

# Presentation to the Parliamentary Portfolio Committee on Trade, Industry and Competition 18 September 2024



Building resilience in a time of change

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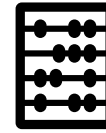
# CONSTITUTIONAL MANDATE & LEGISLATIVE MANDATE

- The NLC has the sole mandate to regulate and prohibit lotteries and sports pools and to provide for matters connected therewith.



### **REGULATE**

the National Lottery,  
other lotteries, and  
sports pools.



### **ADVISE**

the Minister of Trade,  
Industry and  
Competition on policy  
matters relating to the  
National Lottery,  
sports pools and  
other lotteries.



### **DISTRIBUTE**

a portion of the revenue  
from the National Lottery  
and sports  
pools to good causes  
through the  
National Lottery Distribution  
Trust  
Fund (NLDTF).

**CONSTITUTIONAL  
MANDATE**



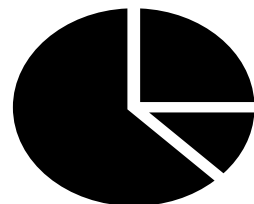
- ✓ To ensure that the National Lottery and Sports Pools are conducted with all due propriety.



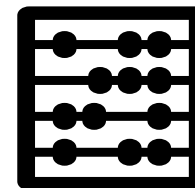
- ✓ Interests of every participant in the National Lottery are adequately protected.



- ✓ Conduct research on worthy good causes that may be funded.



- ✓ Invite applications for grants for worthy good causes.



- ✓ Promote public knowledge and awareness on provisions of the Lotteries Act.

