



National Gambling Board
South Africa

a member of the dti group



ANNUAL REPORT 2016/17



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 2017.

A handwritten signature in black ink, appearing to read 'Rob Davies'.

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's GENERAL INFORMATION

MINISTER'S FOREWORD

ACCOUNTING AUTHORITY'S FOREWORD

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE ANNUAL REPORT FOR THE YEAR ENDED
31 MARCH 2017

STRATEGIC OVERVIEW

LEGISLATIVE AND OTHER MANDATES

ORGANISATIONAL STRUCTURE



NGB'S GENERAL INFORMATION

REGISTERED NAME National Gambling Board of South Africa

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EXTERNAL AUDITORS Auditor-General South Africa

BANKERS Standard Bank South Africa



FOREWORD BY THE MINISTER

DR ROB DAVIES, MP

The gambling industry was characterised by ongoing and dynamic changes in terms of increased accessibility to and roll-out of various types of gambling modes, especially in the bingo and limited payout machine (LPM) sectors. Bingo was identified as the industry with the highest growth in terms of Gross Gambling Revenue (GGR) expressed in percentage compared to all other modes of gambling, as well as the highest percentage increase in the number of operational gambling positions. 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 legal gambling industry and the growth in terms of money lost to the fiscus was an area assessed by the National Gambling Board (NGB) which is also evident of the ongoing changing environment in which gambling is offered to South Africans. Mergers observed in the gambling industry highlighted the shift in market share by influential casino role players to also ensure stakes in other gambling modes such as the bingo and LPM sectors.

Against this background, it is expected from the NGB to achieve its milestones as per the mandate given, strategies and performance objectives as reflected in its annual performance plan 2016/17, address ongoing challenges and stay abreast of the latest developments in the gambling environment during the Financial Year (FY) 2016/17.

The NGB 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. Gambling legislative review and feedback to stakeholders was a priority.

Ministerial priorities were driven by three (3) Strategic Outcome Oriented Goals (SOOGs) of the NGB; namely Enforce Compli-

ance, Enhance Stakeholder Liaison and Statutory Advisory Services, as well as Optimise Organisational Excellence.

The NGB continued to provide authoritative advice based on, amongst others, research based information specifically in terms of illegal gambling and ongoing monitoring of gambling sector performance.

The Illegal Gambling Operatives Register (IGOR) assisted in the monitoring and suppression of illegal gambling activities and provided valuable information in terms of illegal gambling operators.

Improved regulation and prosecution of illegal online gambling by providing support to the Provincial Licencing Authorities (PLAs) and the law enforcement agencies have resulted in a number of investigations and raids conducted in various provinces.

The NGB was successful in obtaining court orders from the High Court for forfeiture of unlawful gambling winnings to the State. This amounted to approximately R1,2 million.

The NGB continued to conduct compliance oversight of the Provincial Licencing Authorities' (PLAs) implementation of national and provincial gambling legislation. The findings revealed an improvement of compliance with gambling legislation. The NGB has noted progress with the implementation of the Broad-Based Black Economic Empowerment (B-BBEE) codes by PLAs through imposition of license conditions and the NGB will continue monitoring implementation of the new generic codes.

Research conducted in terms of the socio-economic impact of illegal gambling, and specifically illegal online gambling, provided valuable information in terms of the profile of illegal gamblers, the extent of illegal gambling in South Africa per mode, as well as the estimated money spent by gamblers participating in



The NGB has been able to identify the casino sector as the mode of gambling that generated the most revenue in the country and the Gauteng Province as the leading gambling revenue generator.

illegal gambling modes. Recommendations include various ways to combat illegal gambling, and informed the proposed changes to the National Gambling Amendment Bill.

Through continuous monitoring of gambling sector performance by monitoring market conduct, share and economic performance of the gambling industry, the NGB was in a position to advise on the modes of gambling and provinces that contribute the most towards the national fiscus in terms of levies / taxes paid, as well as growth measured by increases in GGR and operational gambling positions and outlets.

The NGB has been able to identify the casino sector as the mode of gambling that generated the most revenue in the country and the Gauteng Province as the leading gambling revenue generator. The highest amounts of taxes / levies have also been collected from the casino sector in the Gauteng Province.

The NGB initiated a research study to determine the socio-economic impact of gambling in South Africa. Interesting findings can be expected in this regard, given current assumptions of the change to the punter profile in terms of higher accessibility of, and choice between different gambling modes, as well as the role of advanced technology (i.e. smart phones) used by an increasing number of South Africans.

The NGB also embarked on public awareness campaigns to make the public aware of the risks and the nature of gambling, educate the public about the legal and illegal modes of gambling, where and how to get assistance in terms of problem gambling and where to report fraudulent illegal gambling activities.

The Accounting Authority ensured that processes and controls were in place leading to the achievement of the said objectives for the year, redress of the past audit report and a positive contribution toward the country's job creation objectives and the mainstream economy.

In closing, I thank the Accounting Authority for displaying excellent leadership qualities and paving the way for the NGB 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 2017



FOREWORD BY THE ACCOUNTING AUTHORITY

MS CAROLINE KONGWA

The National Gambling Board is pleased to present its 2016/17 annual report. This report illustrates the depth of work undertaken by the NGB as it pursues its vision to position South Africa as the pre-eminent jurisdiction with an exemplary and effectively regulated gambling industry.

A considerable amount of achievements have been attained by the organisation in the last financial year as the NGB continues with its expedition in taking the lead in the regulation of the South African gambling industry.

ORGANISATIONAL OVERVIEW

In January 2016 the NGB released its Strategic Plan 2016/21 to build upon the progress made in repositioning and transforming the organisation to become a regulator. This serves as a roadmap for the organisation in response to South Africa's dynamic and changing gambling landscape.

Implementation of the 2016/21 Strategic Plan has resulted in key achievements which can be summarised as follows:

The NGB has successfully conducted onsite inspections of all nine (9) provinces and reported on findings accordingly. The main outcome of monitoring and evaluation was the strengthened relationship between the NGB and the PLAs, the increased awareness of PLAs of the importance of complying with legal requirements when licensing and the uniform application of national norms and standards determined by the National Gambling Act, 2004 (Act 7 of 2004) (NGA), as well as an opportunity for the PLAs to rectify possible non-compliance without being sanctioned.

An audit on the maintenance, accessibility and relevance of registers was performed. The NGB currently maintains national registers and a project to automate all registers is underway.

The NGB provided authoritative research and advice to **the dti** on the proposed National Gambling Amendment Bill, 2016. The National Gambling Amendment Bill, 2016 was subsequently approved by Cabinet in September 2016 for wider public participation and public comment.

The NGB embarked on its broad-based public education and awareness campaigns in Gauteng, Western Cape and Mpumalanga which commenced in September 2016 and ended in November 2016. The purpose of the campaign was to educate the public on the legal and illegal modes of gambling as well as responsible gambling.

The NGB also participated in a national education and awareness roadshow in collaboration with **the dti**. The purpose of these roadshows was to educate the public on gambling and to provide the public with an opportunity to provide feedback on the National Gambling Amendment Bill, 2016.

The NGB is the national regulator of the South African gambling industry, and one of its roles is to monitor socio-economic patterns, market share and market conduct. As at 31 March 2017, GGR from all modes of gambling totalled R27,0 billion. 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.

The NGB commenced research during FY2016/17 to determine the socio-economic impact of illegal gambling and specifically illegal online gambling and the combating thereof. One of the findings was for the NGB to develop a regulatory framework on how to combat online and illegal gambling in South Africa.

Research to benchmark the regulation of gambling in South Africa with other countries revealed that the mechanisms for



Education and awareness was one of the NGB priorities. Awareness on the legal, illegal modes of gambling and responsible gambling was done through partnerships with stakeholders and also the utilisation of opportunities through exhibitions where direct contact was made with various target audiences.

combating illegal online gambling activities include website and payment blocking. To this end, in unprecedented court proceedings, several illegal gamblers have had their unlawfully obtained gambling winnings confiscated and forfeited to the State. The unlawful winnings to the amount of approximately R1,3 million derived from illegal gambling activities specifically illegal online gambling were confiscated and forfeited to the State.

The NGB also embarked on research to determine the economic impact of the bingo industry with specific reference to electronic bingo terminals (EBTs) on the LPM industry in terms of market share. Key findings and concerns indicate, amongst others, the huge potential for proliferation of gambling as a result of the roll-out of bingo and LPM outlets/sites/gambling positions and EBTs, within the bingo mode of gambling which depict a potential to phase out traditional bingo.

STRATEGIC RELATIONSHIPS

The relationship with PLAs improved through the interactions, participatory evaluations, stakeholder forums and continuous communication with PLAs over matters of common interest. Confirmation of good co-operative governance was evident as the NGB assisted the North West Province by providing technical assistance as a member that occupied a seat at the North West Gambling Tribunal Committee.

The NGB continued to collaborate with PLAs, Film and Publications Board (FPB) and law enforcement agencies with the aim of gathering intelligence for use in eradicating illegal gambling activities.

Other interactions that the NGB had included participation in and engagements with the South African Bureau of Standards (SABS) Technical Committee (TC), the South African National Accreditation System (SANAS) and the National Regulator for Compulsory Specifications (NRCS). The NGB is now a standing member of the e-Commerce Forum which is hosted by the Financial Services Board (FSB) and this includes strategy for combating cyber-crime.

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 licencing 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.

FINANCIAL MATTERS

The NGB continued to receive its annual grant allocation from **the dti**. The NGB's total expenditure as at 31 March 2017 was R38,9 million. This represents 90% of the annual budgeted expenditure and 10% underspending. After commitments are considered, 100% of the 2016/17 budget allocation has been spent.

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.

ACKNOWLEDGEMENTS

The NGB has for the second consecutive financial year achieved a clean audit.

I extend gratitude to all the staff 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 is unfathomable.



Ms Caroline Kongwa

Accounting Authority of the National Gambling Board

31 July 2017



STATEMENT OF RESPONSIBILITY

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2017

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 omissions.

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

The Annual Financial Statements (Part F) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) applicable to the Public Entity.

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

The Accounting Authority is responsible for establishing and implementing a system of internal 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, the performance information, the human resources information and the financial affairs of the NGB for the financial year ended 31 March 2017.

Yours faithfully

Ms Caroline Kongwa

Accounting Authority

Accounting Authority of the National Gambling Board

31 July 2017

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:



VISION

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



MISSION

Lead the regulation of the gambling industry in the fulfillment of the National Gambling Act, 2004, through an effectively regulated and supervised gambling industry that upholds domestic, continental and internationally recognised standards of compliance.



VALUES

Professionalism; Moral integrity; Transparency; Commitment and consistency; Effective implementation of resolutions; Responsive communication; Teamwork; Respect and tolerance.



LEGISLATIVE AND OTHER MANDATES

The mandate of the NGB is set out in Sections 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 (108 of 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 Act as follows:

- Oversight of gambling in the Republic of South Africa by:
 - o Evaluating the issuing of national licences by the PLAs;
 - o Evaluating the compliance monitoring of licensees by PLAs;

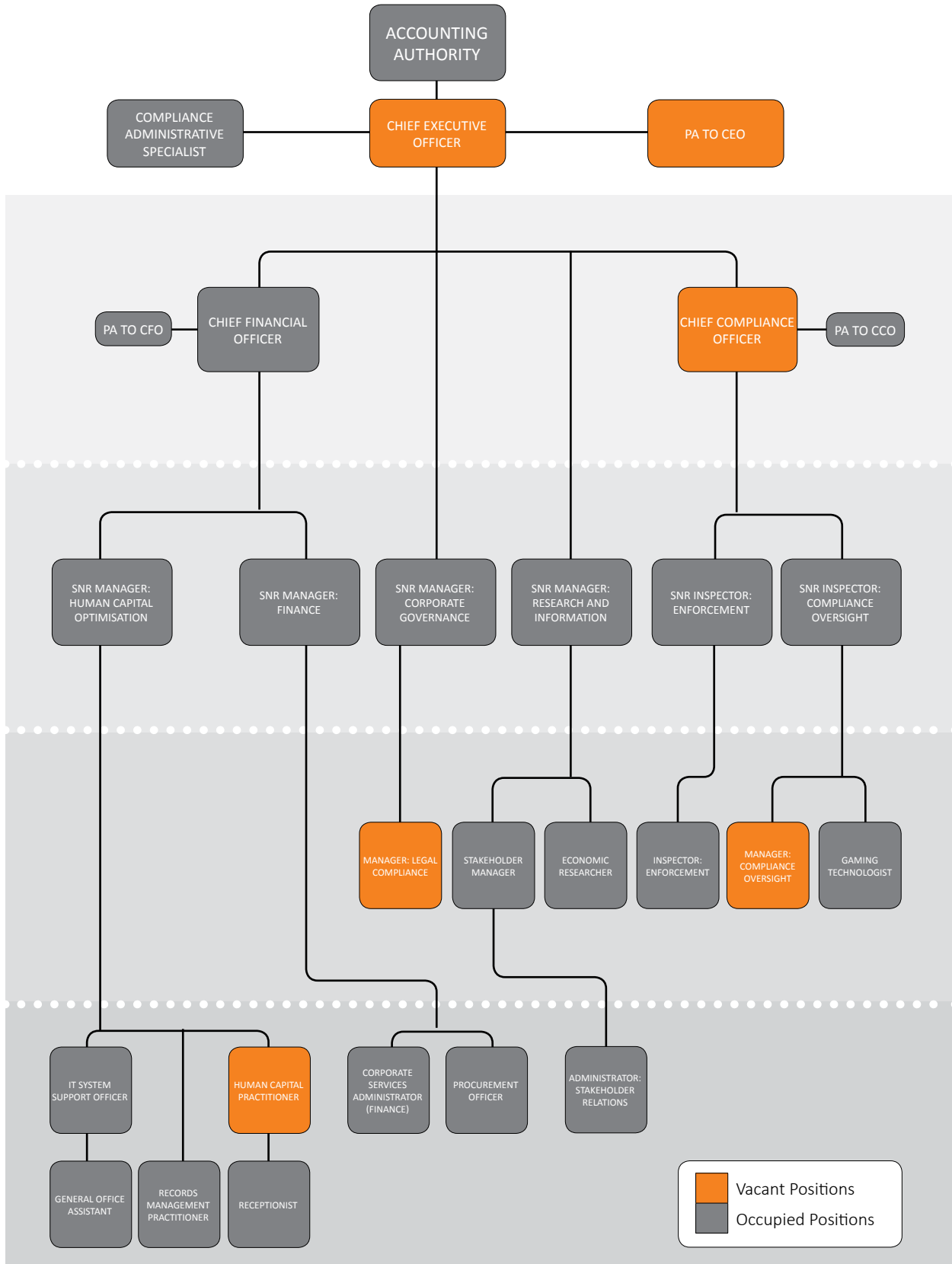
- o Conducting oversight evaluation of the performance of PLAs so as to ensure that the national norms and standards established by the Act are applied uniformly and consistently throughout the Republic; and
- o Research and monitoring of market conduct and market share.

- Assist PLAs to ensure that the unlicensed gambling activities are detected;
- The NGB must also establish and maintain a national registry of every gambling machine or gambling device manufactured within or imported into the Republic, as well as maintaining all other legislator-prescribed registers;
- Assign a permanent and unique registration number for each machine or device; and
- The NGB must investigate the circumstances of the gambling activity that relate to any unlawful winnings that the NGB had held in trust and either delivers the winnings to the person who won them or apply 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.

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

ORGANISATIONAL STRUCTURE



Vacant Positions
 Occupied Positions



PART B

PERFORMANCE INFORMATION

AUDITOR'S REPORT: PREDETERMINED OBJECTIVES
SITUATIONAL ANALYSIS
PERFORMANCE INFORMATION BY PROGRAMME
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 73 of the Report for the Auditors Report, published as Part F: Financial Information.

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



SITUATIONAL ANALYSIS

SERVICE DELIVERY ENVIRONMENT

The NGB is an implementing entity of **the dti**, mandated among other functions in the Act, to co-ordinate activities relating to the exercise of concurrent competence within the national and provincial spheres of government to establish certain uniform norms and standards. These provisions apply throughout the Republic with regards to gambling and wagering pertaining to casino's, betting, LPM's 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 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. It can be summarised that the NGB is the "overseer of gambling regulation in order to protect consumers in the gambling industry".

There are ten (10) pieces of gambling legislation (amongst others) that run concurrently within the country. This situation requires a vigorous collaboration between the NGB, PLA's and other stakeholders to ensure implementation of the NGA.

To this end the NGB has 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. To this end, 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 get assistance in terms of problem gambling.

NGB has also developed Service Delivery Standards (SDSs) which will be incorporated into the Strategic Plan (and annexures)

relevant to the next FY, that will guide NGB staff when services are provided to its different stakeholders.

Information was also shared on the NGB website in terms of updated national gambling statistics, gambling sector performance information, the NGB Strategic Plan, Annual Performance Plan (APP) and related annexures, an external newsletter, a corporate brochure and rotating banners to inform the public about various gambling related matters.

The NGB monitored transformation within the gambling industry in line with the Broad-Based Black Economic Empowerment (B-BBEE) 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 later on in this report.

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 2015/16. This was part of an all-encompassing strategy to curb illegal gambling and which was executed in the 2016/17 financial year.

ORGANISATIONAL ENVIRONMENT

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

The following strategic human capital pillars have been identified for the next five (5) years in order to ensure that human capital issues are effectively addressed:

- a) Create a high performance organisational culture, recognising team work and spirit;
- b) Create a learning and development organisational culture;
- c) Strategic talent acquisition and retention for organisational effectiveness;
- d) Overhaul the organisational reward strategy;
- e) Develop an integrated information management system; and
- f) Enforce legislative, compliance and diversity.

KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

DRAFT NATIONAL GAMBLING AMENDMENT BILL

The National Gambling Amendment Bill was approved by Cabinet in September 2016 for invitation of public comments.

The NGB analysed the Bill vis-à-vis the current Act, and a comprehensive report containing comments and inputs to the Bill was provided to **the dti** on 15 December 2016.

With the above in mind, the NGB and **the dti** held meetings during this financial year where **the dti** shared with the NGB inputs received from other stakeholders, and also discussed the NGB's own submission.

The NGB and **the dti** discussed whether the National Gambling Regulator (NGR) should be a Public Entity or a Trading Entity. The NGB reiterated its position that the priority is the retention of revenue or ability of the NGR to generate its own revenue. The form that the entity takes should assist in that regard and enhance enforcement and oversight capabilities of the national regulator.

The NGB also discussed some challenges experienced in the granting of Regulation 3(2) / type B applications for LPMs, as some PLAs have different views of the role of the NGB in the granting of such licences. The NGB suggested that **the dti** consider making NGB's role more explicit in the legislation.

Finally, the NGB raised a concern about the existence of the 2008 version of the NGA, which made provision for interactive gambling, but was never put into operation. This could potentially create uncertainty in the public domain, and it was proposed that the 2008 version be repealed.

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 strategic objectives of **the dti** as informed by the government Medium Term Strategic Framework (MTSF) priorities as depicted in the diagram below:

Table 1: Alignment of the NGB strategy to the government-wide priorities and outcomes

GOVERNMENT'S MTSF PRIORITIES	GOVERNMENT OUTCOME	the dti STRATEGIC OUTCOME ORIENTED GOALS	NGB STRATEGIC OUTCOME ORIENTED GOALS	RESPONSIBLE NGB PROGRAMME
Priority 4 Decent employment, through inclusive economic growth	Outcome 4 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	Divisional Programme: Stakeholder Liaison and Advisory Services
		Create a fair regulatory environment that enables investment, trade and enterprise development, in an equitable and socially responsible manner	Enforce Compliance	Divisional Programme: Compliance
		Facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth		Divisional Programme: Compliance and Stakeholder Liaison and Advisory Services



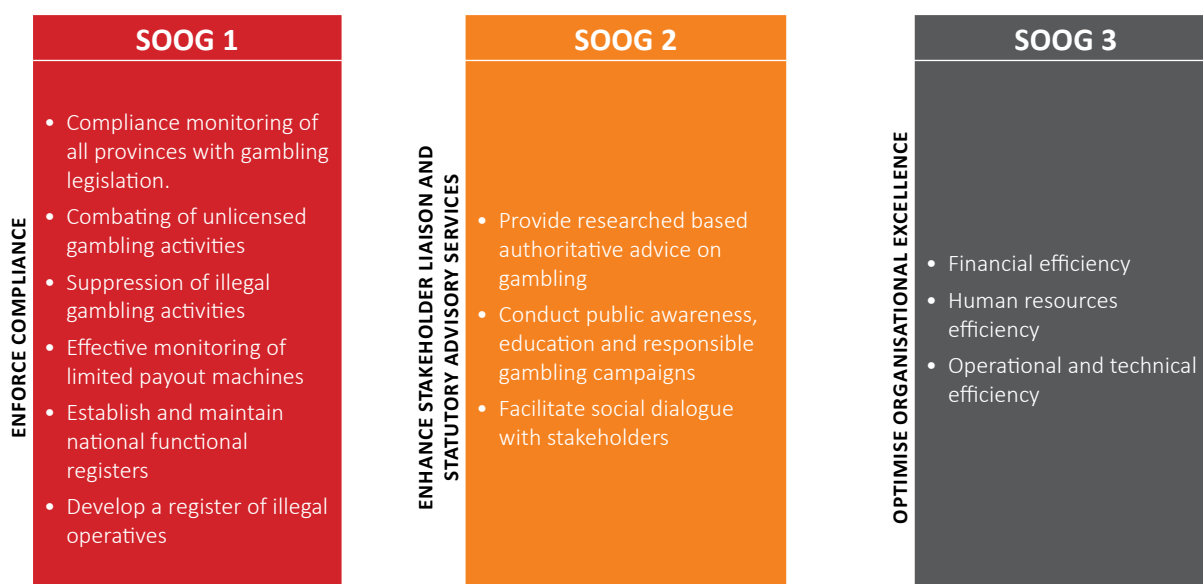
Table 1: Alignment of the NGB strategy to the government-wide priorities and outcomes (continued)

GOVERNMENT'S MTSF PRIORITIES	GOVERNMENT OUTCOME	the dti STRATEGIC OUTCOME ORIENTED GOALS	NGB STRATEGIC OUTCOME ORIENTED GOALS	RESPONSIBLE NGB PROGRAMME
Priority 8 Pursuing African development and enhanced international co-operation	Outcome 11 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	Divisional Programme: Stakeholder Liaison and Advisory Services
Priority 10 Building a developmental state, including improvement of public services and strengthening of democratic institutions	Outcome 12 An efficient, effective and development-orientated public service and an empowered, fair and inclusive citizenship	Promote a professional, competitive and customer-focused working environment that ensures effective and efficient service delivery	Optimise Organisational Excellence	Divisional Programme: Corporate Services

In order to give effect to the SOOGs during the FY2016/17, the NGB focused on the following prioritised areas of performance to ensure that a meaningful impact from its determined outcomes was achieved.

