



National Gambling Board  
*South Africa*

a member of **the dti** group



# ANNUAL REPORT 2017/18



**National Gambling Board**  
*South Africa*

a member of **the dti** 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 2018.

**Dr Rob Davies, MP**  
Minister of Trade and Industry  
Executive Authority of the National Gambling Board

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# PART A

## GENERAL INFORMATION

NGB GENERAL INFORMATION

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LEGISLATIVE AND OTHER MANDATES

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National Gambling Board

## NGB'S GENERAL INFORMATION

Registered name	National Gambling Board of South Africa
Physical address	420 Witch-Hazel Avenue Eco Glades 2, Block C Eco Park, Centurion, 0144
Postal address	Private Bag X27 Hatfield, 0028
Telephone number/s	+27 86 772 7713 or +27 10 003 3475
Fax number	+27 86 618 5729
Email address	<a href="mailto:info@ngb.org.za">info@ngb.org.za</a>
Website address	<a href="http://www.ngb.org.za">www.ngb.org.za</a>
External auditor	Auditor-General South Africa
Banker	Standard Bank South Africa

## FOREWORD BY THE MINISTER



**Dr Rob Davies, MP**  
Minister of Trade and Industry

I am pleased to present the 2017/18 Annual Report of the National Gambling Board (NGB) for the period ending 31 March 2018. The NGB's activities continue to reflect its renewed commitment to positioning South Africa as the pre-eminent jurisdiction with an exemplary and effectively regulated gambling industry. As the gambling industry continues to operate in a very dynamic information, communication and technological environment, this has triggered new demands by players and led to rapid changes in the way gambling is offered to punters. The dawn of the fourth industrial revolution presents the year ahead with new challenges, as well as opportunities for the current regulatory framework, including a research study to determine the impact thereof on our domestic gambling industry.

During the year under review, substantial changes in the current growth of regulated modes of gambling were noted through continuous monitoring of gambling sector performance. For example, there has been a decrease in casino market share in the gambling industry's Gross Gambling Revenue (GGR) due to growth in the bingo sector (especially Electronic Bingo Terminals (EBTs)), to the possible detriment of other sectors. This has led to a need to determine the impact of the EBTs on the rest of the gambling industry in order to gain insight and pave the way forward in terms of regulation and possible amendments to legislation.

The casinos still accounted for the most GGR generated, and Gauteng Province was still noted as the leading gambling revenue generator. The highest amounts of taxes/levies have also been collected from the casino sector and in particular, the Gauteng Province. Substantial growth in revenue has been noted in the betting on sport sector, as well as bingo (specifically EBTs).

Research conducted in terms of the socio-economic impact of legal gambling provided valuable information in terms of the profile of gamblers and participation in different gambling modes. However, the increase in the participation in illegal modes of gambling, specifically by vulnerable and lower income individuals, was of concern.

The NGB continues on its path of excellence and innovation in its commitment to raising awareness and educating the public of the safe ways of gambling and the harmful effects of over indulging in gambling through its participation in **the dti** roadshows. In this regard, a public awareness radio campaign has been launched to target listeners countrywide in various languages. Participation in **the dti's** countrywide national roadshows also provided ample opportunity for the NGB to inform the public about illegal gambling, amongst others.

Further to this, the impact of illegal gambling (specifically illegal online gambling and the mushrooming of illegal server-based gambling outlets across the country) on the



*“The casino industry still accounted for the most GGR generated, and Gauteng Province was still noted as the leading gambling revenue generator.”*



legal gambling industry and the growth in terms of money lost to the fiscus, as well as increased participation by the public in unregulated modes, are concerning and concerted efforts were taken to address these through public awareness campaigns, direct interaction and education with relevant stakeholders.

Given the NGB's core mandate, oversight of Provincial Licensing Authorities (PLAs) and the maintenance and update of various registers remained a priority during the period under review. The NGB continued to conduct compliance oversight of the PLAs' implementation of national and provincial gambling legislation. The findings revealed an improvement in compliance with gambling legislation. The NGB focused on establishing a new National Central Electronic Monitoring System (NCEMS) in order to continuously improve its regulation of the Limited Pay-out Machine (LPM) industry. The NGB achieved its milestones as per the mandate given, strategies and performance objectives as reflected in its annual performance plan 2017/18, addressed ongoing challenges and strived to stay abreast of the latest developments in the gambling environment by means of research embarked on and interaction with various stakeholders during the period under review.

The NGB also continued to cultivate collaborative internal and external relationships, with the aim of deepening and broadening its connections with stakeholders and the sector at large. The entity participated in joint efforts with **the dti** to address gambling policy reform which resulted in extensive engagements with stakeholders to design a suitable national gambling model for South Africa. A gambling legislative review and feedback to stakeholders was a priority.

During the FY2018, the NGB placed a strong emphasis on effective enforcement. The agency's efforts to crack down on illegal gambling as well as improved regulation and prosecution of illegal online gambling through provision of support to the Provincial Licensing

Authorities (PLAs) and the law enforcement agencies saw an increase in the number of investigations and raids conducted in various provinces. The NGB remains diligent in its pursuit of illegal gambling activities through the Illegal Gambling Operatives Register (IGOR) which assisted in the monitoring and suppression of illegal gambling activities and provided valuable information in terms of illegal gambling operators.

The NGB's focus for the years ahead shall be centred on embracing the transition of the South African gambling industry into the fourth industry revolution by deepening its understanding of the evolving ways that people choose to gamble, whilst maintaining the trajectory of regulation of the industry in the fulfillment of the National Gambling Act, 2004, through an effectively regulated and supervised gambling industry that upholds domestic, continental and international recognised standards of compliance.

In closing, I wish to acknowledge the guidance and leadership of the NGB's Accounting Authority (AA) for displaying dedication to the values of the organisation which has allowed it to continue to achieve its planned targets for the financial year.

**Dr Rob Davies, MP**

Minister of Trade and Industry  
Executive Authority of the National Gambling Board

31 July 2018

# FOREWORD BY THE ACCOUNTING AUTHORITY



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

Whilst legislators have a responsibility to pass suitable gambling legislation and gambling operators have a responsibility to be compliant, the National Gambling Board's responsibility lies in the coordination of activities relating to the exercise of concurrent competence within the national and provincial spheres of government to establish certain uniform norms and standards, namely to ensure that members of the public who participate in any licensed gambling activity are protected, society and the economy are protected against over-stimulation of the latent demand for gambling and the licensing of gambling is transparent, fair and equitable.

Much has been achieved across the organisation in the last year as the NGB continues its journey in building an effectively regulated and supervised gambling industry that upholds domestic, continental and internationally recognised standards of compliance. The key focus of the NGB over the last 12 months included the establishment of a new monitoring system to supply, install, commission, operate, manage and maintain a National Central Electronic Monitoring System ("NCEMS") which is capable of detecting and monitoring significant events associated with any Limited Pay-out Machine (LPM) that is made available for play in the Republic and analysing and reporting data according to the requirements of the standards determined in respect of the NCEMS, in terms of the Standards Act, 2008 as well as requirements of sections 21 to 26 of the National Gambling Act, 2004 (Act 7 of 2004) (NGA). In addition, through recommendations coming out from its research activities, the entity continued its efforts in raising public awareness and educating various stakeholders including the public on the harmful effects of gambling.

## Organisational overview

In response to South Africa's dynamic and changing gambling landscape, the NGB released its Strategic Plan 2017/22 to build upon the progress made in repositioning and transforming the organisation to become a regulator.

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



*“Much has been achieved across the organisation in the last year as the NGB continues its journey in building an effectively regulated and supervised gambling industry.”*



financial year. The organisation continued its quest for economic and social development in the gambling industry by monitoring transformation within the industry. In terms of Section 65(2) (a) of the National Gambling Act, 2004 (Act 7 of 2004) (“the NGA”), the NGB is empowered to monitor market share and market conduct in the gambling industry and refer any concerns regarding market share or possible prohibited practices to the Competition Commission in terms of the Competition Act, 1998 (Act 89 of 1998) (“the Competition Act”). The NGB identified a trend emerging in the gambling industry that could lead to possible monopolistic practices and dilution of the regulation and licensing regime in the gambling industry if left unrestrained. The year under review revealed inter-gambling modal acquisitions primarily amongst licensees in the casino, bingo and LPM modes.

The NGB continued to collaborate with PLAs and law enforcement agencies with the aim of gathering intelligence for use in eradicating illegal gambling activities. Through a number of consultations with various committees and departments, the entity investigated new cases of possible unlawful winnings from illegal gambling practices and endeavoured to continue its aim of suppressing illegal gambling activities.

The NGB participated in **the dti**’s national roadshow events in all provinces during FY2018, and briefed the public on illegal and legal forms of gambling, responsible gambling, how to identify problem gambling, where to report illegal and fraudulent gambling activities, as well as where and how to get assistance for addictive gambling behaviour. Corporate brochures were disseminated and NGB staff interacted with the public and provided clarity where required. NGB also embarked on a national radio campaign to target more affluent and low income communities with similar messages as reflected above. Specific efforts were made during the period under review to

target selected audiences to educate i.e. law enforcements agencies and financial institutions about illegal gambling and how to assist the NGB in, for example, the confiscation of unlawful winnings.

The NGB finalised its research project during FY2018 to determine the socio-economic impact of gambling in South Africa. The organisation further embarked on research during FY2017/18 to determine the economic impact of the bingo industry with specific reference to electronic bingo terminals (EBTs) on the casino, traditional bingo and LPM sectors in terms of market share. A second project, research to determine the transformation and growth of gambling in South Africa has been initiated to provide insight into progress made with Broad-Based Black Economic Empowerment (B-BBEE) in South Africa, as well as the growth of different gambling modes and the impact on each other. GGR generated from the casino industry continues to dominate over other modes of gambling. Notwithstanding this, the relative share in GGR from casinos has been declining over time whilst the relative share in GGR from other modes has been steadily increasing.

On a global scale, a well-functioning, legal gambling market in South Africa does not function in isolation and can be affected by emerging trends and rapid developments from other countries. In this respect, the NGB embarked on continuously benchmarking our industry against other jurisdictions in order to keep up with trends. Some of the findings and recommendations emanating from this exercise website and payment blocking relative to illegal online gambling activities; monitoring of Facebook to detect online gambling offerings to the public; stricter money withdrawal limits within gambling establishments; and warning messages for problem gamblers.

The NGB was able to achieve 100% of the activities as outlined in the Human Capital Strategy. Continuous legal as well as research-based authoritative advice was rendered to business units of the

## FOREWORD BY THE ACCOUNTING AUTHORITY CONTINUED

NGB particularly in relation to key issues including betting on contingencies and the regulation and licensing of Electronic Bingo Terminals.

The NGB participated in accreditation assessments of testing agents for technical competency and quality management processes in accordance with international best practices. The effective and efficient management of the National Central Electronic Monitoring System (NCEMS) enabled concise annual analysis of LPM gambling sector performance. The organisation continued to ensure the efficient and up to date functioning of national functional registers (machines and devices, probity, information sharing and exclusions), and specifically the establishment of an illegal gambling operative registers and through this exercise was able to identify that to improve the efficiency and maintenance of the registers, there was need for four of the five national registers to be automated.

### Financial matters

The NGB continued to receive its annual grant allocation from **the dti**. The NGB's total expenditure as at 31 March 2018 was R88,7 million. This represents 86.5% expenditure against the annual revenue received of R102,5 million received. Internal controls with regards to supply chain management have been maintained. The entity has ensured that there is on-going compliance with the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999) and all relevant laws and regulations.

### Challenges

Issues identified by the NGB on the application of norms and standards pertained to failure to observe B-BBEE compliance, competition issues, responsible gambling and socio-economic factors during the licensing process by PLAs. PLAs must therefore ensure that transformation and market dominance are closely monitored and

enforced to foster economic benefits to the wider society in each province. Server-based gaming and the mushrooming of these sites in residential areas across South Africa remains a big challenge in terms of law enforcement (identification of these sites, as well as successful legal action against illegal operators).

### Outlook for the year ahead

In 2018/19 we look forward to embedding our vision and mission through the continued strengthening of relationships with the industry. We look forward to fully launching our new NCEMS as well as research agendas to further understand the functioning of the gambling industry.

I extend gratitude to all officials of the NGB for effort, initiative and enthusiasm demonstrated in achieving 100% of key performance areas and compliance with the PFMA. The unrelenting support from **the dti**, the Director General of **the dti** and the Minister of Trade and Industry has been invaluable.



**Ms Caroline Kongwa**

Accounting Authority of the National Gambling Board

31 July 2018

# STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE ANNUAL REPORT

for the year ended 31 March 2018

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the Annual Report are consistent with the annual financial statements audited by the Auditor-General.

The annual report is complete, accurate and free from any omission.

The annual report has been prepared in accordance with the guidelines of the annual report as issued by National Treasury.

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

The annual financial statements (Part F) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) applicable to the Public Entity.

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

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

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

In my opinion, the annual report fairly reflects the operations, performance information, human resource information and financial affairs of the NGB for the financial year ended 31 March 2018.

Yours faithfully



**Ms Caroline Kongwa**

Accounting Authority of the National Gambling Board

31 July 2018

## STRATEGIC OVERVIEW

The NGB is established in terms of the NGA. It is also registered as a Schedule 3A Public Entity in terms of the PFMA. The mission, vision and values of the NGB are as follows:

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

Professionalism; moral integrity; transparency; commitment and consistency; effective implementation of resolutions; responsive communication; teamwork; respect and tolerance



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

## LEGISLATIVE AND OTHER MANDATES

The mandate of the NGB is set out in section 65 of the NGA read with sections 21, 27, 32, 33 and 34, as well as in the National Gambling Regulations, 2004 and the Regulations on LPMs, 2000.

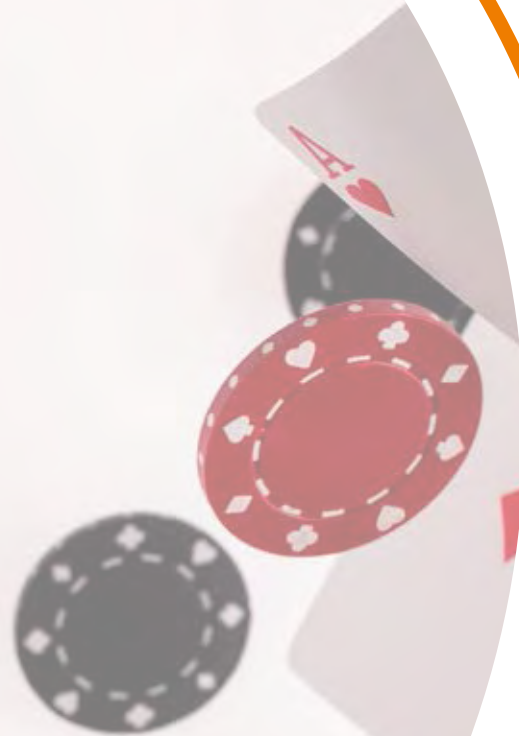
The work of the NGB is also indirectly governed by the legislative framework, including but not limited to the following legislation:

- 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)

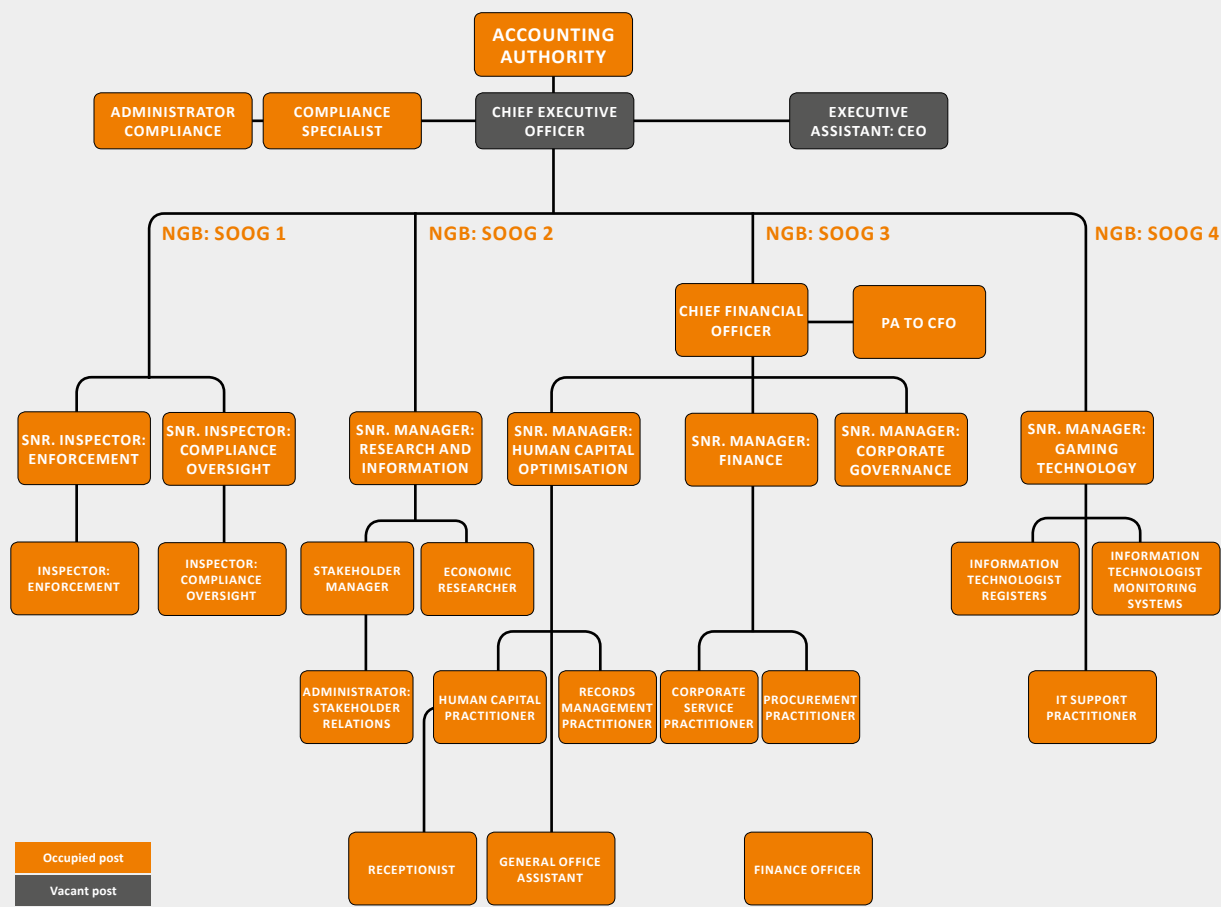
The services and products of the NGB are stated in the NGA as follows:

- Oversight of gambling in the Republic of South Africa by:
  - Evaluating the issuing of national licences by the PLAs
  - Evaluating the compliance monitoring of licensees by PLAs
  - Conducting oversight evaluation of the performance of PLAs to ensure that the national norms and standards established by the NGA are applied uniformly and consistently throughout the Republic of South Africa
  - Research and monitoring of market conduct and market share
- Assist PLAs to ensure that unlicensed gambling activities are detected
- Establish and maintain a national registry of every gambling machine or gambling device manufactured within or imported into the Republic of South Africa, as well as maintaining all other legislator-prescribed registers
- Assign a permanent and unique registration number for each machine or device
- Investigate the circumstances of the gambling activity that relate to any unlawful winnings that the NGB held in trust and either delivering the winnings to the person who won them or applying to the High Court for an order to declare the winnings to be forfeited to the State

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



# ORGANISATIONAL STRUCTURE







## PART B

# PERFORMANCE INFORMATION

AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

SITUATIONAL ANALYSIS

PERFORMANCE INFORMATION

LINKING PERFORMANCE WITH BUDGETS

REVENUE COLLECTION

CAPITAL INVESTMENT

## AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General South Africa (AGSA) 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 Report to Management, 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 86 of the Annual Report for the Auditor's Report, published as Part F: Financial Information.

# SITUATIONAL ANALYSIS

## Service delivery environment

The NGB is an implementing entity of **the dti**, mandated amongst other functions in the NGA to coordinate activities relating to the exercise of concurrent competence within the national and provincial spheres of government to establish certain uniform norms and standards in the gambling industry. These provisions apply throughout the Republic of South Africa with regards to gambling and wagering pertaining to casinos, betting on horse racing/sports/other contingencies, LPMs and bingo to ensure that gambling activities are effectively regulated and licensed.

The NGB is further required to ensure that members of the public who participate in any licensed gambling activity are protected; society and the economy are protected against over-stimulation of the latent demand for gambling; and the licensing of gambling activities is transparent, fair and equitable. This will safeguard the public at large participating in gambling activities against the adverse effects of gambling.

The NGB is the overseer of gambling regulation in order to protect consumers in the gambling industry. The gambling sector is segmented into the following regulatory areas: casinos; LPMs; machine operators; gaming equipment manufacturers and distributors; gambling certification and testing laboratories; licensing of employees and key employees in the sector; bingo; and betting.

National and provincial government have concurrent legislative competency and this has culminated into ten sections of gambling legislation which set out gambling regulation in South Africa. Concurrent jurisdiction thus requires a vigorous collaboration between the NGB, PLAs and other stakeholders to ensure implementation of the NGA and provincial legislation.

To this end, the NGB devised a Communication and Stakeholder Management Strategy to improve communication with internal and external stakeholders. The framework provides the foundation to facilitate improved relationships and education within the gambling industry. The NGB participated in and embarked on different public awareness events and initiatives to inform the public about the nature of gambling, legal and illegal forms of gambling, education about consequences when participating in illegal gambling, where to report fraudulent illegal gambling activities and where to obtain assistance in terms of problem or compulsive addictive gambling.

In keeping with governmental priorities with regards to Batho Pele, the NGB has also developed Service Delivery Standards (SDSs)

which have been incorporated into the NGB organisational strategy that will guide the NGB's stakeholders with regards to the level of commitment and quality of services offered by the NGB.

Information was also shared on the NGB website in terms of updated national gambling statistics, gambling sector performance information, the NGB Strategic Plan 2017/22, gambling bulletins, corporate brochures, and brief extracts which inform the public about various gambling-related matters.

The NGB monitored transformation within the gambling industry in line with the B-BBEE Act and the Codes of Good Practice. Information in terms of the B-BBEE contributor levels per operator and per gambling mode, as well as direct employment figures (per province and gambling mode) have been updated and shared.

The establishment of a register of illegal gambling operators to minimise and control the diffusion of illegal gambling operatives was set as a ministerial priority in the Shareholder Compact 2017/18. This was part of an all-encompassing strategy to curb illegal gambling and was executed in FY2017/18.

## Organisational environment

The NGB has endeavoured to be an efficient and highly productive entity that maximises the benefits of its relationship with stakeholders, performance of staff and management through effective leadership, systems, processes, resources and an ethical organisational culture.

The following strategic human capital pillars were identified over the Medium Term Expenditure Framework period to ensure that human capital issues are effectively addressed, such as:

- a) Creating a high-performance organisational culture, recognising teamwork and spirit
- b) Creating a learning and development organisational culture
- c) Strategic talent acquisition and retention for organisational effectiveness
- d) Overhaul of the organisational reward strategy
- e) Development of an integrated information management system
- f) Enforcement of legislative compliance and diversity

## Key policy developments and legislative changes

There were no key policy developments and legislative changes during the period under review.

## SITUATIONAL ANALYSIS CONTINUED

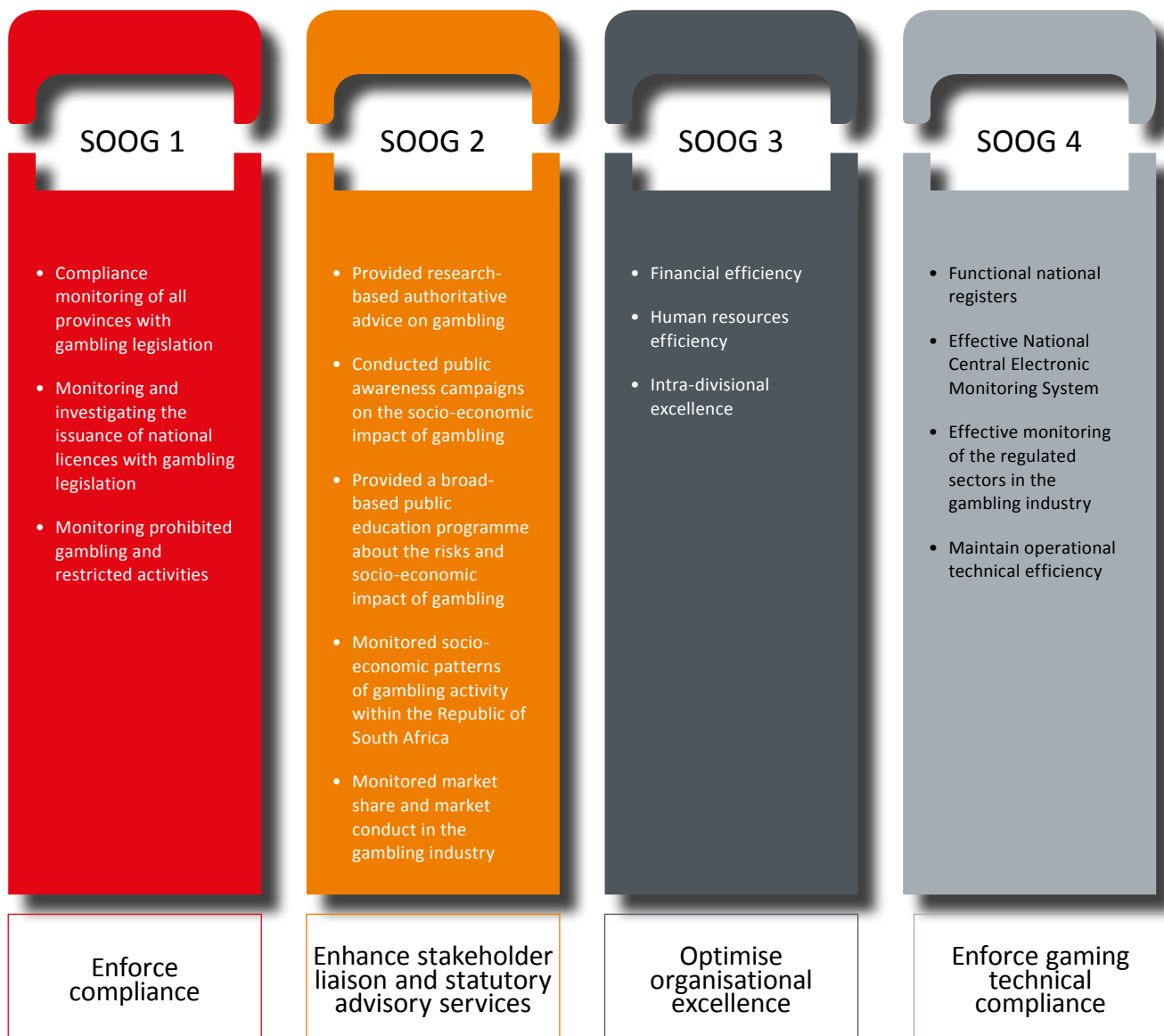
### Strategic Outcome Oriented Goals (SOOGs)

The NGB is one of the national regulatory agencies of **the dti**. Its SOOGs are derived from the NGA and are aligned to the SOOGs of **the dti** as informed by the government's Medium Term Strategic Framework (MTSF) priorities as depicted in the following diagram.

