regulator to be innovative and agile in achieving its objectives. To support improved industrial performance, dynamism and competitiveness of local companies, the NGB currently monitors the LPM industry through a technologically driven National Central Electronic Monitoring System (NCEMS) ensuring that gambling revenues are accurately captured and allocated to the relevant stakeholders.

The imperative to promote economic inclusion by enhancing the economic participation of historically disadvantaged individuals (HDIs) continued to be an opportunity for the NGB to channel its strategic focus. The NGB conducted research on key gambling issues to inform the legislative and policy environment.

Economic and social challenges were key focus areas addressed by the NGB and the gambling industry. The current regulations attempt to address the economic challenges; however, work still needs to be done to ensure proper application of these regulations. The legal gambling industry was extensively affected by the mushrooming of illegal gambling during the national lockdown which created direct unregulated competition. This scenario is of huge concern to the NGB and provincial gambling regulators.

As part of its efforts, the NGB considered a need to strengthen relations with both the PLAs and all stakeholders including the law enforcement agencies. Through collaborative efforts, appropriate dispute resolution mechanisms and identification of illegal operators, an action plan to curb illegal gambling and focused awareness programmes were implemented to avoid overwhelming illegality in the gambling industry and promotion of responsible gambling respectively. The development of national enforcement strategies by multiple law enforcement agencies and continuous collaboration are key to ensuring detected illegal gambling activities receive the necessary attention.

The NGB increased its efforts to provide education in terms of the risks and the socio-economic impact of gambling and educated the public on reporting illegal gambling activities. The successful prosecution of illegal operators remains a priority, therefore it is always important the public is informed about the consequences of participation in illegal gambling activities.

The NGB found itself in a devastating financial situation brought about by the implications of COVID-19 coupled with the consequential reduction in the NGB's baseline allocation of approximately R4,0 million. Revenue, including the dtic grant allocation to the NGB, decreased by approximately R180,4 million. Expenditure (including capital expenditure) was adjusted downwards by R162,1 million. The net effect of this was a projected deficit amounting to R15,1 million. During the beginning of Q2, the NGB had exhausted all avenues of reducing expenditure in an attempt to reduce the projected deficit to a minimum. Consequently, it was envisaged the NGB would not have sufficient cash to fund its operations beyond 31 October 2020.

The NGB endeavoured to ensure the delivery of all outputs would be performed in-house through the utilisation of internal human capital resources, such as conducting research and public education and awareness. Q3, specifically December 2020, saw the NGB recover and overcome the deficit that was previously projected which was primarily fueled by the recovery of the LPM sector. Overall, the NGB was in a position to achieve 91% of its performance outputs, at a total cost of R180 million, while generating a surplus of R1,5 million.

2.2 Organisational environment

The NGB management made concerted efforts to ensure the organisation continued its operations and delivered on its mandate. In fulfilling its mandate as an advisory body, the NGB managed to perform against its performance targets and overachieve in some areas. These can be attributed to the commitment and ability of officials in ensuring the organisation succeeds. The entity managed to ensure the staff complement was maintained. There were three (3) resignations but no retrenchments during the financial year.

To avert the risk of COVID-19, the NGB required staff to work off-site which assisted with the continued productivity of officials. Further, to manage the impact of the spread of COVID-19, the NGB ensured its staff implemented and observed COVID-19 protocols once they were able to return to the office under relaxed lockdown regulations.



The effectiveness and efficiency of internal controls were evidenced by the NGB incurring no instances of fruitless, wasteful or irregular expenditure. Moreover, there were sufficient controls in place to mitigate the risks of non-achievement of objectives, which were supported by a dependable information, communication and technological infrastructure which enabled the entity to thrive in discharging its operations. Despite the gambling industry not being spared by the declaration of the national lockdown, the NGB was resilient in monitoring the activities in the LPM sector through the NCEMS.

2.3 Key policy developments and legislative changes

Various government policies and plans continue to inform the NGB’s strategic direction and implementation of its mandate to achieve its intended outcomes which include the National Gambling Policy, 2016.

The South African Economic Reconstruction and Recovery Plan was introduced during FY2020/21 which sets out three phases:

- Engage and Preserve - which includes a comprehensive health response to save lives and curb the spread of the COVID-19 pandemic
- Recovery and Reform - which includes interventions to restore the economy while controlling the health risks
- Reconstruct and Transform - which entails building a sustainable, resilient and inclusive economy

To give effect to the South African Economic Reconstruction and Recovery Plan, the NGB incorporated the intended outcomes of this plan in its Annual Performance Plan FY2021/24. Through effectively monitored socio-economic patterns of gambling activity within the Republic, the organisation intends to pursuing priority interventions as spelled out in the broad South African Economic Reconstruction and Recovery Plan. This requires keeping abreast of keeping abreast with the performance of the gambling industry in so far as its contribution to economic growth, jobs, infrastructure investment and from a social standpoint, the continued protection of punters against the negative consequences of problem and addictive gambling, are concerned. In addition, to boost education as part of supporting the economic reconstruction and recovery, the NGB undertook broad-based public education to ensure the public is continuously informed on the negative social consequences of gambling.

Legalised forms of gambling are regulated in terms of the law.



2.4 Progress towards achievement of institutional impacts and outcomes

The NGB developed an impact statement, “A regulated gambling industry that balances economic gains and punter protection” which will be measured against various outcomes that are set out below:

Table 1: Five (5) year strategic outcomes

#	Outcome	Outcome Indicator	Five (5) year target	Progress made against the five (5) year target
1	Broad-based public education	Percentage implementation of the broad-based public education programme	100% implementation of the broad-based public education programme	The NGB implemented 44% of the broad-based public education programme
2	Effectively monitored socio-economic patterns of gambling activity within the Republic	Publish and disseminate national integrated data and trend analysis to the gambling industry and regulators	Five (5) annual publications	The NGB published a Gambling Sector Performance Report for the FY2019/20
3	Uniformity of legislation in the gambling industry	Authoritative advice on policy, statutory matters and legislation is provided to the Minister	Five (5) Advisory reports presented to the dtic	Advisory reports pertaining to the following matters were presented to the dtic: <ul style="list-style-type: none"> • Future regulation of the gambling industry • The economic recovery and reconstruction plan for the gambling industry
4	Account for and identify all legal gambling machines, devices and owners, licensed juristic and natural persons and excluded persons	Percentage variance of uptime on the systems	Within 5% variance of uptime on the systems	There was a zero % variance on the uptime on the systems
5	Economic transformation and increased participation of Historically Disadvantaged Individuals in the mainstream gambling industry	Development of an industry-wide transformation agenda	Industry-wide transformation agenda	An industry-wide transformation agenda was developed
6	Increased competition in the mainstream gambling industry	Development of a business case for a market inquiry	Identification of possible features that stifle competition	A business case for a market inquiry was produced

Significant amendments to the Strategic Plan from the FY2019/24 in comparison to the Strategic Plan FY2020/25 was the result of the new methodology developed by the Department of Planning, Monitoring, and Evaluation and subsequent implementation by the NGB which related to the move from the application of Strategic Orientated Outcome Goals to Impact and Outcomes. The introduction of the choice of the outcome indicators was aligned to address ministerial priorities, to support improved industrial performance, dynamism and competitiveness of local companies and promote economic inclusion.



3. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

3.1 Three (3) programmes within the NGB contributed towards the organisation's impact, outcomes, and outputs, which are set out in detail below

3.1.1 Programme 1: Gaming Control and Research

3.1.1.1 Purpose of the programme

This division provides mandated operational core functions in terms of the NGA. The Gaming Control and Research Division (GCRD) deliver technical analysis of the modes of gambling, system audits and enforcement in line with statutory imperatives provided for in gambling legislation. It gives reliable information through national centralised databases and contributes towards providing accessible, transparent and sufficient access for economic citizens to ensure economic growth.

3.1.1.2 Sub-programmes

The following sub-programmes contributed to the provision of services by the GCRD:

Functional National Registers

The NGB is the custodian of national registers in terms of the NGA. The Act requires the NGB establish and maintains, 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 Provincial Licensing Authorities 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 NCEMS which is capable of detecting and monitoring significant events, associated with any LPM that is made available for play in the Republic and analyses and reports data according to the requirements of sections 21 to 26 of the NGA.

The NCEMS enables the NGB to fulfill its oversight responsibility for the PLAs in terms of section 65 of the Act, maintains the national register in terms of section 21 of the NGA, monitors and evaluates the

PLAs compliance with the NGA, and enables the NGB to assist the PLAs to detect and suppress unlawful gambling and unlicensed gambling activities.

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.

Research and Information

Research and Information conducts research to monitor and report on gambling sector performance in the South African gambling industry [specifically market conduct, market share, B-BBEE contributor levels and employment based on national gambling statistics (turnover, GGR and taxes/levies)]. Research includes, but is not limited to, projects to determine the socio-economic impact of gambling in South Africa, as well as to benchmark South Africa against other countries in terms of the prevalence of gambling, problem gambling, legal versus illegal gambling modes, tax rates, and regulations in terms of advertising, amongst others. Other research includes economic analysis and insights into market share from economic and institutional perspectives, as well as reports on illegal gambling. Research may include any topic as identified or required at a specific time.

Legal Research

The NGB carried out a benchmarking analysis of various legal issues pertinent across provinces to foster harmonisation and uniformity in the gambling industry. This informed the setting of norms and standards that ultimately create a conducive environment for the gambling industry.

Gaming Control

The NGB monitored and analysed technological developments affecting gambling regulation and advised on the compliance of gaming devices to legislation.

Legal Services

Legal Services provided corporate legal advice to the NGB in the form of legal opinions, drafting and vetting of contracts.



3.1.1.3 Contribution towards institutional outcomes

The GCRD contributes towards the following outcomes as set out in the NGB's FY2020/23 Annual Performance Plan:

- Effectively monitors socio-economic patterns of gambling activity within the Republic
- Uniformity of legislation in the gambling industry
- Accounts for and identifies all legal gambling machines, devices and owners, licensed juristic and natural persons and excluded persons

- Economic transformation and increased participation of HDIs in the mainstream gambling industry
- Increased competition in the mainstream gambling industry

3.1.1.4 Outcomes, outputs, output indicators, targets and actual achievement

Table 2: Outcomes, outputs, output indicators, targets and actual achievement

Programme: Gaming Control and Research								
Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21	Deviation from Planned Target to Actual Achievement 2020/21	Reasons for Deviations
Effectively monitored socio-economic patterns of gambling activity within the Republic	Monitored market share and market conduct in the gambling industry	Number of reports on gambling sector performance submitted to the Accounting Authority	N/A	N/A	Four (4) reports (based on unaudited data) and one (1) annual report audited gambling sector performance submitted to the Accounting Authority	Over-achieved Eight (8) reports were produced: Four (4) reports (based on unaudited data) and one (1) annual report audited gambling sector performance were submitted to the Accounting Authority Three (3) reports on socio-economic implications of market share and market conduct in the gambling industry was produced	Three (3) additional reports were produced	NGB was operating in unprecedented times due to the COVID-19 pandemic which adversely affected the gambling industry and therefore, to keep abreast, the NGB had to conduct additional analyses to find ways of reviving the gambling



Table 2: Outcomes, outputs, output indicators, targets and actual achievement - continued

Programme: Gaming Control and Research								
Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21	Deviation from Planned Target to Actual Achievement 2020/21	Reasons for Deviations
Effectively monitored socio-economic patterns of gambling activity within the Republic	Conducted economic analysis and research on the impact of gambling	Number of reports on economic analysis and research conducted on the impact of gambling submitted to the Accounting Authority	N/A	N/A	Four (4) reports on economic analysis and research conducted on the impact of gambling submitted to the Accounting Authority	<p>Over-achieved</p> <p>Eight (8) reports were produced:</p> <p>Four (4) reports on the economic analysis and research conducted on the impact of gambling was submitted to the Accounting Authority</p> <p>One (1) report on ways in which the gambling industry could be transformed as part of an economic recovery plan for the future regulation of the gambling industry in response to the devastating effects of the COVID-19 pandemic was produced</p> <p>Two (2) reports on benchmarking the South African gambling industry against other jurisdictions was produced</p> <p>One (1) report on the Economic Recovery and Reconstruction Plan for the gambling industry was produced</p>	Four (4) additional reports were produced	NGB was operating in unprecedented times due to the COVID-19 pandemic which adversely affected the gambling industry and therefore, to keep abreast, the NGB had to conduct additional analysis to find ways of reviving the gambling industry



Table 2: Outcomes, outputs, output indicators, targets and actual achievement - continued

Programme: Gaming Control and Research								
Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21	Deviation from Planned Target to Actual Achievement 2020/21	Reasons for Deviations
Uniformity of legislation in the gambling industry	Provided authoritative advice on policy, statutory matters and legislative reform in the Gambling Industry	Number of reports on advice provided in terms of section 65 of the NGA submitted to the Accounting Authority	N/A	N/A	Four (4) S65 advisory reports on gambling regulation and one (1) consolidated S65 report submitted to the Accounting Authority	Over-achieved Eight (8) reports were produced: Four (4) S65 advisory reports on gambling regulation and one (1) consolidated S65 report was submitted to the Accounting Authority Three (3) reports on a legislative review were produced	Three (3) additional reports were produced	An additional resource was allocated to the sub programme which resulted in efficiency improvement
	Conducted technical analysis on gaming control and regulation	Number of reports on technical analysis of gaming control and regulation submitted to the Accounting Authority	N/A	N/A	Four (4) advisory reports on gaming control and one (1) consolidated report on regulation submitted to the Accounting Authority	Achieved Four (4) advisory reports on gaming control and one (1) consolidated report on regulation were submitted to the Accounting Authority	None	N/A



Table 2: Outcomes, outputs, output indicators, targets and actual achievement - continued

Programme: Gaming Control and Research								
Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21	Deviation from Planned Target to Actual Achievement 2020/21	Reasons for Deviations
Account for and identify all legal gambling machines, devices and owners, licensed juristic and natural persons and excluded persons	Maintained functional national registers	Percentage uptime on functional national registers	N/A	N/A	95% uptime of national registers	Over-achieved 100% uptime of national registers	The uptime target of 95% was exceeded by 5%	There was no downtime reported
	Maintained operational National Central Electronic Monitoring System	Maintained operational National Central Electronic Monitoring System	N/A	N/A	95% uptime of National Central Electronic Monitoring System (NCEMS)	Over-achieved 99.99% uptime of National Central Electronic Monitoring System (NCEMS)	The uptime target of 95% was exceeded by 4.99%	There was no downtime reported
Economic transformation and increased participation of HDIs in the mainstream gambling industry	Transformation agenda for the gambling industry	Report on economic transformation and participation of HDIs in the mainstream gambling industry submitted to the Accounting Authority	N/A	N/A	Four (4) reports on economic transformation and participation of HDIs in the mainstream gambling industry submitted to the Accounting Authority	Achieved Four (4) reports on economic transformation and participation of HDIs in the mainstream gambling industry was submitted to the Accounting Authority	None	N/A



Table 2: Outcomes, outputs, output indicators, targets and actual achievement - continued

Programme: Gaming Control and Research								
Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21	Deviation from Planned Target to Actual Achievement 2020/21	Reasons for Deviations
Increased competition in the mainstream gambling industry	Monitored prohibited practices in the gambling industry in terms of the Competition Act	Report on possible prohibited practices in the gambling industry in terms of the Competition Act to be submitted to the Accounting Authority	N/A	N/A	Three (3) reports on possible prohibited practices in the gambling industry in terms of the Competition Act submitted to the Accounting Authority and one (1) market enquiry request on possible prohibited practices in the gambling industry in terms of the Competition Act submitted to the Minister	Partially achieved Three (3) reports on possible prohibited practices in the gambling industry in terms of the Competition Act was submitted to the Accounting Authority	One (1) market enquiry request on possible prohibited practices in the gambling industry in terms of the Competition Act was submitted to the Minister in April 2021	Misalignment of the annual target and the quarterly target



General information	<p>3.1.1.4.1 Narrative of significant achievement</p> <p>The NGB effectively monitored socio-economic patterns of gambling activity within the Republic. The following observations were made with respect to market share and market conduct in the gambling industry.</p> <ul style="list-style-type: none"> The FY2020/21 saw the gambling industry in South Africa come to its knees following the outbreak of a global pandemic that led to a complete halt of the industry in the first quarter as well as subsequent re-opening of the gambling facilities at reduced capacity due to extensive COVID-19 health and safety guidelines adopted by the industry. This had an adverse impact on revenue generation with effects of the COVID-19 pandemic clearly visible in the first quarter of FY2020/21, when revenues plummeted due to the land-based industry being completely shut down for the first time in the history of its regulation. This resulted in the negative performance of the industry during this period. The gambling industry in FY2020/21 lost over R10,0 billion in gambling revenue, generating R23,3 billion compared to R32,3 billion in FY2019/20, with casino GGR declining the most by over 50% from owing to the effects of the COVID-19 pandemic. The betting industry was the only industry to exhibit positive growth (21.2%) in revenue in FY2020/21 as this gambling mode more accessible than others during the lockdown. The LPM and Bingo sector saw a decline in revenues by over a third (-33.9%) and (-39.1%) respectively in FY2020/21 from FY2019/20. The gambling industry subsequently lost over R1 billion in taxes from gambling in FY2020/21 from the previous year due to the impact of COVID-19. A total amount of R2,0 billion taxes/levies was collected during FY2020/21. Gauteng accounted for the highest share of taxes/levies (35%) paid compared to all other provinces. Taxes/levies decreased by more than a third (36.1%) to R2,0 billion in FY2020/21 after having been on an incremental path in the last financial years. Historically, the composition of the gambling industry over the years in terms of market share has been such that casinos dominated in terms of generation of revenue, followed by betting, LPMs and then Bingo. However, COVID-19 may also have accelerated the structural change in many gambling sectors, bringing a faster decline in land-based gambling, alongside more growth in online gambling. The impact of the COVID-19 pandemic changed the gambling landscape in FY2020/21 as betting took up the larger share of the market 	<p>in GGR since it was the only gambling mode permitted online and people had uninterrupted access to this mode of gambling.</p> <ul style="list-style-type: none"> One of the potential limiting factors for gambling during the COVID-19 period was access to venues and the cessation of gambling activities. The composition of market share of gambling by GGR as such changed with the other modes of gambling losing market share in FY2020/21 to betting which made up the larger share of GGR due to its continued accessibility online. Casinos composition in total GGR particularly drastically declined. The growth rate between FY2019/20 Q3 and FY2020/21 Quarter 3 shows that only the betting industry managed to have positive growth whilst all other modes had negative growth. Overall, a decline of -2.5% was seen in GGR.
Performance information		
Gambling sector performance and national statistics		<p>3.1.1.4.2 Contribution of the achievement of targets towards achieving the entity's outcomes</p> <p>The NGB has made strides in its journey towards the achievement of its outcomes which are substantiated below:</p> <ul style="list-style-type: none"> The continuous monitoring of market share and market conduct as well as the publication thereof has enabled the NGB to achieve the first of its five (5) annual publications and dissemination of national integrated data and trend analysis to the gambling industry and regulators. As such the NGB has achieved 20% of this target. Further, the NGB has been in a position to provide research-based authoritative advisory reports to the Minister on two (2) matters, namely, the future regulation of the gambling industry, as well as the economic recovery and reconstruction plan for the gambling industry. This outcome is against a five (5) year target of five (5) advisory reports. Consequently, the NGB has achieved 40% of this target. The NGB has successfully maintained functional national registers and the NCEMS such that there had been no systems downtime during the period under review. The five (5) year target of remaining within a 5% variance of uptime on the systems has been achieved in year one and the NGB will continue to ensure strict adherence to this standard over the next four (4) years. The NGB has finalised the development of an industry transformation agenda in pursuit of economic transformation and increased participation of HDIs in the mainstream gambling industry.
Governance		
Human resource management		
Financial information		



- In an attempt to identify possible features that stifle competition in the gambling industry, the NGB has developed a business case for a market enquiry.