APP 2016/17 and budgeted for in the entity's Business Plan 2016/17. The key products and services of the NGB are outlined in "legislative and other mandate" are set out on Page 11.

The SOOGs are portrayed in the Strategic Plan 2016/21 and further developed into actionable programmes in the





PERFORMANCE INFORMATION BY PROGRAMME

The performance of the NGB is firstly aligned to the mandate provided by the NGA. Secondly, the NGB ensures that its activities are aligned to all the SOOGs of the dti by means of enhanced stakeholder liaison and statutory advisory services, enforced compliance, and optimised organisational excellence. These three (3) focus areas are also referred to as the SOOGs of the NGB for the period under review. The NGB is structured into three (3) programmes or divisions which provided the business framework to manage all SOOGs and specific activities linked to each. The three (3) programmes are referred to as Stakeholder Liaison and Advisory Services, Compliance and Corporate Services. Specific projects and activities are linked to each and will be reported on below.



PROGRAMME 1: COMPLIANCE

PURPOSE OF THE PROGRAMME

This programme provided mandated operational core functions in terms of the NGA. The mandate of the Compliance Programme was to provide enforcement with the statutory imperatives as provided in the gambling legislation and other laws that pertain to improving enforcement of gambling related requirements for compliance by the licensees and affected parties.

SUB-PROGRAMMES

Compliance Oversight

The compliance division oversaw the co-ordination 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.

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 arena which indirectly impacts on the business of licensed institutions.

The focus area shift was directed to online gambling, which is illegal in South Africa (SA).

Functional registry

The function of the functional register is to establish a repository of names of illegal operatives and eventually the blacklisting of illegal operators.

PERFORMANCE OBJECTIVES

The performance objectives of this function include:

- Monitor compliance of all provinces with gambling legislation;
- Ensure no unlicensed gambling activities;

- Effective monitoring of limited pay-out machines;
- Improve regulatory environment;
- Establish and maintain a functional national registry;
- Develop a register of illegal operatives;
- Effective monitoring of licensed institutions;
- Combating of unlicensed gambling activities;
- Suppression of illegal gambling activities (emphasis on on-line gambling);
- Enhance stakeholder relationships e.g. (South African Police Service (SAPS), PLAs, National Prosecution Authority (NPA), Banking Association of South Africa (BASA), Casino Association of South Africa (CASA)); and
- Monitor and evaluate trends in the gaming industry.

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 provided strategic coordination and promoted liaison at local and international level among 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 division provided a communication, education and awareness service for and on behalf of the NGB. Stakeholder liaison 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 identifies and segments various stakeholders, relevant messages and the best ways to share information or communicate.

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

Stakeholder liaison

The Stakeholder and 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.

Legal services

Legal services conducted research and provided authoritative advice to the NGB and **the dti** on regulatory strategies and inputs on legislation, as well as policy development. Legal services furthermore provided legal services such as legal advice to the entire entity.

Research

The Research unit provided comprehensive and researched advisory services to **the dti** and the NGPC mainly about the socio-economic impact of gambling and the monitoring of the gambling sector performance to ensure cooperative governance information, research within the gambling sector and informed policy and regulatory development inputs.

PERFORMANCE OBJECTIVES

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

- Conduct public awareness, education and responsible gambling campaigns;
- Provide researched-based authoritative advice on gambling among other policy, statutory matters, legislation and reforms;
- Conduct research on the impact of gambling;
- Update information on performance of the regulated gambling sectors;
- Monitor market share and market conduct;
- Facilitate public dialogue with stakeholders;
- Implement the stakeholder management strategy and plan;

- Implement the communication strategy and plan; and
- Develop an approach to concurrent gambling regulation.

PROGRAMME 3: CORPORATE SERVICES

PURPOSE OF THE PROGRAMME

Corporate services facilitated the overall management of the NGB and provided strategic financial management functions, human resources and information technology infrastructure support to the organisation. It is the custodian of human and financial resources. The division has four (4) units that provide 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 effect 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.

Information 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 strategic goal 3 and the mission statement of the NGB. ICT was geared towards supporting and enhancing the overall organisational performance through the provision of technologies. Areas of support can be summarised as follows:

- Maintain and support NGB's ICT infrastructure;
- Maintain and support national registers (probity, exclusions, gambling machines and devices and IGOR); and
- Develop, review and implement ICT policies, standards and procedures in line with the entity's business plan and ensured continuous operations.

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, NGB's greatest assets are 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.

PERFORMANCE OBJECTIVES

The performance objectives of this division include:

- **Financial efficiency**
 - Effective control, support, utilisation, maintenance and management of financial resources.
- **Human resources efficiency**
 - Efficient and effective skilled workforce;
 - Operational and technical efficiency; and
 - Uninterrupted ICT infrastructure.

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

PROGRAMME 1 COMPLIANCE



FROM LEFT TO RIGHT:

- Mr L Mathiane** (Inspector: Enforcement)
- Mr A Mmbobo** (Intern: Compliance Oversight)
- Ms S Nqwata** (Intern: Enforcement)
- Ms C Kongwa** (Accounting Authority)
- Mr S Pagiwa** (Gaming Technologist)
- Mr S Ramasodi** (Senior Inspector: Compliance Oversight)



STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

PROGRAMME 1: COMPLIANCE							
PERFORMANCE INDICATOR	ACTUAL PERFORMANCE AGAINST TARGET					DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2016/17	COMMENTS ON DEVIATION
	ACTUAL ACHIEVEMENT 2013/14	ACTUAL ACHIEVEMENT 2014/15	ACTUAL ACHIEVEMENT 2015/16	PLANNED TARGET 2016/17	ACTUAL ACHIEVEMENT 2016/17		
Ten (10) consolidated three tier compliance evaluation assessment reports	Not applicable	Not achieved Target set for nine (9) consolidated reports on the evaluation of the issuance of national licences, compliance monitoring of licensees and performance of PLAs was not achieved	Achieved Nine (9) consolidated three tier compliance evaluation assessment reports were prepared on compliance monitoring of all provinces with gambling legislation	Ten (10) consolidated reports on the evaluation of the issuance of national licences, compliance monitoring of licensees and performance of PLAs	Achieved Nine (9) three tier desktop and onsite evaluation of nine (9) provinces conducted and ten (10) consolidated reports on the evaluation of the issuance of national licences, compliance monitoring of licensees and performance of PLAs were prepared accordingly	No deviation	No deviation
Four (4) reports on intelligence gathering and reporting of information to PLAs and law enforcement agencies	Not applicable	Not applicable	Achieved Quarterly reports demonstrating NGB's efforts invested in activities related to the combating of illegal gambling via multi-disciplinary task teams, which included collaboration with PLAs, were prepared and submitted to the Accounting Authority	Four (4) reports on intervention and support provided to regulators and law enforcement agencies	Achieved Four (4) reports on intervention and support provided to regulators and law enforcement agencies demonstrating NGB's efforts invested in activities relating to the combating of illegal gambling activities via multi-disciplinary task teams, which included collaboration with PLAs, were prepared	No deviation	No deviation
Four (4) reports on illegal gambling activities	Not applicable	Not applicable	Achieved Quarterly reports on illegal gambling activities and related matters were prepared and submitted to the Accounting Authority	Four (4) reports on illegal gambling activities and related matters	Achieved Four (4) reports on illegal gambling activities and related matters, focusing on notices issued and investigations conducted in terms of section 16 of the NGA were prepared	No deviation	No deviation
Four (4) quarterly and one (1) annual analytical report of data in accordance with the prescribed requirements	Not applicable	Not applicable	Achieved Quarterly reports on the annual analysis of the LPM gambling sector performance were prepared and submitted to the Accounting Authority	Four (4) quarterly and one (1) annual analytical report of the LPM gambling sector performance report	Achieved Four (4) reports and one (1) annual analytical report on the LPM gambling sector performance on the monitoring of significant events were prepared	No deviation	No deviation

PERFORMANCE INDICATOR	ACTUAL PERFORMANCE AGAINST TARGET					DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2016/17	COMMENTS ON DEVIATION
	ACTUAL ACHIEVEMENT 2013/14	ACTUAL ACHIEVEMENT 2014/15	ACTUAL ACHIEVEMENT 2015/16	PLANNED TARGET 2016/17	ACTUAL ACHIEVEMENT 2016/17		
Four (4) reports on the evaluation of LPM applications in excess of 5 machines	Not applicable	Not applicable	Not applicable	Four (4) reports on the evaluation and approval of all LPM applications in excess of 5 machines	Achieved Four (4) reports on the evaluation and approval of all LPM applications in excess of 5 machines were prepared	No deviation	No deviation
Five (5) reports, i.e. Annual Audit Report (1) and four (4) consolidated reports on the registers	Not applicable	Achieved Target set for compliance reporting on registers was achieved	Achieved Target set for reporting on consolidated information, accessibility and functionality of the national registers for gambling machines, devices, probity, exclusions and illegal gambling operatives was achieved	Five (5) reports, i.e. Annual Audit Report (1) and four (4) consolidated reports on fully operational registers aligned to the NGA requirements	Achieved Four (4) reports and one (1) annual audit report on fully operational registers aligned to the NGA requirements were prepared	No deviation	No deviation

KEY ACHIEVEMENTS OF SUB-PROGRAMMES

COMPLIANCE

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 that evaluations were conducted are reflected in table 2 below.

During quarter 4 of FY2016/17, the NGB produced a consolidated cluster report based on observations that were made during the evaluations that were conducted against the nine (9) provinces.

The outcome of the ratings provided the NGB with a risk based approach which was central to the effective understanding of the NGA.

Based on an overall national scale of compliance (table 3) to the requirements of the NGA, it indicates that:

- Six (6) PLAs were deemed to be somewhat compliant; and
- Three (3) PLAs were non-compliant, however they have reached agreements with the NGB on mechanisms and/or remedies to remove the deficiencies.

Although most of the PLAs were somewhat compliant, PLAs needed to improve on their compliance with the NGA, align their provincial legislation to adequately incorporate licensing criteria, norms and standards, socio-economic impact,

Table 2: Evaluation dates per province

PROVINCIAL LEGISLATIVE AUTHORITY	EVALUATION DATES	QUARTER CONDUCTED
Limpopo Gambling Board	10 – 12 May 2016	Quarter 1
Gauteng Gambling Board	24 – 26 May 2016	
North West Gambling Board	7 – 9 June 2016	
Mpumalanga Gambling Board	30 August – 2 September 2016	Quarter 2
Eastern Cape Gambling and Betting Board	16 – 18 August 2016	
Northern Cape Gambling Board	6 – 8 September 2016	
Free State Gambling and Liquor Authority	27 – 29 September 2016	Quarter 3
Western Cape Gambling and Racing Board	11 – 13 October 2016	
KwaZulu-Natal Gambling and Betting Board	1 – 3 November 2016	



Table 3: National scale of compliance

RATING	STATUS	DENOTES
4	Compliant Good practice	All provisions of the NGA & provincial legislation complied with and licensing criteria developed & applied consistently
3	Somewhat Compliant Acceptable	NGA & provincial legislation not adequately applied, licensing criteria not aligned with legislation. (Agreement regarding mechanisms/remedies to improve on non-compliant areas)
2	Non-Compliant Needs improvement	NGA not complied with. Provincial legislation not adequately applied. Licensing criteria not aligned with legislation/not developed. (Agreement on mechanisms/remedies to remove deficiencies)
1	Non-Compliant Not coping/poor	NGA and provincial legislation not applied (agreement for intervention and support as well as monitoring to remove deficiencies)

compulsive and addictive gambling, and compliance to B-BBEE requirements.

NGB proposed remedies for the removal of deficiencies. The following was concluded, based on the overall evaluations that were conducted:

• **National Licences**

It was noted that there were no issues identified by the NGB for FY2015/16 on national licences.

• **Provincial Licences**

It was noted that there were no issues identified by the NGB for FY2015/16 on provincial licences.

• **Norms and Standards**

It was noted that the issues identified by the NGB for FY2015/16 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 licencing process.

- The main outcome of monitoring and evaluation was the strengthened relationship between the NGB and the PLAs, the increased awareness of PLAs on the importance of complying with legal requirements when licencing and the uniform application of national norms and standards determined by the NGA, as well as an opportunity for the PLAs to rectify possible non-compliance without being sanctioned.
- The PLAs obtained an average of good compliance with a scoring scale of 2.67, as contained in the cluster report.

As a result of the above, the following recommendations were made to PLAs during the compliance evaluation:

- PLAs must observe provisions of the NGA, as well as provincial requirements when considering issuing licences in terms of the NGA and Provincial Acts;

- PLAs must ensure that transformation and market dominance are closely monitored and enforced to foster economic benefits to the wider society in each province;
- PLAs must ensure that information required by the NGB in terms of National Registers is submitted timeously and in its entirety; and
- PLAs must apply and interpret legislation consistently and seek clarity from the NGB where there is confusion. This was with specific reference to the interpretation and application of Regulation 3(1) and 3(2) of the LPM Regulations of 2000.

The NGB participated in the SABS TC meetings for purposes of reviewing, updating and developing the South African National Standards (SANS) relevant to the gambling industry, i.e. SANS 1718 set of gambling technical standards. Members of the SABS TC included PLAs and gambling industry stakeholders, all of whom are valued contributors. Discussions ensued with SABS TC/1095 about the need to complement the SANS 1718 standard to cater for EBT functionality in view of the approved National Gambling Policy, 2016. However, it was noted that regulations may have to be developed first in order to set the legal framework that will govern technological boundaries of functionality designs of the EBTs.

Further participation included technical assessment of test laboratories as part of the SANAS accreditation assessment team. This not only enhanced the relationship between the NGB and SANAS, but it provided the NGB with mechanisms to assess the competencies of test laboratories to conduct testing in accordance with the requirement of the NGA. The SANAS Annual Assessor’s Conclave meeting was held during the period under review. The aim of the meeting was to share experiences and advise members of new and pending developments in the field of assessment of facilities. The NGB is part of the assessment team for the gambling industry.

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 co-operative governance was evident as the NGB assisted the North West Province by providing technical assistance as a member that occupied a seat at the Tribunal Committee that was constituted as per the provisions of the North West Gambling Act. The North West Tribunal concluded proceedings in the matter between Peermont Global (Pty) Ltd and North West Gambling Board. Parties agreed to an amicable solution at the beginning of this reporting period.

NGB engaged with the NRCS to foster good relations and also to assist in dealing with shortcomings in the certification processes. It was noted that the NRCS considered the engagement fruitful and supported the idea of regularising such engagements. There was overall support to also include licensed Testing Agents as they are pivotal in ensuring technical compliance. The meetings held during the period under review were part of the established forum consisting of NRCS, Testing Agents, as well as the NGB. The forum aimed to strengthen much needed information sharing, as well as swift resolutions with matters affecting the certification process.

Reporting on annual analysis of LPM gambling sector performance was made possible through the effective and efficient management of the National Central Electronic Monitoring System (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. This included the rectification of irregularities identified by NCEMS;
- Proper contract management over the service level agreement with the NCEMS Operator;
- NGB's ability to assist in dispute resolution by acting as a mediator between the NCEMS Operator and Route Operator/s on irregularities that were cited;
- NCEMS effectiveness in detecting, analysing and reporting on significant events associated therewith; and
- A compliance audit of the NCEMS Operator against their contractual obligations.

The definition of a "LPM game" came under scrutiny within the gambling industry and the NGB was called upon to resolve the matter. It was discovered that there are LPM games which trigger an event that results in some type of additional spin or set of limited number of spins that can be played as long as the person wagers an additional credit per spin, which is typically a nominal value of R0.01. The additional "games" are played with the wager required per spin and each of these additional "games" is metered individually, leading to the suggestion that these are independent games.

The NGB provided guidance on this functionality to the industry and placed reliance on the NGA and the LPM Regulations, 2000. Section 6 of the NGA sets out the definition of "payout" and under what circumstances a "payout" is deemed to have occurred.

Figure 1: NCEMS availability year to date (YTD) 2016/17

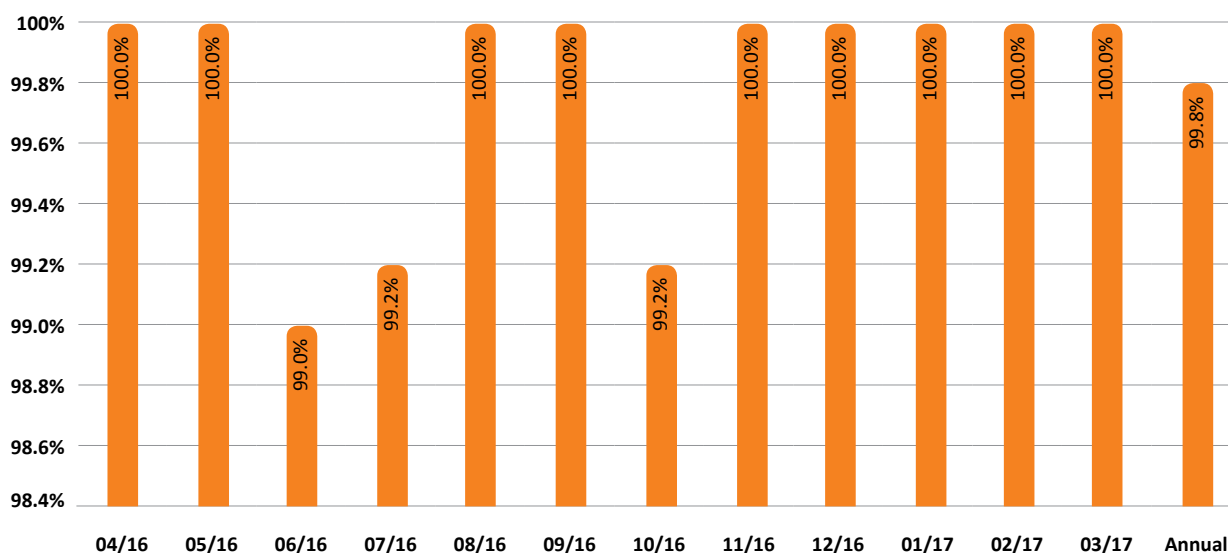
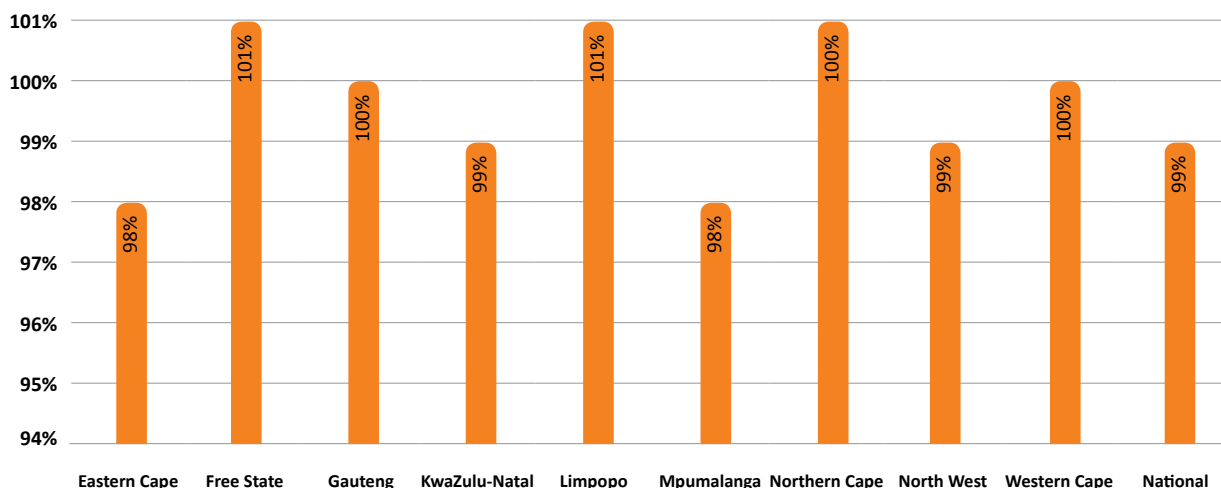




Figure 2: Active LPMs as a percentage of installed per province as at 31 March 2017



The LPM Regulations, published in Government Gazette No. 21945 on 21 December 2000, sets out the definition of a “limited payout machine game.”