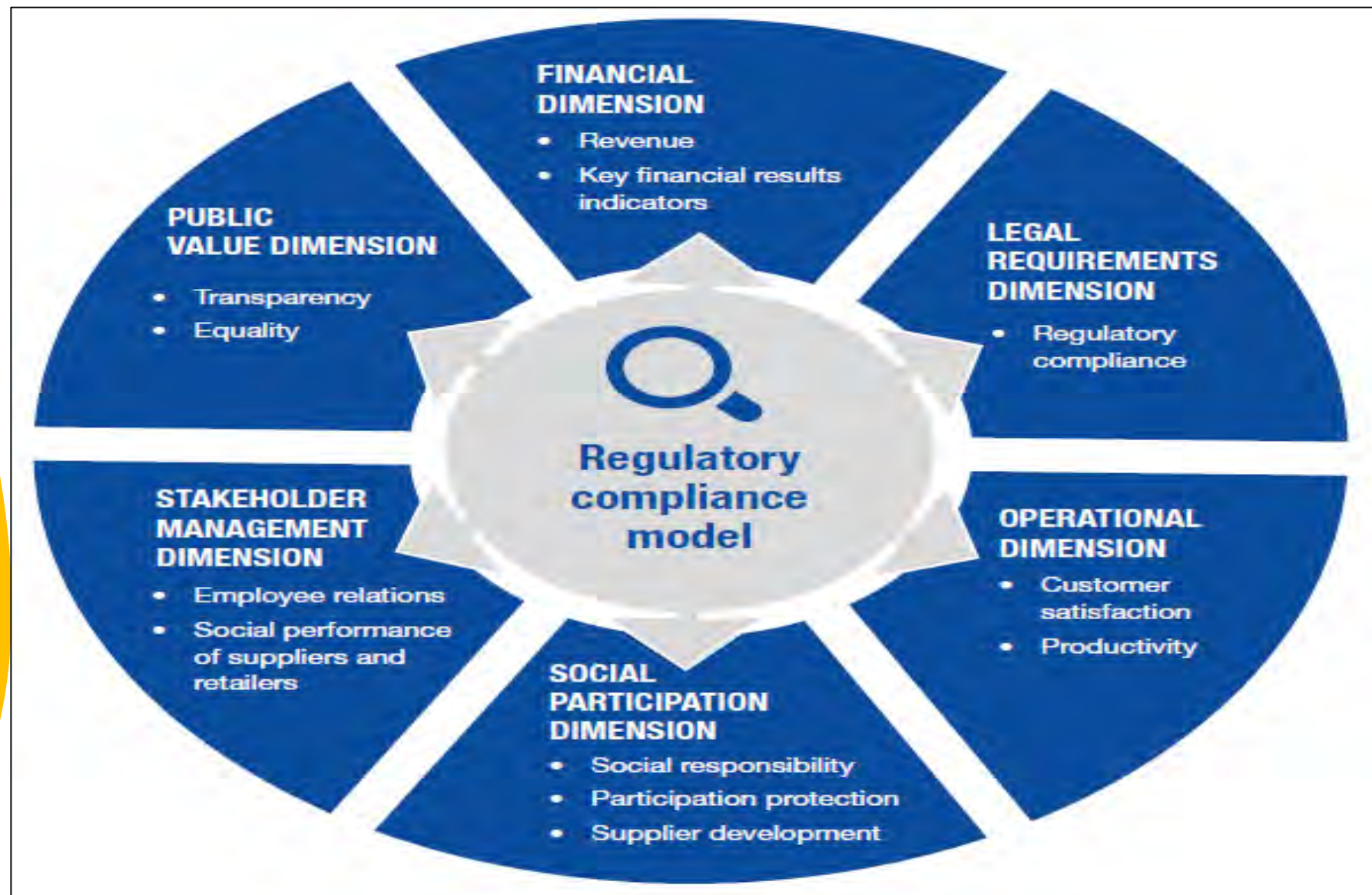
## LEGISLATIVE MANDATE



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# OPERATIONS - THE REGULATOR OF THE NATIONAL LOTTERY

- The NLC is mandated to regulate all lotteries and sport pools with integrity and ensure protection of all participants. The NLC ensures optimum and balanced regulation of lottery operators through the Regulatory Compliance model depicted below.



**OPERATIONS -  
THE  
REGULATOR  
OF THE  
NATIONAL  
LOTTERY**





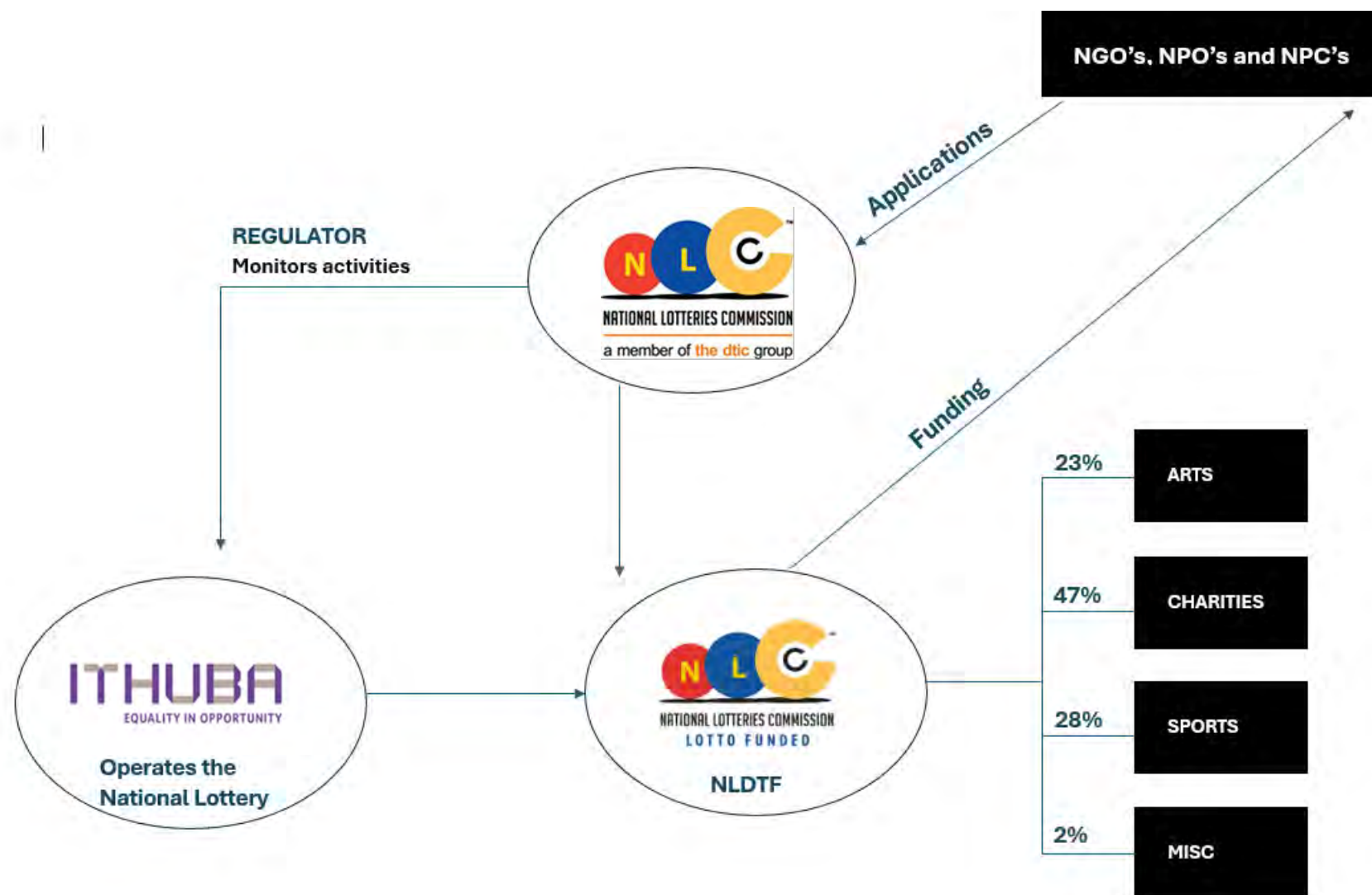
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# OPERATIONS - GRANT MAKING