Government's MTSF priorities	Government outcome	the dti SOOGs	NGB SOOGs	Responsible NGB programme
<b>Priority 4</b> Speeding up growth and transforming the economy to create decent work and sustainable livelihoods	<b>Outcome 4</b> Decent employment, through inclusive economic growth	Facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation	Enhance Stakeholder Liaison and Statutory Advisory Services	Programme 2
		Create a fair regulatory environment that enables investment, trade and enterprise development, in an equitable and socially responsible manner	Enforce Compliance and Enforce Gaming Technical Compliance	Programme 1 and 4
		Facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth		
<b>Priority 8</b> Pursuing African development and enhanced international cooperation	<b>Outcome 11</b> Create a better South Africa, a better Africa and a better world	Build mutually-beneficial regional and global relations, advance South Africa's trade, industrial policy and economic development objectives	Enhance Stakeholder Liaison and Statutory Advisory Services	Programme 2
<b>Priority 10</b> Building a developmental state, including improvement of public services and strengthening of democratic institutions	<b>Outcome 12</b> An efficient, effective and development-orientated public service and empowered, fair and inclusive citizenship	Promote a professional, competitive and customer-focused working environment that ensures effective and efficient service delivery	Optimise Organisational Excellence and Enforce Gaming Technical Compliance	Programme 3 and 4

In order to give effect to the SOOGs during the FY2017/18, the NGB focused on the prioritised areas of performance as reflected in the following figure to ensure that a meaningful impact from its determined outcomes was achieved.

The SOOGs that are set out in the Strategic Plan 2017/22 were developed into actionable programmes in the Annual Performance Plan 2017/18 (APP) and budgeted for in the entity's Business Plan 2017/18. The key products and services of the NGB are outlined in "Legislative and Other Mandates" as set out on page 11.



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



## PERFORMANCE INFORMATION BY PROGRAMME



*BACK (Left to right): Mr D Makhari (Compliance Specialist), Mr S Pagiwa (Senior Manager: Gaming Technology), Ms C Kongwa (Accounting Authority), Mr G Mametse (Senior Manager: Human Capital Optimisation), Ms K Mackerduth (Chief Financial Officer), Mr B Arumugam (Senior Manager: Corporate Governance)*

*FRONT (Left to right): Mr S Mthombeni (Senior Manager: Finance), Ms E Jonkheid (Senior Manager: Research and Information), Ms B Ngcobo (Senior Inspector: Enforcement), Mr S Ramasodi (Senior Inspector: Compliance Oversight)*

The performance objectives of the NGB as aligned to the mandate provided by the NGA are enhanced stakeholder liaison and statutory advisory Services, enforced compliance, optimised organisational excellence and gaming technical compliance. The NGB is structured into four programmes or divisions which provided the business

framework to manage all SOOGs with specific activities linked to each SOOG. The four programmes are Stakeholder Liaison and Statutory Advisory Services, Compliance, Corporate Services and Technical Compliance. Specific projects and activities culminate from each programme.



# PROGRAMME I: COMPLIANCE



*Left to right: Ms Y Ngesi (Inspector Compliance Oversight), Ms S Nqwata (Enforcement Officer), Ms L Grootboom (Administrator: Compliance), Mr S Ramasodi (Senior Inspector: Compliance Oversight), Ms B Ngcobo (Senior Inspector: Enforcement)*

*Absent: Mr L Mathaine (Inspector: Enforcement)*

## PROGRAMME 1: COMPLIANCE

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### Purpose of the programme

The purpose of the programme was to provide mandated operational core functions in terms of the NGA.

### Sub-programmes

#### Compliance oversight

The Compliance Division evaluated compliance of the gambling industry with licensing norms and standards in line with statutory imperatives in gambling legislation.

The Compliance Division oversaw the coordination of concurrent national and provincial legislative competence over matters relating to casinos, racing, gambling and wagering; and provided for the continued regulation of those matters. Further to this, the division monitored PLA compliance with uniform norms and standards applicable to national and provincial regulations and licensing of certain gambling activities.

### Enforcement

The function of Enforcement was regulated in line with the legislation with a two-fold approach addressing alignment by licensed institutions and addressing illegal gambling activities and the suppression thereof. There is systemic growth in this area which indirectly impacts the business of licensed institutions.

The issue of illegal gambling continued to be a challenge in the country and the intensity of unlicensed gambling varied from province to province. The Compliance Division continued to assist the PLAs to ensure that unlicensed gambling activities are detected and dealt with, and perpetrators brought to book to the full might of the law.

### Performance objectives

The performance objectives of this function included:

- a) Monitoring compliance of all PLAs with gambling legislation
- b) Monitoring and investigating the issuance of national licences with gambling legislation
- c) Monitoring prohibited gambling and restricted activities
- d) Assisting PLAs to ensure that unlicensed gambling activities are detected

### Strategic objectives, performance indicators, planned targets and actual achievements

Strategic objectives	Performance indicator	Actual performance against target					Deviation from planned target to actual achievement 2017/18	Comments on deviation
		Actual achievement 2014/15	Actual achievement 2015/16	Actual achievement 2016/17	Planned target 2017/18	Actual achievement 2017/18		
Compliance monitoring of all provinces with gambling legislation	Number of three (3) tier compliance evaluation assessment reports presented to the Accounting Authority	Target was not achieved due to: 1. Lack of staff and existing vacancies; and 2. Lack of response by PLAs in submitting self-evaluations	Ten (10) Consolidated reports on the evaluation of the issuance of national licenses, compliance monitoring of licensees and performance of PLAs	Ten (10) consolidated reports on the evaluation of the issuance of national licenses, compliance monitoring of licensees, and performance of PLAs	Nine (9) three-tier compliance evaluation assessment reports and one (1) annual consolidated compliance evaluation assessment report presented to the Accounting Authority	Achieved. Nine (9) three-tier compliance evaluation assessment reports and one (1) annual consolidated evaluation assessment report were presented to the Accounting Authority	No deviation	N/A

## PROGRAMME 1: COMPLIANCE CONTINUED

Strategic objectives	Performance indicator	Actual performance against target					Deviation from planned target to actual achievement 2017/18	Comments on deviation
		Actual achievement 2014/15	Actual achievement 2015/16	Actual achievement 2016/17	Planned target 2017/18	Actual achievement 2017/18		
Monitoring and investigating the issuance of national licences with gambling legislation	Number of reports on compliance evaluation assessments on the issuance of National Licenses by PLAs presented to the Accounting Authority	N/A	N/A	N/A	Nine (9) provincial compliance evaluation assessment reports on the issuance of national licenses by PLAs and one (1) annual consolidated compliance evaluation assessment report on the issuance of national licenses by PLAs presented to the Accounting Authority	Achieved.  Nine (9) provincial compliance evaluation reports on the issuance of national licenses by PLAs and one (1) annual consolidated evaluation assessment report on the issuance of national licenses by PLAs were presented to the Accounting Authority	No deviation	N/A
Monitoring prohibited gambling and restricted activities	Number of reports on prohibited gambling and restricted activities presented to the Accounting Authority	N/A	N/A	N/A	Four (4) reports and one (1) annual report on prohibited gambling and restricted activities presented to the Accounting Authority	Achieved.  Four (4) reports and one (1) annual report on prohibited gambling restricted activities were presented to the Accounting Authority	No deviation	N/A

## Key achievements of Programme 1: Compliance oversight

In terms of section 33 of the NGA, the NGB is responsible and empowered to evaluate compliance by PLAs with the licensing standards as set out in the NGA. It is a condition of every provincial licence that the licensee must comply with every applicable provision of the NGA. It is the role of the PLA to monitor compliance by licensees with conditions of licences issued thereof.

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

Dates on which evaluations were conducted are reflected in Figure 1.

Figure 1: Evaluation dates per province

Provincial legislative authority	Evaluation dates	Quarter conducted
Gauteng Gambling Board	19 to 23 May 2017	Quarter 1
Mpumalanga Economic Regulator	30 May to 1 June 2017	
Limpopo Gambling Board	6 to 8 June 2017	
KwaZulu-Natal Gambling and Betting Board	4 to 6 July 2017	Quarter 2
North West Gambling Board	25 to 27 August 2017	
Free State Gambling and Liquor Authority	15 to 17 August 2017	
Northern Cape Gambling Board	19 to 21 September 2017	
Western Cape Gambling and Racing Board	10 to 12 October 2017	Quarter 3
Eastern Cape Gambling and Betting Board	14 to 16 November 2017	

Overall, evaluations related to the following key strategic focus areas:

- Onsite inspections.
- Separate evaluations on norms and standards in compliance with provisions of the NGA, evaluation of applications for licences, conducting of hearings, renewal of licences, and refusal of licences.
- Improved credibility of evaluations/inspections by using random file sampling for evaluations.
- Interviews were held with Chief Executive Officers (CEOs), executive management, and business unit heads to ensure a participatory evaluation process.
- Cluster evaluations where compliance by the PLAs were measured holistically at the end of the evaluation process.

### Structural changes within PLAs

The provincial Department of Economic Development in Mpumalanga conducted an investigation into the possibility of merging the Mpumalanga Gambling Board and the Mpumalanga Liquor Authority

into one entity. The investigation revealed that merging the two entities would improve effectiveness and efficiency, noting that the two industries are closely related in that most gambling venues require liquor licences.

Both the Mpumalanga Gambling Board and the Mpumalanga Liquor Authority are provincial public entities under the Department of Economic Development and Tourism responsible for regulating gambling and liquor trade respectively, in the province. The Mpumalanga Gambling Board regulates casinos, bingo outlets, LPMs, totalisators and bookmakers in the province, whilst the Mpumalanga Liquor Authority regulates the licensing of liquor outlets.

The Mpumalanga provincial executive subsequently approved the merger to establish a Provincial Economic Regulator, and the Mpumalanga Gambling Board was officially merged with the Mpumalanga Liquor Authority on 23 October 2017 to form the Mpumalanga Economic Regulator.

## PROGRAMME 1: COMPLIANCE CONTINUED

### Economic and social development in the gambling industry

The trend amongst the PLAs with respect to setting of targets to contribute towards compliance with the B-BBEE generic or sector codes of good practice were acceptable. Through the imposition of licence conditions pertaining to governmental developmental priorities, such as corporate social investment responsibilities, PLAs ensured that licensees contribute and comply towards the achievement of national targets for the development of Small, Medium and Micro Enterprises (SMMEs) and/or the improvement of B-BBEE targets.

Of critical importance in section 2 of the B-BBEE Act is the facilitation of the Act by promoting economic transformation in order to enable meaningful participation of black people in the economy. The NGB monitors B-BBEE levels in the gambling industry on an annual basis. Based on the information submitted PLAs, the average B-BBEE status or level of the South African gambling industry as at 31 March 2018 per gambling mode and operator, was as follows:

- Average B-BBEE level for casino operators: Level 1.8
- Average B-BBEE level for totalisators: Level 4
- Average B-BBEE level for LPM operators: Level 2.8
- Average B-BBEE level for bingo operators: Level 2.9 (currently only operational in Gauteng, Mpumalanga, North West, Eastern Cape, KwaZulu-Natal and Limpopo)

Compared to FY2017, a general improvement in compliance to required minimum B-BBEE levels has been noted in all gambling sectors in FY2018.

As different provinces have different B-BBEE targets, there is no uniformity across provinces. This may be resolved through the introduction of industry specific codes for the gambling industry. However, in the absence of industry specific codes, uniformity from provinces in their licensing conditions is imposed.

### Market share and market dominance in the gambling industry

The NGB identified a trend emerging in the gambling industry that could lead to possible monopolistic practices and dilution of the regulation and licensing regime in the gambling industry if left unrestrained. The year under review revealed inter-gambling modal acquisitions primarily amongst licensees in the casino, bingo and LPM modes. The potential consequence would be that there would be high barriers to enter the gambling industry for Small, Medium and Micro Enterprises (SMMEs) due to their inability to compete against the dominance of perceived monopolies within the gambling industry.

In terms of section 65(2)(a) of the NGA, the NGB is empowered to monitor market share and market conduct in the gambling industry and to refer any concerns regarding market share or possible prohibited practices to the Competition Commission in terms of the Competition Act, 1998 (Act 89 of 1998) (the Competition Act). The Competition Commission, on the other hand, is responsible for implementing measures to increase market transparency and to investigate and evaluate any possible or alleged contraventions of the Competition Act. It may also negotiate agreements with any regulatory authority to coordinate and harmonise the exercise of jurisdiction over competition matters within the relevant industry or sector.

Monopolies could possibly hamper transformation in the gambling industry and lead to the interests of punters and the general public being adversely affected; thus it was suggested that a market inquiry is conducted as to what the implications and impact are for the gambling industry as a whole and analyse whether such transactions amount to or will potentially result in substantially preventing or lessening competition within the gambling industry.

### LPM applications in excess of five machines

The Compliance Oversight Inspectorate received and evaluated LPM applications in excess of five machines per site, in terms of Regulations 3(2) of the LPM Regulations, 2000. Below is a high level summary of evaluations that were conducted over the financial year:



Figure 2: Summary of type B evaluations conducted

Applications status	Total number from all provinces
Received during FY2017/18	28
Rolled over from FY2016/17	6
Approved	33
Declined	–
Referred back	–
Withdrawn by PLA	–
Pending approval	1

The results in Figure 2 can be further analysed as follows:

- Applications were received from Limpopo (six), North West (18), Gauteng (five), Northern Cape (six), and Mpumalanga (three).
- Approvals related to Limpopo (six), North West (17), Gauteng (five), Mpumalanga (three) and Northern Cape (six).
- No applications were declined.
- No applications were referred back to the PLA for further information to be provided and/or further consideration of information.
- No applications were withdrawn.

As at 31 March 2018, the NGB was in the process of evaluating one application from North West; hence the application is pending.

### Key achievements of Programme 1: Enforcement

The NGB continued to collaborate with PLAs and law enforcement agencies with the aim of gathering intelligence for use in eradicating illegal gambling activities.

During the compliance oversight visits to the nine PLAs, the Enforcement Unit accompanied the respective PLAs to onsite inspections of casinos, bingo halls and bookmaker establishments.

Figure 3: A summary of the gambling establishments inspected as at 31 March 2018

PLAs	Name of establishment inspected per mode of gambling			
	Casino	Bingo	Bookmaker	LPM
Limpopo	Meropa	–	World Betting	Gamblers Saloon
Gauteng	Emperors	Galaxy Bingo	Hollywood bets.net	–
Mpumalanga	Emnotweni	–	Hollywood bets	–
North West	Mmabatho Palms	–	Tik Tak Sports Betting (LPM and bookmaker)	Tik Tak Sports Betting (LPM and bookmaker)
KwaZulu-Natal	Sun Coast	Galaxy Bingo (Bookmaker, LPM and Bingo)	Galaxy Bingo (bookmaker, LPM and bingo)	Galaxy Bingo (bookmaker, LPM and bingo)
Free State	Naledi Sun	–	Beta Bets (bookmaker and LPM)	Beta Bets (bookmaker and LPM)
Northern Cape	Flamingo	–	Betting World (bookmaker and LPM)	Betting World (bookmaker and LPM)
Western Cape	GrandWest	–	SunBet	–
Eastern Cape	Hemingways	Galaxy Bingo	Supabets	Monty's Pub and Restaurant (LPM)

## PROGRAMME 1: COMPLIANCE CONTINUED

The purpose of the onsite visits was to focus on compliance with respect to surveillance systems, self-exclusions, unlawful winnings which resulted from self-exclusions and winnings by minors, Financial Intelligence Centre (FIC) related matters and the manner in which complaints from punters were dealt with. The NGB further inspected the operators listed in Figure 3 for compliance with the following:

- Displaying of operator licence.
- Minors, who are prohibited from the designated areas.
- Signage indicating that minors are prohibited from the designated areas.

- Validity of employee licences.
- Compliance with the LPM regulations with respect to LPM site floor plans.

### Inspections, investigations and raids conducted

There was a total of 134 raids conducted, 12 inspections/ investigations, 81 machines seized, eight arrests, 14 convictions, and 54 machines that were destroyed during FY2017/18 as reflected in Figure 4.

Figure 4: National overview of inspections, investigations and raids conducted as at 31 March 2018

#	PLA	Number of raids conducted	Number of inspections/ investigations	Number of items seized	Arrests and/or convictions made	Machines destroyed
1.	Western Cape Gambling and Racing Board	28	–	Machines seized: 13 Monies seized: R11 752.90	Arrests: 6 Convictions: 7 (Issued fines of R1 000 and R7 000 for admission of guilt)	
2.	Free State Gambling and Liquor Authority	5	–	–	–	–
3.	Eastern Cape Gambling and Betting Board	3	–	–	–	–
4.	Northern Cape Gambling Board	0	12	–	–	–
5.	Gauteng Gambling Board	35	–	Machines seized: 23	Arrests: 7 Convictions: 4	Machines destroyed: 54
6.	North West Gambling Board	2	–	–	–	–
7.	Limpopo Gambling Board	2	–	–	–	–
8.	KwaZulu-Natal Gambling and Betting Board	22	–	–	Arrests: 1 Convictions: 1 (Issued fine of R1 000 for admission of guilt)	
9.	Mpumalanga Economic Regulator	37	–	–	–	–
	National total	134	12	Machines seized: 81 Monies seized: R11 752.90	Arrests: 14 Convictions: 12	Machines destroyed: 54

### Suppression of illegal gambling activities

The Enforcement Unit attended an e-Commerce Advisory Committee meeting hosted by the Financial Sector Conduct Authority (FSCA). The main objective of the e-Commerce Advisory Committee is to serve as an advisory forum to government on matters relating to Information and Communications Technology (ICT) in the financial services industry. The following issues were discussed: twin peaks regulatory model, robo-advisors, King IV code, virtual currency matters and international conventions on e-Commerce and cybercrime.

The NGB consulted with the Department of Telecommunication and Postal Services (DTPS). The DTPS provides for the National Cybersecurity Policy Framework (NCPF). The purpose of the NCPF is to promote, guide and coordinate activities aimed at improving cybersecurity measures by all role players, which would include, amongst others, the strengthening of intelligence collection and improved State capacity to investigate, prosecute and combat:

- Cybercrime
- Cyberterrorism
- Cyber espionage
- Cyber warfare
- Any other cyber-related threats.

The NGB informed the DTPS that as much as online gambling is illegal in terms of section 11 of the NGA and punishable in terms of section 16 of the NGA, there are still online gambling sites which offer illegal gambling to South African citizens. The DTPS was also informed of:

- The NGB's application to the Internet Service Association (ISPA) to take down websites that offered illegal gambling as well as the reasons why this application was rejected.
- The procedure to be followed when investigating winnings from online gambling activities and the role of banks to assist the NGB.
- The NGB's inability to prevent occurrences of online gambling by itself, hence the necessity to initiate a line of communication in the hope of finding a solution.

The DTPS responded positively to the NGB's concerns and the DTPS was willing to assist and has undertaken to communicate the NGB's issues with the Cybersecurity Committee (CSC). The DTPS will further engage with the Crime Intelligence Authorities and the relevant National Computer Security Incident Response Teams (CSIRTs) to take the matter further to the ISPA in order to find an effective solution with regards to the closing of domains and Internet Protocol (IP) addresses.

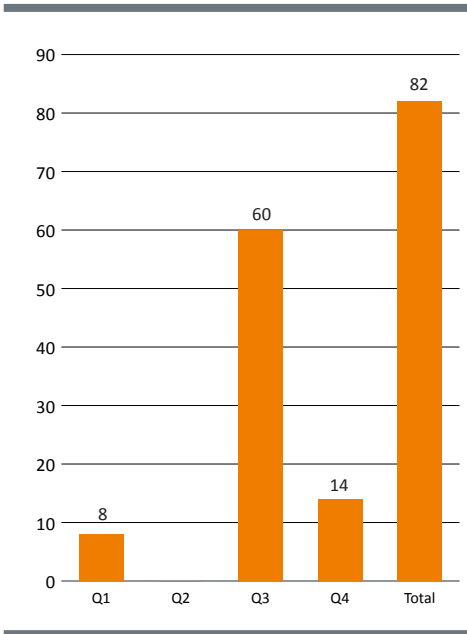
### Unlawful winnings

Quarterly reports and an annual report on unlawful winnings were produced.

The Enforcement Unit of the NGB has also investigated new cases of possible unlawful winnings during FY2017/18. A total of 75 cases of online gambling have been investigated and concluded during FY2017/18.

There was a total of 82 matters set before the Unlawful Winnings Committee (UWC) as depicted in Figure 5. One matter was referred back for further investigation in quarter 1. The matter was re-tabled to the UWC in quarter 4; however the committee was of the opinion that there was insufficient evidence to prove that the gambling activities were conducted whilst the punter was visiting Namibia. Forty-one of the 81 matters presented to the UWC were current matters that were investigated. The other 40 related to the historical backlog that the entity is steadily reducing.

Figure 5: Unlawful winnings cases tabled as at 31 March 2018

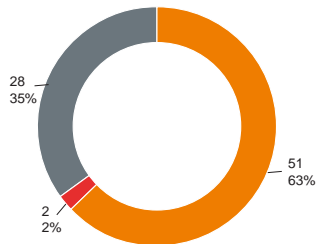


## PROGRAMME 1: COMPLIANCE CONTINUED

The committee resolved that:

- Eight applications for forfeiture of the unlawful winnings be made before the High Court. The investigative reports had revealed that the winnings were illegally obtained by the punters. Of the eight cases, four cases were heard in May 2017. These cases amounted to a total of R1 254 599.41 were brought before the Gauteng and Northern Cape High Courts and such monies were forfeited to the State.

*Figure 6: Categories of unlawful winnings cases tabled as at 31 March 2018*



■ Total forfeiture  
■ Total refund  
■ Total return for further investigations

Figure 6 indicates that 35% of all matters brought to the UWC for review were referred back to the investigators as the committee was of the view that there was insufficient information tabled in the investigation reports to successfully conclude on a particular recommendation. 63% of the matters were recommended for forfeiture to the State. 2% of the matters were recommended for refund to the respective punters. Such funds were indeed refunded prior to year-end to the relevant punters.

## PROGRAMME 2: STAKEHOLDER LIAISON AND ADVISORY SERVICES



*Left to right: Ms K Makopo (Administrator (Stakeholder Relations)), Ms E Jonkheid (Senior Manager: Research and Information), Ms Y Gwenhure (Economic Researcher).  
Absent: Ms Z Kumalo (Stakeholder Manager)*

## PROGRAMME 2: STAKEHOLDER LIAISON AND ADVISORY SERVICES

### Purpose of the programme

This programme provided continuous interpretation and guidelines on the statutory mandate of the NGB, as well as strategic coordination, and promoted liaison at local and international level amongst the various stakeholders of the NGB, including the South African Responsible Gambling Foundation (SARGF), a body tasked with the mandate to provide support and problem gambling interventions.

The conducting of research as mandated by the NGA was also a key priority of this division, and specifically, studies to determine the socio-economic impact of gambling, as well as the monitoring of gambling sector performance.

### Sub-programmes

#### Research and information

Research was commissioned relating to the socio-economic impact of gambling, as well as gambling sector performance in terms of national gambling statistics and the monitoring of market conduct and market share. This served as the basis for providing advice relative to strategies, policies and legislation.

#### Stakeholder liaison

The Stakeholder Liaison Unit provided coordination and secretariat services to the various stakeholders of the NGB and Executive Management. The NGB undertook strategic communication with key stakeholders and forged strategic cooperation, promotion of the NGB's policy and development with the regulators both on the continent and around the world. The division was also responsible for strategic planning and support. Liaison with internal and external stakeholders was critical to the successful implementation of communicating with stakeholders. Awareness and education of stakeholders and the public was conducted by means of responsible gambling and broad-based public education programmes.

The division provided a communication, education and awareness service for and on behalf of the NGB. The Stakeholder Liaison Unit notified the industry and stakeholders by active, effective and efficient communication. These actions are not limited to, but include an up-to-date website, workshops/public events with industry specific stakeholders, information sessions and ongoing communication with all the role players. Clear plans are outlined in the existing Communication and Stakeholder Management Strategy which identified and segmented various stakeholders, relevant messages and the best method to share information or communicate.

### Performance objectives

The following strategic objectives were attended to during the reporting period:

- a) Provided research-based authoritative advice on, amongst others, gambling policy, statutory matters, legislation and reforms
- b) Developed an approach to concurrent gambling regulation
- c) Facilitated public dialogue with stakeholders
- d) Conducted public awareness campaigns on the socio-economic impact of gambling
- e) Conducted research on the impact of gambling
- f) Monitored socio-economic patterns of gambling activity within the Republic of South Africa
- g) Updated information about performance of the regulated gambling sectors
- h) Monitored market share and market conduct in the gambling industry



## Strategic objectives, performance indicators, planned targets and actual achievements

PROGRAMME 2: STAKEHOLDER LIAISON AND ADVISORY SERVICES								
Strategic objectives	Performance indicator	Actual performance against target					Deviation from planned target to actual achievement 2017/18	Comments on Deviation
		Actual achievement 2014/15	Actual achievement 2015/16	Actual achievement 2016/17	Planned target 2017/18	Actual achievement 2017/18		
Provided research based authoritative advice on gambling	Number of reports on advice in terms of S65 of the NGA presented to the Accounting Authority	Reported on inputs to legislation amendments	S65 advisory reports presented to the Accounting Authority	S65 advisory Reports presented to the Accounting Authority	S65 advisory report presented to the Accounting Authority	Achieved  S65 advisory reports were presented to the Accounting Authority	No deviation	N/A
Conducted public awareness campaigns on the socio-economic impact of gambling	Number of reports on facilitated broad-based public awareness campaigns presented to the Accounting Authority	Communication strategy and plan was reviewed and stakeholder strategy and plan was approved	Approval of communication and stakeholder strategy by the Accounting Authority	Responsible Gambling advocacy campaign and public events conducted and information published	Four (4) reports and one (1) annual report on facilitated broad-based public awareness campaigns presented to the Accounting Authority	Achieved  Four (4) reports and one (1) annual report on facilitated broad-based public awareness campaigns were presented to the AA	No deviation	N/A
Provided a broad-based public education programme about the risks and socio-economic impact of gambling	Number of reports on facilitated broad-based stakeholder participation through targeted intervention presented to the Accounting Authority	N/A	N/A	N/A	Four (4) reports and one (1) annual report on facilitated broad-based stakeholder participation through targeted intervention presented to the Accounting Authority	Achieved  Four (4) reports and one (1) annual report on facilitated broad-based stakeholder participation through targeted intervention was presented to the Accounting Authority	No deviation	N/A

## PROGRAMME 2: STAKEHOLDER LIAISON AND ADVISORY SERVICES CONTINUED

PROGRAMME 2: STAKEHOLDER LIAISON AND ADVISORY SERVICES								
Strategic objectives	Performance indicator	Actual performance against target					Deviation from planned target to actual achievement 2017/18	Comments on Deviation
		Actual achievement 2014/15	Actual achievement 2015/16	Actual achievement 2016/17	Planned target 2017/18	Actual achievement 2017/18		
Monitored socio-economic patterns of gambling activity within the Republic of South Africa	Number of reports on research conducted on the impact of gambling presented to the Accounting Authority	Target was not achieved	Research on the impact gambling conducted and a report presented to the Accounting Authority	Research on the socio-economic impact of gambling conducted and a report presented to the Accounting Authority	Four (4) reports and one (1) annual report on research conducted on the impact of gambling presented to the Accounting Authority	Achieved  Four (4) reports and one (1) annual report on research conducted on the impact of gambling presented to the AA	No deviation	N/A
Monitored market share and market conduct in the gambling industry	Number of reports on gambling sector performance presented to the Accounting Authority	Report on the tracking of gambling patterns was produced	Audited gambling sector performance reports were produced	Annual audited gambling sector performance report	Four (4) reports (based on unaudited data) and one (1) annual report on audited gambling sector performance presented to the Accounting Authority	Achieved  Four (4) reports (based on unaudited data) and one (1) annual report on, audited gambling sector performance report was presented to the AA	No deviation	N/A

*Compulsive gamblers keep gambling no matter the consequences.*

## Key achievements of Programme 2: Research

The aim of research reports were to advise the Minister and the NGPC on policy considerations emanating from the research.