NGB considered the design and implementation of the feature triggering the additional spins as described. The NGB is of the view that this does not meet the requirements of the definition of an LPM game as set out in the LPM Regulations, 2000. This advice was provided to the SABS TC/1095 working committee and the gambling industry.

Alignment of technical standards to legal prescripts is imperative and lack of alignment thereof may result in the distortion of the intention of the legislation pertaining to the definition of an LPM game.

- Figure 2 above reflects the percentage of installed LPMs which were active in each province as at 31 March 2017. All provinces have no less than 98% active LPMs during the reporting period.

- Note that some LPMs may become uninstalled during the reporting period after posting GGR. They will therefore appear with a status of uninstalled, and also appear as active due to the GGR generated by gambling activities that may have occurred before the LPMs were uninstalled. This anomaly is reflected in the graph, showing a percentage of active LPMs to Installed LPMs greater than 100%.
- Figure 3 below demonstrates the national allocations of LPMs per province. Gauteng accounted for 20.0% of the total 50,000 LPMs, the most number of LPMs in any one province. This is followed closely by KwaZulu-Natal and Western Cape with 18.0% respectively out of the total number of LPMs allocated. Northern Cape had the lowest number of LPMs allocated with just 4.0%.

Figure 3: LPMs - National allocations

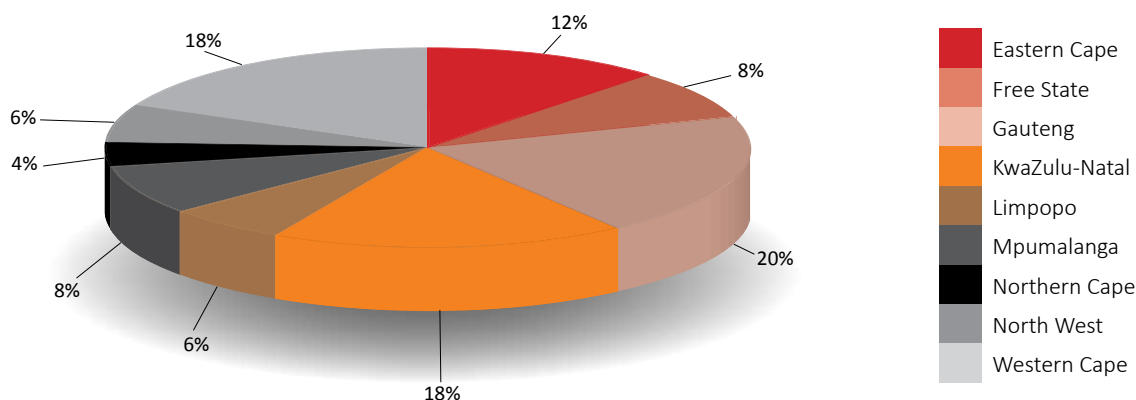
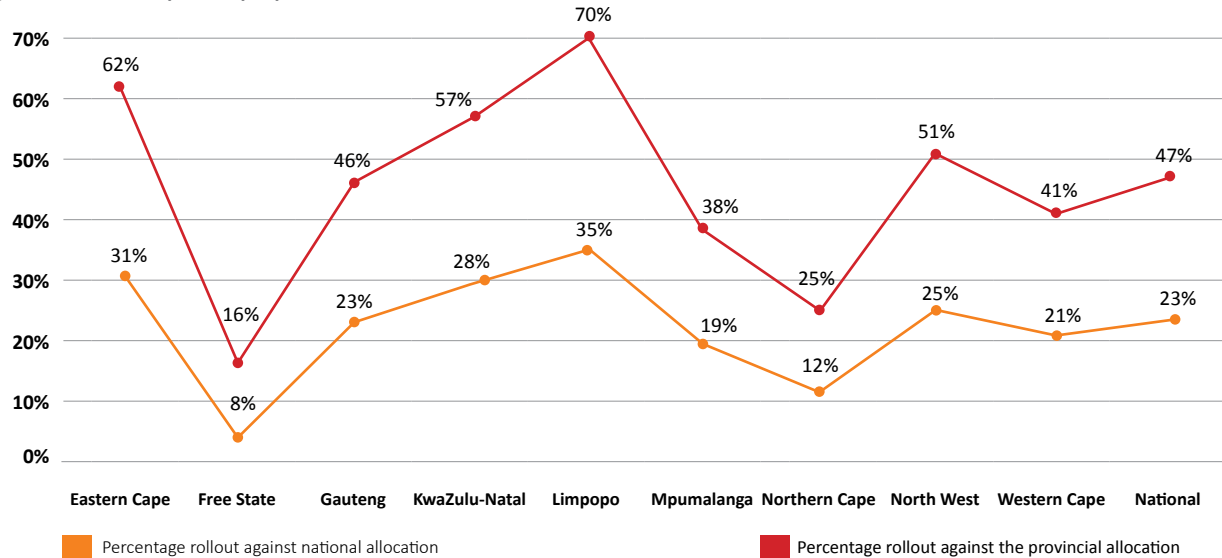


Figure 4: LPM rollout phase 1 per province as at 31 March 2017



- Figure 4 above reflects the LPM rollout phase 1 as at 31 March 2017. The percentage gives a snapshot of the extent of rollout per province weighted against the total national allocation, as well as phase 1 allocation. The red line reflects percentage rollout against the provincial allocation and the orange line shows percentage rollout of phase 1 in each province (national allocation). It should be noted that at all times there will be a variable of approximately 50% that is maintained between the rollout in terms of national allocations and rollout in terms of phase 1 allocation. The average percentage of rollout against national allocation is approximately 23%. The figure goes up to 47% when the rollout is weighted against phase 1 allocation. Limpopo

has the highest percentage rollout at 70%, followed by Eastern Cape at 62% against phase 1 allocation. Free State is showing the lowest number of LPMs rolled out with just about 16% of Phase 1 allocation.

- Figure 5 below reflects changes in active LPMs per province during the current FY2016/17, as at 31 March 2017. Almost all provinces showed a modest cumulative increase of between 2% and 8%, except for Gauteng that showed substantial growth of 11%. In contrast, this was mirrored by a cumulative decline in the Northern Cape of 5%. The national aggregate increase in the LPM rollout for the reporting period was a respectable 6%.

Figure 5: LPM rollout changes per province (FY2016/17)

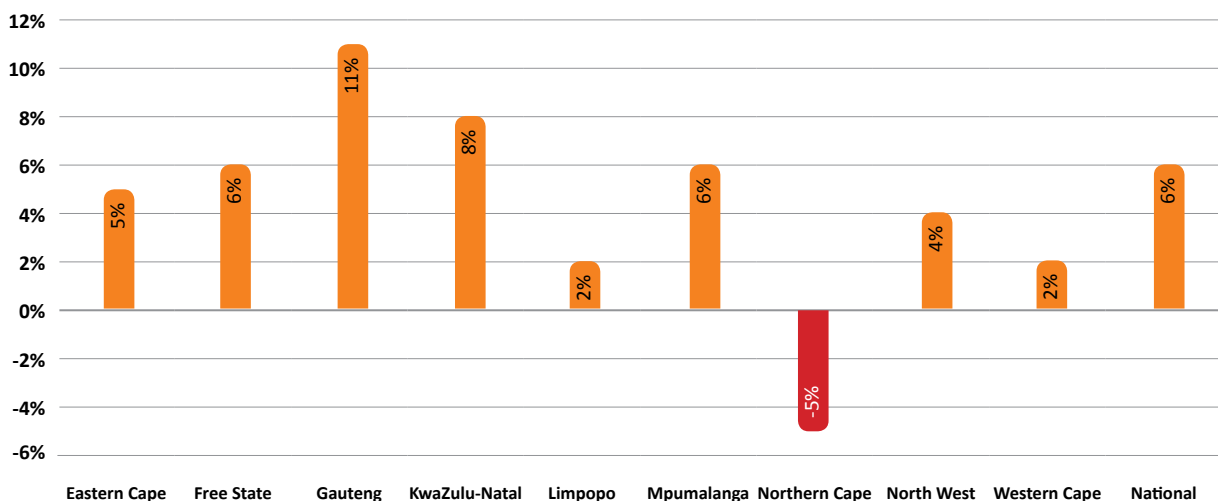
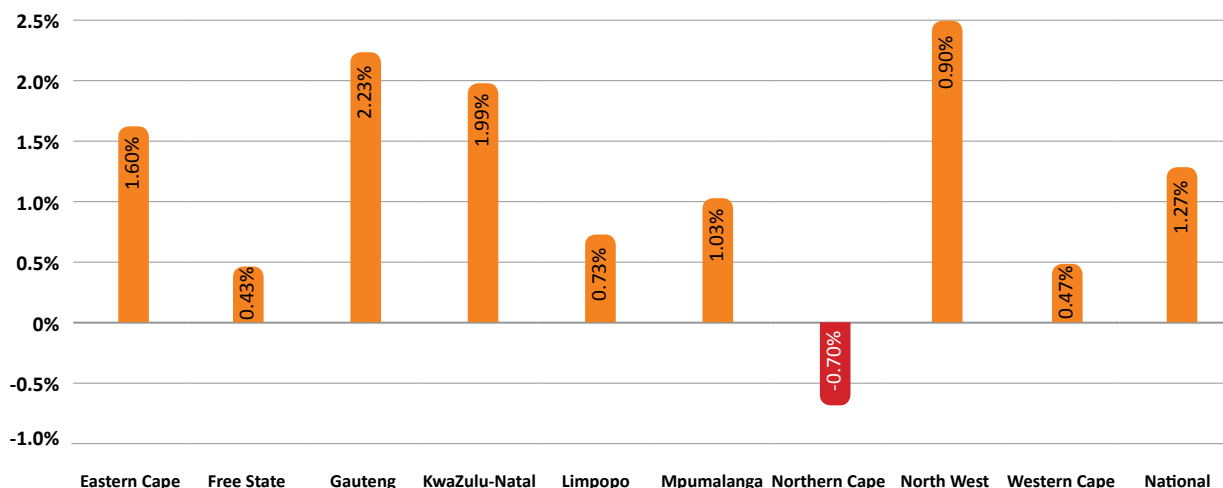




Figure 6: Annual industry growth % – national allocation



- Figure 6, is the actual industry growth graph and it measures changes as a function of national allocation. The industry grew by a modest 1.27% in FY2016/17. Provincially, Gauteng grew by approximately 2.23%, the highest growth in the country. It is followed by KwaZulu-Natal which grew by 1.99%, and Eastern Cape which grew by 1.6%. Northern Cape experienced negative growth by about 0.7% during the same reporting period.
- Applications in Limpopo (1) and North West (2) were referred back to the PLA for further information to be provided and/or consideration of information.
- Withdrawal of applications related to Eastern Cape (1), as well as Northern Cape (2).

The Compliance Oversight Inspectorate had received and evaluated LPM applications in excess of five (5) 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:

Table 4: Summary of type B evaluations conducted

APPLICATIONS STATUS	TOTAL NUMBER FROM ALL PROVINCES
Received	51
Approved	42
Declined	-
Referred back	3
Withdrawn by PLA	3

The results in the table above can be further analysed as follows:

- Applications were received from Limpopo (7), North West (6), Northern Cape (35) and Eastern Cape (3).
- Approvals related to Limpopo (6), North West (4) and Northern Cape (32).
- No applications were declined.

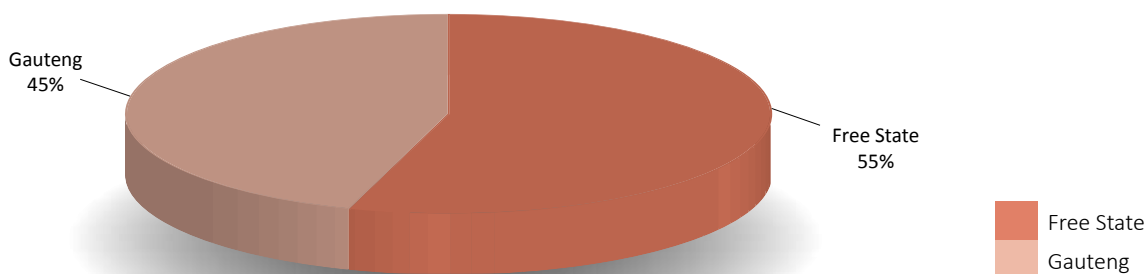
The function of established and maintained national functional registers is to ensure the efficient maintenance and updating of national functional registers (machines and devices, probity, information sharing and exclusions), and the establishment of the illegal gambling operatives register. In order to improve the efficiency and maintenance of the registers, the need arose to have four (4) of the five (5) national registers amended – based on a gap analysis performed by the division in FY2015/16.

Quarterly and annual consolidated reports on the maintenance, accessibility, functionality and content (statistics) of registers were produced. An audit on the maintenance, accessibility and relevance of registers was performed. NGB currently maintains all of the above-mentioned registers. A project to automate all registers is underway. Registers were work-shopped with PLAs to determine the challenges that they experience, as well as the information that they submit for purposes of updating the registers and maintenance thereof.

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

- Exclusion register**
The exclusion register provided problem gamblers and their families an opportunity to ban affected individuals from gambling at all legally operated gambling establishments in the country.

Figure 7: Exclusions per province as at 31 March 2017



Note: No exclusions recorded in other provinces.

- Applications were received from the Gauteng and Free State provinces for self-exclusions.
- Figure 7 shows twenty (20) applications that were received during the year under review. Nine (9) (forty five percent) were received from Gauteng and eleven (11) (fifty five percent) from Free State.
- Eight (8) of the self-exclusion submissions were female and twelve (12) were male.
- There was one (1) third party exclusion submitted.
- There were no submissions from other PLAs that were received by the NGB.

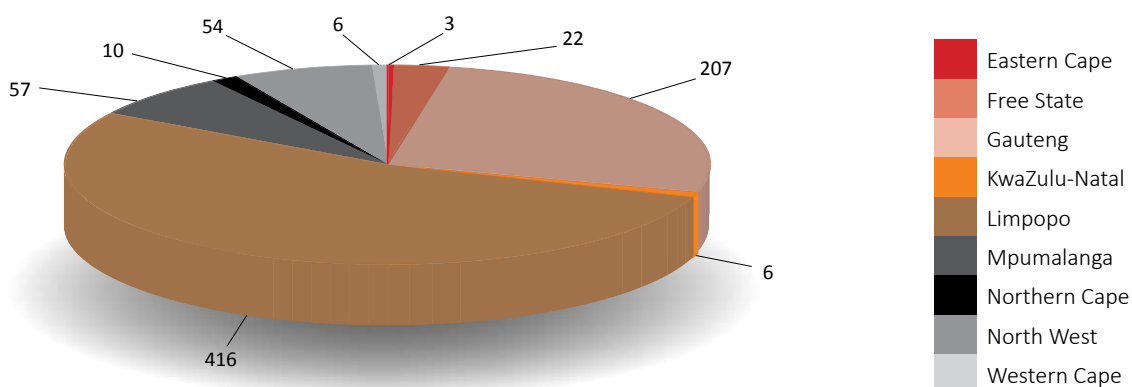
Illegal gambling operatives registers (IGOR)

Although no reference is made to IGOR in the NGA, the NGB was instructed in the Shareholders Performance

Compact, 2015/16, to develop a register of illegal gambling operatives and eventually blacklist them so that they are not considered in future licence applications. The NGB is furthermore also tasked to combat illegal gambling, and especially illegal online gambling in SA. This was executed in FY2016/17 as follows:

- IGOR is already automated and it has been rolled out for use by PLAs.
- Figure 8 below reflects the number of cases that are currently registered on IGOR.
- Limpopo province accounted for the highest number of cases that have been registered of four hundred and sixteen (416).
- Correspondence with respect to the provision of follow-up training on the use of the IGOR system was submitted to all PLAs.

Figure 8: Cases under investigation per province (Including NGB)





- **National register of gambling machines and devices**

- This register enabled regulators to identify, approve and register all gambling machines and devices in the Republic, as required by legislation.
- Regulators are able to uniquely know the number of both gambling machines and gambling devices in the country. Ultimately, regulators are able to share information on all registered gambling machines and gambling devices, have control over all licensed gambling machines and gambling devices, and be able to identify illegal gambling machines and gambling devices.
- As at 31 March 2017, twenty thousand three hundred and eighty three (20,383) machines were on the machine register and sixteen thousand and sixty two (16,062) licensed software were registered on the gambling machines and devices register.

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. The Film and Publications Board (FPB) licences internet cafés and it has been established that illegal gambling occurs at premises posing as internet cafés.

The NGB is now a standing member of the e-Commerce Forum which is hosted by the FSB. It must be noted that online gambling constitutes 50% of all e-Commerce transactions in SA. This relationship will assist the NGB in forging ahead with clamping down on online illegal gambling activities.

Discussions were held with the Chairperson of the Internet Service Providers Association (ISPA) with regard to the processes that must be followed to suspend/close down an online website (“submission of take down notices”).

After consultation with the National Liquor Authority (NLA) in February 2017, it was agreed that the NGB and NLA would enter into a Memorandum of Understanding (MoU) with the aim of working together in the area of conducting raids as illegal gambling premises and illegal liquor outlets are synonymous.

The NGB has also forged relationships with the SAPS and was engaged in project Desert Storm. There are five (5) illegal gambling establishments that have been identified in Gauteng

through this project. Inspections were concluded by the Gauteng Gambling Board.

In addition to this, in a joint operation between the NGB and SAPS, two (2) premises providing illegal gambling were closed, arrests were made and equipment utilised for the illegal gambling activities was confiscated. These operations were conducted in the East Rand in Gauteng.

Project Airline, which was initiated two (2) years ago, has been concluded and consolidated feedback from the Directorate for Priority Crimes Investigation (DPCI) was received regarding syndicated operations related to illegal gambling. A new project is being planned to include all respective role players in two (2) levels of operation (operational and strategic). Workshops and strategic sessions have been concluded and expected action plans are being prepared.

IDENTIFICATION AND INVESTIGATIONS

The NGB identified twenty five (25) illegal gambling establishments during the financial year. Limpopo Gambling Board was also engaged in identification of illegal gambling establishments during the year.

The Gauteng Gambling Board undertook investigations/inspections in FY2016/17.

RAIDS

Amongst other PLAs, North West Gambling Board conducted thirty (30) raids during the financial year.

Challenges experienced by regulators in relation to enforcement include, but are not limited to the following:

- Low prioritisation of illegal gambling by the SAPS;
- Low prosecution percentage of illegal gambling offences;
- Lack of co-operation amongst law enforcement agencies; and
- Lack of capacity to effectively manage cybercrime.

Strategies are in a developmental stage to address the above-mentioned challenges. These include, but are not limited to, civil action that will be taken against landlords that let out property to persons that conduct illegal gambling activities.

UNLAWFUL WINNINGS

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

NGB has interacted with Nedbank, Standard Bank, First National Bank (FNB), Capitec Bank and ABSA with regard to matters of unlawful winnings. Banks have agreed to the submission of pro-forma affidavits that will assist in the investigation phase of unlawful winnings. All banks are committed to ensuring that the NGB is informed about all illegal winnings confiscated. The NGB raised awareness and educated Capitec on how to differentiate between online gambling and online sports betting transactions.

As at the commencement of FY2016/17, the NGB had a total of one hundred and seventy-one (171) historic cases dating back to 2007 that were required to be investigated. Of the one hundred and seventy-one (171) historic cases:

- Sixty-four (64) cases related to investigations that were finalised;
- Forty (40) related to notices that were issued;
- Fifty-six (56) cases could not be investigated further due to the lack of information; and
- The remaining eleven (11) were duplicates of existing cases.

In addition to the old matters/cases, the Enforcement Unit of the NGB has also investigated new cases of possible unlawful winnings during FY2016/17. A total of twenty-two (22) notices were issued during the investigative process and twenty (20) cases of unlawful winnings were investigated.

There were a total of fifteen (15) matters that were set before the Unlawful Winnings Committee. Of these, the committee resolved that:

- An application for forfeiture to the High Court must be made for eight (8) cases. Of the eight (8) cases, four (4) cases, amounting to a total of one million two hundred and fifty-four thousand, five hundred and ninety-nine rand and forty one cents (R1,254,599.41) related to historical matters that had been issued in the Gauteng and Northern Cape High Courts as the investigative reports revealed that the winnings were illegally obtained by the punters. The four (4) cases were heard in May 2017;
- Two (2) cases must be refunded as there was no illegal gambling activity that was conducted; and
- Five (5) cases were referred back for further investigation.