**Focus on impactful and  
sustainable funding**



The funding of grants to good causes is the second mandate of the NLC. The Board provides the oversight of the dual mandate, and the members are the trustees of the NLDTF. The value chain is depicted below:





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# STRATEGIC OBJECTIVES / OUTCOMES

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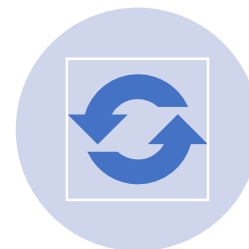
**SO1:** Cultivating a skilled, ethical and motivated team.



**SO2:** Improved stakeholder engagements.



**SO3:** Innovative and technologically responsive systems and processes.



**SO4:** Credible and sustainable governance and compliance practices.



**SO5:** Effective collaborative partnerships with diverse stakeholders; creating a unified ecosystem that drives innovation.



**SO6:** A sustainable and impactful civil society sector.



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# LINK TO STRATEGIC OBJECTIVES

Collaboration

Improved Governance and Compliance

Risk Management

Modernisation

Workforce Development

Improved Communication

Social Cohesion

Strengthened Regulatory Monitoring

**Link to  
Strategic  
Objectives**



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# OUTPUT INDICATORS

Cultivating  
a skilled,  
ethical,  
and  
motivated  
team

- ▶ A functional and trained workforce: Development and implementation of the reskilling and upskilling interventions.
- ▶ Creating positive work environment to boost employee morale: Implementation of the change management framework and the plan.



# Innovative and technologically responsive systems and processes

- ▶ Driving effective digital transformation strategy: Phase 3 of the digital transformation strategy implementation plan is implemented, deployed and institutionalised.
- ▶ Driving modernisation and to enhance business processes: Review and redesign of business processes.

# Credible and sustainable governance and compliance practices

- ▶ A fair and safe national lottery and sports pools: 100% of National Lottery and Sports Pools Licence conditions monitored.
- ▶ A fair and safe national lottery and sports pools: Managing the Fourth National Lottery and Sports Pools Licensing.
- ▶ Strengthened good governance model: Enforcement of good governance to implement planned research-based budget allocation.