3.1.2 Programme 2: Corporate and Stakeholder Engagement

3.1.2.1 Purpose of the programme

The Corporate and Stakeholder Engagement Division (CSED) provided superior support services to the NGB at accelerated speed to ensure heightened stakeholder engagement, high customer satisfaction, and a conducive work environment through the infusion of technology to enhance business efficiency.

The key strategic services that the CSED provided were to:

- Provide support in positioning the NGB as a pre-eminent national regulator Conduct public awareness campaigns and education initiatives to inform the public and stakeholders on the socio-economic impact of gambling and illegal forms of gambling
- Ensure the efficient and effective provision of litigation services
- Ensure continuous business performance improvement
- Adhere to governance obligations and legislative requirements
- Ensure adequate and proper records keeping and information management Strive to gain a competitive advantage through the strategic development of a highly committed, culture fit and capable workforce
- Define, institutionalise and promote the NGB culture

3.1.2.2 Sub-programmes

The following sub-programmes contribute to the provision of services by the CSED:

Human Capital Optimisation (HCO)

HCO provided human resources systems, processes and procedures that supported operations and the determination of performance levels as provided in the business and operational documents of the NGB. HCO ensured compliance with labour laws and all the other relevant Human Resource frameworks and practices that exist external to the organisation. It also ensured there was a sound and fair performance management system in place.

Facilities Management

Facilities Management focused on the efficient and effective delivery of support services for the organisation. It is the integrated management of the work environment and supporting services which provided an environment that enabled the business to achieve its primary objective. Facilities Management is responsible for some aspects of the Occupational Health and Safety Act. Facilities Management served as a single point of entry for the coordination of all services relating to the efficient and effective running of the organisation.

Corporate Governance

Corporate Governance Services comprises Litigation Services, Risk Management, Stakeholder Liaison, and Records Management. Good corporate governance ensures good governance is embedded in the NGB through its systems, policies, governance structures and business performance management. It also ensures the NGB measures its business performance against its Strategic Plan (SP), APP and business plan, and reports on its performance on time as stipulated to **the dtic** and all the other relevant external stakeholders. To ensure this, the NGB identified, assessed and mitigated all risks that hindered it from achieving its objectives. Details of the sub unit to the Corporate Governance Services is set out below:

• Litigation Services

The Litigation Services (LS) is responsible for facilitating litigation matters brought by or against the NGB including overseeing labour relations matters. LS ensures NGB's interests are promoted and protected in its business operations and further ensures the NGB operates within the ambit of the law. LS endeavours to maintain sound labour relations in the organisation.

• Risk Management

The AA has committed the NGB to a process of risk management aligned to the principles of good corporate governance, as supported by the PFMA. Risk management is a systematic and formalised process instituted by the NGB to identify, assess, manage and monitor risks. The benefits of risk management were that the NGB implemented and maintained effective, efficient and transparent systems of risk management and internal control. This area included fraud prevention.

• Stakeholder Liaison

Stakeholder Liaison's activities are mainly related to stakeholder relationship management and social dialogue through broad-based public



education interventions about the risks and socio-economic impact of gambling. Stakeholder Liaison embarked 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.

- **Records Management**

Records Management ensured there was proper maintenance and access to records. ReM supervised and administered digital or paper records, regardless of format. Its activities

included the creation, receipt, maintenance, use and disposal of records. It provided a set of activities required for systematically controlling the creation, distribution, use, maintenance, and disposition of recorded information maintained as evidence of business activities and transactions.

3.1.2.3 Contribution towards institutional outcomes

The CSED contributes towards the following outcome *Broad-based public education* as set out in the NGB's APP 2020/23.

3.1.2.4 Outcomes, outputs, output indicators, targets and actual achievement

Table 3: Outcomes, outputs, output indicators, targets and actual achievement

Programme: Corporate and Stakeholder Engagement								
Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Deviation from Planned Target to Actual Achievement	Deviation from Planned Target to Actual Achievement 2020/21	Reasons for Deviations
Broad-based public education	Better informed and educated stakeholders	Number of broad-based public educational interventions about the risks and socio-economic impact of gambling	Four (4) broad-based public educational programmes through targeted interventions conducted	Conducted thirteen (13) broad-based public education interventions about the risks and socio-economic impact of gambling	Conduct ten (10) broad-based public educational interventions about the risks and socio-economic impact of gambling	Over-achieved Twenty-two (22) broad-based public educational interventions about the risks and socio-economic impact gambling conducted	Twelve (12) additional interventions were conducted	Educational interventions were intensified due to the increased risk of punters engaging in illegal gambling during the national lockdown

3.1.2.4.1 Narrative of significant achievement

CSED conducted twenty-two (22) education and awareness campaigns during FY2020/21. The division was committed to continuously educating and creating awareness amongst various stakeholders through the utilisation of numerous multi-media platforms.

Overall, messages communicated to the public and other stakeholders related to, amongst others, illegal online gambling, responsible gambling, public education and awareness on the pros and cons of gambling and women in gambling. Due to the national lockdown being imposed that resulted in the inaccessibility of legal gambling outlets for a number of months of the year, the risk of punters being vulnerable to illegal gambling offerings increased.

In response, the NGB needed to intensify its public education efforts to mitigate this risk to ensure that the interests of the public have been safeguarded.

3.1.2.4.2 Contribution of the achievement of targets towards achieving the entity's outcomes

During the first year of implementation of the Broad-Based Public Education Programme, the NGB has successfully achieved twenty-two (22) out of the fifty (50) awareness campaigns to be conducted over the five (5) year period. This translates to 44% of the broad-based public education programme that was implemented as at 31 March 2021. Consequently, the NGB is proud to be ahead of the 20% target set.



3.1.3 Programme 3: Finance and Procurement Services

3.1.3.1 Purpose of the programme

This programme provides strategic financial management support and procurement services to the organisation. Finance and Procurement Services facilitated the overall management of the NGB and provided strategic financial management support to the organisation. It is the custodian of financial resources. The division comprises two units providing specialised support services to the NGB.

The NGB, as an agency of **the dtic** and an organ of State, strives to be a cautious steward for the management of State resources allocated to it to carry out its mission. Section 74 of the NGA provides an opportunity for the NGB to grow its revenue base in addition to its grant allocation, the collection of any fees payable, or any other money accruing to the NGB from other sources.

The Finance and Procurement Services division combines the performance expectations outlined in the Business Plan with the fiscal accountability demonstrated by its ability to design and implement a financial model that alleviated its sole dependency on a grant allocation. It was crucial for the NGB to manage statutory reporting requirements and achieve its performance with great financial accountability.

The Finance and Procurement Services division took cognisance of the current economic climate and adopted cost containment measures introduced by the National Treasury. To this end, financial efficiencies have been achieved, and will continue to be achieved, on cost items which include travel, accommodation, catering and consultants.

3.1.3.2 Sub-programmes

The following sub-programmes contributed to the provision of services by the Finance and Procurement Services:

Finance

The Finance sub-programme maintained reliable financial records prepared regularly for both internal and external stakeholders. These financial records are presented to external auditors annually to obtain an independent opinion on whether the NGB's financial records fairly present the state of its financial position, performance and cash flows. The NGB aims at achieving a clean audit for the FY2020/21 financial period and years going forward, as it did for FY2015/16, FY2016/17, FY2017/18, FY2018/19 and FY2019/20.

Supply Chain Management (SCM)

The Supply Chain Management (SCM) sub-programme endeavoured to procure goods and services in a manner that was fair, equitable, transparent, competitive and cost-effective. This was achieved by ensuring goods and services procured were in line with the objectives of the NGB as set out in the SP and APP. SCM also ensured all procurement prescripts were complied with and that all SCM reporting requirements were met.

Internal controls included Finance and SCM strategies, policies and procedures which are reviewed annually to ensure their continued effectiveness and compliance with statutory requirements. These controls were tested by internal auditors to verify that they are adequate to mitigate risks which have the potential to prevent the entity from achieving its objectives.

3.1.3.3 Contribution towards institutional outcomes

The Finance and Procurement Services division contributed towards the outcome *Financial efficiency* as set out in the NGB's APP 2020/23:

Proceeds from illegal gambling will be forfeited to the state.



3.1.3.4 Outcomes, outputs, output indicators, targets and actual achievement

Table 4: Outcomes, outputs, output indicators, targets and actual achievement

Programme: Finance and Procurement								
Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Deviation from Planned Target to Actual Achievement	Deviation from Planned Target to Actual Achievement 2020/21	Reasons for Deviations
Financial efficiency	Compliance with PFMA requirements at all times; effective control, support, utilisation, maintenance, and management of resources	Number of reports 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	<p>A quarterly and annual PFMA compliance report were submitted to the Accounting Authority.</p> <p>As at 31 March 2020, 99.9% of the budget has been spent. This is within the 5% acceptable variance for expenditure.</p> <p>In addition, the entity has incurred no fruitless, wasteful, and irregular expenditure to date for the financial year 2019/2020</p>	Four (4) reports and one (1) annual report on financial systems, processes and PFMA compliance presented to the Accounting Authority	<p>Achieved.</p> <p>Four (4) reports and one (1) annual report on financial systems, processes and PFMA compliance were presented to the Accounting Authority</p>	None	N/A

3.1.3.4.1 Narrative of significant achievement

The NGB was issued with a clean audit opinion for the sixth consecutive financial year during 2020/21. In addition, there was no fruitless, wasteful or irregular expenditure the entity during the period under review. Internal controls operated effectively during the year, notwithstanding the disruption brought about by the national lockdown wherein measures relating to working remotely were implemented.

The NGB was able to overcome a projected budget deficit of approximately R15,0 million and generated a surplus of approximately R1,5 million as at 31 March 2021. In this regard, the entity spent 92% of its budget. The NGB honoured its financial commitments to third parties, including officials, during the peak of the worldwide economic crisis brought about by the COVID-19 pandemic.

The NGB prioritised the implementation of its B-BBEE Plan which focused on targeted spending to promote the advancement of designated groups. Consequently, the NGB has exceeded the target of 80% set for spending against all empowering suppliers based on the B-BBEE procurement recognition levels.

3.2 Women, youth and persons with disabilities

3.2.1 Procurement spend on women, youth and persons with disabilities

As a Schedule 3A public entity, the NGB is expected to comply to with provisions of the Broad-Based Black Economic Empowerment Act, 2003 (Act 1 of 2003), specifically Section 10 which states that every organ of state and public entity must apply any relevant code of good practice issued in terms of the B-BBEE Act. Consequently, the NGB has implemented the Enterprise and Supplier Development element, as set out in Code Series 400, which measures the extent to which an entity procures goods and services from empowering suppliers with robust B-BBEE recognition levels. To discharge this obligation, the NGB further complied with the prescripts of the PPPFA and strictly applied the 80/20 or 90/10 rule to promote the achievement of spending on designated groups. In doing so, the NGB spent a total of R128,0 million on goods and services as at 31 March 2021.

The B-BBEE Act prescribes a target of 12% on procurement expenditure to empowering suppliers



that are at least 30% black women-owned. To ensure compliance with the prescribed target, the NGB developed and implemented a B-BBEE Plan for the 2020/21 financial year which included spending on procurements that empowered at least 30% women-owned suppliers. The NGB's target set in terms of its B-BBEE Plan exceeded the target set by the B-BBEE Act and amounted to R93,7 million (83% of the total budgeted spend) against the actual achievement of R107,0 million (83.7% of the total actual spend). The NGB has successfully exceeded the targeted spend in terms of the B-BBEE Act.

Furthermore, the NGB spent R1,2 million as at 31 March 2021 on procurements that empowered youth-owned suppliers. The target set in terms of the B-BBEE Act is 2% of Net Profit After Tax (R1,5 million), which amounts to approximately R30,0 thousand. The NGB has far exceeded this target and has spent R1,2 million on youth-owned suppliers, and as a result, will be entitled to bonus points when rated.

The NGB did not spend on suppliers owned by persons with disabilities.

3.2.2 Challenges encountered by the public entity when prioritising delivery for these designated groups and corrective steps to be taken in dealing with such challenges

In many instances, youth and/or persons with disabilities identified on the National Treasury Central Supplier Database were unreachable when contacted or they were registered for commodities they did not provide and/or supply. This database is overwhelmed with suppliers who are reflected as "active suppliers" on the system but in reality are "inactive suppliers" as they are non-responsive to requests for quotations issued by the NGB.

The NGB will actively seek out persons from designated groups in terms of its new procurement initiative which allows entities to advertise and attract enterprises that owned by persons with disabilities.

3.3 Strategy to overcome areas of underperformance

The NGB achieved 93% of its annual performance targets and 100% of its quarterly performance target for Q1 to Q4 during the financial year. Hence no significant areas of under performance were noted.

3.4 Reporting on the institutional response to the COVID-19 pandemic

On 15 March 2020, His Excellency the President Cyril Ramaphosa declared a national state of disaster in terms of the Disaster Management Act, 2002 (Act

57 of 2002) and on 23 March 2020, he instituted a national lockdown, for which regulations were issued in terms of the Disaster Management Act.

In response, the NGB immediately invoked business continuity procedures to ensure services were not affected by issuing a document titled Protocol on COVID-19 to give guidance on the entity's response to the pandemic. Further, the NGB issued a directive to have all staff members work remotely, to eliminate further contact and minimise the risk of infection of staff, as it had concluded there was no alternative to ensure the health of all staff from within the office environment.

The NGB also implemented other measures to mitigate against the further spread of the virus and for the protection of its employees in the following ways: the suspension of local and international business travel, suspension of face-to-face stakeholder public engagements, enhanced hygiene practices, deep-cleaning of the office environment and regular awareness and communication on the prevention and control of COVID-19.

Subsequently, a directive titled *COVID-19 Direction on Health and Safety in the Workplace* was issued by the Minister in terms of Regulation 10(8) of the National Disaster Regulations and issued through the Department of Employment and Labour which stipulated measures to be implemented by employers to protect the health and safety of workers and members of the public who enter their workplaces or are exposed to their working activities. The NGB adopted this circular to ensure compliance against its stipulations, and a COVID-19 Compliance Officer was appointed.

The NGB has been working remotely since the announcement of the national lockdown to continue to provide uninterrupted services while ensuring all steps necessary to protect the health of its staff and clients and to reduce the spread of infection have been taken. In terms of its mandate, the NGB conducted education and awareness initiatives using digital platforms to inform the public of illegal online gambling, amongst others.



Table 5: Progress on institutional response to the COVID-19 pandemic

Programme/ Sub- Programme	Intervention	Geographic Location (province/ district/local municipality) (where possible)	Number of Beneficiaries (where possible)	Disaggregation of Beneficiaries (where possible)	Total Budget Allocation per Intervention	Budget Spent per Intervention	Contribution to the Outputs in the APP (where applicable)	Immediate Outcomes
Stakeholder Liaison	Education and awareness	Nationally	Unknown	N/A	Nil	Nil	Better informed and educated stakeholders	Better informed and educated stakeholders
Human Capital Optimisation	Promote a safe working environment	NGB	35	N/A	R362,000	R57,080	N/A	N/A

3.5 Linking performance with budgets

Table 6: Programme Expenditure

Programme/ activity/ objective	2019/20			2020/21		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Compliance	10 035 746	7 754 975	2 280 771	7 587 506	8 261 399	(673 893)
Advisory and Support Services	22 760 435	26 943 654	(4 183 219)	13 708 001	14 788 190	(1 080 189)
Finance and Procurement	21 068 906	17 452 659	3 616 247	20 935 860	19 914 838	1 021 022
Technical Compliance	195 386 143	198 881 800	(3 495 657)	132 763 352	137 118 596	(4 355 244)
Total	249 251 230	251 033 088	(1 781 858)	174 994 719	180 083 023	(5 088 304)

A summary of financial information against performance and expenditure has been elaborated on above and can be expressed in rand values as per **Table 6**.

Revenue and expenditure analysis

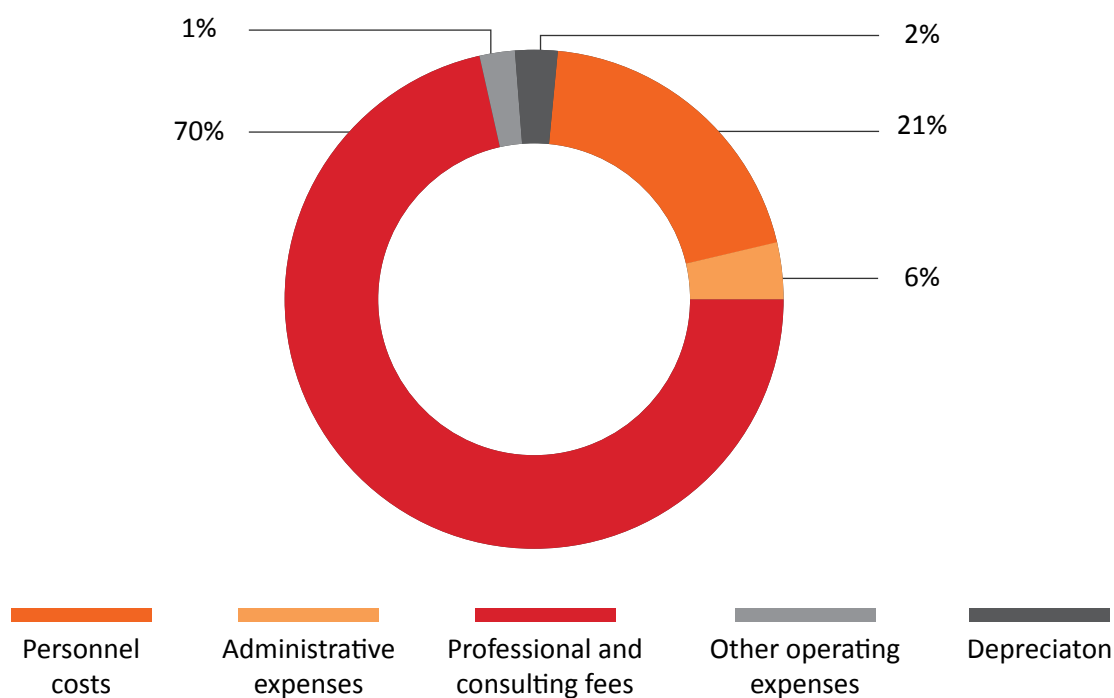
As at 31 March 2021, a grant of R31,0 million was received from **the dtic**, constituting 100% of the NGB's annual grant allocation for the FY2020/21. Additional revenue amounting to R150,6 million was received from other sources, which includes NCEMS monitoring fees of R146,1 million, interest on short-term investments amounting to R2,3 million and rental income of R2,3 million.

A surplus of R1,5 million was reported during the year ended 31 March 2021, against a budgeted surplus of R2,1 million.

Total actual expenditure as at 31 March 2021 amounted to R180,1 million. This represents 99% of the budgeted year-to-date expenditure against the planned expenditure of R180,9 million.



Figure 1: Percentage of expenditure according to cost items



A significant portion (70%) of the entity's expenditure was incurred against professional and consulting fees, mainly for the payment of the NCMS operator in exchange for the LPM monitoring services rendered on behalf of the NGB. Personnel expenditure accounts

for 21% of the entity's total expenditure, followed by administrative expenses, other operating and depreciation at 6%, 2% and 1% respectively.

