

**INTRODUCTORY STATEMENT BY THE CHAIRPERSON
OF THE NATIONAL LOTTERIES COMMISSION**

**Parliamentary Portfolio Committee of the Department
of Trade, Industry and Competition.**

18 September 2024

Greetings:

1. Kindly allow me on behalf of the Board, Commissioner and staff of the National Lotteries Commission to greet you. This being our first appearance before this august body, the 7th Administration of our National Assembly, it behoves me to congratulate you Chair on your election as Chair of this oversight body of our Parliament. I also congratulate the members of the Committee assigned to serve in this Committee to undertake this very important oversight duty in our national life. I bring you the very best wishes of my colleagues and I as you serve, deliberate and guide our nation.
2. Chairperson, likewise, I am honoured to greet our Minister, the Hon Parks Tau MP, the Minister of the Department of Trade, Industry and Competition together with the Deputy Ministers, the Hon Mr Zuko Godlimpi MP and the Hon Mr Andrew Whitfield MP. Likewise I share my greetings with the Director General and the senior Executives of the Department. My colleagues and I relish the possibility of working with this team to realise the ambitions of the people of South Africa and the mission of the Government of National Unity to serve and to overcome.
3. I am honoured Chair to stand before you today on behalf of the National Lotteries Commission and to present to you the Commissioner of the NLC who will be making the presentation on our behalf. My colleagues members of the Board of the NLC may be joining this session and listening to the deliberation so as to further inform and sharpen our work.
4. Hon Chair, by way of background, the Board of the National Lotteries Commission that I have the privilege to Chair was constituted by the retired Minister, Mr Ebrahim Patel in May 2023. A short-term interim Board was elected in March 2022 but it was succeeded by the substantive Board in May 2023. For the record, I was appointed Chairperson of the Board and I assumed office on 1 September 2022.
5. One of the first tasks of the Board was to appoint a Commissioner who serves as the chief executive officer of the NLC and who is accountable to the Board. Ms Jodi Scholtz assumed office on 1 February 2023.

6. It is common knowledge, Hon Chairperson that at the time of our assumption of office the NLC was in dire need of recalibrating its bearings, recover its mission and earn the trust of the people of South Africa.
7. Uppermost in our minds was to restore good governance to the organisations and enhance transparency and accountability. We resolved that after 25 years since its inception, and after some amendments to the Act that established and governs the NLC, the organisation needed a fresh approach to its mandate and a recommitment to its mission. In particular we sought to enhance Good Governance, re-affirm the language and messaging of the NLC by emphasising its developmental character that we believed was essential for a society that was much in need of a developmental approach in its governance. We also resolved that we needed to re-affirm our relationships with all our significant partners that by and large had been broken down: the Ministry, Parliament, law enforcement agencies, parliament, our beneficiaries and we sought to propound a partnership with community based organisations as an effort at mobilising communities towards their own development. We resolved to support the processes that were established by the government by collaborating with the SIU, and declaring zero tolerance to corruption and affirming a rules-based operations mechanism. Likewise we resolved to end the era of a stand-off with both the Minister as well as the Office of the Auditor General.
8. As you can imagine Hon Chair and members that none of this would have been possible without taking some tough decisions, giving effect to the disciplinary provisions where necessary, in an effort to rebuild an NLC that served its mandate without fear, favour or prejudice.

It must be remembered that there is nothing more difficult to plan, more doubtful of success, nor more dangerous to manage than a new system. For the initiator has the enmity of all who would profit by the preservation of the old institution and merely lukewarm defenders in those who gain by the new ones.

9. I have no doubt Hon Chair that members will be familiar with that famous quote by 15th Century Italian Political Philosopher, Niccolo Machiavelli. I have often turned to this piece of wisdom when one tries to move mountain when seeking to achieve the best that is possible but at every turn gets frustrated by overt and passive resistance by those who believe that they have most to lose by the changes that are envisaged. That is because they had become too comfortable with a life of ease, lack of accountability. I often remind myself of this wisdom that it is not all good things or excellent policies that will win the support of the people, nor will resistance dissipate by mere reason of the plausibility of excellence of our intentions.
10. We have observed Chair that operating as we do within an atmosphere of scrutiny may have had the unintended consequence of managers fearing to be empathetic, afraid of being innovative, reluctant to be critical and finding cover often with the barest minimum

of compliance, important as that may be. While all that is true, we had been hoping that in a new environment we would inculcate a new attitude to our mission, a larger degree of enthusiasm for the service that was entrusted to us for the poorest of our citizens, and to honour the very best South Africa may have in sport, arts and culture. But that need not be so.