### Research to determine the socio-economic impact of gambling in South Africa

The NGB finalised its research project during FY2018 to determine the impact of gambling in South Africa. Findings on the research to determine the socio-economic impact of gambling in South Africa can be summarised as follows:

- The incidence of gambling declined from 56.8% in 2002 to 49.8% in 2005, to 34.9% in 2009 and finally 30.6% in 2017.
- The National Lottery was the most popular gambling mode (81.3%), followed by casinos (14.2%), betting on horse racing and sports (12.6%), bingo (2.4%) and LPMs (2.0%).
- The less affluent groupings of the South African population were important participants in gambling activities and mainly bought Lotto tickets and participated in illegal gambling.
- 32% of gamblers were willing to explore new gambling experiences or modes such as the National Lottery, unlicensed modes, licensed betting on horse racing and sports, licensed gambling in casinos and at bingo outlets.
- 27.0% of gamblers participated in illegal modes of gambling – mainly fafi, card and dice games and betting on horse racing and sports (including social grant beneficiaries, unemployed and earning less than R2 000 per month).
- Reasons for participation in gambling were mainly to win large sums of money (55.6%) and the need for money (24.0%).
- 21.9% of respondents indicated that there are not enough gambling outlets. It would appear that the insufficiency of outlets referred to a need for easier access rather than outright lack of access to gambling facilities.
- 29.5% of gamblers received social grants, of which mainly 59.3% hereof received child support grants, and 32.9% old age pension. The National Lottery (78.1%) and illegal gambling (26.5%) represented the most popular gambling modes of social grant recipients.
- 91.6% of respondents perceived gambling as addictive, whereas 79.5% perceived that gambling leads to a situation in which affected households may lack basic necessities.
- 45.2% of gamblers were found to be non-problem gamblers, 32.3% regarded as low level of problem gamblers, 16.7% regarded as having a moderate level of problems, whereas problem gamblers were calculated at 5.8% of the gambling population. The majority of problem gamblers participated in National Lottery games (70.4%), illegal gambling modes (59.2%), casinos (26.8%), legal betting on horse racing and sports (22.5%) and bingo (14.1%). The profile of problem gamblers is mainly 19.7% younger than 25 years and 60.5% between 26-35 years, 42.3% unemployed and 25.4% in full-time jobs, 56.3% secondary school education and 36.6% post matric qualification; 56.6% male, 14.3% no income and 52.9% a monthly income of less than R5 000.
- 25.2% of gamblers indicated that they drew money at an Automatic Teller Machine (ATM) close to a gambling venue whilst gambling to fund their gambling expenses. During focus group discussions (qualitative research), an overwhelming majority of gamblers agreed that access to an ATM within the gambling vicinity appeared to be very problematic. Moreover, it contributes to irresponsible gambling behaviour mainly in a form of unnecessary overspending.
- 0.97% of household income was allocated to gambling.
- The gambling sector's contribution to the economy stood at close to 0.81% in 2016;
- The share of especially bingo gambling, as well as LPMs and betting on horse racing and sports showed a strong upward trend. These included changes in personal preferences and the opening-up of new gambling facilities in areas not previously served by modes such as bingo venues, LPMs and facilities for betting on horse racing and sports. The latter may increase competition in the gambling industry and even further structural adjustments in the licensed gambling fraternity. The share of both casinos and the National Lottery in total GGR declined (e.g. in the case of casinos from 76.4% in 2008 to 62.6% in 2016) whilst the share of betting on horse racing and sports, LPM and bingo increased substantially. The differentiation in total growth from 2008 to 2016 explained the changes in the proportional representation of the various modes. These changes can be induced by several factors, including changes in personal preferences and the establishment of new facilities leading to more choices and more convenient/easier access.
- The perception of respondents on the regulatory environment revealed that 69.6% were aware of information about the nature and risks of gambling; 67.8% were aware of the existence of

## PROGRAMME 2: STAKEHOLDER LIAISON AND ADVISORY SERVICES CONTINUED

legal and illegal gambling modes; 59.6% felt that living close to a gambling venue can stimulate problem gambling; 40.9% were aware of programmes to assist problem gamblers, 37.4% felt that measures to address problem gambling are effective, 43.8% were aware of the NGB and 41.4% perceived that the gambling industry is well regulated.

The findings were utilised to embark on a public awareness radio programme to inform the less affluent and low income earners about legal and illegal gambling and where to get assistance for problem gambling behaviour.

Key recommendations on the research were as follows:

- Awareness campaigns on the illegality of online and unlicensed gambling and the potential risk of compulsivity should be strengthened. The awareness campaigns on illegal gambling should include the population segments strongly implicated in their involvement in illegal gambling. These segments include, amongst others, social grant beneficiaries (26.5% participation in illegal gambling) with special focus on child support grant beneficiaries, the unemployed (participation rate of 36.3% in illegal gambling) and the less affluent (32.1% of gamblers earning an income of less than R2 000 per month participated in illegal gambling modes). Proper education, information and awareness campaigns to highlight the impact of gambling on household welfare in particular but also social wellbeing in general is of crucial importance.
- It also emerged that (illegal) online/internet gambling is gaining popularity and that the majority of the public is not aware that participation in this mode is illegal. 27.0% of gamblers also participated in other illegal gambling modes. Participation in illegal gambling modes has also increased. Illegal gambling modes and the consequences of participation in illegal gambling modes should be strengthened in public awareness campaigns. Stakeholders such as banks and law enforcement agencies should be educated about the NGA and their (banks and law enforcement agencies) roles and responsibilities to assist the NGB in the combatting of illegal gambling. Successes in terms of the forfeiture of unlawful winnings, raids on illegal gambling operators, confiscation of illegal gambling equipment and gambling operators' role and activities to combat illegal gambling should be communicated in the media.
- Participation in the National Lottery was regarded as the most popular gambling mode (81.3%), followed by casinos (14.2%), betting on horse racing and sports (12.6%), bingo (2.4%) and LPMs (2.0%). Preparing for the publishing of information in a hotel and gaming magazine targeting casino gamblers was finalised during FY2018 – advertisements will be published in the first quarter, FY2019.
- The public, specifically people under the age of 18, need to be informed about the legal age of gambling (as a recreational and leisure activity) via public awareness campaigns.
- The share of the casino industry and the National Lottery in licensed GGR declined substantially between 2008 and 2016. On the contrary, the share of especially bingo gambling, as well as LPMs and horse and sports betting showed a strong upward trend. The fact that 21.9% of respondents indicated that there are not enough gambling outlets might have given rise to the transition from land-based gambling modes such as casinos to outlets nearby and even betting on sports via electronic means. The publishing of information in sports magazines targeting those interested in sports and by implication betting on sports was identified as one of the public awareness campaigns for FY2018.
- Problem gambling will remain an inherent part of gambling behaviour and needs continuous attention from regulatory bodies and the private sector role players within the gambling industry. Respondents indicated that they need more information about the perceived risks of gambling. Therefore, more information on the risks of gambling and programmes to assist compulsive/problem gamblers is required especially in the following population segments currently representing major portions of problem gamblers: younger people (57.7% of problem gamblers are between 18 and 35 years), the unemployed (42.3% of problem gamblers are unemployed), more educated portion of the population (56.3% and 36.6% of problem gamblers hold respectively secondary and tertiary qualifications), more than half (56.5%) are male and the less affluent (67.2% of problem gamblers earned a monthly income of less than R5 000 per month). In this regard, a national radio campaign was initiated in FY2018 to inform these segments about illegal gambling, risks associated with gambling and the consequences of participating in unregulated modes. It was also suggested in focus groups that restrictive measures should be imposed against compulsive gamblers, including access denial to gambling facilities and applying limitations in the participation levels and spending. Education, awareness campaigns, counselling, and imposing restrictions on compulsive gamblers were suggested measures that should be in place to address problem gambling.
- A key finding in the research was that 70.3% of gamblers did not budget a specific amount for gambling, as well as 25.2% of gamblers indicated that they drew money at an ATM close to a

gambling venue whilst gambling to fund their gambling expenses. The sensitising of gamblers to budget for gambling expenses and think twice prior to withdrawing money from ATMs nearby gambling venues (to fund gambling) might be a theme to be considered in future public awareness campaigns.

- 43.8% of respondents were aware of the NGB and 41.4% perceived that the gambling industry is well regulated. However, a number of participants in the focus group discussions strongly felt that gambling laws and regulations in South Africa are not being applied and enforced effectively. This implies that there should be concerted efforts to raise awareness regarding gambling regulations, the role of regulatory bodies (national and provincial), and how gambling boards can assist the public.
- Structural changes are also evident by mode. The share of the casino industry and the National Lottery in licensed GGR declined substantially between 2008 and 2016. On the contrary, the share of especially bingo gambling, as well as LPMs and horse and sports betting showed a strong upward trend. These changes may be activated by several reasons. They include changes in personal preferences and the opening-up of new gambling facilities in areas not previously served by modes such as bingo venues, LPMs and facilities for horse racing/sports betting. The latter may increase competition in the gambling industry and even further structural adjustments in the licensed gambling fraternity in future.
- Research findings affirmed that a few prominent socio-economic issues will always remain on the agenda of gambling regulators. These include the support and counselling of the youth in gambling, the impact of gambling on the less affluent, counselling support of problem/compulsive gamblers and curbing of unlicensed gambling.
- Socio-economic impact studies have the advantage to monitor not only the magnitude and structural changes in the gambling industry, but also the changes in the gambling behaviour of the South African population – including the trends in illegal gambling. In addition to reflecting on the longitudinal trends and changes in gambling behaviour, it also assists regulatory authorities to evaluate the effectiveness of their regulatory responsibilities and success of their awareness campaigns. Follow-up studies in future are highly recommended to monitor and track trends, and identify new developments and matters that might need attention in future legislation, policy and strategy.

## Research to benchmark the regulation of gambling in South Africa with other countries

This related to desktop research that was conducted throughout the financial year to position South Africa against other gambling jurisdictions across the globe by identifying various issues that are imminent in the regulation of gambling so as to draw the necessary conclusions on current best practices, challenges and priorities.

As such, ongoing issues based on desktop research conducted in-house are mainly in terms of problem gambling, advertising, combating of illegal online gambling, anti-money laundering and gambling taxes. The new main highlights emerging out of the report are the overall industry climate with respect to the casino sector and affiliate marketing/advertising. These have been included, amongst others, and against the background of how other countries deal with these matters:

### • Overall Industry climate with respect to the casino sector

- Globally, casino revenues have generally taken a dip as more diverse forms of gambling steadily grow. However, one reason that has emerged in a number of the countries under review as contributing towards this trend is the total ban on smoking within a casino establishment which South Africa has not passed. If similar legislation is considered in South Africa, it may also result in a decline in participation in casino gambling, and visiting land-based casino outlets.

### • Advertising

- One pertinent issue in this area that appears to have been overlooked in the regulation of gambling in other jurisdictions including South Africa is the type of advertising of gambling done by affiliates of licensed operators which in certain instances may be socially irresponsible and improper and against standard gambling advertising norms increasing the risk of problem gambling amongst punters as well as exposure of children to gambling. The advertising of gambling is not allowed to encourage the public to take part in gambling, and/or targeted at minors. Unlicensed operators could also be prohibited from advertising their services. Sports betting operators could also be set to be banned from advertising online bets during live televised events, including breaks in play. It would, however, be interesting to see through further research whether there is a relationship between the advertising of gambling activities and the prevalence of

## PROGRAMME 2: STAKEHOLDER LIAISON AND ADVISORY SERVICES CONTINUED

problem gambling in the case of South Africa, as well as a comparable country.

- In some countries, advertising of gambling is completely prohibited and in cases where advertising is permitted, a time limit is set within which the advertising is allowed to be broadcast which does not coincide with religious and education programmes, as well as programmes targeted at children.

### • Combating illegal (online) gambling

- South Africa has no website blocking mechanisms in respect of its NGA in place to curb illegal online gambling activities, and as long as there is a need to combat illegal online gambling as per the current status, such measures are vital. Listing of authorised gambling operators and listing of illegal gambling operators may be considered as additional measures.

### • Unlawful winnings

- An Unlawful Winnings Committee is currently operational in the NGB. Spitz and Maier (2015) identify the data required in order to decide whether a transaction is linked to unlawful gambling and for payment blocking to work effectively. These are:
  - ♦ Evidence on whether the transaction is connected to a game of chance.
  - ♦ Information on whether the gambling activity in question is prohibited or covered by a licence.
  - ♦ The location of the player at the time of play.
  - ♦ Personal data (e.g. name, address, age) of the player and player's bank account details.
  - ♦ Name and bank account details of the operator and payment details (payment amount, description of payments and their purpose such as transfer requests).
  - ♦ Merchant descriptor or, with regards to credit cards, Merchant Category Code (MCC).
- The information required as stated above, can be compared with NGB measures and brought in line, if applicable.

### • Anti-money laundering

- No reference is made in the NGA to the term “money laundering”. High risk designations could be reserved for casino gambling, both online and land-based. Casinos could be required to meet money laundering requirements under specific rules. Procedures, laws or regulations could be designed to stop the practice of generating income through illegal actions.

- Facial recognition ATMs and stricter money withdrawal limits near casino floors are measures considered in other countries to combat money laundering, as well as specific measures applicable to those gambling at high risk for money laundering.

### • Gambling taxes/levies

- Compared to other countries, less taxes/levies are collected. A rise in the collection of taxes/levies will contribute in boosting the South African fiscus and economy.

### • Problem gambling

- As a way of curbing problem gambling, South Africa may adopt a limit on the number of tickets sold to individuals at one location and/or limit the number of visits an individual can make per month to a gambling establishment.
- The introduction of a single website function for problem gamblers to exclude themselves, as well as online access to assist in the management of addictive gambling, are sensible options given increased access to electronic media.
- The introduction of exclusion schemes and fees for casino entry, as well as the development and introduction of an online gambling programme that will allow players to exclude themselves using a single website function from all gambling operators licensed by the NGB.

### • Website and payment blocking

- South Africa currently makes no provision in its legislation for website and payment blocking mechanisms to curb illegal online gambling activities.
- This is something South Africa can adopt in likeness to other countries such as Bulgaria and Belgium, amongst others.

### Research to monitor websites offering illegal online gambling to South Africans

Desk-top research was conducted to monitor and report on websites offering illegal online gambling to South Africans and encouraging South Africans to participate in illegal online gambling.

Based on key observations, the following recommendations were made:

### • Immediate blocking of websites such as:

- onlinegamblingsa.com;
- casino.org;
- playcasino.co.za;
- onlinecasinosafari.co.za;
- zebracasino.co.za;

- [gamblingsites.com](http://gamblingsites.com)
- all individual online gambling sites listed on these websites.
- Ongoing monitoring of the internet, social media, and any other medium where online gambling is offered for play to South Africans.
- Blocking and/or instructions to remove any such advertisements/links/access to gambling sites offering any gambling game that is illegal in South Africa.
- Continuous education and awareness to the public on South Africa's stance in terms of illegal online gambling in South Africa through as many platforms as possible, i.e. social media, radio, print, public campaigns and targeted intervention.
- Immediate removal of the NGB's logo on [onlinecasinosafari.co.za](http://onlinecasinosafari.co.za).

### Key achievements of Programme 2: Stakeholder liaison

The NGB has embarked on and participated in various public education and awareness campaigns during FY2018 such as the following:

- the dti's national education and awareness roadshows in all provinces, distributed corporate brochures and briefed the public at nineteen (19) events across all provinces on the following: The role and mandate of the NGB, the difference between legal and illegal modes of gambling, how to gamble responsibly, symptoms of addictive gambling behaviour, where and how to get assistance with regards to problem gambling, and where to report illegal gambling activities, as well as the contact details of all PLAs.
- Exhibitions in Centurion (Shopping) Mall (27 June to 2 July 2017) and Menlyn (Shopping) Mall (18 to 21 December 2017) to raise awareness and educate the public about responsible gambling, the fact that online gambling is illegal, how to gamble responsibly, to detect symptoms of addictive gambling, the difference between legal and illegal gambling, where to report illegal and fraudulent gambling activities, the consequences when gambling illegally and where to get assistance for addictive gambling, amongst others. NGB staff also distributed copies of its own awareness campaign messages, i.e. information relevant to the odds of gambling, online gambling is illegal (legal and illegal modes of gambling) and consequences if caught in participating in illegal gambling, as well as copies of its corporate brochure during these exhibitions.
- Participation in the Government Exhibition Day on 28 September 2017 in Atteridgeville, Pretoria. The NGB delegates informed members of the public about gambling, NGB's mandate, responsible and problem gambling, the mandate of the NGB, as well as illegal and legal forms of gambling. Corporate brochures were also distributed.

The NGB also educated stakeholders during targeted interventions as part of its broad-based public education programme by means of the following:

- Educated stakeholders in the gambling industry about the eradication of illegal gambling on the African continent at the Gaming Regulators Africa Forum (GRAF) Conference held from 23 to 26 April 2017.
- Trained teachers at Isekela Primary in Thembisa on 3 August 2017.
- Participation in Child Awareness Week on 2 June 2017 to address issues around gambling and under-age gambling.
- Educated stakeholders in the gambling industry at the Gambling Indaba held from 17 to 18 July 2017 on topics such as "Millennials and the future landscape of the gambling industry", and "The increase of sports betting in South Africa".
- Educated Nedbank officials on unlawful winnings on 14 September 2017.
- Educated attendees of the Berlin November Traditional Horse Racing event on 25 November 2017 on responsible gambling, problem gambling and illegal and legal modes of gambling.
- Educated national and international stakeholders in the gambling industry on "Changes in the punter profile and the possible impact on the gambling regulatory landscape in South Africa" at the International Association of Gaming Regulators (IAGR) Conference held from 16 to 19 October 2017 at Emperors Palace, Kempton Park.
- Educated employees at Transnet on 4 October 2017 about problem gambling and how to get assistance with addictive gambling behaviour.
- A Research Seminar was initiated by the NGB and held on 9 March 2018 to provide internal and external stakeholders interested in gambling research a platform to share the latest findings, and discuss future gambling research.
- A Law Enforcement Workshop was initiated by the NGB and held on 19 March 2018 to share information on the risks and socio-economic impact of gambling, with the main aim to cooperatively input on a recommended approach to combat illegal gambling.



## PROGRAMME 3: CORPORATE SERVICES



*BACK (Left to right): Ms T Kungwane (Human Capital Practitioner), Ms T Lidzhegu (Corporate Services Administrator: Finance), Mr R Makena (Procurement Officer), Mr G Mametse (Senior Manager: Human Capital Optimisation), Ms K Mackerduth (Chief Financial Officer), Mr B Arumugam (Senior Manager: Corporate Governance), Ms P Mabe (Receptionist)*

*FRONT (Left to right): Mr N Msimango (Legal Officer), Ms Z Kuali (Personal Assistant to the Chief Financial Officer), Mr S Mthombeni (Senior Manager: Finance)*

*ABSENT: Mr M Lekala (General Office Assistant)*

## PROGRAMME 3: CORPORATE SERVICES

### Purpose of the programme

Corporate Services facilitated the overall management of the NGB and provided strategic financial management functions, knowledge management, legal services and human resources support to the organisation. It is the custodian of human and financial resources. The division has various sub-programmes that provided specialised services to the NGB.

### Sub-programmes

#### Finance

The core functions of the Finance unit were to provide overall management of the financial affairs of the NGB. To this end, Finance ensured an equitable allocation of financial resources amongst the various programmes and monitored expenditure against the budget. This unit provided for the financial planning and reporting for both internal and external users of the financial information.

#### Supply Chain Management (SCM)

The core objective of SCM was to ensure that the procurement processes of the NGB were in line with the government prescripts and guidelines. The unit also ensured that procurement of goods and services required by the entity to achieve its objectives were procured in a manner that was fair, transparent, equitable, competitive, cost effective and compliant with procurement laws and regulations. This unit managed the performance of suppliers of goods and services to ensure that the entity receives value for money for all expenditure incurred.

#### Human Capital Optimisation (HCO)

The function of HCO was to provide support to the human resources systems and processes that support the operations and determination of performance levels as provided for in the business and operational documents of the NGB. This unit ensured that there were sufficient up-to-date processes and compliant implementation with the existing labour laws. The unit also managed the performance agreements with personnel.

As a service organisation, the NGB's greatest asset is its employees. HCO ensured that the full service potential of each employee was maximised. This was achieved by implementing recruitment processes which were designed to ensure that the job requirements are matched with the requisite skills.

#### Records management

The Records Management Unit ensured that there is proper maintenance and access to records as and when required.

#### Legal services

Legal Services researched and provided authoritative advice for the NGB, to the dti on regulatory strategies and inputs on legislation and policy development. Legal Services further provided legal advice on internal NGB matters.

### Performance objectives

The performance objectives of this division include:

- a) Effective control support utilisation maintenance and management of financial resources
- b) Efficient and effective skilled workforce
- c) Efficient and effective document management system
- d) Efficient and effective provision of legal services
- e) Efficient and effective governance structures

## PROGRAMME 3: CORPORATE SERVICES CONTINUED

Strategic objectives, performance indicators, planned targets and actual achievements

PROGRAMME 3: CORPORATE SERVICES								
Strategic objectives	Performance indicator	Actual performance against target					Deviation from planned target to actual achievement 2017/18	Comments on deviation
		Actual achievement 2014/15	Actual achievement 2015/16	Actual achievement 2016/17	Planned target 2017/18	Actual achievement 2017/18		
Financial efficiency	Number of reports on financial systems, processes and PFMA compliance, presented to the Accounting Authority	Unqualified audit report with 1 audit finding reported in the management report	Unqualified audit report with no audit findings reported in the management report	Unqualified audit report with no audit findings reported in the management report	Four (4) reports and one (1) annual report on financial systems, processes and PFMA compliance presented to the Accounting Authority	Achieved.  Four (4) reports and one (1) annual report on financial systems, processes and PFMA compliance was presented to the Accounting Authority	No deviation	N/A
Human resources efficiency	Number of reports on % implementation of the five-year human capital strategy and plan presented to the Accounting Authority	Reported on the Implementation of the human capital strategy and plan	Report on 60% Implementation of the human capital plan (year 2)	Report on 100% Implementation of the human capital strategy and plan (year 3)	Four (4) reports and one (1) annual report on % implementation of the five-year human capital strategy and plan (year 4) presented to the Accounting Authority	Achieved.  Four (4) reports and one (1) annual report on % implementation of the five-year human capital strategy and plan (year 4) were presented to the Accounting Authority	No deviation	N/A

*It is unlawful to permit a minor or excluded person to participate in any gambling.*

PROGRAMME 3: CORPORATE SERVICES								
Strategic objectives	Performance indicator	Actual performance against target					Deviation from planned target to actual achievement 2017/18	Comments on deviation
		Actual achievement 2014/15	Actual achievement 2015/16	Actual achievement 2016/17	Planned target 2017/18	Actual achievement 2017/18		
Intra-divisional excellence	Number of organisational performance reports presented to the Accounting Authority	N/A	N/A	N/A	Four (4) organisational performance reports presented to the Accounting Authority	Achieved.  Four (4) organisational performance reports presented to the Accounting Authority.	No deviation	N/A
	Number of organisational strategic reports presented to the Accounting Authority	N/A	N/A	N/A	Four (4) annual organisational strategic reports presented to the Accounting Authority	Achieved.  Four (4) organisational strategic reports presented to the Accounting Authority.	No deviation	N/A

## Key achievements of Programme 3: Corporate services

### Human capital optimisation

100% of the activities as outlined in the Human Capital Strategy have been reported as achieved.

The entity is currently stable as there was no labour unrest. The entity concluded one labour matter on 22 August 2017 and a sanction of dismissal was pronounced. This is with regards to the Senior Inspector: Enforcement position. The matter is now being dealt with at the Commission for Conciliation Mediation and Arbitration.

Currently there is one official who has been placed on precautionary suspension, effective from 2 March 2018 and arrangements for the disciplinary hearing are in place.

### Legal services

Continuous legal advice was provided. In addition, general Legal Services were rendered to business units of the NGB.

Legal services provided research-based authoritative advice on some of the following key issues:

### Betting on contingencies

The NGB firmly held the view with regards to the regulation of contingencies in the gambling industry. Section 7 of the NGA provides that no person may engage in a gambling activity if the outcome of that activity depends on a contingency related to an event or activity that is itself unlawful in terms of any law. Uncertainty arose regarding the legality of the taking of bets on the outcome of dog racing and whether or not this is prohibited by the existing South African regulatory prescripts.

## PROGRAMME 3: CORPORATE SERVICES CONTINUED

This was in view of the fact that certain stakeholders in the gambling industry were of the opinion that dog racing provided beyond the borders of the Republic of South Africa is an acceptable contingency for placing bets. This included placing a bet on the outcome of live feeds of dog racing which is legalised in foreign jurisdictions.

The position as understood and reiterated by the NGB is that dog racing is prohibited by the relevant provincial ordinances, which were in terms of the previous four national provinces, but none of which were repealed nor was any law enacted subsequently to replace said ordinances. Accordingly, it would be in contravention of the NGA to offer betting on dog racing, even if the race is taking place outside of South Africa.

### Regulation and licensing of Electronic Bingo Terminals (EBTs)

The NGB has conducted research on trend analysis of the rollout of EBTs and found that it is indicative of the fact that there is a huge potential for proliferation of EBTs in the country. This is based on the potential for huge rollout of the number of EBTs versus traditional bingo positions.

The NGB's observations were that there is no limit imposed on the winnings from EBTs whereas a limit of R500 per game is imposed on LPMs; there are jackpots permitted on EBTs whilst there are none on

LPMs; advertising of bingo (EBTs) is permitted whilst that of LPMs is restricted; there are no technical standards for EBTs; currently the technical standards for casino and LPMs are used to certify EBTs; and there are no national regulations for EBTs.

The NGB recommended to the Minister that the process towards the promulgation of regulations for EBTs is initiated.

### Financial services

Quarterly reports, including but not limited to the following areas were compiled:

- Compliance with the PFMA.
- Monthly SCM deviation reports submitted to **the dti**.
- Status against the NGB's audit action plan (internal and external audit findings).
- Monthly SCM reporting.
- Monthly financial analysis – income and expenditure trends.

No unauthorised, fruitless, wasteful and irregular expenditure has been recorded for FY2017/18. This is consistent with the past two consecutive financial years' performance.

*Do not participate in illegal forms of gambling.*

*Winnings from illegal forms of gambling should not be paid out to the punter.*



## PROGRAMME 4: TECHNICAL COMPLIANCE



*Mr S Mhlongo (IT System Support Officer) , Ms T Mokebe (Information Technologist: Monitoring System), Mr S Pagiwa (Senior Manager: Gaming Technology), Ms L Grootboom (Administrator: Compliance), Ms R Harripershad (Information Technologist: National Registers)*

## PROGRAMME 4: TECHNICAL COMPLIANCE

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### Purpose of the programme

This programme provided mandated operational core functions in terms of the NGA. The Technical Compliance Division provided technical analysis of the modes of gambling, systems audits and enforcement in line with statutory imperatives as provided for in gambling legislation that pertained to gambling-related requirements. It further provided reliable information through portals and national databases which contributed towards providing accessible, transparent and sufficient access for economic citizens in order to ensure economic growth.

### Sub-programmes

#### Functional national registers

This sub-programme ensured that the NGB was a repository of determined registers as stipulated in the NGA, which required that the NGB must establish and maintain, in the prescribed manner and form, national registers containing gambling sector specific information. The NGB was required to provide this information to all PLAs in the prescribed manner and form which ensured information sharing and compliance as contemplated in the NGA.

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

This sub-programme ensured that the NGB complied with section 27 of the NGA read with regulation 14 of the National Gambling

Regulations to supply, install, commission, operate, manage and maintain a NCEMS which is capable of detecting and monitoring significant events associated with any LPM that was made available for play in the Republic of South Africa and analysing and reporting data according to the requirements of the standards determined in respect of the NCEMS, in terms of the Standards Act, 2008, as well as requirements of sections 21 to 26 of the NGA.

