ANNUAL REPORT 2022/23

National Gambling Board
South Africa

a member of **the dtic** group

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 2023.

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

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PART A
General Information

1. Public Entity's General Information

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

2. List of Abbreviations/Acronyms

AA	Accounting Authority
AfCFTA	African Continental Free Trade Agreement
AFS	Annual Financial Statements
AGSA	Auditor-General South Africa
APP	Annual Performance Plan
ARC	Audit and Risk Committee
B-BBEE	Broad-Based Black Economic Empowerment
CCO	Chief Compliance Officer
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COVID-19	Coronavirus Disease
CSA	Chief Strategic Adviser
CSR	Corporate Services and Research
DG	Director-General
DSM-IV	Diagnostic and Statistical Manual of Disorders
EBT	Electronic Bingo Terminal
ECGB	Eastern Cape Gambling Board
EXCO	Executive Committee
FAMSA	Family and Marriage Society of South Africa
FIC	Financial Intelligence Centre
FICA	Financial Intelligence Centre Act, 2001 (Act 38 of 2001)
FPP	Fraud Prevention Plan
FSGLTA	Free State Gambling, Liquor and Tourism Authority
FY	Financial Year
GCC	Gaming Control and Compliance
GDP	Gross Domestic Product
GGB	Gauteng Gambling Board
GGR	Gross Gambling Revenue
GRAP	Gambling Review Commission
GRAP	Generally Recognised Accounting Practice
HCO	Human Capital Optimisation
HDIs	Historically Disadvantaged Individuals
HR	Human Resource
ICT	Information Communication Technology
ILO	International Labour Organisation
ISO	Independent Site Operator
J-KPI	Joint Key Performance Indicators
KZNGBB	KwaZulu-Natal Gaming and Betting Board
LGB	Limpopo Gambling Board
LPM	Limited Pay-out Machine
MANCO	Management Committee
MOU	Memorandum of Understanding
MTSF	Medium Term Strategic Framework
NCEMS	National Central Electronic Monitoring System
NCR	National Credit Regulator
NDP	National Development Plan
NGA	National Gambling Act, 2004 (Act 7 of 2004)
NGB	National Gambling Board
NGPC	National Gambling Policy Council
NGR	National Gambling Regulator
NRGP	National Responsible Gambling Programme
NWGB	North West Gambling Board
PFMA	Public Finance Management Act, 1999 (Act 1 of 1999)
PLA	Provincial Licensing Authority
PPE	Property, Plant and Equipment
RMC	Risk Management Committee
RO	Route Operator
SARGF	South African Responsible Gambling Foundation
SANCA	South African National Council on Alcoholism
SCM	Supply Chain Management
the dtic	Department of Trade, Industry and Competition
TO	Turnover
YTD	Year-to-Date

3. Foreword by the Executive Authority

Mr Ebrahim Patel, MP
Minister of Trade Industry and Competition

I hereby table the Annual Report of the National Gambling Board (NGB) for the 2022/23 financial year, and its eighth consecutive clean audit.

The gambling landscape in South Africa has undergone significant changes in recent years, particularly due to the COVID-19 pandemic. While the industry brings economic benefits through revenue generation and job creation, it also poses challenges related to problem-gambling and social issues.

The gambling industry experienced a significant rebound since the pandemic, with all modes of gambling experiencing growth. Particularly noteworthy is the unprecedented growth of the sports betting industry, which has more than doubled its value compared to pre-pandemic levels, now commanding the greater share of the market.

The report reflects the work of the NGB in implementing their core mandate, and the outcome of joint efforts to align work of the dtic's entities towards a set of three shared outcomes:

- **Increased industrialisation**
- **Strengthened transformation in the economy; and**
- **Building a capable state.**

Focusing around these central outcomes allows the diverse set of entities in **the dtic** Group – comprising regulators, financiers and technical institutions – to pool our capacities and collaborate to best deliver for the South African people.

In the 2023/24 financial year, the NGB will continue to improve its core mandate and to align its work around a common set of outcomes defined for **the dtic-group**, including the forty-five central outcomes. These outcomes are focused on measuring performance in terms of real impact; defined through key measures like the number of jobs supported, investment unlocked, and output generated by the work of public entities.

I wish to acknowledge the work of the Administrator, management and staff and their efforts in the past year.

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

4. Foreword by the **Accounting Authority**

Ms Caroline Kongwa
Accounting Authority for the NGB

I am pleased to present the 2022/23 Annual Report for the National Gambling Board.

The NGBs role in supporting a more vibrant gambling industry this past year was marked by the beginning of a positive turnaround of the economy despite highly unpredictable events. COVID-19 and an energy crisis in South Africa coupled with high inflationary pressures created challenges for the gambling industry. NGB was successful in striking the right balance of prioritizing short-term targets while maintaining a broader, long-term view of enhancing NGBs ability to regulate and maintain oversight of the gambling industry to preserve the integrity of South Africa as a responsible global citizen.

South Africa's socio-economic challenges were exacerbated by the pandemic and continue to plague the economy. Regulating the gambling industry remains an important task of ensuring that social ills are not worsened by the gambling industry. Amidst the current socio-economic climate, our mandate to monitor the socio-economic patterns of gambling and provide support for the public has been at the forefront of the NGB's work.

Having firmly surpassed pre-COVID gross gambling revenues, the gambling industry is on a strong recovery path. Much of the growth was driven by the betting sector, which has grown from R8.8 billion in FY2019/20 to R23.7 billion in FY2022/23. The casino sector posted positive growth in the Gross Gambling Revenue (GGR) sector of R17.3 billion but has not yet reached its pre-pandemic performance of R18.4 billion. The betting industry has been expanding over the past few years, with the number of bookmakers increasing significantly. The Limited Pay-out Machine (LPM) sector's expansion is also picking up, with several provinces nearing the upper thresholds of their maximum phase one (1) allocations. The bingo industry has seen the expansion of electronic bingo terminals outpace that of traditional bingo. Taxes collected from the industry amounted to R4.1 billion, with the largest contributor being the casino sector.

A strong performance in the area of stakeholder engagement, including the overachievement of our broad-based public education target for the 3rd year in the current Medium Term Strategic Framework (MTSF) period, culminated in a vibrant and well-attended National Gambling Conference in the rural Eastern Cape in March 2023. We sincerely appreciate the willingness of our industry value-chain stakeholders to engage openly and robustly during the conference, which resulted in a clearer understanding of the challenges in the various sub-sectors and will be factored into our work going forward.

The NGB continued to account for and identify all legal gambling machines, devices and owners, licensed juristic and natural persons and excluded persons. It was also able to fulfil its oversight responsibility for the LPM sector in terms of section 27 of the National Gambling Act, 2004 (Act 7 of 2004) (NGA) using the National Central Electronic Management System (NCEMS). Furthermore, the NGB maintained national functional registers and was able to track and keep a record of a national register of gambling machines that enabled regulators to identify, approve and register all gambling machines and devices in the Republic of South Africa.

The organisation also played an integral part in implementing **the dtic's** joint indicators for the FY2022/23. Analysis of South Africa and the potential to industrialise the gambling industry was undertaken. The NGB explored the feasibility of manufacturing gambling products and services as well as identified potential African markets for the export of locally manufactured gambling products and services. The entity conducted analyses on the promotion of growth and transformation in the casino, betting, bingo and LPM sectors. The findings showed that the gambling industry contributes significantly to the growth of the local economies where gambling establishments are located. It further identified structural challenges hindering transformation such as high concentration levels, barriers to entry and regulatory inconsistencies creating unfair competition between gambling modes. Lastly, in its endeavour to strengthen and build a capable state, the NGB undertook a review of the NGA to identify provisions in the gambling legislation which could hamper economic participation in the gambling industry due to red tape.

Looking forward, the NGB is excited about the gambling industry's potential to continue driving economic recovery and growth for the nation. We also look forward to collaborating with various industry stakeholders to maintain NGB's position as the pre-eminent jurisdiction with an exemplary and effectively regulated gambling industry.

I would like to acknowledge the hard work of the NGB officials who performed relentlessly under challenging conditions to achieve above and beyond what was expected. The NGB achieved eight (8) consecutive clean audits for the FY2015/16, FY2016/17, FY2017/18, FY2018/19, FY2019/20, FY2020/21, FY2021/22, and FY2022/23. The health of the organisation is evidence of such efforts from employees as well as the robust controls that the organisation has put in place.

Ms Caroline Kongwa
Accounting Authority of the National Gambling Board
31 July 2023

5. 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 is consistent with the Annual Financial Statements audited by Rakoma & Associates Inc.

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

The Annual Financial Statements (Part E) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) standards applicable to the NGB.

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 2023.

Yours faithfully

Ms Caroline Kongwa
Accounting Authority of the National Gambling Board
31 July 2023

6. Strategic Overview

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

6.1 Vision, Mission, and Values

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; and
- Respect and tolerance.

7. 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, as follows:

- Oversight of gambling in the Republic of South Africa by:
  - Evaluating the issuing of national licences by the Provincial Licensing Authorities (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; and
  - 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

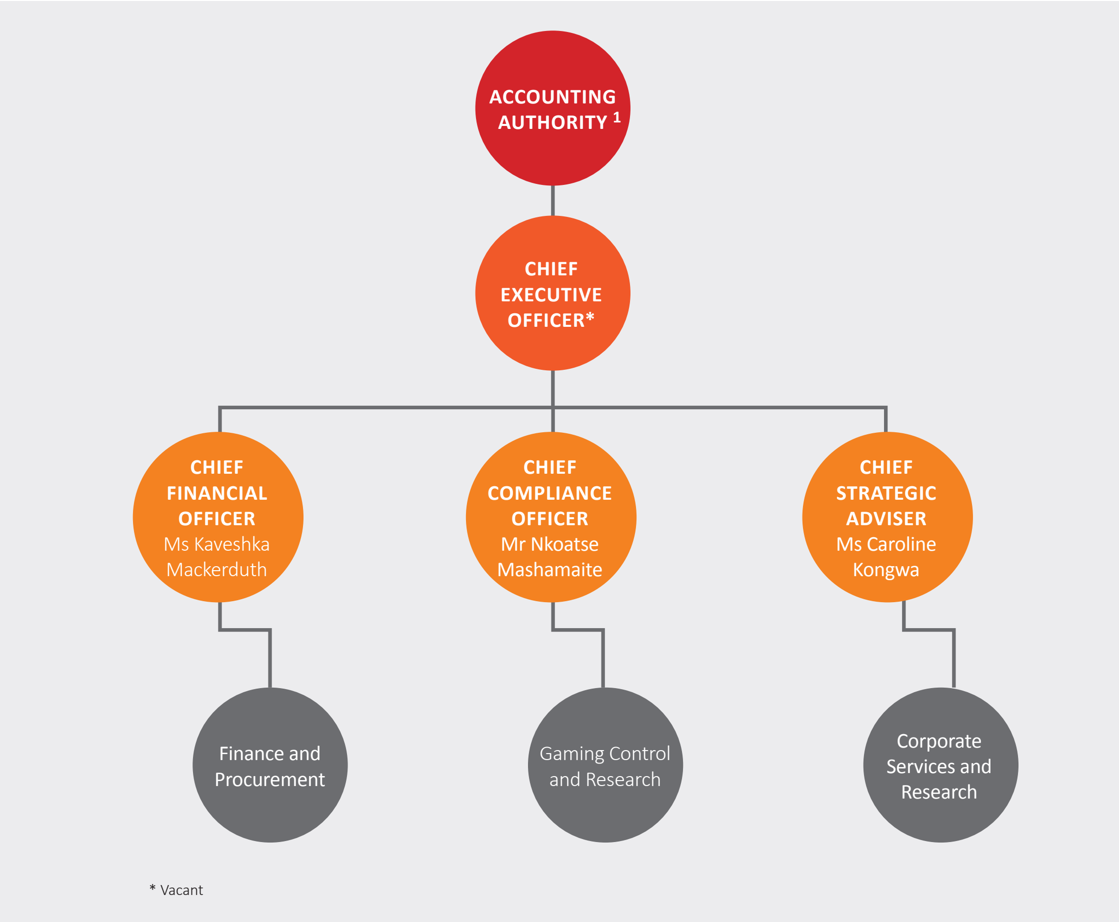
In addition, the NGB is required to comply with other legislative frameworks, including but not limited to the following legislation:

- 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.

8. Organisational Structure



The NGB comprises of three (3) programmes. Each programme is headed by a suitably qualified individual mandated to deliver against the desired performance of the NGB. Two (2) of the three (3) programmes were responsible for delivering against the NGB's Strategic Outcomes, Outputs and Targets as contained in the approved 2022/27 Strategic Plan and Annual Performance Plan 2022/2025.

1 Ms. Caroline Kongwa is designated as the Accounting Authority in terms of Section 49 of the Public Finance Management Act, 1999.

PART B

Performance Information

1. Auditor's Report: Predetermined Objectives

Rakoma & Associates Inc. currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the 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 87 of the Report of the Auditors Report, published as Part E: Financial Information.

2. Situational Analysis

2.1 Service delivery environment

The gambling landscape in South Africa has undergone significant changes in recent years, particularly due to the COVID-19 pandemic. These changes have had both positive and negative impacts on the socio-economic status of the country. While the industry brings economic benefits through revenue generation and job creation, it also poses challenges related to problem gambling and social issues.

On a positive note, the gambling industry contributes a significant amount of revenue to the national economy. The growth in the industry, especially in terms of the total amount wagered and GGR, has resulted in increased tax revenues for the government. In the fiscal year 2022/23, there was a notable increase in the total amount wagered, and GGR also saw substantial growth compared to previous years. This had a ripple effect on taxes which also grew, and this additional income can be used for public services and infrastructure development.

The gambling industry has continued to function in an environment plagued by a chronically high unemployment level. Although several jobs were lost following the COVID-19 pandemic, the industry has made strides in creating employment opportunities, particularly in the bookmaker sector as the number of operational bookmakers increased due to increased demand for betting. The expansion and diversification of the industry has led to job creation, reducing unemployment rates and improving livelihoods for many individuals and their families.

Casinos and other gambling establishments often attract tourists and visitors, contributing to the tourism and hospitality sectors. The presence of a vibrant gambling industry continues to help stimulate tourism, leading to increased spending on accommodation, dining, entertainment, and other related services.

Adversely, as the gambling industry continues its economic recovery path, there is a heightened risk of problem gambling and its associated social and economic consequences. Problem gambling can lead to financial difficulties, strained relationships, and negative impacts on mental health. While the gambling industry generates revenue and employment, it may exacerbate existing socio-economic inequalities. Low-income individuals, who are more vulnerable to gambling-related problems, may be disproportionately affected. Efforts have therefore been made to implement responsible gambling measures, including awareness campaigns and support services for those affected by gambling addiction.

In addition to the research and advisory role played by the NGB within the broader gambling industry value chain, the organisation convened a National Gambling Conference in the year under review. This conference achieved its aims of aligning regulators and operators on issues pertinent to the growth and transformation of the industry; the sharing of best practices especially as it relates to the mitigation of disruptions to performance as was seen during the COVID-19 lockdowns; as well as an opportunity for stakeholder networking and bringing industry closer to regulators.

Engagement with the public plays a vital role in advocating for legal and responsible gambling. The premise behind community outreach interventions is to raise the profile of the NGB while also educating the public about gambling legislation, the socio-economic impact of gambling as well as sources of treatment for compulsive and addictive gambling. Seventy-six (76) interventions were conducted through face-to-face community engagement, mass media through radio and print, and online media publications through the NGB website and social media.

The gambling industry has undergone rapid technological growth and uptake due to the COVID-19 pandemic. The technologies being used have been disruptive and there is more investment in online gambling products and catering for the punter who has been forced to be more tech savvy and less fearful of technology. As a result of this uptake, using online gambling products has become more convenient for punters and operators as well.

The NGB observed this disruption with concern over its impact on responsible gambling and illegal gambling activities. The NGB is currently hamstrung in its effort on ensuring responsible gambling as the National self-exclusion register is not yet in operation pending the gazetting of section 14(1-6) of the NGA. Once gazetted, problem gamblers can be properly registered, excluded and assisted.

Regulating the gambling industry in South Africa requires innovation and agility. The NGB currently monitors the LPM industry through the National Central Electronic Monitoring System (NCEMS) – a technology which ensures that gambling revenue is accurately captured and allocated to the relevant stakeholders.

The NGB further channeled its strategic focus to promote economic inclusion by pursuing enhancement of economic participation by historically disadvantaged individuals (HDIs). The NGB conducted research on key gambling issues to inform the legislative and policy environment. Research was also conducted to continuously monitor changes in the gambling industry in South Africa and other jurisdictions.

2.2 Organisational environment

The NGB management made concerted efforts to ensure that the organisation continued its operations and delivered on its mandate. In fulfilling its mandate as an advisory body, the NGB managed to achieve against its performance targets and over-achieved in some areas which is directly attributable to the commitment and ability of officials in ensuring that the organisation succeeds. The entity managed to maintain the staff complement however with three (3) resignations and there were no retrenchments during the FY2022/23.

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 dependable information, communication, and technological infrastructure, which enabled the entity to thrive in discharging its operations. The NGB remains resilient in monitoring activities in the LPM Sector through the NCEMS to ensure accurate revenue generation.

2.3 Key policy developments and legislative changes

There are various government policies and plans which continued to inform the NGB's strategic direction and implementation of its mandate to achieve its intended outcomes, namely:

- The National Development Plan (NDP), 2030;
- The Medium-Term Strategic Framework 2019-2024;
- The National Gambling Policy, 2016;
- 2022 State of the Nation Address; and
- African Continental Free Trade Agreement (AfCFTA).

During the FY2022/23 there were no significant policy amendments or legislative changes.

2.4 Progress towards achievement of institutional Impact 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 as follows:

#	Outcome	Outcome Indicator	Five (5) year target	Progress made against the five (5) year target
1	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 for FY2020/21; FY2021/22; and FY2022/23
2	Economic transformation and increased participation of Historically Disadvantaged Individuals in the mainstream gambling industry	Development of an industry-wide transformation agenda	Development of an industry-wide transformation framework	Reviewed the B-BBEE levels of four (4) Casinos and one (1) bingo operator to inform development of the Transformation Framework
		Monitored PLA's on the increase in number of Historically Disadvantaged Individuals licenced in the gambling industry		
3	Effectively monitored PLA compliance with gambling legislation	Number of oversight evaluations conducted for PLAs compliance with gambling legislation	Twenty-seven (27) compliance oversight evaluations conducted for PLAs compliance with gambling legislation	Nine (9) compliance oversight evaluations conducted for PLAs compliance with gambling legislation

#	Outcome	Outcome Indicator	Five (5) year target	Progress made against the five (5) year target
4	Facilitated S16 confiscation of proceeds from illegal gambling activities	Reduction in the balance of proceeds from illegal gambling activities	100% reduction in the balance of proceeds from illegal gambling activities	7.8% reduction in the balance of proceeds from illegal gambling activities.
5	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 has published three (3) Gambling Sector Performance Reports for the following financial years: FY2019/20; FY2020/21; and FY2021/22.
6	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**	Five (5) Advisory reports pertaining to the following matters were presented to **the dtic**: Future regulation of the gambling industry FY2020/21; The economic recovery and reconstruction plan for the gambling industry FY2020/21; Gambling Legislative Advisory Report FY2020/21; Market Enquiry 2021/22; and Gambling Legislative Advisory Report FY2021/22.
7	Broad-based public education	Percentage implementation of the broad-based public education programme	100% implementation of the broad-based public education programme	The NGB overachieved on this target, bringing the percentage achievement on the broad-based public education programme to cumulative actual achievement of 224%.

There were no amendments to the approved 2022/27 Strategic Plan and 2022/25 Annual Performance Plan during the year.

3. Institutional Programme Performance Information

3.1 Strategic Outcomes

The strategic outcomes of the NGB are implemented through three (3) budgeted programmes. Two (2) programmes within the NGB contributed towards the organisation's core mandate, impact, outcomes, and outputs, which are set out in detail below.

3.1.1 PROGRAMME 1: GAMING CONTROL AND COMPLIANCE

3.1.1.1 Purpose of the programme

The Gaming Control and Compliance (GCC) programme performs mandated operational core functions in terms of the NGA. The programme conducts technical analysis of the modes of gambling, system audits, enforcement and compliance monitoring of PLAs in line with statutory imperatives as provided for in the gambling legislation.