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



4. REVENUE COLLECTION

Table 7: Revenue Collection

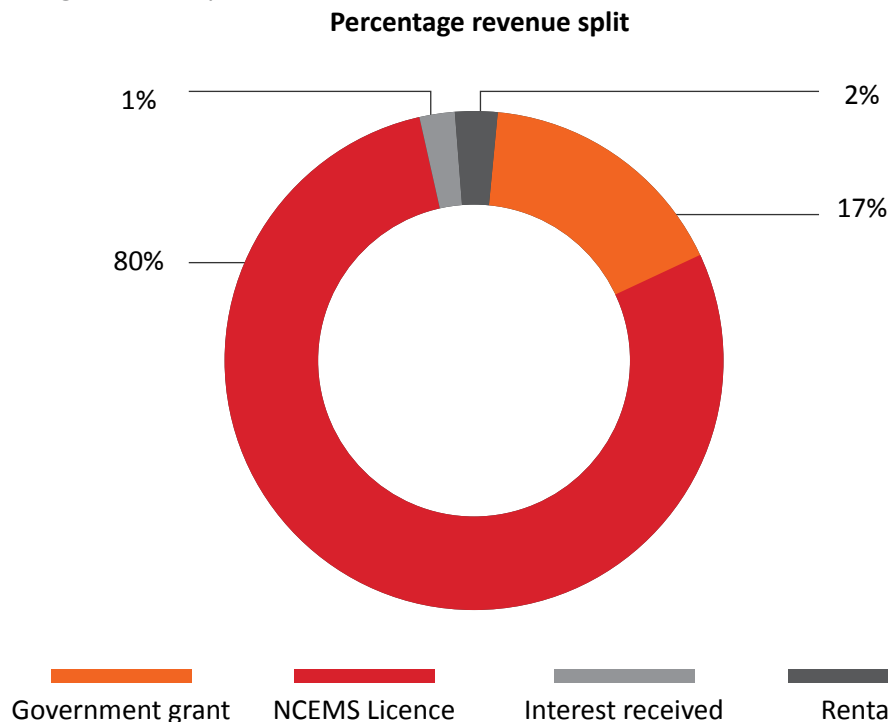
Programmes	2020/21			2019/2020		
	Estimate	Actual amount collected	(Over)/Under Expenditure	Estimate	Actual amount collected	(Over) / Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Government Grant	31 027 000	31 027 000	-	33 797 000	33 797 000	-
NCEMS Licence Fees	145 995 745	146 064 184	68 439	210 000 000	220 337 797	10 337 797
Interest Received	2 534 703	2 315 196	(219 507)	3 150 000	3 800 744	650 744
Rental	3 503 317	2 237 493	(1 265 824)	4 661 178	4 408 210	(252 962)
Miscellaneous Income	-	-	-	-	-	-
Total	183 060 765	181 643 873	(1 416 892)	251 608 172	262 343 751	10 735 579

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

Total revenue amounting to R181,6 million was received during the year, which comprised a grant of

R31,0 million and a further R4,6 million received from other sources including interest and rental income. Revenue from the NCEMS monitoring fees of R146,1 million was received. This significantly decrease as a of result collection of a 6% monitoring fees from the LPM industry. This represents 80% of the NGB's revenue sources.

Figure 2: Percentage revenue split



In the current FY, LPM monitoring fees accounted for 80% of total revenue, while 17% 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.



5. CAPITAL INVESTMENT

Capital investment, maintenance and asset management plan

The NGB maintains a fixed asset register with a total asset value of R9,1 million. R4,8 million of these assets are in the form of property, plant and equipment (PPE). PPE is predominantly in the form of leasehold improvements attached to the entity's leased office premises. Other PPE items are in the form of computer equipment, motor vehicles and office furniture and equipment. Intangible assets make up R4,3 million of the NGB's non-current assets and are mainly internally generated national registers.

Safeguarding of assets

Every employee was the custodian of equipment, furniture and other fixed assets issued to him/her

and was therefore responsible for their safekeeping. 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.

The protection of consumers in the gambling industry is overseen by the National Gambling Board





PART C

Gambling Sector
Performance and National
Statistics

1. 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 pertaining to 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 01 April 2020 to 31 March 2021. 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), GGR and the collection of taxes/levies.

The FY2020/21 saw the gambling industry in South Africa come to its knees following the outbreak of a global pandemic that led to a complete halt of the industry in the first quarter as well as subsequent re-opening of the gambling facilities at reduced capacity due to extensive COVID-19 health and safety guidelines adopted by the industry and adverse impact on revenue generation. An overview or snap shot of the gambling industry monitored from FY2019/20 to FY2020/21 reflected negative growth in gambling turnover, GGR and taxes as illustrated in the Table 8 below.

Table 8: Snapshot of the Gambling Industry as at 31 March 2021

Variable	FY2019/20 Market conduct – as at Quarter 4 Statistics – Total all Quarters	FY2020/21 Market conduct – as at Quarter 4 Statistics – Total all Quarters	FY2020/21 Quarter 1	FY2020/21 Quarter 2	FY2020/21 Quarter 3	FY2020/21 Quarter 4
Number of operational casinos	39	38	38	38	38	38
Number of operational slots (casinos)	24 469	18 953	11 474	20 841	18 616	18 953
Number of operational table (casinos)	935	831	427	789	837	831
Number of operational gambling positions (casinos)	30 515	21 349	16 374	24 470	23 303	21 349
Number of operational totalisator outlets	368	328	227	309	362	328
Number of operational bookmakers	255	186	228	252	259	186
Number of operational bookmaker outlets	550	599	332	547	543	599
Number of operational LPM site operators	2 496	2 421	1 184	2 351	2 436	2 421
Number of active LPMs	13 989	13 914	6 580	13 279	12 931	13 914
Number of operational Bingo outlets	56	65	24	59	62	65
Number of operational Bingo positions	9 427	8 625	5 959	8 244	7 677	8 625
Traditional	1 324	528	760	696	528	528
Electronic Bingo Terminals	8 103	8 097	5 199	7 548	7 149	8 097



Table 8: Snapshot of the Gambling Industry as at 31 March 2021 - continued

Variable	FY2019/20 Market conduct – as at Quarter 4 Statistics – Total all Quarters	FY2020/21 Market conduct – as at Quarter 4 Statistics – Total all Quarters	FY2020/21 Quarter 1	FY2020/21 Quarter 2	FY2020/21 Quarter 3	FY2020/21 Quarter 4
National gambling statistics: Turnover	R445 279 244 624	R326 420 638 507	R19 797 443 262	R90 166 627 031	R110 338 963 470	R106 117 604 744
National gambling statistics: GGR generated	R32 167 248 599	R23 254 421 689	R1 381 472 629	R6 082 996 291	R8 396 762 260	R7 393 190 510
National gambling statistics: Taxes/levies collected	R3 130 351 449	R2 049 426 607	R107 544 749	R545 623 964	R743 419 932	R652 837 961

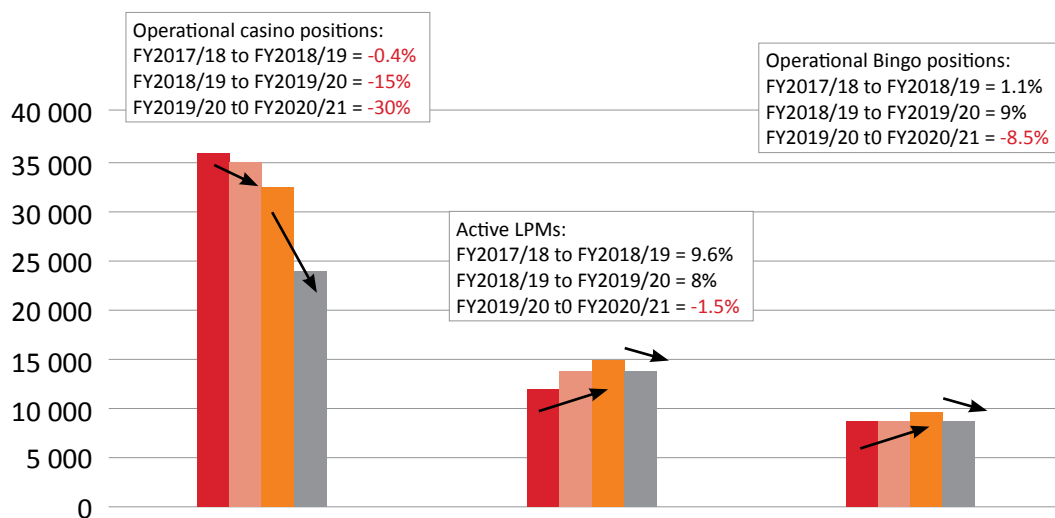
2. MARKET SHARE AND MARKET CONDUCT

The NGB continuously monitors market share and market conduct in the gambling industry to keep abreast of revenue generation and tax collection in the industry whilst ensuring that the industry operates in a fair environment that encourage

competitiveness and job creation. The number of operational gambling positions and growth rate in GGR per mode was analysed from FY2017/18 to FY2020/21.

Figure 3: Number of gambling positions in the Casino, LPM & Bingo sectors: FY2017/18 – FY2020/21

Number of operational gambling positions in the Casino, LPM & Bingo sectors: FY2017/18 – FY2020/21



	Casino	Limited payout machines	Bingo
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
Operational positions, FY2020/21	21 349	13 914	8 625



Figure 3 reflects that although the FY2020/21 had declines in operational positions in the Casino, LPM and Bingo sectors, the operational positions in the Casino sector have recorded negative growth for three consecutive financial years since FY2018/19. The number of operational EBTs in the Bingo sector also fell in FY2020/21 after having followed an upward positive trajectory since FY2012/13. Traditional Bingo fell further and even became non-existent in two more provinces bringing the total to four out of the six provinces that offer Bingo, that no longer have operational traditional Bingo.

Figure 4 shows the growth in GGR across the gambling modes over the period FY2017/18 and FY2020/21. GGR overall fell by almost a third in FY2020/21

compared to the previous financial year after all modes except betting recorded negative growth. The gambling industry lost over R9,0 billion in gambling revenue, generating R23,3 billion in FY2020/21 compared with R32,7 billion in FY2019/20. The casino sector GGR specifically fell by more than 50%, with the LPM and Bingo sectors losing over a third in revenues compared with FY2019/20 due to the effects of the global COVID-19 pandemic. Positive growth in GGR (21.2%) was recorded in the betting industry due to its uninterrupted accessibility during the year despite the COVID-19 restrictions that hampered access to other modes. Provincially, all provinces except Mpumalanga had negative growth in revenue in FY2020

Figure 4: Growth in GGR, all Modes (FY2017/18 – FY2020/21)

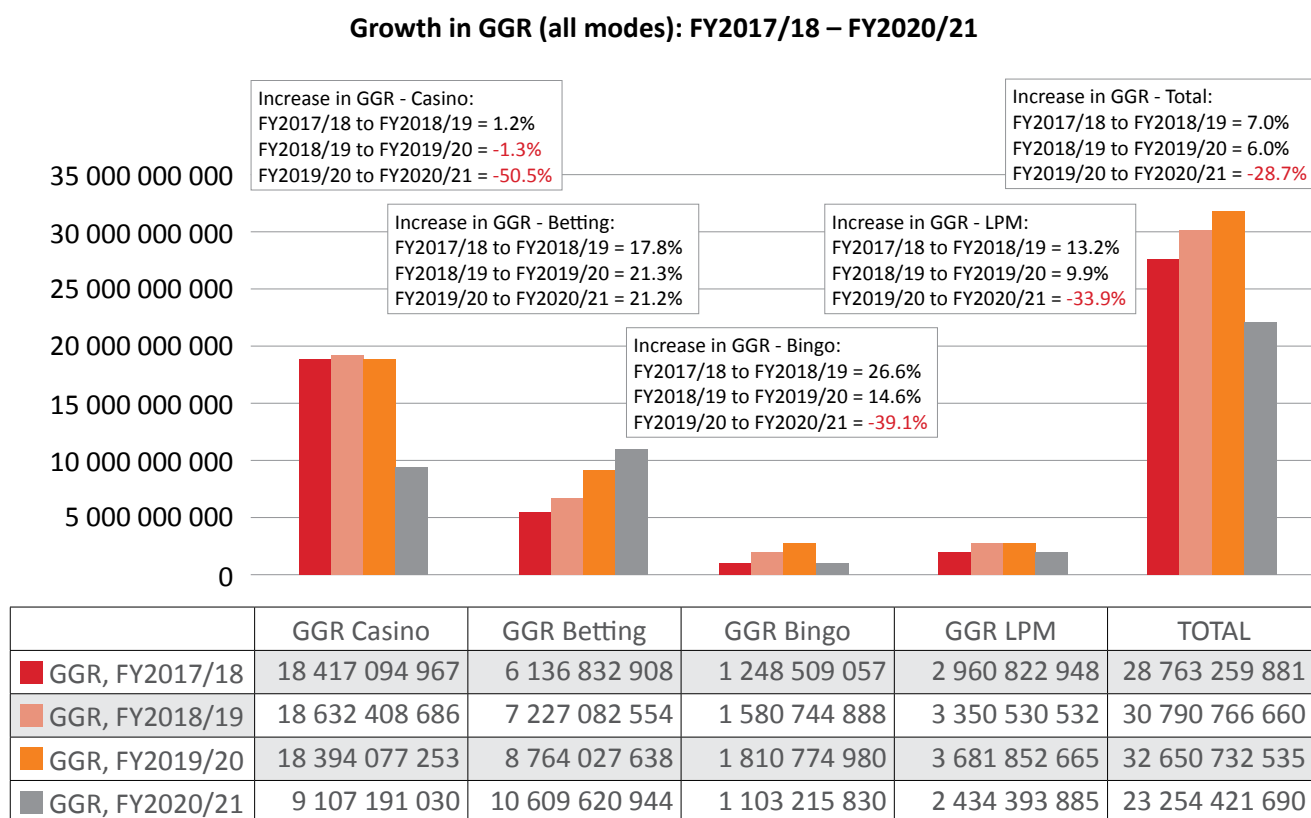
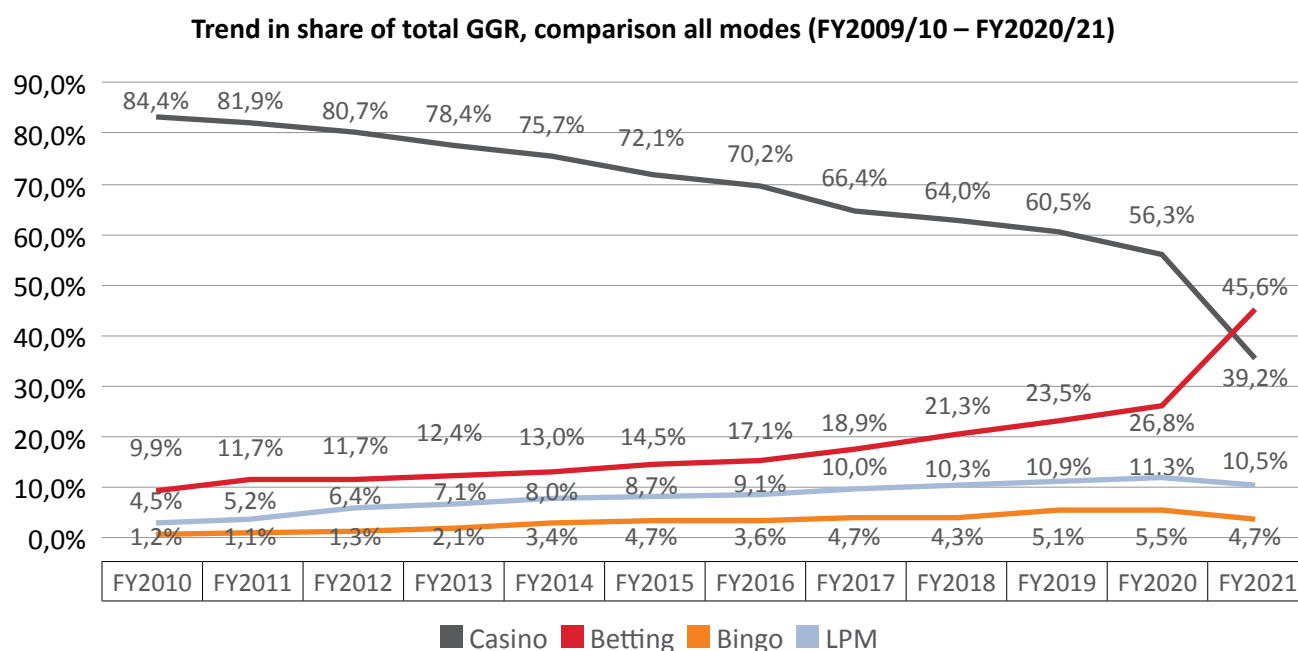


Figure 5 below illustrates the trend in GGR market share from FY2009/10 to FY2020/21. As at 31 March 2021, GGR from all modes of gambling totalled R23 254 421 689 (all quarters). Of this total, betting GGR accounted for the highest share 45.6%, whilst casino GGR accounted for 39.2%. LPM GGR accounted for 10.5% of the market whilst Bingo GGR had the least market share in terms of GGR of 4.7%. From FY2009/10 to FY2020/21, however, the trend in market share showed that the share of casino GGR in the market has dropped from 84.4% to 39.2%, whilst the share of gambling revenues from other modes (betting, LPM

and Bingo sectors) has increased. However, between FY2019/20 and FY2020/21 as illustrated in figure 4, the share of LPM in total GGR decreased from 11.3% to 10.5%, and Bingo from 5.5% to 4.7% due to the effects of the COVID-19 pandemic. However, betting increased in market share from 26.8% to 45.6% and surpassed the casino sector, changing the market share landscape of gambling.



Figure 5: Trend in Share of Total GGR, Comparison all Modes (FY2009/10 – FY2020/21)



Historically, the composition of the gambling industry over the years in terms of market share has been such that casinos dominated in terms of generation of revenue, followed by betting, LPM's and then Bingo. However, the impact of the COVID-19 pandemic has changed that picture, as all land-based gambling establishments were closed down and the only access to gambling for patrons was by means of betting online. Betting is the only gambling mode that is permitted online resulting in its market performance surpassing that of casino gambling.

In FY2020/21 however, GGR decreased by 28.7% to R23.3 billion. Betting accounted for the highest GGR generated, being 45.6% as compared to other gambling modes. Compared to all other provinces, Gauteng at a 35% share, accounted for the highest amount of GGR generated as illustrated in **figures 6 and 7**.