# A sustainable and impactful civil society sector

- ▶ Funding model aligned to the developmental needs of South Africa: Conducting research and assessment of ECD programmes.
- ▶ Assurance that NLDTF funds are utilised for the intended purpose: 100% strengthened monitoring of funded projects.
- ▶ Investing in the sustainability and functionality of funded organisations by transferring skills: Number of structured capacity building programs implemented nationally.

Improved  
communication  
and social  
cohesion

- ▶ Improved stakeholder engagements: Number of education and awareness engagements conducted nationally.

Effective  
collaborative  
partnerships with  
diverse  
stakeholders,  
creating a unified  
ecosystem that  
drives innovation

- ▶ Regulatory effectiveness and sustainability of the National Lottery and Sports Pools: National and Provincial Gambling Boards engaged to enhance collaboration on regulatory matters.

## GRANT FUNDING PRIORITIES



Restore the reputation of the NLC.



Amend sections of the Lotteries Act and Regulations to close gaps identified that have exposed the NLC to risk on grant funding.



Appointment of additional Distributing Agency Members to adjudicate applications for funding



Complete the adjudication of applications received for the 2023-24 Call



Public Education and Awareness sessions with other dtic entities to continue to effectively discharge the legislative mandate of the NLC.



The NLC is engaging the National Gambling Board and Provincial Licencing Authorities to collaborate on curbing illegal lotteries and gambling activities, together with promoting responsible play for the National Lottery and Sports pools.

## AREAS OF COLLABORATION





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# MATTERS EMANATING FROM LEGACY REPORT

- ❑ Monitoring progress made in terms of the ongoing investigations by the SIU, the SAPS and the Hawks, as well as the civil and criminal prosecutions by the NPA and their recovery of misappropriated funds.

### Special Investigating Unit (SIU)

- The NLC convened with the Special Investigating Unit (SIU) to discuss ongoing investigations. During the last session, five additional matters within the scope of the proclamation were referred to the SIU for investigation by our forensic unit.

### SAPS, Hawks, and NPA

- The NLC facilitated various requests, and the submission of evidence required for the projects under investigation by SAPS, currently under consideration by the NPA. During the reporting quarter, the NLC has referred few new cases to SAPS.
- ❑ Monitoring disciplinary action taken against employees found to be implicated by the NLC, the SIU and other investigating agencies.
- Few employees have been charged with fraud following SIU investigations, which recommended that the employees should be subjected to disciplinary hearing. The DC hearing is currently underway. Several officials have since resigned.

## MATTERS EMANATING FROM LEGACY REPORT

## MATTERS EMANATING FROM LEGACY REPORT

- ❑ Monitoring the findings of the lifestyle audits for employees and board members at the NLC.
  - The NLC has completed nine lifestyle reviews for disclosures received by the end of the first quarter and the outcomes have been communicated to the respective members.
- ❑ Following-up on redress for legitimate NGOs or NPCs that have been affected by corruption and maladministration.
  - The Board approved the revised Reparation Initiative Proposal in principle. The focus will be on community infrastructure projects currently under SIU investigation.
- ❑ Monitoring the filling of critical vacancies, particularly for senior management positions and distributing agencies.
  - The CIO position is the only outstanding post to be filled at senior management level. In terms of the Distributing Agency vacancies, two additional **DA's** commenced duties on 1st July 2024. The Commissioner is continuing to engage the dtic on additional resources.
- ❑ Continued monitoring of the restructuring process.
  - The process of the Organisational Review is still underway as it is being implemented in a staggered approach. As existing business processes are mapped using the Six Sigma methodology, these are optimised and then, where applicable, technological solutions and automation implemented.

## MATTERS EMANATING FROM LEGACY REPORT

- ❑ Overseeing the review and implementation of the research-based funding process, as well as the lifting of the moratorium in this regard.
  - The research-based policy has been developed and extensively reviewed and recently been approved.
- ❑ Overseeing the process to issue the licence for the next National Lottery operator.