The NCEMS enabled the NGB to fulfil its oversight responsibility over the PLAs in terms of section 65 of the NGA, maintain the national register in terms of section 21 of the NGA, monitor and evaluate compliance of the PLAs with the NGA and enabled the NGB to assist the PLAs to detect and suppress unlawful gambling and unlicensed gambling activities.

#### Information and Communication Technology (ICT)

The function of the ICT Unit was to support the NGB in matters of ICT strategic development and maintenance of the communication and management systems, thereby safeguarding the assets of the NGB. The unit ensured that the ICT support functions were carried out in a manner that supported the strategic objectives for functional national registers, an effective NCEMS and maintained operational technical efficiency. ICT was geared to support and enhance the overall organisational performance through the provision of assistive technologies.



## Strategic objectives, performance indicators, planned targets and actual achievements

PROGRAMME 4: TECHNICAL COMPLIANCE								
Strategic objectives	Performance indicator	Actual performance against target					Deviation from planned target to actual achievement 2017/18	Comments on deviation
		Actual achievement 2014/15	Actual achievement 2015/16	Actual achievement 2016/17	Planned target 2017/18	Actual achievement 2017/18		
Functional national registers	Number of reports on national functional registers presented to the Accounting Authority	Reported on the integration of the information on the status of the gambling industry	Status report on the establishment and updates of national registers	Report on the establishment and updates of national registers	Four (4) analytical reports and one (1) annual audit consolidated report on national functional registers presented to the Accounting Authority	Achieved.  Four (4) analytical reports and one (1) annual audit consolidated report on national functional registers were presented to the Accounting Authority	No deviation	N/A
Effective National Central Electronic Monitoring System	Number of reports on a fully operational National Central Electronic System on annual analysis of data in accordance with the prescribed requirements and detection and monitoring of significant event associated with any LPM made available for play in the Republic and presented to the Accounting Authority	N/A	N/A	N/A	Four (4) reports and one (1) annual report on a fully operational NCEMS presented to the Accounting Authority	Achieved.  Four (4) reports and one (1) annual report on a fully operations NCEMS were presented to the Accounting Authority	No deviation	N/A

## PROGRAMME 4: TECHNICAL COMPLIANCE CONTINUED

PROGRAMME 4: TECHNICAL COMPLIANCE								
Strategic objectives	Performance indicator	Actual performance against target					Deviation from planned target to actual achievement 2017/18	Comments on deviation
		Actual achievement 2014/15	Actual achievement 2015/16	Actual achievement 2016/17	Planned target 2017/18	Actual achievement 2017/18		
Effective monitoring of the regulated sectors in the gambling industry	Number of reports on compliance monitoring of the casino industry; bingo industry; betting and wagering industry, and LPM industry presented to the Accounting Authority	N/A	N/A	N/A	Four (4) reports and one (1) annual report on compliance monitoring of the casino industry; bingo industry; betting and wagering industry; and LPM industry presented to the Accounting Authority	Achieved.  Four (4) reports and one (1) annual report on compliance monitoring of the casino industry; bingo industry; betting and wagering industry; and LPM industry presented to the Accounting Authority	No deviation	N/A
Maintain operational technical efficiency	Number of reports on % uptime or above of all IT systems presented to the Accounting Authority	99.85% uptime on servers was maintained	100% uptime	Maintain uptime on all IT systems at 98% or above	Four (4) reports and one (1) annual report on 98 % uptime or above of all IT systems presented to the Accounting Authority	Achieved.  Four (4) reports and one (1) consolidated annual report on 98% uptime or above of all IT systems presented to the Accounting Authority.	No deviation	N/A

### Key achievements of Programme 4: Technical compliance

The SABs has set up a Technical Committee whose membership included all industry stakeholders, including gambling regulators. The main purpose of the Technical Committee was to review, update and develop the South African National Standards (SANS) relevant to the gambling industry, i.e. SANS 1718 set of gambling technical standards. Participation included meetings and workshops, as well as an electronic ballot voting system to take decisions in relation to the draft standards. The NGB participated and contributed to the Technical Committee engagements during FY2017/18.

The NGB participated in accreditation assessments of testing agents for technical competency and quality management processes in accordance with international best practices, i.e. the mandatory International Organisation of Standardisation (ISO)/International Electrotechnical Commission (IEC) 17025, as well as the voluntary ISO/IEC 17020. Further engagements also included the SANAS Annual Assessor's Conclave and the General Inspection STC meetings. The aim of the engagements was to share experiences and advise members of new and pending developments in the field of assessment of test facilities.

The relationship with PLAs has improved through the interactions, participatory evaluations, stakeholder forums and continuous communication with PLAs over matters of common interest. Confirmation of good cooperative governance was evident as the NGB assisted the North West Province by providing technical assistance by way of a member that occupied a seat at the North West Gambling Tribunal Committee which was constituted as per the provisions of the North West Gambling Act. The North West Gambling Tribunal concluded proceedings in two (2) separate matters between Peermont Global (Pty) Ltd and the North West Gambling Board.

The NGB engaged regularly with the NRCS to foster good relations and to assist with matters relating to the certification processes. Given that the certification process provides a gatekeeping function to the gambling regulated space, it was befitting to expand the engagement with the NRCS to include testing agents. The NGB met with the parties to discuss matters relating to the certification process. This kind of engagement raised awareness and improved communication between testing agents and the NRCS.

### Operational NCEMS

Reporting on annual analysis of the LPM gambling sector performance was made possible through the effective and efficient management

of the NCEMS. This included, but was not limited to the following achievements:

- The continuous monitoring of LPMs through the NCEMS Operational Change Committee, and NCEMS Management Committee that convened on a quarterly basis.
- Proper contract management over the service level agreement with the NCEMS Operator.
- NCEMS effectiveness in detecting, analysing and reporting on significant events associated therewith.
- A compliance audit of the NCEMS operator against their contractual obligations.

### LPM rollout of Phase 1 per province

Section 13 of the National Gambling Regulations, 2004 stipulates the national and Phase 1 LPM rollout and allocation.

Figure 7: National and Phase 1 allocation per province

Province	National allocation	Phase 1 allocation
Eastern Cape	6 000	3 000
Free State	4 000	2 000
Gauteng	10 000	5 000
KwaZulu-Natal	9 000	4 500
Limpopo	3 000	1 500
Mpumalanga	4 000	2 000
North West	3 000	1 500
Northern Cape	2 000	1 000
Western Cape	9 000	4 500
<b>National</b>	<b>50 000</b>	<b>25 000</b>

Figure 7 demonstrates the national allocations of LPMs per province. Gauteng is allocated 20% of the total 50 000 LPMs, the most number of LPMs allocated in any one province. KwaZulu-Natal and Western Cape were allocated 18% each, i.e. the second highest allocation of the national total. Mpumalanga had the lowest allocation of 4%, or 2 000 LPMs. North West and the Northern Cape had been allocated 6% each, whilst Limpopo and the Free State each have an allocation of 8% of the national total. The Eastern Cape had 6 000 LPMs allocated which translates to 12% of the national total.

# PROGRAMME 4: TECHNICAL COMPLIANCE CONTINUED

Figure 8: LPM Phase 1 rollout per province (March 2018)

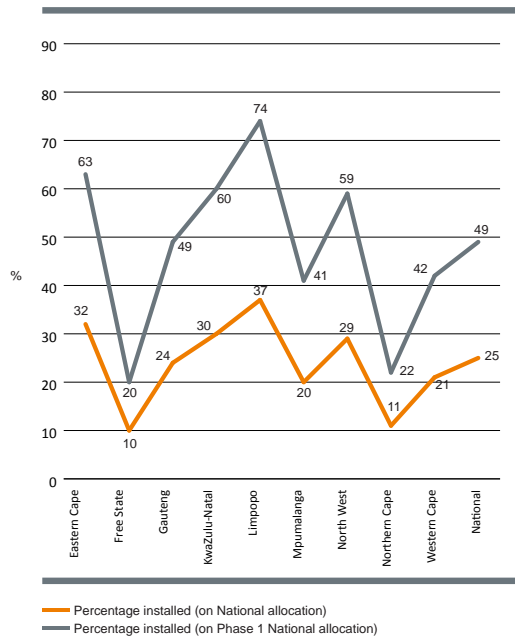


Figure 8 represents the percentage rollout of LPMs as at 31 March 2018. Limpopo had the highest Phase 1 rollout of 74%, or 37% of the national allocation.

The Free State had the lowest Phase 1 rollout of LPMs at 20%, or 10% of the national allocation. The Northern Cape had a considerable decline in the number of installed LPMs in the province, compared to the beginning of FY2017/18, and the Phase 1 rollout at 21%. The Phase 1 rollout is currently 25% of the total national allocation of 50 000 LPMs.

Figure 9: LPM rollout changes per province (March 2018)

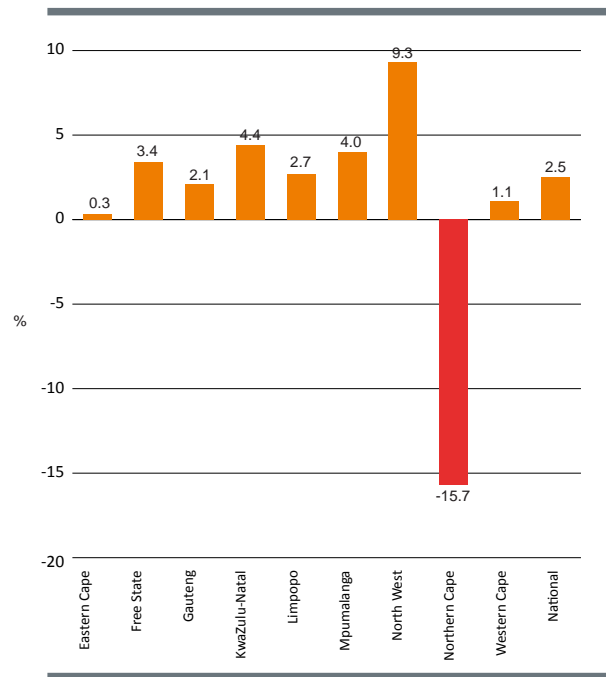


Figure 9 shows that there was a general trend of growth of installed LPMs across eight out of the nine provinces. In contrast, the Northern Cape showed a considerable decline of 15.7%. North West had the highest increase of 9.3% during FY2017/18.

Nationally, there has been a marginal increase of 2.5% in the number of LPMs rollout since March 2017. This translates to an industry growth of just 1.2% during the same period.

**National functional registers**

The function of established and maintained national functional registers is to ensure the efficient maintenance and updating of national functional registers (machines and devices, probity, information sharing and exclusions), and specifically the establishment of illegal gambling operative registers. In order to improve the efficiency and maintenance of the registers, the need arose to have four of the five national registers automated.

Quarterly and annual consolidated reports on the maintenance, accessibility, functionality and content (statistics) of registers were produced.

Figure 10 shows the registers and the users.

Figure 10: Registers and users

Register	Users
National Register of Gambling Machines and Devices	PLAs Test labs Manufacturers NGB
National Probity Register	PLAs, NGB
Central Registry of Information	PLAs, NGB
Illegal Gambling Operatives Register (IGOR)	PLA, NGB
National Central Electronic Monitoring System	PLAs, NGB, Operators
Exclusion Register	NGB, PLAs, Operators

Details of the work performed to maintain registers are summarised below:

Figure 11: Annual exclusions per province received, FY2018\*

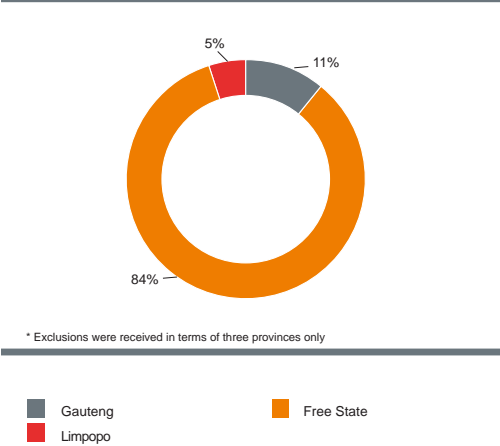
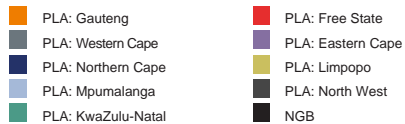
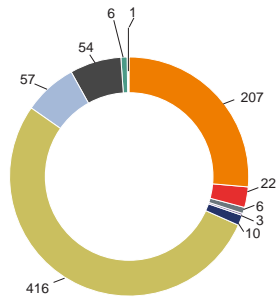


Figure 11 demonstrates that a total of ten 46 applications were received during the period under review for self-exclusions from the following provinces:

- Free State 84%
- Limpopo 5%
- Gauteng 11%

## PROGRAMME 4: TECHNICAL COMPLIANCE CONTINUED

Figure 12: Total illegal gambling cases registered per province (including those reported by NGB), as at 31 March 2018



### Illegal gambling operatives register (IGOR)

The NGB developed a register of illegal gambling operatives. Figure 12 reflects the number of cases that are currently registered on IGOR. The NGB is tasked to combat illegal gambling, and especially illegal online gambling in South Africa. IGOR has been rolled out for use by PLAs. Limpopo province accounted for the highest number of cases that have been registered of 416.

### National register of gambling machines and devices

This register enabled regulators to identify, approve and register all gambling machines and devices in the Republic of South Africa, as required by legislation. Regulators are able to uniquely know the number of both gambling machines and gambling devices in the country. Regulators are able to share information on all registered gambling machines and gambling devices and have control over all licensed gambling machines and gambling devices which enable them to identify illegal gambling machines and gambling devices. As at 31 March 2018, 20 383 machines were on the machine register, and 16 062 licensed software were listed.

*Proceeds from illegal gambling will be forfeited to the state.*

## LINKING PERFORMANCE WITH BUDGETS

### Summary of financial information

Performance in the light of expenditure that has been elaborated on above can be expressed in rand values as per the Figure 13.

The figures are inclusive of capital expenditure that was planned during FY2017/18. R1,9 million was budgeted capital expenditure that was directed at the purchase of ICT equipment, computer software, as well as a motor vehicle.

R4 million of the total capital expenditure related to expenditure that was actually incurred. This included expenditure relating to capital assets budgeted for in the current financial period plus funds expended from the previous year's roll-over funds.

### Revenue and expenditure analysis

As at 31 March 2018, a grant of R31,63 million had been received from **the dti**, constituting 100% of the NGB's annual budget allocation for FY2017/18.

Additional revenue amounting to R70,91 million was received from other sources, which sources include NCEMS monitoring fees of R63,70 million, interest on short-term investments amounting to R2,89 million and other income amounting to R4,34 million.

Total expenditure for the quarter ended 31 March 2018 was R88,86 million. This represents 95% of the budgeted year-to-date expenditure against planned expenditure of R78,51 million, and a positive variance of 5%.

A surplus of R13,68 million was reported during the quarter ended 31 March 2018, against a budgeted surplus of R5,68 million.

The Statement of Financial Position reflects a total asset balance of R66,55 million, which exceeds the total liabilities of R35,81 million.

The Cash Flow Statement reflects a Cash and Cash Equivalents balance of R31 million. This balance includes confiscated winnings amounting to R4,55 million. This amount is net of R1,25 million surrendered to the State stemming from court orders declaring such winnings unlawful. The Cash and Cash Equivalents balance of R31 million is net of an amount of R10,38 million which was declared to the National Treasury as a cash surplus and surrendered to **the dti** during November 2017.

R22,99 million of the cash balance is kept in an interest-bearing short-term investment facility held with the South African Reserve Bank.

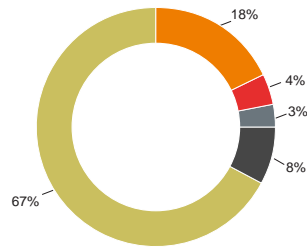
Figure 13: Programme expenditure

Programmes	2017/18			2016/17		
	Budget R'000	Actual expenditure R'000	(Over)/under expenditure R'000	Budget R'000	Actual expenditure R'000	(Over)/under expenditure R'000
Stakeholder liaison	14 217	8 807	5 411	8 074	8 893	-819
Corporate services	27 139	28 702	-1 563	23 361	19 471	3 890
Compliance	4 185	3 623	562	8 163	7 120	1 043
Technical compliance	32 973	47 728	-14 756	3 793	3 379	413
<b>Total</b>	<b>78 514</b>	<b>88 860</b>	<b>-10 346</b>	<b>43 391</b>	<b>38 864</b>	<b>4 527</b>



## REVENUE COLLECTION

Figure 14: Actual expenditure as a % of total actual expenditure as at 31 March 2018



- Personal costs
- Board members and executive manager's remuneration
- Depreciation and amortisation
- Operating leases
- Other operating expenses

The NGB places reliance on **the dti** for financial support. This is in the form of a government grant that was received in two (2) separate tranches over the FY.

In the current FY, 31% of the revenue of the NGB was as a result of **the dti** grant. This was significantly lower when compared to the previous financial year of 61%.

Total revenue amounting to R102,5 million was received during the year, which comprised a grant of R31,6 million and a further R7,2 million received from other sources including the interest and rental income. Revenue from the NCEMS monitoring fees of R63,7 million was received. This significantly increased as a result of negotiations with the current service provider, and the NGB was able to secure additional revenue. This represents 62.2% of the NGB's revenue sources.

Figure 15: Revenue – Budget versus actual revenue (FY2016/17 and FY2017/18)

Programmes	2017/18			2016/17		
	Estimate R'000	Actual amount collected R'000	(Over)/under Expenditure R'000	Estimate R'000	Actual amount collected R'000	(Over)/under Collection R'000
Government grant	31 627	31 637	–	30 121	30 121	–
NCEMS licence fees	45 733	63 694	17 961	10 000	10 000	–
Interest received	3 146	2 884	(262)	2 506	2 473	(33)
Rental	3 649	4 297	649	1 869	2 093	224
Miscellaneous income	40	40	–	4 450	4 591	141
<b>Total</b>	<b>84 195</b>	<b>102 542</b>	<b>18 347</b>	<b>48 946</b>	<b>49 277</b>	<b>331</b>

## CAPITAL INVESTMENT

### **Capital investment, maintenance and asset management plan**

The NGB maintains a fixed asset register with a total asset value of R13,05 million. The NGB's major assets are in the form of leasehold improvements which are attached to the entity's leased office building. In addition, other assets owned predominantly relate to furniture and equipment.

### **Safeguarding of assets**

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

safekeeping thereof. Asset verification exercises were conducted on a quarterly basis to confirm the existence and condition of all NGB assets.

### **Asset maintenance**

All assets were maintained in accordance with the asset management plan to ensure assets could be effectively and efficiently utilised over their economically useful life.

*Do not participate in illegal forms of gambling.  
Winning from illegal forms of gambling should not be paid out to the punter.*



# PART C

## GAMBLING SECTOR PERFORMANCE AND NATIONAL GAMBLING STATISTICS

OVERVIEW OF THE GAMBLING INDUSTRY  
MARKET SHARE AND MARKET CONDUCT  
GGR GROWTH RATE AND GDP GROWTH RATE  
OPERATORS PER GAMBLING MODE  
B-BBEE IN THE GAMBLING INDUSTRY  
EMPLOYMENT IN THE GAMBLING INDUSTRY  
RESPONSIBLE GAMBLING

## OVERVIEW OF THE GAMBLING INDUSTRY

One of the key mandates of the NGB is to monitor market share and market conduct in the South African gambling industry. In doing so, the board has gathered provincial gambling statistics and information in terms of market conduct and market share applicable to the legal gambling modes regulated by the NGB in South Africa for the period 1 April 2017 to 31 March 2018. These modes are casino, bingo, LPMs and betting on horse racing and sport.

An overview or snap shot of the gambling industry monitored from FY2017 to FY2018 reflected that overall, growth has been recorded in all sectors, except in the number of totalisator outlets as illustrated in Figure 16 below.

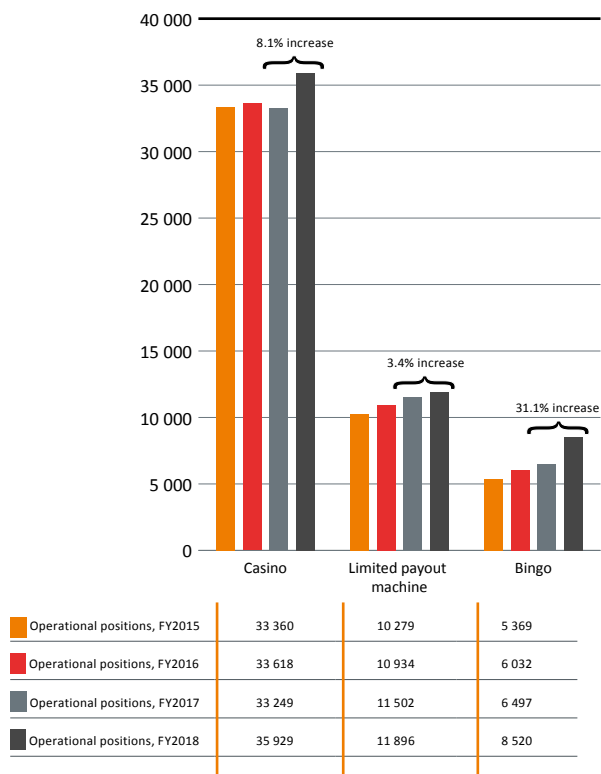
Figure 16: Snapshot of the gambling industry, FY2017 and FY2018

Variable	FY2017 Market conduct – as at quarter 4 statistics – total all quarters	FY2018 Market conduct – as at quarter 4 statistics – total all quarters	FY2018 quarter 1	FY2018 quarter 2	FY2018 quarter 3	FY2018 quarter 4
Number of operational casinos	38	38	38	38	38	38
Number of operational slots (casinos)	23 697	25 195	25 347	25 149	25 197	25 195
Number of operational tables (casinos)	907	976	948	954	964	976
Number of operational gambling positions (casinos)	33 249	35 929	35 384	35 804	35 461	35 929
Number of operational totalisator outlets	456	382	406	390	392	382
Number of operational bookmakers	266	284	277	287	285	284
Number of operational bookmaker outlets	515	542	522	544	544	542
Number of operational LPM site operators	2 188	2 211	2 174	2 175	2 160	2 211
Number of active LPMs	11 502	11 896	11 636	11 864	11 836	11 896
Number of operational bingo outlets	37	50	42	45	49	50
Number of operational bingo positions	6 497	8 520	7 245	7 374	7 869	8 520
Traditional	1 888	1 977	1 793	1 566	1 602	1 977
Electronic bingo terminals	4 609	6 543	5 452	5 808	6 439	6 543
National gambling statistics: Turnover (R)	372 987 955 104	389 799 128 064	93 403 553 084	95 545 644 119	101 800 396 777	99 049 534 084
National gambling statistics: GGR generated (R)	26 958 161 784	28 763 259 881	6 791 722 455	7 150 047 247	7 567 345 856	7 254 144 324
National gambling statistics: Taxes/levies collected (R)	2 743 112 930	2 898 984 519	688 045 653	715 095 308	762 530 232	733 313 326

## MARKET CONDUCT AND MARKET SHARE

Based on the monitoring of increases in the number of operational gambling positions in the casino, LPM and bingo sectors from FY2015 to FY2018, it is evident from Figure 17 below that the highest number of increases in operational gambling positions (expressed in percentage compared to other modes) was recorded in the bingo sector (specifically high increases in the number of operational EBTs), followed by a substantial increase in the number of operational casino positions. However, referring to Figure 17 below, despite the highest growth relative to the number of operational EBTs, negative growth was recorded in the bingo industry in terms of the generation of GGR.

Figure 17: Increase in the number of operational gambling positions in the casino, LPM and bingo sectors: FY2015 – FY2018



The generation of GGR was monitored and tracked over time. Analysis of the increase in GGR and gambling positions per gambling mode during the period FY2015 to FY2018 reflected the following growth and trends as shown in Figures 17 and 18.

Analysis of the increase in GGR and gambling positions per gambling mode during the period FY2015 to FY2018 reflected the following growth and trends:

- Substantial growth in the generation of GGR was reflected in the casino industry from FY2015 to FY2016 (by 5.8%), followed by negative growth from FY2016 to FY2017 (-1.8%). However, positive growth was noted from FY2017 to FY2018 (by 2.9%) in the generation of GGR in the casino sector. The number of operational casinos positions increased by 0.8% to 33 618 (FY2016), decreased by 1.1% to 33 249 in FY2017, but increased by 8.1% to 35 929 in FY2018 mainly as a result of the opening of the new Time Square casino in Pretoria and increases noted in the number of operational gambling positions in all provinces except in KwaZulu-Natal and Northern Cape.
- Compared to FY2017, the growth in GGR generated in the LPM industry for FY2018 has dropped slightly. An increase by 13.7% in the generation of GGR was recorded from FY2015 to FY2016, by 14.1% to FY2017, and by 9.8% to FY2018. The number of licensed active LPMs increased by 6.4% to 10 934 from FY2015 to FY2016, by 5.2% (11 502) to FY2017, and by 3.4% to 11 896 to FY2018 mainly as a result of increases noted in all provinces from FY2017 to FY2018 except in KwaZulu-Natal and Northern Cape.
- The betting on horse racing and sport industry recorded growth in GGR generated by 28.5% from FY2015 to FY2016, an increase by 14.3% from FY2016 to FY2017, and a substantial increase by 20.7% from FY2017 to FY2018. This is mainly as a result of major increases in the generation of GGR by bookmakers offering betting on sport. GGR generated by bookmakers offering betting on sport increased by 50.9% from FY2015 to FY2016, by 22.0% to FY2017, and by 35.4% to FY2018. Bookmakers offering betting on sport generated the highest income, whereas much less taxes/levies were collected from this industry compared to other operators/modes. Negative growth was recorded by totalisators offering betting on horse racing and sport from FY2017 to FY2018.

- iv The bingo industry showed the highest growth (in percentage) in the generation of GGR from FY2016 to FY2017 (by 36.6%), however negative growth was recorded (by -2.4%) from FY2017 to FY2018. Although the bingo sector reflected the highest percentage growth in the number of gambling positions (mainly as a result of increases in the number of EBTs) compared to casino positions and active LPMs, negative growth in the generation of GGR was noted during FY2018.