3.1.1.2 Sub-programmes

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

Functional National Registers

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

National Central Electronic Monitoring System (NCEMS)

The NGB is mandated in terms of section 27 of the NGA, read with regulation 14 of the National Gambling Regulations, 2004, to supply, install, commission, operate, manage and maintain the NCEMS. According to the requirements of section 27 of the NGA, the NCEMS must be capable of detecting and monitoring significant events associated with any LPM that is made available for play in the Republic, including analysis and reporting of data. The NCEMS is essentially a system to track each LPM operated by a Route Operator (RO) or Independent Site Operator (ISO) in terms of location and status; record and validate every transaction on the LPM in real time; and periodically report collected data.

Gaming Control

The sub-programme monitors and analyses technological developments that affect gambling regulation and advises on the compliance of gaming devices with gambling legislation.

Compliance

The sub-programme is responsible for ensuring compliance with section 33 of NGA which requires the NGB to evaluate the issuing of national licences by PLAs and the compliance monitoring of licensees by PLAs.

Enforcement

The NGB is mandated in terms of section 33(c) of the NGA to assist the PLAs in ensuring that unlicensed gambling activities are detected. The sub-programme is required to ensure that, in complying with the NGA, the circumstances of the gambling activity of any winnings withheld and remitted to the NGB are investigated and if found to be illegally obtained, such funds are forfeited to the State.

3.1.1.3 Contribution towards institutional outcomes

The GCC programme contributes towards the following outcomes as set out in the NGB's 2022/25 Annual Performance Plan:

- Account for and identify all legal gambling machines, devices and owners; licensed juristic and natural persons and excluded persons;
- Economic transformation and increased participation of Historically Disadvantaged Individuals in the mainstream gambling industry;
- Effectively monitored PLA compliance with gambling legislation; and
- Facilitated S16 confiscation of proceeds from illegal gambling activities.

3.1.1.4 Outcomes , Outputs, Output Indicators, Targets and Actual Achievement

Programme / Sub-programme:								
Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from Planned Target to Actual Achievement 2022/2023	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	Over-achieved 100% uptime of national registers	Over-achieved 100% uptime of national registers	95% uptime and system analysis on functionality, effectiveness and maintenance of national registers	Over-achieved 100% uptime of national registers	The uptime target of 95% was exceeded by 5%	The uptime target of 95% was exceeded by 5%. No down time was reported due to hosting in a secure site with built in redundancies
	Maintained operational National Central Electronic Monitoring System	Percentage uptime of a fully operational National Central Electronic Monitoring System (NCEMS)	Over-achieved 99.99% uptime of National Central Electronic Monitoring System (NCEMS)	Over-achieved 99.99% uptime of National Central Electronic Monitoring System (NCEMS)	95% uptime on a fully operational NCEMS and system analysis of data, detection and monitoring of significant events associated with any LPM made available for play in the Republic	Over-achieved 99.99% uptime of National Central Electronic Monitoring System (NCEMS)	The uptime target of 95% was exceeded by 5%	The uptime target of 95% was exceeded by 5%. No down time was reported because of the redundancies built into the system
Economic transformation and increased participation of HDIs in the mainstream gambling industry	Monitored economic transformation commitments for HDIs in the mainstream gambling industry	Number of S53 economic transformation reports in the mainstream gambling industry produced	Achieved Four (4) reports on economic transformation and participation of HDIs in the mainstream gambling industry were submitted to the Accounting Authority	Achieved Four (4) reports on economic transformation and participation of HDIs in the mainstream gambling industry were submitted to the Accounting Authority	One (1) consolidated report on S53 economic transformation in the mainstream gambling industry produced	Achieved One (1) consolidated report on S53 economic transformation in the mainstream gambling industry was produced	Not applicable	Not applicable
Effectively monitored PLA compliance with gambling legislation	Evaluation of PLAs compliance with gambling legislation	Number of reports on nine (9) PLAs compliance with gambling legislation produced	N/A	N/A	One (1) consolidated report on PLA compliance evaluation with gambling legislation produced	Achieved One (1) consolidated report on PLAs compliance evaluation with gambling legislation was produced	Not applicable	Not applicable
	Conducted technical analysis of gambling games, machines and devices	Number of reports on technical analysis conducted	Four (4) Advisory Reports on gaming control and one (1) consolidated report on regulation were submitted to the Accounting Authority	Four (4) Advisory Reports on gaming control and one (1) consolidated report on regulation were submitted to the Accounting Authority	One (1) consolidated report on technical analysis of gambling games, machines and devices produced	Achieved One (1) consolidated report on analysis of technical gambling games, machines was produced	Not applicable	Not applicable
Facilitated S16 confiscation of proceeds from illegal gambling activities	Targeted investigations completed on the circumstances of illegal gambling activity	Percentage of targeted investigations completed on the circumstances of illegal gambling activity	N/A	N/A	100% of the total number of cases targeted for investigation completed	Under-achieved 21.4% of the total number of cases targeted for investigation completed	78.6% of the targeted investigations could not be completed.	Improper case management

3.1.1.4 Outcomes , Outputs, Output Indicators, Targets and Actual Achievement (continued)

3.1.1.4.1 Narrative of significant achievement

The NGB ensured that the national registers system was available at all times achieving 100% availability. This achievement meant that the necessary information captured and stored in the relevant registers was easily accessible for use thereby playing a critical role in the regulation of the industry. Furthermore, the NGB managed to achieve a 99.99% availability for NCEMS which is used to monitor, capture and report significant events on all LPMs made available for play in the Republic. This achievement ensured that the LPM sector was properly monitored and available to operators and punters all the time.

The NGB successfully analysed and reported on the gambling products currently used in the betting and wagering by bookmakers. The NGB identified instances where some of the products are interactive in nature and have subsequently engaged the relevant PLAs and reported to **the dtic** as well. These products are accessed through the internet and are not part of the products tested and approved in the Letter of Certification (LoC) but are treated as “contingencies” whose outcome people bet on.

The NGB continued to monitor economic transformation in the mainstream gambling industry as required by Section 53 of the NGA. In the FY2022/23, the NGB analysed four (4) casino operators, two (2) of which also participated in other modes of gambling (LPMs, betting and bingo) and one (1) bingo operator who had shareholdings in LPMs and betting sectors.

The NGB noted with concern, from the operators analysed, that participation by black persons, youth, persons with disabilities and black military veterans remains low. Taking this challenge into account, the NGB identified a need for amendments to be effected in relation to the transformation imperatives as contained in the Gambling Policy, 2016.

The NGB successfully evaluated nine (9) PLAs compliance with gambling legislation in terms of the compliance rating scale. The NGB further made use of a barometer to determine the compliance level for each PLA. Compliance criteria is premised on the NGA, provincial legislation, and all applicable acts and regulations.

Each PLA was allocated a percentage score in terms of the rating scale as elaborated in the table below:

Compliance Level		Levels	Description
	The compliance level is 75% or more.	4	Good practice: (Compliant)
	The compliance level is above 50% and below 75%.	3	Acceptable: (Not Adequately Compliant)
	The compliance level is above 25% and below 50%.	2	Needs improvement: (Non-Compliance with National Legislation)
	The compliance level is 25% and below.	1	Not coping/ poor: (Not Compliance with National and Provincial Legislation)

The barometer contains a PLA performance snapshot of findings identified during the compliance evaluation conducted for PLAs. This determines the overall percentage of each PLAs compliance, as depicted below:

PLA Performance Snapshot

PLAs Performance Snapshot %								
PLA	Overall %	NGA	B-BBEE	LPM REGULATIONS	FICA	Oversight evaluation on audits	Oversight evaluation: Advertising and Promotions	National Licences
LGB	71%	76%	0%	86%	22%	100%	100%	88%
KZNGBB	76%	81%	100%	91%	0%	100%	100%	100%
FSGLTA	86%	90%	0%	77%	89%	100%	100%	100%
NCGB	87%	86%	0%	82%	100%	100%	100%	100%
NWGB	94%	90%	0%	95%	100%	100%	100%	100%
MER	0%	0%	0%	0%	0%	0%	0%	0%
ECGB	89%	81%	0%	91%	100%	100%	100%	100%
GGB	97%	95%	100%	95%	100%	100%	100%	100%
WCGRB	0%	0%	0%	0%	0%	0%	0%	0%
	68%	67%	22%	69%	56%	78%	78%	76%

As shown in the table above, the following was noted with regards to compliance evaluations conducted during the FY2022/23:

- Seven (7) of the nine (9) PLAs consider commitments with B-BBEE when licensing operators, however, the PLAs set targets that are higher than those in the Generic Codes of Good Practice without obtaining approval from the Minister to deviate from the Codes as required by section 10(2)(a) of the B-BBEE Act. On this basis, seven (7) out of the nine (9) PLAs were found non-compliant with regards to the B-BBBE Act.
- In relation to compliance with the National LPM Regulations, 2000, one (1) PLA did not submit LPM applications in excess of five (5) machines as required by Regulation 3(2) of the LPM Regulation, 2000 which requires that the NGB, on good cause shown and upon application by a PLA, approves the operation of LPMs in excess of five (5) machines and not more than forty (40). Additionally, LPM sites from seven (7) PLAs did not comply with regulation 6 of the LPM Regulations, which require that the maximum aggregate prize payable in respect of an LPM game is R500.

- Non-compliance with Section 11 of the NGA was noted in four (4) PLAs, where interactive gambling was allowed by licensed operators. Furthermore, four (4) PLAs were compliant with the FIC Act, however despite two (2) of the four (4) PLAs, having Memorandum of Understanding (MOUs) with the Financial Intelligence Centre, none of the remaining two (2) PLAs complied with the requirements of the MOUs they concluded.
- All PLAs were found to be adequately monitoring and auditing its licensees' compliance to the Provincial and National legislation, with the exclusion of two (2) PLAs.
- PLA compliance levels are set out in the table below. Two (2) PLAs are at level 1 compliance, one (1) PLA is at level 3 and six (6) PLAs are at level 4 compliance.

PLA	COMPLIANCE SCORE	COMPLIANCE LEVEL
Limpopo Gambling Board	71%	3
KwaZulu-Natal Gambling and Betting Board	76%	4
Free State Gambling, Liquor and Tourism Authority	86%	4
North West Gambling Board	87%	4
Northern Cape Gambling Board	94%	4
Mpumalanga Economic Regulator	0%	1
Eastern Cape Gambling Board	89%	4
Gauteng Gambling Board	97%	4
Western Cape Gambling and Racing Board	0%	1

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

The NGB has successfully maintained functional national registers and the NCEMS such that there have been no systems downtime during the period under review. The five-year (5) target of remaining within a 5% variance of uptime on the systems has been achieved for the FY2020/21, FY2021/22 and FY2022/23. The NGB will continue to ensure strict adherence to this standard over the balance of the MTSF period.

The NGB was able to analyse the new products and technologies implemented in the gambling industry for compliance with legislation and was able to provide advice to **the dtic** with regards to the products used mostly in the betting and wagering sector.

The NGB continues to monitor PLAs compliance with gambling legislation and has conducted nine (9) of the twenty-seven (27) compliance oversight evaluations for PLAs compliance with gambling legislation. As such the NGB has achieved 33,33% of the MTSF target.

3.1.2 PROGRAMME 2: CORPORATE AND RESEARCH SERVICES

3.1.2.1 Purpose of the programme

The Corporate Services and Research (CSR) programme provides mandated operational core functions in terms of the National Gambling Act, 2004, (Act 7 of 2004). The programme specifically provides a broad-based public education and awareness programme and economic analysis of gambling sector performance of the industry.

The CSR programme further provides support services to the NGB to ensure satisfactory internal and external stakeholder engagement, and seeks to attain a conducive work environment that enhances business efficiency. The CSR programme comprises the following sub-programmes, Human Capital Optimisation (HCO), Legal Services, Research, ICT, and Corporate Governance.

3.1.2.2 Sub-programmes

Research and Advisory Services

Research and Advisory Services conduct 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 that 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 in terms of market share from an economic and institutional perspective. Research may include any topic as identified or required at a specific time.

Stakeholder Engagement

Stakeholder engagement resides at the centre of the NGB's mandate to improve public awareness about the latent risks and socio-economic impact of gambling. This is achieved through a robust combination of face-to-face engagement in communities, as well as mass communication through the media and digital media. The National Programme on Broad-Based Public Education sets out the strategic and tactical approach followed by the organisation in advocating for legal forms of gambling, the avoidance of illegal and unregulated modes of gambling, and the practice of responsible gambling behaviour by the public. The National Programme is based on the findings of research into the overstimulation of gambling, ensuring that the broad-based public education programme is targeted at the most pertinent geospatial and demographic areas where illegal and compulsive gambling are statistically known to be most probable. This includes disadvantaged areas with high unemployment, amongst social grant recipients, and the youth.

Legal Services

Legal Services provides corporate legal services to the NGB in the form of legal opinions, legal advice, legislative drafting, litigation, and drafting and vetting of contracts. Legal Services ensures that NGB's interests are promoted and protected in its business operations and that the NGB operates within the ambit of the law.

Corporate Governance

Corporate Governance focuses on Risk Management and governance matters relating to Records Management. Risk Management is focused on the identification, assessment and mitigation of strategic, operational and reputational risks that may hinder the NGB from achieving its objectives. It also ensures that there is proper maintenance of records, access to and protection of information.

Information Communication Technology

ICT ensures that assistive technologies are provided to support and enhance the overall organisational performance and efficiency.

Human Capital Optimisation

HCO focuses on integrated management of the work environment to optimise and nurture human capital to ensure business efficiency and labour relations are maintained.

3.1.2.3 Contribution towards institutional outcomes

The CSR programme contributes towards the following outcomes as set out in the NGB's 2022/25 Annual Performance Plan:

- Effectively monitored socio-economic patterns of gambling activity within the Republic;
- Uniformity of legislation in the gambling industry; and
- Broad-based public education.

3.1.2.4 Outcomes, Outputs, Output Indicators, Targets and Actual Achievement

Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from Planned Target to Actual Achievement 2022/2023	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 produced	Over-achieved Eight (8) reports were produced: Four (4) reports (based on unaudited data) and one (1) annual report on 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	Over-achieved Seven (7) reports were produced: Three (3) reports (based on unaudited data) and one (1) annual report on 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 were produced	Four (4) reports (based on unaudited data) and one (1) annual report on audited gambling sector performance produced	Over-achieved Nine (9) reports were produced: Four (4) reports (based on unaudited data) and one (1) annual report on audited gambling sector performance were produced Four (4) reports on socio-economic implications of market share and market conduct in the gambling industry were produced	Four (4) additional reports were produced	The gambling sector has undergone significant changes since the start of the pandemic, altering gambling preferences and potential for harm. Therefore, additional analysis was conducted on the socio-economic implications of market share and conduct for the purposes of understanding the industry's impact on society
	Conducted economic analysis and research on the impact of gambling	Number of reports on Economic Analysis and research conducted on the impact of gambling produced	Over-achieved Eight (8) reports were produced: Four (4) reports on the economic analysis and research conducted on the impact of gambling was submitted to the Accounting Authority 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 Two (2) reports on benchmarking the South African gambling industry against other jurisdictions were produced One (1) report on the Economic Recovery and Reconstruction Plan for the gambling industry was produced	Over-achieved Six (6) reports were produced: Three (3) reports on the economic analysis and research conducted on the impact of gambling were submitted to the Accounting Authority Three (3) reports on benchmarking the South African gambling industry against other jurisdictions were produced	One (1) annual consolidated economic analysis and research report on the impact of gambling produced	Over-achieved Two (2) reports were produced: One (1) annual consolidated economic analysis and research report on the impact of gambling was produced One (1) annual consolidated report on benchmarking the South African gambling industry against other jurisdictions was produced	One (1) additional report was produced	The gambling sector has undergone significant changes since the start of the pandemic, altering gambling preferences and potential for harm. Therefore, an additional analysis was conducted to benchmark South Africa against other countries to analyse how other gambling jurisdiction fared post the COVID-19 pandemic

3.1.2.4 Outcomes , Outputs, Output Indicators, Targets and Actual Achievement (continued)

Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from Planned Target to Actual Achievement 2022/2023	Reasons for Deviations
Uniformity of legislation in the gambling industry	Provided authoritative advice policy, statutory matters and legislative reform in the Gambling Industry	Number of reports on advice provided in terms of S65 of the NGA produced	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	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	One (1) annual consolidated S65 advisory report on gambling regulation was produced	Achieved One (1) annual consolidated S65 advisory report on gambling regulation was produced	Not applicable	Not applicable
Broad-based public education	Better informed and educated stakeholders	Number of broad-based public educational interventions about the risks of and socio-economic impact of gambling conducted	Conducted twenty-two (22) broad-based public education interventions about the risks and socio-economic impact of gambling	Conducted fourteen (14) 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 Conducted seventy-six (76) broad-based public educational interventions about the risks and socio-economic impact of gambling	Sixty-six (66) additional educational interventions were conducted	An additional resource was allocated to the sub-programme which resulted in efficiency improvement

3.1.2.4.1 Narrative of significant achievement

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:

- The gambling industry has experienced a significant rebound since the pandemic, with all modes of gambling experiencing positive growth. Particularly noteworthy is the unprecedented growth of the sports betting industry, which has more than doubled its value compared to pre-pandemic levels, now commanding the greater share of the market. GGR in FY2022/23 amounted to R47.2 billion. This was a R12.8 billion increase from the previous FY2021/22, and betting contributed R8.2 billion of this increase.
- The betting sector has been on a remarkable growth trajectory, expanding by 45.8% during FY2021/22 and continuing its upward climb in FY2022/23, with further expansion by 53.5%. The widespread internet penetration, reaching 70% of the population in 2020, along with the rising smartphone usage, has contributed to the surge in mobile betting participation, further bolstering the industry's growth. The surge in demand during and post-pandemic attracted new operators to the market, resulting in a 40% increase in the number of operational bookmakers between FY2020/21 and FY2021/22, and further growth of 23.5% in FY2022/23.
- Over the past decade, we have witnessed a substantial shift in market share among different modes of gambling. The casino sector, which once held 84% of the market share in FY2009/10, has seen its share diminish to 36.8% in FY2022/23. In contrast, the other modes of gambling, including betting, LPM, and bingo sectors, have increased their market share.
- In the year under review, the target for broad-based public education was overachieved. Seventy-six (76) interventions were conducted against a target of ten (10) across the communication channels of community outreach, media engagement and digital media. A concerted effort was made to improve the regularity of social media posts aimed at reaching a wider online audience. Messaging disseminated during interventions included brand building for the NGB and the gambling industry, legislation and regulation applicable to gambling, illegal versus legal forms of gambling, advocacy for responsible gambling and information about sources of assistance for problem gambling. A collaborative approach saw engagements conducted in conjunction with **the dtic**, the South African Responsible Gambling Foundation (SARGF), the National Credit Regulator (NCR), the South African Social Services Agency (SASSA), the South African National Council on Alcoholism and Drug Dependence (SANCA) and the Eastern Cape Gambling Board (ECGB). In this way, the NGB contributed to the goal of delivering a Capable State by taking services to the public. In addition, a successful National Gambling Conference was hosted in March 2023.

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

The NGB made strides in its journey towards the achievement of its Outcomes which are substantiated below:

- The continuous monitoring of market share and market conduct, as well as the publication thereof, has enabled the NGB to achieve three (3) out of 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 60% of this target in year three (3) of the five-year MTSF cycle.
- Further, the NGB has been in a position to provide a report to the Minister on gambling legislative advice. As such, the NGB achieved the five (5) year target of five (5) advisory reports in year-three (3) of the five (5) year MTSF cycle. Consequently, the NGB has early-achieved against this target.
- The five (5) year target to conduct fifty (50) broad-based public education interventions has been overachieved. During FY2022/23, seventy-six (76) interventions resulted in the cumulative target achievement of 224%, comprising one-hundred-and-twelve (112) interventions over the past three (3) financial years. Of the seventy-six (76) interventions in FY2022/23, twenty-five (25) were face-to-face engagements in communities. Of the twenty-five (25) face-to-face engagements, fifteen (15) were in the rural areas of the country and ten (10) in urban/peri-urban areas. The remainder of the interventions comprised thirty-nine (39) social media posts and twelve (12) media opportunities.

3.2 Women, youth and persons with disabilities

3.2.1 Procurement spend on women, youth and persons with disabilities

As a schedule 3A listed public entity, the NGB is required to comply with provisions of the Broad-Based Black economic Empowerment Act, 2003 (Act 1 of 2003) (B-BBEE Act), 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 or services from empowering suppliers with robust B-BBEE recognition levels.

To discharge this obligation, the NGB further complied with the prescripts of the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000) (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 R226,394,597 on service providers and suppliers that are at least 51% women-owned. This resulted in the entity achieving a score of 5 out of 5 for points allocated for procurement spend on women, achieving 118.96%

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 designated suppliers identified on the National Treasury Central Supplier Database were unreachable when contacted or they were registered for commodities that they did not provide and/or supply. This database was overwhelmed with suppliers who are reflected as "active suppliers" on the system but in reality were "inactive suppliers" as they were 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 initiatives which allows the entity to advertise and attract enterprises to become beneficiaries of the entity's enterprise development initiatives.