11. *On Good Governance*, Chair and members of the Committee, we are guided by the King IV Codes of Good Governance and by the PFMA. The Board has vowed not to interfere in the legitimate management and executive responsibilities that the Commissioner bears. We have vowed to clean up confusion of roles that may have prevailed for so long. For that reason we trust the Commissioner to exercise her leadership and management responsibilities, we are committed to assure her of the support of the Board and to hold her accountable. The NLC has very functional Board Committees for Finance, Audit & Risk, and Human Capital, among others. The work that the Board Committees do is both about accountability, quality assurance and monitoring performance.
12. *On Organisational Renewal and Culture Change*: We are pledged to design a new institutional and corporate culture change mechanism, that is reflective of our new strategy. This is a mammoth task. We are not going to say that we are winning in this regard. We must however affirm that many of our executives and staff desire work in an environment where they are affirmed and trusted as professionals. We are nonetheless battling with establishing a labour relations environment that will best deliver on our ideals.
13. *On Our Mandate*: The National Lotteries was established with a largely dual mandate, and all others are ancillary to these:
 - (i) To regulate the lotteries and sports pools according to the Act;
 - (ii) To distribute and adjudicate grants to worthy good causes.
 - 13.1 Right now we are engaged in the adjudication process and we expect to have a report ready by 6 October that will enable to the Minister to make as decision on the award of a licence.
 - 13.2 On the grant-making function we have been dealing with some concerns. It is important to remember though that the “considering, evaluation and adjudication of applications is the duty of the distributing agencies. The adjudicating agencies are appointed by the Minister but they are accountable to the Board. The Board on the other hand has a duty to ensure that the DAs can perform their tasks autonomously without fear favour or prejudice. We have sought to honour that.
 - 13.3 What confronted us this year was that with some members of the Das resigning or coming to the end of the contracts, the appointment of Das to perform their tasks was delayed. That meant that the DAs were unable to adjudicate the awards and maintain the time frames dictated by the Act. The Commissioner has does her best to keep the public informed as

the situation evolves. The Board has declared this situation to have reached crisis proportions. Much work is being done to catch up.

13.4 The Operations segment of the organisation has undertaken the mammoth task of putting in place new mechanisms that would ensure an easy application and adjudication and at the same time ensure that malfeasance was kept to a minimum. For example, an inspectorate was instituted to address many of the problems we detected.

13.5 The infamous pro-active funding has now been reset with a new Policy so that we remain focused on our mandate but that also we ensure that we are able to respond to national crises and that we can respond effectively and imaginatively to the policy framework that can best serve the people of our country.

14. In summary, we want to say that we are resetting the grant-making mechanism of the NLC such that we can be confronted less with criminal abuses but to improve the way in which the resources can be utilised to support “worthy good causes”.

15. It is against that background that we wish to frame the flurry of activity in recent week about the NLC. Some of it no doubt is self-serving and should be taken with a pinch of salt, but there are others that deserve further investigation. For example, we have no reason to suspect that corruption is continuing in the manner that it had done at the NLC today, nor is it true that the Commissioner refused a bonus to staff and awarded the bonus to some select members of staff. There is no evidence for such.

16. It must be noted that there is a sense in which the systems put in place to encourage whistleblowing is beginning to bear fruit. Like so much else in our country especially in the economic climate that we all (or some of us) suffer labour relations are much contested and that is not going to change. All we say is that many of the matters that are the subject of the letters to the Minister, and to Parliament have not been raised internally neither with the Commissioner nor with the Board. Much of it we became aware of through third sources.

17. Regarding the audit issues, we can say that we have initiated a professional relationship with the Office of the AG. That relationship is based on openness and co-operation. Last year the Material Irregularity was detected and reported on our accounting statements. In fact the matters had a source way before the era of this Board and Management. But every effort was done to attend to the matter and so much that disciplinary processes are underway against the staff concerned.

18. Regarding this years audit, the audit has been delayed and every efforts is being done to attend to any issues that the AG has raised. I believe that the AG will attest to the professional cooperation they have received from our Finance team.

19. On the R300m that is supposed to have been surrendered to the Treasury, it is important to note that the Treasury did not just demand the surrender of monies from the NLC. It is anormal way in which Treasury manages the fiscus that is their responsibility. The money was held in Trust by the Board as a contingency in the event the lottery operations are affect ted by litigation. We argued with the Treasury and got their concurrence that the money was kept in reserve for a legitimate purpose. In the end the treasury ruled that we were obliged in terms of the PFMA and Treasury Directives to surrender the R300m failing which both the Board as the Audit Authority and the Audit Officer who is the Commissioner would have been guilty of financial misconduct. The Audit Officer is obliged to surrender and may argue the case once the money had been paid.
20. Nonetheless the Board took the matter up because we were convinced that the Treasury ruling was misconceived. We sought the opinion of counsel and our position was confirmed. We then submitted the matter to Treasury and they have been subjecting the matter to their own internal processes. We sincerely believe that the matter will soon be resolved.
21. Of course, we share the concerns with the SIU that it has taken such a long time for criminal charges to be laid. We are also aware that recently the challenge by the previous Chair of the Board was granted by the Court that their assets cannot be seized or frozen. That arises because Dr Nevhutanda and his accomplices are challenging the proclamation by the President to institute the investigation by the SIU. The matter is currently before the court.

Our final word is that not only do we bear our Mandate from the Act, especially to ensure that the lottery is conducted with due propriety and that the interests of all role-players are protected, we are also guided by the Preamble to the Constitution that “we... adopt this Constitution as the supreme law of the Republic so as to (among others) ... improve the quality of life of all citizens and free the potential of each person...”

N Barney Pityana GCOB FKC MASSAf

CHAIRPERSON

Cape Town, 18 September 2024.