Figure 18: Increase in GGR (all modes): FY2015 to FY2018

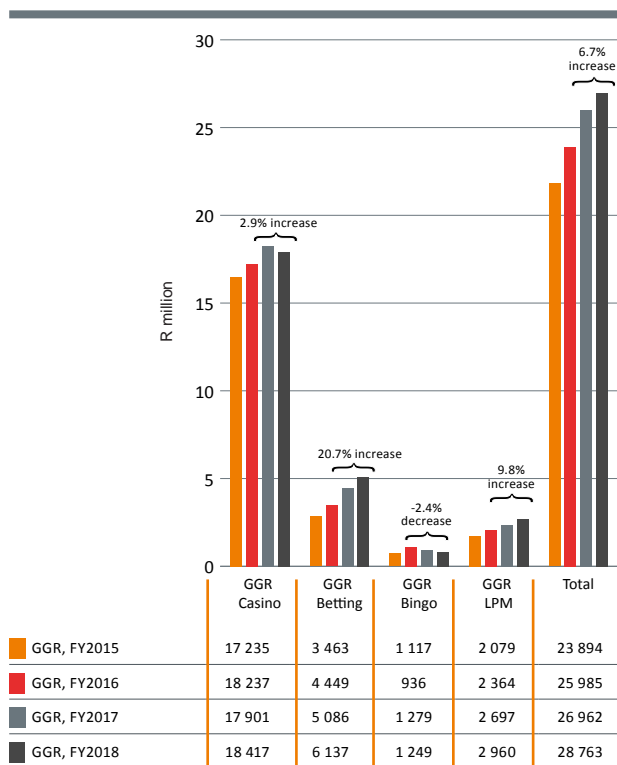
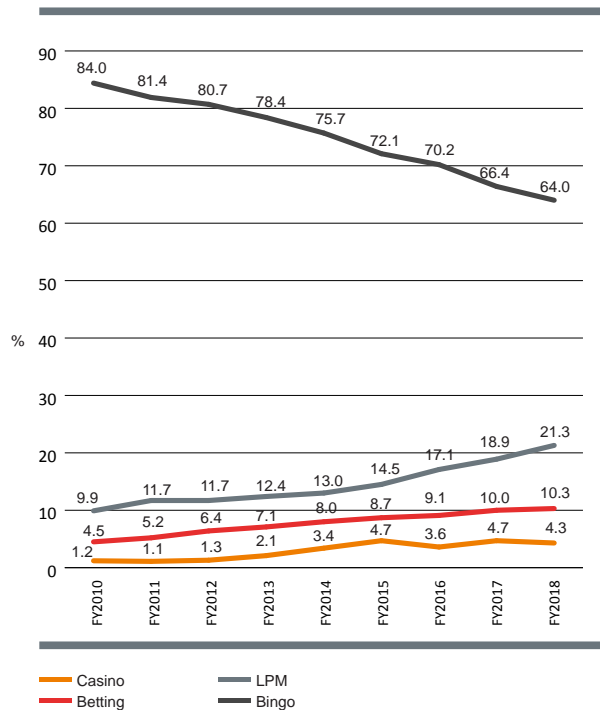


Figure 19 illustrates the decline in GGR market share of casinos from FY2010 to FY2018, compared to the steady increase of market share in the betting and LPM sectors. Negative growth was recorded in terms of the generation of GGR in the bingo sector from FY2017 to FY2018. Casinos accounted for 84.4% of GGR generated in the gambling industry in FY2010, and declined to 64.0% in FY2018 as a result of growth (generation of GGR) in the betting and LPM sectors.

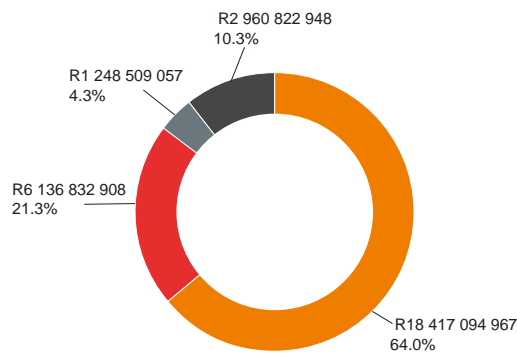
Figure 19: Trend in GGR, comparison all modes (FY2010 to FY2018)



# MARKET CONDUCT AND MARKET SHARE CONTINUED

Overall, GGR increased by 8.8% to R26,0 billion in FY2016, by 3.8% to R27,0 billion in FY2017, and by 6.7% to R28,8 billion in FY2018. A total amount of R28 763 259 881 in GGR was generated during FY2018. During FY2018 casinos accounted for the highest GGR generated, being 64.0% as compared to other gambling modes. Compared to all other provinces, Gauteng at a 41.9% share, accounted for the highest amount of GGR generated as illustrated in Figures 20 and 21.

Figure 20: GGR per gambling mode, all provinces, FY2018



Total GGR: R28 763 259 881

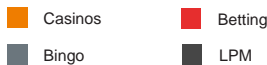
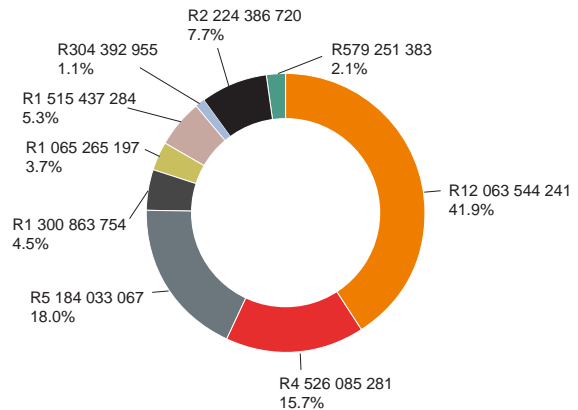


Figure 21: GGR per province, all modes, FY2018



Total GGR: R28 763 259 881



The collection of taxes/levies increased by 11.9% to R2,8 billion in FY2016, decreased by 1.0% to R2,7 billion in FY2017, but increased by 5.7% to R2,9 billion in FY2018. A total amount of R2 898 984 519 in taxes/levies was collected during FY2018. During FY2018, at 65%, casinos contributed the highest amount of taxes/levies paid by comparison with other gambling modes – refer to Figures 22, 23 and 24. At 37.2% Gauteng accounted for the highest amount of taxes/levies paid compared to all other provinces as illustrated in Figure 23 below. The share of taxes/levies collected from the casino sector has decreased from FY2015 (72%) to FY2018 (65%). The share of taxes/levies collected from other industries such as betting on sport and horse racing (from 14% to 17%) and LPM (from 11% to 14%) reflected steady increases from FY2014 to FY2018 as reflected in Figure 24. A decrease in the collection of taxes/levies from 5% to 4% (out of the total amounts) was recorded in the bingo industry.



Figure 22: Taxes/levies per gambling mode, all provinces, FY2018

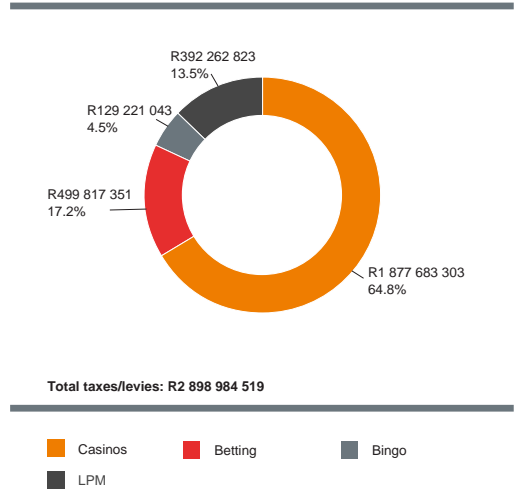


Figure 23: Taxes/levies per province, all modes, FY2018

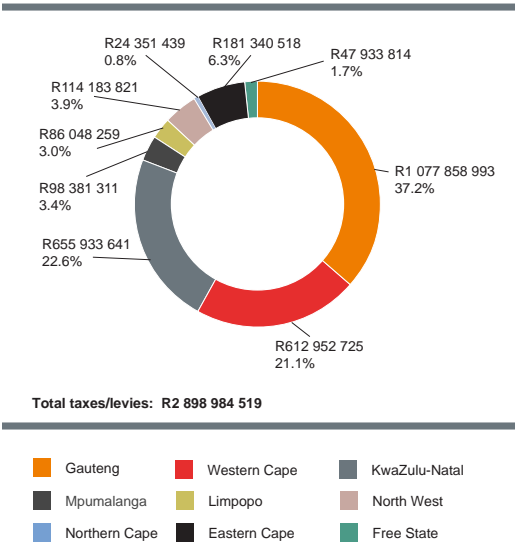
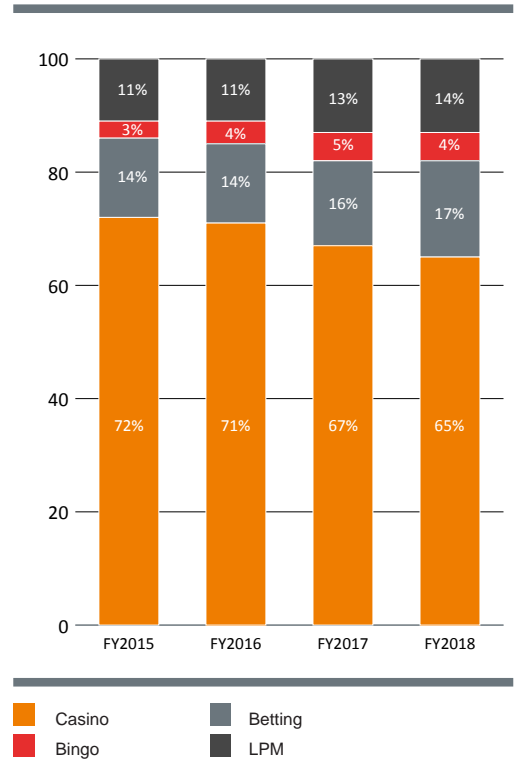


Figure 24: Market share of gambling industry sectors by taxes/levies contribution from FY2015 to FY2018

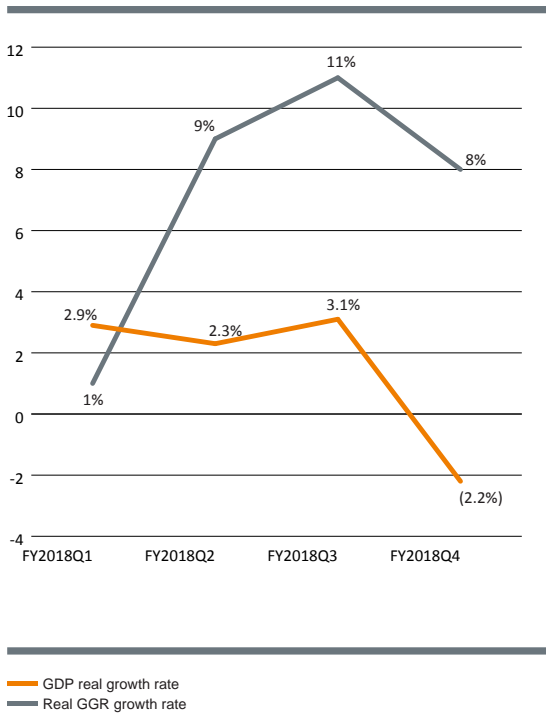


# GGR GROWTH RATE, GDP GROWTH RATE AND OPERATORS PER GAMBLING MODE

## GGR growth rate and GDP growth rate

The NGB also monitors the movement of the real GGR from all modes of gambling against real Gross Domestic Product (GDP) as reflected in Figure 25 and relative to FY2018. During FY2018 from the 1st Quarter to the 4th Quarter, there was robust growth in GGR (quarter-on-quarter) from all modes of gambling although this growth shrunk from 11% in FY2018, Qrt 3 to 8% in FY2018, Qrt 4. After recording four consecutive quarters of robust growth in 2017, Statistics South Africa reported that the South African economy wobbled in the first quarter of 2018, shrinking by 2,2%.

Figure 25: GGR growth rate and GDP growth rate, FY2018 Qrt 1 to FY2018 Qrt 4



## Operators per gambling mode

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

- i. **Casino sector:** As at 31 March 2018 a total number of 38 casinos (out of a maximum of 41 licenses) were operational in South Africa. The controlling shareholders for operational casinos are Sun International (13 casinos), Tsogo Sun Holdings/Hosken Consolidated Investments (14 casinos), Peermont Resorts (8 casinos), London Clubs International (1 casino), Northern Cape Casino Consultants (1 casino) and Niveus Investments (1 casino) as reflected in Figure 26. Of the total casino market, the majority of the casinos are situated in Gauteng (7, 18.4%), compared to Western Cape and KwaZulu-Natal each hosting 5 casinos (13.2% respectively).

Figure 26: Market share of ownership of operational casinos as at 31 March 2018

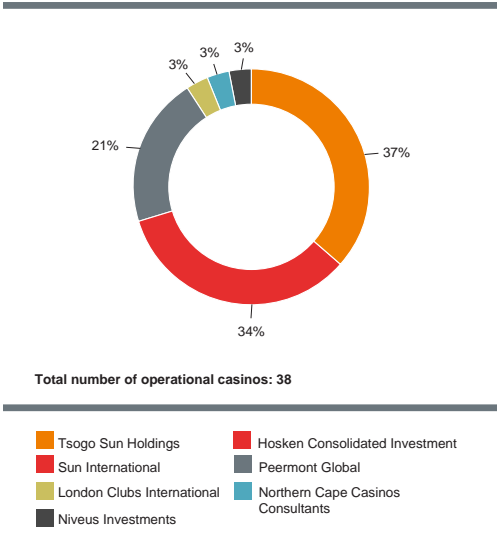
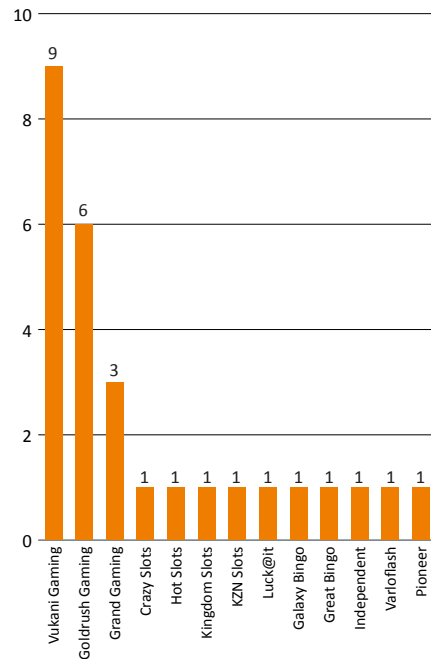
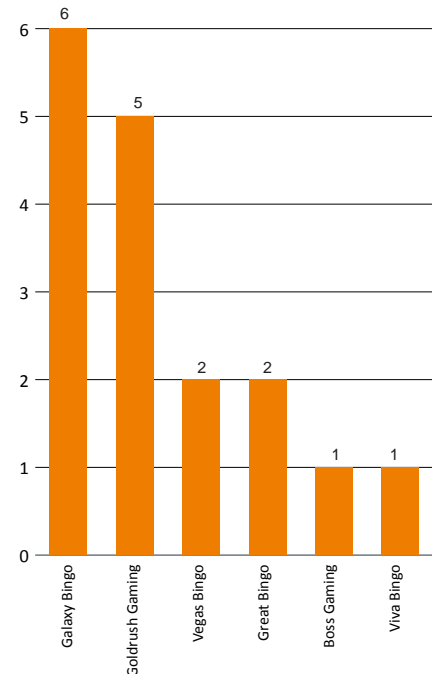


Figure 27: Market share of ownership of operational LPM route operators by number of provinces as at 31 March 2018



- ii. **Betting sector:** Phumelela operates in seven (7) out of the nine (9) provinces (Gauteng, Mpumalanga, Limpopo, North West, Northern Cape, Eastern Cape and Free State), whereas Gold Circle is operational in KwaZulu-Natal, and Kenilworth Racing operational in Western Cape. Trotco operates in KwaZulu-Natal.
- iii. **LPM sector:** Vukani Gaming operates in nine (9) provinces, Goldrush Gaming in six (6) provinces, Grand Gaming in three (3) provinces and Crazy Slots, Hot Slots, KZN Slots, Luck@it, Great Bingo, Varloflash, Pioneer, Galaxy Bingo and an independent operator operating in one (1) province each.

Figure 28: Market share of ownership of operational bingo operators by number of provinces as at 31 March 2018



- iv. **Bingo sector:** The bingo operators are Galaxy Bingo operating in six (6) provinces, Goldrush Gaming in five (5) provinces, Great Bingo and Vegas Bingo in two (2) provinces, and Viva Bingo and Boss Gaming in one (1) province each.

## B-BBEE IN THE GAMBLING INDUSTRY

B-BBEE is an economic and political imperative in South Africa. Empowerment in the South African gambling industry is measured in terms of the Codes of Good practice published by the Department of Trade and Industry. The gambling industry, to date, does not have its own transformation charter. Thus gambling enterprises are measured in terms of the generic score card and more specifically, the following: Ownership, Management Control, Employment Equity, Skills Development, Preferential Procurement, Enterprise Development and Socio-Economic Development. However, on 11 October 2013, the Department of Trade and Industry released the revised B-BBEE Codes of Good Practice. The old and the new codes have been merged to monitor contributor levels applicable to FY2018, and as follows: Ownership, management control, employment equity, skills development, preferential procurement, 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 2018 per gambling mode and operator, was as follows:

- Average B-BBEE level for casino operators: Level 1.8
- Average B-BBEE level for totalisators: Level 4
- Average B-BBEE level for LPM operators: Level 2.8
- Average B-BBEE level for bingo operators: Level 2.9 (currently only operational in Gauteng, Mpumalanga, North West, Eastern Cape, KwaZulu-Natal and Limpopo).

A detailed breakdown of B-BBEE levels, per gambling mode and operator, from FY2012 to FY2018, is reflected below.

Figure 29: B-BBEE levels, casino, FY2012 – FY2018

B-BBEE LEVELS, CASINO, FY2012 TO FY2018								
Controlling shareholders	Name of casino	Contributor/B-BBEE level						
		FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Sun International	Boardwalk Casino (EC)	3	3	3	2	2	3	3
	Wild Coast Sun (EC)	3	3	3	3	2	2	2
	Sibaya Casino (KZN)	2	2	2	2	2	3	3
	Windmill Casino (FS)	2	2	2	2	2	4	2
	Naledi (FS)	2						Not rated
	Flamingo Casino (NC)	4	4	4	2	4	4	4
	Meropa Casino (LP)	2	2	2	2	2	4	1
	GrandWest Casino (WC),	3	3	2	2	2	4	3
	Golden Valley Casino (WC)	3	3	2	2	3	3	1
	Sun City (NW)	3	3	3	3	2	1	1
	Carousel Casino (NW)		2	2	2	2	4	2
	Morula Sun Casino (GT)	2	2	2	2	2	4	Closed
	Carnival City (GT)					2	2	
	Time Square (GT)							Not rated
Average for casinos based on available information		2.7	2.7	2.5	2.3	2.3	3.2	2.1

# B-BBEE LEVELS, CASINO, FY2012 TO FY2018

Controlling shareholders	Name of casino	Contributor/B-BBEE level						
		FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Tsogo Sun Holdings/Hosken Consolidated Investments	Hemingways Casino (EC)	3	3	3	2	1	1	1
	Queens Casino (EC)			2	3	2	3	3
	Suncoast Casino (KZN)	2	2	2	2	2	2	1
	Black Rock Casino (KZN)	3	3	3	2	2	2	1
	Golden Horse Casino (KZN)	2	2	2	2	2	1	1
	Goldfields Casino (FS)	2	2	2	2	2	2	1
	The Ridge Casino (MP)	3	2	2	2	2	1	1
	Emnotweni Casino (MP)	3	2	2	2	2	1	1
	Caledon Hotel Spa Casino (WC)	2	2	2	2	2	2	2
	Casino Mykonos (WC)	2	2	2	2	2	2	1
	Garden Route Casino (WC)	3	2	2	2	2	2	1
	Montecasino (GT)	2	2	2	2	1	1	1
	Gold Reef City Casino (GT)	2	2	2	2	2	2	1
	Silverstar Casino (GT)			2	2	2	2	1
<b>Average for Tsogo Sun</b>		<b>2.4</b>	<b>2.2</b>	<b>2.1</b>	<b>2.1</b>	<b>1.9</b>	<b>1.7</b>	<b>1.2</b>
Peermont Global	Umfolozi Casino (KZN)	2	2	2	2	2	1	1
	Frontier Inn and Casino (FS)	2	2	2	2	1	2	1
	Graceland Hotel Casino (MP)	2	2	2	2	2	1	1
	Khoroni Hotel Casino (LP)	2	2	2	2	2	6	1
	Mmabatho Palms Casino (NW)	4	2	2	2	2	1	1
	Rio Casino (NW)	3	2	2	2	2	1	1
	Emperors Palace (GT)	2	2	2	2	2	3	2
	Thaba Moshate (LP)					6	3	1
<b>Average for Peermont Global</b>		<b>2.4</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.4</b>	<b>2.3</b>	<b>1.2</b>
London Clubs International	Emerald Safari Resort (GT)			3	2	2	4	2
Northern Cape Casino Consultants	Desert Palace Hotel Resort (NC)	2	2	2	2	2	2	2
Nivieus Investments	Grand Oasis Casino					2	2	2
<b>Average for all casinos based on available information</b>		<b>2.4</b>	<b>2.2</b>	<b>2.3</b>	<b>2.1</b>	<b>2.1</b>	<b>2.5</b>	<b>1.8</b>

## B-BBEE IN THE GAMBLING INDUSTRY CONTINUED

Figure 30: B-BBEE levels, totalisators, FY2012 – FY2018

B-BBEE LEVELS, TOTALISATORS, FY2012 TO FY2018								
Name of totalisator	Name of province	Contributor/B-BBEE level						
		FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Gold Circle Kenilworth Racing (FY2015)	Western Cape	4	4	4	2	2	4	4
Gold Circle and Trotco	KwaZulu-Natal			4	4	2	3	4
Phumelela	Limpopo	3	3	2	2	2	5	4
Phumelela	Mpumalanga	3	3	2	2	2	5	4
Phumelela	Gauteng		3	2	2	2	5	4
Phumelela	North West	4	3	3	3	2	5	4
Phumelela	Free State	3	3	2	2	2	5	4
Phumelela	Eastern Cape			2	2	2	5	
Phumelela	Northern Cape					5	4	4
<b>Average</b>		<b>3.4</b>	<b>3.2</b>	<b>2.6</b>	<b>2.4</b>	<b>2.3</b>	<b>4.6</b>	<b>4</b>

Figure 31: B-BBEE levels, LPMs, FY2012 – FY2018

B-BBEE LEVELS, LPMs, FY2012 TO FY2018								
Name of province	Name of route operators	Contributor/B-BBEE level						
		FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Gauteng	Vukani Gaming		1	3	2	2	1	1
	Goldrush Gaming					2	7	7
	Zico Gaming	1	3	1	3	3		
	Hot Slots				0	8	8	
	Grand Gaming		1	4	3	5	8	6
	Egoli Gaming	2	1	1	4	2		
	Crazy Slots							Not compliant
Eastern Cape	Vukani Gaming			3	3	3	3	3
	Pioneer Slots			3	1	2		4
Free State	Vukani Gaming	3	1	1	1	2	2	2

**B-BBEE LEVELS, LPMs, FY2012 TO FY2018**

Name of province	Name of route operators	Contributor/B-BBEE level						
		FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
KwaZulu-Natal	Vukani Gaming	1	1	3	2	2	2	2
	Kingdom Slots	4	4	3	3	5	2	2
	Luck@it	1	1	1	1	2	5	5
	KZN Slots	5	5	5	5	5		1
Limpopo	Vukani Gaming	2	2	3	2	2	1	4
	Goldrush	3	3	1	1	1	4	1
Mpumalanga	Vukani Gaming	4	3	3	2	2	3	1
	Thaba Gare (Independent)	2	2	2	3			3
	Zimele		3					
	Grand Gaming			2	2	2	Level 2 QSE	4 (Exempt)
	Galaxy Gaming					1	2 (Exempt)	1 (Exempt)
	Reno Gaming and Entertainment							1 (Exempt)
North West	Vukani Gaming	4	2	2	2	1	4	2
	Bathusi		3	3	3			
	Goldrush Gaming		3	1	1	1	2	2
	Varloflash						4	2
Western Cape	Vukani Gaming	2	3	3	2	3	3	2
	Grand Slots	4	4	3				
	Grand Gaming				2	5	5	4
Northern Cape	Goldrush						2	2
	Vukani Gaming					2	2	2
<b>Average</b>		<b>2.7</b>	<b>2.3</b>	<b>2.4</b>	<b>2.3</b>	<b>2.7</b>	<b>3.4</b>	<b>2.8</b>

Those exempted excluded

## B-BBEE IN THE GAMBLING INDUSTRY CONTINUED

Figure 32: B-BBEE levels, bingo, FY2012 – FY2018

B-BBEE LEVELS, BINGO, FY2012 TO FY2018								
Name of province	Name of Bingo operators	Contributor/B-BBEE level						
		FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Gauteng	Viva Bingo	3	2	2	3.7*	1.6*	7.5*	1
	Galaxy Bingo		2	2	2	2	2*	7.8*
Mpumalanga	Viva Bingo		4	4 (Exempt)	1	2	4 (Exempt)	
	Goldrush Bingo						8	8
	Galaxy Bingo							2 (Exempt)
	Great Bingo							1 (Exempt)
	Goldrush Bingo							2 (Exempt)
North West	Goldrush Bingo			N/A	4	1	2	2
	Galaxy Bingo				1	1	4	4
Eastern Cape	Galaxy Bingo			1	1	1.8*	2	2
	Bingo Royale			N/A	1	2		
	Boss Gaming						2	2
	Goldrush Bingo						2	2
KwaZulu-Natal	Galaxy Bingo					1	2	2
	Great Bingo						1	1
	Goldrush Bingo						4	N/A
Limpopo	Boss Gaming						4	
	Galaxy Bingo						2	2
	Planet Bingo						4	
	Goldrush Bingo							2
	Vegas Bingo							2
<b>Average</b>			<b>2.7</b>	<b>1</b>	<b>2</b>	<b>1.6</b>	<b>3.4</b>	<b>2.9</b>

\* Average

Those exempted excluded



## EMPLOYMENT IN THE GAMBLING INDUSTRY

NGB monitors direct employment numbers in the gambling sector (industry and regulators). A total number of 27 910 people (direct employment) were employed in the gambling industry (including regulators) as at 31 March 2018. In general, the casino sector, and

Gauteng, Western Cape and KwaZulu-Natal accounted for the highest numbers in terms of direct employment in the gambling industry as reflected in the table below: Direct employment per province and mode, FY2018 (industry and regulators)

Figure 33: Direct employment per province and mode (industry and regulators)

DIRECT EMPLOYMENT PER PROVINCE AND MODE, FY2018 (INDUSTRY AND REGULATORS)										
PROVINCE										
Gambling mode	Gauteng	Western Cape	KwaZulu-Natal	Mpumalanga	Limpopo	North West	Northern Cape	Eastern Cape	Free State	Total
Casinos	5 491	2 307	2 497	729	254	763	248	863	713	13 865
Totalisators	205	15	1 456	79	22	123	13	75	80	2 068
Bookmakers	528	159	2 747	955	457	809	5	29	118	5 807
LPMs	138	2 966	98	150	510	53	23	218	29	4 185
Bingo	468	N/A	294	125	254	213	N/A	108	N/A	1 462
Regulators										
NGB	26									26
PLAs		70	70	77	54	83	19	48	76	497
Total	6 856	5 517	7 162	2 115	1 551	2 044	308	1 341	1 016	27 910

## RESPONSIBLE GAMBLING

The South African Responsible Gambling Foundation (SARGF) ('The Foundation') is a Non-Profit Company (NPC) in terms of the Companies Act (Act 71 of 2008, as amended) and acknowledged internationally as an integrated, comprehensive and exceptionally cost-effective response to meeting the social needs which have risen as a result of gambling being legalised in South Africa in 1996.

It is funded by contributions from the South African gambling industry which includes the casino, betting, bingo and LPM industries. The industry contribution is curbed at 0.1% of the industry's GGR (i.e. money staked less money paid out in winnings). An estimated R25,4 million has been invested in the programme since its inception up to the period under review.

The SARGF provides free treatment and counselling to individuals affected by gambling, as well as prevention programmes and industry training. Activities and services are as follows:

- Treatment and counselling
- Education and public awareness
- Industry support (operators and regulators)
- Research
- National schools programme

A free and confidential treatment and counselling service is provided to any person with a gambling problem. This service can be accessed through a 24/7 toll-free counselling line (0800 006 008). It includes telephonic psycho-education and motivational interviewing. The Foundation's treatment and counselling programme is designed to assist problem gamblers to come to terms with their gambling problem and possible triggers.