3.3 Strategy to overcome areas of underperformance

The NGB achieved nine (9) of its ten (10) annual performance targets. As at 31 March 2023, a total of thirty-seven (37) unlawful winning cases were investigated against a target of one hundred and seventy-three (173), which equates to 21.4% of completed investigations, resulting in the non-achievement of this annual target. Consequently, the NGB will closely monitor this area during the FY2023/24 to ensure that there is no under-achievement going forward.

3.4 Linking performance with budgets

TABLE 1: PROGRAMME EXPENDITURE

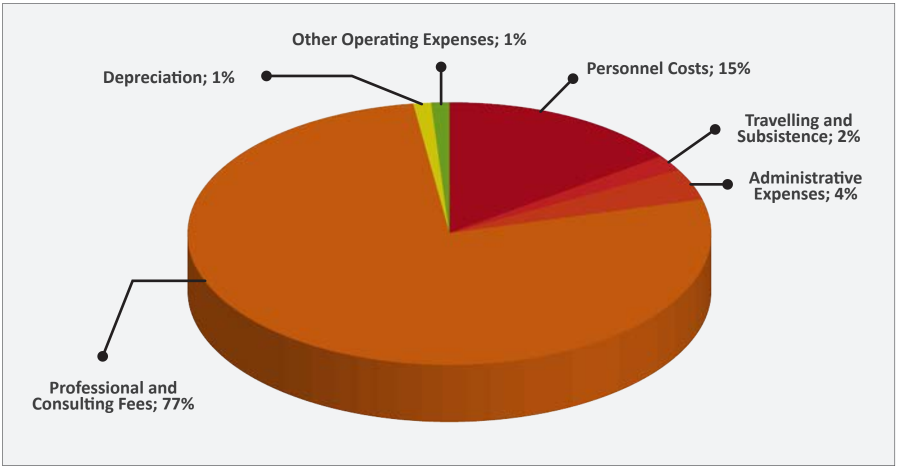
Programme/activity/ objective	2022/2023			2021/2022		
	Budget	Actual Expenditure	(Over)/Under Collection	Budget	Actual Expenditure	(Over)/Under Expenditure
Gaming Control & Compliance	220 924 218	211 043 220	9 880 998	196 649 798	205 798 095	(9 148 297)
Corporate Services & Research Services	33 009 055	43 029 037	(10 019 982)	16 396 561	12 701 536	3 695 025
Finance & Procurement	20 624 113	21 687 916	(1 063 803)	19 223 349	19 495 522	(272 173)
Total	**274 557 386**	**275 760 172**	**(1 202 786)**	**232 269 708**	**237 995 153**	**(5 725 445)**

A summary of financial information against performance and expenditure has been elaborated on above and can be expressed in rand values as per Table 1.

Revenue and expenditure analysis

As at 31 March 2023, total revenue of R290 million was received while total expenditure amounted to R275.8 million. This represents 100% of the budgeted year-to-date expenditure against the planned expenditure of R274.6 million. A surplus of R14.2 million was reported during the financial year ended 31 March 2023, against a budgeted surplus of R15.4 million.

FIGURE 1: percentage of expenditure according to cost items



A significant portion (77%) of the entity's expenditure was incurred against professional and consulting fees, mainly for the payment of the NCEMS operator in exchange for the LPM monitoring services rendered on behalf of the NGB. Personnel expenditure accounts for 15% of the entity's total expenditure, followed by administrative expenses, travelling and subsistence expenses, other operating and depreciation at 4%, 2%, 1% and 1% respectively.

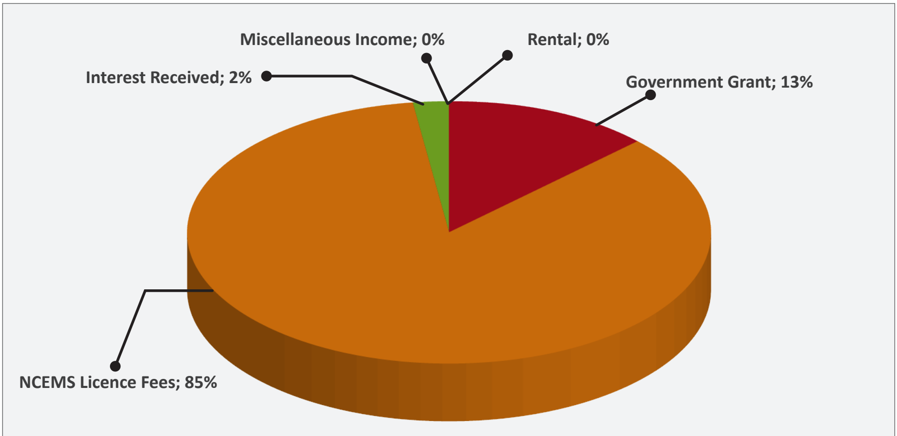
4. Revenue Collection

PROGRAMMES	2022/2023			2021/2022		
	ESTIMATE	ACTUAL AMOUNT COLLECTED	(OVER) / UNDER COLLECTION	ESTIMATE	ACTUAL AMOUNT COLLECTED	(OVER) / UNDER COLLECTION
Government Grant	36 477 000	36 477 000	0	35 928 000	35 928 000	0
NCEMS Licence Fees	247 299 996	247 256 642	(43 354)	200 500 000	221 048 859	20 548 859
Interest Received	5 918 582	5 918 585	3	3 720 000	2 521 115	(1 198 885)
Rental	0	0	0	0	400 411	400 411
Miscellaneous Income	300 000	311 127	11 127	0	0	0
Total	**289 995 578**	**289 963 355**	**(32 223)**	**240 148 000**	**259 898 385**	**19 750 385**

The NGB receives its funding from the National Treasury through **the dtic**. Other sources of revenue include LPMs monitoring fees and interest received.

Over and above the grant amounting to R36.5 million, additional revenue amounting to R253.5 million was received from other sources which include LPM monitoring fees of R247.3 million, interest on short-term investments amounting to R5.9 million, and miscellaneous income amounting to R311,127.

FIGURE 2: percentage revenue split



In the FY2022/23, LPM monitoring fees accounted for 85% of the total revenue, while 13% of the revenue was received from **the dtic** grant allocation. The remainder of the revenue (2%) was received from other sources such as 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 R5 million. R1.9 million of these assets are in the form of Property, Plant and Equipment (PPE). PPE is predominantly in the form of computer equipment, motor vehicles, office furniture and equipment. Intangible assets make up R3.1 million of the NGB's non-current assets and are mainly internally generated national registers.

Safeguarding of assets

Every NGB employee is the custodian of equipment, furniture and other assets issued to him/her and is therefore responsible for the safekeeping thereof. Assets 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 assets has been passed on to an external insurance service provider.

Asset maintenance

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

PART C

Gambling Sector Performance

1. Overview of the Gambling Industry

The NGB is mandated by the NGA, 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 1 April 2022 to 31 March 2023. 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.

TABLE 2: SNAPSHOT OF THE GAMBLING INDUSTRY AS AT 31 MARCH 2023

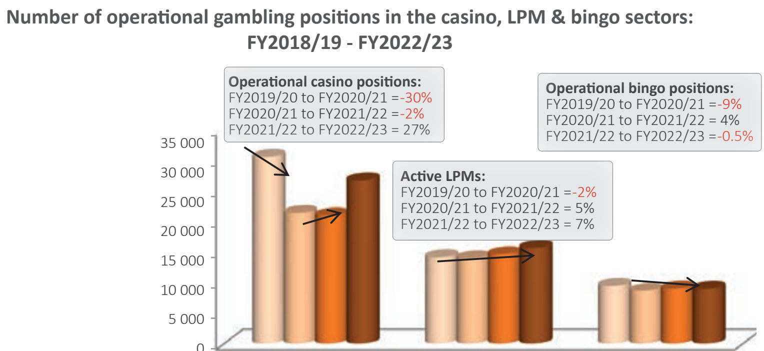
Variable	FY2021/22	FY2022/23	FY2022/23	FY2022/23	FY2022/23	FY2022/23
	Market conduct – as at Quarter 4	Market conduct – as at Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Number of operational casinos	38	38	38	38	38	38
Number of operational slots (casinos)	20959	21978	20404	21375	21701	21978
Number of operational tables (casinos)	842	911	846	823	918	911
Number of operational gambling positions (casinos)	25 507	26695	24522	25878	27495	26695
Number of operational totalisator outlets	306	299	299	291	303	299
Number of operational bookmakers	264	326	265	270	293	326
Number of operational bookmaker outlets	527	531	526	536	529	531
Number of operational Limited Payout Machine (LPM) site operators	2474	2624	2533	2550	2620	2624
Number of active LPMs	14591	15642	14887	14947	15580	15642
Number of operational bingo outlets	67	70	65	67	67	70
Number of operational bingo positions	8960	8917	8753	8897	9019	8917
Traditional	132	0	0	0	0	0
Electronic Bingo Terminals	8882	8917	8726	8765	8887	8917
National gambling statistics: Turnover	R559 880 253 827	R815 110 216 812	R175 471 498 001	R193 384 179 551	R222 202 344 386	R224 052 194 874
National gambling statistics: GGR	R34 430 989 724	R47 168 024 499	R10 497 547 481	R11 718 401 656	R12 713 397 628	R12 238 677 734
National gambling statistics: Taxes/levies collected	R3 150 812 854	R4 058 691 173	R927 033 988	R997 196 543	R1 093 744 741	R1 040 715 900

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 encourages competitiveness and job creation. The number of operational gambling positions and growth rate in GGR per mode was analysed from the FY2019/20 to FY2022/23.

Figure 3 reflects that although the FY2020/21 had declined in operational positions in the Casino, LPM and Bingo sectors, the Casino and LPM sectors have grown in operational positions in the FY2022/23 period showing signs of recovery from the effects of the COVID-19 pandemic. This is mainly as a result of less stringent restrictions allowing gambling establishments to operate more freely as well as increased uptake of vaccines which have increased the demand for gambling.

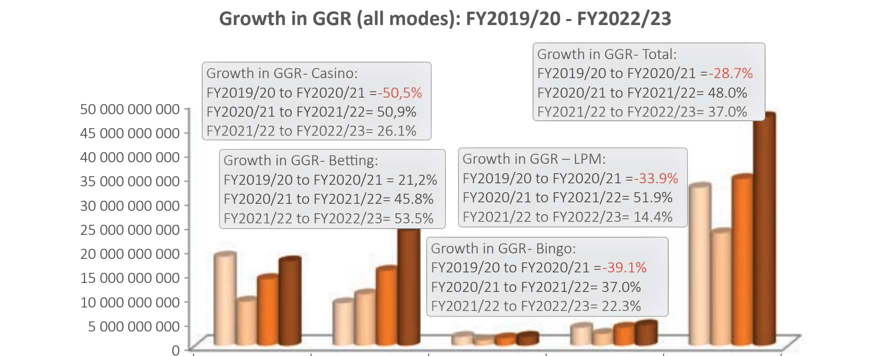
FIGURE 3: NUMBER OF GAMBLING POSITIONS IN THE CASINO, LPM & BINGO SECTORS: FY2019/20 – FY2022/23



	Casino	Limited payout machines	Bingo
Operational positions, FY2019/20	30 515	14 130	9 427
Operational positions, FY2020/21	21 349	13 914	8 625
Operational positions, FY2021/22	20 959	14 591	8 960
Operational positions, FY2022/23	26 695	15 642	8 917

Figure 4 shows the growth in GGR across the gambling modes over the period FY2019/20 and FY2022/23. Overall, GGR grew by 37.1% between FY2021/22 and FY2022/23. All gambling modes experienced positive growth with the largest growth occurring in the betting sector, growing 53.3%. The casino, LPM and bingo sectors grew by 26.6%, 14.4% and 21.6% respectively.

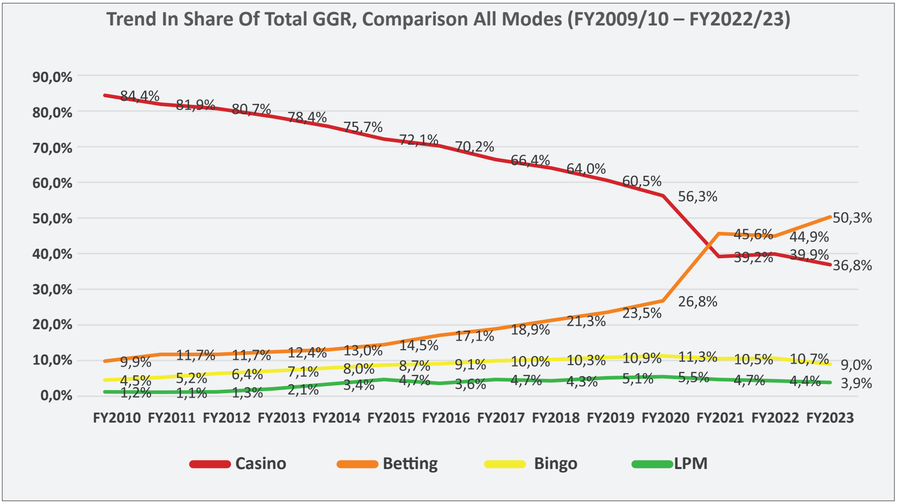
FIGURE 4: GROWTH IN GGR, ALL MODES (FY2019/20 – FY2022/23)



	GGR Casino	GGR Betting	GGR Bingo	GGR LPM	TOTAL
GGR, FY2019/20	18 394 077 253	8 764 027 638	1 810 774 980	3 681 852 665	32 650 732 535
GGR, FY2020/21	9 107 191 030	10 609 620 944	1 103 215 830	2 434 393 885	23 254 421 60
GGR, FY2021/22	13 753 507 077	15 468 352 646	1 510 403 511	3 698 726 491	34 430 989 724
GGR, FY2022/23	17 342 258 570	23 748 237 393	1 847 180 224	4 230 348 312	47 168 024 499

Figure 5 below illustrates the trend in GGR market share from FY2009/10 to FY2022/23. As at 31 March 2023, GGR from all modes of gambling totalled R47.2 billion (all quarters). Of this total, betting GGR accounted for the highest share 50.3%, whilst casino GGR accounted for 36.8%. LPM GGR accounted for 9.0% of the market whilst bingo GGR had the least market share in terms of GGR of 3.9%. From FY2009/10 to FY2022/23, however, the trend in market share showed that the share of casino GGR in the market has dropped from 84.4% to 36.8%, whilst the share of gambling revenues from other modes (betting, LPM and bingo sectors) has increased. The betting sector increased in market share from 26.8% to 50.3% 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-FY2022/23)



In the FY2022/23, GGR increased by 37.0% relative to the previous financial year to R47.2 billion. Betting accounted for half of GGR generated at 50.3%. Gauteng (27%) accounted for the highest amount of GGR generated across provinces, followed by the Western Cape (25.9%) and Mpumalanga (18.4%) as illustrated in figures 6 and 7 below.

FIGURE 6: GGR PER GAMBLING MODE, ALL PROVINCES, FY2022/23

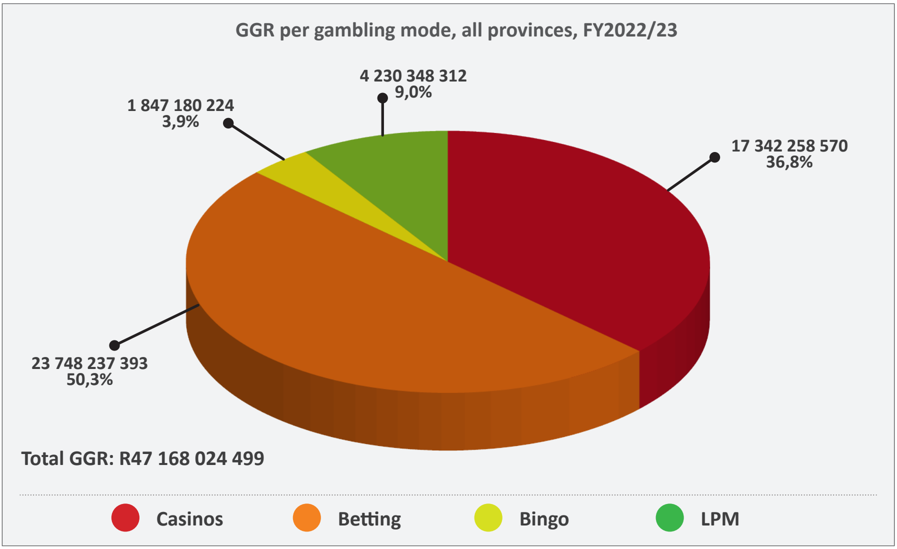
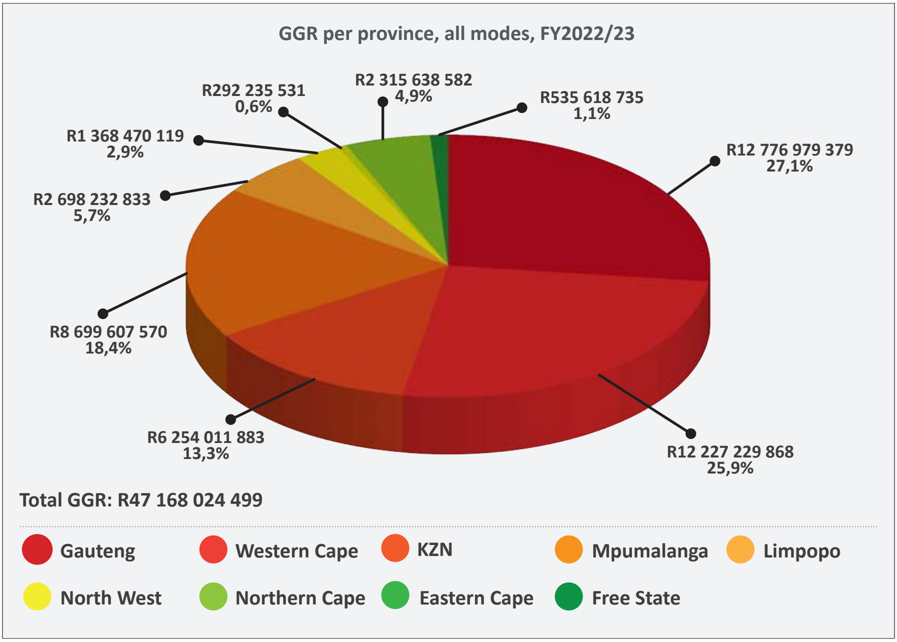


FIGURE 7: GGR PER PROVINCE, ALL MODES, FY2022/23



One of the economic benefits derived from the gambling industry is its ability to generate revenue 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. A total amount of R4.1 billion was collected during the FY2022/23, which is 28.9% higher than the taxes/levies in the previous financial year. At 43.1%, casinos contributed the highest amount of taxes/levies relative to other gambling modes. Gauteng accounts for 28.0% of taxes/levies generated by the gambling industry as depicted in figures 8 and 9.