Figure 6: GGR per Gambling Mode, all Provinces, FY2020/21

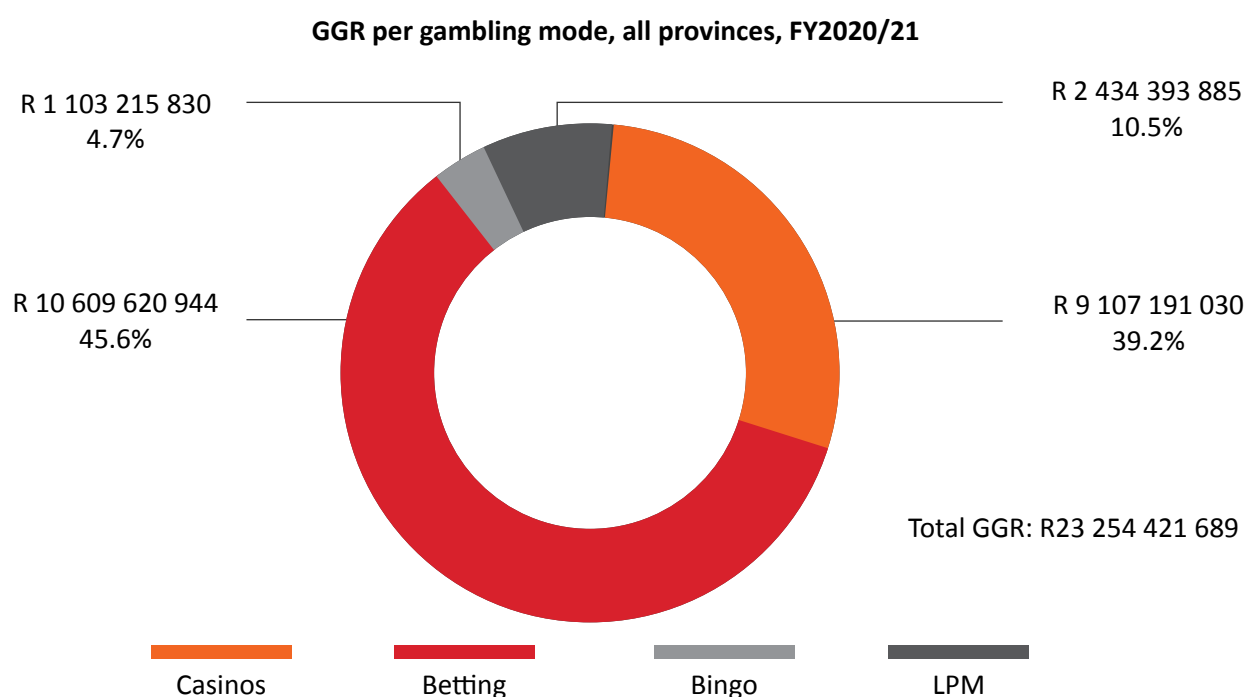
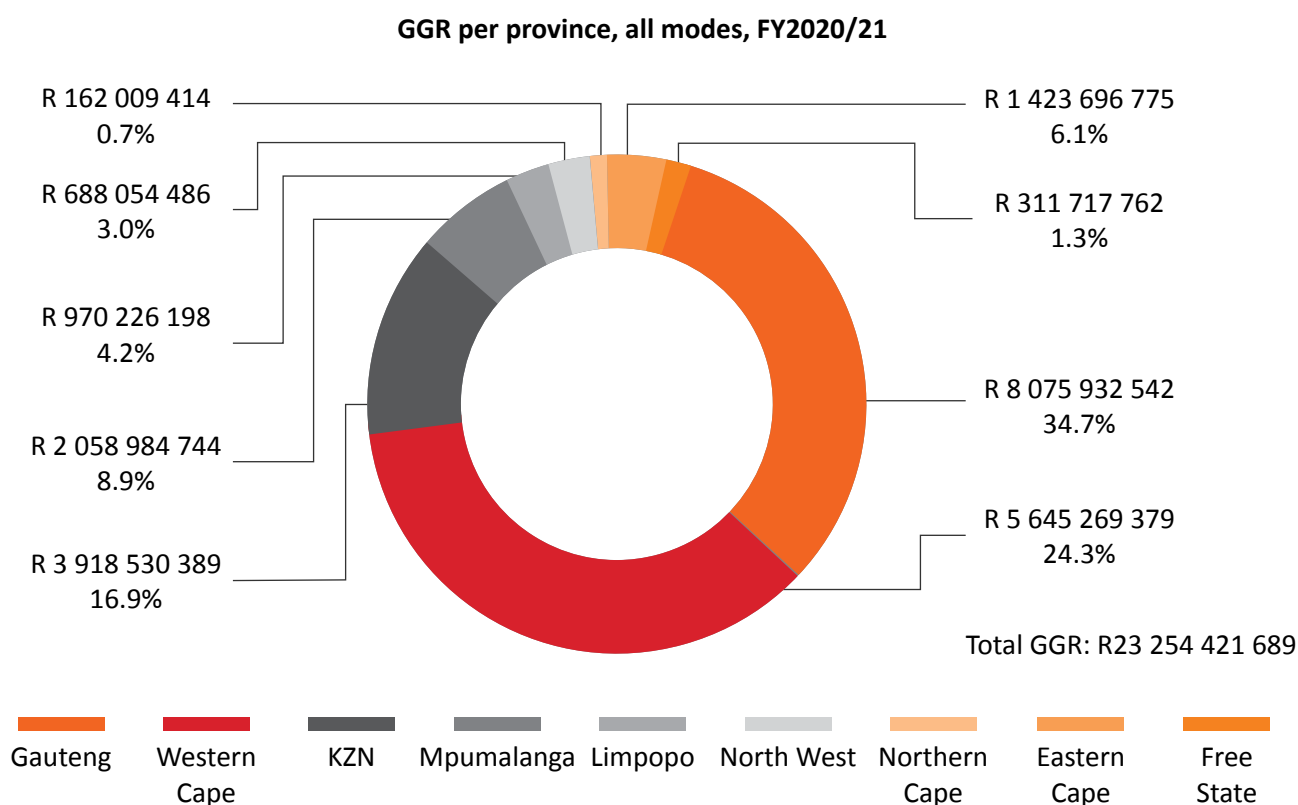


Figure 7: GGR per Province, all Modes, FY2020/21



One of the economic benefits derived from the gambling industry is its ability to generate revenues for the government from taxes and levies collected. These revenues are an important tool for the administration of fiscal policy in the form of government expenditure towards economic development, infrastructure improvement, building schools, enhanced service delivery etc. The impact of the COVID-19 pandemic on the industry was

seen in a subsequent loss of R1,0 billion in taxes / levies collected in FY2020/21. Taxes/levies collected increased by 1.0% to R3,13 billion in FY2019/20 but fell to R2,0 billion in FY2020/21, with casinos generating the greater share of this (42.3%) as reflected in **Figure 8** below. At 34.6% Gauteng accounted for the highest share of taxes/levies paid compared to all other provinces as illustrated in **Figure 9** on the following page.

Figure 8: Taxes/Levies per Gambling Mode, all Provinces, FY2020/21

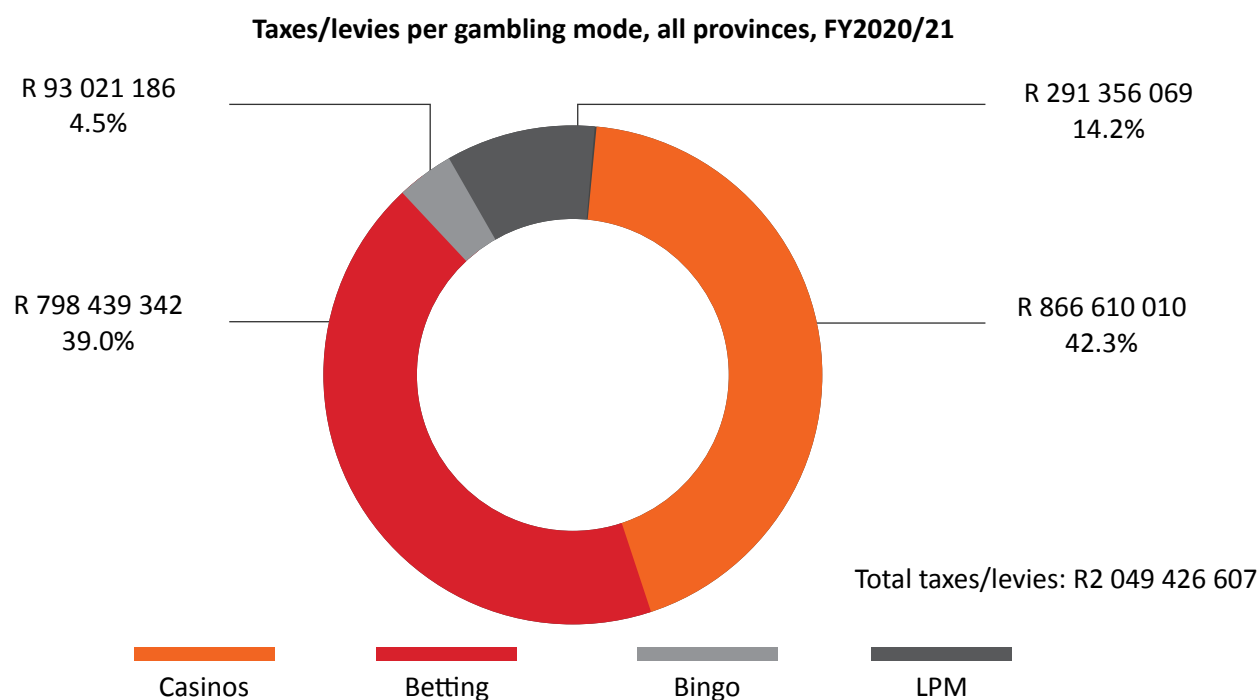
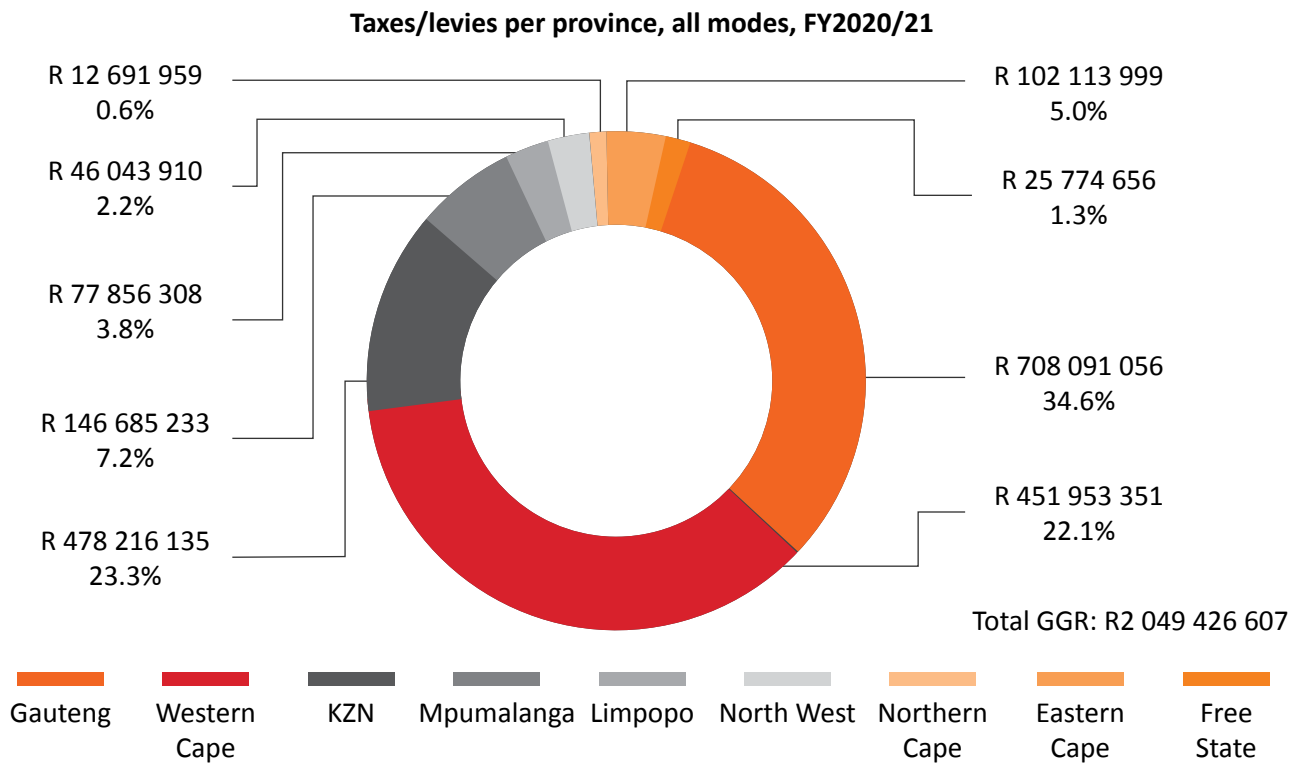


Figure 9: Taxes/Levies per Province, all Modes, FY2020/21



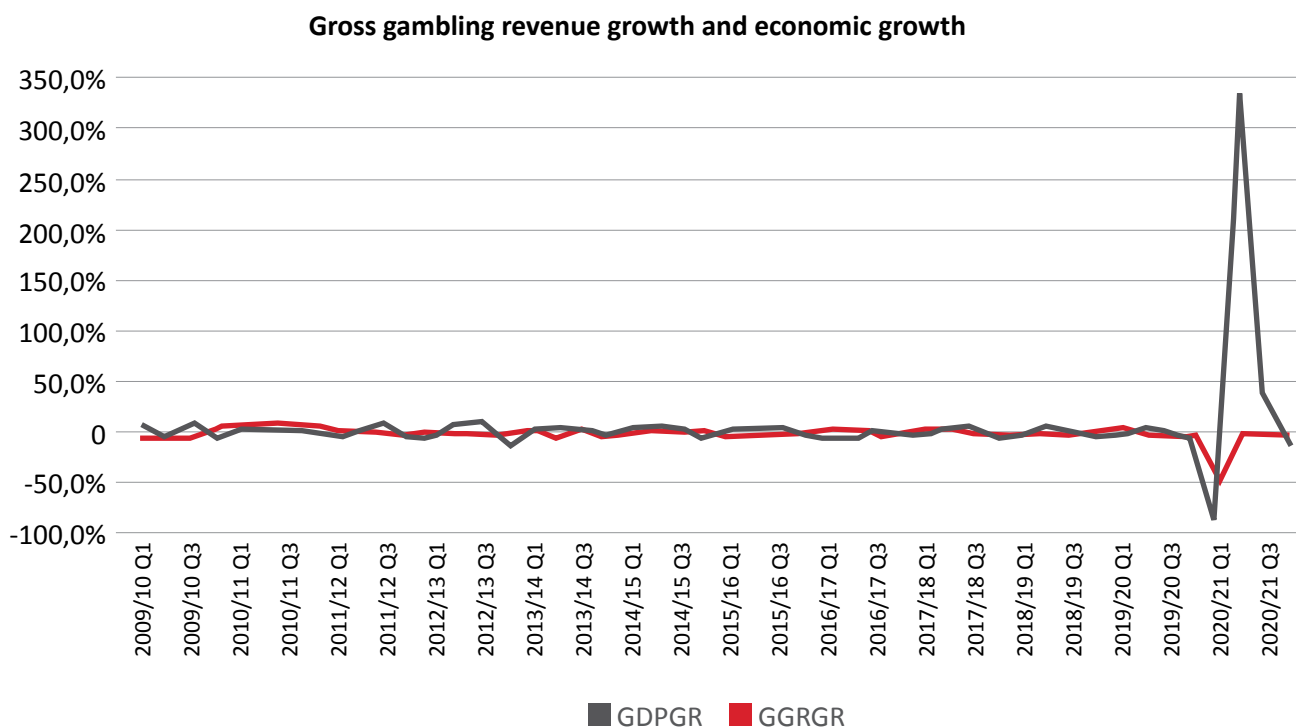
3. GROSS GAMBLING REVENUE AND ECONOMIC GROWTH

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 10** 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 generally moved in congruence with growth trends in GDP and likewise, also showed 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 first quarter of FY2020/21, GDP

declined by -51% owing to the COVID-19 pandemic and this also impacted GGR as it fell -83% during the same period. However, GDP recovered sharply to positive territory in FY2020/21 Q2 resulting in an even sharper rise in GGR as the economy opened up after being shut down although under restrictions on capacity. As the second wave of COVID-19 kicked in, third quarter growth in GDP slowed down as did GGR growth. By the last quarter of the financial year, GDP growth slowed down further but sent GGR back into the negative (-12%) as punters resisted social contact and the country was placed under new regulations to curb increasing numbers on infection.



Figure 10: Quarterly GGR growth rate and GDP growth 2009/10 to 2020/21



Operators per gambling mode

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

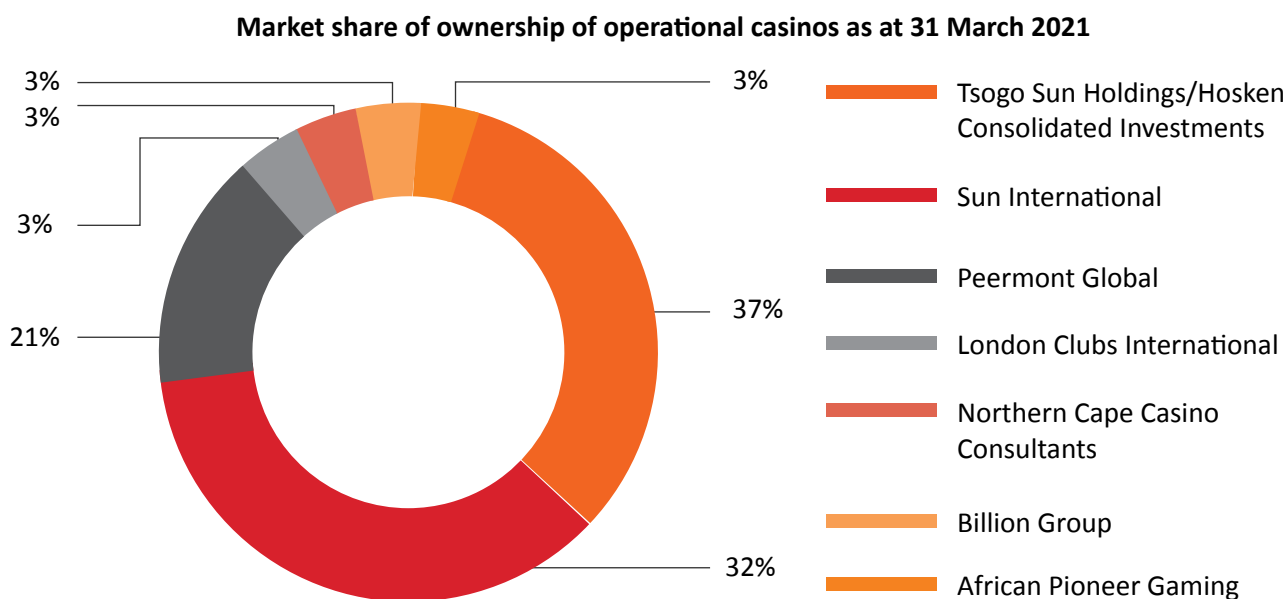
- **Casino sector:** As at 31 March 2021 a total number of 38 casinos (out of a maximum of 41 licenses) were operational in South Africa. This follows the closure of Naledi casino in the Free

State owned by Sun International following the consequential effects of the COVID-19 pandemic. The controlling shareholders for operational casinos are Sun International (12 casinos), Tsogo Sun Holdings/Hosken Consolidated Investments (14 casinos), Peermont Resorts (8 casinos), London Clubs International (1 casino), Northern Cape Casino Consultants (1 casino) and Billion Group (1 casino) as reflected in **Figure 11**.

Do not participate in illegal forms of gambling.