During FY2017/18, the toll-free counselling line received a total number of approximately 2 727 calls. Forty percent (1 094) of the calls were mainly from problem gamblers – these are individuals who have the urge to gamble continuously despite harmful negative consequences or a desire to stop. Thirty eight percent (1 048) of the calls were information calls from individuals who wanted to enquire more information about the services and mandate of the Foundation. Eighteen percent (487) were miscellaneous calls, a mixture of calls of a different nature such as calls inquiring about a slot machine mechanical fault or how to register in order to place a bet. Three percent (75) of the callers were mainly family referrals – a free service

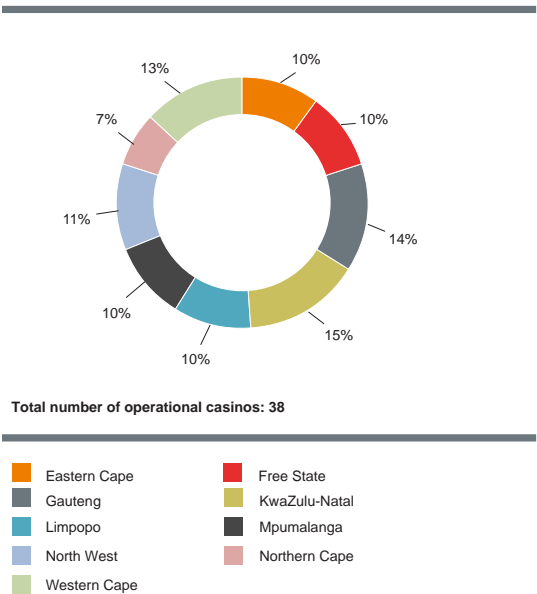
that provides information and referrals for families and young people seeking support. One percent (23) of the calls were from individuals seeking advice and guidance on how to assist a person with a gambling addiction – these calls did not require further intervention.

### “Taking Risks Wisely” schools programme

The “Taking Risks Wisely” national schools programme is designed for school groups between Grade 8 to Grade 12. The purpose of this programme is to create awareness and educate schoolgoing learners about making choices and the consequences of the choices they make. The programme has three components, namely edutainment, learner workshops and teacher workshops. A key component of this programme is to provide insight for learners gambling in and outside schools and who are participating in illegal gambling, as well as to highlight that no underage gambling is allowed. Educators are also informed about the signs and symptoms of a problem gambler and the consequences of problem gambling. During the period under review, the Foundation took a strategic decision to target schools to be visited, mainly those that are within a 50 km radius of a gambling establishment.

The Foundation visited 92 schools across the country to present edutainment on responsible gambling and learner workshops. A total of 22 374 learners in Grade 9 and Grade 12 were capacitated on gambling harm prevention. The tables below depict the provincial spread and reach in percentages and numbers respectively.

Figure 34: Provincial breakdown of schools visited during FY2018



Industry support (operators and regulators)

The Foundation has a mandate to provide responsible gambling training to all licensed operators in the South African gambling industry across all provinces, including PLAs. Over the years, the number of employees trained has varied between different sectors such as bingo, betting, LPMs and the casino industries. More casino employees received training during FY2016/17 and FY2017/18 compared to other modes.

Public education and awareness campaigns

Under the ambit of public education and awareness campaigns, the SARGF’s programmes were advertised on various platforms, including the media in the form of television, radio, print publications and collateral displayed in all gambling venues. In response to the organisational strategy on marketing and communications, the Foundation promoted responsible gambling and its treatment and counselling programme, including the toll-free counselling line in various public platforms such as consumer shows and exhibitions. The highest number of beneficiaries were reached in Gauteng (9 550), Western Cape (5 535) and Eastern Cape (4 014), and less so in the other provinces.



## PART D

# GOVERNANCE

INTRODUCTION

PORTFOLIO COMMITTEES

EXECUTIVE AUTHORITY

THE ACCOUNTING AUTHORITY

REMUNERATION OF THE MEMBERS OF THE ARC

RISK MANAGEMENT

INTERNAL AUDIT

KEY ACTIVITIES AND OBJECTIVES OF THE INTERNAL AUDIT

KEY ACTIVITIES AND OBJECTIVES OF THE ARC

RELEVANT INFORMATION ON THE ARC MEMBERS

COMPLIANCE WITH LAWS AND REGULATIONS

FRAUD AND CORRUPTION

MINIMISING CONFLICT OF INTEREST

CODE OF CONDUCT

HEALTH SAFETY AND ENVIRONMENTAL ISSUES

COMPANY/BOARD SECRETARY

SOCIAL RESPONSIBILITY



# GOVERNANCE

## Introduction

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, corporate governance regarding public entities is applied through the precepts of the PFMA and runs in tandem with the principles contained in the King Report on Corporate Governance. Parliament, the Executive and the AA of the public entity are responsible for corporate governance.

## Portfolio committees

The NGB tabled a number of strategic documents at the Portfolio Committee for Trade and Industry through the Minister.

## Executive authority

The NGB submitted to **the dti** the Strategic Plan 2017/22 and APP 2017/18 for the entity, which was approved on 30 March 2017.

The overall performance of the entity against the set targets/ predetermined objectives as indicated in the APP was evaluated by **the dti** on a quarterly basis.

Figure 35: Quarterly assessments for the NGB

Quarterly assessment for FY2017/18	Actual achievements against planned targets	Date submitted	Assessment rating received
Quarter 1 (April to June)	100%	26 July 2017	Report noted
Quarter 2 (July to September)	100%	27 October 2017	Report noted
Quarter 3 (October to December)	100%	31 January 2018	Report noted
Quarter 4 (January to March)	100%	24 April 2018	Response not yet received

## 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 since 2014 until 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 imminent 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 such time that this process is finalised.

Figure 36: Profile of the AA

Name	Qualifications	Internal position within the 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); and Certificate in Labour Relations (University of Pretoria)	Administrator	September 2014	N/A

## GOVERNANCE CONTINUED

### 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.

The ARC members were reimbursed for travel expenses incurred when attending official meetings. Accommodation, travel (flight and other transport-related expenditure) and meal costs were borne by the NGB.

Figure 37 reflects the remuneration paid to ARC members over the financial year.

Figure 37: Remuneration to ARC members

Name	Remuneration (R)	Total (R)
Ms G Deiner	76 175	76 175
Mr J Matshiya	24 830	24 830
Ms PN Sibiya*	19 864	19 864
Mr M Sass**	7 449	7 449
Dr C Sanangura**	7 449	7 449
Ms N Hedder**	7 449	7 449

\* Member resigned on 23 October 2017

\*\* Appointed in December 2017

### Risk management

Risk management was spearheaded by executive management within the NGB. The NGB used a participative approach to risk management which ensured that there was an all-inclusive risk management process.

Risk identification for FY2017/18 was conducted. Risks were identified, measured and allocated to the units and individuals responsible for mitigation thereof.

As a result, a risk register for FY2017/18 was reviewed and updated. Progress was monitored on an ongoing basis and reported to the dti on a quarterly basis.

All matters relating to risk management were presented to the ARC for guidance and oversight. Further risk-based audits were performed

by the internal auditors to evaluate the effectiveness of internal controls put in place to mitigate risk.

### Internal audit

The NGB has an outsourced internal audit function, which provides combined assurance to stakeholders on the integrity of information provided, governance of the organisation and assurance of existing internal control systems that are resilient to eminent change. The King Report recommends the establishment of this function. It is also prescribed by Treasury Regulations.

The objective of the internal audit function is to provide an assessment of the effectiveness of the organisation's system of internal control and risk management efforts. The ARC is mandated to monitor the performance of the internal auditors, including reports submitted, budget proposed and overall audit scope proposed for the year. In assisting the AA, internal audit must evaluate governance processes and provide adequate assurance on the effectiveness of internal processes. These include:

- Incorporating a risk-based internal audit approach in their annual plan and executing audits accordingly.
- Providing adequate assurance on effective governance, risk management and internal control environment.
- Providing 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 FY2017/18

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

- Financial Discipline Review
- Supply Chain Management Review
- Human Resource Review
- Performance Audit
- Asset Management
- ICT (Assessment of Internal Controls of the NCEMS)

The objective of the selected reviews was to evaluate if the NGB has, and implements internal controls which are adequate to mitigate and/or prevent identified risks. In most instances, these controls were adequate.

### Key activities and objectives of the audit and risk committee for FY2017/18

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.

Figure 38: Details of ARC members

Name	Qualifications	Internal or external	Internal position in the NGB	Date appointed	Date resigned
G Deiner	BCompt Higher Diploma in Education – Postgraduate BA degree Professional Accountant (SA)	External	N/A	January 2013	N/A
L Phahlamohlaka	Bachelor of Commerce	External the dti Representative	N/A	July 2015	N/A
J Matshiya	Bachelor of Commerce Higher Diploma Computer Auditing Certified Information Systems Auditor (CISA)	External	N/A	October 2015	N/A
PN Sibiya	Chartered Accountant (SA)	External	N/A	October 2015	October 2017
Mr M Sass	MCom Certified Internal Auditor (CIA) Chartered Accountant (SA) BCompt (Hons) and CTA BCom (Hons) B Com (Acc)	External	N/A	December 2017	N/A
Dr C Sanangura	Chartered Director of South Africa CD(SA) Doctorate in Business Administration (DBA) Masters in Business Administration (MBA) Fellow Chartered Institute of Secretaries and Administration (FCIS) Fellow Chartered Institute of Business Management (FCIBM) Associated Chartered Certified Accountant (ACCA)	External	N/A	December 2017	N/A
Ms N Hedder	BProc LLB MCom Tax Admitted Attorney Conveyancer Notary Public	External	N/A	December 2017	N/A



## GOVERNANCE CONTINUED

Figure 39: Attendance at meetings

Date of meeting	Name of member					
	Ms G Deiner (Chairperson)	Mr J Matshiya	Ms PN Sibiya*	Mr M Sass**	Dr C Sanangura**	Ms N Hedder**
22 May 2017	✓	✓	✓	N/A	N/A	N/A
24 July 2017	✓	✓	✓	N/A	N/A	N/A
23 October 2017	✓	✓	✓	N/A	N/A	N/A
30 January 2018	✓	✓	N/A	✓	✓	✓
Total number of meetings attended	4	4	3	1	1	1

\* Member resigned on 23 October 2017

\*\* Appointed in December 2017

All committee meetings were attended by the Administrator, Ms C Kongwa.

During the financial year, the ARC reviewed quarterly financial reports and made recommendations to the AA on the approval of NGB financial and ICT policies, quarterly reports, Annual Financial Statements 2016/17, Annual Report 2016/17, risk management documentation, as well as irregular expenditure.

The objective was to:

- Provide an oversight role over the financial affairs of the entity.
- Provide advice to the AA on all matters relating to finance, ICT, internal control effectiveness and risk management.
- Review the work performed by the internal auditors.

### Relevant information on the audit and risk committee members

Figure 39 includes critical details of ARC members.

### Compliance with laws and regulations

A governance framework, as well as a checklist were created to continually enable the officials to observe the law when performing any function. The NGB utilised a corporate calendar to ensure that timelines for submitting corporate information were met.

### Fraud and corruption

The entity's Fraud Prevention Plan was approved as part of the Strategic Plan 2017/22. The entity has, through the RMC reported on areas of Fraud and Corruption.

The RMC has tabled the following documents to the ARC, all of which were referred to the AA for approval:

- Risk Maturity Analysis.
- Anti-fraud and Corruption Policy.
- Anti-fraud and Corruption Checklist.
- Risk Management Policy.

The NGB established a fraud hotline, [fraudalert@ngb.org.za](mailto:fraudalert@ngb.org.za) and/or +27 12 686 8800. The information is displayed on the NGB's website and the public are encouraged to report matters accordingly.

Any matter raised was sent directly for the attention of the externally appointed internal auditors. Matters were thereafter brought to the attention of the AA for actioning and the ARC for noting progress.

There were a number of emails that were received by the internal auditors in relation to fraudulent activities that were reported. All matters related to illegal gambling activities were escalated to the Enforcement Unit for further investigation.

### Minimising conflict of interest

Conflict of interest in SCM was regulated by a Conflict of Interest Policy. Once an interest was declared, the affected party was recused from the proceedings if the interest has the potential of affecting the decision-making of the party. The extent of the conflict was assessed to determine whether it can be managed.

During every meeting held, including interviews for positions, staff and/or panelists were required to declare their interest.

The NGB's Employee Rules and Regulation Policy provided a continuous responsibility for the staff to declare matters of conflict of interest. Employees were required to declare any additional remunerative work that they perform. In instances where remunerative work was performed, consent of the AA was required to perform the said duties.

### Code of conduct

The NGB strictly applied its Code of Conduct and has in all cases applied the disciplinary policy where it is applicable. During the year under review, there was one (1) employee who was charged for misconduct.

The NGB utilised the Disciplinary Code, the Employee's Rules and Regulations, and the Conflict of Interest Policy, and employees were required to submit a declaration of financial Interest.

### Health, safety and environmental issues

The NGB participated in initiatives promoting health and safety. The NGB was committed to ensuring that the approved Disaster Recovery Plan was realistic and implementable. In terms of the NGB's processes, it was required to undertake two evacuation drills per year. These were conducted under the supervision of the City of Tshwane Emergency Services Department. Entities that did not comply, were issued with fail certificates. The NGB undertook both evacuations during FY2017/18.

In addition to the above, the NGB formed part of the Operational Health and Safety Committee. Members were from fellow entities that were accommodated within Block C Office Park. The committee convened on a quarterly basis to discuss matters of health and safety, as well as to educate the committee on the same.

The NGB strived to work within a paperless environment. In saying this, the entity has implemented internal controls that minimise the use of paper.

### Company/Board Secretary

The NGB is a Schedule 3A Public Entity and, as such, is exempted from filing returns as would be required of a registered company in terms of the Companies Act (as amended). Due to the NGB being placed under administration by the Minister, the NGB no longer has a board and the Administrator thus serves as the AA.

Notwithstanding the above, the NGB appointed a Senior Manager: Corporate Governance who was responsible to ensure that the entity operated in terms of good governance.

### Social responsibility

The NGB did not participate in any social responsibility projects.



# PART E

## HUMAN RESOURCE MANAGEMENT

INTRODUCTION

HR OVERSIGHT STATISTICS

# 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.

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

HR priorities for the year under review centred around ensuring that there was an efficient and effective workforce within the NGB.

Human Capital Optimisation made concerted efforts to ensure implementation of the recruitment and selection policy for the entity during the financial year.

The entity has an approved organisational structure of 28 officials.

The NGB has analysed the vacancy rate over the past three financial years and compared it to the rate in the current financial year as depicted in Figure 40. The vacancy rate in FY2015/16 was 11.1%. There was an upward trend in FY2016/17 to 22.2%. The vacancy rate for FY2017/18 was 7.1%. This is representative of a reduction in the vacancy rate by 14.8% and is consistent with the progressive actions and outlook of Human Capital Optimisation in ensuring that the entity has been steadfast in filling vacancies.

The vacancy rate of 7.1% for FY2017/18 translated to the two vacancies that existed within the organisation for the position of CEO and Personal Assistant: CEO. The position of CEO will remain vacant as a result of the decision taken by the Minister not to fill the position until such time that the repositioning of the NGB into the national gambling regulator has been finalised.

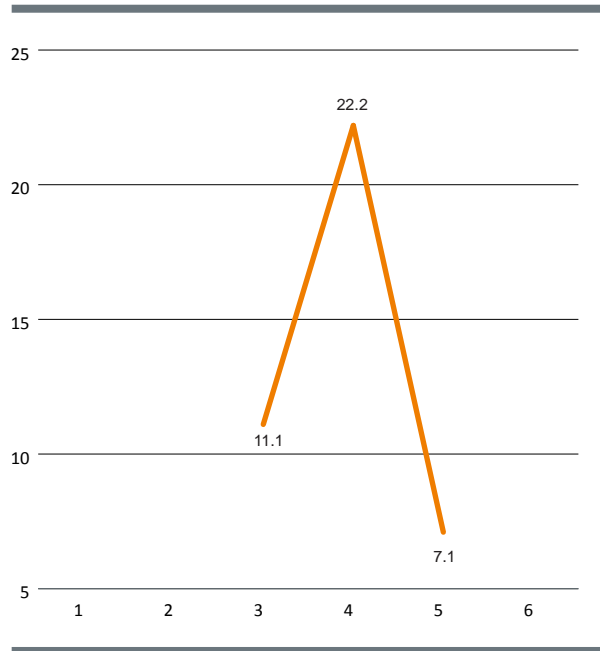
## Performance management and development system

The NGB's performance management process ensured appropriate alignment of individual, team and business unit performance objectives with those of the NGB. This enabled translation of the NGB's strategic focus areas into individual action plans.

The NGB's performance management process was focused on the following core principles:

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

Figure 40: Vacancy trend over the past three financial years – FY2016 to FY2018



Performance outcomes were appropriately differentiated to reflect the different levels of contribution made by employees to the success of the NGB. Where performance deficits were identified, these were dealt with actively, with the primary objective of returning the employee to full performance. The system was further enhanced by reviewing the current policy and processes to ensure effectiveness and efficiency.

## INTRODUCTION CONTINUED

### Organisational design and change management

There were no revisions to the organisational structure for the period under review. Human capital competencies, skills, knowledge and abilities should always be kept in line to ensure that the organisation is in a position to deliver on its mandate. Business processes have been mapped out, automated and implemented to increase understanding of work and work linkages.

There were several change initiatives held with staff in order to improve the communication flow within the entity and also to ensure that staff are kept abreast with all developments within the organisation.

The NGB further embarked on a job evaluation exercise to ensure that there is parity between remuneration to employees and their related job descriptions. The entity through recommendations of its Job Evaluation Committee implemented the results of the job evaluation exercise.

In line with approved National Gambling Entity Establishment Requirements, the NGB succeeded in contributing to the creation of the project for the establishment of the NGR, and participated in all meetings of the Steering Committee that has been established.

### Talent management and retention

The NGB is to adopt a forward-looking approach in terms of filling vacancies and, in addition, finding creative ways to attract and retain its skilled workforce as an alternative to resignations. The entity has an approved Retention Policy in place.

The entity further enhanced the usage of a competency assessment as a tool to address development of senior managers.

### Reward strategy

The NGB's reward strategies were reviewed to ensure that employees were adequately rewarded and recognised for the work they perform. The NGB conducted benchmarking exercises with similar entities with a view to assessing the market value of our rewards to employees.

It is a firm view of the NGB that employee benefits should be reviewed and consolidated with a view to providing value adding benefits to NGB employees.

The NGB further, through its Recognition and Award Policy, recognised innovation, dedication and commitment of certain officials involved in the procurement process of the NCMS service provider.

### Workforce diversity

The NGB has a diverse workforce and its gender profile in terms of women representation is commendable. However, the NGB has not attracted people with disabilities. This challenge is rife in the public

and private sector and thus requires innovative talent attraction methods. Targets should be put in place by the NGB and practical efforts should be explored to attain the target. To this end, the NGB developed and implemented the Employment Equity Policy and the Employment Equity Plan with a view to assisting the entity in realising its Employment Equity targets.

### Employee wellness

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 was an important human capital aspect as it affects productivity. The NGB has planned to develop an employee wellness policy and programme with the primary goal of informing, empowering and providing employees with the skills to take ownership of their wellbeing.

### Human capital technology

The NGB is currently operating VIP for payroll and ESS for Leave Management. The NGB has moved to an integrated human capital system within the organisation that incorporates all the components of human capital management. The system is currently being interrogated to ensure it assists in the provision of reliable data that can be used for reporting and decision-making purposes. Discussions are being held with the service provider to further interrogate other functionalities that can be beneficial to the entity.

### Human capital policies and procedures

Human capital policies are in place and have been reviewed in FY2017/18 to ensure that they were aligned to the Strategic Plan 2017/22 and legislative requirements. Furthermore, developed and revised policies will be effectively implemented to mitigate human capital risk and to increase organisational effectiveness going forward.

### Achievements and future HR plans/goals

The AA approved the Human Capital Strategy 2017/22 in April 2017. This strategy is critical to ensuring that the staffing needs and requirements within the NGB are identified and addressed. Implementation and realisation of this plan has been the primary focus area within the financial year.

The NGB has achieved a 92.9% occupancy rate of positions against the approved organisational structure during the financial year. This will ensure continued service delivery within the regulatory environment.

Furthermore, HCO has planned to focus on training and developmental requirements of employees to ensure that there is value-added benefit to the organisation, as well as the employees' personal development.

## HUMAN RESOURCE OVERSIGHT STATISTICS

Figure 41: Personnel cost by programme

Programme	Total expenditure for the entity (R)	Personnel expenditure (R)	Personnel experience as a % of total experience	Number of employees	Average personnel cost per employee (R)
Stakeholder	8 806 713	5 707 650	64.81	5	1 141 530
Administration	28 701 943	8 059 601	28.08	12	671 633
Compliance	3 622 909	3 283 306	90.63	4	820 827
Technical compliance	47 728 341	2 036 602	4.27	5	407 320
<b>Total</b>	<b>88 859 906</b>	<b>19 087 159</b>	<b>21.48</b>	<b>26</b>	<b>734 122</b>

Total employee costs for FY2017/18 amounted to R19,1 million. The highest costs were evidenced under the administration programme. This is directly linked to the programme having the highest number

of staff members. This can be compared directly to the stakeholder programme that had the lowest employee costs for the financial year.

Figure 42: Personnel cost by salary band

Level	Personnel expenditure (R)	Personnel experience as a % of total experience	Number of employees	Average personnel cost per employee (R)
Top management	3 394 631	17.78	1	3 394 631
Senior management	6 694 102	35.07	7	956 300
Professional qualified	4 635 214	24.28	7	662 173
Skilled	3 968 477	20.79	9	440 942
Semi-skilled	394 734	2.07	2	197 367
Unskilled	–	–	–	–
<b>Total</b>	<b>19 087 159</b>	<b>100</b>	<b>26</b>	<b>734 122</b>

## HUMAN RESOURCE OVERSIGHT STATISTICS CONTINUED

Figure 43: Performance rewards

Programme	Performance rewards (R)	Personnel expenditure (R)	% of performance rewards to total personnel cost
Top management	315 822	3 394 631	9.30
Senior management	479 221	6 694 102	7.16
Professional qualified	366 797	4 635 214	7.91
Skilled	256 602	3 968 477	6.47
Semi-skilled	30 338	394 734	7.69
Unskilled	–	–	–
<b>Total</b>	<b>1 448 780</b>	<b>19 087 159</b>	<b>7.59</b>

Figure 44: Training costs

Directorate/business unit	Personnel expenditure (R)	Training expenditure (R)	Training expenditure as a % of personnel cost	Number of employees trained	Average training cost per employee (R)
Stakeholder	5 707 650	46 284	0.81	1	49 284
Administration	–	–	–	–	–
Compliance	2 036 602	46 284	2.27	1	49 284
Technical compliance	–	–	–	–	–
<b>Total</b>	<b>7 744 252</b>	<b>92 568</b>	<b>1.19</b>	<b>2</b>	<b>92 568</b>

Figure 45: Employment and vacancies per programme

Programme	FY2016/17 Number of employees	FY2017/18 Approved posts	FY2017/18 Number of employees	FY2017/18 Vacancies	% of vacancies
Stakeholder	6	7	5	2	29
Administration	10	12	12	–	–
Compliance	5	4	4	–	–
Technical compliance	–	5	5	–	–
<b>Total</b>	<b>21</b>	<b>28</b>	<b>26</b>	<b>2</b>	<b>7</b>



Figure 46: Employment and vacancies per employee category

Programme	FY2016/17 Number of employees	FY2017/18 Approved posts	FY2017/18 Number of employees	FY2017/18 Vacancies	% of vacancies
Top management	1	2	1	2	50
Senior management	6	7	7	–	–
Professional qualified	4	7	7	–	–
Skilled	8	10	9	–	10
Semi-skilled	2	2	2	–	–
Unskilled	–	–	–	–	–
<b>Total</b>	<b>21</b>	<b>28</b>	<b>26</b>	<b>2</b>	<b>7</b>

There has been a tremendous reduction in the vacancy rate over FY2016/17 from 22.2% to 7.1% in FY2017/18. This can be translated into a reduction of 15.10%.

Figure 47: Employment changes

Salary band	Employment at beginning of Period	Appointments	Terminations	Employment at end of the period
Top management	1	–	–	1
Senior management	6	1	1	6
Professional qualified	4	3	0	7
Skilled	8	5	2	11
Semi-skilled	2	–	1	1
Unskilled	–	–	–	–
<b>Total</b>	<b>21</b>	<b>9</b>	<b>4</b>	<b>26</b>

There were changes in employment ranks within the financial year. This was evident as there were appointments and terminations within top management, professionally qualified, skilled and semi-skilled positions in the organisation.

## HUMAN RESOURCE OVERSIGHT STATISTICS CONTINUED

Figure 48: Reasons for staff leaving

Reason	Number	% of total number of staff leaving
Death	–	–
Resignation	3	75
Dismissal	1	25
Retirement	–	–
Ill health	–	–
Expiry of contract	–	–
Other	–	–
<b>Total</b>	<b>4</b>	<b>100</b>

During FY2017/18, there was a total of four terminations. There were three voluntary resignations and one dismissal.

Figure 49: Labour relations – misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	–
Written warning	–
Final written warning	–
Dismissal	1
<b>Total</b>	<b>1</b>

Figure 50: equity target and employment equity status

Category	African		Coloured		Indian		White		Disability	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
National Employee Assistance Programme) (EAP) targets	34%	39%	5%	6%	1%	2%	6%	7%	2%	2%
NGB – Average	54%	39%	0%	0%	8%	4%	4%	0%	0%	0%
Top	0%	0%	0%	0%	100%	0%	0%	0%	0%	0%
Senior	14%	57%	0%	0%	0%	14%	14%	0%	0%	0%
Professional qualified	57%	29%	0%	0%	14%	0%	0%	0%	0%	0%
Skilled	89%	11%	0%	0%	0%	0%	0%	0%	0%	0%
Semi-skilled	50%	50%	0%	0%	0%	0%	0%	0%	0%	0%
Unskilled	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Variances	20%	8%	5%	6%	7%	2%	2%	7%	2%	2%

The NGB has set Employment Equity targets according 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 are nine (9) approved top and senior management positions at the NGB. As at the end of the financial year, only eight were occupied, of which, three were occupied by females. This translates to a 54% representation of females in this category in comparison to the 50% national target. The NGB has thus exceeded this target by 4%.
- There are no people with disabilities currently employed at the NGB.

A further analysis of the targets against the NGB's status quo reviews the following:

- Indians are over-represented as they form a combined total of 12% (males – 1 and females – 2); and
- There is under-representation of whites and coloureds.

#### **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. coloureds, whites and people with disabilities.

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



# PART F

## FINANCIAL INFORMATION

REPORT OF THE AUDIT AND RISK COMMITTEE

REPORT OF THE AUDITOR-GENERAL

ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

SUBMISSION OF REPORT IN TERMS OF THE B-BBEE ACT

ANNUAL FINANCIAL STATEMENTS

# REPORT OF THE AUDIT AND RISK COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2018.

## Audit and Risk Committee (ARC) responsibility

The ARC reports that it has complied with its responsibilities arising from section 51 (1)(a)(iii) 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.

The following internal audit work was completed during the year under review:

- Financial discipline review.
- Supply chain management review.
- Human resource review.
- Performance audit.
- ICT assessment.
- Asset management review.

There were no significant areas of concern that were 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 an attempt to ensure that the NGB has been operating effectively, the Internal Audit Unit of **the dti** convened with the internal auditors of the NGB on a quarterly basis. Formal reports were tabled at these meetings by the NGB internal auditors. These reports included, but were not limited to, the performance of the entity, financial affairs and internal control effectiveness.

## In-year management and quarterly report

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

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

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

## Evaluation of annual financial statements

We have reviewed the annual financial statements prepared by the public entity for FY2017/18. 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 Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

## Appreciation

The ARC congratulates the AA and the staff of NGB on the achievement of a clean audit outcome for the third consecutive year and we wish to once more extend our heartfelt appreciation to them for their continued and ongoing efforts and commitment in supporting the ARC to discharge its statutory mandate and governance obligations.