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



PROGRAMME 2

STAKEHOLDER LIAISON AND ADVISORY SERVICES



FROM LEFT TO RIGHT:

Mr B Arumugam (Senior Manager: Corporate Governance)

Ms Y Gwenhure (Economic Researcher)

Ms C Kongwa (Accounting Authority)

Mr D Makhari (Compliance Administrative Specialist)

Ms E Jonkheid (Senior Manager: Research and Information)

Ms K Makopo (Administrator: Stakeholder Relations)

Mr N Msimango (Intern: Corporate Governance)

PROGRAMME 2: STAKEHOLDER LIAISON AND ADVISORY SERVICES

PERFORMANCE INDICATOR	ACTUAL PERFORMANCE AGAINST TARGET					DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2016/17	COMMENTS ON DEVIATION
	ACTUAL ACHIEVEMENT 2013/14	ACTUAL ACHIEVEMENT 2014/15	ACTUAL ACHIEVEMENT 2015/16	PLANNED TARGET 2016/17	ACTUAL ACHIEVEMENT 2016/17		
S65 Advisory reports presented to the Accounting Authority	Achieved Targets set on reporting on the review and input to the draft legislative amendment by 31 March 2014 were achieved	Not achieved Target set for annual advisory report presented to the Accounting Authority was not achieved	Achieved Gambling sector performance report, including gambling sector statistics were prepared for the 2015/16 financial year	S65 Annual Advisory report presented to the Accounting Authority on the implementation of the NGA	Achieved A S65 Annual Advisory report on the implementation of the NGA was prepared and presented to the AA	No deviation	No deviation
Conduct research on impact of gambling and present the report to the Accounting Authority	Achieved Target set on research evolution of gambling trends by 31 March 2014 and socio-economic impact reports (qualitative and quantitative reports) were achieved	Not achieved Target set for conducting research on the impact of gambling was not achieved	Achieved Research report on the prevalence of gambling was produced Phase one (1) of research to determine the socio economic impact of illegal gambling (focus on online gambling) and NGB's role to combat illegal gambling has been completed	Research on the socio-economic impact of gambling conducted and a report presented to the Accounting Authority	Achieved Research to determine the socio-economic impact of illegal gambling, with the focus on online gambling, was conducted, the final report was approved and shared with stakeholders and a summary report and Research Bulletin reflecting the key findings were published on the NGB website	No deviation	No deviation
Audited gambling sector performance report	Not applicable	Achieved Audited gambling sector performance report was prepared	Achieved The audited gambling sector performance reports and presentations (FY2015) were submitted and published on NGB's website and a summary report was published on the NGB website, as well as quarterly FY16 reports and presentations based on raw data for Q1, 2 and 3 were submitted	Annual audited gambling sector performance report	Achieved The audited national gambling statistics (FY2016) and a summary report were published on the NGB website	No deviation	No deviation
Facilitate broad based stakeholder participation through targeted intervention such as events, campaigns / published	Not applicable	Not applicable	Not applicable	Responsible gambling advocacy campaigns conducted	Achieved NGB conducted an awareness campaign (billboards, newspaper banners, live reads and ads on social media) in Gauteng, Mpumalanga and Western Cape focusing on problem gambling NGB participated in various joint programmes and initiatives with other stakeholders to educate the public about gambling NGB embarked on a joint country-wide public programme with the dti to educate the public on gambling, as well as to solicit input on the amendment of gambling legislation	No deviation	No deviation



KEY ACHIEVEMENTS OF SUB-PROGRAMMES

LEGAL SERVICES

Continuous legal advice, as well as statutory advisory services in terms of section 65 of the NGA were 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:

- **The National Gambling Policy and National Gambling Amendment Bill**

The National Gambling Policy was approved by Cabinet, a process which set in motion the amendments of the NGA, which is currently under way.

The NGB provided authoritative research and advice to **the dti** on the proposed National Gambling Amendment Bill. The National Gambling Amendment Bill was subsequently approved by Cabinet in September 2016 for invitation of public comments. The NGB analysed the Bill vis-à-vis the current Act, and a comprehensive report containing comments and inputs to the Bill was provided to **the dti** on 15 December 2016.

The advice included, but was not limited to, the following critical areas:

- Clarity on the tax implications of the Bill;
- Implications of forming a trust to collect the said gambling levy;
- Alignment of the Draft Bill to relevant tax legislation;
- Quorum at the NGPC;
- Unlawful winnings;
- Powers of the envisaged Chief Executive Officer (CEO) of the NGR versus powers of the Entity (NGR);
- The NGB and **the dti** discussed whether the NGR should be a Public Entity or a Trading Entity. NGB reiterated its position that the priority is the retention of revenue or the ability of the NGR to generate its own revenue. The form that the entity takes should assist in that regard and enhance enforcement and oversight capabilities of the national regulator;
- The NGB also discussed some challenges experienced in the granting of Regulation 3(2) / type B applications for LPMs, as some PLAs have different views of the role of NGB in the granting of such licences. The NGB

suggested that **the dti** consider making NGB's role more explicit in legislation; and

- Finally, the NGB raised a concern about the existence of the 2008 version of the NGA, which made provision for interactive gambling, but was never put into operation. This could potentially create uncertainty in the public domain, and it was proposed that the 2008 version be repealed.

- **Lotto Star**

Lotto Star was licensed by the Mpumalanga Gambling Board to operate as a bookmaker. Although licensed under the gambling legislative regime to operate as a bookmaker, Lotto Star operates by taking bets on the outcome of lotteries. The National Lotteries Commission (NLC) regulates the lotteries function.

Efforts to resolve this disharmonious interpretation of the law was attempted at various stages and included correspondence between the Minister of Trade and Industry and the MEC for the Mpumalanga Department of Economic Development. Having failed to resolve the matter amicably, the NLC has resolved to seek a declaratory order via the High Court.

- **Combating and suppression of illegal gambling**

In view of the prevailing challenges regarding the detection and suppression of illegal gambling activities, the NGB has requested the Minister to consider a discussion with the Minister of Safety and Security on the possibility of setting up an operation aimed at closing down all detected and verified illegal gambling outlets, with the long term objective of targeting the king pins.

The NGB has proposed that the task be approached nationally, considering that illegal gambling is a national concern across all provinces, and with a view to achieve maximum impact on illegal gambling. The exercise is also intended to send a warning to the punters who also engage in illegal gambling activities.

It is the view of the NGB that such a collaborative approach would greatly assist in the achievement of government's primary concern (i.e. the protection of the public against negative or harmful gambling activities). It would also protect the legal gambling industry (which looks to government for such protection against such unlawful gambling activity, and contributes significantly to the economy of the country).

- **Unlawful winnings**

An application to court for forfeiture of unlawful winnings is unprecedented in the history of NGB. Four (4) matters have been issued out of Gauteng and Northern Cape High Courts.

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 illegal gambling, with specific reference to online gambling.

The NGB commenced research during FY2016 to determine the dynamics that are fueling the growth of online and illegal gambling in SA. The findings were utilised in FY2016/17 to finalise the regulatory framework on how to combat online and illegal gambling in SA. Key recommendations were as follows:

- Amendment of current laws to ensure interactive, internet and other terminology used can be substituted for online in legal proceedings;
- Adjust other laws so that the focus shifts to enforcement of illegal gambling to assign more resources for enforcement, legal procedures, etc.;
- Change law to rather outline uniform criteria for processes/duties so that PLAs can concentrate more on enforcement to ensure that standards are met;
- Improve the number of enforcers in each province and ensure they have the tools needed to combat online gambling effectively;
- Assign all enforcers peace officer powers;
- Assign enforcers legal authority to conduct raids without warrants or to compile necessary legal documents for raids;
- Collaborate with major banking institutes to stop online gambling transaction processes;
- Collaborate with domain regulators to restrict domestic access to illegal online gambling sites;
- Form forums including representatives from different and relevant regulators/agencies/institutions that support the enforcement of illegal gambling;
- Set advertising standards to ensure that exposure to illegal online gambling is limited and penalties are adequate; and
- Ongoing awareness campaigns to educate gamblers (and the public) about online gambling legislation and its

penalties for obstruction, as well as problem gambling (consequences and treatment options).

Research to determine the economic impact of the bingo industry with specific reference to EBTs on the LPM industry

The NGB embarked on research to determine the economic impact of the bingo industry with specific reference to EBTs on the LPM industry in terms of market share. The content of this report was mainly focussed on market share in terms of operators, market conduct and GGR. This report was compiled with the main aim of presenting the findings to the NGPC. Key findings and concerns are as follows:

- There is a huge potential for proliferation of gambling as a result of the roll-out of bingo and LPM outlets/sites/gambling positions;
- EBTs, within the bingo mode of gambling, depict a potential to phase out traditional bingo;
- The management of gambling with regard to licensing bingo in provinces is reason for concern, as there is no prescribed limit in as far as the issuance of bingo licences specifically for bingo halls and bingo seats;
- From FY2010 to FY2017, EBTs increased in number more than traditional bingo and the assumption is that the increase of GGR is as a result of the introduction of EBTs;
- From a market share and market conduct perspective, the dominant player in the LPM industry (Vukani Gaming) and second largest player in the bingo industry (Galaxy Bingo) have been acquired by the dominant player in the casino industry (Tsogo Sun); and
- With regard to matters of non-compliance of the licensing regime in the bingo industry, there are no technical standards specifically developed for EBTs.

The NGB acknowledges the current limitations experienced in analysing the current status of the economic impact of the bingo industry, with specific reference to EBTs in the gambling industry, hence a further recommendation was made for the NGB to commission detailed research for the gathering and analysis of data to attend to data modelling, forecasting and advanced economic analysis.

Research to benchmark the regulation of gambling in SA with other countries

The NGB conducted desktop research to benchmark SA with other countries. Evident from this report was that the role of government in the gambling industry has become inevitable as there is much need for the sector to be regulated in order to



eliminate illegal gambling and protect the interests of various players in the market.

Both national and provincial governments have a vital role to play in regulating the industry and are best positioned to carry out this task. SA, compared with the United States of America, Australia, Botswana and Malawi is playing a vital role in the gambling industry and also has room to extend delegation of authority to provincial government to ensure effective and efficient regulation of the industry that would see the industry continue to thrive whilst still protecting those that are involved.

One of the remedies for combating illegal online gambling activities is website and payment blocking. Although some countries have adopted this, SA only falls behind with respect to website blocking. Challenges experienced in this regard in SA relate to the fact that the NGB can only issue “take down notices” to illegal online gambling operators that host their website within SA. The NGB has no recourse against those illegal online gambling operators that host their website outside SA. Maintaining a blacklist of illegal online websites is an essential prerequisite to implementing payment blocking and SA can draw some lessons from countries which have successfully implemented these measures. Notwithstanding this, SA fares well with respect to confiscation of unlawful winnings.

Research on illegal online gambling sites

The Research unit also conducted regular web-based searches to monitor illegal online gambling sites offering illegal online gambling to South Africans. This research resulted in numerous website popups available to South Africans, but what was pertinent is that none of the sites indicate that online gambling in SA is illegal and prohibited. Most of the websites that offer (illegal) online gambling in SA (i.e. onlinecasinosafari.co.za, playcasino.co.za, casino.org and onlinegamblingsa.com) as at 31 March 2017, highlighted that it is in fact legal to gamble online and some further highlighted that there are no repercussions such as prosecution or penalties for those caught engaging in illegal online gambling. Notwithstanding the fact that online gambling is illegal, online gambling operators continued on numerous websites to encourage the public to participate in illegal online gambling.

STAKEHOLDER LIAISON

The NGB has embarked on a public education and awareness campaign in Gauteng, Western Cape and Mpumalanga that commenced in September 2016 and ended in November 2016 to inform the public about:

- the odds of gambling;
- how to gamble responsibly;
- the symptoms of problem gambling;
- where to get assistance for problem gambling (i.e. toll free numbers and exclusions register);
- where to report illegal gambling activities;
- legal and illegal forms of gambling; and
- the consequences when caught participating in illegal gambling, as well as highlighting the fact that online gambling is illegal.

Mass media in the form of newspapers, radio, billboards and social media were utilised.

The NGB has also participated in a national education and awareness roadshow in collaboration with **the dti**. The roadshow commenced in September 2016 in Limpopo and ended in December 2016 in the Western Cape. The initial purpose of these roadshows was to educate the public on gambling. However, this initiative was soon transformed into public hearings to provide the public with the opportunity to provide feedback on the gambling and liquor amendment bills.

The NGB accompanied **the dti** to various locations and used these opportunities to brief the public on:

- 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 regard to problem gambling; and
- Where to report illegal gambling activities, as well as the contact details of all PLAs.

A comprehensive corporate brochure and copies of banners which were published in newspapers, were distributed at all **the dti** roadshow events across the country in all provinces.

The NGB also participated in various other public events during this financial year and exhibited and informed the public about gambling as follows:

- Gambling Regulators Africa Forum (GRAF) was held in July 2016. The NGB presented on “The emergence of online gambling and its impact on existing modes of gambling; with specific reference to SA.”

Gamble illegally
and suffer the consequences

Know what is legal.
Contact the National
Gambling Board.

www.ngb.org.za or 01000 33 475



Do you know your limit
when GAMBLING?

Gambling is Pure **LUCK**
When your luck runs out, **STOP!**

www.ngb.org.za



Online Gambling
is **illegal**

Including unlicensed internet cafes that offer gambling for money

Report illegal gambling to the National Gambling
Board / fraudalert@ngb.org.za or 012 686 8800

www.ngb.org.za



- Mandela Day Celebration at Ubuhle Bezwe Child Care Centre on 18 July 2016. The NGB staff, at their own cost, provided food and other parcels, assisted in painting a wall and interacted with staff and the children.
- **the dti** outreach campaign in Hopetown on 25 July 2016 as part of Mandela Day Celebrations.
- An event initiated by the Department of Small Business Development to celebrate women in business emporium on 26 August 2016 at **the dti** campus. The NGB participated by means of an exhibition and interacted with the public.
- An event initiated by the NLA on 8 September 2016, in Atteridgeville, with the specific purpose to present licensing conditions to the audience. The Gauteng Gambling Board presented, the NGB staff interacted with the audience and the NGB exhibited at the event.
- On 16 June 2016 the NGB attended a Youth Day event in Mamelodi. The event was hosted by Siqalo sa Lesedi, a Non-Governmental Organisation (NGO) based in Mamelodi in partnership with **the dti** and the NGB. June is Youth Month in SA with the historical day of June 16 commemorated as the Youth Day. The aim of the event was to gather the youth of Mamelodi to educate and empower them about the social ills of irresponsible, problem and illegal gambling. The event attracted an audience in excess of 130 people.



- As part of the public education and awareness campaign, the AA was interviewed on Ubuntu FM on 15 September 2016 and on Mohodi FM on 22 September 2016.
- Gambling Indaba was held from 10 to 11 October 2016 at Emperors Palace. The NGB presented as follows: “Balancing the economic gain versus the negative impact of gambling”. The NGB also participated in an exhibition, participated with the delegates and distributed a corporate brochure.
- The NGB participated in a joint exhibition at the Berlin Traditional Horse Racing event in the Eastern Cape with the Eastern Cape Gambling and Betting Board, as well as the SARGF on 26 November 2016.
- SARGF Conference was hosted from 28 to 30 October 2016. The NGB presented as follows: “Responsible Gambling Operator Compliance Requirements”.
- International Association for Gambling Regulators (IAGR) conference was held in October 2016. Key highlights of the discussions were:
 - How to better evaluate responsible gambling policies;
 - The gaming and lottery industry of the future;
 - New developments in international gaming markets;
 - Social gaming and the convergence of gambling and gaming;
 - Role of technology in responsible gambling;
 - Sports betting and match fixing;
 - Sports betting in a digital age;
 - Interjurisdictional collaboration;
 - Keeping technical standards relevant in a changing world; and
 - Legal challenges posed by new technologies in implementing effective national gambling regulations.
- The above areas of discussion spoke predominantly to our concerns here in SA and as the NGB. The NGB networked and managed to hold fruitful discussions with other regulators, especially from Australia New South Wales, Singapore and the Caribbean. The NGB also engaged with Gibraltar on issues of online gambling as most of the operators offering the services in SA are registered and licensed in Gibraltar. However, these services remain illegal in SA. The discussions at the conference further touched on new technologies and challenges in regulating them, especially e-sports and virtual sports.

FREQUENTLY ASKED QUESTIONS

Q: Why is gambling legal in South Africa?
A: Prior to 1994 gambling was prohibited in South Africa and only took place in the formerly independent homelands (Transkei, Bophuthatwana, Venda and Ciskei). Betting in the then South Africa was only allowed in horse racing as this was the only legal form of gambling during that time. Government established the Wehrhan Commission to conduct a feasibility study to reassess Government's policy position of gambling post democracy.

Q: How was the National Gambling Board established?
A: Pursuant to the Wehrhan Commission Report, the National Gambling Act of 1996 was promulgated and the National Gambling Board was established for the regulation of gambling.

Q: How can communities work together with the NGB to deliver on its mandate?
A: Persons who opt to gamble should gamble responsibly. Communities should work together with the NGB in eradicating illegal gambling. Report illegal gambling directly to NGB or a Provincial Licensing Authority (PLA) where illegal gambling venues or machines exist.

Q: Is online gambling legal?
A: Pursuant to Section 11 of the National Gambling Act, 2004 online gambling is illegal in South Africa except for online betting through bookmakers licensed in South Africa for online betting (e.g. sports events and horse racing).

Q: Can South Africans gamble overseas?
A: South Africans cannot gamble with international companies whilst within the Republic who are not licensed in South Africa.

Q: What are the effects of gambling addiction?
A: Money related challenges, interpersonal problems, failure to account for time and responsiveness and control about activities and/or manipulation by third.

Q: What do you do when you realise you or someone you are reliant on has a gambling addiction?
A: Approach the NGB or any PLA for that person to be listed on the Gambling Exclusions Register and call the toll free number 0800 095 030, SMS 073 073 0730 or email gamblingaddiction@ngb.org.za

Q: How do I get excluded from gambling?
A: A person or their family member should approach the NGB or any PLA to assist in having oneself or their loved one voluntarily self-excluded in the country when symptoms of gambling addiction are identified. Once excluded, the onus remains with the excluded person to stay away from the gambling venues and the NGB, PLA's and operators are empowered to enforce your exclusion.

Q: How do I apply for a gambling license?
A: Gambling licenses can be applied for at a province or a PLA.

Q: What is the difference between the NGB and PLA's?
A: The National Gambling Board is responsible for the oversight of the regulated gambling in the gambling industry throughout the country.

Q: Provincial Licensing Authorities operate on a provincial level and are the points of contact for those wishing to apply for a license.

Q: What is the difference between the NGB and the National Lotteries Commission?
A: The National Gambling Board regulate gambling in licensed casinos, bingo and limited payout machine outlets, as well as wagering including betting on horse racing and sport via licensed bookmakers and totalisators.


Q: The National Lotteries Commission regulates the National Lottery, as well as other lotteries including society lotteries, promotional competitions and sports pools.

Q: How can the NGB assist the public?
A: The NGB can assist the public through education and awareness, provision of information and research.

HOW CAN I LODGE A COMPLAINT?

The National Gambling Board has a dedicated hotline where complaints can be lodged. Alternatively, complaints can be lodged at the Provincial Licensing Authority offices.

Report unlicensed internet cafes on:
fraudalert@ngb.org.za or 012 656-8800




Contact Us
National Gambling Board
420 Witch-Hazel Avenue
Eco-Grades 2,
Black C, Eco-Park,
Centurion
0144
Direct switchboard: 0867 227 713 or 0100 033 475
Email Address
info@ngb.org.za
Website
www.ngb.org.za

PROVINCIAL LICENSING AUTHORITIES CONTACT DETAILS

Gauteng Gambling Board 011 581 4800	Limpopo Gambling Board 015 230 2300
KwaZulu-Natal Gaming & Betting Board 031 563 1800	Northern Cape Gambling Board 053 832 0490
North West Gambling Board 018 384 3215	Western Cape Gambling & Racing Board 021 480 7400
Free State Gambling & Liquor Authority 051 404 0300	Eastern Cape Gambling & Betting Board 043 702 8300
Mpumalanga Gambling Board 013 750 8000	



National Gambling Board
South Africa
a member of the dti group



Gamble Responsibly

- The NGB participated in a Youth and Women Summit held at the Gallagher Estate, Midrand on 29 and 30 March 2017 by means of an exhibition, as well as briefed attendees on how the gambling industry can empower youth and women. The presentation highlighted, amongst others:
 - The various available options to empower youth and women in terms of considering obtaining a license to become an operator in the gambling industry;
 - Employment in the gambling industry (i.e. gambling operators, manufacturers, test laboratories and/or at the national or provincial gambling board);
 - Provision of services to the gambling industry and empower themselves with knowledge about the risks and nature of gambling;
 - The difference between legal and illegal modes of gambling, consequences if participating in illegal gambling modes, where to get assistance in terms of problem gambling; and
 - Where to report fraudulent or illegal gambling activities with the main aim to empower themselves with applicable knowledge and/or assist others.