FIGURE 8: TAXES/LEVIES PER GAMBLING MODE, ALL PROVINCES, FY2022/23

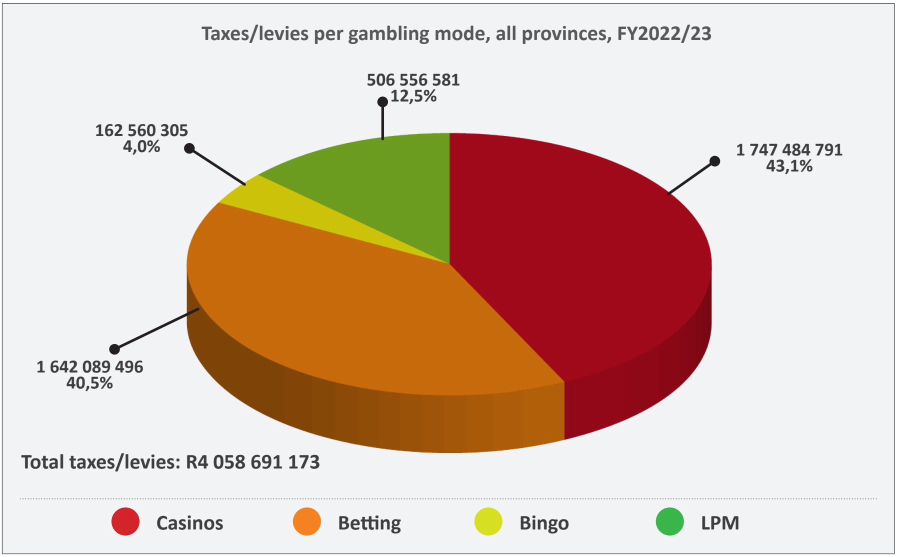
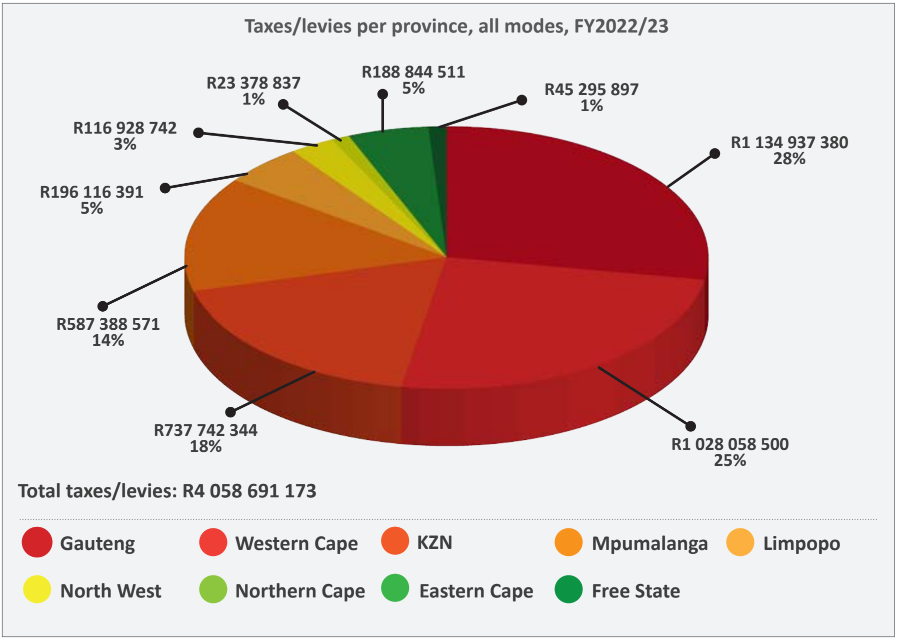


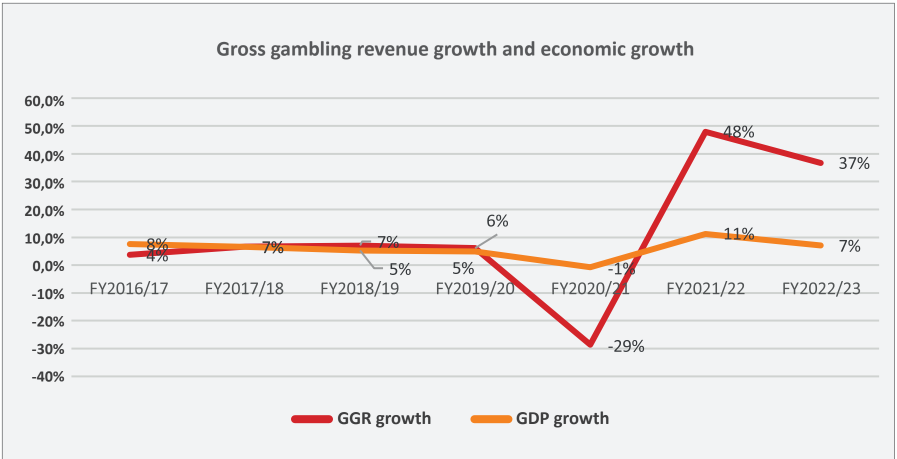
FIGURE 9: TAXES/LEVIES PER PROVINCE, ALL MODES, FY2022/23



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 annual Gross Domestic Product (GDP) growth against GGR growth. The graph shows that prior to the COVID-19 pandemic, the series moved in tandem, however the pandemic had a sharper impact on the gambling industry relative to the GDP decline. The recovery was also steep for the gambling industry. In the FY2022/23, gambling growth rates have returned to the normal trajectory, closer to economic growth patterns.

FIGURE 10: ANNUAL GGR GROWTH RATE AND GDP GROWTH 2016/17 TO 2022/23

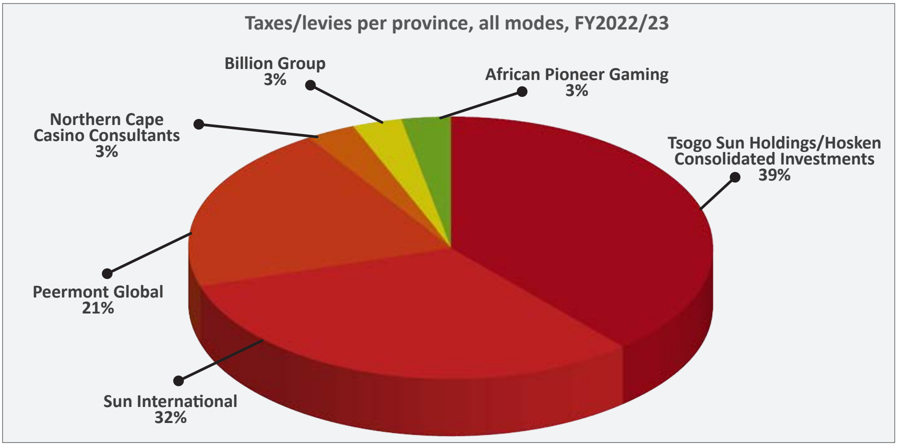


Operators per gambling mode

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

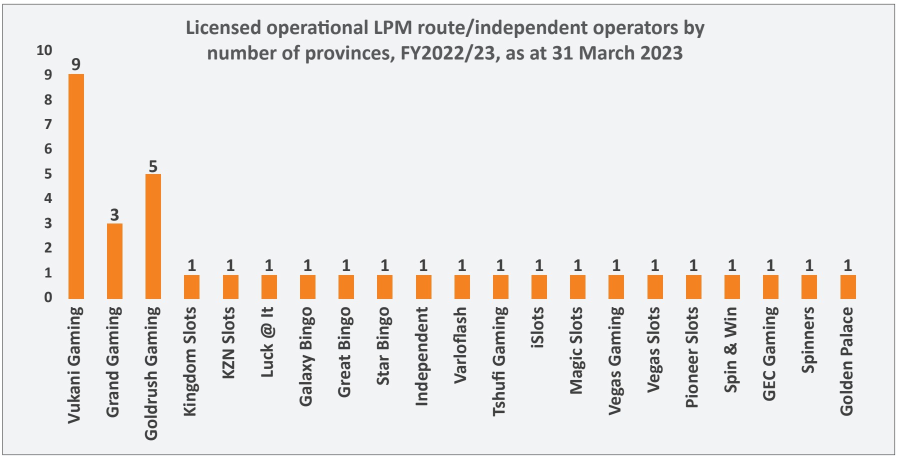
- **Casino sector:** As at 31 March 2023, a total number of thirty eight (38) casinos out of a maximum of forty one (41) licenses were operational in South Africa. The controlling shareholders for operational casinos are Sun International with twelve (12) casinos, Tsogo Sun Holdings/Hosken Consolidated Investments with fifteen (15) casinos, Peermont Resorts with eight (8) casinos, Northern Cape Casino Consultants with one (1) casino, Billion Group with one (1) casino and African Pioneer Gaming with one (1) casino as reflected in Figure 11.

FIGURE 11: MARKET SHARE OF OWNERSHIP OF OPERATIONAL CASINOS AS AT 31 MARCH 2023



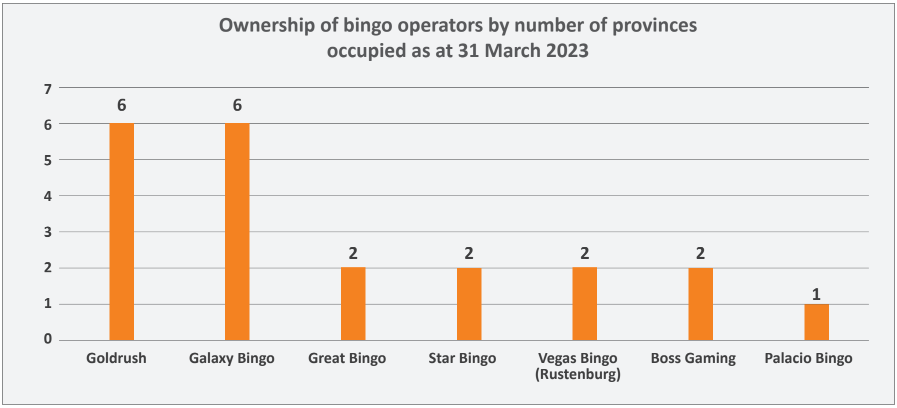
- **LPM sector:** The share of relevant LPM operators which are operational across the country are illustrated in Figure 12 below as at 31 March 2023. During the FY2022/23, Vukani Gaming operated in all nine (9) provinces; Goldrush Gaming operated in six(6) provinces (Gauteng, KwaZulu-Natal, Limpopo, North West, Northern Cape, and Free State); Grand Gaming operated in three (3) 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, ISlots, 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 2023



- **Bingo sector:** As at 31 March 2023, bingo is licensed and rolled out in six (6) out of the nine (9) provinces namely; Gauteng, North West, Limpopo, Mpumalanga, KwaZulu-Natal and Eastern Cape. The bingo operators which are operational in South Africa are represented by Galaxy Bingo operational in all provinces offering bingo for play i.e. Gauteng, KwaZulu-Natal, Mpumalanga, Limpopo, North West and Eastern Cape. Goldrush operated in the six (6) provinces as well namely; Gauteng, KwaZulu-Natal, Limpopo, North West, Mpumalanga 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, 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 2023



- **Betting sector:** Gold Circle is the totalisator operator in KwaZulu-Natal. 4Racing took over the business operations of Phumelela in Gauteng, Mpumalanga, Limpopo, North West, Northern Cape, Eastern Cape and the Free State. 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

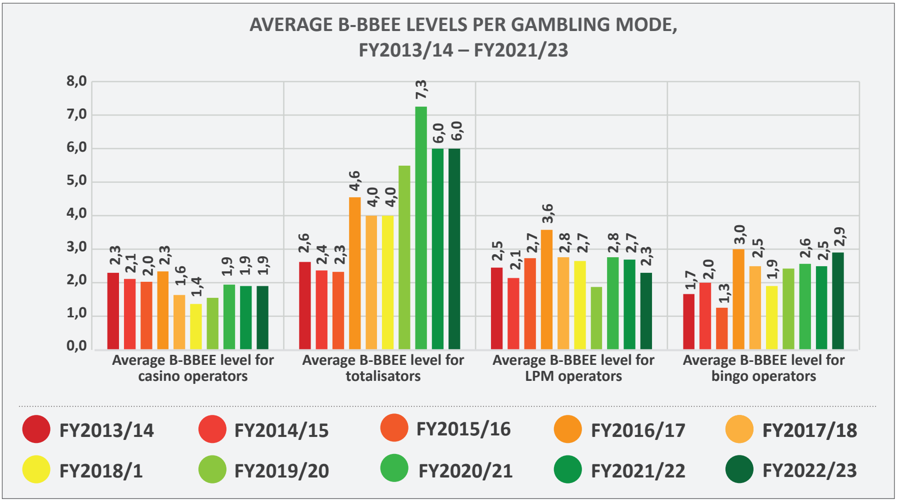
B-BBEE is an economic and political imperative in South Africa. Empowerment in the South African gambling industry is measured in terms of the Codes of Good practice published by **the dtic**. The gambling industry, to date, does not have its own transformation charter. Gambling enterprises are thus measured in terms of the generic scorecard and more specifically, the following: Ownership, Management Control, Employment Equity, Skills Development, Preferential Procurement, Enterprise Development and Socio-Economic Development. However, on 11 October 2013, **the dtic** released the revised B-BBEE Codes of Good Practice. The old and the new codes have been merged to monitor contributor levels applicable to the FY2018, and as follows:

- Ownership;
- Management control;
- Skills development;
- Enterprise (supplier) development; and
- Socio-economic development.

Based on the information submitted by PLAs, the average B-BBEE status or contributor level of the South African gambling industry as at 31 March 2023 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 6
- Average B-BBEE level for LPM operators: Level 2.3
- Average B-BBEE level for bingo operators: Level 2.9 (currently only operational in Gauteng, Mpumalanga, North West, Eastern Cape and KwaZulu-Natal).

FIGURE 14: AVERAGE B-BBEE LEVELS PER GAMBLING MODE, FY2013/14 – FY2021/22



A detailed breakdown of B-BBEE levels per gambling mode and operator from FY2011/12 to FY2022/23, is reflected below:

Table 3 presents the BBBEE levels for the casino sector from FY20211/12 to FY2022/23. On average, the casino sector achieved a level 1.9 B-BBEE compliance for the FY2022/23, similar to the previous financial year. This deems the sector as the most compliant of all modes of gambling with black empowerment in terms of ownership, management control, skills development, enterprise and supplier development, and socio-economic development.

TABLE 3: B-BBEE LEVELS FOR THE CASINO SECTOR FROM FY2011/12 TO FY2022/23

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	FY2021/22	FY2022/23
GAUTENG	Morula Sun Casino (GT),	Sun International	2	2	2	2	2	4	Closed	Closed	Closed	Closed	Closed	**Closed**
	Carnival City (GT)	Sun International										2	2	**2**
	Time Square (GT)	Sun International					2	2	1	1			1	**1**
	Montecasino (GT),	Tsogo Sun	2	2	2	2	2	2	1	1		1	1	**2**
	Gold Reef City Casino (GT),	Tsogo Sun	3	2	2	2	2	2	1	1		2	2	**2**
	Silverstar Casino (GT)	Tsogo Sun	2	2	2	2	1	1	1	1		2	2	**1**
	Emperors Palace (GT)	Peermont Global	2	2	2	2	2	1	1	1		2	1	**2**
	Emerald Safari Resort (GT)	London Clubs International			3	2	2	4	2	2		4	3	**2**
WESTERN CAPE	Grandwest Casino (WC),	Sun International	3	3	2	2	2	4	3	2	1	1	1	**1**
	Golden Valley Casino (WC),	Sun International	3	3	2	2	3	3	1	4	2	2	3	**1**
	Caledon Hotel Spa Casino (WC),	Tsogo Sun	2	2	2	2	2	2	2	1	1	1	2	**2**
	Casino Mykonos (WC),	Tsogo Sun									2	2	2	**2**
	Garden Route Casino (WC),	Tsogo Sun									1	1	2	**2**
KWAZULU NATAL	Sibaya Casino (KZN),	Sun International	2	2	2	2	2	3	3	1	1	3	3	**4**
	Suncoast Casino (KZN),	Tsogo Sun	2	2	2	2	2	2	1	1	1	1	1	**2**
	Black Rock Casino (KZN),	Tsogo Sun	3	3	3	2	2	2	1	1	1	1	1	**2**
	Golden Horse Casino (KZN),	Tsogo Sun	2	2	2	2	2	1	1	1	1	1	1	**2**
	Umfolozi Casino (KZN),	Peermont Global	2	2	2	2	2	1	1	1	1	1	1	**1**
MPUMALANGA	The Ridge Casino (MP),	Tsogo Sun	3	2	2	2	2	1	1	1	1	1	2	**2**
	Emnotweni Casino (MP),	Tsogo Sun	3	2	2	2	2	1	1	1	1	1	2	**2**
	Graceland Hotel Casino (MP)	Peermont Global									1	1	1	**1**

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	FY2021/22	FY2022/23
LIMPOPO	Meropa Casino (LP),	Sun International	2	2	2	2	2	4	1	1	1	2	2	**5**
	Khoroni Hotel Casino (LP)	Peermont Global									1	1	1	**1**
	Thaba Moshate (LP)	Peermont Global									1	1	1	**1**
NORTH WEST	Sun City (NW),	Sun International	3	3	3	3	2	1	1	1	1	1	2	**1**
	Carousel Casino (NW),	Sun International		2	2	2	2	4	2	1	3	5	5	**2**
	Mmabatho Palms Casino (NW),	Peermont Global									1	5	1	**1**
	Rio Casino (NW),	Peermont Global									1	2	1	**1**
NORTHERN CAPE	Flamingo Casino (NC),	Sun International	4	4	4	2	4	4	4	2	2	2	2	**1**
	Desert Palace Hotel Resort (NC)	Northern Cape Consultants Kairo	2	2	2	2	2	2	2	2	2	2	2	**2**
	Grand Oasis Casino	Tsogo Sun					2	2	2	2	2	2	2	**2**
EASTERN CAPE	Boardwalk Casino (EC),	Sun International	3	3	3	2	2	3	3		2	2	2	**2**
	Wild Coast Sun (EC),	Sun International	3	3	3	3	2	2	2		2	1	1	**1**
	Hemingways Casino (EC),	Tsogo Sun	3	3	3	2	1	1	1		1	1	1	**1**
	Queens Casino (EC),	African Pioneer Gaming Pty Ltd			2	3	2	3	3		8	8	8	**8**
	Mayfair Casino (EC)	Billion Group									1	1	1	**1**
FREE STATE	Windmill Casino (FS),	Sun International	2	2	2	2	2	4	2	2	2	3	5	**4**
	Naledi (FS),	Sun International	2						Not rated	Not rated	Closed	Closed	Closed	**Closed**
	Gold Fields	Tsogo Sun	2	2	2	2	2	2	1	1	1	2	1	
	Frontier Inn	Peermont Global									1	1	1	**1** **1**
Average BBBEE Level														

On average, the totalisator sector achieved a level 6 B-BBEE compliance for the FY2022/23, an improvement from the previous financial year. However, although compliant with B-BBEE, the degree of compliance in this sector is lower than other modes of gambling.

TABLE 4: B-BBEE levels for totalisators from FY2011/12 to FY2022/23

Name of totalisator	Name of provincce	Contributor / B-BBEE level											
		FY2011/12	FY2012/13	FY2013/14	FY2014/15	FY2015/16	FY2016/17	FY2017/18	FY2018/19	FY2019/20	FY2020/21	FY2021/22	FY2022/23
Kenilworth Racing (4Racing)	Western Cape				2	2	4	4	4	8	8	8	8
Gold Circle	KwaZulu-Natal			4	4	2	3	4	4	6	5	5	2
4Racing	Limpopo	3	3	2	2	2	5	4	4	6	6	6	4
4Racing	Mpumalanga	3	3	2	2	2	5	4	4	4	8	4	4
4Racing	Gauteng		3	2	2	2	5	4	4		6	6	6
4Racing	North West	4	3	3	3	2	5	4	4	6	8	8	8
4Racing	Free State	3	3	2	2	2	5	4	4	4	8	4	8
4Racing	Eastern Cape			2	2	2	5			6	6	6	4
4Racing	Northern Cape					5	4	4	4	4	8	8	8

On average, the bingo sector achieved a level 2.9 B-BBEE compliance for the FY2022/23, a slight improvement from the previous financial year. This shows that the industry is making strides to comply with B-BBEE. Table 5 presents the BBBEE levels for the bingo sector from FY2011/12 TO FY2022/23.