On a personal note as Chairperson of the ARC, I am most appreciative of the dedication, valuable inputs and support of my ARC colleagues.



**Ms Gaylene Deiner**

Chairperson of the Audit and Risk Committee of the National Gambling Board

31 July 2018

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE NATIONAL GAMBLING BOARD

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the National Gambling Board set out on pages 89 to 135, which comprise the statement of financial position as at 31 March 2018, and the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Gambling Board as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA)

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Standards of GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

7. In preparing the financial statements, the accounting authority is responsible for assessing the National Gambling Board's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

8. My 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 my 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 my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## Report on the audit of the annual performance report

### Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 1 – Compliance	19
Programme 2 – Stakeholder liaison and advisory services	29
Programme 4 – Technical compliance	43

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programmes:
- Compliance
  - Stakeholder liaison and advisory services
  - Technical compliance

#### Other matter

15. I draw your attention to the matter below.

#### Achievement of planned targets

16. Refer to the annual performance report on pages 13 to 53 for information on the achievement of planned targets for the year.

### Report on the audit of compliance with legislation

#### Introduction and scope

17. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

18. I did not raise material findings on compliance with specific matters in key legislation set out in the general notice issued in terms of the PAA.

#### Other information

19. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
20. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
21. In connection with my audit, my 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 my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

#### Internal control deficiencies

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

Auditor - General

Pretoria

31 July 2018





## ANNEXURE – AUDITOR-GENERAL’S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the public entity’s compliance with respect to the selected subject matters.

### Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity’s internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
  - conclude on the appropriateness of the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Gambling Board’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a public entity to cease continuing as a going concern

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

### Communication with those charged with governance

3. I 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 I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

## 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 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 that the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The 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.

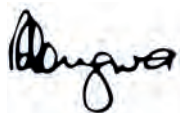
The AA has reviewed the entity's cash flow forecast for the year to 31 July 2019 and, in the light of this review and the current financial position, is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The NGB is substantially dependent on **the dti** for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that **the dti** has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the AA is primarily responsible for the financial affairs of the NGB, it is supported by the entity's internal 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 auditing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is attached hereto.

The annual financial statements which have been prepared on the going concern basis, were approved by the AA on 28 July 2018 and were signed by:



**Ms Caroline Kongwa**  
Accounting Authority

# STATEMENT OF FINANCIAL POSITION

as at 31 March 2018

Figures in Rand	Note(s)	2018	Restated* 2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	31 003 303	34 546 322
Inventories	4	15 443	34 459
Receivables from exchange transactions	5	3 258 757	323 418
Accrued income – LPM monitoring fees		18 001 995	–
		<b>52 279 498</b>	34 904 199
<b>Non-current assets</b>			
Property, plant and equipment	6	8 646 011	9 383 719
Intangible assets	7	4 401 434	1 421 879
Receivables from exchange transactions	5	1 219 976	959 840
		<b>14 267 421</b>	11 765 438
<b>Total assets</b>		<b>66 546 919</b>	46 669 637
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables from exchange transactions	8	7 100 676	7 478 490
NCEMS service fees payable		17 413 682	–
Provisions	9	2 711 684	2 699 443
		<b>27 226 042</b>	10 177 933
<b>Non-current liabilities</b>			
Deferred rent and accommodation		8 587 800	9 063 922
<b>Total liabilities</b>		<b>35 813 842</b>	19 241 855
<b>Net assets</b>		<b>30 733 077</b>	27 427 782
<b>Accumulated surplus</b>		<b>30 733 077</b>	27 427 782

\* Refer to note 21.

# STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2018

Figures in Rand	Note(s)	2018	Restated* 2017
<b>REVENUE</b>			
<b>Revenue from exchange transactions</b>			
Limited payout machines (LPM) monitoring fees	10	63 694 286	10 000 000
Interest received		2 884 268	2 472 736
Other income	11	4 336 340	6 683 145
<b>Total revenue from exchange transactions</b>		<b>70 914 894</b>	19 155 881
<b>Revenue from non-exchange transactions</b>			
Government grants		31 627 000	30 121 000
<b>Total revenue</b>		<b>102 541 894</b>	49 276 881
<b>EXPENDITURE</b>			
Depreciation and amortisation	6&7	(2 335 648)	(2 183 483)
Employee related costs	12	(15 880 687)	(15 807 432)
Executive managers' remuneration	13	(3 349 688)	(3 126 643)
Finance costs		(22)	(107)
Operating leases	14	(7 733 874)	(7 522 806)
NCEMS service fees	10&15	(43 389 792)	–
General expenses	16	(16 170 195)	(10 223 734)
<b>Total expenditure</b>		<b>(88 859 906)</b>	(38 864 205)
<b>Surplus for the year</b>		<b>13 681 988</b>	10 412 676

\* Refer to note 21.

## STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2018

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 1 April 2016</b>	22 050 392	22 050 392
<b>Changes in net assets</b>		
Surplus for the year	10 411 156	10 411 156
Correction of error	1 519	1 519
Transfer of cash surplus to National Treasury	(5 035 285)	(5 035 285)
<b>Total changes</b>	5 377 390	5 377 390
<b>Balance at 1 April 2017 (restated*)</b>	27 427 782	27 427 782
<b>Changes in net assets</b>		
Surplus for the year	<b>13 681 988</b>	<b>13 681 988</b>
Transfer of cash surplus to National Treasury	<b>(10 376 693)</b>	<b>(10 376 693)</b>
<b>Total changes</b>	<b>3 305 295</b>	<b>3 305 295</b>
<b>Balance at 31 March 2018</b>	<b>30 733 077</b>	<b>30 733 077</b>

# CASH FLOW STATEMENT

for the year ended 31 March 2018

Figures in Rand	Note(s)	2018	Restated* 2017
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		31 627 000	30 121 000
Interest received		2 861 969	2 472 735
Rental income		2 214 149	2 035 631
Limited payout machines (LPM) monitoring fees		45 714 488	10 000 000
RFP sales		–	4 450 000
		<b>82 417 606</b>	49 079 366
<b>Payments</b>			
Employee related costs		(19 406 518)	(18 225 614)
Suppliers		(61 324 208)	(22 217 824)
		<b>(80 730 726)</b>	(40 443 438)
<b>Net cash flows from operating activities</b>	17	<b>1 686 880</b>	8 635 928
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(1 036 093)	(513 415)
Proceeds from sale of property, plant and equipment	6	161 555	–
Purchase of intangible assets	7	(3 461 007)	(519 412)
<b>Net cash flows from investing activities</b>		<b>(4 335 545)</b>	(1 032 827)
<b>Cash flows from financing activities</b>			
Proceeds from confiscated winnings		353 356	504 581
Confiscated winnings refunded/surrendered to the State	8	(1 247 710)	–
<b>Net cash flows from financing activities</b>		<b>(894 354)</b>	504 581
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(3 543 019)</b>	8 107 682
Cash and cash equivalents at the beginning of the year		34 546 322	26 438 640
<b>Cash and cash equivalents at the end of the year</b>	3	<b>31 003 303</b>	34 546 322

\* Refer to note 21.

# STATEMENT OF COMPARISON AND ACTUAL AMOUNTS

for the year ended 31 March 2018

Budget on accrual basis						
Figures in Rand	Approved budget	Adjustments	Final budget	Amounts on comparable basis	Difference between final budget and actual	Reference
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Limited payout machines (LPM) monitoring fees	12 000 000	33 733 238	<b>45 733 238</b>	63 694 286	17 961 048	28
Interest received	2 500 000	646 391	<b>3 146 391</b>	2 884 268	(262 123)	28
Other income	2 028 000	1 660 393	<b>3 688 393</b>	4 336 340	647 947	28
<b>Total revenue from exchange transactions</b>	<b>16 528 000</b>	<b>36 040 022</b>	<b>52 568 022</b>	<b>70 914 894</b>	<b>18 346 872</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants	31 627 000	–	<b>31 627 000</b>	31 627 000	–	
<b>Total revenue</b>	<b>48 155 000</b>	<b>36 040 022</b>	<b>84 195 022</b>	<b>102 541 894</b>	<b>18 346 872</b>	
<b>Expenditure</b>						
Employee related costs	(22 873 945)	6 999 717	<b>(15 874 228)</b>	(15 880 687)	(6 459)	28
Executive managers' remuneration	(2 198 914)	(1 148 903)	<b>(3 347 817)</b>	(3 349 688)	(1 871)	28
Depreciation and amortisation	(2 223 960)	(64 284)	<b>(2 288 244)</b>	(2 335 648)	(47 404)	28
Finance costs	–	–	<b>–</b>	(22)	(22)	
Operating leases	(8 268 000)	615 247	<b>(7 652 753)</b>	(7 733 874)	(81 121)	28
NCEMS service fees	–	(28 111 032)	<b>(28 111 032)</b>	(43 389 792)	(15 278 760)	28
Other operating expenses	(11 415 982)	(9 823 853)	<b>(21 239 835)</b>	(16 170 195)	5 069 640	28
<b>Total expenditure</b>	<b>(46 980 801)</b>	<b>(31 533 108)</b>	<b>(78 513 909)</b>	<b>(88 859 906)</b>	<b>(10 345 997)</b>	
<b>Surplus for the year</b>	<b>1 174 199</b>	<b>4 506 914</b>	<b>5 681 113</b>	<b>13 681 988</b>	<b>8 000 875</b>	

# STATEMENT OF COMPARISON AND ACTUAL AMOUNTS

for the year ended 31 March 2018

Budget on accrual basis						
Figures in Rand	Approved budget	Adjustments	Final budget	Amounts on comparable basis	Difference between final budget and actual	Reference
<b>STATEMENT OF FINANCIAL POSITION</b>						
<b>Assets</b>						
<b>Non-current assets</b>						
Property, plant and equipment	1 000 000	952 100	<b>1 952 100</b>	1 251 262	(700 838)	28
Intangible assets	380 000	50 000	<b>430 000</b>	3 461 007	3 031 007	28
	1 380 000	1 002 100	<b>2 382 100</b>	4 712 269	2 330 169	
<b>Total assets</b>	1 380 000	1 002 100	<b>2 382 100</b>	4 712 269	2 330 169	
<b>Net assets</b>	1 380 000	1 002 100	<b>2 382 100</b>	4 712 269	2 330 169	
<b>Net assets</b>						
<b>Net assets attributable to owners of controlling entity</b>						
<b>Reserves</b>						
Accumulated surplus	1 380 000	1 002 100	<b>2 382 100</b>	4 712 269	2 330 169	



# ACCOUNTING POLICIES

## 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with section 55(1) of the Public Finance Management Act 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. They are presented in South African Rand.

These accounting policies are consistent with the previous period.

### 1.1 Presentation currency

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

### 1.2 Going concern assumption

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

### 1.3 Rounding

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

### 1.4 Significant accounting judgements and estimates

In preparing the financial statements, management makes estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include: provision for doubtful debts; bonus provision; leave provision; useful lives and depreciation methods and asset impairment. Notes relating to the subject are included under the affected areas of the financial statements.

#### Trade receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flow from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

#### Impairment testing

The recoverable amounts of individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows

of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including obsolescence and information technological advancements, together with economic factors such as inflation.

### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 9 – Provisions.

### Residual values and useful lives of PPE

The entity determines the estimated useful lives and related depreciation charges for PPE. Residual values, useful lives and depreciation methods for each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

## 1.5 Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be utilised for more than one financial reporting period.

The cost of an item of property, plant and equipment and intangible assets 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 and intangible assets is initially measured at cost.

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

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

Where an item of property, plant and equipment and intangible assets is acquired in exchange for a monetary asset or non monetary asset, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment and intangible assets have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment and intangible assets.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and intangible assets 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 and intangible assets, the carrying amount of the replaced part is derecognised.

# ACCOUNTING POLICIES CONTINUED

## 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

### 1.5 Property, plant and equipment and intangible assets continued

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment and intangible assets, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount for an item of property, plant and equipment and intangible assets 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 intangible assets and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment and intangible assets. Any remaining inspection costs from the previous inspection are derecognised.

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

Property, plant and equipment and intangible assets 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 and intangible assets have been assessed as follows:

Item	Depreciation method	Average useful life
Leasehold improvements	Straight line	Over the lease period
Furniture and office equipment	Straight line	3 to 10 years
Motor vehicles	Straight line	5 years
IT equipment	Straight line	3 to 10 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

Each part of an item of property, plant and equipment and intangible assets 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 and intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment and intangible assets 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 and intangible assets is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sells as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

## 1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

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

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

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

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

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

# ACCOUNTING POLICIES CONTINUED

## 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

### 1.6 Intangible assets continued

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software, internally generated	4 to 10 years
Computer software, other	3 to 10 years
National Databases	4 to 10 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.7 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts are non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.



## 1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

## ACCOUNTING POLICIES CONTINUED

### 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

#### 1.8 Financial instruments continued

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially favourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;

- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

### Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	

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

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

### Initial recognition

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

The entity recognises financial assets using trade date accounting.

### Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

### Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at amortised cost using effective interest rate.

### Impairment and uncollectibility of financial assets

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



# ACCOUNTING POLICIES CONTINUED

## 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

### 1.8 Financial instruments continued

#### Financial assets measured at cost:

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

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

##### Financial liabilities

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

##### Presentation

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

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

#### Financial risk management

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

#### Credit risk and market risk

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

- 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;
- Funds are invested in short-term facilities; and
- The organisation does not raise debtors in its ordinary course of business.

Credit risk with respect to accounts receivable is limited due to the nature of the entity's business and its reliance on government grant as the main source of funding.

Market risk is the risk that the value of an investment will decrease due to changes in market factors. The above stated mitigating factors apply to market risk as well.

#### **Interest rate risk management**

This is the risk that adverse changes in interest rates will have a negative impact on the net income of the entity. The inherent interest rate risk is concentrated in short-term investments and deposits which are highly liquid. This risk is managed by:

- investing in short term deposit accounts;
- transacting with well established financial institutions of high quality credit standing and the accounts bearing interest at prevailing market rates; and
- the entity does not hold significant finance leases with fluctuating interest rates.

#### **Liquidity risk**

This is the risk that the entity may encounter difficulties in raising funds to meet its statutory commitments. Liquidity risk is managed by:

- investing in short term deposit facilities held between 14 and 32 days;
- timeous request and release of funds by **the dti** 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.

### **1.9 Taxation**

The entity is exempt from income taxation in terms of Section 10(1)(cA) of the Income Tax Act, 1962 (Act 58 of 1962).

### **1.10 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

# ACCOUNTING POLICIES CONTINUED

## 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

### 1.10 Leases continued

#### Finance leases

The entity recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the entity's net investment in the finance lease.

Assets held under finance leases are recognised as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statement of financial performance.

#### Operating leases

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. Income for leases is disclosed under revenue in the statement of financial performance.

Leases under which the lessor effectively retains the risks and benefits of ownership are classified as operating leases. Obligations incurred under operating leases are charged against income in equal instalments over the period of the lease.

#### Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.11 Contingent liabilities

Contingent liabilities are possible obligations that arose from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within control of the entity; or a present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

### 1.12 Capital commitments

Capital commitments are disclosed in respect of contracted amounts for which delivery by the contractor is outstanding at the accounting date, and for amounts which the NGB's approval has been obtained but not yet contracted for.

### 1.13 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

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

The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### **1.14 Impairment of non-cash-generating assets**

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

## ACCOUNTING POLICIES CONTINUED

### 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

#### 1.14 Impairment continued

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.

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

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

##### Value in use

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

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

##### Depreciated replacement cost approach

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

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

### **Recognition and measurement**

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

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 assess 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. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

### 1.15 Employee benefits

#### Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

The provisions for employee entitlements to salaries and annual leave represent the amount which the organisation has a present obligation to pay as a result of employees' services provided for at the reporting date. The provisions have been calculated at undiscounted amounts based on current salary rates.

#### Retirement benefits

##### Provident fund

Both the entity and employees contribute to a defined contribution fund. Benefits are provided to all eligible employees.

Contributions to the Provident fund operated for employees are charged against income as incurred. The funds are externally managed.

### 1.16 Provisions

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Employee's 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.



### 1.17 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.

#### 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.

### 1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

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





## ACCOUNTING POLICIES CONTINUED

### 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

#### 1.18 Revenue from non-exchange transactions continued

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

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

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

##### **Recognition**

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

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

##### **Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

#### 1.19 Revenue recognition

Revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the NGB and can be reliably measured.

Government grants are recognised when there is reasonable assurance that such grant will be received and all related conditions are complied with. Interest is recognised on a time proportion basis that takes into account the effective yield on assets.

Revenue from non-exchange transactions is distinguished from revenue from exchange transactions. The corresponding trade and other receivables are split between trade and other receivables from exchange transactions and trade and other receivables from non-exchange transactions.

#### 1.20 Comparative figures

Prior period comparative information are presented in the current financial year. Where necessary, comparative figures are adjusted to conform to changes in presentation in the current year.

### 1.21 Irregular, fruitless and wasteful expenditure

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

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

In terms of section 55(2)(b)(i) of the PFMA the financial statements must include particulars of any irregular and fruitless and wasteful expenditure.

### 1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury Practice Note No 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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

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

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the Accounting Officer or Accounting Authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

## ACCOUNTING POLICIES CONTINUED

### 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS *continued*

#### 1.23 Budget information

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

General purpose financial reporting by 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 1 April 2017 to 31 March 2018.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

#### 1.24 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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 considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

#### 1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

## 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 1 April 2019 or later periods:

Standard/Interpretation	Effective date: Years beginning on or after	Expected impact
GRAP 34: Separate Financial Statements	No effective date has been determined by the Minister of Finance	Unlikely there will be a material impact
GRAP 35: Consolidated Financial Statements	No effective date has been determined by the Minister of Finance	Unlikely there will be a material impact
GRAP 36: Investments in Associates and Joint Ventures	No effective date has been determined by the Minister of Finance	Unlikely there will be a material impact
GRAP 37: Joint Arrangements	No effective date has been determined by the Minister of Finance	Unlikely there will be a material impact
GRAP 38: Disclosure of Interests in Other Entities	No effective date has been determined by the Minister of Finance	Unlikely there will be a material impact
GRAP 110: Living and Non-living Resources	1 April 2020	Unlikely there will be a material impact
GRAP 20: Related Parties	1 April 2019	Unlikely there will be a material impact
GRAP 32: Service Concession Arrangements: Grantor	1 April 2019	Unlikely there will be a material impact
GRAP 108: Statutory Receivables	1 April 2019	Unlikely there will be a material impact
GRAP 109: Accounting by Principals and Agents	1 April 2019	Unlikely there will be a material impact

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2018

Figures in Rand	2018	2017
<b>3. CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents consist of:		
Cash on hand	995	414
Bank balances	26 450 608	29 110 455
Short-term deposits – confiscated winnings	4 551 700	5 435 453
	<b>31 003 303</b>	34 546 322

<b>4. INVENTORIES</b>		
Stationery on hand and consumables	15 443	34 459

<b>5. RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade debtors	8 429	795
Prepayments	1 354 082	196 213
Accrued income	–	5 930
Operating lease receivables	3 116 222	1 080 320
	<b>4 478 733</b>	1 283 258
Non-current assets	1 219 976	959 840
Current assets	3 258 757	323 418
	<b>4 478 733</b>	1 283 258

### 6. PROPERTY, PLANT AND EQUIPMENT

Figures in Rand	2018			2017		
	Cost/ valuation	Accumulated depreciation	Carrying value	Cost/ valuation	Accumulated depreciation	Carrying value
Furniture and office equipment	3 251 098	(1 582 179)	1 668 919	3 228 238	(1 278 312)	1 949 926
Motor vehicles	1 113 177	(161 267)	951 910	701 074	(310 484)	390 590
IT equipment	1 566 656	(782 230)	784 426	1 592 362	(764 148)	828 214
Leasehold improvements	10 991 027	(5 750 271)	5 240 756	10 850 310	(4 635 321)	6 214 989
<b>Total</b>	<b>16 921 958</b>	<b>(8 275 947)</b>	<b>8 646 011</b>	<b>16 371 984</b>	<b>(6 988 265)</b>	<b>9 383 719</b>

### Reconciliation of property, plant and equipment – 2018

Figures in Rand	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and office equipment	1 949 926	22 859	–	(303 866)	1 668 919
Motor vehicles	390 590	812 100	(122 017)	(128 763)	951 910
IT equipment	828 214	275 585	(12 756)	(306 617)	784 426
Leasehold improvements	6 214 989	140 717	–	(1 114 950)	5 240 756
	9 383 719	1 251 261	(134 773)	(1 854 196)	8 646 011

### Reconciliation of property, plant and equipment – 2017

Figures in Rand	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and office equipment	2 345 984	52 266	(132 135)	(316 189)	1 949 926
Motor vehicles	167 681	301 077	–	(78 168)	390 590
IT equipment	550 089	498 390	–	(220 265)	828 214
Leasehold improvements	7 328 076	–	–	(1 113 087)	6 214 989
	10 391 830	851 733	(132 135)	(1 727 709)	9 383 719

### Pledged as security

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

## 7. INTANGIBLE ASSETS

Figures in Rand	2018			2017		
	Cost/ valuation	Accumulated amortisation	Carrying value	Cost/ valuation	Accumulated amortisation	Carrying value
Computer software, internally generated	4 059 795	(572 549)	3 487 246	2 244 633	(1 492 790)	751 843
Computer software, other	1 507 199	(593 011)	914 188	1 411 974	(741 938)	670 036
<b>Total</b>	<b>5 566 994</b>	<b>(1 165 560)</b>	<b>4 401 434</b>	<b>3 656 607</b>	<b>(2 234 728)</b>	<b>1 421 879</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2018

## 7. INTANGIBLE ASSETS continued

### Reconciliation of intangible assets – 2018

Figures in Rand	Opening balance	Additions	Internally generated	Amortisation	Total
Computer software, internally generated	751 843	–	2 947 761	(212 358)	3 487 246
Computer software, other	670 036	513 246	–	(269 094)	914 188
	1 421 879	513 246	2 947 761	(481 452)	4 401 434

### Reconciliation of intangible assets – 2017

Figures in Rand	Opening balance	Additions	Internally generated	Amortisation	Total
Computer software, internally generated	915 952	–	79 184	(243 293)	751 843
Computer software, other	442 289	440 228	–	(212 481)	670 036
	1 358 241	440 228	79 184	(455 774)	1 421 879

### Pledged as security

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

## 8. PAYABLES FROM EXCHANGE TRANSACTIONS

Figures in Rand	2018	2017
Trade payables	1 744 524	1 653 012
Deferred rent and accommodation	815 737	371 338
Unidentified confiscated gambling winnings	4 214 250	5 211 367
SARS for PAYE and UIF	–	19 316
Confiscated winnings from identified punters	326 165	223 457
	7 100 676	7 478 490

Unidentified confiscated gambling winnings refer to moneys confiscated from suspected illegal gamblers whose identity has not been established by the NGB. Confiscated winnings from identified punters, on the other hand, refer to moneys confiscated from suspected illegal gamblers whose identity has been established through the completion of a form (NGB 2 form) which contains details of such punters from whom such winnings have been confiscated. For all winnings confiscated, banks and gambling outlets are required to complete an NGB 2 form and send it to the NGB to enable the NGB to approach the courts to confirm that such winnings are indeed illegal winnings so they can be forfeited to the State. If the confiscated winnings are declared by the courts not to be illegal winnings, such winnings are refunded to the punters.

## 9. PROVISIONS

### Reconciliation of provisions – 2018

Figures in Rand	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Leave provision	1 017 897	1 444 032	(1 339 820)	–	1 122 109
Provision for Compensation Commissioner	54 678	36 367	–	–	91 045
Provision for performance bonuses	1 626 868	1 498 530	(1 577 118)	(49 750)	1 498 530
	<b>2 699 443</b>	<b>2 978 929</b>	<b>(2 916 938)</b>	<b>(49 750)</b>	<b>2 711 684</b>

### Reconciliation of provisions – 2017

Figures in Rand	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Leave provision	508 384	1 415 679	(906 166)	–	1 017 897
Provision for Compensation Commissioner	24 467	54 678	–	(24 467)	54 678
Provision for performance bonuses	1 276 393	1 626 868	(931 103)	(345 290)	1 626 868
	<b>1 809 244</b>	<b>3 097 225</b>	<b>(1 837 269)</b>	<b>(369 757)</b>	<b>2 699 443</b>

#### Provision for performance bonuses

The provision for performance bonuses is based on an upper limit of 10% of the total annual salary package for all employees. It is anticipated that bonuses will be paid within the next 12 months.

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

#### Leave pay provision

Provision for leave pay is calculated at 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 an uncertainty about the amount and timing of the expected outflows relating to the leave pay provision.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2018

## 9. PROVISIONS continued

### Provision for Compensation Commissioner

The provision for Compensation Commissioner relates to a provision for an amount to be paid as an insurance against occupational injuries for staff. The amount is based on a return of earnings (ROE) which is submitted annually to the Compensation Commissioner. It is anticipated the amount will be paid within the next 12 months.

The balance of R91 045 is calculated as a percentage of total earnings (0.41%). The uncertainty about the amount payable arises from the fact that the entity is yet to file its ROE with the Compensation Commissioner for the 2017/18 financial period, which ROE will result in an assessment and invoice from the Commissioner.

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

Figures in Rand	2018	2017
LPM monitoring fees charged	63 694 286	10 000 000

The NGB is required by the National Gambling Act (Act No 33 of 1996) ("the Act") to establish a National Central Electronic Monitoring System (NCEMS) capable of monitoring significant events relating to limited payout machines (LPMs). To this end, the NGB appointed an NCEMS operator to establish and maintain an NCEMS monitoring system. The NCEMS operator performs this function by connecting to each LPM throughout the country through the internet. LPM's are gambling machines found in pubs, clubs and taverns which resemble gambling machines in casinos except that they have a restricted prize as described in section 26 of the Act. 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.

## 11. OTHER INCOME

Figures in Rand	2018	2017
Rental income – related party	4 250 052	2 092 531
RFP sales	–	4 450 000
Profit on sale of assets and other refunds	86 288	140 614
	4 336 340	6 683 145

### Future minimum lease payments under a non-cancellable operating lease for a leased building:

Within one year	3 961 017	1 918 216
Two to five years	13 021 350	6 535 697
	16 982 367	8 453 913



The NGB has leased a building to **the dti** under a sub-letting arrangement for a period of eight years and four months, effective from 1 December 2012. Monthly rental payments of R159 851 (including VAT) are payable to the NGB, with an annual escalation clause of 6.5%. No contingent rent is payable. The lease agreement is not renewable at the end of the lease term.

The NGB has leased another building to **the dti** for occupation by the B-BBEE Commission under a sub-letting arrangement for a period of five years and six months, effective from 1 May 2017. As at 31 March 2018 monthly rental payments of R151 909 (including VAT) are payable to the NGB, with an annual escalation clause of 10%. No contingent rent is payable. The lease agreement is not renewable at the end of the lease term.

## 12. EMPLOYEE RELATED COSTS

Figures in Rand	2018	2017
Basic	<b>15 026 751</b>	14 579 181
UIF	<b>42 090</b>	42 567
Leave pay provision charge	<b>286 143</b>	659 893
Employee benefits	<b>472 449</b>	468 598
Other salary related	<b>53 254</b>	57 193
	<b>15 880 687</b>	15 807 432

## 13. EXECUTIVE MANAGERS' REMUNERATION

### Executive

### 2018

Figures in Rand	Emoluments	Cellular phone allowance	Pension/ provident fund	Medical aid	Payment in lieu of leave	Total
Chief Financial Officer: Ms K Mackerduth	<b>1 127 578</b>	<b>9 600</b>	<b>149 976</b>	<b>–</b>	<b>–</b>	<b>1 287 154</b>
Accounting Authority: Ms Caroline Kongwa	<b>1 780 156</b>	<b>–</b>	<b>91 949</b>	<b>8 640</b>	<b>38 573</b>	<b>1 919 318</b>
	<b>2 907 734</b>	<b>9 600</b>	<b>241 925</b>	<b>8 640</b>	<b>38 573</b>	<b>3 206 472</b>

Over and above the remuneration disclosed above the Chief Financial Officer: Ms K Mackerduth received a performance bonus of R248 851 during the year ended 31 March 2018. While the expenditure was provided for in the previous financial period, the payment was made during the current period.