*Did you know that gambling is a game of chance?
Sometimes you win, sometimes you don't.*



PROGRAMME 3

CORPORATE SERVICES



FROM LEFT TO RIGHT:

- Ms T Kungwane** (Human Capital Practitioner)
- Ms T Lidzhegu** (Corporate Services Administrator: Finance)
- Ms Z Kuali** (Personal Assistant to the Chief Financial Officer)
- Ms C Kongwa** (Accounting Authority)
- Ms K Mackerduth** (Chief Financial Officer)
- Mr S Mhlongo** (IT Systems Support Officer)
- Mr M Lekala** (General Office Assistant)
- Mr S Mthombeni** (Senior Manager: Finance)
- Mr G Mametse** (Senior Manager: Human Capital Optimisation)

PROGRAMME 3: CORPORATE SERVICES

PERFORMANCE INDICATOR	ACTUAL PERFORMANCE AGAINST TARGET					DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2016/17	COMMENTS ON DEVIATION
	ACTUAL ACHIEVEMENT 2013/14	ACTUAL ACHIEVEMENT 2014/15	ACTUAL ACHIEVEMENT 2015/16	PLANNED TARGET 2016/17	ACTUAL ACHIEVEMENT 2016/17		
Unqualified audit Report with a reduction in the number of audit findings reported in the management report	Achieved Target set for unqualified audit report was achieved for the 2012/13 financial year	Not Achieved Unqualified audit report with no findings was not achieved for the 2013/14 financial year	Achieved Unqualified audit report with 34 findings was achieved for the 2014/15 financial year	Unqualified audit Report with less than 15 audit findings reported in the management report	Over achieved Clean Audit achieved with one (1) audit finding in the 2015/2016 financial year	Stricter monitoring controls in place over financial, performance and compliance reporting within the NGB	None
Report on % implementation of the human capital strategy and plan	Not applicable	Achieved Implementation of the Human Capital Plan was reported on	Over achieved 69.23% of the Human Capital Strategy and Plan was achieved	Report on 100% implementation of the Human capital strategy and plan (Year 3)	Achieved 100% of the activities as outlined in the Human Capital Strategy have been reported as achieved	No deviation	No deviation
% uptime of all IT systems	Not applicable	Achieved 99.85% up time was achieved against a target of 97%	Over achieved 100% up time was achieved	Maintain up-time on all IT systems at 98% or above.	Over achieved 100% uptime of all IT systems was achieved	Effective and Efficient management of ICT operations	None

KEY ACHIEVEMENTS OF SUB-PROGRAMMES

FINANCIAL SERVICES

Year-to-date total expenditure as at 31 March 2017 was R38,9 million. This represents 90% of the annual budgeted expenditure and 10% underspending. The 10% underspending is attributable to employee costs, travel and subsistence expenses, administrative costs, professional costs, as well as other operating costs. If commitments were to be taken into account, this would represent total expenditure of 100% of the current year's budget.

INFORMATION COMMUNICATION TECHNOLOGY

ICT achieved 100% up time in the current financial year. A system called "SharePoint" was procured to ensure that there are proper processes and systems in place to manage the flow of information within the NGB.

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 has one labour matter that commenced in September 2016 and the matter is yet to be finalised.

In line with documented 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 planned meetings with **the dti**.

LINKING PERFORMANCE WITH BUDGETS

Performance in the light of expenditure that has been elaborated on above can be expressed in rand values as per the table 5.

The figures are inclusive of capital expenditure that was planned during FY2016/17. R5,3 million was budgeted capital expenditure that was directed at the purchase of ICT equipment, computer software, as well as the development of the national registers.

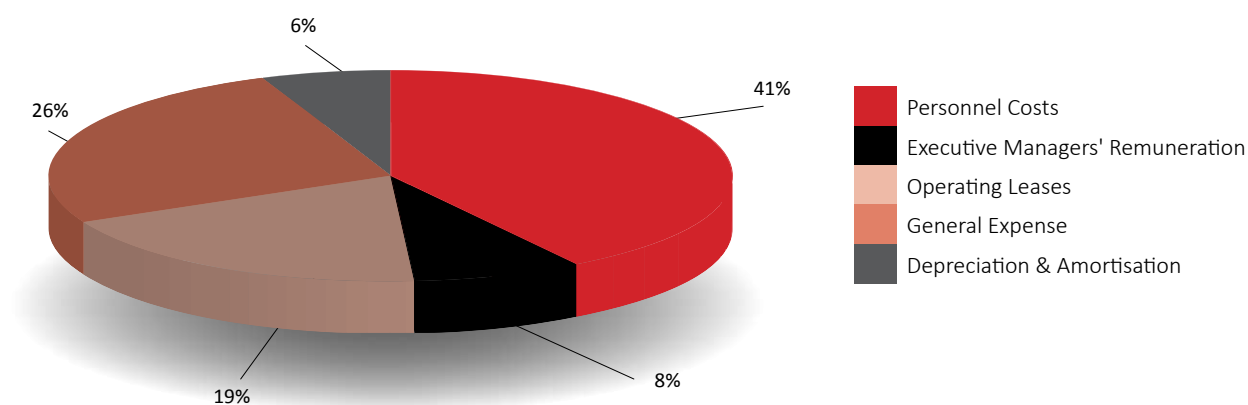
R1 million of the total capital expenditure related to expenditure that was actually incurred. A balance of R4,5 million has been committed during FY2016/17.



Table 5: Programme expenditure

PROGRAMMES	2016/17			2015/2016		
	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 and Legal	11 890	10 868	1 022	5 669	3 438	2 231
Corporate Services	23 338	20 878	2 460	20 464	19 117	1 347
Compliance	8 163	7 120	1 043	12 402	5 088	7 314
Total	43 391	38 866	4 525	38 535	27 643	10 892

Figure 9: Actual expenditure as a % of total actual expenditure as at 31 March 2017



REVENUE COLLECTION

Table 6: Revenue

SOURCES OF REVENUE	2016/17			2015/2016		
	ESTIMATE R'000	ACTUAL AMOUNT COLLECTED R'000	(OVER)/UNDER COLLECTION R'000	ESTIMATE R'000	ACTUAL AMOUNT COLLECTED R'000	(OVER)/UNDER COLLECTION R'000
Government Grant	30 121	30 121	0	31 483	31 983	500
NCEMS Licence Fees	10 000	10 000	0	5 272	5 301	29
Interest Received	2 506	2 473	-33	1 367	1 324	-43
Miscellaneous Income	6 319	6 683	364	2 150	2 118	-32
Total	48 946	49 277	331	40 272	40 726	454

The NGB places heavy 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, 61% of the revenue of the NGB was as a result of **the dti** grant. This is significantly lower when compared to the previous financial year of 78%.

Total revenue amounting to R49,3 million was received during the year, which was made up of a grant of R30,1 million and a

further R19,2 million received from other sources including the interest, rental income and request for proposal sales. Included in this amount was revenue from NCEMS monitoring fees of R10,0 million that was received. This significantly increased as a result of negotiations with the current service provider, the NGB was able to secure an additional R12,0 million. The balance of the R12,0 million will be received in FY2017/18.



CAPITAL INVESTMENT

CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

The NGB maintains a fixed asset register with a total asset value of R11,8 million. 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.

Compulsive gamblers keep gambling no matter the consequences.



PART C

GAMBLING SECTOR PERFORMANCE AND NATIONAL STATISTICS

OVERVIEW OF THE GAMBLING INDUSTRY
MARKET SHARE AND MARKET CONDUCT
REAL GGR AND REAL GDP GROWTH RATES
B-BBEE IN THE GAMBLING INDUSTRY
EMPLOYMENT
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 NGB 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 SA for the period 1 April 2016 to 31 March 2017. These modes

are casino, bingo, LPMs and betting on horse racing and sport.

An overview or snap shot of the gambling industry monitored from FY2016 to FY2017 reflected that overall, growth has been recorded in all sectors, except the casino sector as illustrated in table 7 and figure 11.

Table 7: Snap shot of the gambling industry, FY2016 and FY2017

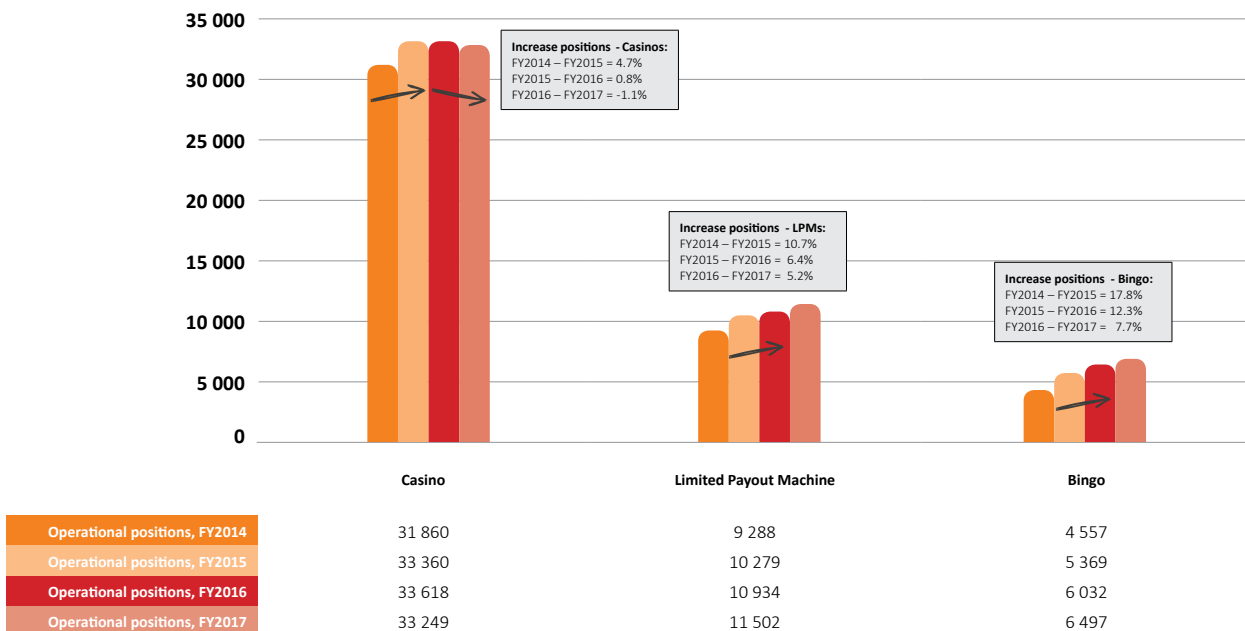
VARIABLE	FY2016 MARKET CONDUCT – AS AT QUARTER 4 STATISTICS – TOTAL ALL QUARTERS	FY2017 MARKET CONDUCT – AS AT QUARTER 4 STATISTICS – TOTAL ALL QUARTERS	FY2017 QUARTER 1	FY2017 QUARTER 2	FY2017 QUARTER 3	FY2017 QUARTER 4
Number of operational casinos	38	38	38	38	38	38
Number of operational slots (casinos)	24 070	23 697	23 735	23 899	23 863	23 697
Number of operational tables (casinos)	889	907	864	881	899	907
Number of operational gambling positions (casinos)	33 618	33 249	33 498	33 805	33 756	33 249
Number of operational totalisator outlets	444	456	440	444	448	456
Number of operational bookmakers	227	266	216	242	255	266
Number of operational bookmaker outlets	457	515	461	473	510	515
Number of operational Limited Payout Machine (LPM) site operators	2 072	2 188	2 113	2 099	2 170	2 188
Number of active LPMs	10 934	11 502	11 157	11 113	11 440	11 502
Number of operational bingo outlets	31	37	34	34	36	37
Number of operational bingo positions	6032	6 497	6 245	6 245	6 439	6 497
Traditional	2 386	1 888	2 198	2 198	2 052	1 888
Electronic Bingo Terminals	3 646	4 609	4 047	4 047	4 387	4 609
National gambling statistics: Turnover (R)	358 359 106 940	372 987 955 104	90 054 216 737	91 486 064 080	97 519 774 229	93 927 900 059
National gambling statistics: GGR generated (R)	25 985 119 587	26 961 888 560	6 717 796 509	6 621 346 668	6 847 676 362	6 775 069 021
National gambling statistics: Taxes/levies collected (R)	2 770 743 912	2 743 112 930	679 147 410	677 312 593	705 086 468	681 566 459

MARKET SHARE AND MARKET CONDUCT

Based on the monitoring of changes in the number of operational gambling positions in the casino, LPM and bingo sectors from FY2014 to FY2017, it is evident from figure 10 below that the largest number of increase in operational positions (expressed in percentage compared to other modes) was recorded in the bingo sector (specifically EBTs), followed by the LPM sector. As

illustrated below, negative growth was reflected in the casino sector from FY2016 to FY2017. However, it is expected that the opening of the new casino (Times Square located in Menlyn Maine) in Pretoria on 01 April 2017 will reflect growth in the casino sector from FY2018.

Figure 10: Increase in the number of operational gambling positions in the casino, LPM and bingo sectors: FY2014 – FY2017 (Quarters 1, 2 & 3)



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 FY2014/2015 to FY2017 reflected the following growth and trends as shown in figure 10 above and figure 11.

- i. Since FY2013, the highest increase in GGR generated in the casino industry was recorded from FY2015 to FY2016. GGR increased by 4.5% from FY2014 to FY2015, by 5.8% to FY2016, however decreased by 1.8% to FY2017. The number of operational casinos positions increased by 4.7% from 31,860 (FY2014) to 33,360 (FY2015), 0.8% to 33,618 (FY2016), however decreased by 1.1% to 33,249 in FY2017, mainly as a result of slight decreases in all provinces except KwaZulu-Natal and North West from FY2016 to FY2017.
- ii Compared to FY2015, the growth in GGR generated in the LPM industry for FY2016 has dropped slightly. An increase by 19.6% from FY2014 to FY2015 was recorded, followed

by an 13.7% increase from FY2015 to FY2016, and by 14.1% to FY2017. The number of licensed active LPMs increased by 10.7% from 9,288 in FY2014 to 10,279 in FY2015, by 6.4% from FY2015 to FY2016 (10,934) and by 5.2% (11,502) to FY2017 mainly as a result of increases noted in all provinces from FY2016 to FY2017.

- iii The betting on horse racing and sport industry recorded growth in GGR generated i.e. by 22.2% from FY2014 to FY2015, by 28.5% from FY2015 to FY2016, followed by an increase by 14.3% recorded from FY2016 to FY2017. 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 59.9% from FY2014 to FY2015, by 50.9% to FY2016, and by 22.0% to FY2017. Bookmakers offering betting on sport generated the highest income, whereas much less taxes/levies were collected from this industry



compared to other operators/modes. Limited growth was recorded by totalisators offering betting on horse racing and sport from FY2016 to FY2017.

- iv The bingo industry showed the highest growth (in percentage) in the generation of GGR from FY2014 to FY2015, being reflected by an increase of 67.7% from FY2013 to FY2014, by 52.5% from FY2014 to FY2015, followed by a decrease of 16.2% from FY2015 to FY2016,

however increased substantially by 36.6% from FY2016 to FY2017. The growth in GGR is probably as a result of growth in the number of bingo positions, and specifically EBTs.

Figure 11: Increase in GGR (all modes): FY2014 – FY2017

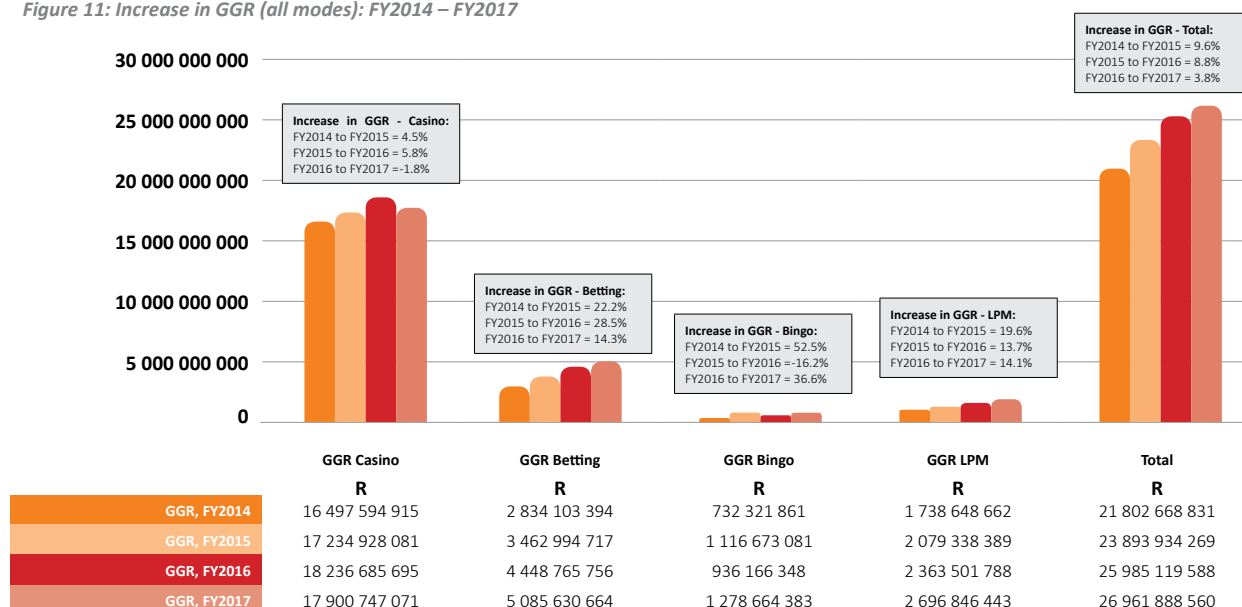


Figure 12: Trend in GGR, comparison all modes (FY2010 to FY2017)

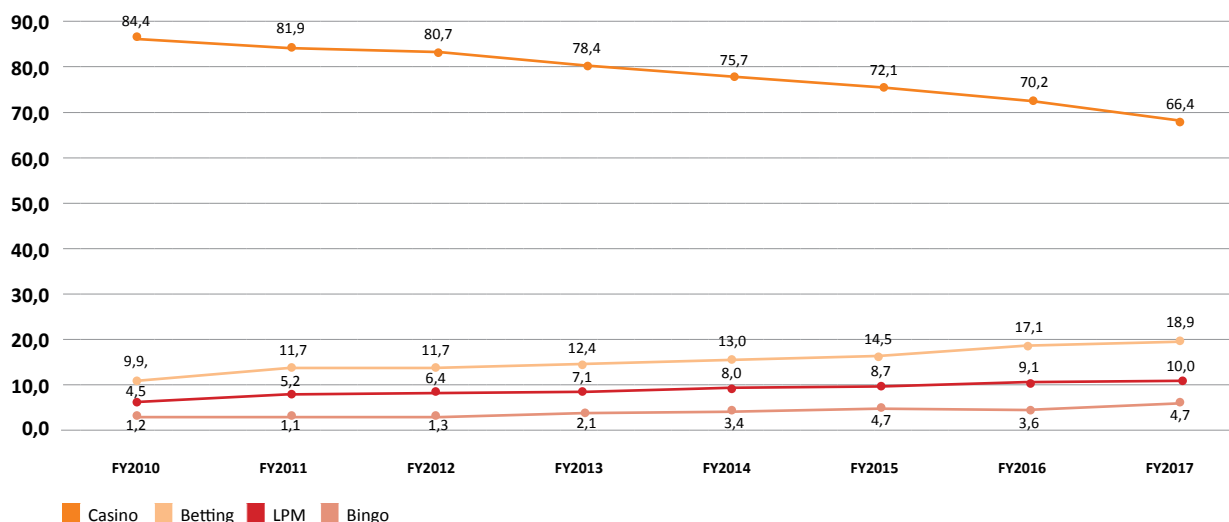


Figure 12 illustrates the decline in GGR market share of casinos from FY2010 to FY2017, compared to the steady increase of market share in the betting, LPM and the bingo industries. Casinos accounted for 84.4% of GGR generated in the gambling industry in FY2010, and declined to 66.4% in FY2017.

Overall, GGR increased by 9.6% from R21,8 billion in FY2014 to R23,9 billion in FY2015, by 8.8% to R26,0 billion in FY2016, and by 3.8% to R27,0 billion in FY2017. A total amount of

R27,0 billion in GGR was generated during FY2017. During FY2017 casinos accounted for the highest GGR generated, being 66.4% as compared to other gambling modes. Compared to all other provinces, Gauteng at a 41.1% share, accounted for the highest amount of GGR generated as illustrated in figures 13 and 14 below.