The Fourth Licence RFP applications are being evaluated. Progress is being reported to the Board regularly.
- ❑ Following-up on audit outcomes and the development and implementation of action plans, particularly in terms of irregular expenditure and material irregularity (MI) investigations.
  - The review of the irregular expenditure in terms of the framework (determination and assessment) is underway.
  - The material irregularities identified by AGSA form part of the cases being investigated by the SIU. The internal control deficiencies identified by AGSA have been addressed and evidence of this has been submitted to the AGSA as part of the ongoing monitoring of these **MI's**.



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# BUDGET

(R'000)	2024/25	2025/26	2026/27
Total revenue	2 228 790	553 128	1 241 420
Total Expenditure	2 221 086	572 280	1 223 310
Net Surplus/Deficit	7 704	-19 152	18 110

## Overview

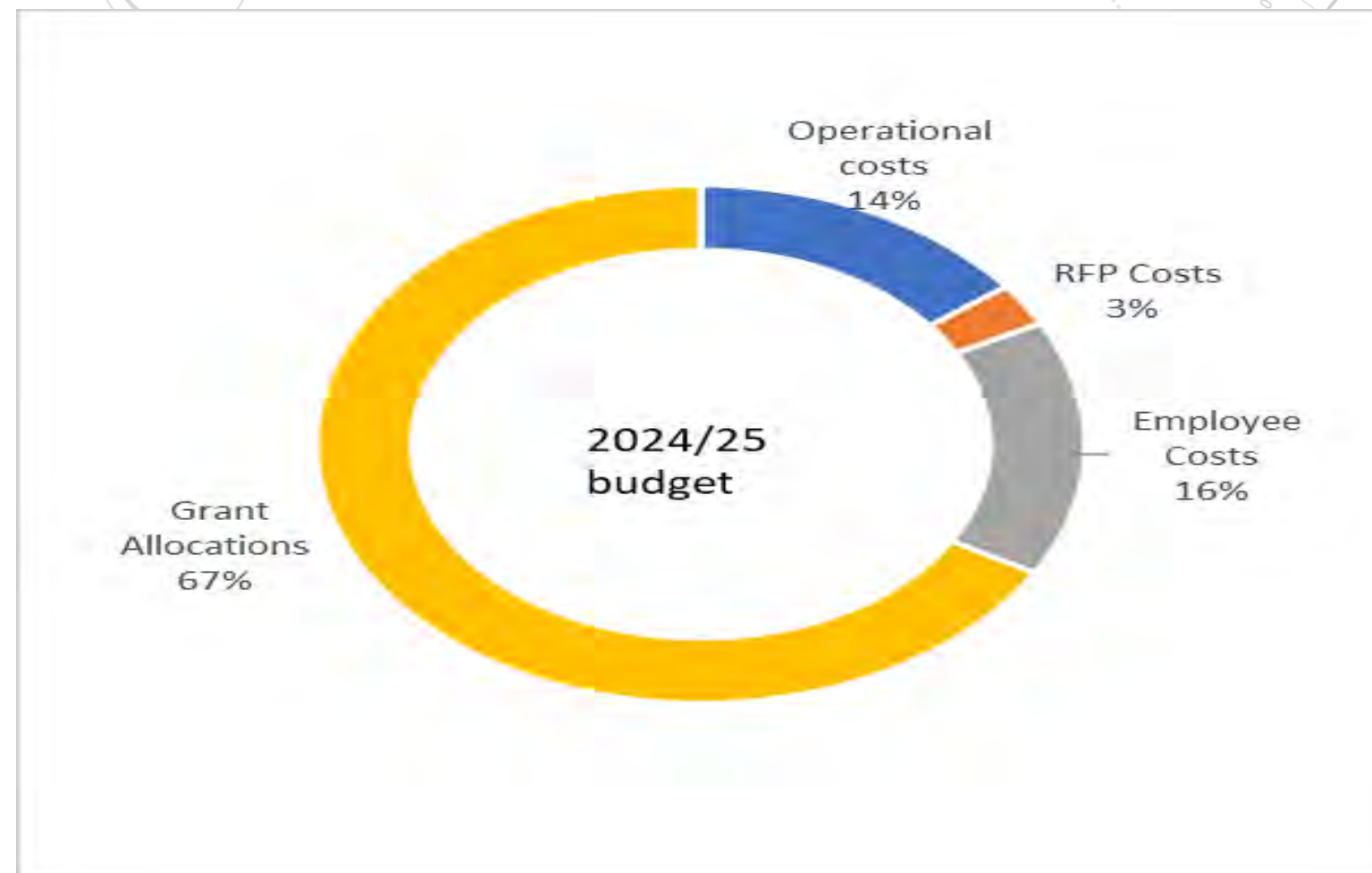
- ❑ The budget presented over the MTEF period is reflective of the transition period as the current Lottery Operator License comes to an end at the end of May 2025, and the transition to the 4<sup>th</sup> Lottery License Operator.
- ❑ The **NLC's** primary focus is to contain operating costs to enable maximum grant allocations on an annual basis.