TABLE 5: B-BBEE levels for the Bingo sector from FY2011/12 to FY2022/23

Name of bingo operator	Contributor / B-BBEE level											
	FY2011/12	FY2012/13	FY2013/14	FY2014/15	FY2015/16	FY2016/17	FY2017/18	FY2018/19	FY2019/20	FY2020/21	FY2021/22	FY2022/23
GAUTENG												
Goldrush (Atterbury)	3	2	2	3.7*	1.6*	7.5*						4
Goldrush Bingo Morula												4
Goldrush West Gate							7.8*	7.8*		7	7	8
Goldrush Alberton												8
Galaxy Bingo		2	2	2	2	2*	1	1		1	1	1
MPUMALANGA												
Goldrush Bingo Ermelo						8	8		8	8	8	8
Goldrush Bingo middleburg												8
Goldrush Bingo Bushbuckridge							2 (Exempt)	8 and	2 (Exempt Micro Enterprise)	2 (Exempt Micro Enterprise)	2 (Exempt Micro Enterprise)	2 (Exempt Micro Enterprise)
Galaxy Bingo Hazyview							2 (Exempt)	1	1	2 (Qualifying Small Enterprise)	2 (Qualifying Small Enterprise)	2 (Qualifying Small Enterprise)
Galaxy Bingo Emalahleni							1 (Exempt)	1 (Exempt)	1 (Exempt Micro Enterprise)	1 (Exempt Micro Enterprise)	1 (Exempt Micro Enterprise)	2 (Exempt Micro Enterprise)
Galaxy Bingo Mbombela												2 (Exempt Micro Enterprise)
Galaxy Bingo Tonga												2 (Qualifying Small Enterprise)
Supabingo (Acornhoek)												4 (Exempt Micro Enterprise)
Star Bingo								4 (Exempt)	4 (Exempt Micro Enterprise)	4 (Exempt Micro Enterprise)	4 (Exempt Micro Enterprise)	4 (Exempt Micro Enterprise)
NORTH WEST												
Goldrush Bingo Rustenburg			N/A	4	1	2	2	2	2	2	2	2
Goldrush Bingo Potchefstroom												2
Galaxy Bingo Moruleng				1	1	4	4	2	2	2	2	2
Galaxy Bingo Brits												2
Pioneer bingo										1	n/a	1
Ansino Vryburg												2
Eliocube								2	2	2	2	2
Latiano Bingo												N/A
Jonoforce Bingo												n/a

Name of bingo operator	Contributor / B-BBEE level											
	FY2011/12	FY2012/13	FY2013/14	FY2014/15	FY2015/16	FY2016/17	FY2017/18	FY2018/19	FY2019/20	FY2020/21	FY2021/22	FY2022/23
EASTERN CAPE												
Galaxy Bingo			1	1	1.8*	2	2		1.8	2	2	2
Palacio Bingo						2	2		2	2	2	2
Goldrush Bingo						2	2		2	2	2	2
ISO Golden Palace Sterkspruit											1	1
ISO Spin and Win Entertainment Mbizana											2	2
ISO K2014000230 (Pty) Ltd t/a Spin N Win Uitenhage											1	1
ISO K2017448757 (Pty) Ltd t/a Spinners Mount Frere											2	2
ISO GEC Gaming (Pty) Ltd t/a Royal Aces & Bistro											1	1
KWAZULU-NATAL												
Galaxy Bingo					1	2	2	2	2	2	2	2
Great Bingo						1	1	1	1	2	1	1
Goldrush Bingo						4	N/A	N/A	4	4.6	4,6	4,6
Star Bingo											4	4
Go Bingo											4	4
LIMPOPO												
Boss Gaming						4		4	2	2	2	2
Galaxy Bingo						2	2	2	2	2	2	2
Goldrush Bingo							2	2	2	2	2	2
Vegas Bingo							2	2	2	2	2	2
Average	**3**	**2**	**1,7**	**2**	**1,3**	**3**	**2,5**	**1,9**	**2,4**	**2,6**	**2,5**	**2,9**

*Those exempted excluded

On average, the LPM sector achieved a level 2.3 B-BBEE compliance for the FY2022/23, a slight improvement from the previous financial year. This sector demonstrates that it is also making strides to achieve greater levels of compliance with B-BBEE.

TABLE 6: B-BBEE levels for the LPM sector from FY2011/12 to FY2022/23

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	FY2021/22	FY2022/23
GAUTENG												
Vukani Gaming		1	3	2	2	1	1	1		1	1	1
Gold Rush Gaming					2	7	7	5		8	8	8
Hot Slots				0	8	8		8		4	4	4
Grand Gaming		1	4	3	5	8	6	6		4	4	4
Crazy Slots							Not compliant	Non-Compliant		8	8	5
EASTERN CAPE												
Vukani Gaming			3	3	3	3	3		1	1	1	1
Pioneer Slots			3	1	2		4		1	3	3	3
FREE STATE												
Vukani Gaming	3	1	1	1	2	2	2	2	1	1	2	1
Goldrush							2	2	2	2	2	2
KWAZULU-NATAL												
Vukani Gaming	1	1	3	2	2	2	2	2	1	1	1	1
Kingdom Slots	4	4	3	3	5	2	5	4	3	2	2	1
Luck-at-it	1	1	1	1	2	5	1	2	1	1	1	1
KZN Slots	5	5	5	5	5		4	4	3	4	4	1
LIMPOPO												
Vukani Gaming	2	2	3	2	2	1	1	1	1	1	1	1
Goldrush	3	3	1	1	1	4	1	1	1	8	8	4
MPUMALANGA												
Vukani Gaming	4	3	3	2	2	3	3	1	2	2	2	
Tripple 7 Slots									4 (Exempt Micro Enterprise)	4 (Exempt Micro Enterprise)	4 (Exempt Micro Enterprise)	2 4 (Exempt Micro Enterprise)
Hendecol Gaming									1 (Exempt Micro Enterprise)	1 (Exempt Micro Enterprise)	1 (Exempt Micro Enterprise)	1 (Exempt Micro Enterprise)
Grand Gaming			2	2	2	Level 2 QSE	4 (Exempt)	Exempt	4	5	4	1
Galaxy Gaming					1	2 (Exempt	1 (Exempt)	Exempt	2	1 (Exempt Micro Enterprise)	2 (Exempt Micro Enterprise)	2 (Exempt Micro Enterprise)
Decatex Gaming									1 (Exempt Micro Enterprise)	2 (Exempt Micro Enterprise)	1 (Exempt Micro Enterprise)	1 (Exempt Micro Enterprise)

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	FY2021/22	FY2022/23
NORTH WEST												
Vukani Gaming	4	2	2	2	1	4	2	2	1	1	1	1
Goldrush Slots		3	1	1	1	2	2	2	2	2	2	5
Varloflash						4	2	2	2	2	2	2
Tshufi Gaming								2	2	2	2	2
Magic Slots								2	2	2	2	2
Ansino-Klerksdorp												2
Ansino Portchefstroom												2
Vegas Slots Rustenberg									2	2	2	2
Vegas SlotsHebron									2	2	2	2
WESTERN CAPE												
Vukani Gaming	2	3	3	2	3	3	2	2	2	2	1	1
Grand Gaming				2	5	5	4	4	3	3	2	2
NORTHERN CAPE												
Goldrush Gaming						2	2	2	2	2	2	2
Vukani Gaming					2	2	2	2	2	2	2	2
Average	**2,9**	**2,4**	**2,5**	**2,1**	**2,7**	**3,6**	**2,8**	**2,7**	**1,9**	**2,8**	**2,7**	**2,3**

5. Employment in the Gambling Industry

The NGB monitors direct employment numbers in the gambling sector (industry and regulators). A total number of 32677 people (direct employment) were employed in the gambling industry (including at regulators) as at 31 March 2023 up by 2% from the FY2021/22 level of 31997. In general, the casino sector, and Gauteng province, accounted for the highest numbers in terms of direct employment in the gambling industry as reflected in Table 7.

TABLE 7: DIRECT EMPLOYMENT PER PROVINCE AND MODE, FY2022/23

DIRECT EMPLOYMENT PER PROVINCE AND MODE, FY2022/23										
Gambling mode	PROVINCE									
	Gauteng	Western Cape	KwaZulu-Natal	Mpuma-langa	Limpopo	North West	Northern Cape	Eastern Cape	Free State	TOTAL
Casinos	3450	2551	4240	434	340	444	247	1250	349	13305
Totalisators	185	139	988	58	54	13	4	78	51	1570
Bookmakers	5539	1586	2353	604	1177	132	134	273	208	12006
LPM	644	66	95	436	739	95	23	692	335	3125
Bingo	271	0	732	182	158	156	0	393	0	1892
REGULATORS										
PLAs	117	69	77	75	65	71	18	163	124	779
TOTAL	**10206**	**4411**	**8485**	**1789**	**2533**	**911**	**426**	**2849**	**1067**	**32677**

6. Responsible Gambling[1]

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).

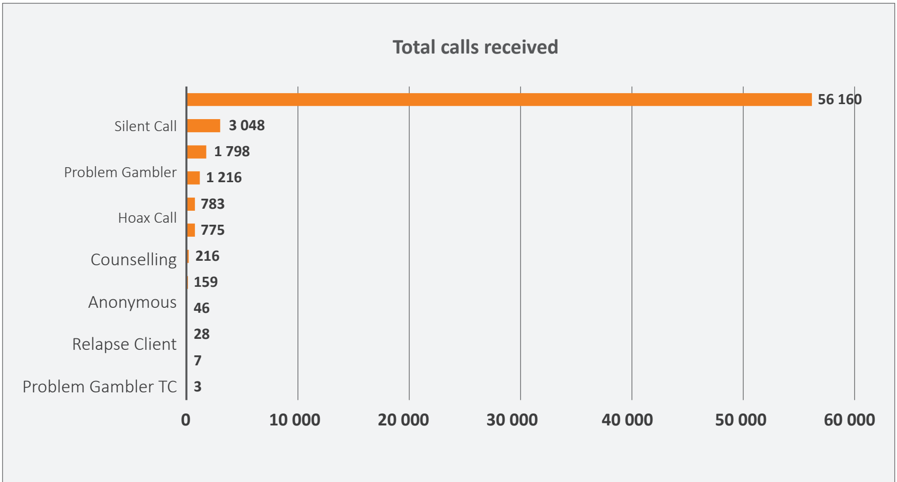
The Foundation is funded by the South African gambling industry, which consists of the following sub-sectors: casino, betting, bingo, LPM and bookmakers. The industry funding is curbed at 0.1% of the industry's GGR (i.e., money staked less money paid out in winnings).

Through its flagship programme, the National Responsible Gambling Programme (NRGP), the Foundation provides free treatment and counselling to individuals negatively affected by gambling. It also offers public awareness programmes to sensitise the public about the adverse consequences of disordered gambling on themselves and their loved ones. Over and above these programmes, the Social Interventions Unit provides counselling and support to vulnerable groups, that is, children, teenagers, the elderly, and social grant recipients.

6.1 Treatment and Counselling

In the FY2022/23, the NGRP received 64 239 calls, of which 2 299 punters requiring support were sent for treatment with professionals based across all provinces. Figure 15 below classifies the calls received.

FIGURE 15: TOTAL CALLS RECEIVED



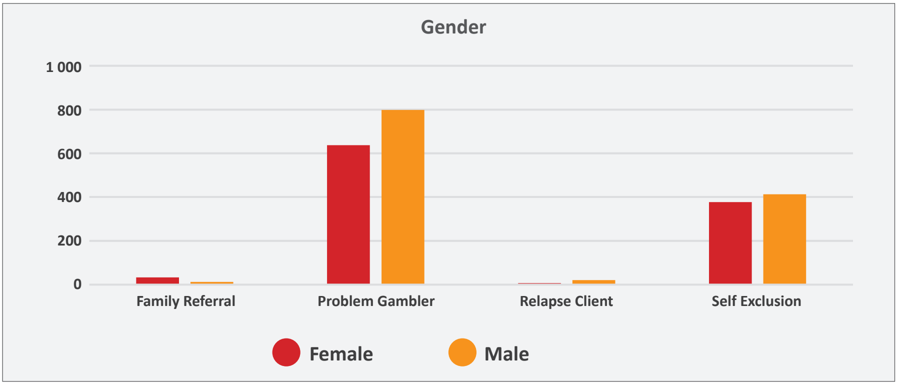
1 FY 2022/23 The South African Responsible Gambling Foundation Highlights for the NGB.

FIGURE 16: TREATMENT REFERRALS BY TYPE

Type of Referral	2022/23	2021/22
Self-Exclusion	790	559
Relapse Client	28	16
Family Referral	46	25
Problem Gambler	1 435	765
Total	**2 299**	**1 365**

Of the 2 299 assisted punters; 1 245 were male and 1 054 were female. Out of the 46 punters referred by family, 33 were female and 13 were male. The problem gambler category comprised 637 female and 798 males while the relapse client category had 7 females and twenty 21 males. The self-exclusion category had 377 females and 413 males. The data shows that gambling problems still remains more predominant with male punters.

FIGURE 16: PUNTER CLASSIFICATION BY GENDER

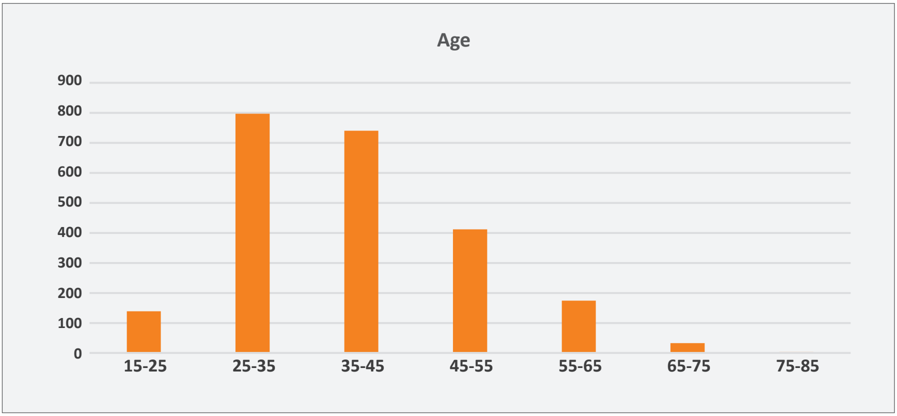


Classification by Age

Of the 2,299 punters assisted the top three age cohorts are as follows:

- 25 to 35 years;
- 35 to 45 years, and
- 45 to 55 years

FIGURE 17: PUNTER CLASSIFICATION BY AGE



As indicated in the table above, data indicates that problem gambling is still on the rise between the 25-35 years cohort who are more of the youthful and technological savvy group of the population. This is followed by the 35-45 years cohort in the second place.

FIGURE 18: CLASSIFICATION BY PROVINCE

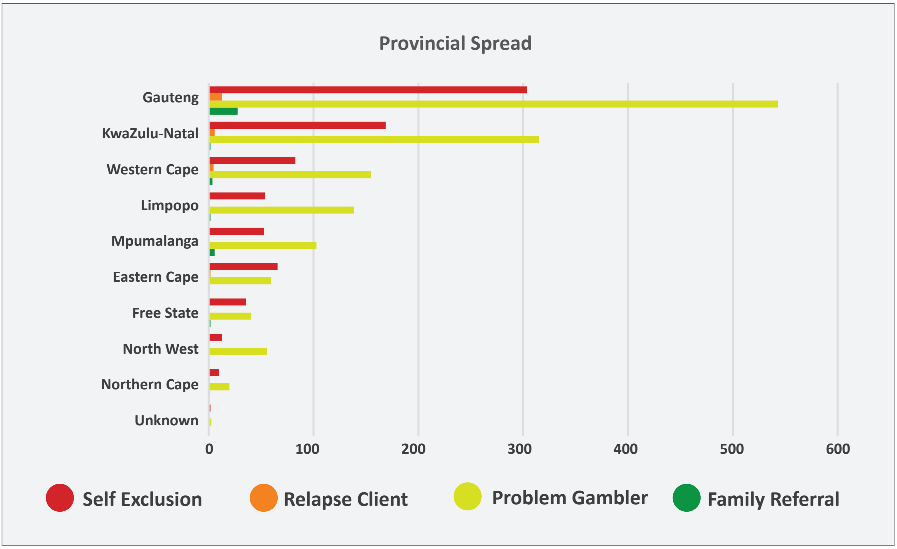
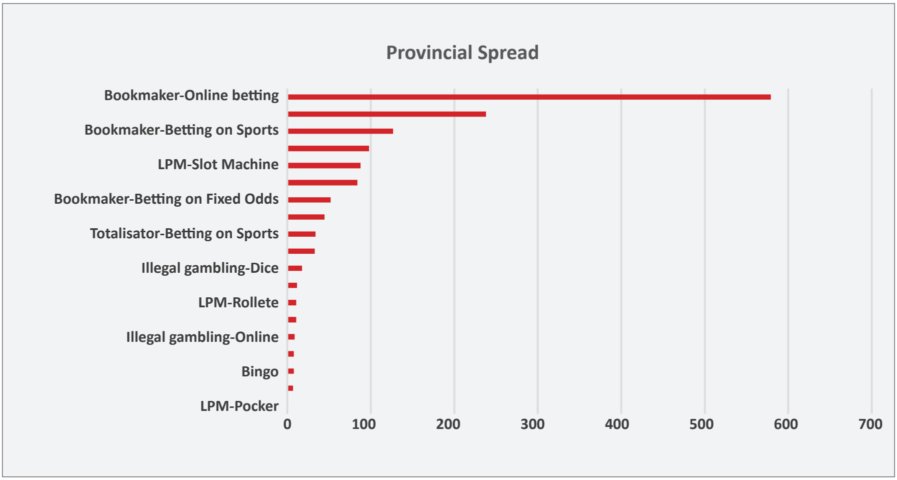


Figure 19 above shows that problem gambling is high in the Gauteng province, followed by KwaZulu-Natal and Western Cape provinces.

FIGURE 19: GAMBLING MODE DISTRIBUTION



6.2 Treatment Services

A total of 4 925 sessions were scheduled for treatment of which 3 088 were problem gambler sessions, 1 719 self-exclusions and 57 were sessions for punters who had relapsed. A total of 61 treatment services were not categorised.

Furthermore, from a total of 4 925 scheduled sessions, 3 483 were assisted, 473 sessions were cancelled, and 464 punters did not show up for sessions. A total of 504 appointments remained pending at the end of FY2022/23.

Treatment Type	Number of Sessions Treated	Number of sessions Cancelled	Number of sessions Pending	Number of Shows	Grand Total
Problem Gambler	2 090	335	317	346	3 088
Self-Exclusion	1 312	123	173	111	1719
Family Referral	42	6	9	3	60
Relapse	39	9	5	4	57
Total	**3 483**	**473**	**504**	**464**	**4924**

6.3 Inpatient Admission/ Psychiatric Evaluation

In the FY2022/23, the Foundation added psychiatric evaluation to enhance its referral process. In this programme, prior to a patient being admitted, the Foundation requires a diagnosis report to be issued by a psychiatrist to not only understand the nature and extent of the programme, but also enhance the treatment while the patient is admitted. In this Financial Year, the Foundation had nine (9) inpatient referrals who were referred for rehabilitation and consultation for the purpose of psychiatric evaluation.

6.4 Inpatient Admission/ Psychiatric Evaluation Breakdown

- **Quarter 1**
  A 41-year-old female with disordered gambling and comorbidity of suicidal ideation was admitted at Elim Clinic. Based on the presenting symptoms which includes suicide ideation, this patient was therefore classified as experiencing a severe case of disordered gambling as defined by the DSM-IV.

- **Quarter 2**
  There were two (2) admissions in quarter 2; a 38-year-old female and a 35-year-old male, with primary diagnosis of severe disordered gambling.

- **Quarter 3**
  Two patients referred for rehabilitation were 54- and 26-year old males.

- **Quarter 4**
  There were four (4) admissions during this quarter. The first related to a 52-year-old female who consulted for the purpose of a psychiatric evaluation.

  The second patient was a 36-year-old female, diagnosed with a severe gambling disorder. The client was subsequently admitted to a private hospital for 14 days and had not yet attended an aftercare programme.

  The third patient was a 23-year-old male, who has attended one (1) psychiatric consultation session.

  The last patient was a 33-year-old female who was referred for two (2) sessions with a psychiatrist. The patient only attended one session.

6.5 Social Services

This programme was piloted in the financial year under review. The aim of this programme is to provide services to families impacted by the harmful effects of disordered gambling, prevention and protection of vulnerable groups, as well as providing support to patients who have relapsed.

- **Relapse Prevention Programme:**
  Relapse prevention programme involves offering group sessions to individuals that attend counselling sessions with SARGF Treatment Professionals. In the FY2022/23, the Foundation did not have any record of group interventions conducted by Treatment Professionals.

- **Minor Interventions:**
  Two (2) referrals were received for minor intervention through the taking risks wisely programme. The referrals were sent to FAMSA as the Foundation is currently finalising its minor intervention protocol.

- **Older Persons Interventions:**
  Two (2) intervention sessions were conducted for older persons. The first intervention was an awareness session at an old age home, where the elderly was informed about responsible gambling and given tips on how to manage a healthy gambling behaviour.

  The second intervention for older persons was conducted at the National Department of Transport's retirement planning session.

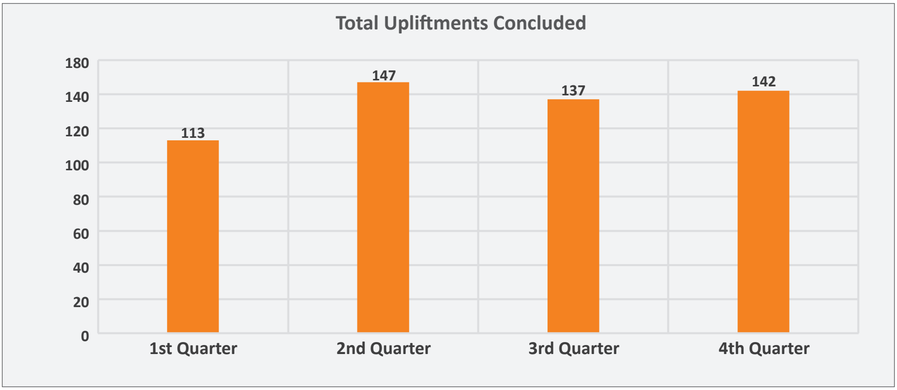
6.6 Integrated care programme

Out of the 2 299 referrals assisted, 1 623 calls were made for the ICP to identify which of the referred punters attended and to establish the reasons for those that did not attend treatment. The calls also assisted us to understand how those that attended, benefitted from the Integrated Care Programme.

