

MATERIALITY AND SIGNIFICANCE FRAMEWORK FY2025/2026



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ABBREVIATIONS

AA	Accounting Authority
EA	Executive Authority
FY	Financial Year
NGB	National Gambling Board
PFMA	Public Finance Management Act, 1999 (Act 1 of 1999)

1. DEFINITIONS

(a) Accounting Authority:

The Head of the National Gambling Board (NGB)

(b) Executive Authority:

The Minister of Trade, Industry and Competition

(c) PFMA:

The Public Finance Management Act (PFMA), 1999 (Act 1 of 1999)

(d) Treasury Regulations:

Treasury Regulations issued in terms of PFMA as published in the Government Gazette from time to time

(e) Accounting Standards Board:

Is a government entity established for the development of financial reporting standards that promote accountability, transparency and effective financial management within all spheres of government.

2. PURPOSE

For the purposes of materiality and significance, in terms of section 55(2) and 54(2) of the PFMA respectively, the Accounting Authority (AA) must develop and agree to a framework of acceptable levels of materiality and significance with the relevant Executive Authority (EA) in consultation with the external auditors. The NGB framework is outlined below.

3. DETERMINATION OF MATERIALITY

The Accounting Standards Board defines materiality as:

“Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of

the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.”

Materiality is inherently a matter of professional judgement which can only be properly determined after due consideration is given to the entity’s risk profile, size of budget and spending patterns. Materiality is calculated as follows:

Materiality = Base Amount multiplied by (*) a selected percentage

The base amount has been determined as the **“total budgeted expenditure”** for the relevant Financial Year (FY). This was selected on the basis that the NGB is expenditure driven. This base amount is then multiplied by a selected percentage (1%) to determine the materiality amount. One (1) percent was selected as the NGB has taken a conservative approach to arrive at this percent. This implies that the lower the percentage, the lower the rand value of materiality and as a result, all possible errors, omissions and or misstatements greater than or equal to the materiality amount would be identified and investigated further by the entity’s internal control processes.

Item	% used	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Estimated gross expenditure	100%	237 995	275 760	279 480	272 241	263 221	252 174	246 639	245 266	243 563
Materiality	1%	2 380	2 758	2 962	2 722	2 632	2 522	2 467	2 453	2 436

4. DETERMINATION OF SIGNIFICANCE

Significant Asset as referred to in Section 54 of the PFMA is not defined in the PFMA, however, the National Treasury has provided guidance to institutions in terms of a Practice Note on the application of Section 54 of the PFMA, 2006 to assist entities in making a determination on significant assets.

Consequently, the NGB has revised its Materiality and Significance Framework to reach an agreement with the Minister on the related percentage threshold to determine what significant assets are from a qualitative and quantitative perspective.

Criteria set out to determine significance must be met from both a qualitative and quantitative perspective.

5. FRAMEWORK

PFMA Section	Quantitative (Amount)	Qualitative (Nature)
PFMA S50(1): Fiduciary duties of accounting authorities		
(1) The Accounting Authority for a public entity must:		
(c) on request, disclose to the Executive Authority responsible for that public entity or the legislature to which the public entity is accountable, all material facts, including those reasonably discoverable, which in any way may influence the decisions or actions of the Executive Authority or that legislature;...	Any fact discovered of which the amount exceeds the planning materiality figure as calculated in section 3 above.	<p>(i) Any item or event of which specific disclosure is required by law.</p> <p>(ii) Any fact discovered of which its omission or misstatement, in the NGB's opinion, could influence the decisions or actions of the Executive Authority or legislature.</p>
PFMA S54: Information to be submitted by Accounting Authorities		
(2) Before a public entity concludes any of the following transaction, the Accounting Authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its Executive Authority for approval of the transaction:	Transactions will be regarded as significant as set out below.	