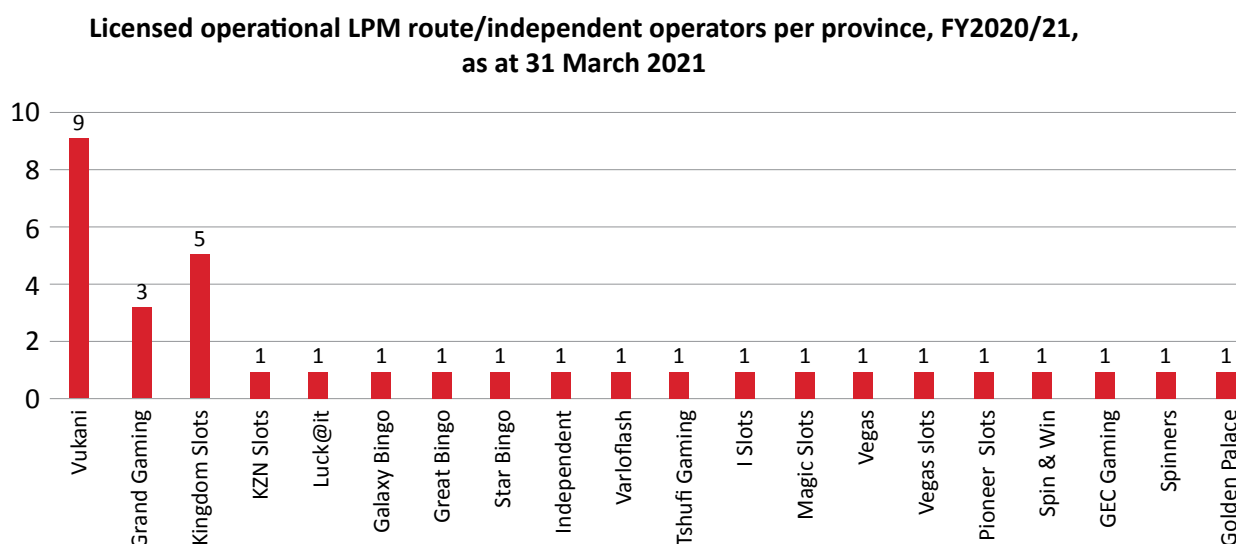
Figure 11: Market share of ownership of operational casinos as at 31 March



- LPM sector:** The share of relevant LPM operators which are operational across the country are illustrated in **Figure 12** below as at 31 March 2021. During FY2020/21 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 operated in North West; Pioneer operated in Eastern Cape and an independent operator was also operational in Mpumalanga.

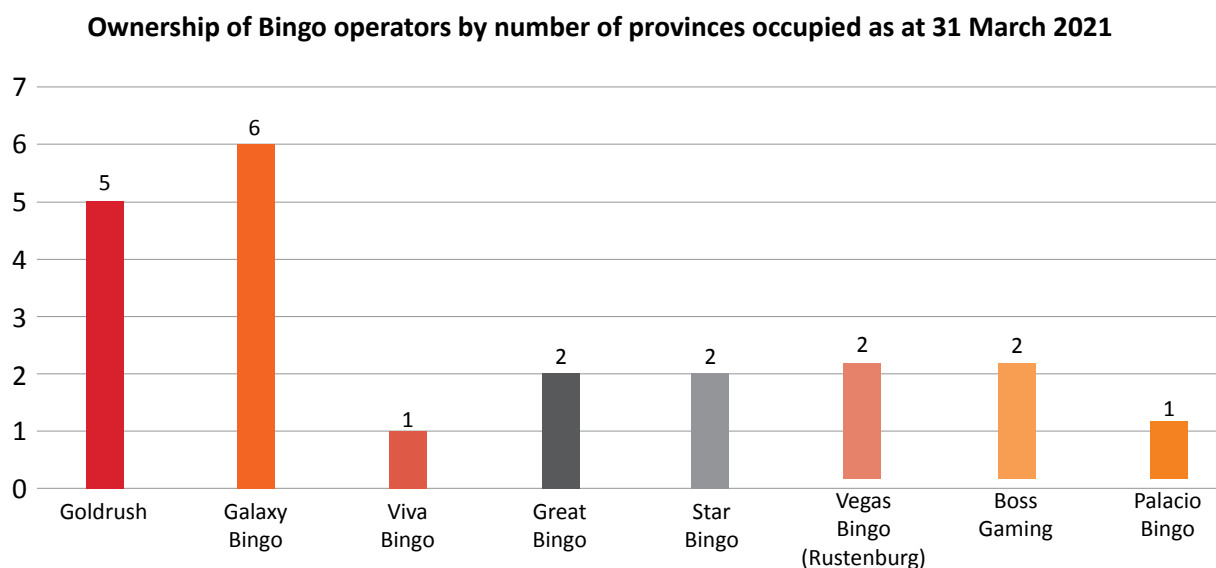
Figure 12: Ownership of LPM (Route and Independent operators) by number of provinces occupied as at 31 March 2021



- **Bingo sector:** As at 31 March 2021, 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 operational in all provinces offering Bingo for play i.e. Gauteng, KwaZulu-Natal, Mpumalanga, Limpopo, North West and Eastern Cape. Goldrush

operated in five out of six provinces namely Gauteng, KwaZulu-Natal, Limpopo, North West and Eastern Cape; Great Bingo operated in KwaZulu-Natal and Mpumalanga, Vegas Bingo operated in Limpopo and North West, Boss Gaming operated in Limpopo and Eastern Cape, Viva Bingo operated in Mpumalanga and Palacio Bingo in Eastern Cape as illustrated in **Figure 13** below:

Figure 13: Ownership of Bingo operators by number of provinces occupied as at 31 March 2021



- **Betting sector:** Gold Circle is the totalisator operator in KwaZulu-Natal, and Phumelela in Gauteng, Mpumalanga, Limpopo, North West, Northern Cape, Eastern Cape and the Free State. Kenilworth Racing (totalisator) is operating in Western Cape, however, Phumelela currently manages the Western Cape racing operations on behalf of the Kenilworth Racing Trust. In essence, Phumelela has expanded its operations to include the Western Cape and has presence in eight

provinces with the exception of KwaZulu-Natal. Trotco (Pty) Ltd t/a Ithotho is also licensed in KwaZulu-Natal as a totalisator and a race course 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.



4. B-BBEE IN THE GAMBLING INDUSTRY

B-BBEE is an economic and political imperative in South Africa. Empowerment in the South African gambling industry is measured in terms of the Codes of Good practice published by the Department of Trade, Industry and Competition. 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 Department of Trade, Industry and Competition released the revised B-BBEE Codes of Good Practice. The old and the new codes have been merged to monitor contributor levels applicable to FY2020/21, and as follows:

- Ownership
- Management control

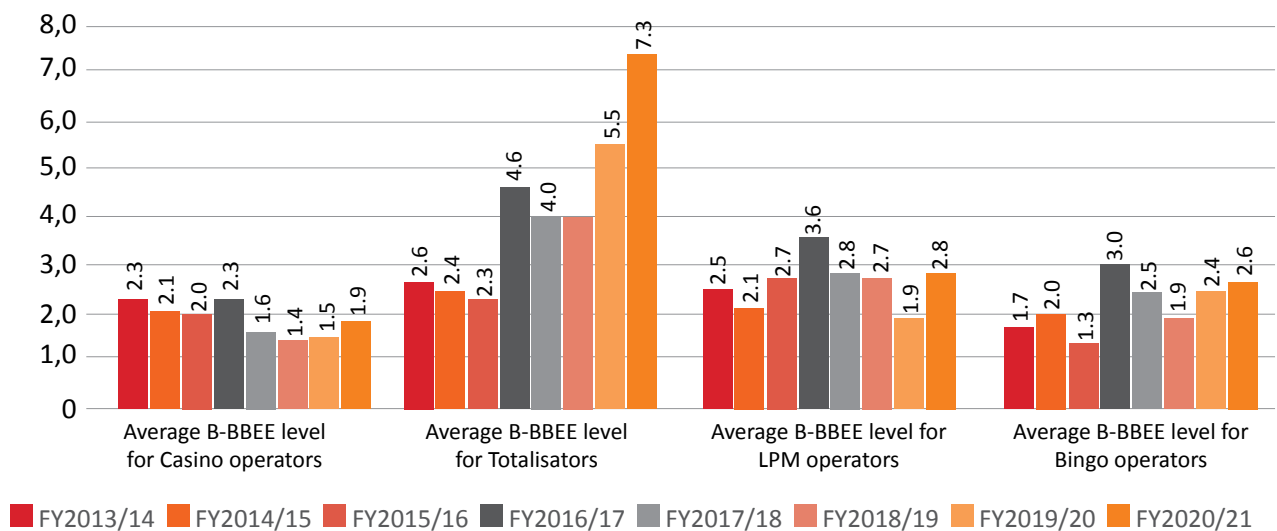
- Skills development
- Enterprise (supplier) development
- Socio-economic development

Based on the information submitted by PLAs, the average B-BBEE status or contributor level of the South African gambling industry as at 31 March 2021 per gambling mode and operator, was as follows:

- Average B-BBEE level for casino operators: Level 1.9
- Average B-BBEE level for totalisators: Level 7.3
- Average B-BBEE level for LPM operators: Level 2.8
- Average B-BBEE level for Bingo operators: Level 2.6 (currently only operational in Gauteng, Mpumalanga, North West, Eastern Cape and KwaZulu-Natal)

Figure 14: Average B-BBEE levels per gambling mode, FY2013/14 – FY2020/21

Average B-BBEE levels per gambling mode, FY2013/14 – FY2020/21



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

Table 9: B-BBEE levels for the casino sector from FY2011/12 to FY2020/21

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	FY2020/21
Gauteng	Morula Sun Casino (GT),	Sun International	2	2	2	2	2	4	Closed	Closed	Closed	Closed
	Carnival City (GT)	Sun International										2
	Time Square (GT)	Sun International					2	2	1	1		
	Montecasino (GT)	Tsogo Sun	2	2	2	2	2	2	1	1		1
	Gold Reef City Casino (GT)	Tsogo Sun	3	2	2	2	2	2	1	1		2
	Silverstar Casino (GT)	Tsogo Sun	2	2	2	2	1	1	1	1		2
	Emperors Palace (GT)	Peermont Global	2	2	2	2	2	1	1	1		2
	Emerald Safari Resort (GT)	London Clubs International			3	2	2	4	2	2		4
Western Cape	Grandwest Casino (WC)	Sun International	3	3	2	2	2	4	3	2	1	1
	Golden Valley Casino (WC)	Sun International	3	3	2	2	3	3	1	4	2	2
	Caledon Hotel Spa Casino (WC)	Tsogo Sun	2	2	2	2	2	2	2	1	1	1
	Casino Mykonos (WC)	Tsogo Sun									2	2
	Garden Route Casino (WC)	Tsogo Sun									1	1
KwaZulu Natal	Sibaya Casino (KZN)	Sun International	2	2	2	2	2	3	3	1	1	3
	Suncoast Casino (KZN)	Tsogo Sun	2	2	2	2	2	2	1	1	1	1
	Black Rock Casino (KZN)	Tsogo Sun	3	3	3	2	2	2	1	1	1	1
	Golden Horse Casino (KZN)	Tsogo Sun	2	2	2	2	2	1	1	1	1	1
	Umfoloji Casino (KZN)	Peermont Global	2	2	2	2	2	1	1	1	1	1
Mpumalanga	The Ridge Casino (MP)	Tsogo Sun	3	2	2	2	2	1	1	1	1	1
	Emnotweni Casino (MP)	Tsogo Sun	3	2	2	2	2	1	1	1	1	1
	Graceland Hotel Casino (MP)	Peermont Global									1	1



Table 9: B-BBEE levels for the casino sector from FY2011/12 to FY2020/21 - continued

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	FY2020/21
Limpopo	Meropa Casino (LP),	Sun International	2	2	2	2	2	4	1	1	1	2
	Khoroni Hotel Casino (LP)	Peermont Global									1	1
	Thaba Moshate (LP)	Peermont Global									1	1
North West	Sun City (NW),	Sun International	3	3	3	3	2	1	1	1	1	1
	Carousel Casino (NW),	Sun International		2	2	2	2	4	2	1	3	5
	Mmabatho Palms Casino (NW),	Peermont Global									1	5
	Rio Casino (NW),	Peermont Global									1	2
Northern Cape	Flamingo Casino (NC),	Sun International	4	4	4	2	4	4	4	2	2	2
	Desert Palace Hotel Resort (NC)	Northern Cape Consultants Kairo	2	2	2	2	2	2	2	2	2	2
	Grand Oasis Casino	Tsogo Sun					2	2	2	2	2	2
Eastern Cape	Boardwalk Casino (EC),	Sun International	3	3	3	2	2	3	3		2	2
	Wild Coast Sun (EC),	Sun International	3	3	3	3	2	2	2		2	1
	Hemingways Casino (EC),	Tsogo Sun	3	3	3	2	1	1	1		1	1
	Queens Casino (EC),	African Pioneer Gaming Pty Ltd			2	3	2	3	3		8	8
	Mayfair Casino (EC)	Billion Group									1	1
Free State	Windmill Casino (FS),	Sun International	2	2	2	2	2	4	2	2	2	3
	Naledi (FS),	Sun International	2						Not rated	Not rated	Closed	Closed
	Gold Fields	Tsogo Sun	2	2	2	2	2	2	1	1	1	2
	Frontier Inn	Peermont Global									1	1
Average B- BBEE Level			2,5	2,4	2,3	2,1	2,0	2,3	1,6	1,4	1,5	1,9



Table 10: B-BBEE levels for totalisators from FY2011/12 to FY2020/21

B-BBEE LEVELS, TOTALISATORS, FY2011/12 – FY2020/21											
Name of totalisator	Name of province	Contributor/ B-BBEE									
		FY2011/12	FY2012/13	FY2013/14	FY2014/15	FY2015/16	FY2016/17	FY2017/18	FY2018/19	FY2019/20	FY2020/21
Gold Circle	Western Cape	4	4	4							
Kenilworth Racing (Phumelela)					2	2	4	4	4	8	8
Gold Circle	KwaZulu-Natal			4	4	2	3	4	4	6	5
Phumelela	Limpopo	3	3	2	2	2	5	4	4	6	6
Phumelela	Mpumalanga	3	3	2	2	2	5	4	4	4	8
Phumelela	Gauteng		3	2	2	2	5	4	4		6
Phumelela	North West	4	3	3	3	2	5	4	4	6	8
Phumelela	Free State	3	3	2	2	2	5	4	4	4	8
Phumelela	Eastern Cape			2	2	2	5			6	6
Phumelela	Northern Cape					5	4	4	4	4	8
Average		3,4	3,2	2,6	2,4	2,3	4,6	4,0	4,0	5,5	7,0

Table 11: B-BBEE levels for the Bingo sector from FY2011/12 to FY2020/21

B-BBEE LEVELS, TOTALISATORS, FY2011/12 – FY2020/21											
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	FY2020/21
Gauteng	Viva Bingo	3	2	2	3.7*	1.6*	7.5*				
	Galaxy Bingo		2	2	2	2	2*	1	1		1
	Goldrush							7.8*	7.8*		7
Mpumalanga	Goldrush Bingo						8	8		8	8
	Galaxy Bingo							2 (Exempt)	1	1	2 (Qualifying Small Enterprise)
	Great Bingo							1 (Exempt)	1 (Exempt)	1 (Exempt Micro Enterprise)	1 (Exempt Micro Enterprise)
	Goldrush Bingo							2 (Exempt)	8 and	2 (Exempt Micro Enterprise)	2 (Exempt Micro Enterprise)
	Star Bingo								4 (Exempt)	4 (Exempt Micro Enterprise)	4 (Exempt Micro Enterprise)
North West	Goldrush Bingo			N/A	4	1	2	2	2	2	2
	Galaxy Bingo				1	1	4	4	2	2	2
	Pioneer										1
	Eliocube								2	2	2
Eastern Cape	Galaxy Bingo			1	1	1.8*	2	2		1.8	2
	Boss Gaming						2	2		2	2
	Goldrush Bingo						2	2		2	2
KwaZulu-Natal	Galaxy Bingo					1	2	2	2	2	2
	Great Bingo						1	1	1	1	2
	Goldrush Bingo						4	N/A	N/A	4	4.6
Limpopo	Boss Gaming						4		4	2	2
	Galaxy Bingo						2	2	2	2	2
	Goldrush Bingo							2	2	2	2
	Vegas Bingo							2	2	2	2
Average		3,0	2,0	1,7	2,0	1,3	3,0	2,5	1,9	2,4	2,6



Table 12: B-BBEE levels for the LPM sector from FY2011/12 to FY2020/21

B-BBEE LEVELS, LPMs, FY2011/12 – FY2020/21											
Name of Province	Name of Route Operators	Contributor / B-BBEE level									FY2020/21
		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		1
	Gold Rush Gaming					2	7	7	5		8
	Hot Slots				0	8	8		8		4
	Grand Gaming		1	4	3	5	8	6	6		4
	Egoli Gaming	2	1	1	4	2					
	Crazy Slots							Not compliant	Non-Compliant		8
Eastern Cape	Vukani Gaming			3	3	3	3	3		1	1
	Pioneer Slots			3	1	2		4		1	3
Free State	Vukani Gaming							2	2	1	1
	Goldrush	3	1	1	1	2	2	2	2	2	2
KwaZulu-Natal	Vukani Gaming	1	1	3	2	2	2	2	2	1	1
	Kingdom Slots	4	4	3	3	5	2	5	4	3	2
	Luck-at-it	1	1	1	1	2	5	1	2	1	1
	KZN Slots	5	5	5	5	5		4	4	3	4
Limpopo	Vukani Gaming	2	2	3	2	2	1	1	1	1	1
	Goldrush	3	3	1	1	1	4	1	1	1	8
Mpumalanga	Vukani Gaming	4	3	3	2	2	3	3	1	2	2
	Tripple 7 Slots									4 (Exempt Micro Enterprise)	4 (Exempt Micro Enterprise)
	Hendecol Gaming									1 (Exempt Micro Enterprise)	1 (Exempt Micro Enterprise)
	Grand Gaming			2	2	2	Level 2 QSE	4 (Exempt)	Exempt	4	5
	Galaxy Gaming					1	2 (Exempt)	1 (Exempt)	Exempt	2	1 (Exempt Micro Enterprise)
	Decatex Gaming									1 (Exempt Micro Enterprise)	2 (Exempt Micro Enterprise)
North West	Vukani Gaming	4	2	2	2	1	4	2	2	1	1
	Bathusi		3	3	3					N/A	N/A
	Goldrush Gaming		3	1	1	1	2	2	2	2	2
	Varloflash						4	2	2	2	2
	Tshufi Gaming								2	2	2
	Magic Slots								2	2	2
	I Slots								2	2	2
	Vegas Slots Rustenberg									2	2
	Vegas Slots Vryburg									2	2



Table 12: B-BBEE levels for the LPM sector from FY2011/12 to FY2020/21 - continued

B-BBEE LEVELS, LPMs, FY2011/12 – FY2020/21											
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	FY2020/21
Western Cape	Vukani Gaming	2	3	3	2	3	3	2	2	2	2
	Grand Slots	4	4	3							
	Grand Gaming				2	5	5	4	4	3	3
Northern Cape	Goldrush Gaming						2	2	2	2	2
	Vukani Gaming					2	2	2	2	2	2
Average:		2,8	2,4	2,5	2,1	2,7	3,6	2,8	2,7	1,9	2,8

* Those exempted excluded

5. EMPLOYMENT IN THE GAMBLING INDUSTRY

The NGB monitors direct employment numbers in the gambling sector (industry and regulators). A total number of 34 348 people (direct employment) were employed in the gambling industry (including at regulators) as at 31 March 2021. In general, the

casino sector, and KwaZulu-Natal, accounted for the highest numbers in terms of direct employment in the gambling industry as reflected in **Table 13**.