7. Integrated Self Exclusion Analysis

The following Figure 21 demonstrates the total number of upliftment successfully completed.

FIGURE 20: UPLIFTMENT REPORT



7.1 Gender and provincial breakdown

7.1.1 During the year under review, the foundation issued 238 upliftment letters to females and 301 to males. North West Province issued a total of nine (9) letters which included two (2) females and seven (7) males. In the Northern Cape Province, there were seven (7) letters written to one (1) female and six (6) males.

7.1.2 In the Free State Province, the foundation had a total of twenty-four (24) letters written which included thirteen (13) females and eleven (11) males. In the Eastern Cape Province, there were thirty-three (33) letters written to twenty-one (21) females and twelve (12) males. Limpopo Province issued thirty-eight (38) letters which included twenty-one (21) females and seventeen (17) males, while the Mpumalanga Province had forty-four (44) letters . In the Western Cape province, the foundation wrote sixty-one (61) letters which included twenty-four (24) females and thirty-seven (37) males and KwaZulu Natal had a total of one hundred and nine (109) letters written, which included fifty-five (55) females and fifty-four (54) males. In the Gauteng Province, a total of two hundred and fourteen (214) letters were written which included eighty-one (81) females and one hundred and thirty-three (133) males.

FIGURE 21: CLASSIFICATION OF LETTERS ISSUED TO FEMALES PER PROVINCE

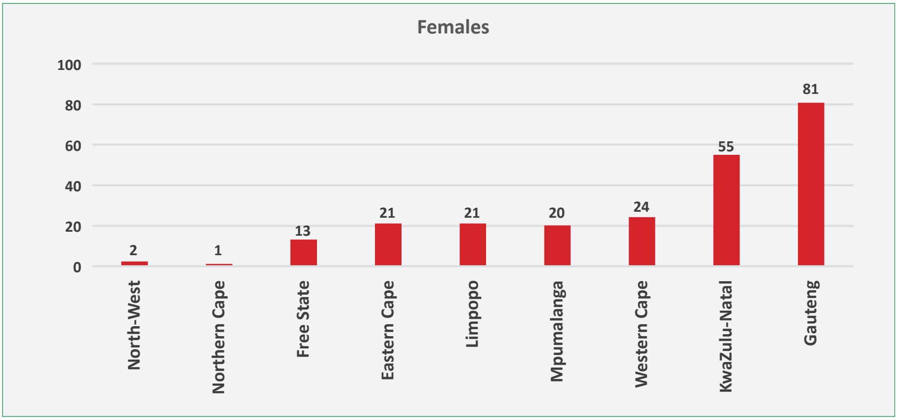
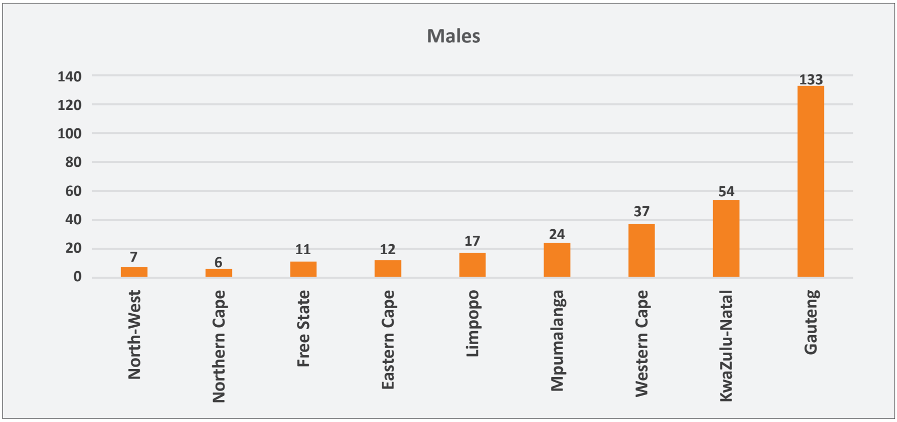


FIGURE 22: CLASSIFICATION OF LETTERS ISSUED TO MALES PER PROVINCE



7.1.3 Gambled whilst on Exclusion

As shown in the table below, the foundation made attempts to understand the prospects of treatment success by assessing gambled persons whilst they were excluded which, by implication means, that they would have broken the law.

Exclusion Type	No	Not Stated	Yes	Total
National	117	1	38	156
Not Specified	11	1	4	16
Casino Exclusion	186		123	309
Provincial	44		14	58
Total	**358**	**2**	**179**	**539**

7.1.4 Reasons for self exclusion

Reasons for exclusion	No	Not Stated	Yes	Total
Financial problems	79		39	118
Focusing on a project	10		7	17
Focusing on studies	3		2	5
Gambling related problems	122	2	66	190
Not stated	6		3	9
Personal reasons	77		42	119
Problem with gambling Staff	3		6	9
Taking a break	58		14	72
Total	**358**	**2**	**179**	**539**

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 against which the "reputation of an organisation dedicated to excellence in performance and integrity" can be measured.

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 essence of a successful business.

If not remedied a corporate governance function that is not aligned to the business strategy of the organisation, will potentially destabilise that organisation, and expose it to critical business failure. 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 has not been required to attend any Portfolio Committee meetings during the reporting period.

3. Executive Authority

The NGB has implemented its approved Strategic Plan 2022-27 and performed against its planned outcomes as contained in its Annual Performance Plan 2022-24.

FIGURE 23: REPORTS SUBMITTED TO THE MINISTER

Reports submitted	Date submitted
Quarter 1 performance report (April- June 2022)	28 July 2022
Quarter 2 performance report (July to September 2022)	31 October 2022
Quarter 3 performance report (October to December 2022)	31 January 2023
Quarter 4 performance report (January to March 2023)	28 April 2023

4. The Accounting Authority (AA)

Pursuant to findings of the AGSA as detailed in the NGB's Audit Report 2013/14, the NGB had been placed under administration by the Minister, in addressing the role, powers and statutory functions of the NGB 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 that 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. The entity remains under the leadership of the AA.

FIGURE 24: PROFILE OF THE AA

Name	Qualifications	Internal Position within NGB	Date Appointed	Date Resigned
Ms C Kongwa	• LLM Degree (University of Pretoria). • LLB Degree (University of Durban Westville). • Postgraduate Diploma in International, African and Regional law (University of Durban Westville). • Certificate in Economic and Developmental Policy (University of Witwatersrand). • Certificate in Labour Relations (University of Pretoria)	Accounting Authority	September 2014	N/A

5. Risk Management

Section 51 (1) (a) (i) of the PFMA requires the AA to ensure that the 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 is 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, among 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; and
- 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 and is implemented across all its business units - to enhance its ability to create effective management of resources and to ensure the transparency and accountability thereof.

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 that makes risk management an organisation-wide responsibility as it is embedded in daily practices and business processes. This ultimately creates a cumulative pre-emptive effect on how risk management is conducted, thereby enhancing the effectiveness of risk management.

During the FY2022/23, the Strategic and Operational risks of the NGB were reviewed to identify emerging risks. Furthermore the NGB conducted an ongoing risk assessment to improve the management of the risks. The risk management report was presented to the Management Committee (MANCO), Executive Committee (EXCO) and Risk Management Committee (RMC).

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 an RMC, which is comprised of 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, that 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 objective of the internal audit function is to provide 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; and
- Providing a written assessment on the effectiveness of the organisation's internal control processes.

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

Key Activities and Objectives of the Internal Audit for FY2022/23

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

- Financial Discipline and Control Review;
- Performance Audit on Pre-determined Objectives;
- Compliance and Stakeholder Management Audit;
- Information Technology General Controls review;
- Strategic Plan and Annual Performance Plan;
- Vulnerability and Penetration Testing; and
- Annual Financial Statements 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 FY2022/23

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 of 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 that ARC members were independent and 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 8: COMMITTEES

Committee	No. of meetings held	No. of members	Name of members
Audit and Risk Committee	5	6	Ms. G Deiner
			Mr. L Phahlamohlaka
			Mr. B Furstenberg
			Adv. L Thubakgale
			Mr. M Dondolo
			Mr. Z Myeza

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

TABLE 9: QUALIFICATIONS OF ARC MEMBERS:

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date Resigned	No. of Meetings attended
Ms. G Deiner	• B.Com Accounting Science • Higher Diploma in Education Postgraduate • Bachelor of Arts (BA) • Professional Accountant (SA)	External	N/A	15 July 2019	N/A	5
Mr. B Furstenberg	• Master of Science (MSc) – Financial Management • Masters of Commerce – Economics • Bachelor of Commerce (Degree and Honours)	External	N/A	21 September 2021	30 April 2022	2
Mr. L Phahlamohlaka	• Bachelor of Commerce • Postgraduate Certificate in Executive Leadership	External **the dtic** representative (Director: Management Accounting)	N/A	17 July 2015	N/A	4
Adv L Thubakgale	• Post Graduate certificate in labour dispute resolution practice • Master in Business Administration (MBA) • Master in Law (LLM) • Advance Diploma in Labour Law • Gradium Baccalaureus Legum (LLB) • Gradium Baccalaureus Luris (B.luris)	External	N/A	20 September 2021	N/A	2
Mr. M Dondolo	• Master's in Business Administration (MBA) • Postgraduate Diploma in Business Management, • National Diploma in Internal Auditing	External	N/A	20 May 2022	N/A	3
Mr. Z Myeza	B.Com Accounting Master's in Business Administration (MBA) Certificate in Corporate Governance Certificate in Aviation Management Master Practitioner in Real Estate	External	N/A	20 May 2022	N/A	3

Remuneration of members of the Audit and Risk Committee

The Audit and Risk Committee (ARC) members were remunerated according to the National Treasury circular, which categorises emoluments for different categories of listed public entities. No travel expenses were incurred by ARC members, as all ARC meetings during FY2022/2023 were conducted virtually. Table 8 reflects the remuneration paid to ARC members during the financial year.

TABLE 10: REMUNERATION TO ARC MEMBERS

Name	Remuneration	Other allowance	Other re-imbursements	Total
Ms. G Deiner (Chairperson)	R57 798	-	-	R57 798
Adv. L Thubakgale (RMC Chairperson)[1]	R68 742	-	-	R68 742
Mr. L Phahlamohlaka	-	-	-	-
Mr. B Furstenburg	R5 238	-	-	R5 238
Mr. M Dondolo	R24 282	-	-	R24 282
Mr. Z Myeza	R24 282	-	-	R24 282
TOTAL				**R180 342**

Mr. L Phahlamohlaka was not remunerated by the NGB as he is the representative of **the dtic**.

8. Compliance with Laws and Regulations

The NGB has in place a governance framework and a corporate compliance checklist. These were developed to determine specific provisions in each legislation that the NGB has to comply with, and continually enables 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 and reported on a quarterly basis.

9. Fraud and Corruption

The NGB's Fraud Prevention Plan (FPP) is updated annually and reviewed quarterly. The FPP implementation reports are presented at the NGB's Risk Management Committee (RMC) for notification and inputs on a quarterly basis, before being presented to the Audit and Risk Committee (ARC). The FPP has an accompanying matrix of activities that are designed to proactively address the 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 upon at the RMC and ARC every quarter.

1 RMC Chairperson for the period 05 October 2021 to 31 March 2023

During FY2022/23, various Anti-Fraud activities were conducted to create staff awareness. This included the distribution of posters regarding fraud prevention, staff disclosing their financial interests, and the review of all NGB policies to ensure adequacy of controls to prevent and mitigate the fraud risk. The policies included the protection of whistle-blowers, in the event that any staff member feels a need to report any suspected fraud or corruption taking place at the NGB through the appropriate internal reporting mechanisms.

The NGB also has in place an externally focused email-based hotline, which is made available to the public to report cases of suspected fraud or corruption by an NGB official. The fraud prevention hotline is published on the NGB website, to ensure that it is readily accessible at all times. There have been no cases of suspected fraudulent activities reported during the 2022/23 financial year.

10. Minimising Conflict of Interest

All NGB officials are required to comply with the NGB Conflicts of Interest Policy that sets out how they will conduct themselves in terms of their fiduciary duties, and what steps they would 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 that they may be conflicted concerning a bidder, then the official will disclose the possible conflict of interest immediately. The NGB will assess the conflict, and a determination will be made to inform whether the official may continue their role in the process or be required to recuse himself/herself from the process.

Bidders submitting bids to the NGB for any advertised procurement are required to submit a Standard Bidding Document (SBD); specifically the SBD 4 form, wherein 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 that the integrity of all NGB procurements is protected.

11. Code of Conduct

Every official of the NGB is required to sign an acknowledgement of a Code of Conduct. This sets out the undertaking made by the official to always conduct himself/herself ethically and in compliance with NGB policies. 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. 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 will respond to any incident that may create exposure to harm. Incidents 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.

13. Audit and Risk Committee Report

We are pleased to present our report for the financial year ended 31 March 2023.

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 also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The Effectiveness of Internal Control

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

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

- Financial Discipline and Control Review;
- Performance Audit on Pre-determined Objectives;
- Compliance and Stakeholder Management Audit;
- Information Technology General Controls review;
- Strategic Plan and Annual Performance Plan;
- Vulnerability and Penetration Testing; and
- Annual Financial Statements review.

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

In-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 were made to the AA for the approval of the said reports. The committee was satisfied with the quality and content of the quarterly reports for the NGB.

Evaluation of Annual Financial Statements

We have reviewed the annual financial statements prepared by the public entity for FY2022/23. There were no matters of concern that were brought to the attention of the committee that warranted intervention.

Auditor's Report

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

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

Appreciation

The ARC wishes to express its appreciation to the management of the NGB, who has successfully achieved its eighth (8^{th}) consecutive clean audit. It is noteworthy to mention that there were no audit findings reported in the under review and commends management for this significant achievement.

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
Date: 31 July 2023

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 dtic**.

TABLE 11: 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 licenses.
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 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.

Our people are our crucial enablers, the driving force behind the NG's vision and mission. Only through their knowledge, skills and dedication will we meet our objective of becoming a game changer in regulating safe and sustainable gambling industry. Ensuring that we attract and retain the best talent is therefore critical to our success.

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

Human Capital Optimisation (HCO) made concerted efforts to ensure implementation of the recruitment and selection policy for the NGB during the financial year with regard to the filling of vacant posts on the structure. As at 31 March 2023, there were four (4) vacant positions, namely, the Senior Manager: Corporate Governance, Finance Manager, Human Capital Practitioner and Personal Assistant to Chief Compliance Officer. 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

Our human capital are the people the NGB employs who take pride in the work that they do. They are critical drivers of the NGB's strategic objectives and business performance. Our employees have a mix of qualifications, skills, and experience instrumental to creating value and long-term sustainability for the organisation.

Talent acquisition policies and processes were developed and implemented through the Talent Management Plan. The Recruitment and Selection Policy as well as the Retention Policy were reviewed to ensure alignment to the Talent Management Plan to equip the NGB to attract and retain a skilled workforce. There were also appointments of two (2) Interns on the structure to afford graduates the exposure and practical working experience.

Employee performance management framework

The Human Capital Strategy resides firmly within the organisation's strategic objectives and subscribes to the requirements thereof, promoting the cascading of performance management and measurement at all levels across the NGB.

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.

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

Performance outcomes were appropriately differentiated to reflect the various 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 implements 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 FY2022/23 to ensure that they are aligned to the Strategic Plan and legislative requirements. Furthermore, developed and revised policies were effectively implemented to mitigate human capital risk and to increase organisational effectiveness going forward.

Highlghted achievements

The NGB has in place an approved Human Capital Optimisation Strategy for 2019/24, which is aimed at ensuring that it has adequate 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 were no labour unrests during the period under review.

Future HR plans/goals

The concerted effort in the future will be in ensuring that the NGB retains its talent, develops, re-skills and upskills the current human capital to meet the demands for the future NGB. The NGB will also embark on a process to automate some of its HR processes to improve effectiveness and efficiency.

Human resource oversight statistics

TABLE 12: PERSONNEL COST BY PROGRAMME

Programme/activity/ objective	Total Expenditure for the entity	Personnel Expenditure	Personnel expenditure as a % of total expenditure	No. of employees	Average personnel cost per employee
Corporate Services and Research	43 029 037	19 500 181	7%	20	975 009
Finance and Procurement	21 687 916	9 560 136	3%	6	1 593 356
Gaming Control and Compliance	211 043 220	12 210 753	4%	8	1 526 344
TOTAL	**275 760 172**	**41 271 070**	**14%**	**34**	**1 213 855**

* Employees includes the appointment of two (2) Interns in the CSR programme

Total employee costs for the 2022/23 financial year amounted to R41,271,070. The highest costs were incurred in the Corporate Services and Research Division. This is directly linked to the programme having the highest number of staff members including the two (2) Interns.

TABLE 13: PERSONNEL COST BY SALARY BAND

Level	Personnel Expenditure	% of personnel expenditure to total personnel cost	No. of employees	Average personnel cost per employee
Top Management	6 540 394	20	3	2 180 131
Senior Management	12 136 979	27	6	2 022 830
Professional qualified	8 159 508	18	8	1 019 939
Skilled	12 777 255	33	12	1 064 771
Semi-skilled	1 656 934	2	5	331 387
Unskilled	0	0	0	0
TOTAL	**41 271 070**	**100**	**34**	**1 213 855**

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

In implementing the above strategic approach, salaries paid to the skilled labour force comprised the highest portion of salaries paid within the NGB, at 33%, closely followed by salaries paid to senior management at 27% and executives at 20%.

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

TABLE 14: PERFORMANCE REWARDS

Programme/activity/ objective	Performance rewards	Personnel Expenditure	% of performance rewards to total personnel cost
Top Management	1 170 333	6 540 394	18%
Senior Management	1 486 905	12 136 979	12%
Professional qualified	750 417	8 159 508	9%
Skilled	1 254 537	12 777 255	10%
Semi-skilled	125 686	1 656 934	8%
Unskilled	-	-	-
TOTAL	**4 787 879**	**41 271 070**	**12%**

Performance rewards were implemented in line with the Performance Management Policy. Overall, performance bonuses paid out during the financial year comprised 12% of the NGB's total personnel costs.

TABLE 15: TRAINING COSTS

Programme/activity/ objective	Personnel Expenditure	Training Expenditure	Training Expenditure as a % of Personnel Cost	Number of employees trained	Avg training cost per employee
Corporate Services and Research	19 489 163	146 049	1%	10	14 605
Finance and Procurement	8 085 479	25 500	0%	2	12 750
Gaming Control and Compliance	12 199 758	224 931,86	2%	3	74 977
TOTAL	**39 774 400**	**396 481**	**1%**	**15**	**26 432**

Training costs incurred related to bursaries issued and various short-term training courses that were conducted.

TABLE 16: EMPLOYMENT AND VACANCIES

Programme/activity/ objective	2022/2023 Approved Posts	2022/2023 No. of Employees	2022/2023 Vacancies	% of vacancies
Corporate Services and Research	21	18	3	14
Finance and Procurement	7	6	1	14
Gaming Control and Compliance	10	9	1	10
TOTAL	**38**	**33**	**5**	**13**

As at the end of the financial year, there were four (4) vacant positions, namely, the Senior Manager: Corporate Governance, Finance Manager, Human Capital Practitioner and Personal Assistant to Chief Compliance Officer. In addition, the position of CEO has been placed under a moratorium and is reflected within the GCRD for approved posts, however this is not regarded as a vacant post but is accounted for.

TABLE 17: EMPLOYMENT AND VACANCIES PER PROGRAMME

Programme / activity / objective	2021/2022 Number of Employees	2022/2023 Approved Posts	2022/2023 Number of Employees	2022/2023 Vacancies	% of vacancies
Top Management	2	4	3	1*	25%
Senior Management	6	7	6	1	14%
Professional qualified	6	8	8	0	0%
Skilled	15	16	14	2	13%
Semi-skilled	4	3	3	-	-
Unskilled	-	-	-	-	-
TOTAL	**33***	**38**	**34**	**4***	**11%**

* The position of CEO has been put on hold due to a moratorium placed and it is accounted for under top management.

TABLE 18: EMPLOYMENT CHANGES

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	2	1	-	3
Senior Management	6	1	1	6
Professional qualified	6	2	-	8
Skilled	15	-	2	13
Semi-skilled	3	-	-	3
Unskilled	-	-	-	-
Total	**32***	**4**	**3**	**33**

* The position of CEO has been put on hold due to a moratorium placed and it is accounted for under top management.