Figure 13: GGR per gambling mode, all provinces, FY2017

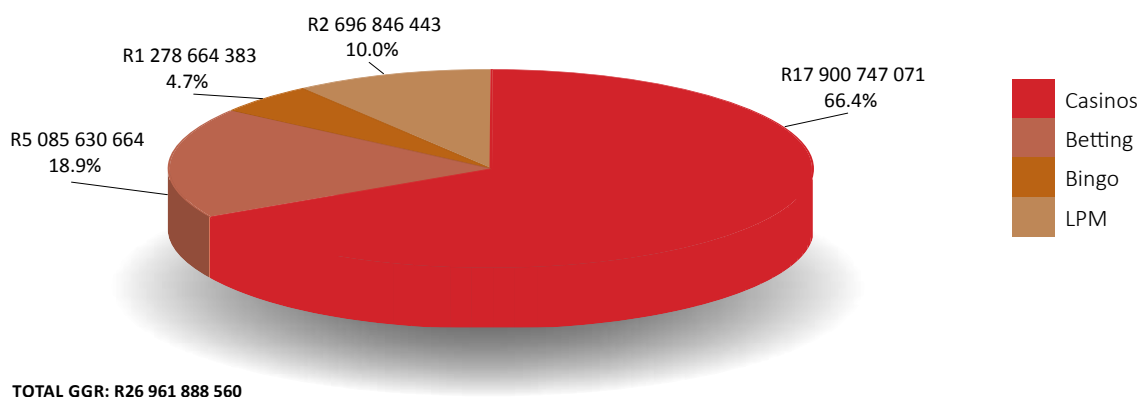
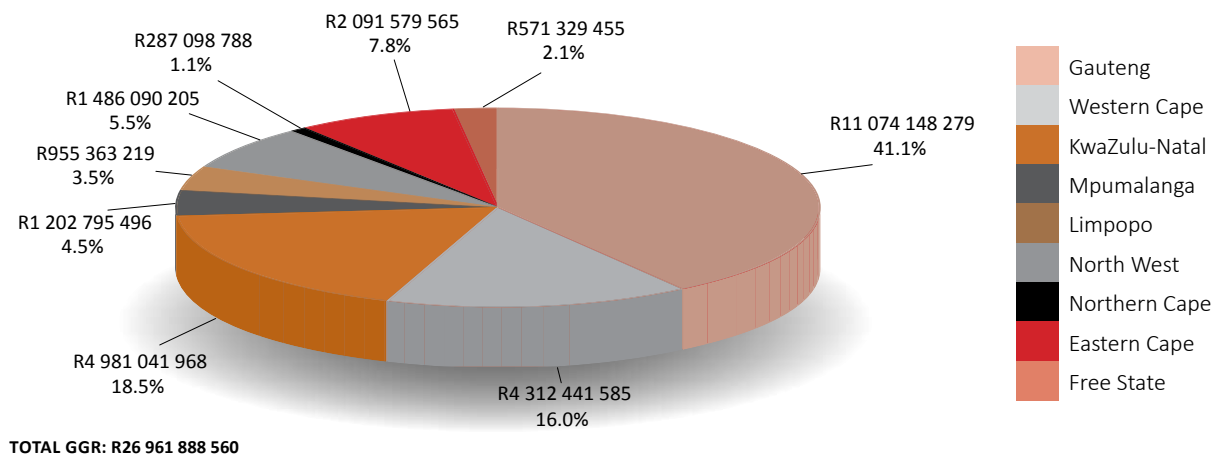


Figure 14: GGR per province, all modes, FY2017



The collection of taxes/levies increased by 10.7% from R2,2 billion to R2,5 billion in FY2015, by 11.9% to R2,8 billion in FY2016 and decreased by 1.0% to R2,7 billion in FY2017 mainly as a result of less taxes/collected from the casino sector compared to previous years. A total amount of R2,7 billion in taxes/levies was collected during FY2017. During FY2017, at 66.5%, casinos contributed the highest amount of taxes/levies paid by comparison with other gambling modes – refer to figures 15,16 and 17. At 36.6% Gauteng accounted for the

highest amount of taxes/levies paid compared to all other provinces as illustrated in figure 16. The share of taxes/levies collected from the casino sector has decreased from FY2013 (75%) to FY2017 (67%). Contrary to casinos, the share of taxes/levies collected from other industries such as betting on sport and horse racing (from 14% to 16%), LPM (from 9% to 13%) and bingo (from 2% to 5%) reflected steady increases from FY2012 to FY2017 as reflected in figure 9.



Figure 15: Taxes/levies per gambling mode, all provinces, FY2017

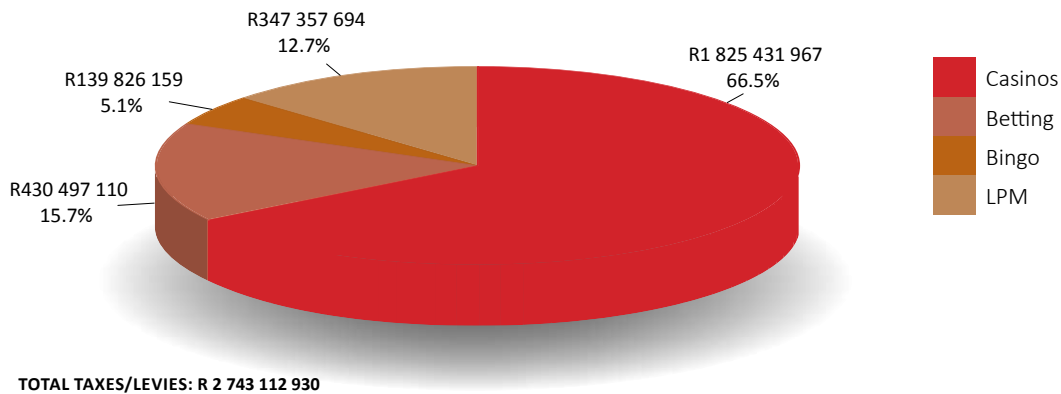


Figure 16: Taxes/levies per province, all modes, FY2017

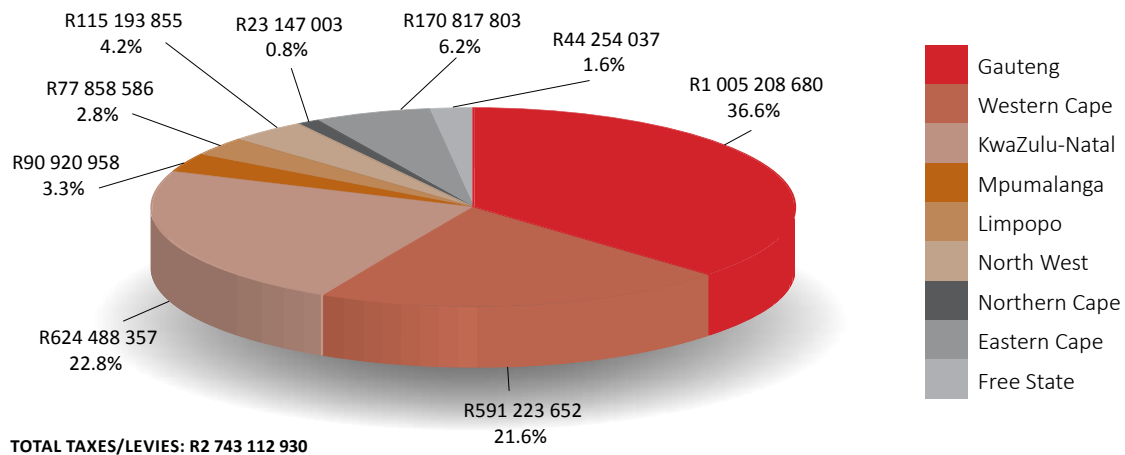
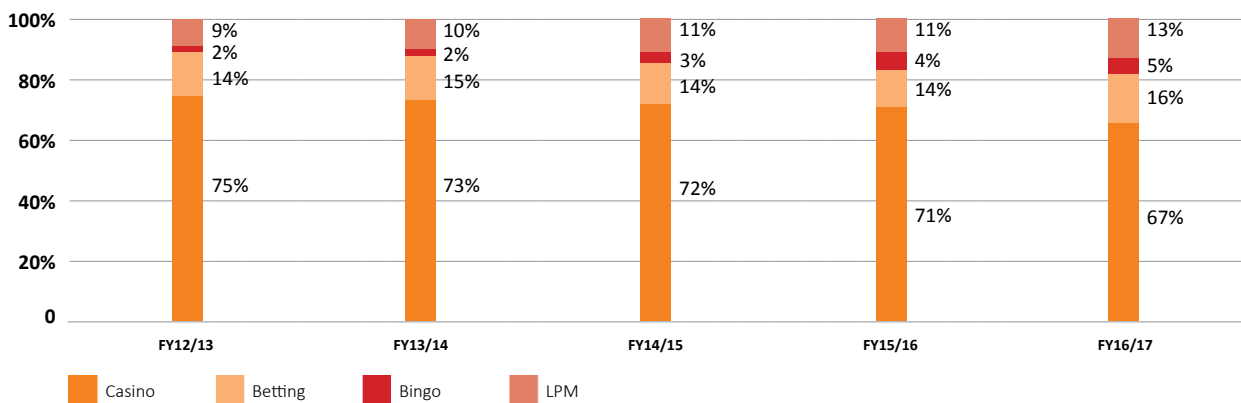


Figure 17: Market share of gambling industry sectors by taxes/levies contribution from FY2013 to FY2017

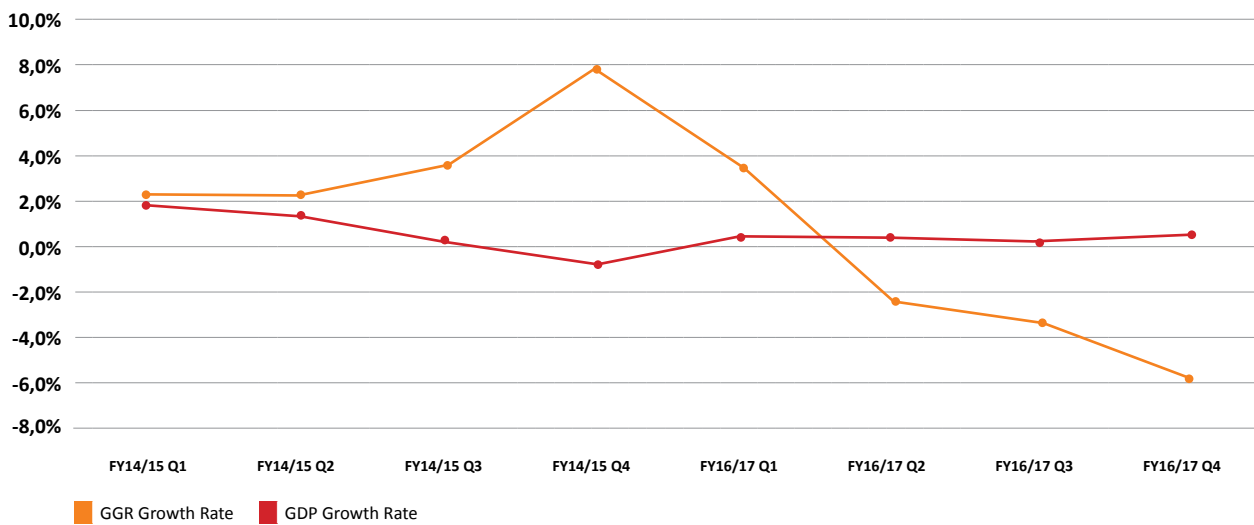


REAL GGR AND REAL GDP GROWTH RATES

The NGB also monitors the movement of the real GGR (GGR at market prices) from all modes of gambling against the real GDP (which takes into account inflation) as reflected in figure 18. The growth rate in real GGR followed an increasing trend in FY2015/16 whilst real GDP declined from the previous financial

year. However, during FY2016/17 a decline in the growth of real GGR from all modes of gambling is observed, in line with lagging economic growth. Statistics SA reported two (2) consecutive negative growth rates in real GDP for the first and second quarters of 2017 (-0.3% and -0.7% respectively) which took the South African economy into a recession.

Figure 18: Real GGR and real GDP growth rates, FY2016 to FY2017

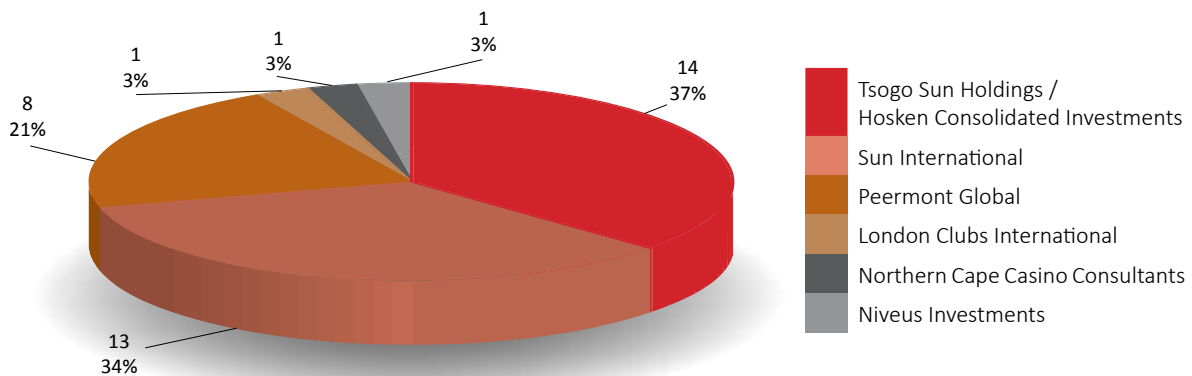


Ownership in the various gambling industries is monitored and illustrated below:

- i. Casino sector: Tsogo Sun accounts for 37% of the total market share (14 operational casinos), followed by Sun International with a share of 34% (13 operational casinos), and Peermont Global with a share of 21%

(8 operational casinos) as illustrated in figure 19 below. Take note that Tsogo Sun has bought Vukani Gaming (biggest operator in the LPM industry), as well as Galaxy Gaming (bingo operator) in 2016 which has an impact on Tsogo Sun's overall market share in the South African gambling industry.

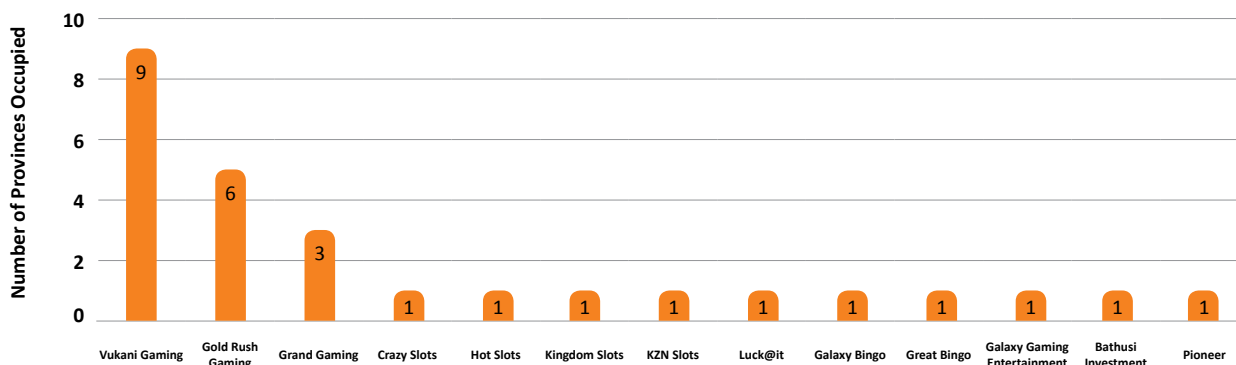
Figure 19: Market share of ownership of operational casinos as at 31 March 2017



TOTAL NUMBER OF OPERATIONAL CASINOS: 38



Figure 20: Market share of ownership of operational LPM route operators by number of provinces as at 31 March 2017



- ii. LPM sector: Vukani Gaming operates LPMs in all nine (9) provinces, followed by Gold Rush Gaming which operates LPMs in six (6) provinces and Grand Gaming which operates in three (3) provinces. The rest of the route operators are licensed to operate LPMs in one province each as illustrated in Figure 12 below.
- iii. Bingo sector: The bingo operators are Galaxy Bingo operating in four (4) provinces; Viva Bingo and Gold Rush operating in two (2) provinces each; Boss Gaming and Great Bingo operating in one (1) province each as illustrated in Figure 13 below:
- iv. 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 and Trotco are operational in KwaZulu-Natal, and Kenilworth Racing operational in Western Cape.

B-BBEE IN THE GAMBLING INDUSTRY

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 2016 per gambling mode and operator, was as follows:

- a. Average B-BBEE level for casino operators: Level 2.5
- b. Average B-BBEE level for totalisators: Level 4.6
- c. Average B-BBEE level for LPM operators: Level 3.4
- d. Average B-BBEE level for bingo operators: Level 3.4 (currently only operational in Gauteng, Mpumalanga, North West, Eastern Cape and KwaZulu-Natal).

Figure 21: Market share of ownership of operational bingo operators by number of provinces as at 31 March 2017

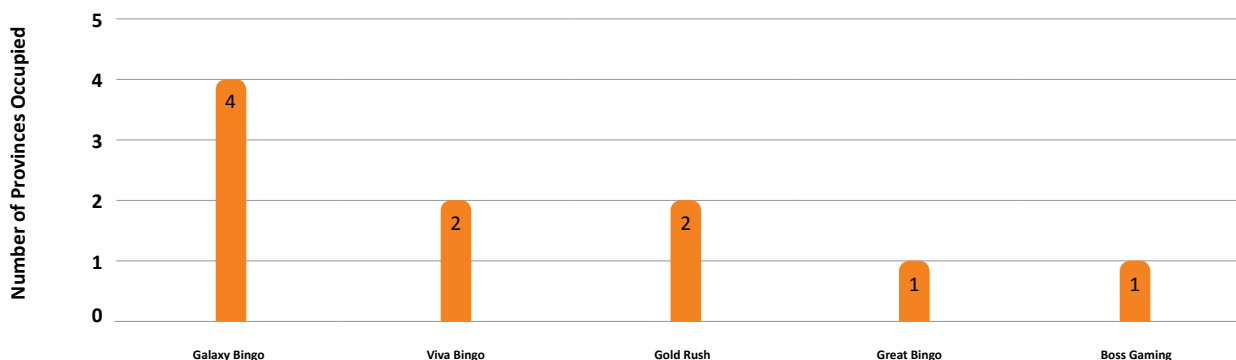


Table 8: B-BBEE levels, casino, FY2011 – FY2017

B-BBEE LEVELS, CASINO, FY2011 – FY2017								
CONTROLLING SHAREHOLDERS	NAME OF CASINO	CONTRIBUTOR / B-BBEE LEVEL						
		FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Sun International	Boardwalk Casino (EC),	3	3	3	3	2	2	3
	Wild Coast Sun (EC),	3	3	3	3	3	2	2
	Sibaya Casino (KZN),	2	2	2	2	2	2	3
	Windmill Casino (FS),	2	2	2	2	2	2	4
	Naledi (FS),	2	2					
	Flemingo Casino (NC),		4	4	4	2	4	4
	Meropa Casino (LP),		2	2	2	2	2	4
	Grandwest Casino (WC),		3	3	2	2	2	4
	Golden Valley Casino (WC),	3	3	3	2	2	3	3
	Sun City (NW),		3	3	3	3	2	1
	Carousel Casino (NW),			2	2	2	2	4
	Morula Sun Casino (GT),		2	2	2	2	2	4
Carnival City (GT)						2	2	
Average for Sun International		2.6	2.7	2.7	2.5	2.3	2.3	3.2
Tsogo Sun Holdings /Hosken Consolidated Investments	Hemingways Casino (EC),	3	3	3	3	2	1	1
	Queens Casino (EC),				2	3	2	3
	Suncoast Casino (KZN),	2	2	2	2	2	2	2
	Black Rock Casino (KZN),	3	3	3	3	2	2	2
	Golden Horse Casino (KZN),	2	2	2	2	2	2	1
	Goldfields Casino (FS),	2	2	2	2	2	2	2
	The Ridge Casino (Mpum),		3	2	2	2	2	1
	Emnotweni Casino (MP),		3	2	2	2	2	1
	Caledon Hotel Spa Casino (WC),	2	2	2	2	2	2	2
	Casino Mykonos (WC),	3	2	2	2	2	2	2
	Garden Route Casino (WC),	3	3	2	2	2	2	2
	Montecasino (GT),	2	2	2	2	2	1	1
	Gold Reef City Casino (GT),		2	2	2	2	2	2
Silverstar Casino (GT)				2	2	2	2	
Average for Tsogo Sun		2.4	2.4	2.2	2.1	2.1	1.9	1.7
Peermont Global	Umfoloji Casino (KZN),	4	2	2	2	2	2	1
	Frontier Inn and Casino (FS),	2	2	2	2	2	1	2
	Graceland Hotel Casino (MP),		2	2	2	2	2	1
	Khoroni Hotel Casino (LP),		2	2	2	2	2	6
	Mmabatho Palms Casino (NW),	4	4	2	2	2	2	1
	Rio Casino (NW),	5	3	2	2	2	2	1
	Emperors Palace (GT),		2	2	2	2	2	3
Thaba Moshate (LP)						6	3	
Average for Peermont Global		3.8	2.4	2.0	2.0	2.0	2.4	2.3
London Clubs International	Emerald Safari Resort (GT)				3	2	2	4
Northern Cape Casino Consultants	Desert Palace Hotel Resort (NC)		2	2	2	2	2	2
Nivieus Investments	Grand Oasis Casino						2	2
Average for all casinos based on available information		2.9	2.4	2.2	2.3	2.1	2.1	2.5



Table 9: B-BBEE levels, totalisators, FY2011 – FY2017

B-BBEE LEVELS, TOTALISATORS, FY2011 – FY2017								
NAME OF TOTALISATOR	NAME OF PROVINCCCE	CONTRIBUTOR / B-BBEE LEVEL						
		FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Gold Circle Kenilworth Racing (FY2015)	Western Cape	4	4	4	4	2	2	4
Gold Circle and Trotco	KwaZulu-Natal				4	4	2	3
Phumelela	Limpopo	4	3	3	2	2	2	5
Phumelela	Mpumalanga	4	3	3	2	2	2	5
Phumelela	Gauteng			3	2	2	2	5
Phumelela	North West	4	4	3	3	3	2	5
Phumelela	Free State	3	3	3	2	2	2	5
Phumelela	Eastern Cape	4			2	2	2	5
Phumelela	Northern Cape						5	4
Average		3.8	3.4	3.2	2.6	2.4	2.3	4.6

Table 10: B-BBEE levels, LPMS, FY2011 – FY2017

B-BBEE LEVELS, LPMS, FY2011 – FY2017								
NAME OF PROVINCE	NAME OF ROUTE OPERATORS	CONTRIBUTOR / B-BBEE LEVEL						
		FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Gauteng	Vukani Gaming			1	3	2	2	1
	Gold Rush Gaming						2	7
	Zico Gaming		1	3	1	3	3	
	Hot Slots					0	8	8
	Grand Gaming	4		1	4	3	5	8
	Egoli Gaming		2	1	1	4	2	
	Crazy Slots							
Eastern Cape	Vukani Gaming				3	3	3	3
	Pioneer Slots				3	1	2	
Free State	Vukani Gaming		3	1	1	1	2	2
KwaZulu-Natal	Vukani Gaming		1	1	3	2	2	2
	Kingdom Slots		4	4	3	3	5	2
	Luck-at-it		1	1	1	1	2	5
	KZN Slots		5	5	5	5	5	
Limpopo	Vukani Gaming		2	2	3	2	2	1
	Goldrush		3	3	1	1	1	4
Mpumalanga	Vukani Gaming		4	3	3	2	2	3
	Thaba Gare (Independent)		2	2	2	3		
	Zimele			3				
	Grand Gaming				2	2	2	Level 2 QSE
	Galaxy Gaming						1	2 (Exempt Micro Enterprise)

Table 10: B-BBEE levels, LPMs, FY2011 – FY2017 (Continued)

B-BBEE LEVELS, LPMS, FY2011 – FY2017								
NAME OF PROVINCE	NAME OF ROUTE OPERATORS	CONTRIBUTOR / B-BBEE LEVEL						
		FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
North West	Vukani Gaming	6	4	2	2	2	1	4
	Bathusi			3	3	3		
	Goldrush Gaming			3	1	1	1	2
	Varloflash							4
Western Cape	Vukani Gaming	2	2	3	3	2	3	3
	Grand Slots	4	4	4	3			
	Grand Gaming					2	5	5
Northern Cape	Goldrush							2
	Vukani Gaming						2	2
Average:			2.7	2.3	2.4	2.3	2.7	3.4

Table 11: B-BBEE levels, bingo, FY2011 – FY2017

B-BBEE LEVELS, BINGO, FY2011 – FY2017								
NAME OF PROVINCE	NAME OF BINGO OPERATORS	CONTRIBUTOR / B-BBEE LEVEL						
		FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Gauteng	Viva Bingo		3	2	2	3.7*	1.6*	7.5*
	Galaxy Bingo			2	2	2	2	2*
Mpumalanga	Viva Bingo			4	4 Exempt (Micro Enterprise)	1	2	4 Exempt (Micro Enterprise)
	Goldrush Bingo							8
North West	Goldrush Bingo				N/A	4	1	2
	Galaxy Bingo					1	1	4
Eastern Cape	Galaxy Bingo				1	1	1.8*	2
	Bingo Royale				N/A	1	2	
	Boss Gaming							2
	Goldrush Bingo							2
KwaZulu-Natal	Galaxy Bingo						1	2
	Great Bingo							1
	Goldrush Bingo							4
Limpopo	Boss Gaming							4
	Galaxy Bingo							2
	Planet Bingo							4
Average:				2.7	1	2	1.6	3.4



EMPLOYMENT IN THE GAMBLING INDUSTRY

NGB monitors direct employment numbers in the gambling sector (industry and regulators). A total number of 27,973 people (direct employment) were employed in the gambling industry (including regulators) as at 31 March 2017. In general, the casino sector, and Gauteng province, followed by 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.