Table 13: Direct employment per province and mode, FY2020/21

DIRECT EMPLOYMENT PER PROVINCE AND MODE, FY2020/21										
PROVINCE										
Gambling mode	Gauteng**	Western Cape	KwaZulu-Natal	Mpumalanga	Limpopo	North West	Northern Cape	Eastern Cape	Free State	TOTAL
Casinos	3 485	1 765	4 202	674	573	601	205	1 852	329	13 686
Totalisators	205	388	1 049	77	61	26	4	20	42	1 872
Bookmakers	528	490	3 166	1 357	1 524	845	123	471	288	8 792
LPMs	2 476	61	95	153	1 262	128	23	1 106	34	5 338
Bingo	164	0	743	223	236	174	0	1 053	0	2 593
Regulators										
NGB	33									33
PLAs	112	69	77	78	63	82	16	163	121	781
TOTAL	7 003	2 773	9 332	2 562	3 719	1 856	371	4 665	814	33 095

** Gauteng employment figures for Totalisators exclude Phumelela and LPM and Bingo exclude Goldrush employment statistics



6. RESPONSIBLE GAMBLING

The South African Responsible Gambling Foundation herein referred to as (“the Foundation”) is a not-for-profit company (NPC) incorporated in terms of the Companies Act, 2008 (Act 71 of 2008).

The Foundation provides, amongst other services, comprehensive free treatment and counselling services to individuals affected by problem gambling including gambling addiction. In addition, the Foundation provides programmes such as public awareness and training to educate the public about the potential harmful effects of problem gambling and lastly, it conducts various research which informs its programmes and interventions.

With the advent of the COVID-19 pandemic, the gambling industry was impacted by the lockdown regulations. During adjusted lockdown levels 5 and 4 onsite gambling and betting licensed establishments were not operational in adherence to the public health and safety protocols. This impacted the Foundation’s operator training as well as public awareness programmes and provided an opportunity for the Foundation to be agile and offer a blended and hybrid offering of its programmes including treatment and counselling.

Key highlights for the Foundation FY2020/21

Through the free and confidential counselling and treatment line (0800 006 008) and WhatsApp line the Foundation assisted:

- 375 problem gamblers
- 514 self-excluded persons
- 18 family referrals
- 244 counselling calls

The Foundation also hosted its first virtual November Responsible Gambling Month (NRGM) webinar focusing on the relationship between problem gambling and gender-based violence. The NRGM received media coverage on television, radio, and print media to create awareness and reinforce the responsible gambling message.

During the period under review the following training took place:

- 576 virtual sessions
- 995 onsite sessions

The training was provided to the Betting and Racing, Bingo, Casino and LPM sectors. The type of training provided to these sectors included:

- Responsible Gambling 101 is an introductory course into what responsible gambling is and how, as a gaming worker, to advise disordered gamblers on where to access assistance in terms of their gambling problems. RG 101 is targeted at all persons who work in a gambling operator environment. This course forms the foundation for RG 102 and RG 103. The duration of the virtual or onsite session is 3 hours.
- Responsible Gambling 102 provides supervisors and managers of gambling operations with a deeper understanding of the phases a disordered gambler may go through. It informs attendees about the potential harmful effects of irresponsible gambling as well as the out of control behaviour presented by some gamblers that may be as a result of a disorder. Supervisors and managers will be able to advise any punter who seeks assistance in terms of whom to contact for assistance with the Foundation’s details. The duration of the virtual or onsite session is three hours.
- Responsible Gambling 103 is aimed at providing the more senior managers of a gambling operation with the knowledge and skills required to conduct a motivational interview with a gambler who may have requested assistance and advice in terms of whether they should attend counselling or not. The duration of the virtual or onsite session is three hours.





PART D

Governance

1. INTRODUCTION

Corporate governance is defined as the system of rules, practices and processes by which a company is controlled or directed. It fosters the allocation of powers and accountability among the Executive, Senior Management and the owners of a company/entity and ultimately serves as a safeguard against corruption and maladministration.

Sound corporate governance principles are the foundation upon which the trust of stakeholders is built, and the King Reports on Corporate Governance ("the King Code") endorses the primary characteristics of corporate governance from a global standards perspective. These principles are the yardstick upon which the "reputation of an organisation dedicated to excellence in performance and integrity" can be measured against.

Corporate governance, when done right, facilitates fairness, accountability, responsibility and transparency across organisations, whether in the public or private sector. It protects executives and employees in fulfilling their duties and instills stakeholder confidence in an organisation which is the secret recipe to a successful business.

A corporate governance function within an organisation that is not aligned to the business strategy of the organisation will potentially destabilise that organisation, and expose it to critical business failure if not remedied. The NGB has ensured that its governance is aligned with its business strategy to ensure that corporate governance supports the decision-making processes.

2. PORTFOLIO COMMITTEES

The NGB reports to the Portfolio Committee for Trade and Industry. The NGB had not been required

to attend any Portfolio Committee meetings during the reporting period.

3. EXECUTIVE AUTHORITY

The NGB has implemented its approved Strategic Plan 2020/25 and performed against its planned

outcomes as contained in its Annual Performance Plan 2020/23.

Table 14: Reports Submitted to the Minister

Reports Submitted	Date Submitted
Quarter 1 (April to June)	29 July 2020
Quarter 2 (July to September)	30 October 2020
Quarter 3 (October to December)	29 January 2021
Quarter 4 (January to March)	30 April 2021



4. THE ACCOUNTING AUTHORITY (AA)

Pursuant to findings of the 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 from 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 the goals and objectives of the NGB were performed within the limits of financial resources of the NGB.

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

Table 15: Profile of the AA

Name	Qualifications	Internal Position within NGB	Date Appointed	Date Resigned
Ms C Kongwa	<ul style="list-style-type: none"> LLM Degree (University of Pretoria); LLB Degree (University of Durban Westville); Postgraduate Diploma in International, African and Regional law (University of Durban Westville); Certificate in Economic and Developmental Policy (University of Witwatersrand); and Certificate in Labour Relations (University 	Administrator	September 2014	N/A

5. RISK MANAGEMENT

Section 51 (1) (a) (i) of the PFMA requires the AA for a public entity to ensure that that public entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control. Further, the AA must ensure that a risk assessment is conducted regularly to identify emerging risks for the public entity.

The basic premise upon which the concept of risk management lies in the elimination or mitigation of any factor that can hamper an organisation from achieving its strategic objectives. Therefore the NGB is committed to a process of risk management that is aligned to the principles of good corporate governance, as supported by the PFMA. Risk management is a systematic and formalised process instituted by the NGB to identify, assess, manage and monitor risks.

Effective risk management assists the NGB to achieve, amongst others, the following outcomes needed to enhance performance:

- More sustainable and reliable delivery of services
- Informed decisions underpinned by appropriate rigor and analysis
- Innovation – an entity is compelled to determine alternative ways of achieving an objective despite the presence of risk
- Detection and prevention of fraud and corruption
- Better value for money through more efficient use of resources
- Better outputs and outcomes through improved project and programme management

A risk management system is characterised by the existence of various policies, strategies, processes,



procedures and tools for identifying, evaluating, monitoring, managing and reporting of all material risks to which an entity is exposed. The NGB makes use of a risk management system that fits the above definition, which is implemented across all its business units to enhance its ability to create effective management of resources and to ensure transparency and accountability. Risk management is an integral part of the management process at the NGB with all the various policies, strategies, processes, procedures and tools having been crafted thoughtfully and implemented in a holistic manner. Risk management an organisation-wide event as it is embedded in daily practices and business processes. This ultimately creates a cumulatively pre-emptive effect on how risk management is conducted, thereby enhancing its effectiveness.

The key policy documents for risk management in the NGB are the Risk Management Policy and the Risk Management Strategy.

Risk Management Committee

The NGB has in place a Risk Management Committee (RMC), comprising Senior Managers of the NGB and has an external Chairperson who is a member of the NGB's Audit and Risk Committee (ARC). The RMC members were not remunerated for attendance at the RMC because they are employees of the NGB. The independent Chairperson for the committee was remunerated according to the National Treasury circular, which categorises emoluments for different categories of listed public entities.

6. 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 imminent change. The King Report recommends the establishment of this function. It is also prescribed by Treasury regulations.

The internal audit function provides an assessment of the effectiveness of the NGB'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

- 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 FY2020/21

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

- Financial discipline and control review
- Performance audit on pre-determined objectives
- Compliance audit
- Information technology general controls review
- Annual financial statements review
- Contract management review

The objective of the selected reviews was to evaluate if the NGB has and implements adequate and effective internal controls.



7. AUDIT AND RISK COMMITTEE (ARC)

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 FY2020/21

The ARC was established to oversee 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 five (5) members with the required skills and competencies to discharge their duties as contained in the ARC Charter. The NGB confirms 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.

Table 16: Committee

Committee	No. of Meetings Held	No. of Members	Names of Members
Audit and Risk Committee	4	5	Dr C Sanangura
			Mr Z Le Guma
			Ms N Hedder
			Ms N Deiner
			Mr L Phahlamohlaka

The table below discloses relevant information on the audit committee members:

Table 17: Qualifications of ARC Members

Name	Qualifications	Internal or External	Position in the Entity if Internal	Date Appointed	Date Resigned	No. of Meeting Attended
Dr C Sanangura	<ul style="list-style-type: none"> Chartered Director of South Africa CD(SA) Doctorate in Business Administration (DBA) Master's in Business Administration (MBA) Fellow Chartered Institute of Secretaries and Administration (FCIS) Fellow Chartered Institute of Business Management (FCIBM) Associated Chartered Certified Accountant (ACCA) 	External	N/A	December 2017	N/A	4



Figure 17: Qualifications of ARC Members - continued:

Name	Qualifications	Internal or External	Position in the Entity if Internal	Date Appointed	Date Resigned	Number of Meeting Attended
Ms N Hedder	<ul style="list-style-type: none"> BProc LLB MCom Tax Admitted Attorney Conveyancer Notary Public 	External	N/A	December 2017	N/A	4
Ms G Deiner	<ul style="list-style-type: none"> BCompt Higher Diploma in Education – Postgraduate BA degree Professional Accountant (SA) 	External	N/A	July 2019	N/A	4
Mr Z Le Guma	<ul style="list-style-type: none"> Master’s in Business Administration (MBA) CA (SA) Bachelor of Commerce (Hon) Management Accounting Bachelor of Commerce (Accounting) 	External	N/A	July 2019	N/A	4
Mr Lucky Phahlamohlaka	<ul style="list-style-type: none"> Bachelor of Commerce Postgraduate Certificate in Executive leadership 	External – the dtic representative	N/A	17 July 2015	N/A	4

Remuneration of committee members of the Audit and Risk Committee

The Audit and Risk Committee (ARC) members were remunerated according to the National Treasury circular, which categories emoluments for different

categorises of listed public entities. No travel expenses were incurred by ARC members, as all ARC meetings during FY2020/21 were conducted virtually. Figure 11 reflects the remuneration paid to ARC members during the financial year.

Table 18: Remuneration to ARC Members

Name	Remuneration	Other Allowances	Other Reimbursements	Total
Dr C Sanangura	R38,843	-	-	R38,843
Mr Z Le Guma	R58,107	-	-	R58,107
Ms N Hedder	R23,571	-	-	R23,571
Ms G Deiner	R23,571	-	-	R23,571
Mr L Phahlamohlaka	-	-	-	-
Total				R144,102

8. COMPLIANCE WITH LAWS AND REGULATIONS

A governance framework, as well as a checklist, were created to continually enable the officials to observe legal compliance requirements when performing

any function. The NGB utilised a corporate calendar to ensure that timelines for submitting corporate information were met.



9. FRAUD AND CORRUPTION

The NGB has in place a Fraud Prevention Plan (FPP), which is updated annually and reviewed quarterly. Quarterly progress reports are presented at the NGB's Risk Management Committee (RMC) for notification and inputs, prior to them being presented to the Audit and Risk Committee (ARC). The FPP has an accompanying matrix of activities designed to proactively address possible fraud risk areas facing the NGB, and to enhance the internal control environment to reduce the likelihood of fraud risks materialising. Progress against these activities is reported to the RMC and ARC every quarter.

Various activities were conducted during FY2020/21 including the distribution of awareness-raising messages to all staff regarding fraud prevention, staff disclosing their financial interests, and all

NGB policies being reviewed to ensure the internal control environment is sound. The policies include the protection of whistleblowers, in the event that any staff member feels a need to report suspected fraud or corruption taking place at the NGB through the appropriate internal reporting mechanisms. The NGB has an externally focused email-based hotline, which is available to the public to report any cases of suspected fraud or corruption by an NGB official. The fraud prevention hotline is published on the NGB website to ensure it is readily accessible at all times.

No cases of suspected fraud or corruption were reported during FY2020/21.

10. MINIMISING CONFLICT OF INTEREST

All NGB officials are required to comply with the NGB's Conflicts of Interest Policy that sets out how they will conduct themselves in terms of their fiduciary duties, and what steps they should take in the event of a real or potential conflict of interest materialising. In addition, all NGB officials involved in procurement are required to complete and sign a code of conduct document in supply chain management. Should an official suspect they may be conflicted concerning a bidder, then the official should disclose the possible conflict of interest immediately. The NGB will assess the conflict, and a determination will be made whether the official continues their role in the process or recuses himself/herself.

Bidders submitting bids to the NGB for any advertised procurement are required to submit a Standard Bidding Document (SBD), specifically SBD 4 form, in which they are required to declare whether they

have a relationship with any NGB official. Failure to submit such a declaration will result in the bid being disqualified.

The evaluation and adjudications of bids submitted are conducted through formalised NGB bid evaluation and bid adjudication committees. The members of these committees are required to disclose any real or potential conflict of interest with a bidder and will be required to recuse themselves should the nature of the conflict deem such recusal to be necessary.

These controls have been put in place to ensure the integrity of all NGB procurements is protected.



11. CODE OF CONDUCT

Every official joining the NGB is required to sign an acknowledgement of a Code of Conduct. This sets out the undertaking made by the official to conduct himself/herself ethically and in compliance with NGB policies at all times. The Code of Conduct is important to the NGB as it has an impact on employee conduct as well as work culture.

The NGB provided an education and awareness activity on ethical conduct in the workplace during

the year, and this is conducted annually to ensure that all officials are fully aware of the required standards of conduct at the NGB. However, the Disciplinary Code and Procedure lists a breach of the code of conduct as a form of misconduct, which will attract appropriate disciplinary action.

12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The NGB has an approved Disaster Management Plan in place, which includes health safety and environmental issues, and sets out how the NGB should respond to any incident that may create exposure to harm. This could range from localised issues such as fire to environmental issues such as flooding. They also include risks such as industrial action, as well as health risks like the COVID-19 pandemic.

In every instance, whether it is localised and manageable, or beyond the control of the NGB, the NGB has adopted a risk-based approach to ensure business continuity.

Compulsive gamblers can lead to dire consequences.



13. AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2021.

Audit and Risk Committee Responsibility

The ARC reports that it has complied with its responsibilities arising from Section 51 (1)(a)(ii) of the Public Finance Management Act, 1999 (Act 1 of 1999) and Treasury Regulation 27.1. The ARC 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 pertaining to:

- Financial discipline and control review
- Performance audit on pre-determined objectives
- Compliance audit
- Information technology general controls review
- Annual financial statements review
- Contract management review

There were no significant areas of concern identified during the financial year. In addition, the committee is satisfied the internal audit function is operating effectively and that the Internal Audit Plan is implemented.

To ensure the NGB has been operating effectively, the Internal Audit Unit of **the dtic** reviews formal reports approved by the Chairperson of the ARC on a quarterly basis. These reports included, but were not limited to, the performance of the entity, financial affairs, governance matters, and internal control effectiveness.

In-year management and monthly/quarterly report

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

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

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 prepared by the public entity for FY2020/21. No matters of concern were brought to the attention of the committee that warranted intervention.

Auditor's Report

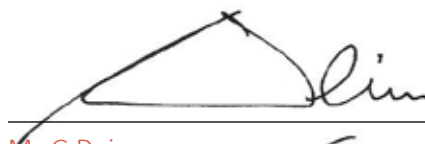
We have reviewed the entity's implementation plan for audit issues raised in the prior year and we are satisfied the matters have been adequately resolved.

The ARC concurs and accepts the conclusions of the external auditors that reflects a clean audit opinion.

Appreciation

The ARC wishes to express its appreciation to the management of the NGB, which has successfully achieved its sixth (6th) consecutive clean audit.

In addition, the ARC is grateful to the external auditors and Internal Auditors (SAB&T) who assisted the Audit Committee in performing its functions effectively.



Ms G Deiner
Chairperson of the Audit and Risk Committee National Gambling Board
31 July 2021



14. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with the compliance to the B-BBEE requirements of the B-BBEE Act of 2013 and as determined by the Department of Trade, Industry and Competition.

Table 19: Compliance with any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8):

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
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	The NGB does not issue licences.
Developing and implementing a preferential procurement policy?	Yes	Preferential procurement policy is 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 E

Human Resource
Management

1. INTRODUCTION

Overview of Human Resource (HR) matters

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

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

HR priorities for the year under review related to 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 NGB during the financial year with regard to filling vacant posts on the structure. As at 31 March 2021, there were three (3) vacancies. The position of the CEO could not be filled due to the moratorium on this position.

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
- Performance management is an ongoing process rather than an event

Performance outcomes were appropriately differentiated to reflect the different levels of contribution made by employees to the success of the NGB. Where performance deficits were identified, these were dealt with actively, with the primary objective of returning the employee to full performance. The system was further 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 were reviewed in FY2020/21 to ensure that they were aligned to the Strategic Plan and legislative requirements. Furthermore, developed and revised policies will be effectively implemented to mitigate human capital risk and to increase organisational effectiveness going forward.

Highlighted achievements

The NGB has in place an approved Human Capital Optimisation Strategy for FY2019/24, which is aimed at ensuring the NGB has adequately capable human capital that will enable it to achieve its strategic objectives. The strategy further details the organisational structure, roles and behaviour needed to take the organisation forward.

Challenges faced by the public entity

The NGB has been stable as there was no labour unrest during the period under review.



Future HR plans/goals

The concerted effort in the future will be in ensuring the NGB retains its talent, develops, re-skills and upskills the current human capital to meet the

demands for the future NGB. The NGB will also be embarking on a process to automate some of its HR processes to improve effectiveness and efficiency.

Human resource oversight statistics

Table 20: Personnel Cost by Programme

Programme/ Activity/ Objective	Total Expenditure for the Entity	Personnel Expenditure	Personnel Expendi- ture as a % of Total Expenditure	Number of Employees	Average Personnel Cost per Employee
Gaming Control and Research	137 118 596	11 711 278	6	12	975 940
Finance and Pro- curement	19 914 838	7 135 858	4	7	-
Corporate and Stakeholder En- gagement	14 788 190	10 891 202	6	11	990 109
Compliance En- forcement	8 261 399	8 266 486	5	5	1 653 297
TOTAL	180 083 023	38 004 824	21	35	1 085 852

Total employee costs for FY2020/21 amounted to approximately R38,0 million. The highest costs were evidenced under the Gaming Control and Research

Division. This is directly linked to the programme having the highest number of staff members.

Table 21: Personnel Cost by Salary Band

Level	Personnel Expenditure	% of Personnel Expenditure to Total Personnel Cost	Number of Employees	Average Personnel Cost per Employee
Top management	7 958 277	21	3	2 652 759
Senior management	10 940 778	29	7	1 562 968
Professional qualified	6 743 455	18	7	963 351
Skilled	11 469 074	30	15	764 605
Semi-skilled	893 240	2	3	297 747
Unskilled	-	-	-	-
Total	38 004 824	100	35	1 085 852

The NGB has a strategic approach to determining the salaries paid to officials, which includes an assessment of market related salaries, to ensure the NGB adequately compensates its human resources. Employee benefits, as part of personnel costs, should be utilised as a mechanism to attract and retain talent.

the highest portion of salaries paid within the NGB, at 30%, closely followed by salaries paid to senior management at 29% and executives at 21 %.