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PFMA Section	Quantitative (Amount)	Qualitative (Nature)
(a) Establishment or participation in the establishment of a company;	Any transaction of any value causing interests in the forms of equity or loans to establish or participate in the establishment of a company will require approval of the transaction by the Executive Authority and will be regarded as significant except in instances where the establishment or the participation in the establishment of a company is in pursuit of social objectives.	The establishment or participation in the establishment of the company which is not within the mandate of the NGB.
(b) participation in a significant partnership, trust, unincorporated joint venture or similar arrangement;	Any transactional value in the form of equity or loans will be regarded as significant.	The participation interest in an equity or loan form in a company which is not within the mandate of the NGB and located within and / or outside the Republic is regarded as significant.
(c) Acquisition or disposal of a significant shareholding in a company;	Any transaction where the NGB has to acquire or dispose of a shareholding will be regarded as significant.	Any transactions that are outside of the mandate of the NGB will be regarded as significant.
(d) Acquisition or disposal of a significant asset;	Any transaction where the NGB has to acquire or dispose of an asset where the cost exceeds 40% of the total assets value as set out in the NGB's latest set of audited financial statements will require approval of the transaction by the Executive Authority	Any activity that would increase or decrease the overall operational functions of the NGB, outside of the approved strategic plan and/or budget.

PFMA Section	Quantitative (Amount)	Qualitative (Nature)
	and will be regarded as significant.	
(e) Commencement or cessation of a significant business activity.	Any business activity that falls outside of the entity's core mandate where the value exceeds 40% of the total revenue as set out in the NGB's latest set of audited financial statements will require approval of the transaction by the Executive Authority and will be regarded as significant. Any business activity that is part of the entity's core mandate is not regarded as being significant.	Not applicable
(f) A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.	Any change in the nature or extent of an equity or loan interest that exceeds 5% of total asset value as reflected in the latest audited financial statements of the NGB will be regarded as significant.	The change in the nature or extent of an equity or loan interest which is not within the mandate of the NGB and located within and / or outside the Republic is regarded as significant.
PFMA S55: Annual report and financial statements		
(2) The annual report and financial statements referred to in subsection (1) (d) must:		

PFMA Section	Quantitative (Amount)	Qualitative (Nature)
(a) fairly present the state of affairs of the public entity, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned;	Any amounts individually or accumulated which exceed the materiality amount as set out in section 3 above.	Any identified omission which would influence decision making of users of the financial information.
<p>(b) Include particulars of:</p> <p>(i) any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year:</p> <p>(ii) any criminal or disciplinary steps taken as a consequence of such losses or irregular expenditure or fruitless and wasteful expenditure;</p> <p>(iii) any losses recovered or written off;</p> <p>(iv) any financial assistance received from the state and commitments made by the state on its behalf; and</p> <p>(v) any other matters that may be prescribed; and ..."</p>	<p>(i) Losses through criminal conduct or any loss identified.</p> <p>(ii) Losses through fruitless and wasteful irregular, expenditure-</p> <p>(iii) If the combined total exceeds the planning materiality figure, applying the formula used by the external auditors, based on the figures of the approved budget for the year under review.</p> <p>(iv) Planning materiality is 1% of budgeted gross expenditure</p>	Any identified loss through acts, omissions and/or criminal conduct.

PFMA Section	Quantitative (Amount)	Qualitative (Nature)
S66: Restrictions on borrowing, guarantees and other commitments (PFMA)		
(1) An Institution to which this Act applies may not borrow money or issue a guarantee, indemnity or security or enter into any other transaction that binds or may bind that Institution or Revenue Fund to any future financial commitment, unless such borrowing, guarantee, indemnity, security or other transaction:	Subject to section 66(2) of the PFMA, any transactions to any value will be regarded as material.	Any identified transaction or loss through acts, omissions and/or criminal conduct.
(a) is authorized by this Act; (b) in the case of public entities is also authorized by other legislation not in conflict with this Act; and..."		