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 different legal gambling modes in SA.

The information gathered for the period 1 April 2016 to 31 March 2017, reflects the following:

Table 12: Direct employment per province and mode, FY2017 (industry and regulators)

DIRECT EMPLOYMENT PER PROVINCE AND MODE, FY2017 (INDUSTRY AND REGULATORS)										
PROVINCE										
GAMBLING MODE	GAUTENG	WESTERN CAPE	KWAZULU-NATAL	MPUMALANGA	LIMPOPO	NORTH WEST	NORTHERN CAPE	EASTERN CAPE	FREE STATE	TOTAL
Casinos	6 241	3 139	2 677	655	228	797	248	863	740	15 588
Totalisators	316	20	60	63	35	123	13	75	77	782
Bookmakers	539	237	2 076	770	547	470	56	29	118	4 842
LPMs	243	3 733	106	139	510	48	23	218	131	5 151
Bingo	61	N/A	386	61	28	106	N/A	379	N/A	1 021
Regulators										
NGB	21	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	21
PLAs	94	72	72	49	55	83	19	48	76	568
Total	7 515	7 201	5 377	1 737	1 403	1 627	359	1 612	1 142	27 973

RESPONSIBLE GAMBLING

The SARGF is a Not-For-Profit company (NPC) – a partnership between the public-private sector, founded in 2004 and is responsible for the implementation of the responsible gambling programmes on behalf of the gambling industry operators and governmental regulators, as follows:

- Treatment and Counselling;
- Prevention and Public Awareness;
- Industry Support (Operators and Regulators);
- Research; and
- National Schools Programme.

The responsible gambling programme is 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 SA in 1996.

The SARGF is funded by the private sector which includes the casino, horse racing, bingo and LPM industries. This comprises 0.1% of the industry's GGR or company winnings. An estimated R25,4 million has been invested into the programme since its inception up to the period under review.

The key highlights of SARGF during FY2016/17 were:

- The Problem Gambling Treatment Centre, (0800 006 008), which is a free call and it operates 24 hours a day and seven days a week. During the period under review the Problem Gambling Treatment Centre received an estimated 4,855 calls, of which 22 were treatment professional calls; 1,525 callers received psychotherapy treatment (averaging 75 patients a month); and 41 callers received telephone counselling. Another 152 callers were family referral calls, 1959 general calls and 12 patients were admitted under the inpatient programme for rehabilitation. A total of 342 self-excluded individuals received counselling on how to manage their gambling problem before it becomes an addiction.

- The multilingual outpatient treatment network now has 72 treatment professionals based in all provinces in the country, with 35 of them being close to the main gambling venues in the country. There were also dedicated treatment facilities for inpatients.
- About 2,704 gambling industry workers have been trained during the period under review on the subject of compulsive and problem gambling.
- A total of three (3) employees from SADC operators received training on responsible gambling.
- As part of the prevention programme, the SARGF has reached out to 29,459 learners in schools across the country with the programme Taking Risks Wisely for Grades 10-12.
- Under the ambit of Public Education and Awareness campaigns, the SARGF's programmes are advertised on various platforms including the media in the form of television, radio, print publications and collateral displayed in all gambling venues. The core message around these campaigns was aimed at preventing the harmful effects associated with irresponsible and illegal gambling.
- A National Responsible Gambling Awareness Month was launched in November 2016. This programme is aimed at increasing awareness on responsible gambling prior the festive season.
- The Prevention Programme was intensified with focus placed on individuals at risk. A total of 58 consumer shows were done and 10 visits were made to pensioner's forums around the country.
- In line with the new direction of the foundation, the SARGF recently adopted a dynamic new brand identity and the organisation considers this to be the outward expression of important structural changes that it has made internally including the development of a new website.



PART D

GOVERNANCE

INTRODUCTION
PORTFOLIO COMMITTEES
EXECUTIVE AUTHORITY
THE ACCOUNTING AUTHORITY
REMUNERATION OF 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

FROM LEFT TO RIGHT:

Ms Z Kuali (Personal Assistant to the CFO)
Mr J Matshiya (Audit and Risk Committee Member)
Ms C Kongwa (Accounting Authority)
Ms PN Sibiya (Audit and Risk Committee Member)
Ms G Deiner (Audit and Risk Committee Member)

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 Accounting Authority of the public entity are responsible for corporate governance.

PORTFOLIO COMMITTEES

The NGB attended a number of meetings of the Portfolio Committee for Trade and Industry. The said meetings were chaired by Ms Joan Fubbs.

Pertinent issues that were discussed included, but were not limited to the National Gambling Policy, 2016.

EXECUTIVE AUTHORITY

The NGB submitted to **the dti** the Strategic Plan 2016/21 and APP 2016/17 for the entity, which was approved on 30 March 2016.

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

Table 13: Quarterly assessments for the NGB

QUARTERLY ASSESSMENT FOR 2016/17	ACTUAL ACHIEVEMENTS AGAINST PLANNED TARGETS	DATE SUBMITTED	ASSESSMENT RATING RECEIVED
Quarter 1 (April – June)	100%	28 July 2016	Report Noted
Quarter 2 (July – September)	100%	28 October 2016	Report Noted
Quarter 3 (October – December)	100%	31 January 2017	Report Noted
Quarter 4 (January – March)	100%	25 April 2017	No Response Received

THE ACCOUNTING AUTHORITY

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 Accounting Authority 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 re-positioning of the NGB to the NGR, the position of the CEO will not be filled until the re-positioning has been completed, and the NGB will remain under administration until such time as this process has been finalised.

Table 14: Profile of the Accounting Authority

NAME	QUALIFICATIONS	INTERNAL POSITION IN THE NGB	DATE APPOINTED	DATE RESIGNED
Ms C Kongwa	LLB degree (University of Durban Westville); Postgraduate Diploma in International, African and Regional law (University of Durban Westville); Certificate in Economic and Developmental Policy (Wits); and Certificate in Labour Relations (University of Pretoria)	Administrator	September 2014	n/a



Table 15: Attendance at meetings

DATE OF MEETING	NAME OF MEMBER			
	MS G DEINER (CHAIRPERSON)	MR J MATSHIYA	MS PN SIBIYA	MR LUCKY PHAHLAMOHLAKA*
26 May 2016	✓	✓	✓	✗
25 July 2016	✓	✓	✓	✗
27 October 2016	✓	✗	✓	✗
01 December 2016**	✓	✓	✓	✗
31 January 2017	✓	✓	✓	✗
Total number of meetings attended	5	4	5	0

* Shareholder Representative from **the dti**

** Special ARC meeting

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

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.

The table below reflects the remuneration paid out to ARC members over the financial year.

Table 16: Remuneration to ARC members

NAME	REMUNERATION	TOTAL
Ms G Deiner	63 382	63 382
Mr J Matshiya	18 368	18 368
Ms PN Sibiya	22 960	22 960

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 FY2016/17 was conducted. Risks were identified, measured and allocated to the units and individuals responsible for mitigation thereof.

As a result, a risk register for FY2016/17 was reviewed and updated. Progress was monitored on an on-going 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; and

- 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 THE 2016/17 FINANCIAL YEAR

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

- Financial Discipline Review;
- Supply Chain Management Review;
- Human Resource Review;
- Performance Audit;
- Enterprise Risk Management;
- Information Communication Technology Vulnerability Assessment; and
- Annual financial statement review

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 FY2016/17

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.

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 2015/16, Annual Report 2015/16, 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; and
- Review the work performed by the internal auditors.

RELEVANT INFORMATION ON THE AUDIT AND RISK COMMITTEE MEMBERS

Table 17 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 2016/21 Strategic Plan. The entity has, through the Risk Management Committee (RMC) reported on areas of Fraud and Corruption.

Table 17: Details of ARC members

NAME	QUALIFICATIONS	INTERNAL OR EXTERNAL	INTERNAL POSITION IN THE NGB	DATE APPOINTED	DATE RESIGNED
G Deiner	BCompt (Unisa); Higher Diploma in Education – Post Graduate (Wits); and BA degree (Wits); 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 Sibiyi	CA (SA)	External	n/a	October 2015	n/a



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; and
- Risk Management Policy.

The NGB established a fraud hotline, fraudalert@ngb.org.za and/or 012 686 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 auditor, Business Innovations Group. 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 and 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 panellists 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 (2) 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 FY2016/17.

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

SOCIAL RESPONSIBILITY

The NGB participated in Mandela Day Celebrations at Ubuhle Bezwe Child Care Centre. Officials provided food and other parcels, assisted in painting a wall and interacted with staff and the children.



PART E

HUMAN RESOURCE MANAGEMENT

INTRODUCTION
HUMAN RESOURCE OVERSIGHT STATISTICS

FROM LEFT TO RIGHT:
Mr G Mametse (Senior Manager: Human Capital Optimisation)
Ms C Kongwa (Accounting Authority)
Ms K Mackerduth (Chief Financial Officer)
Ms T Kungwane (Human Capital Practitioner)



INTRODUCTION

OVERVIEW OF 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 Act 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 is an efficient and effective workforce within the NGB.

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

The entity has a staff complement of twenty seven (27) officials as per the approved organisational structure.

The NGB has analysed the vacancy rate over the past three (3) financial years and compared it to the rate in the current financial year as depicted in figure 22. There was an upward trend between FY2013/14 and FY2014/15. This was rapidly counteracted by the reduction in the vacancy rate from 48.1% (2014/15) to 11.1% (2015/16). This is representative of a 37% decrease in the vacancy rate and is consistent with the progressive actions and outlook of Human Capital Optimisations in ensuring that the entity has been steadfast in filling vacancies. The vacancy rate in FY2016/17 increased by 11.1%.

This is evident in the six (6) vacancies that existed within the organisation as at the end of FY2016/17. The position of CEO will remain vacant as a result of the decision taken by the Minister not to fill the position. Interviews for the Chief Compliance Officer position were conducted and no suitable candidate was found. The balance of the positions became vacant as a result of voluntary resignations and are expected to be filled early in the next financial year.

PERFORMANCE MANAGEMENT AND DEVELOPMENT SYSTEM

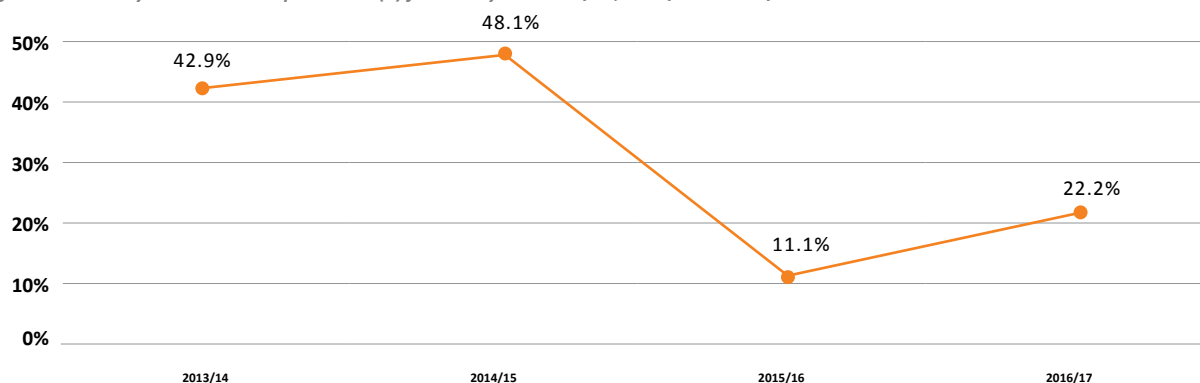
The NGB's performance management process ensured appropriate alignment of individual, team and business unit performance objectives with those of the NGB. This enabled translation of the NGB's strategic focus areas into individual action plans.

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; and
- Performance management is an on-going process rather than an event.

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.

Figure 22: Vacancy Trend over the past three (3) financial years 2014/15, 2015/16 & 2016/17



ORGANISATIONAL DESIGN AND CHANGE MANAGEMENT

As the organisational structure is informed by organisational strategy, the NGB revised the organisational structure in order to realise the entity's Strategic Plan over the 2016/21 MTEF period. Human capital competencies, skills, knowledge and abilities should always be kept in line with the reviewed organisational structure. 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.

In line with documented 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 meetings which translated into the development and submission of a business case for the said project.

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 further enhanced the usage of 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.

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 one HR system, VIP for payroll that encompasses a performance management system. The NGB has moved to an integrated human capital system within the organisation that incorporates all the components of human capital management. The system must be further interrogated to ensure it assists in the provision of reliable data that can be used for reporting and decision-making purposes. Several discussions were held with the service provider to further interrogate other functionalities that can be beneficial to the entity.

HUMAN CAPITAL POLICIES AND PROCEDURES

Although human capital policies are in place, these must be reviewed on an ongoing basis to ensure that they are aligned to the Strategic Plan and legislative requirements. Furthermore, developed and revised policies need to be effectively implemented to mitigate human capital risk and to increase organisational effectiveness. There were several policies that were developed during the year and their implementation has yielded positive results for the NGB.

ACHIEVEMENTS AND FUTURE HR PLANS / GOALS

The AA approved the Human Capital Strategy – 2015/20 in March 2015. 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 78% occupancy rate of positions against the approved organisational structure during the financial year. This will ensure continued service delivery within the regulatory environment.

Further, 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

Table 18: Personnel cost by programme

PROGRAMME	TOTAL EXPENDITURE FOR THE ENTITY	PERSONNEL EXPENDITURE	PERSONNEL EXP. AS A % OF TOTAL EXP.	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE
Stakeholder	R 10 867 997	R 5 578 151	14.35	7	R 796 879
Administration	R 20 877 297	R 6 952 584	17.89	10	R 695 258
Compliance	R 7 120 431	R 6 296 039	16.20	6	R 1 049 340
TOTAL	R 38 865 725	R18 826 774	48.44	23	R 818 555

Total employee costs for FY2016/17 amounted to R18,8 million. 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.

Table 19: Personnel cost by salary band

LEVEL	PERSONNEL EXPENDITURE	% OF PERSONNEL EXP. TO TOTAL PERSONNEL COST	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE
Top Management	R 3 019 341	16.04	3	R 1 006 447
Senior Management	R 5 844 928	31.05	6	R 974 155
Professional qualified	R 3 239 857	17.21	4	R 809 964
Skilled	R 6 298 421	33.45	8	R 787 303
Semi-skilled	R 424 227	2.25	2	R 212 114
Unskilled	-	-	-	-
TOTAL	R 18 826 774	100	23	R 818 555

Table 20: Performance rewards

PROGRAMME	PERFORMANCE REWARDS	PERSONNEL EXPENDITURE	% OF PERFORMANCE REWARDS TO TOTAL PERSONNEL COST
Top Management	R 467 731	R 3 019 341	2.48
Senior Management	R 224 323	R 5 844 928	1.19
Professional qualified	R 51 811	R 3 239 857	0.28
Skilled	R 155 193	R 6 298 421	0.82
Semi-skilled	R 32 045	R 424 227	0.17
Unskilled	-	-	-
TOTAL	R 931 103	R 18 826 774	4.95

Table 21: Training costs

DIRECTORATE/ BUSINESS UNIT	PERSONNEL EXPENDITURE	TRAINING EXPENDITURE	TRAINING EXPENDITURE AS A % OF PERSONNEL COST	NO. OF EMPLOYEES TRAINED	AVG. TRAINING COST PER EMPLOYEE
Stakeholder	R 5 578 151	R 36 150	0.65	3	R 12 050
Administration	R 6 952 584	R14 723	0.21	4	R 3 681
Compliance	R 6 296 039	R 36 150	0.57	3	R 12 050
Total	R18 826 774	R 87 023	0.46	10	R 27 781

Table 22: Employment and vacancies per programme

PROGRAMME	2015/2016 NO. OF EMPLOYEES	2016/17 APPROVED POSTS	2016/17 NO. OF EMPLOYEES	2016/17 VACANCIES	% OF VACANCIES
Stakeholder	5	8	6	2	25.00
Administration	11	11	10	1	9.09
Compliance	8	8	5	3	37.50
Total	24	27	21	6	22.22

Table 23: Employment and vacancies per employee category

PROGRAMME	2015/2016 NO. OF EMPLOYEES	2016/17 APPROVED POSTS	2016/17 NO. OF EMPLOYEES	2016/17 VACANCIES	% OF VACANCIES
Top Management	2	3	1	2	66.67
Senior Management	6	6	6	-	-
Professional qualified	4	6	4	2	33.33
Skilled	10	10	8	2	20.00
Semi-skilled	2	2	2	-	-
Unskilled	-	-	-	-	-
TOTAL	24	27	21	6	22.22

There has been an upward movement in the vacancy rate over FY2015/16 to FY2016/17 to 22.2%. Although the entity has been filling vacant positions, there were resignations during the reporting period.



Table 24: Employment changes

SALARY BAND	EMPLOYMENT AT BEGINNING OF PERIOD	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT END OF THE PERIOD
Top Management	2	-	1	1
Senior Management	6	-	-	6
Professional qualified	4	2	2	4
Skilled	10	1	3	8
Semi-skilled	2	-	-	2
Unskilled	-	-	-	-
TOTAL	24	3	6	21

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

Table 25: Reasons for staff leaving

REASON	NUMBER	% OF TOTAL NUMBER OF STAFF LEAVING
Death	-	-
Resignation	6	100
Dismissal	-	-
Retirement	-	-
Ill health	-	-
Expiry of contract	-	-
Other	-	-
Total	6	100

During the FY2016/17, a total of six (6) resignations were received.

Table 26: Labour relations - misconduct and disciplinary action

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal Warning	-
Written Warning	2
Final Written warning	-
Dismissal	-
Total	2

Table 27: Equity target and employment equity status

CATEGORY	AFRICAN		COLOURED		INDIAN		WHITE		DISABILITY	
	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE
National (EAP) targets	34%	39%	5%	6%	1%	2%	6%	7%	2%	2%
NGB-Average	25%	33%	0%	0%	17%	6%	3%	0%	0%	0%
Top	0%	0%	0%	0%	100%	0%	0%	0%	0%	0%
Senior	0%	50%	0%	0%	0%	33%	17%	0%	0%	0%
Professional qualif.	50%	50%	0%	0%	0%	0%	0%	0%	0%	0%
Skilled	50%	50%	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%
Variiances	-9%	-6%	-5%	-6%	16%	4%	-3%	-7%	-2%	-2%

NGB has set Employment Equity targets according to the National Employment Equity targets.

There are nine (9) approved top and senior management positions at the NGB. As at the end of the financial year only seven (7) were occupied, two (2) of which were occupied by females.