It is important to note the compensation gap between the skilled labour and senior management is not significant.

In implementing the above strategic approach, salaries paid to the skilled labour force comprised



Table 22: Performance Rewards

Level	Performance Rewards	Personnel Expenditure	% of Performance Rewards to Total Personnel Cost
Top management	438 108	7 958 277	1,2
Senior management	643 846	10 940 778	1,7
Professional qualified	275 942	6 743 455	0,7
Skilled	354 700	11 469 074	0,9
Semi-skilled	40 712	893 240	0,1
Unskilled	-	-	-
TOTAL	1 753 308	38 004 824	4,6

Performance rewards were implemented in line with the Performance Management Policy. Overall, performance bonuses paid out during the financial

year comprised less than 5% of the NGB's total personnel costs.

Table 23: Training Costs

Programme/Activity/ Objective	Personnel Expenditure	Training Expenditure	Training Expenditure as a % of Personnel Cost	Number of Employees Trained	Average Training Cost Per Employee
Gaming Control and Research	11 711 278	1 636	-	1	818
Finance and Procurement	7 135 858	3 272	-	2	1 636
Corporate and Stakeholder Engagement	10 891 202	3 131	-	1	3 131
Compliance and Enforcement	8 266 486	-	-	-	-
TOTAL	38 004 824	8 039	-	4	2 010

The NGB endeavoured to conduct training for officials during financial year. Training costs incurred related

to short-term training conducted for officials who attended SCM and payroll training.

Table 24: Employment and Vacancies

Programme/Activity/ Objective	2020/21 Approved Posts	2020/21 Number of Employees	2020/21 Vacancies	% of Vacancies
Gaming Control and Research	14	12	1	7,14
Finance and Procurement	7	7	-	-
Corporate and Stakeholder Engagement	12	11	1	8,88
Compliance and Enforcement	6	5	1	16,67
TOTAL	39	35	3	7,69

As at the end of the financial year, there were three (3) vacancies: Chief Compliance Officer, Manager: Stakeholder and Liaison and Researcher.

The position of CEO has been placed under a moratorium and is reflected within the GCRD for approved posts, but is not regarded as a vacant post.



Table 25: Employment and Vacancies per Programme

Level	2019/2020 Number of Employees	2020/21 Approved Posts	2020/21 Number of Employees	2020/21 Vacancies	% Of Vacancies
Top management	4	5	3	1	-
Senior management	7	6	7	-	-
Professional qualified	6	10	6	-	-
Skilled	18	15	16	2	-
Semi-skilled	3	3	3	-	-
Unskilled	-	-	-	-	-
TOTAL	38	39	35	3	-

The position of CEO has been put on hold due to a moratorium placed on its filling and is not incorporated in the figures reflected in Table 25.

Table 26: Employment Changes

Level	Employment at Beginning of Period	Appointments	Terminations	Employment at End of the Period
Top management	4	-	1	3
Senior management	7	-	-	7
Professional qualified	6	-	-	6
Skilled	18	-	2	16
Semi-skilled	3	-	-	3
Unskilled	-	-	-	-
TOTAL	38	-	3	35

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

There were changes in employment during the financial year. Such changes related to terminations within the top management and skilled categories.

Table 27: Reasons for Staff Leaving

Reason	Number	% of Total Number of Staff Leaving
Death	-	-
Resignation	3	7.7%
Dismissal	-	-
Retirement	-	-
Ill health	-	-
Expiry of contract	-	-
Other	-	-
TOTAL	3	7.7%

There were three (3) resignations during the financial year. Notwithstanding this, there were no labour relations incidents experienced during the period under review.



Table 28: Labour Relations: Misconduct and Disciplinary Action

Nature of disciplinary Action	Number
Verbal warning	-
Written warning	-
Final writte	-
Skilled	-
Semi-skilled	-
Unskilled	-
TOTAL	-

Table twenty-eight (28) reflects the number of labour relations matters that were reported during the financial year. There were no labour relations incidents experienced.

Table 29: Equity Target and Employment Equity Status – Male

Males								
Levels	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	-	1	-	-	-	-	-	-
Senior management	4	4	-	-	1	1	-	-
Professional qualified	3	2	-	-	-	-	-	1
Skilled	3	3	-	1	-	-	-	1
Semi-skilled	1	1	-	-	-	-	-	-
Unskilled	-	-	-	-	-	-	-	-
TOTAL	1	1	-	1	1	1	-	2

Table 30: Equity Target and Employment Equity Status – Female

Females								
Levels	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	-	-	-	1	-	-	-
Senior management	2	-	-	1	-	-	-	1
Professional qualified	3	-	-	-	1	-	-	-
Skilled	12	-	-	-	-	-	-	1
Semi-skilled	2	-	-	-	-	-	-	-
Unskilled	-	-	-	-	-	-	-	-
TOTAL	21	-	-	1	2	-	-	2

Table 31: Equity Target and Employment Equity Status – Disabled Staff

Females				
Levels	Male		Female	
	Current	Target	Current	Target
Top management	-	-	-	-
Senior management	-	-	-	-
Professional qualified	-	-	-	-
Skilled	-	-	-	-
Semi-skilled	-	-	-	-
Unskilled	-	-	-	-
TOTAL	-	-	-	-



The NGB has set employment equity targets which are aligned to the national employment equity targets. national employment equity targets have been set for females in management positions at 50% and people with disabilities at 2%. The national targets, when applied against the NGB's organisational structure, translate to the following:

- There were eleven (11) approved top and senior management positions at the NGB at the beginning of the financial year. At the end of the financial year, there were ten (10) occupied positions, five (5) of which were occupied by females at the top and senior management [three (3) at top management and two (2) at senior management]
- There are no people with disabilities currently employed at the NGB. A further analysis of the targets against the NGB's status quo reveals the following:

- Indians are over-represented as they comprise 8.6% (males – 1 and females – 2) of the total staff complement (35) against a total EAP target of 2.7%.
- There is under-representation of whites and coloureds.

Attempts made to address variances

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

Avoid using money allocated for household expenditure when gambling





PART F

Financial
Information

ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

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

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

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The AA has reviewed the entity's cash flow forecast for the year to 31 March 2022 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 of operations. 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 AA is primarily responsible for the financial affairs of the NGB, it is supported by the entity's external auditors and the Audit and Risk Committee (ARC) as assurance providers with respect to matters of oversight and governance.

The external auditors are responsible for independently reviewing 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 presented hereto.

The Annual Financial Statements set out on page 4, which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 May 2021 and were signed on its behalf by:


 Ms Caroline Kongwa
 Accounting Authority
 31 July 2021



INDEPENDENT AUDITOR'S REPORT TO THE 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 71 to 117, which comprise the statement of financial position as at 31 March 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as 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 2021, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA GRAP) and the requirements of the Public Finance Management Act (Act 1 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 our report.
4. We are independent of the public entity in accordance with Independent Regulatory Board for Auditors' Code of Professional Conduct for Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (Including International Independence Standards)*.
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 SA 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 25 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 programme 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 thereported performance information, which must be based on the public entity's approved performance planning documents. We have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. Our procedures do not examine whether the actions taken by the public entity enabled service delivery. Our procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or 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 programme presented in the public entity's annual performance report for the year ended 31 March 2021:

Programme	Pages in the annual performance report
Programme 1 – Gaming Control and Research	20 - 27

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 this programme:
 - Gaming Control and Research

Other matter

15. We draw attention to the matter below.

Achievement of planned targets

16. Refer to the annual performance report on pages 15 to 35 for information on the achievement of planned targets for the year and management's explanations provided for the over achievement of targets.

Report on the audit of compliance with legislation

Introduction and scope

17. Refer to the annual performance report on pages 15 to 35 for information on the achievement of planned targets for the year and management's explanations provided for the over achievement of targets.
18. 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.
19. 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

20. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected programme presented in the annual performance report that has been specifically reported in this auditor's report.
21. 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 on it.
22. 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 the financial statements and the selected programme presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
23. If based on the work we have performed, we conclude that there is a material misstatement



in this other information, we are required to report that fact. We have nothing to report in this regard.

Internal control deficiencies

24. 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.

Auditor tenure

25. In terms of the IRBA rule published in Government gazette number 39475 dated 4 December 2015, we report that Rakoma and Associates Inc. has

been the auditor of National Gambling Board for 2 months.



Collins Malunga CA (SA)
Engagement Partner Registered Auditor
30 July 2021

Ground Floor Building B Monte Circle Office Park
178 Monte Casino Boulevard
Fourways
Johannesburg
2191



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 the reported performance information for selected programme 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 the 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 our opinion on the financial statements. Our conclusions are based on the information available to us 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.



Annual Financial Statements for year ended 31 March 2021

STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

Figures in Rand	Notes	2021	2020 Restated*
ASSETS			
Current Assets			
Cash and cash equivalents	3	49 850 100	49 941 829
Inventories	4	45 284	55 417
Receivables from exchange transactions	5	1 692 580	2 508 126
Accrued income - LPM monitoring fees	6	16 934 494	12 631 319
		68 522 458	65 136 691
Non-Current Assets			
Property, plant and equipment	7	4 812 040	6 050 618
Intangible assets	8	4 319 761	4 637 245
Receivables from exchange transactions	5	322 054	866 229
		9 453 855	11 554 092
Total Assets		77 976 313	76 690 783
LIABILITIES			
Current Liabilities			
Payables from exchange transactions	9	9 369 726	10 695 276
NCEMS service fees payable	10	14 253 678	10 649 774
Provisions	11	4 226 234	4 171 323
		27 849 638	25 516 373
Non-Current Assets			
Operating lease liability		1 889 412	4 497 994
Total Liabilities		29 739 050	30 014 367
Net Assets		48 237 263	46 676 416
Accumulated surplus		48 237 263	46 676 416
Total Net Assets		48 237 263	46 676 416



Annual Financial Statements for year ended 31 March 2021

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Notes	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Limited payout machines (LPM) monitoring fees	12	146 064 184	220 337 797
Interest received		2 315 196	3 800 744
Other income	13	2 237 493	4 408 210
Total revenue from exchange transactions		150 616 873	228 546 751
Revenue from non-exchange transactions			
Transfer revenue			
Government grants		31 027 000	33 797 000
Total revenue		181 643 873	262 343 751
Expenditure			
Employee related costs	14	(30 398 993)	(27 049 972)
Executive Managers' Remuneration	15	(7 749 933)	(6 870 736)
Depreciation and amortisation	7&8	(3 193 184)	(3 158 366)
Operating leases	16	(7 555 630)	(7 623 828)
NCEMS Service Fees	17	(121 719 704)	(183 614 831)
General Expenses	18	(9 465 580)	(22 715 355)
Total expenditure		(180 083 024)	(251 033 088)
Surplus for the year		1 560 849	11 310 663



Annual Financial Statements for year ended 31 March 2021

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	35 435 796	35 435 796
Prior year adjustments	(70 043)	(70 043)
Balance at 01 April 2019 as restated	35 365 753	35 365 753
Correction of error	(17 952)	(17 952)
Surplus for the year	11 310 663	11 310 663
Restated* Balance at 01 April 2020	46 676 414	46 676 414
Surplus for the year	1 560 849	1 560 849
Total changes	1 560 849	1 560 849
Balance at 31 March 2021	48 237 263	48 237 263



Annual Financial Statements for year ended 31 March 2021

CASH FLOW STATEMENT

Figures in Rand	Notes	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Grants		31 027 000	33 797 000
Interest received		2 306 393	3 778 656
Rental income		3 708 525	8 000 332
Limited payout machines (LPM) monitoring fees		141 752 310	224 039 056
		178 794 228	269 615 044
Payments			
Employee related costs		(38 144 853)	(33 824 368)
Suppliers		(139 356 655)	(219 621 887)
		(177 501 508)	(253 446 255)
Net cash flows from operating activities	19	1 292 720	16 168 789
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(1 177 284)	(457 523)
Purchase of other intangible assets	8	(460 239)	-
Net cash flows from investing activities		(1 637 521)	(457 523)
Cash flows from financing activities			
Proceeds from confiscated winnings		253 072	293 643
Net (decrease)/increase in cash and cash equivalents		(91 729)	16 004 909
Cash and cash equivalents at the beginning of the year		49 941 829	33 936 920
Cash and cash equivalents at the end of the year	3	49 850 100	49 941 829



Annual Financial Statements for year ended 31 March 2021

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

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	-	145 995 745	145 995 745	146 064 184	68 439	31
Interest received (trading)	2 451 371	83 332	2 534 703	2 315 196	(219 507)	31
Other income	17 301 597	(13 798 280)	3 503 317	2 237 493	(1 265 824)	31
Total revenue from exchange transactions	19 752 968	132 280 797	152 033 765	150 616 873	(1 416 892)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants	35 051 000	(4 024 000)	31 027 000	31 027 000	-	31
Total revenue	54 803 968	128 256 797	183 060 765	181 643 873	(1 416 892)	
Expenditure						
Employee related costs	(25 924 428)	(5 594 967)	(31 519 395)	(30 398 993)	1 120 402	31
Executive managers' remuneration	(7 059 508)	(690 425)	(7 749 933)	(7 749 933)	-	31
Depreciation and amortisation	(3 173 520)	(56 969)	(3 230 489)	(3 193 184)	37 305	
Operating leases	(7 144 956)	(1 577 535)	(8 722 491)	(7 555 630)	1 166 861	31
NCEMS service fees	-	(121 663 121)	(121 663 121)	(121 719 704)	(56 583)	31
General expenses	(10 963 858)	2 914 573	(8 049 285)	(9 465 580)	(1 416 295)	31
Total expenditure	(54 266 270)	(126 668 444)	(180 934 714)	(180 083 024)	851 690	
Surplus for the year	537 698	1 588 353	2 126 051	1 560 849	(565 202)	



Annual Financial Statements for year ended 31 March 2021

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

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	770 000	654 356	1 424 356	1 177 284	(247 072)	31
Intangible assets	800 000	(100 000)	700 000	336 039	(363 961)	31
	1 570 000	554 356	2 124 356	1 513 323	(611 033)	
Total Assets	1 570 000	554 356	2 124 356	1 513 323	(611 033)	
Net Assets	1 570 000	554 356	2 124 356	1 513 323	(611 033)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1 570 000	554 356	2 124 356	1 513 323	(611 033)	



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 (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 twelve (12) months.

1.3 Rounding

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

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management makes estimates and assumptions that affect the amounts represented in the annual 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 flows 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 charge of PPE. Residual value, useful lives and depreciation methods for each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimate, the change is accounted for as a change in accounting estimate.



Annual Financial Statements for year ended 31 March 2021

ACCOUNTING POLICIES

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 used during more than one period.

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

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

Property, plant and equipment is initially measured at cost.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, 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 of 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.

PPE are subsequently carried at cost less accumulated depreciation and any impairment losses.

PPE 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 improvement	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 live and depreciation method of each are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as change in accounting estimates.

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



ACCOUNTING POLICIES

1.5 Property, plant and equipment (continued)

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.

An intangible asset is recognised when:

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

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

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

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

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

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

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

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



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ACCOUNTING POLICIES

1.6 Intangible assets (continued)

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Average useful life
Computer software, internally generated	4 to 10 years
Computer software, other	3 to 10 years
National Database	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 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 should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should 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.

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



ACCOUNTING POLICIES

1.8 Financial instruments (continued)

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 guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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 unfavourable 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;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP



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ACCOUNTING POLICIES

1.8 Financial instruments (continued)

on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies combined instruments that are designated at fair value;

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

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 equivalent	

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

The entity has the following types of residual interests (classes and category) as reflected on the

face of the statement of financial position or in the notes thereto:

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 group of financial assets is impaired. Financial assets are 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.



ACCOUNTING POLICIES

1.8 Financial instruments (continued)

The entity derecognises a financial asset only when:

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

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

Financial liabilities

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

Presentation

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

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

Financial Risk Management

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

Credit Risk and Market Risk

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

- Cash and short-term deposits are placed with well established financial institutions of high quality and credit standing and also approved by National Treasury;
- Transactions are entered into with reputable financial institutions which are approved by National Treasury;

- 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 days cash cycle basis.

Fair Value

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



ACCOUNTING POLICIES

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 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.

The cost of inventories comprises of 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).

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.



ACCOUNTING POLICIES

1.13 Impairment of non-cash-generating assets (continued)

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

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

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 assets is determined using the following approach:

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.



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ACCOUNTING POLICIES

1.13 Impairment of non-cash-generating assets (continued)

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 and contingencies

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



ACCOUNTING POLICIES

1.15 Provisions and contingencies (continued)

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

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

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

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

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. 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.

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 arise 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

1.17 Revenue from non-exchange transactions



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ACCOUNTING POLICIES

(continued)

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 grand 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 and wasteful expenditure

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

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

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

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

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



ACCOUNTING POLICIES

1.20 Irregular expenditure (continued)

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

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

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

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

The approved budget covers the fiscal period from 2020/04/01 to 2021/03/31.

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.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person 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.



ACCOUNTING POLICIES

1.22 Related parties (continued)

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.

1.24 Impairment of cash-generating assets

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

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

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

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

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.

Recoverable amount of an asset or a cash-generating unit is the higher of its 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 cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset. Irrespective of whether there is any indication of impairment, the entity also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable 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.



ACCOUNTING POLICIES

1.24 Impairment of cash-generating assets (continued)

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:

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 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 104 (amended): Financial Instruments	01 April 2021	Unlikely there will be material impact
GRAP 25 (amended): Employee Benefits	01 April 2021	Unlikely there will be 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.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Rands	2021	2020
Cash on hand	75	2 025
Bank balances	44 250 391	44 699 760
Short-term deposits - Confiscated winnings	5 599 634	5 240 044
	49 850 100	49 941 829

4. Inventories

Stationery on hand and consumables	45 284	55 417
Inventories recognised as an expense during the year	10 132	103 457

5. Receivables from exchange transactions

Trade debtors	117 863	10 030
Prepayments	1 723 719	1 694 917
Operating lease receivables	168 007	1 669 408
SARS for PAYE and UIF	5 045	-
	2 014 634	3 374 355
Non-current assets	322 054	866 229
Current assets	1 692 580	2 508 126
	2 014 634	3 374 355

6. Accrued income- LPM monitoring fees

	2021	2020
LPM monitoring fees accrued but not yet received	16 934 494	12 631 319

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



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

7. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	4 010 512	(2 672 158)	1 338 354	3 715 682	(2 267 246)	1 448 436
Motor vehicles	1 113 177	(685 173)	428 004	1 113 177	(510 537)	602 640
IT equipment	2 559 878	(1 788 990)	770 888	2 454 573	(1 456 673)	997 900
Leasehold improvements	11 692 532	(9 417 738)	2 274 794	11 059 797	(8 058 155)	3 001 642
Total	19 376 099	(14 564 059)	4 812 040	18 343 229	(12 292 611)	6 050 618

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	1 448 436	304 190	(401)	(413 871)	1 338 354
Motor vehicles	602 640	-	-	(174 636)	428 004
IT equipment	997 900	240 358	-	(467 370)	770 888
Leasehold improvements	3 001 642	632 736	-	(1 359 584)	2 274 794
	6 050 618	1 177 284	(401)	(2 415 461)	4 812 040

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	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

Pledged as security

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



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	5 228 912	(1 449 648)	3 779 264	5 104 712	(908 025)	4 196 687
Computer software, other	1 547 529	(1 007 032)	540 497	1 453 550	(1 012 992)	440 558
Total	6 776 441	(2 456 680)	4 319 761	6 558 262	(1 921 017)	4 637 245

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	4 196 687	124 200	(541 623)	3 779 264
Computer software, other	440 558	336 039	(236 100)	540 497
	4 637 245	460 239	(777 723)	4 319 761

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

Pledged as security

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



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

9. Payables from exchange transactions

	2021	2020
Trade payables	1 396 213	2 987 312
Deferred rent and accommodation	2 472 447	2 359 945
Unidentified confiscated gambling winnings	4 871 009	4 652 707
VAT Payable	-	70 043
SARS for PAYE and UIF	-	38 542
Confiscated winnings from identified punters	630 057	586 727
	9 369 726	10 695 276

Unidentified confiscated gambling winnings refer to money confiscated from suspected illegal gamblers whose identity has not been established by the NGB. Confiscated winning from identified punters, on the other hand, refer to moneys confiscated from suspected illegal gamblers whose identity has been established through the completion of a NGB 2 form which contains details of such punter from whom such winnings have been confiscated. For all winnings confiscated, banks and gambling establishments are required to complete the 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 punter.