There were changes in employment within the financial year. There were appointments and terminations within the top management, senior management, professional qualified and on skilled categories.

TABLE 19: REASONS FOR STAFF LEAVING

Reason	Number	% of total number of staff leaving
Death	1	25%
Resignation	3	75%
Dismissal	-	-
Retirement	-	-
Ill health	-	-
Expiry of contract	-	-
Other	-	-
Total	**4**	**100%**

There were four (4) terminations due to three (3) resignations and one (1) death during the financial year under review.

TABLE 20: LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

Nature of disciplinary Action	Number
Verbal Warning	-
Written Warning	-
Final Written warning	-
Dismissal	-
Total	**-**

TABLE 21: EQUITY TARGET AND EMPLOYMENT EQUITY STATUS - MALE

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	-	-	-	-	-	-	-
Senior Management	3	-	-	-	-	-	-	-
Professional qualified	2	-	-	-	-	-	-	-
Skilled	3	-	-	-	-	-	-	-
Semi-skilled	1	-	-	-	-	-	-	-
Unskilled	-	-	-	-	-	-	-	-
TOTAL	**10**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

TABLE 22: EQUITY TARGET AND EMPLOYMENT EQUITY STATUS - FEMALE

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	-	-	-	1	-	-	-
Senior Management	3	-	-	-	-	-	-	-
Professional qualified	4	-	1	-	1	-	-	-
Skilled	10	-	-	-	-	-	-	-
Semi-skilled	2	-	-	-	-	-	-	-
Unskilled	-	-	-	-	-	-	-	-
TOTAL	**20**	**-**	**1**	**-**	**2**	**-**	**-**	**-**

TABLE 23: EQUITY TARGET AND EMPLOYMENT EQUITY STATUS – DISABLED STAFF

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	-	-	-	-
Senior Management	-	-	-	-
Professional qualified	-	-	-	-
Skilled	-	-	-	-
Semi-skilled	-	-	-	-
Unskilled	-	-	-	-
TOTAL	**0**	**0**	**0**	**0**

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 nine (9) occupied positions, five (5) of which were occupied by females and four (4) by males. The are two (2) vacant top and senior management positions.
- 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:
- Indian females are over-represented as they comprise 6.1% (2) of the total staff compliment (33) against a total EAP National target of 1 %.
- African females are over-represented as they comprise 60.6% (20) of the total staff compliment (33) against a total EAP National target of 35.6 %.
- There is under-representation of Whites and Coloured (male and female) as well as Indian male.

Attempts made to address variances

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

PART F

Financial Information

Accounting Authority's Responsibilities and Approval

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

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

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

The AA acknowledges 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 2024 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 entity 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 entity, it is supported by the entity's internal auditors, 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 94 to 146, which have been prepared on the going concern basis, were approved by the accounting authority on 28 July 2023 and were signed on its behalf by:

Ms. Caroline Kongwa
Accounting Authority
31 July 2023

Independent Auditor's Report to Parliament on National Gambling Board

Report on the audit of the financial statements

Opinion

1. We have audited the financial statements of the National Gambling Board set out on pages 94 to 146 which comprise the statement of financial position as at 31 March 2023, the statement of financial performance, statement of changes in net asset, 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 2023, and their financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practices (SA standards of GRAP) and the requirements of the Public Finance Management 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 the accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

Responsibilities of the auditor 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

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 against predetermined objectives for selected programmes presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

11. We selected the following programmes presented in the annual performance report for the year ended 31 March 2023 for auditing. We selected programmes that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Programme	Page numbers	Purpose
Gaming Control and Compliance	18-23	The programme conducts technical analysis of the modes of gambling, system audits, enforcement and compliance monitoring of PLAs in line with statutory imperatives as provided for in the gambling legislation.
Corporate Services and Research	24-30	The programme specifically provides a broad-based public education and awareness programme as well as an economic analysis of gambling sector performance of the industry.

12. We evaluated the reported performance information for the selected programmes against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

13. We performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives.
- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements.
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated.
- the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents.
- the reported performance information is presented in the annual performance report in the prescribed manner.
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

14. We performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

15. We did not identify any material findings on the reported performance information for the selected programmes.

Report on compliance with legislation

16. In accordance with the PAA and the general notice issued in terms thereof, we must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

17. We performed procedures to test compliance with selected requirements in key legislation in accordance with the AGSA findings engagement methodology. This engagement is not an assurance engagement. Accordingly, we do not express an assurance opinion or conclusion.

18. Through an established AGSA process, we selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

19. We did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

20. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes Accounting Authority's Responsibilities and Approval, Part A: General Information, Part B: Performance Information, Part C: Gambling sector performance, Part D: Governance and Part E: Human Resource Management The other information does not include the financial statements, the auditor's report and the selected programmes presented in the annual performance report that have been specifically reported on in this auditor's report.

21. Our opinion on the financial statements and our findings on the reported performance information and the report on 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 programmes presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We have nothing to report in this regard.

Internal control deficiencies

23. We considered internal control relevant to our audit of the financial statements, annual performance report 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.

Other reports

24. We draw attention to the following engagements conducted by various. These reports did not form part of our opinion on the financial statements or our findings on the reported performance information or compliance with legislation.

Audit-related services and special audits

25. At the request of the public entity, we will perform procedures to review the National Treasury Consolidation Pack to ensure conversion adjustments are captured correctly for the consolidation purposes by National Treasury.

Auditor tenure

26. In terms of the IRBA rule published in Government gazette number 39475 dated 4 December 2015, we report that Rakoma and Associates Incorporated has been the auditor of National Gambling Board for 3 years.

Rakoma and Associates Inc.

Rakoma and Associates Incorporated
Per: Patience Moyo CA (SA)
Engagement Partner
Registered Auditor
31 July 2023

Annexure to the auditor's report

Auditor's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the financial statements and the procedures performed on reported performance information for selected programmes and on the public entity's compliance with selected requirements in key legislation.

Financial statements

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.
- conclude on the appropriateness of the 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 public entity and its subsidiaries 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.

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.

We also provide the accounting authority with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements.

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Standards of Generally Recognised Accounting Practice (Standards of GRAP)	
Public Finance Management Act No.1 of 1999 (PFMA)	Section 51(1)(a)(iv); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii)
	Section 53(4)
	Section 54(2)(c'); 54(2)(d)
	Section 55(1)(a); 55(1)(b); 55(1)(c)(i)
	Section 56(1); 56(2)
	Section 57(b);
	Section 66(4)
Treasury Regulations (TR), 2005 issued in terms of the PFMA	TR 28.2.2
	TR 30.1.3(g)
	TR 30.1.1
	NT annual report guide for schedule 3A and 3C public Entities
The Framework for the managing of programme performance information (FMPPI),	FMPPI chapter 3.2 FMPPI chapter 3.3
The Revised Framework for strategic plans and annual performance plans (R-FSAPP),	NT Instruction No. 10 of 2020-21 Section 4.4.3 and 4.4.4 of Revised FSAPP
Circulars and guidance issued by the National Treasury, Department of Public Service and Administration (DPSA)	

Statement of Financial Position

as at 31 March 2023

Figures in Rand	Note(s)	2023	2022
Assets			
Current Assets			
Cash and cash equivalents	3	103 545 422	79 874 572
Inventories	4	44 770	45 207
Receivables from exchange transactions	5	2 024 706	1 679 325
Statutory receivables from exchange transactions- LPM monitoring fees	6	15 949 317	17 701 669
		121 564 215	**99 300 773**
Non-Current Assets			
Receivables from exchange transactions	5	492 685	257 399
Property, plant and equipment	7	1 893 798	3 002 539
Intangible assets	8	3 075 088	3 869 940
		5 461 571	**7 129 878**
Total Assets		**127 025 786**	**106 430 651**
Liabilities			
Current Liabilities			
Payables from exchange transactions	9	15 233 647	8 662 425
NCEMS service fees payable	10	26 215 927	23 806 482
Provisions	11	1 379 595	3 888 893
		42 829 169	**36 357 800**
Non-Current Liabilities			
Operating lease liability		-	79 412
Total Liabilities		**42 829 169**	**36 437 212**
Net Assets		**84 196 617**	**69 993 439**
Accumulated surplus		84 196 617	69 993 439
Total Net Assets		**84 196 617**	**69 993 439**

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022
Revenue			
Revenue from exchange transactions			
Limited payout machines (LPM) monitoring fees	12	247 256 642	221 048 859
Interest received		5 918 585	2 521 115
Other income	13	311 127	400 411
Total revenue from exchange transactions		**253 486 354**	**223 970 385**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies		36 477 000	35 928 000
Total revenue		**289 963 354**	**259 898 385**
Expenditure			
Depreciation and amortisation	7&8	(2 596 739)	(3 274 364)
Employee related costs	14	(34 730 675)	(30 462 024)
Executive and non-executive managers' remuneration	15	(6 720 736)	(7 131 947)
Operating leases	16	(6 835 607)	(6 005 840)
NCEMS service fees	17	(206 011 530)	(182 481 712)
General Expenses	18	(18 864 889)	(8 639 266)
Total expenditure		**(275 760 176)**	**(237 995 153)**
Surplus for the year		**14 203 178**	**21 903 232**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 April 2021	48 090 207	48 090 207
Surplus for the year	21 903 232	21 903 232
Balance at 01 April 2022	**69 993 439**	**69 993 439**
	69 993 439	**69 993 439**
Surplus for the year	14 203 178	14 203 178
Total changes	14 203 178	14 203 178
Balance at 31 March 2023	**84 196 617**	**84 196 617**

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022
Cash flows from operating activities			
Receipts			
Grants		36 477 000	35 928 000
Interest received		5 553 158	2 511 724
Rental income		-	561 881
Limited payout machines (LPM) monitoring fees		249 668 728	219 969 615
Other income		-	20 741
		291 698 886	**258 991 961**
Payments			
Employee related costs		(39 566 292)	(37 852 487)
Suppliers		(227 746 893)	(190 099 963)
		(267 313 185)	(227 952 450)
Net cash flows from operating activities	19	**24 385 701**	**31 039 511**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(714 853)	(682 929)
Purchase of other intangible assets	8	-	(332 113)
Net cash flows from investing activities		**(714 853)**	**(1 015 042)**
Net increase in cash and cash equivalents		**23 670 849**	**30 024 472**
Cash and cash equivalents at the beginning of the year		79 874 572	49 850 100
Cash and cash equivalents at the end of the year	3	**103 545 421**	**79 874 572**

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	219 500 000	27 799 996	**247 299 996**	247 256 642	**(43 354)**	30
Interest received	3 744 000	2 174 582	**5 918 582**	5 918 585	**3**	30
Other income	-	300 000	**300 000**	311 127	**11 127**	30
Total revenue from exchange transactions	**223 244 000**	**30 274 578**	**253 518 578**	**253 486 354**	**(32 224)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	36 477 000	-	**36 477 000**	36 477 000	**-**	
Total revenue	**259 721 000**	**30 274 578**	**289 995 578**	**289 963 354**	**(32 224)**	
Expenditure						
Employee related costs	(37 592 300)	1 645 380	**(35 946 920)**	(34 730 675)	**1 216 245**	30
Executive and non-executive managers remuneration	(6 752 579)	59 658	**(6 692 921)**	(6 720 736)	**(27 815**	
Depreciation and amortisation	(3 230 492)	633 760	**(2 596 732)**	(2 596 739)	**(7)**	30
Operating leases	(7 260 334)	424 723	**(6 835 611)**	(6 835 607)	**4**	30
NCEMS service fees	(182 916 667)	(23 094 769)	**(206 011 436)**	(206 011 530)	**(94)**	30
General Expenses	(21 925 697)	5 451 931	**(16 473 766)**	(18 864 889)	**(2 391 123)**	30
Total expenditure	**(259 678 069)**	**(14 879 317)**	**(274 557 386)**	**(275 760 176)**	**(1 202 790)**	
Surplus for the year	**42 931**	**15 395 261**	**15 438 192**	**14 203 178**	**(1 235 014)**	

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	1 950 000	(1 235 147)	**714 853**	714 853	-	30
Intangible assets	900 000	(900 000)	-	-	-	30
	2 850 000	**(2 135 147)**	**714 853**	**714 853**	-	
Total Assets	**2 850 000**	**(2 135 147)**	**714 853**	**714 853**	-	
Net Assets	**2 850 000**	**(2 135 147)**	**714 853**	**714 853**	-	
Reserves						
Accumulated surplus	2 850 000	(2 135 147)	**714 853**	714 853	-	

Accounting Policies

1. Significant accounting policies

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 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 doutful 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, held to maturity investments and loans and 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, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic

Accounting Policies (continued)

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. 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 the previous estimate, the change is accounted for as a change in accounting estimate.

1.4 Property, plant and equipment

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.

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.

Accounting Policies (continued)

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.

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.

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

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

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

Item	Depreciation method	Average useful life
Leasehold 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 life 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.

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.

Accounting Policies (continued)

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.

1.5 Intangible assets

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 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.

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Average useful life
Computer software, internally generated	4 to 10 years
Computer software, other	3 to 10 years
National Database	4 to 10 years

Accounting Policies (continued)

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).

1.6 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.

1.7 Financial instruments

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

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

Accounting Policies (continued)

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

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value.

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at amortised cost using effective interest rate.

Impairment and uncollectibility of financial assets

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

Accounting Policies (continued)

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.

Accounting Policies (continued)

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.

1.8 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).

1.9 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.

1.10 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.

Accounting Policies (continued)

1.11 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.

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

The cost of inventories comprises all costs of purchase 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.

1.12 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.

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.

Accounting Policies (continued)

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Accounting Policies (continued)

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.

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.

Accounting Policies (continued)

1.13 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 or expense incurred. The funds are externally managed.

1.14 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 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.

Accounting Policies (continued)

1.15 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.

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.

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

1.16 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.

Accounting Policies (continued)

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.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

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

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

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

Recognition

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

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

Accounting Policies (continued)

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. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.17 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.

1.18 Fruitless and wasteful expenditure

Fruitless and wasteful 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.

1.19 Irregular expenditure

1.20 Budget information

Entities are typically subject to budgetary limits in the form of appropriations or budget

Accounting Policies (continued)

authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

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

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

The approved budget covers the fiscal period from 2022/04/01 to 2023/03/31.

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 not been included in the Statement of comparison of budget and actual amounts.

1.21 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 (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.

1.22 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.

1.23 Statutory receivables

Definition

Statutory Receivables are receivables that arise from legislation as opposed to contractual deliverables. Receivables that arise due to contractual agreement are accounted for in terms of the accounting policy on Financial Instruments. Statutory Receivables are classified and recognised as exchange or non-exchange in accordance with the relevant GRAP standards on Revenue and essentially based on whether or not there is a supply of goods and services in exchange for economic benefits or similar value.

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

Accounting Policies (continued)

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means. Statutory receivables can arise from both exchange and non-exchange revenue transactions, the entity shall apply recognition and initial measurement requirement of the Standards of GRAP on Revenue from Exchange Transactions (GRAP 9) and Revenue from Non-Exchange Transactions (Taxes and Transfer) (GRAP 23), as well as the requirements of this standard of GRAP. If the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Recognition

The entity recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Interest

Where the entity charges interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate. Interest on statutory receivables is recognised as revenue in accordance with the Standards of GRAP on Revenue from Exchange Transactions (GRAP 9) and Revenue from Non-exchange Transactions (Taxes and Transfers) (GRAP 23), whichever is applicable.

Accounting Policies (continued)

Other charges

Where the entity is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to charge additional charges on overdue or unpaid amounts, and such charges are made, the entity applies the principles as stated in the Rate of Interest Act, 1975 (Act 55 of 1975) determined by the Minister of Justice and Correctional Services published in the Government Gazette from time to time, as well as the Standards of GRAP on Revenue from Exchange Transactions (GRAP 9) and Revenue from Non-exchange Transactions (Taxes and Transfers) (GRAP 23).

Impairment losses

The entity assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired. In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the entity considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent;
- Whether it is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit. In estimating the future cash flows, the entity considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted. An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not

Accounting Policies (continued)

result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in the surplus or deficit.

Derecognition

The entity derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity derecognises the receivables and recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

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.

Accounting Policies (continued)

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.

Value in use

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

Accounting Policies (continued)

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 2023 or later periods:

Standard/ Interpretation:	**Effective date: Years beginning on or after**	**Expected impact:**
GRAP 103 (as revised): Heritage Assets	01 April 2023	Unlikely there will be a material impact
GRAP 25 (as revised): Employee Benefits	01 April 2023	Unlikely there will be a material impact
GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand	Note(s)	2023	2022

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	75	75
Bank balances	98 376 798	74 268 806
Short term deposits	5 168 549	5 605 691
	103 545 422	**79 874 572**

4. Inventories

Stationery on hand and consumables	44 770	45 207
Inventories recognised as an expense during the year	42 262	28 105

Inventory pledged as security

None of the inventory was pledged as security.

5. Receivables from exchange transactions

Trade debtors	342 221	45 057
Prepayments	2 175 170	1 891 667
	2 517 391	**1 936 724**

Non-current assets	492 685	257 399
Current assets	2 024 706	1 679 325
	2 517 391	**1 936 724**

6. Statutory receivables from exchange transactions - LPM monitoring fees

LPM monitoring fees accrued but not yet received	15 949 317	17 701 669

Notes to the Annual Financial Statements (continued)

Figures in Rand	2023	2022

6. Statutory receivables from exchange transactions - LPM monitoring fees (continued)

How the transaction arises

Section 27 (1) of the NGA requires the NGB to establish and maintain a national central electronic monitoring system capable of (a) detecting and monitoring significant events associated with any limited pay-out machine that is made available for play in the Republic; and (b) analysing and reporting that data in accordance with the prescribed requirements. The NGB may contract with any person to supply any or all of the products or services required to fulfil its obligations in terms of subsection (1).

Subsection (4) prescribes that every limited pay-out machine that is made available for play must be electronically linked to the national central electronic monitoring system, and the licensee of that machine must pay the prescribed monitoring fees in relation to that machine.

How the transaction amount is determined

In terms of schedule 2 of the National Gambling Regulations 2004, monitoring fees are calculated as a percentage of gross gambling revenue at 6%, 5.61%, 5.21%, 4.42%, 3.87% and 3.24% respectively for installed limited pay-out machines up to

15,000, 25,000, 35,000, 42,000 and more than 42,000 respectively. During the financial period ended 31 March 2023, installed limited pay-out machines exceeded 15,000, culminating in a reduction of monitoring fees from 6% to 5.61 of the gross gambling revenue.

Interest charged including the basis and rate

The interest rate charged on statutory receivables which are overdue is the prescribed rate of interest in terms of the Prescribed Rate of Interest Act, 1975 (Act 55 of 1975) determined by the Minister of Justice and Correctional Services published in the Government Gazette from time to time. The interest rate charged during the year varied from 7.5% to 10.75% per annum.

The basis used to assess and test whether the statutory receivable is impaired

Individual debtors were assessed individually for indicators of impairment. A collective assessment of the amounts which are past due was made by categorising the outstanding amounts into the following two categories:

30 days to 150 days:	no provision
180 days and above:	90 percent

Notes to the Annual Financial Statements (continued)

Figures in Rand	Notes	2023	2022

6. Statutory receivables from exchange transactions - LPM monitoring fees (continued)

Discount rate applied to the estimated future cash flows

No discount rate was applied to the estimated future cash flows as the amounts which are past due are considered insignificant in relation to the overall statutory receivables balance.

The main events and circumstances that led to recognition of the impairment loss:

Key indicators and assumptions used to assess and calculate whether the statutory receivables were impaired during the reporting period:

Indicators of impairment loss include, but are not limited to:

- Significant financial difficulties suffered by the debtor;
- The probability of the debtor entering into sequestration, liquidation or other financial re-organisation;
- A breach of the terms of the transactions such as default on payment of the principal amount or interest charged; and
- Adverse changes in international, national or local economic conditions.

Ageing of amounts past due but not impaired is as follows:

	2023	2022
Current	15 788 791	10 289 174
30 days past due	64 834	974 415
60 days past due	29 258	-
90 days past due	23 498	2 998 890
120 days past due	17 729	-
150 days past due	25 207	3 439 190
	15 949 317	**17 701 669**

Analysis of statutory receivables past due that have been impaired:

No statutory receivables from exchange transactions were impaired during the period ended 31 March 2023. The ageing of the entity's statutory receivables is presented below:

Notes to the Annual Financial Statements (continued)

Figures in Rand	2023	2022

6. Statutory receivables from exchange transactions - LPM monitoring fees (continued)

The ageing of amounts past due and impaired is as follows:

	2023	2022
Opening balance	15 949 317	18 012 795
Less: Amounts impaired	-	-
30 days past due	-	-
60 days past due	-	-
90 days past due	-	-
120 days past due	-	-
180 days past due	-	(311 126)
Total statutory receivables from exchange transactions	**15 949 317**	**17 701 669**

Factors considered in assessing impairment losses:

When the statutory receivables were considered holistically, it was determined that the recoverability of amounts which are 180 days past due is uncertain. Specific circumstances relating to individual debtors were also considered. None of the operators' balance was 180 days past due, resulting in no impairment of any debtor.