## Revenue Split

R'000	2024/25	2025/26	2026/27
Share of Lottery Sales	1 815 499	313 091	1 100 000
Interest Received	109 499	200 000	100 000
License Signing Fees	2 833	472	472
Societies & Other Lotteries	62	65	68
Unclaimed and expired prize money	140 000	30 000	31 200
Withdrawals	20 000	5 000	5 000
RFP Lottery Fee - Application Fee	12 000	-	-
Interest from the Participants Trust	1 538	500	520
Sundry Income	2 000	4 000	4 160
Total Revenue	2 103 431	553 128	1 241 420

- ❑ Total Revenue is expected to decrease over the MTEF period. The figures are based on historical trends over a transition period.

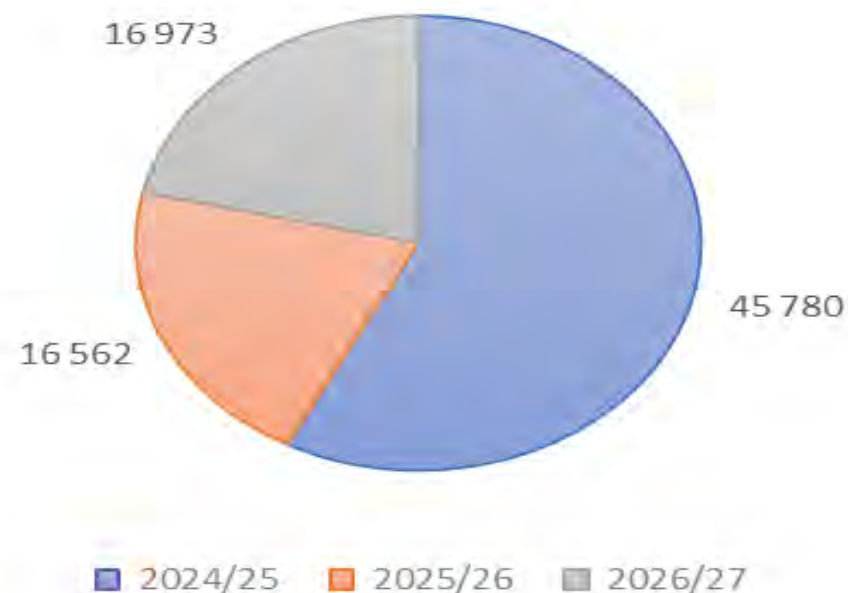




- ❑ Operational and Employee costs represent 30% of the 2024/25 budget
- ❑ The NLC has been incurring expenditure to support the RFP process for the 4<sup>th</sup> Lottery License. These costs are only incurred when a new license process commences
- ❑ Grant allocations represent 67% of the total expenditure budget

## Expenditure Split (2024/25)

**Capex (R'000)**



- ❑ The capital expenditure budget over the MTEF period is reflective of the **NLC's** commitment to its modernisation strategy as well as investment in its assets and infrastructure.



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# THANK YOU