10. NCEMS service fee payable

NCEMS service fees incurred but not yet paid	14 253 678	10 649 774
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NCEMS service fees are recognised as current liabilities when they accrue to the NCEMS operator.

11. Provisions**Reconciliation of provisions - 2021**

	Opening balance	Additions	Utilised during the year	Total
Provision for Leave	1 407 870	351 444	-	1 759 314
Provision for Compensation Commissioner	197 485	-	(197 485)	-
Provision for performance bonuses	2 565 968	-	(99 048)	2 466 920
	4 171 323	351 444	(296 533)	4 226 234



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

11. Provisions (continued)**Reconciliation of provisions - 2020**

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for Leave	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

Provision for performance bonuses

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

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

Provision for leave pay

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

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

12. Limited payout machines (LPM) monitoring fees

	2021	2020
LPM monitoring fees charged	146 064 184	220 337 797

In exchange for monitoring LPM activities, the NGB charges a monitoring fee, which is collected from LPM operators by the NCMS operator on behalf of the NGB. The NGB pays the NCMS operator a fee for the services rendered.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

13. Other income

	2021	2020
Rental income-related party	2 237 493	4 408 182
Profit on sale of assets and other refunds	-	28
	2 237 493	4 408 210

Future minimum lease payment under non-cancellable operating lease for office building:

Within 1 year	389 572	4 636 672
2 to 5 years	-	4 099 689
	389 572	8 736 361

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 R194,786 (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.

Basic	25 554 106	21 954 443
UIF	57 833	51 415
Leave pay provision charge	328 476	470 145
Employee benefits	734 795	674 199
13th Cheques	1 945 705	2 221 365
Housing benefits and allowances	1 700 000	1 580 000
Other salary related	78 078	98 405
	30 398 993	27 049 972

15. Executive managers' remuneration**2021**

	Emoluments	Allowance	Pension fund	13th Cheque	Other benefits	Total
Chief Financial Officer: Ms K Mackerduth	1 364 261	39 600	186 036	129 191	48 420	1 767 507
Chief Strategic Adviser: Ms C Kongwa	1 779 782	39 600	242 698	168 540	62 585	2 293 205
Chief Operations Officer: Ms P Kweyama	1 285 398	39 600	175 282	112 325	45 731	1 658 336
Chief Compliance Officer: Mr M Menye (Termination date: 14 July 2020)	1 821 629	9 900	43 820	-	11 433	1 886 782
	6 251 070	128 700	647 836	410 056	168 169	7 605 830



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

15. Executive managers' remuneration (continued)

Over and above the remuneration disclosed above the Chief Financial Officer: Ms. K. Mackerduth received a performance bonus of R146 254 during the year ended 31 March 2021. 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 Chief Strategic Adviser: Ms. C. Kongwa received a performance bonus of R190 800 during the year ended 31 March 2021. 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 Chief Operations officer: Ms. P. Kweyama received a performance bonus of R101 053 during the year ended 31 March 2021. 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.

2020

	Emoluments	Allowance	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 Adviser: Ms C Kongwa	1 680 120	39 600	227 880	159 000	58 881	2 165 481
Chief Operations Officer: Ms P Kweyama (Appointed date: 01 May 2019)	1 111 587	28 300	151 580	114 833	39 647	1 445 947
Chief Compliance Office: Mr M Menye (Appointed 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.

Over and above the remuneration disclosed above the Chief Strategic Adviser: 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.



Annual Financial Statements for year ended 31 March 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

15. Executive managers' remuneration (continued)

2021

	Member's fees	Total
Ms GA Deiner (Audit Committee member)	23 571	23 571
Mr Z Le Guma (Audit committee member and Risk Management Committee Chairperson)	58 107	58 107
Dr C Sanangura (Audit Committee Chairperson)	38 853	38 853
Ms N Hedder (Audit Committee member)	23 571	23 571
	144 102	144 102

2020

	Member's 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: 10 July 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. Sanangura (Audit Committee Chairpeson)	53 790	53 790
Ms. Hedder (Audit Committee member)	28 809	28 809
	147 009	147 009

16. Operating lease expense

	2021	2020
Current year		
Premises	7 376 034	7 444 232
Photocopiers	179 596	179 596
	7 555 630	7 623 828
Future minimum lease payments under non-cancellable operating leases for photocopiers		
Within 1 year	8 575 570	9 755 473
2 to 5 years	5 083 240	13 658 810
	13 658 810	23 414 283



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

16. Operating lease expense (continued)

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 2021, monthly rental payments of R660,161 (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 R198,711 (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.

	2021	2020
Future minimum lease payments under non-cancellable operating leases for photocopiers		
Within 1 year	103 767	179 596
2 to 5 years	-	103 767
	103 767	283 363

The NGB has contracted with Konica Minolta to rent six (6) photocopiers over a 36 month 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	121 719 704	183 614 831
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18. General expenses

Professional and consulting fees		
Legal fees	2 119 804	1 723 675
Research	905 901	1 913 548
Internal Audit	375 505	682 775
Other consulting fees	676 400	1 189 739
	4 077 610	5 509 737
Travel and subsistence		
Travel - local	-	1 149 858
Travel - overseas	-	2 930 548
	-	4 080 406



Annual Financial Statements for year ended 31 March 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

18. General expenses (continued)

	2021	2020
Other operating expenses		
Recruitment costs	37 872	233 855
Advertising	130 070	2 748 048
Training	8 039	695 568
Temporary staff cost	-	5 675
Internet costs	1 716 892	1 190 106
Telephone and fax	1 208	9 468
Printing	429 649	207 816
Bank charges	35 395	42 398
Car license	1 788	1 680
Cleaning	21 794	98 047
Conferences	-	3 636 132
Copying costs	23 389	151 804
Postage and courier services	2 165	2 811
Fuel and oil	11 052	47 163
Subscriptions and membership fees	667 408	456 920
Electricity	393 531	502 433
Software expenses	436 546	160 430
Stationery	27 662	103 457
General maintenance	46 077	838 385
Small Office Equipment	1 699	6 713
Insurance	167 568	199 637
Refreshment	1 888	127 619
Storage	26 318	25 253
Security costs	309 643	365 201
Loss on Disposal of Assets	400	2 300
Magazines, books and periodicals	-	12 214
Foreign exchange losses	8 987	-
	4 507 040	11 871 133
Repairs and Maintenance		
Property, plant and equipment	19 420	37 252
Auditors Remuneration		
External audit fees	861 509	1 216 827
	880 929	1 254 079
	9 465 580	22 715 355



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

19. Cash generated from operations

	2021	2020
Surplus	1 560 849	11 310 663
Adjustments for:		
Depreciation and amortisation	3 193 185	3 158 366
Profit and loss on disposal of non-current assets	401	2 300
Movements in provisions	54 911	863 685
Changes in working capital:		
Inventories	10 133	(26 234)
Receivables from exchange transactions	(2 938 390)	6 830 752
Payables from exchange transactions	(588 369)	(5 988 695)
VAT	-	(70 043)
	1 292 720	16 168 789

20. Commitments

Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	-	595 235
• Intangible assets	173 880	298 080
	173 880	893 315
Total capital commitments		
Already contracted for but not provided for	173 880	893 315



Annual Financial Statements for year ended 31 March 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

20. Commitments (continued)

	2021	2020
Authorised operational expenditure		
Already contracted for but not provided for		
• Legal services	1 385 427	2 575 912
• Research services	-	905 892
• Data lines	-	89 047
• Recruitment services	122 535	2 475
• Printing of corporate documents	134 340	232 092
• Internet and telephone services	1 362 890	2 371 020
• Web hosting	1 131 969	1 792 903
• Employee wellness services	163 086	241 237
• Media monitoring services	75 141	143 451
• Internal audit services	564 942	503 595
• Armed response services	2 689	10 371
• Security services	323 111	253 961
• Transcription services	63 081	64 374
• Off-site storage services	325 252	349 940
• Skills audit	-	409 000
• Vetting of recruits	39 441	39 441
• Software licenses and upgrades	-	87 713
• Promotional material	-	130 070
• External audit services	-	2 602 312
• BEE verification	168 246	-
• Cleaning services	37 260	-
• Office maintenance	33 530	-
• Office furniture reallocation	3 900	-
	5 936 840	12 804 806
Total operational commitments		
Already contracted for but not provided for	5 936 840	12 804 806
Total commitments		
Total commitments		
Authorised capital expenditure	173 880	893 315
Authorised operational expenditure	5 936 840	12 804 806
	6 110 720	13 698 121

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



Annual Financial Statements for year ended 31 March 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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 3A public entity under common control
South African Bureau of Standards (SABS)	Schedule 3A public entity under common control

	2021	2020
Related party balances		
Rental receivable from related parties		
Rental for a building leased to the Department of Trade, Industry and Competition	105 298	418 270
Related party transactions		
Rental received from related parties		
The Department of Trade, Industry and Competition	3 708 525	8 000 332

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.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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. No changes occurred during the course of the financial year that warranted an addendum to the contract.

The agent-principal arrangement exists for 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 the NCEMS 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 approved by the NGB.

In the event the contract is terminated, the NGB will undertake a procurement process to appoint a new NCEMS operator.

23. Prior period errors**Travelling**

Payments relating to expenditure incurred by utilising the services of a travel agent was excluded from accruals, (the extent to which is stated below) which were raised in the previous financial year.

VAT payable

Subject to certain exemptions, VAT is payable at the standard rate of 15% by a South African recipient of imported services. This is irrespective of whether the recipient is a registered VAT vendor or a non-vendor. The NGB is a VAT non-vendor and was unaware of its obligation to pay over VAT to the South African Revenue Services. Consequently, the NGB did not account for VAT that accrued at the standard rate on the importation of services from 2017 to 2020 which amounted to approximately R500,000. The correction of error sets out the obligation of the NGB to pay over VAT for services that were procured amounting to R70,043 over the said period.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

23. Prior period errors (continued)

The correction of the error(s) results in adjustments as follows:

2020 Statement of financial position

	As previously reported	Correction of error	Restated
Payables from exchange transactions	10 607 281	87 995	10 695 276

2020 Statement of financial performance

	As previously reported	Correction of error	Restated
General expenditure	22 697 403	17 952	22 715 355

The impact at the beginning of the prior period presented was a reduction of retained earnings by R70 043.

24. Changes 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 and computer software. The effect of the change in accounting estimate on the current year's results was an increase in the current year's surplus by R39,956. The effect of the change in accounting estimate on future financial periods will be a decrease in net surplus by R39,956 for the 2021/22.

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.

	2021	2020
Other financial liabilities	15 649 872	13 619 137



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

25. Risk management (continued)

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

At 31 March 2021

	less than 1 year	between 1 and 2 years	between 2 and 5 years	Over 5 years	Total
Trade and other payables	15 649 872	-	-	-	15 649 872

At 31 March 2020

	less than 1 year	between 2 and 5 years	Over 5 years	Total
Trade and other payables	13 619 137	-	-	13 619 137

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:

Cash and Cash Equivalents-increase by 1%	-	-	498 500	499 418
Cash and Cash Equivalents-decrease by 1%	-	-	(498 500)	(499 418)

Credit risk and Market risk

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

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



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

25. Risk management (continued)

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

	2021	2020
Cash and cash equivalent	49 850 099	49 941 830
Cash and cash equivalent	105 298	418 270
	49 955 397	50 360 100

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)	49 850 025	49 941 830
Other receivables	105 298	418 270
	49 955 323	50 360 100

Financial Instrument

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

Cash and cash equivalents (excluding petty cash)	49 850 025	49 939 805
Receivables	105 298	418 270
Other financial liabilities	(15 649 872)	(13 619 137)
	34 305 451	36 738 938

Interest rate risk

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

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

Age Analysis of Financial Assets that are past due but not impaired

	1 to 30 days pass due	31-90 days pass due	91-120 pass due	more than 120 days pass due	Total
Trade receivables					
2021	-	-	-	105 298	105 298
2020	400 925	-	-	17 345	418 270
	400 925	-	-	122 643	523 568



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

26. Unauthorised expenditure

There was no unauthorised expenditure during the year.

27. Fruitless and wasteful expenditure

There was no fruitless and wasteful expenditure during the year.

28. Irregular expenditure

There was no irregular expenditure during the year.

29. Going concern

We draw attention to the fact that at 31 March 2021, the entity had a surplus of approximately R1,5 million and that the NGB's total assets exceeded its liabilities by approximately R48,2 million. The NGB is substantially dependent on the government for continued funding of its operations. The entity's five year strategy, the annual performance plan and budget were approved by the Minister of **the dtic**, which is indicative of a commitment to fund the NGB's operations for the next medium term expenditure framework (MTEF) period. The NGB's ability to continue as a going concern and meet its financial obligations remains intact and is further strengthened by the additional revenue of approximately R146,1 million earned from the National Central Electronic Monitoring System (NCEMS) during the year under review, arising out of an eight (8) year contract with the NCEMS operator. The NGB is cognisant of the fact that the NCEMS monitoring fees decreased by approximately 33,7%, however the entity was stable and continued to operate as a going concern.

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 worth noting that the COVID-19 pandemic has materially and adversely impacted the entity's generation of LPM monitoring fees. The measures put in place by government to contain the spread of the virus resulted in the closure of the LPM industry during the course of the financial year, which was brought about by the national lockdown. The ability of the NGB to continue operating as a going concern was dependent on the LPM industry returning to operations as the lockdown regulations were relaxed. Since the advent of the COVID-19 pandemic, the entity revised its budget on several occasions with the aim of ensuring that it continues operations, and it is in a position to honour its financial commitments, including the payments of employee related costs. Due to the unpredictable nature of the pandemic, there is insufficient data to determine the duration of the pandemic as well as how long lockdown will last. Notwithstanding this, the entity is reasonably assured of the receipt of the government grant from **the dtic** which will fund operations in the event of stricter lockdown measures are implemented. In addition, management has considered the impact of COVID-19 on all NGB's assets as at the end of the financial year for possible impairment.



Annual Financial Statements for year ended 31 March 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

30. Contingent liabilities

	2021	2020
National Treasury- Cash surplus	34 516 816	25 954 776
Former employee vs the NGB	982 739	982 739
Former service provider vs the NGB	78 026	78 026
VAT penalties and interest	7 004	-
	-	-
	35 584 585	27 015 541

National Treasury - A contingent liability exists as a result of a cash surplus reported in the current year, 2020/21, 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 Note 6 of 2017/2018, as follows: Cash and cash equivalents at the end of the year, plus receivables, less current liabilities, less commitments. It is important to note that the NGB was granted approval by the National Treasury for the retention of funds in the 2019/20 financial year in anticipation of the NGB spending such funds in future year. However, the NGB has to comply with National Treasury's Instruction Note 6 and re-submit its application to retain funds once again.

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 at the Magistrate's

Court for alleged breach of contract, alleging that the NGB converted temporary staff into permanent placement.

South African Revenue Services (SARS): VAT - The NGB received correspondence dated 21 January 2021 from SARS stipulating that the entity must disclose all imported services that the entity had procured. Upon disclosing to SARS that the NGB procured imported services from October 2017 to February 2021 valued at five hundred thousand, three hundred and eight rand and forty three cents (R500,308.43), SARS alleged that the NGB was liable to pay VAT at the standard rate of 15% to SARS based on the value of imported services for the said period. This amounted to VAT payable of seventy thousand and forty three rand and eighteen cents (R70 043.18) against imported services. Over and above this, all outstanding amounts over 30 days attracts interest and penalties of 10%. Consequently, the NGB has paid the VAT that amounted to R70 043.18 and has made a request to SARS to waive the interest and penalties levied as the NGB is not registered for VAT or income tax and, merely serves as an agent of SARS in relation to PAYE and UIF.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31. Explanation of variances

Variances which are equal to or more than R60,000 are explained below. Variances which are below R60,000 are considered immaterial and, therefore, not explained.

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

The budget adjustment of the LPM monitoring fees was due to the return of the LPM industry to operation after the country was placed under national lockdown.

The positive variance on the LPM monitoring fees was due to the performance of the LPM industry which surpassed expectations.

Interest received

The budget adjustment on interest was due to the anticipated increase in the interest as result of the easing of the lockdown regulations and anticipated cash inflows from NCEMS monitoring fees.

The negative variance on interest received was due to decreases in the interest rates.

Rental Income

The budget adjustment was aimed at removing retained earnings from the budget when the entity realised it was going raise sufficient revenue from its own operations.

The negative variance on other income was due to the termination of a subletting arrangement.

Government grants

The budget adjustment was due to a reduction of the entity 's grant allocation.

Personnel costs

The budget adjustment is due to re-instatement of the budget for staff benefits which had initially been excluded from the budget due to the lockdown and anticipated economic decline.

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

Executive managers' remuneration

The budget adjustment is due to re-instatement of the budget for staff benefits which had initially been excluded from the budget due to the lockdown and anticipated economic decline.

Operating leases

The budget adjustment was to correct the initial under-statement of the rental budget

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

The budget adjustment of NCEMS was due to a return of the LPM industry to operation after the country was placed under national lockdown.

General expenses

The budget adjustment on other expenditure was due to management's conscious efforts to reduce general expenditure.

The negative variance on other operating expenses was due to the expenditure incurred on legal fees for the prosecution of unlawful winning matters.

Property, plant & equipment (PPE)

The adjustment was due to the projected procurement of office reconfiguration and installation of a biometric system to comply with the lockdown regulations.

The negative variance on PPE was due to unspent budgeted funds for the procurement of Microsoft Windows server data centre that was not undertaken due to cost cutting measures.

Intangible assets

The budget adjustment was due to the removal of a budget item intended to develop a risk management solution.

The negative variance on intangible assets was due to unspent funds allocated for the procurement of Microsoft Exchange due to cost cutting measures.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

32. Events after the reporting date

There is no subsequent event that has occurred after the reporting period that will materially impact the NGB.

33. Broad-Based Black Economic Empowerment (B-BBEE)Performance

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 2021, the NGB was measured for Broad-Based Black Economic Empowerment (B-BBEE) compliance in accordance

with the **dtic** 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 Generic (Revised codes). The NGB was found to be a non-compliant contributor to the B-BBEE Act, 2013. The B-BBEE certificate is valid until 23 May 2022. The entity is committed to implementing measures to improve its compliance with the B-BBEE Act, 2013.



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