Circumstances leading to the reversal of impaired loss:

During the previous financial period, it was determined that the balance (R311,127) of one site operator was impaired. The operator was 180 days overdue and had not generated revenue for at least five months. Payment arrangements made between the site operator and the NCEMS operator were not honoured. Subsequent to the previous financial period legal proceedings aimed at recovering the amount owed by the site operator were successful, resulting in the collection of the amount receivable.

Notes to the Annual Financial Statements (continued)

Figures in Rand	Notes	2023	2022

7. Property, plant and equipment

	2023			2022		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	3 500 900	(2 945 769)	555 131	4 003 355	(3 099 106)	904 249
Motor vehicles	1 113 177	(869 548)	243 629	1 113 177	(803 222)	309 955
IT equipment	2 756 340	(1 867 039)	889 301	2 703 299	(1 754 899)	948 400
Leasehold improvements	326 371	(120 634)	205 737	11 692 532	(10 852 597)	839 935
Total	**7 696 788**	**(5 802 990)**	**1 893 798**	**19 512 363**	**(16 509 824)**	**3 002 539**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	904 249	-	(800)	(348 318)	555 131
Motor vehicles	309 955	-	-	(66 326)	243 629
IT equipment	948 400	388 482	(20 907)	(426 674)	889 301
Leasehold improvements	839 935	326 371	-	(960 569)	205 737
	3 002 539	**714 853**	**(21 707)**	**(1 801 887)**	**1 893 798**

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	1 338 354	-	(434 105)	904 249
Motor vehicles	428 004	-	(118 049)	309 955
IT equipment	770 888	682 929	(505 417)	948 400
Leasehold improvements	2 274 794	-	(1 434 859)	839 935
	4 812 040	**682 929**	**(2 492 430)**	**3 002 539**

Notes to the Annual Financial Statements (continued)

Figures in Rand	2023	2022

7. Property, plant and equipment (continued)

Pledged as security

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

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipmentincluded in Statement of Financial Performance		
General expenses	137 080	81 587

8. Intangible assets

	2023			2022		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	5 070 009	(2 220 927)	2 849 082	5 070 009	(1 756 593)	3 313 416
Computer software, other	1 100 354	(874 348)	226 006	1 879 640	(1 323 116)	556 524
Total	**6 170 363**	**(3 095 275)**	**3 075 088**	**6 949 649**	**(3 079 709)**	**3 869 940**

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, internally generated	3 313 416	(464 334)	2 849 082
Computer software, other	556 524	(330 518)	226 006
	3 869 940	**(794 852)**	**3 075 088**

Notes to the Annual Financial Statements (continued)

Figures in Rand	Notes	2023	2022

8. Intangible assets (continued)

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	3 779 264	-	(465 848)	3 313 416
Computer software, other	540 497	332 113	(316 086)	556 524
	4 319 761	**332 113**	**(781 934)**	**3 869 940**

Pledged as security

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

9. Payables from exchange transactions

	2023	2022
Trade payables	10 023 660	1 544 710
Deferred rent and accommodation	-	1 673 866
Unidentified confiscated gambling winnings	4 888 453	4 861 391
SARS for PAYE and UIF	19	5 705
Confiscated winnings from identified punters	321 515	576 753
	15 233 647	**8 662 425**

Unidentified confiscated gambling winnings refer to money confiscated from suspected illegal gamblers whose identity has not been estalished by the NGB. Confiscated winnings from identified punters, on the other hand, refer to moneys confiscated from suspected illegal gamblers whose identity has been established through the completion of a 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 or if the unlawful winnings committee deems the amount not to be illegal gambling winnings, such winnings are refunded to the punter.

Notes to the Annual Financial Statements (continued)

Figures in Rand	2023	2022

10. NCEMS service fees payable

NCEMS service fees incurred but not yet paid	26 215 927	23 806 482

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

11. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for leave	1 405 842	2 952 182	(2 953 781)	(24 648)	1 379 595
Provision for performance bonuses	2 483 051	-	(1 836 566)	(646 485)	-
	3 888 893	**2 952 182**	**(4 790 347)**	**(671 133)**	**1 379 595**

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for leave	1 759 314	3 199 382	(3 552 854)	-	1 405 842
Provision for performance bonuses	2 466 920	2 483 051	(1 672 337)	(794 583)	2 483 051
	4 226 234	**5 682 433**	**(5 225 191)**	**(794 583)**	**3 888 893**

Provision for leave

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.

Notes to the Annual Financial Statements (continued)

Figures in Rand	Notes	2023	2022

12. Limited payout machines (LPM) monitoring fees

LPM monitoring fees charged	247 256 642	221 048 859

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 operators a fee for the services rendered.

13. Other income

Rental income-related party	-	379 670
Miscellaneous income	311 127	20 741
	311 127	**400 411**

14. Employee related costs

Basic	29 881 435	26 068 060
UIF	65 849	65 706
Leave pay provision charge	58 719	(166 231)
Defined contribution plans	869 668	736 193
13th Cheques	1 950 205	1 922 394
Housing allowances	1 785 252	1 721 550
Other salary-related costs	119 547	114 352
	34 730 675	**30 462 024**

Notes to the Annual Financial Statements (continued)

Figures in Rand	2023	2022

15. Executive and non-executive managers' remuneration

2023

	Emoluments	Allowances	Pension fund	13th Cheque	Other benefits	Total
Chief Financial Officer: Ms K Mackerduth	1 564 435	48 744	210 344	147 898	63 859	2 035 280
Chief Strategic Adviser: Ms C Kongwa	2 040 925	52 344	274 410	192 945	82 613	2 643 237
Chief Compliance Officer: Mr N Mashamaite (appointment date: 01 May 2022)	1 423 785	43 482	190 972	146 796	56 852	1 861 877
	5 029 145	**144 570**	**675 726**	**487 639**	**203 324**	**6 540 394**

Over and above the remuneration disclosed above the Chief Financial Officer: Ms. K. Mackerduth received a performance bonus of R164,331 during the year ended 31 March 2023. 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 R214,383 during the year ended 31 March 2023. 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, funeral insurance and UIF contributions.

2022

	Emoluments	Allowances	Pension fund	13th Cheque	Other benefits	Total
Chief Financial Officer: Ms K Mackerduth	1 449 838	46 200	193 477	136 943	50 280	1 876 738
Chief Strategic Adviser: Ms C Kongwa	1 891 423	49 800	252 405	178 652	65 012	2 437 292
Chief Operations Officer: Ms P Kweyama (Termination date: 16 September 2021)	2 571 224	19 250	73 910	-	19 274	2 683 658
	5 912 485	**115 250**	**519 792**	**315 595**	**134 566**	**6 997 688**

Notes to the Annual Financial Statements (continued)

Figures in Rand	Notes	2023	2022

15. Executive and non-executive managers' remuneration (continued)

Over and above the remuneration disclosed above the Chief Financial Officer: Ms. K. Mackerduth received a performance bonus of R155,030 during the year ended 31 March 2022. 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 R202,248 during the year ended 31 March 2022. 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, funeral insurance and UIF contributions.

2023

	Member's fees	Total
Ms GA Deiner (Audit Committee member)	57 798	57 798
Adv. L. Thubakgale (Audit Committee member and Risk Management Committee Chairperson)	68 742	68 742
Mr. B. Furstenburg (Audit Committee member, Appointment date: 01 September 2021, termination date: 30 April 2022)	5 238	5 238
Mr M. Dondolo (Audit Committee member, Appointment date: 25 May 2022)	24 282	24 282
Mr Z. Myeza (Audit Committee member, Appointment date: 25 May 2022)	24 282	24 282
	180 342	**180 342**

2022

	Member 's fees	Total
Ms. GA Deiner (Audit Committee member- appointment date: 10 July 2019)	56 121	56 121
Mr. Z Le Guma (Audit Committee member- appointment date: 18 November 2019)	27 744	27 744
Adv. L. Thubakgale (Audit Committee member and Risk Management Committee 2021, termination date: 16 January 2022)	34 680	34 680
xDr. Denisha Jairam-Owthar (Audit Committee member- Appointment date: 01 September 2021, termination date: 16 January 2022)	7 857	7 857
Mr. B. Furstenburg (Audit Committee member, Appointment date: 01 September 2021)	7 857	7 857
	134 259	**134 259**

Notes to the Annual Financial Statements (continued)

Figures in Rand	2023	2022

16. Operating lease expense

Current year		
Premises	6 688 926	5 902 072
Photocopiers	146 681	103 768
	6 835 607	**6 005 840**
Future minimum lease payments under non-cancellable operating leases for premise1		
Within 1 year	4 776 784	5 083 240
	4 776 784	**5 083 240**

The National Gambling Board leased a building from M&T Development (Pty) Ltd for a period of nine years and eleven months, effective from 01 December 2012 to 31 October 2022. The lease was renewable for an optional period of a

further nine years and eleven months. The entity has since concluded a one year lease agreement with the landlord, effective from 01 November 2022 to 31 October 2023 at a monthly rental of R682,398. No contingent rent is payable.

Future minimum lease payments under non-cancellable operating leases for photocopiers		
Within 1 year	146 681	-
2 to 5 years	146 681	-
	293 362	**-**

The NGB has contracted with Konica Minolta and Toshiba to rent three (3) and four (4) photocopiers respectively over a 36 month period. Monthly rentals of R8,574 and 3,650 are payable to Konica Minolta and Toshiba respectively, with no escalation clauses. No contingent rent is payable and the lease contracts are not renewable at the end of the lease period.

Notes to the Annual Financial Statements (continued)

Figures in Rand	Notes	2023	2022

17. NCEMS service fees

Service fees paid to the NCEMS operator		206 011 530	182 481 712

18. General expenses

Professional and consulting fees			
Legal fees		4 285 771	1 231 712
Internal Audit		288 129	825 003
Other consulting fees		1 273 533	567 546
		5 847 433	**2 624 261**
Travel and subsistence			
Travel- local		1 056 436	27 482
Travel- overseas		3 833 498	-
		4 889 934	**27 482**

Notes to the Annual Financial Statements (continued)

Figures in Rand	2023	2022

18. General expenses (continued)

Other operating expenses

Recruitment costs	282 200	249 089
Advertising	57 547	76 549
Training	396 481	283 637
Temporary staff cost	-	12 448
Internet costs	1 600 450	1 031 722
Telephone and fax	47 222	5 751
Printing	92 732	188 619
Bank charges	66 387	24 736
Car license	1 014	1 788
Cleaning	18 519	52 975
Conferences	401 258	43 799
Copying costs	11 924	22 009
Postage and courier services	-	4 740
Fuel and oil	135 014	25 723
Subscriptions and membership fees	393 629	485 394
Electricity	433 409	406 027
Software expenses	870 472	478 508
Stationery	46 327	28 105
General maintenance	1 721 325	802 846
Small office equipment	41 443	-
Insurance	181 687	130 279
Refreshment	82 038	66 387
Storage	17 347	20 579
Security costs	426 548	386 181
Loss on disposal of assets	21 706	-
Foreign exchange losses	24 283	9 188
Impairment loss	-	311 127
	7 370 962	**5 148 206**

Notes to the Annual Financial Statements (continued)

Figures in Rand	Notes	2023	2022

18. General expenses (continued)

Auditors Remuneration

	2023	2022
External audit fees	756 560	839 317
	18 864 889	**8 639 266**

19. Cash generated from operations

	2023	2022
Surplus	14 203 178	21 903 232
Adjustments for:		
Depreciation and amortisation	2 596 739	3 274 364
Loss on sale of assets	21 706	-
Movements in provisions	(2 509 298)	(337 341)
Changes in working capital:		
Inventories	437	77
Receivables from exchange transactions	1 163 840	(689 266)
Payables from exchange transactions	8 909 099	6 888 445
	24 385 701	**31 039 511**

20. Commitments

Authorised capital expenditure

Already contracted for but not provided for

	2023	2022
• Office premises	44 000 000	-
• Computer equipment	170 691	176 602
• Office furniture	184 000	-
• Motor vehicle	735 301	-
• Leasehold improvements	19 735	-
	45 109 727	**176 602**

Total capital commitments

	2023	2022
Already contracted for but not provided for	45 109 727	176 602

Notes to the Annual Financial Statements (continued)

Figures in Rand	2023	2022

20. Commitments (continued)

Authorised operational expenditure

Already contracted for but not provided for		
• Legal services	-	153 716
• Consulting services	-	414 750
• Recruitment services	687 511	133 104
• Internet and telephone services	394 317	320 405
• Web hosting	-	431 379
• Employee wellness services	-	80 637
• Internal audit services	952 989	1 241 118
• Armed response services	13 718	21 781
• Security services	242 708	245 123
• Transcription services	63 080	63 081
• Off-site storage services	290 482	304 673
• Vetting of recruits	14 286	14 286
• B-BBEE verification	143 261	86 573
• Cleaning services	-	12 420
• Office furniture reallocation	-	269 535
• External audit services	1 652 024	2 408 584
• Insurance services	-	82 734
• ICT support services	1 833 831	1 137 100
• Research services	4 444 969	4 444 969
• Training	44 120	-
• Subscription	341 836	-
• Uniform for cleaning staff	15 387	-
• Fumigation and carpet cleaning	14 289	-
• Education and awareness campaign	598 564	-
• Competency assessment of staff	122 416	-
• Maintenance- building	91 352	-
	11 961 140	**11 865 968**

Total operational commitments		
Already contracted for but not provided for	11 961 140	11 865 968

Notes to the Annual Financial Statements (continued)

Figures in Rand	Notes	2023	2022

20. Commitments (continued)

Total commitments

Total commitments		
Authorised capital expenditure	45 109 727	176 602
Authorised operational expenditure	11 961 140	11 865 968
	57 070 867	**12 042 570**

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

21. Related parties

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

Notes to the Annual Financial Statements (continued)

Figures in Rand	2023	2022

21. Related parties (continued)

Related party balances

Rental receivable from related parties

Rental for a building leased to the Department of Trade, Industry and Competition	3 140	3 140

Related party transactions

Rental received from related parties

The Department of Trade, Industry and Competition	-	561 881

22. Agent / Principal Arrangement

The NGB is required to establish a National Central Electronic Monitoring (NCEMS) capable of monitoring significant events relating to LPMs. To this end, the NGB appointed an NCEMS operator to establish and maintain a NCEMS. 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 a 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 of 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.

Notes to the Annual Financial Statements (continued)

Figures in Rand	Notes	2023	2022

22. Agent / Principal Arrangement (continued)

The agent-principal arrangement exists for purposes 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 R30,000,000 (Thirty 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. Changes in Accounting Estimate

Property, plant, equipment and intangible assets

The remaining useful lives of all assets were assessed during the year. A change in accounting estimate was made in relation to Computer Equipment and Computer Software. The effect of the change in accounting estimate on the current year's results was an increase in the current year's surplus by R68,462. The effect of the change in accounting estimate on future financial periods will be a decrease in net surplus of R40,881, R27,441, and R140 for the 2023/24, 2024/25, and 2025/26 financial periods respectively.

24. Risk management

Liquidity risk

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

Other financial liabilities		25 912 545	25 351 192

Notes to the Annual Financial Statements (continued)

Figures in Rand	2023	2022

24. Risk management (continued)

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

At 31 March 2023	less than 1	Between 1 and 2 years	between 2 and 5 years	Over 5 years	Total
Trade and other payables	25 912 545	-	-	-	25 912 545

At 31 March 2022	less than 1	Between 1 and 2 years	between 2 and 5 years	Over 5 years	Total
Trade and other payables	25 351 192	-	-	-	25 351 192

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%	-	-	1 035 454	798 745
Cash and Cash Equivalents-decrease by 1%	-		(1 035 454)	(798 745)

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:

a) 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.

b) Transactions are entered into with reputable institutions approved by National Treasury.

c) 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.

d) Funds are invested in short term facilities which are highly liquid.

e) The entity does not offer credit facilities either to employees or any other person except where a debtor may be raised due to advance on travel and subsistence.

Notes to the Annual Financial Statements (continued)

Figures in Rand	Notes	2023	2022

24. Risk management (continued)

Exposure to Credit Risk

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

Cash and cash equivalent	103 545 422	79 874 572
Other receivables	3 140	3 140
	103 548 562	**79 877 712**

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)	103 545 347	79 874 497
Other receivables	3 140	3 140
	103 548 487	**79 877 637**

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)	103 545 347	79 874 497
Receivables	3 140	3 140
Other financial liabilities	(25 912 545)	(25 351 192)
	77 635 942	**54 526 445**

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.

Notes to the Annual Financial Statements (continued)

Figures in Rand	2023	2022

24. Risk management (continued)

Trade receivables

	1 to 30 days past due	91-120 past due	91-120 past due	more than 120 days past due	Total
2023		-	-	-3 140	3 140
2022		-	-	-3 140	3 140
		-	-	-	-

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

25. Unauthorised expenditure

There was no unauthorised expenditure during the year.

26. Fruitless and wasteful expenditure

There was no fruitless and wasteful expenditure during the year.

27. Irregular expenditure

There was no irregular expenditure during the year.

28. Going concern

We draw attention to the fact that at 31 March 2023, the entity had a surplus of approximately R14.2 million and that the NGB's total assets exceeded its liabilities by approximately R84.2 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 Trade, Industry and Competition, 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 R247.3 million earned from the NCEMS during the year under review, arising out of an eight (8) year contract with the NCEMS operator.

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

Notes to the Annual Financial Statements (continued)

Figures in Rand	Notes	2023	2022

28. Going concern (continued)

The ability of the NGB to continue operating as a going concern was to a large extent dependent on the LPM industry returning to operations as the lockdown regulations were relaxed. While the lockdown did negatively affect the entity's revenue from the LPM industry, the impact was insignificant to affect the entity's ability to continue as a going concern.

29. Contingent liabilities

National Treasury- Cash surplus	21 619 408	50 855 197
	21 619 408	**50 855 197**

National Treasury - A contingent liability exists as a result of a cash surplus reported in the current year, 2022/23, 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 12 of 2020/2021, as follows: Cash and cash equivalents at the end of the year, plus receivables, less current liabilities, less commitments.

30. Explanation of variances

Variances which are equal to or more than R100,000 are explained below. Variances which are below R100,000 are considered immaterial and, therefore, not explained.

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

The budget for LPM monitoring fees was increased to reflect the LPM industry's performance which surpassed estimates made during the initial budget.

Interest received

The budget for interest received was increased to reflect the fact that the entity had more excess cash to place in an interest- bearing facility than initially envisaged during budgeting. The excess cash was as a result of the afore-mentioned LPM industry's higher-than-expected performance.

Other income

The increase in the budget for other income was as a result of revenue stemming out of a reversal of a previous impairment loss which necessitated revenue recognition.

Notes to the Annual Financial Statements (continued)

Figures in Rand	2023	2022

30. Explanation of variances (continued)

Employee related costs

The budget reduction for personnel costs was due to savings realised due to positions that were vacant during the year. The positive budget variance was due to savings on the entity's performance-related budget.

Depreciation and amortisation

A downward revision of the depreciation and amortisation budget was made to align the budget with actual expenditure which has decreased due to leasehold improvements whose useful lives came to an end during the year.

Operating leases

The budget for operating leases was reduced to reflect the reduced rent that resulted from negotiations with the landlord.

NCEMS service fees

The budget on NCEMS service fees was increased to include expenditure over and above that which the entity anticipated during budgeting. Towards the end of the year it became evident that the NCEMS operator collected more revenue for the NGB than envisaged, giving rise to an increased service fees budget.

General expenses

The reduction of the general expenditure budget was made to align with unspent funds for legal fees and research services. The negative budget variance was due to the inclusion and accrual of an invoice for legal fees received after the budget was reviewed.

Property, plant, equipment and intangible assets

The budget for property, plant and equipment was reduced to reflect unspent funds for a motor vehicle, computer equipment and computer software.

31. Events after the reporting date

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

Notes to the Annual Financial Statements (continued)

Figures in Rand	Notes	2023	2022

32. 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 2023, 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 10 May 2024. The entity is committed to implementing measures to improve its compliance with the B-BBEE Act, 2013.

PROBLEM GAMBLING IS TREATABLE
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