Over and above the remuneration disclosed above the Accounting Authority: Ms C Kongwa received a performance bonus of R366 328 during the year ended 31 March 2018. While the expenditure was provided for in the previous financial period, the payment was made during the current period.

Other benefits comprise payments for the administration of the provident fund, disability insurance, group life assurance and funeral insurance for the Chief Financial Officer: Ms K Mackerduth, R35 455.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2018

### 13. EXECUTIVE MANAGERS' REMUNERATION *continued*

**2017**

Figures in Rand	Emoluments	Cellular phone allowance	Pension/ provident fund	Severance pay	Payment in lieu of leave	Total
Chief Financial Officer: Ms K Mackerduth	1 069 573	9 600	141 379	–	–	1 220 552
Accounting Authority: Ms Caroline Kongwa	658 423	–	–	–	–	658 423
Chief Compliance Officer Adv. M Goodman (resignation date: 12 August 2017)	333 072	–	45 419	709 671	52 205	1 140 367
	2 061 068	9 600	186 798	709 671	52 205	3 019 342

Over and above the remuneration disclosed above the Chief Financial Officer: Ms K Mackerduth received a performance bonus of R165 876 during the year ended 31 March 2017. While the expenditure was provided for in the previous financial period, the payment was made during the current period.

Over and above the remuneration disclosed above the Accounting Authority: Ms C Kongwa received a performance bonus of R301 855 during the year ended 31 March 2017. While the expenditure was provided for in the previous financial period, the payment was made during the current period.

Other benefits comprise payments for the administration of the provident fund, disability insurance, group life assurance and funeral insurance for the Chief Financial Officer: Ms K Mackerduth, R35 455 and the Chief Compliance Officer: Advocate Goodman, R11 386.33.

#### Non-executive

**2018**

Figures in Rand	Members' fees	Total
Ms GA Deiner (Audit Committee Chairperson)	76 175	76 175
Ms PN Sibiya (Audit Committee member)	19 864	19 864
Mr J Matshiya (Audit Committee member)	24 830	24 830
Mr M Sass (Audit Committee member) – (appointment date: 15 December 2017)	7 449	7 449
Dr C Sanangura (Audit Committee member) – (appointment date: 14 December 2017)	7 449	7 449
Ms N Hedder (Audit Committee member) – (appointment date: 13 December 2017)	7 449	7 449
	143 216	143 216

## 2017

Figures in Rand	Members' fees	Total
Ms GA Deiner (Audit Committee member)	64 947	64 947
Ms PN Sibiya (Audit Committee member)	23 530	23 530
Mr J Matshiya (Audit Committee member)	18 824	18 824
	107 301	107 301

## 14. OPERATING LEASE EXPENSE

Figures in Rand	2018	2017
Current year		
Premises	7 625 000	7 408 775
Photocopiers	108 874	114 031
	7 733 874	7 522 806
<b>Future minimum lease payments under non-cancellable operating leases for buildings</b>		
Within one year	8 211 081	7 460 744
Two to five years	32 008 548	34 830 855
Greater than five years	—	5 039 038
	40 219 629	47 330 637

The National Gambling Board leases a building from M&T Development (Pty) Ltd for a period of nine years and eleven months, effective from 1 December 2012. As at 31 March 2018, monthly rental payments of R491 676 (including VAT) are payable, with an annual escalation clause of 10% per annum. The lease is renewable for an optional period of a further nine years and eleven months. The entity is also contracted to Motseng Properties for a period of 15 years, effective from 1 April 2006. The lease payments are R159 851 (including VAT) per month, with an annual escalation clause of 6.5%. No contingent rent is payable. The NGB has an option to renew the lease agreement for a period which is on the same terms and conditions as those contained in the current agreement. The leased building has been sub-let to the dti for the remainder of the lease period.

Figures in Rand	2018	2017
<b>Future minimum lease payments under non-cancellable operating lease for photocopiers</b>		
Within one year	101 295	108 874
Two to five years	—	100 414
	101 295	209 288

The NGB is renting three (3) photocopy machines from Konica Minolta over 36 months contracts. Monthly rentals of R9 073 are payable with no escalation clauses. No contingent rent is payable and the lease contracts are not renewable at the end of the lease period.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2018

## 15. NCEMS SERVICE FEES

Figures in Rand	2018	2017
Service fees paid to NCEMS operator	43 389 792	–

## 16. GENERAL EXPENSES

### Professional and consulting fees

Legal fees	7 378 137	1 919 864
Research	1 697 745	1 789 135
Internal Audit	96 992	300 540
Other consulting fees	1 257 611	599 607
	10 430 485	4 609 146

### Travel and subsistence

Travel – local	578 882	536 241
Travel – overseas	660 598	369 250
	1 239 480	905 491

### Other operating expenses

Recruitment costs	89 478	88 826
Advertising	75 271	589 335
Training	92 568	87 024
Temporary staff costs	309 387	–
Internet costs	185 870	197 785
Telephone and fax	144 507	122 623
Printing and stationery	285 975	338 346
Bank charges	30 071	25 475
Car license	2 200	756
Cleaning	83 604	86 001
Conferences	318 000	82 408
Fora meetings	–	6 860
Copying costs	126 019	95 451
Postage and courier services	5 638	3 590
Fuel and oil	40 391	44 267
Subscriptions and membership fees	315 357	52 054
Water and electricity	452 956	403 642
Software expenses	291 700	680 902
Stationery	67 136	55 083
General maintenance	63 917	69 745
Small office equipment	20 342	8 035
Insurance	76 325	312 402
Refreshments	85 448	182 368
Storage	8 251	10 617

Figures in Rand	2018	2017
Security costs	4 104	1 198
Loss on disposal of assets	12 814	132 135
Impairment of debtors	5 930	3 000
Magazines, books and periodicals	1 068	–
	<b>3 194 327</b>	3 679 928
<b>Repairs and maintenance</b>		
Property, plant and equipment	139 550	21 197
<b>Auditors' remuneration</b>		
External audit fees	1 166 353	1 007 972
	<b>59 559 987</b>	10 223 734

## 17. CASH GENERATED FROM OPERATIONS

Surplus	13 681 988	10 412 676
<b>Adjustments for:</b>		
Depreciation and amortisation	2 335 648	2 183 483
Profit and loss on disposal of non-current assets	(67 464)	132 135
Transfer of cash surplus to National Treasury	(10 376 693)	(5 035 285)
Movements in provisions	12 240	890 200
<b>Changes in working capital:</b>		
Inventories	19 017	8 297
Receivables from exchange transactions	(20 800 339)	(220 294)
Payables from exchange transactions	17 311 337	400 850
Deferred rent and accommodation	(428 854)	(136 134)
	<b>1 686 880</b>	8 635 928

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2018

## 18. COMMITMENTS

Figures in Rand	2018	2017
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
Computer equipment	52 518	62 099
Development of National Registers	1 545 652	4 479 972
Water coolers	–	13 307
Board room chairs	54 600	–
Two screens for the board room	378 274	–
Hard drive storage for servers	298 272	–
	<b>2 329 316</b>	4 555 378
<b>Total capital commitments</b>		
Already contracted for but not provided for	<b>2 329 316</b>	4 555 378
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Internal audit services	248 491	52 656
• Website hosting	233 725	12 938
• Legal services	3 720 686	6 470 991
• Quality assurance of bid process	499 653	1 046 856
• Research services	1 413 925	1 697 745
• Cleaning services	131 216	57 565
• Audit of NCMS	–	311 220
• Anti-virus upgrade	–	6 954
• Transcription services	–	23 800
• Verification of employees qualifications	–	28 638
• Media monitoring services	–	48 854
• Internet and telephone services	277 542	–
• Subscriptions to gambling news	82 558	–
• Insurance services	160 746	–
• Hosting of National Registers	372 775	–
• National Radio Campaign	502 458	–
• Design, layout, printing and publishing of Gambling Sector Performance report	16 974	–
• Advertising in a gambling and hotel magazine	103 328	–
• Advertising in sports publications	54 150	–
• Design and layout of a research report	65 180	–
• Repairs and maintenance – building	9 242	–
• Printers	246 009	–
• On-line subscription to legal publications	496 491	–
• Off-site storage services	63 831	–
	<b>8 698 980</b>	9 758 217

Figures in Rand	2018	2017
<b>Total operational commitments</b>		
Already contracted for but not provided for	8 698 980	9 758 217
<b>Total commitments</b>		
Authorised capital expenditure	2 329 316	4 555 378
Authorised operational expenditure	8 698 980	9 758 217
	11 028 296	14 313 595

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

## 19. 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 and Industry ( <b>the dti</b> )	National department in national sphere
National Regulator for Compulsory Specifications (NRCS)	Schedule 3A public entity under common control
National Empowerment Fund (NEF)	Schedule 3A public entity under common control
National Lotteries Commission (NLC)	Schedule 3A public entity under common control
Export Credit Insurance Corporation (ECIC)	Schedule 3B public entity under common control
South African Bureau of Standards (SABS)	Schedule 3B public entity under common control

Figures in Rand	2018	2017
<b>Related party balances</b>		
<b>Rental receivable from related parties</b>		
Rental for a building leased to <b>the dti</b>	1 701 349	62 579
<b>Amounts payable to related parties</b>		
Administrators' acting allowance and reimbursements	–	1 459
<b>Related party transactions</b>		
<b>Rental received from related parties</b>		
The Department of Trade and Industry	2 214 149	2 035 631
<b>Payments made to related parties</b>		
The Department of Trade and Industry – Allowances and reimbursements for the Administrator	1 926 823	667 414



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2018

### 19. RELATED PARTIES continued

The NGB is a signatory to a lease contract with Motseng Properties for office premises located on **the dti** Campus. The NGB has sub-let the office premises to **the dti** which re-imburses the NGB for the rental paid. Further, the NGB is a signatory to a lease contract with M&T Development (Pty) Ltd for office premises located in Eco Park, Centurion. The NGB has sub-let a section of the leased property to **the dti**, for occupation by the Broad-Based Black Economic Empowerment Commission, which re-imburses the NGB for the rental paid.

### 20. CHANGE IN ACCOUNTING ESTIMATE

#### Property, plant and 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, computer software – internally generated and other 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 R43 700. The effect of the change in accounting estimate on future financial years will be a decrease in net surplus by R22 608, R8 526 and R12 567 for the financial period 2018/19, 2019/20 and years thereafter respectively.

### 21. PRIOR-YEAR ERRORS

An invoice for the accommodation of an ARC member was erroneously recorded twice during the year 2016/17 financial period.

The above-mentioned error resulted in the re-statement of the annual financial statements for the 2016/17 financial period as follows:

#### Statement of financial position

2017

Figures in Rand	Note	As previously reported	Correction of error	Restated
Payables from exchange transactions	8	7 480 009	(1 519)	7 478 490

#### Statement of financial performance

2017

Revenue from exchange transactions		49 276 881	–	49 276 881
Expenditure		(28 640 471)	–	(28 640 471)
General expenses	16	(10 225 254)	1 519	(10 223 734)
<b>Surplus for the year</b>		<b>10 411 156</b>	<b>1 519</b>	<b>10 412 676</b>

## 22. 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.

Figures in Rand	2018	2017
Other financial liabilities	23 698 621	7 107 152

The table below illustrates the NGB's maturity analysis for non-derivative financial liabilities:

At 31 March 2018	Less than one year	Between one and two years	Between two and five years	Over five years	Total
Figures in Rand					
Operating leases	917 035	8 211 081	32 008 547	–	41 136 663
Trade and other payables	18 263 797	1 057 343	4 377 481	–	23 698 621
	19 180 832	9 268 424	36 386 028	–	64 835 284
At 31 March 2017					
Operating leases	7 569 617	8 240 095	26 691 175	5 039 038	47 539 925
Trade and other payables	2 176 645	4 930 507	–	–	7 107 152
	9 746 262	13 170 602	26 691 175	5 039 038	54 647 077

The NGB manages liquidity risk through an ongoing 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:

Figures in Rand	2018	2017
Cash and cash equivalents-increase by 1%	310 033	345 463
Cash and cash equivalents-decrease by 1%	(310 033)	(345 463)

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2018

## 22. RISK MANAGEMENT continued

### Interest rate risk

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

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

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

Trade receivables Figures in Rand	1 – 30 days past due	60 – 90 days past due	90 – 120 days past due	More than 120 days past due	Total
<b>2018</b>	<b>13 503 086</b>	<b>6 521 366</b>	<b>149 530</b>	<b>891 873</b>	<b>21 065 855</b>
<b>2017</b>	197 008	–	–	68 509	265 517
	<b>13 700 094</b>	<b>6 521 366</b>	<b>149 530</b>	<b>960 382</b>	<b>21 331 372</b>

### Credit risk and market risk

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

Cash and cash equivalents are placed with high credit quality financial institutions thus rendering the credit risk with regard to cash and cash equivalents limited.

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

With regard to accounts receivables credit risk is limited by the fact that the organisation does not issue loans to staff or raise debtors in its day-to-day operations.

Funds are invested in short-term facilities which are highly liquid.

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

### Exposure to credit risk

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

Figures in Rand	2018	2017
Cash and cash equivalents	31 003 304	34 546 322
Other receivables	22 480 729	1 283 258
	53 484 033	35 829 580

### Concentration of credit risk

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

Figures in Rand	2018	2017
Cash and cash equivalents (excluding petty cash)	31 002 309	34 545 908
Other receivables	22 480 729	1 283 258
	53 483 038	35 829 166

### Financial instruments

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

Figures in Rand	2018	2017
Cash and cash equivalents (excluding petty cash)	31 002 309	34 545 908
Receivables	22 480 729	1 283 258
Other financial liabilities	(23 698 621)	(7 107 152)
	29 784 417	28 722 014

## 23. GOING CONCERN

As at 31 March 2018, the entity had a net surplus for the year of R13.7 million, while total assets exceeded total liabilities by R30.7 million. The NGB is substantially dependent on the government for continued funding of its operations. The entity's five year strategy, the annual performance plan and budget were approved by the Minister of **the dti** on 8 April 2015. This 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 R63.7 million earned from the National Central Electronic Monitoring System (NCEMS) during the year under review, arising out of an eight (8) year contract with the NCEMS operator. The 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

for the year ended 31 March 2018

## 24. UNAUTHORISED EXPENDITURE

There was no unauthorised expenditure during the year.

## 25. FRUITLESS AND WASTEFUL EXPENDITURE

Figures in Rand	2018	2017
Opening balance	–	29 276
Less: Amounts written off	–	(29 276)
	–	–

There was no fruitless and wasteful expenditure during the year.

The fruitless and wasteful expenditure from prior years relate to an overpayment of PAYE to SARS (2 312) accommodation for one day more than the days approved (R1 051), accommodation for a board member which was not utilised (no show) (R24 946), bank honouring fess (R520) and a call-out fee for a temporary employee not utilised (447).

Investigations were conducted on all matters mentioned above, the outcome of which was that no official could be held liable. Based on the outcome of the investigations, the AA authorised the write-off of the fruitless and wasteful expenditure.

## 26. IRREGULAR EXPENDITURE

There was no irregular expenditure during the year.

## 27. CONTINGENT LIABILITIES

Figures in Rand	2018	2017
National Treasury – cash surplus as at 31 March 2018	14 009 716	10 376 693
Former employee vs the NGB	982 739	982 739
Former service provider vs the NGB	78 026	78 026
	15 070 481	11 437 458

**National Treasury** – A contingent liability exists as a result of a cash surplus reported in the current year, 2017/18, which must be surrendered to the National Treasury, unless permission is granted to retain it. The cash surplus has been calculated using a formula prescribed by the National Treasury, through the National Treasury Instruction No. 6 of 2017/2018, as follows: Cash and cash equivalents at the end of the year, plus receivables, less current liabilities, less commitments.

**Former employee vs NGB** – The NGB received a summons on 26 May 2016 for breach of confidentiality of a settlement agreement from attorneys representing a former employee.

**Former service provider vs NGB** – a service provider who was contracted by the NGB to provide temporary staff placement lodged a claim at the Magistrate's Court for alleged breach of contract, alleging that the NGB converted temporary staff into permanent placement.

## 28. EXPLANATION OF VARIANCES

Variances which are equal to or more than R50 000 are explained below. Variances which are below R50 000 are considered immaterial and, therefore, not explained.

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

The budget for LPM monitoring fees/NCEMS service fees was increased in order to give effect to the contract with the newly appointed NCEMS operator, and was based on an agreed percentage of GGR to be earned from an anticipated number of active LPMs. The actual monitoring fees/NCEMS service fees were more than the amount anticipated during budgeting because the performance of the LPM industry exceeded expectations.

### Interest received

The budget for interest received was increased when management realised the entity would receive additional income from the NCEMS operator for NCEMS monitoring fees, which income would be invested in the short-term investment facility available to the entity.

The positive variance was achieved due to the LPM monitoring fees received from the NCEMS operator which resulted in the availability of more cash resources for investment than initially anticipated.

### Miscellaneous revenue

The budget for miscellaneous revenue was increased in anticipation of rental income to be received from the sub-letting of a leased building.

The positive variance on the miscellaneous revenue resulted from non-cash journal entry passed to straight-line the rentals receivable as a result of a sub-letting agreement.

### Personnel costs

The adjustment to the personnel budget was necessitated by the existence of vacant positions.

### Executive Managers' remuneration

An increase in the budget for executive remuneration was made to enable the NGB to fund 100% of the total cost of the Administrator. In the past the NGB only paid the difference between the salary of the NGB's CEO salary and the total salary already paid to the Administrator by the seconding department, **the dti**.

### Depreciation and amortisation

The budget for depreciation was increased to allocate funding for newly acquired property, plant and equipment and intangible assets which were previously in the process of being internally generated, and ready for roll-out during the year.

### Operating leases

The budget for operating leases was reduced as the impact of inflation on the fixed and variable costs associated with the leases had initially been over-estimated. The positive variance on the actual expenditure was due to a slight over-estimation of the lease expenditure during budgeting.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2018

## 28. EXPLANATION OF VARIANCES *continued*

### **Other operating expenses**

The budget for other operating expenses was increased to make provision for anticipated increase in legal fees due to court challenges, research to determine the economic impact of gambling, increased funding to capacitate employees through training as well as overseas travel to enhance knowledge of the gambling industry.

The positive budget variance was due to the fact that funds allocated for research services, a national radio campaign, subscriptions and other operational expenses were not spent during the year, but committed to be expensed in the subsequent financial period.

### **Property, plant and equipment**

The budget was increased to make provision for the procurement of a motor vehicle, office repartitioning, a cage for the back-up generator, additional server equipment and office furniture.

The unused budget for PPE was caused by delays inherent in the procurement and installation of the items required. The procurement of the items required was, however, concluded and funds were committed as at the end of the financial period under review.

### **Intangible assets**

The budget for intangible software was increased to enable the NGB to procure replacement computer software needed to maintain optimal ICT infrastructure. The actual amount expended on intangible assets exceeded the amount budgeted due to significant payments made for the development of National Registers which were funded from the cash rolled-over from the previous financial period.

## 29. EVENTS AFTER THE REPORTING DATE

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

- An unsuccessful bidder for the NCEMS tender brought an application in the High Court, Pretoria, seeking to interdict the NGB from proceeding with implementation of the NCEMS tender award and for the court to set aside the award of the NCEMS contract to the successful bidder. The Application was in two parts, the first part being the interdict was decided in favour of the NGB and others in December 2017. A Costs order was awarded in favour of the NGB and others.
- The second part was to be heard for argument February 2018. However, the Applicant withdrew the second part of their application prior to argument, and in March 2018 made an offer of settlement of R600 000 in respect of legal costs, which was accepted. Attorneys representing the NGB are currently drawing up the bill of costs which will be subjected to assessment by the Taxing Master, and once taxed, the final figure to be paid by the applicant in favour of the State will be determined.
- The settlement figure was paid to the attorneys for the NGB on 13 April 2018 and such amount will be paid to the NGB which in turn accrues to the State as at date of the costs order. The amount will be paid over by the NGB to the State Attorney for deposit in favour of the revenue fund.

**The following are adjusting events after the reporting date:**

The Minister of Finance announced that the value-added Tax (VAT) would increase from 14% to 15%, effective from 1 April 2018. The entity has contracts with service providers which include operating lease contracts (as a lessee as well as lessor), contracts for goods and services for operational and capital expenditure, most of which will be affected by the VAT increase. The entity has adjusted the operational and capital commitments disclosure note (note 17) to include the increase in the VAT. Deferred lease assets and deferred lease liabilities have been restated to include the effect of the increased VAT rate. Amounts disclosed as future minimum lease payments to be received from lessees and payments to be made to lessors have also been adjusted accordingly in note 11 and note 14 respectively. The effect of the VAT increase on the straight-lined rental receivable and rental payable for the current and prior periods has been recorded in the current period by adjusting the rental expenditure and the deferred lease liability and by adjusting the rental revenue and deferred lease assets.

**30. COMPLIANCE WITH THE BROAD-BASED ECONOMIC EMPOWERMENT ACT**

In terms of section 13G(1) all spheres of government, public entities and organs of state must report on their compliance with the broad-based black economic empowerment in their audited annual financial statements and annual reports. During the financial period ended 31 March 2018, the NGB was measured for B-BBEE compliance with the B-BBEE Codes of Good Practice, Gazette No. 38766. The applicable scorecard used to determine the NGB's compliance with the B-BBEE Act 53 of 2003 as amended was the Qualifying Small Enterprise (QSE) scorecard used for entities with a turnover of less than R50 million. The NGB complied with the B-BBEE Act 53 of 2003 as a level 8 Contributor to B-BBEE. The B-BBEE certificate is valid from 10 January 2018 to 9 January 2019.



## SUBMISSION OF THE REPORT IN TERMS OF SECTION 13(G)(1) OF THE B-BBEE ACT READ WITH REGULATION 12(1) AND (2) OF THE B-BBEE REGULATIONS

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

The NGB duly obtained its verification certificate, issued on 10 January 2018, which certificate is valid for 12 months. This was submitted to

the B-BBEE Commission, together with the NGB's Compliance Report, comprising Form B-BBEE 1 and the NGB Annual Report, which incorporates its annual financial statements.

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

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

## LIST OF ABBREVIATIONS/ACRONYMS

<b>AA</b>	Accounting Authority
<b>ACCA</b>	Association of Chartered Certified Accountants
<b>AFS</b>	Annual Financial Statements
<b>AGSA</b>	Auditor-General South Africa
<b>APP</b>	Annual Performance Plan
<b>ARC</b>	Audit and Risk Committee
<b>ATM</b>	Automatic Teller Machine
<b>BASA</b>	Banking Association of South Africa
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment
<b>CASA</b>	Casino Association of South Africa
<b>CEO</b>	Chief Executive Officer
<b>CCO</b>	Chief Compliance Officer
<b>CFO</b>	Chief Finance Officer
<b>CIA</b>	Certified Internal Auditor
<b>CIPC</b>	Companies and Intellectual Property Commission
<b>CISA</b>	Certified Information System Auditor
<b>CMS</b>	Compliance Monitoring System
<b>CSC</b>	Cyber security Committee
<b>DBA</b>	Doctorate in Business Administration
<b>DDG</b>	Deputy Director-General
<b>DG</b>	Director-General
<b>DPCI</b>	Directorate for Priority Crime Investigation
<b>DTPS</b>	Department of Telecommunications and Postal Services
<b>EAP</b>	Employee Assistance Programme
<b>EBT</b>	Electronic Bingo Terminal
<b>EC</b>	Eastern Cape
<b>FCIBM</b>	Fellow Chartered Institute of Business Management
<b>FCIS</b>	Fello Chartered Institute of Secretaries and Administration
<b>FIC</b>	Financial Intelligence Centre
<b>FICA</b>	Financial Intelligence Centre Act, 2001 (Act 38 of 2001)
<b>FNB</b>	First National Bank

<b>FPB</b>	Film and Publications Board
<b>FPP</b>	Fraud Prevention Plan
<b>FS</b>	Free State
<b>FSCA</b>	Financial Sector Conduct Authority
<b>FY</b>	Financial Year
<b>GDP</b>	Gross Domestic Product
<b>GGR</b>	Gross Gambling Revenue
<b>GRAF</b>	Gaming Regulators Africa Forum
<b>GRAP</b>	Generally Recognised Accounting Practice
<b>GRC</b>	Gambling Review Commission
<b>GT</b>	Gauteng
<b>HCO</b>	Human Capital Optimisation
<b>HR</b>	Human Resource
<b>IAGR</b>	International Association for Gambling Regulators
<b>ICT</b>	Information Communication Technology
<b>IEC</b>	International Electrotechnical Commission
<b>IG</b>	Interactive Gambling
<b>IGOR</b>	Illegal Gambling Operatives Register
<b>ILO</b>	International Labour Organisation
<b>ISO</b>	International Organisation for Standardization
<b>ISPA</b>	Internet Service Providers Association
<b>KZN</b>	KwaZulu-Natal
<b>LPM</b>	Limited Pay-out Machine
<b>LP</b>	Limpopo
<b>MBA</b>	Master of Business Administration
<b>MCC</b>	Merchant Category Code
<b>MPUM</b>	Mpumalanga
<b>MTSF</b>	Medium Term Strategic Framework
<b>NC</b>	Northern Cape
<b>NCEMS</b>	National Central Electronic Monitoring System
<b>NGA</b>	National Gambling Act, 2004 (Act 7 of 2004)
<b>NGB</b>	National Gambling Board

# LIST OF ABBREVIATIONS/ACRONYMS CONTINUED

<b>NGO</b>	Non-Government Organisation
<b>NGR</b>	National Gambling Regulator
<b>NGRF</b>	National Gambling Regulators Forum
<b>NGPC</b>	National Gambling Policy Council
<b>NLA</b>	National Liquor Authority
<b>NLC</b>	National Lotteries Commission
<b>NPA</b>	National Prosecution Authority
<b>NRCS</b>	National Regulator for Compulsory Specifications
<b>NW</b>	North West
<b>PFMA</b>	Public Finance Management Act, 1999 (Act 1 of 1999)
<b>PGB</b>	Provincial Gambling Board
<b>PLA</b>	Provincial Licensing Authority
<b>POCA</b>	Prevention of Organised Crime Act
<b>RMC</b>	Risk Management Committee
<b>SABS</b>	South African Bureau of Standards
<b>SANAS</b>	South African National Accreditation System
<b>SANS</b>	South African National Standards
<b>SAPS</b>	South African Police Service
<b>SARGF</b>	South African Responsible Gambling Foundation
<b>SCM</b>	Supply Chain Management
<b>SDS</b>	Service Delivery Standards
<b>SLC</b>	Service Level Contract
<b>SMME</b>	Small, Medium and Micro Enterprises
<b>SOOG</b>	Strategic Outcome Oriented Goal
<b>TC</b>	Technical Committee
<b>the dti</b>	Department of Trade and Industry
<b>UWC</b>	Unlawful Winnings Committee
<b>WC</b>	Western Cape
<b>YTD</b>	Year to Date

# NOTES

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NOTES





National Gambling Board  
*South Africa*

a member of the dti group

National Gambling Board

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PROBLEM GAMBLING IS TREATABLE  
**GAMBLE RESPONSIBLY**