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 NGB's organisational structure translate to the following:

- There are two (2) females representing both top and senior management positions;
- Indians are over-represented as they form a combined total of 23% (males - 2 & females - 1);
- There is under-representation of whites and coloureds; and
- There are no people with disabilities currently employed at the NGB.

Attempts made to address variances

The approved Employment Equity Plan provided for specific interventions in ensuring that NGB worked towards meeting the desired Employment Equity targets. The plan was implemented and monitored.



PART F

FINANCIAL INFORMATION

REPORT OF THE ARC
REPORT OF THE AUDITOR GENERAL
AA RESPONSIBILITIES AND APPROVAL
ANNUAL FINANCIAL STATEMENTS

FROM LEFT TO RIGHT:

Ms K Mackerduth (Chief Financial Officer)
Mr S Mthombeni (Senior Manager: Finance)
Ms C Kongwa (Accounting Authority)

REPORT OF THE AUDIT AND RISK COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2017.

AUDIT AND RISK COMMITTEE RESPONSIBILITY

The ARC reports that it has complied with its responsibilities arising from Section 51 (1)(a)(ii) of the Public Finance Management Act, 1999 (Act 1 of 1999) and Treasury Regulation 27.1. The ARC also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

THE EFFECTIVENESS OF INTERNAL CONTROL

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the public entity, revealed certain 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;
- Enterprise Risk Management;
- ICT Vulnerability Assessment; and
- Annual Financial Statement 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 that included, but was 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 a recommendation was made to the AA in relation to approval of the said document. 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 at quarterly oversight meetings that were held between the Minister and the Chairpersons of ARC for all **the dti** entities.

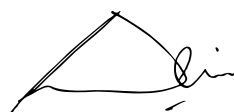
EVALUATION OF ANNUAL FINANCIAL STATEMENTS

We have reviewed the annual financial statements prepared by the public entity for the financial year 2016/17. 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.



Ms Gaylene Deiner

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

31 July 2017



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 78 to 118, which comprise the statement of financial position as at 31 March 2017, 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 2017, 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) together with 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 there is an intention either to liquidate the public entity or to cease operations, or there is 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 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 the 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 the 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 2017:

Programmes	Pages in the annual performance report
Programme 1 – Compliance	22 – 32
Programme 2 – Stakeholder liaison and advisory services	33 – 40

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 identify any material findings on the usefulness and reliability of the reported performance information for the following programmes:
 - Programme 1 – Compliance
 - Programme 2 – Stakeholder liaison and advisory services

OTHER MATTER

I draw attention to the matter below.

Achievement of planned targets

Refer to the annual performance report on pages 13 to 45 for information on the achievement of planned targets for the year.

REPORT ON AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

15. 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.
16. We did not identify any instances of material non-compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

Other information

17. The National Gambling Board's accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.
18. 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.



19. 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 on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

20. 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 thereon. I did not identify any significant deficiencies in internal control.

Auditor - General

Pretoria

31 July 2017



**AUDITOR - GENERAL
SOUTH AFRICA**

Auditing to build public confidence

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 the 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 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 the auditor's report. However, future events or conditions may cause a public entity to cease to continue 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 here 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 2018 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 NGB 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 reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is attached hereto.

The annual financial statements which have been prepared on the going concern basis, were approved by the AA on 31 July 2017 and were signed by:

Ms Caroline Kongwa

Accounting Authority of the National Gambling Board
31 July 2017

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	NOTES	2017 R	2016 RESTATED* R
Assets			
Current Assets			
Inventories	3	34 459	42 756
Receivables from exchange transactions	4	323 418	270 954
Cash and cash equivalents	5	34 546 322	26 438 640
		34 904 199	26 752 350
Non-Current Assets			
Property, plant & equipment	6	9 383 719	10 391 830
Intangible assets	7	1 421 879	1 358 241
Receivables from exchange transactions	4	959 840	792 010
		11 765 438	12 542 081
Total Assets		46 669 637	39 294 431
Liabilities			
Current Liabilities			
Payables from exchange transactions	8	7 480 009	6 639 895
Provisions	9	2 699 443	1 809 244
		10 179 452	8 449 139
Non-Current Liabilities			
Deferred rent and accommodation		9 063 922	8 794 900
Total Liabilities		19 243 374	17 244 039
Net Assets		27 426 263	22 050 392
Accumulated surplus		27 426 263	22 050 392



STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2017

	NOTES	2017 R	2016 RESTATED* R
Revenue			
Revenue from exchange transactions			
Limited payout machines (LPM) monitoring fees		10 000 000	5 300 668
Interest received		2 472 736	1 324 254
Miscellaneous revenue	10	6 683 145	2 118 099
Total revenue from exchange transactions		19 155 881	8 743 021
Revenue from non-exchange transactions			
Transfer revenue			
Government grants		30 121 000	31 983 000
Total revenue		49 276 881	40 726 021
Expenditure			
Depreciation and amortisation	6&7	(2 183 483)	(2 150 450)
Personnel costs	11	(15 807 432)	(8 900 259)
Executive Managers' Remuneration	12	(3 126 643)	(2 726 382)
Finance costs		(107)	-
Operating leases	13	(7 522 806)	(7 495 965)
General Expenses	14	(10 225 254)	(6 369 598)
Total expenditure		(38 865 725)	(27 642 654)
Operating surplus		10 411 156	13 083 367
Surplus for the year		10 411 156	13 083 367

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2017

	ACCUMULATED SURPLUS R	TOTAL NET ASSETS R
Opening balance as previously reported	8 996 400	8 996 400
Adjustments		
Prior year adjustments	(29 375)	(29 375)
Balance at 01 April 2015 as restated*	8 967 025	8 967 025
Changes in net assets		
Surplus for the year	13 219 420	13 219 420
Correction of errors	(136 053)	(136 053)
Total changes	13 083 367	13 083 367
Restated* Balance at 01 April 2016	22 050 392	22 050 392
Changes in net assets		
Surplus for the year	10 411 156	10 411 156
Transfer of cash surplus to National Treasury	(5 035 285)	(5 035 285)
Total changes	5 375 871	5 375 871
Balance at 31 March 2017	27 426 263	27 426 263

* Refer to note 19



CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

	NOTES	2017 R	2016 RESTATED* R
Cash flows from operating activities			
Receipts			
Grants		30 121 000	31 983 000
Interest received		2 472 735	1 324 254
Rental income		2 035 631	1 893 208
Limited payout machines (LPM) monitoring fees		10 000 000	5 300 668
RFP sales		4 450 000	11 250
Other receipts		-	5 149
		49 079 366	40 517 529
Payments			
Employee costs		(18 225 614)	(10 971 136)
Suppliers		(22 217 824)	(11 908 447)
Finance costs		-	-
		(40 443 438)	(22 879 583)
Net cash flows from operating activities	15	8 635 928	17 637 946
Cash flows from investing activities			
Purchase of property, plant & equipment	6	(513 415)	(532 583)
Purchase of other intangible assets	7	(519 412)	(435 692)
Net cash flows from investing activities		(1 032 827)	(968 275)
Cash flows from financing activities			
Proceeds from confiscated winnings		504 581	553 026
Net increase/(decrease) in cash and cash equivalents		8 107 682	17 222 697
Cash and cash equivalents at the beginning of the year		26 438 640	9 215 943
Cash and cash equivalents at the end of the year	5	34 546 322	26 438 640

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 31 MARCH 2017

	APPROVED BUDGET R	ADJUSTMENTS R	FINAL BUDGET R	ACTUAL AMOUNTS ON COMPARABLE BASIS R	DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL R	REF.
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Limited payout machines (LPM) monitoring fees	10 300 000	(300 000)	10 000 000	10 000 000	-	
Interest received (trading)	1 449 000	1 057 275	2 506 275	2 472 736	(33 539)	26
Miscellaneous revenue	11 785 598	(5 466 667)	6 318 931	6 683 145	364 214	26
Total revenue from exchange transactions	23 534 598	(4 709 392)	18 825 206	19 155 881	330 675	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants	30 121 000	-	30 121 000	30 121 000	-	
Total revenue	53 655 598	(4 709 392)	48 946 206	49 276 881	330 675	
Expenditure						
Personnel	(19 754 436)	2 603 568	(17 150 868)	(15 807 432)	1 343 436	26
Executive managers' remuneration	(3 520 193)	(59 999)	(3 580 192)	(3 126 643)	453 549	26
Depreciation and amortisation	(2 006 461)	(195 404)	(2 201 865)	(2 183 483)	18 382	26
Finance costs	-	-	-	(107)	(107)	
Operating leases	(7 507 470)	-	(7 507 470)	(7 522 806)	(15 336)	
Other operating expenses	(20 510 033)	7 559 347	(12 950 686)	(10 225 254)	2 725 432	26
Total expenditure	(53 298 593)	9 907 512	(43 391 081)	(38 865 725)	4 525 356	
Surplus for the year	357 005	5 198 120	5 555 125	10 411 156	4 856 031	
Statement of Financial Position						
Assets						
Non-Current Assets						
Property, plant & equipment	249 780	165 000	414 780	851 676	436 896	26
Intangible assets	-	4 975 000	4 975 000	519 412	(4 455 588)	26
	249 780	5 140 000	5 389 780	1 371 088	(4 018 692)	
Total Assets	249 780	5 140 000	5 389 780	1 371 088	(4 018 692)	
Net Assets	249 780	5 140 000	5 389 780	1 371 088	(4 018 692)	
Reserves						
Accumulated surplus	249 780	5 140 000	5 389 780	1 371 088	(4 018 692)	



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 GOING CONCERN ASSUMPTION

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

1.2 PRESENTATION CURRENCY

These financial statements are presented in South African Rands since that is the currency in which the majority of the National Gambling Board's transactions are denominated.

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.

1.5 PROPERTY, PLANT & EQUIPMENT

Property, plant & equipment 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 used during more than one period.

The cost of an item of property, plant & equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant & equipment is initially measured at cost.

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant & equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant & equipment, the carrying amount of the replaced part is derecognised.

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 & equipment, 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 of an item of property, plant & equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major inspection costs which are a condition of continuing use of an item of property, plant & equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant & equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant & equipment is carried at cost less accumulated depreciation and any impairment losses.

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

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

ITEM	DEPRECIATION METHOD	AVERAGE USEFUL LIFE
Leasehold property	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



1.5 PROPERTY PLANT & EQUIPMENT (CONTINUED)

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 & equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant & equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant & equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant & equipment 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 sell 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.

1.6 INTANGIBLE ASSETS (CONTINUED)

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.

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	4-5 years
Computer software, other	3-5 years
National Databases	4-5 years

1.7 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are recorded at the rate of exchange ruling at the transaction date. Gains and losses arising on translation are credited to or charged against income in the statement of financial performance.

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



1.8 FINANCIAL INSTRUMENTS (CONTINUED)

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.

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 unfavourable 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:

1.8 FINANCIAL INSTRUMENTS (CONTINUED)

- 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	Financial asset measured at cost amortised cost

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].



1.8 FINANCIAL INSTRUMENTS (CONTINUED)

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 the 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.

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. 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.

1.8 FINANCIAL INSTRUMENTS (CONTINUED)

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.

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.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, 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.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rent is expensed in the period in which they are incurred.

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 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 Board'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 comprises of 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 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.

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:

- (a) the period of time over which an asset is expected to be used by the entity; or
- (b) 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 using the following approach:

1.14 IMPAIRMENT OF NON-CASH-GENERATING ASSETS (CONTINUED)

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.



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.

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

Employees entitlement to annual leave is recognized when it accrues. A provision is made on the estimated liability for annual leave as a result of services rendered by employees up to the amount of the obligation.

Employees entitlement to performance bonus is recognised when the Board 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 Board. The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

1.16 PROVISIONS (CONTINUED)

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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.

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

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

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

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



1.18 REVENUE FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

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 National Gambling Board 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 has been presented in the current financial year. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

1.21 IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful expenditure is expenditure made in vain and would have been avoided had reasonable care been exercised. Irregular expenditure is expenditure other than unauthorised expenditure incurred in contravention of a requirement of any applicable legislation, including the PFMA. All unauthorised, irregular, fruitless and wasteful expenditure is charged against income in the period in which they are incurred.

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 No. 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 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.

1.23 CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.24 BUDGET INFORMATION

Entities 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.



1.24 BUDGET INFORMATION (CONTINUED)

The approved budget covers the fiscal period from 2016-04-01 to 2017-03-31.

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

1.25 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.

1.26 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

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2017 or later periods:

GRAP 20: Related parties	Effective date not yet determined	Unlikely there will be a material impact
GRAP 109: Accounting by Principals and Agents	Effective date not yet determined	Unlikely there will be a material impact
GRAP 108: Statutory Receivables	Effective date not yet determined	Unlikely there will be a material impact
GRAP 32: Service Concession Arrangements: Grantor	Effective date not yet determined	Unlikely there will be a material impact
IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	Effective date not yet determined	Unlikely there will be a material impact

3. INVENTORIES

	2017 R	2016 R
Stationery on hand and consumables	34 459	42 756

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade debtors	795	16 396
Prepayments	196 213	17 219
Deposits	5 930	5 930
Operating lease receivables	1 080 320	1 023 419
	1 283 258	1 062 964
Non-current assets	959 840	792 010
Current assets	323 418	270 954
	1 283 258	1 062 964

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:		
Cash on hand	414	487
Bank balances	29 110 455	21 507 281
Short-term deposits- Confiscated winnings	5 435 453	4 930 872
	34 546 322	26 438 640



6. PROPERTY, PLANT & EQUIPMENT

	2017			2016		
	COST R	ACCUMULATED DEPRECIATION R	CARRYING VALUE R	COST R	ACCUMULATED DEPRECIATION R	CARRYING VALUE R
Furniture and office equipment	3 228 238	(1 278 312)	1 949 926	3 429 425	(1 083 441)	2 345 984
Motor vehicles	701 074	(310 484)	390 590	399 997	(232 316)	167 681
IT equipment	1 592 362	(764 148)	828 214	1 129 784	(579 695)	550 089
Leasehold improvements	10 850 310	(4 635 321)	6 214 989	10 850 310	(3 522 234)	7 328 076
Total	16 371 984	(6 988 265)	9 383 719	15 809 516	(5 417 686)	10 391 830

Reconciliation of property, plant & equipment - 2017

	OPENING BALANCE R	ADDITIONS R	DISPOSALS R	DEPRECIATION R	TOTAL R
Furniture & 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

Reconciliation of property, plant & equipment - 2016

	OPENING BALANCE R	ADDITIONS R	DISPOSALS R	DEPRECIATION R	TOTAL R
Furniture and office equipment	2 665 456	-	(5 258)	(314 214)	2 345 984
Motor vehicles	225 681	-	-	(58 000)	167 681
IT equipment	156 167	562 450	-	(168 528)	550 089
Leasehold improvements	8 441 163	-	-	(1 113 087)	7 328 076
	11 488 467	562 450	(5 258)	(1 653 829)	10 391 830

7. INTANGIBLE ASSETS

	2017			2016		
	COST R	ACCUMULATED AMORTISATION R	CARRYING VALUE R	COST R	ACCUMULATED AMORTISATION R	CARRYING VALUE R
Computer software, internally generated	2 244 633	(1 492 790)	751 843	2 190 649	(1 274 697)	915 952
Computer software, other	1 411 974	(741 938)	670 036	1 024 903	(582 614)	442 289
	3 656 607	(2 234 728)	1 421 879	3 215 552	(1 857 311)	1 358 241

Reconciliation of intangible assets - 2017	OPENING BALANCE R	ADDITIONS R	INTERNALLY GENERATED R	AMORTISATION R	TOTAL R
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

Reconciliation of intangible assets - 2016	OPENING BALANCE R	ADDITIONS R	INTERNALLY GENERATED R	AMORTISATION R	TOTAL R
Computer software, internally generated	771 411	-	376 086	(231 545)	915 952
Computer software, other	647 760	59 605	-	(265 076)	442 289
	1 419 171	59 605	376 086	(496 621)	1 358 241

8. PAYABLES FROM EXCHANGE TRANSACTIONS

	2017	2016
Trade payables	1 654 531	1 389 769
Deferred rent and accommodation	371 338	254 265
Unidentified confiscated gambling winnings	5 211 367	4 772 588
SARS for PAYE and UIF	19 316	65 354
Confiscated winnings from identified punters	223 457	157 919
	7 480 009	6 639 895

9. PROVISIONS

Reconciliation of provisions - 2017	OPENING BALANCE R	ADDITIONS R	UTILISED DURING THE YEAR R	REVERSED DURING THE YEAR R	TOTAL R
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
	1 809 244	3 097 225	(1 837 269)	(369 757)	2 699 443



9. PROVISIONS (CONTINUED)

Reconciliation of provisions - 2016	OPENING BALANCE R	ADDITIONS R	UTILISED DURING THE YEAR R	REVERSED DURING THE YEAR R	TOTAL R
Leave provision	285 908	453 383	(230 907)	-	508 384
Provision for Compensation Commissioner	28 234	24 467	(23 870)	(4 364)	24 467
Provision for performance bonuses	604 238	1 276 393	(278 085)	(326 153)	1 276 393
	918 380	1 754 243	(532 862)	(330 517)	1 809 244

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 twelve months.

The amount to be paid for bonuses is uncertain as it is linked to the achievement of pre-determined 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. Employees may not carry more than 8 days of leave into a new leave cycle, unless they do so due to operational requirements.

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.

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 twelve months.

The balance of R54,678 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 2016/17 financial period, which ROE will result in an assessment and invoice from the Commissioner.

10. REVENUE FROM EXCHANGE TRANSACTIONS	2017 R	2016 R
Rental income- related party	2 092 531	2 100 709
RFP Sales	4 450 000	11 250
Miscellaneous income	140 614	6 140
	6 683 145	2 118 099

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

Within 1 year	1 918 216	1 801 142
2 to 5 years	6 535 697	8 453 914
	8 453 913	10 255 056

The NGB has leased a building to **the dti** under a sub-letting arrangement for a period of 8 years and four months, effective from 01 December 2012. Monthly rental payments of R150,095 (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.

11. EMPLOYEE RELATED COSTS

Basic	14 579 181	8 260 193
UIF	42 567	29 231
Leave pay provision charge	659 893	268 747
Employee benefits	468 598	295 816
Other salary related	57 193	46 272
	15 807 432	8 900 259

12. EXECUTIVE MANAGERS' REMUNERATION

EXECUTIVE:	2017				TOTAL R
	EMOLUMENTS R	PENSION PAID OR RECEIVABLE R	SEVERANCE PAY R	PAYMENT IN LIEU OF LEAVE R	
Chief Financial Officer: Ms K Mackerduth	1 079 173	141 379	-	-	1 220 552
Accounting Authority: Ms. Caroline Kongwa	658 423	-	-	-	658 423
Chief Compliance Officer: Adv. M Goodman (termination date: 12 August 2016)	333 072	45 419	709 671	52 205	1 140 367
	2 070 668	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.



12. EXECUTIVE MANAGERS' REMUNERATION (CONTINUED)

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: Adv. M. Goodman, R11,386.33.

EXECUTIVE:	2016		
	EMOLUMENTS R	PENSION PAID OR RECEIVABLE R	TOTAL R
Chief Financial Officer: Ms K Mackerduth	998 220	134 039	1 132 259
Accounting Authority: Ms C Kongwa	575 538	-	575 538
Administrator: Mr T Baleni- (termination date: 31 May 2015)	90 779	-	90 779
Adv. M Goodman (appointment date: 01 July 2015)	749 412	102 193	851 605
	2 413 949	236 232	2 650 181

Over and above the remuneration disclosed above the Chief Financial Officer: Ms. K. Mackerduth received a performance bonus of R53,560 during the year ended 31 March 2016. While the expenditure was provided for in the previous financial period, the payment was made during the current period.

Over and above the remuneration disclosed above the Chief Compliance Officer: Adv. M. Goodman received a performance bonus of R35,716 during the year ended 31 March 2016. 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, R33,605, and the Chief Compliance Officer: Adv. M. Goodman, R25,619.

NON-EXECUTIVE:

Ms GA Deiner (Audit Committee Chairperson)
Ms PN Sibiyi (Audit Committee member)
Mr J Matshiyi (Audit Committee member)

2017	
MEMBERS' FEES R	TOTAL R
64 947	64 947
23 530	23 530
18 824	18 824
107 301	107 301

NON-EXECUTIVE:

Ms GA Deiner (Audit Committee member)
Ms G Taylor (Audit Committee Chairperson)- (termination date: 31 January 2016)
Ms PN Sibiyi (Audit Committee member)- (appointment date: 26 October 2015)
Mr J Matshiyi (Audit Committee member)- (appointment date: 26 October 2015)

2016	
MEMBERS' FEES R	TOTAL R
24 937	24 937
32 896	32 896
9 184	9 184
9 184	9 184
76 201	76 201

13. OPERATING LEASE

	2017 R	2016 R
Current year		
Premises	7 408 775	7 419 916
Photocopiers	114 031	76 049
	7 522 806	7 495 965

Future minimum lease payments under non-cancellable operating leases for premises

Within 1 year	7 460 744	6 839 803
2 to 5 years	34 830 855	34 176 784
Hereafter	5 039 038	13 153 853
	47 330 637	54 170 440

The National Gambling Board leases a building from M&T Development (Pty) Ltd for a period of nine years and eleven months, effective from 01 December 2012. As at 31 March 2017, monthly rental payments of R446,978 (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 Delta Properties for a period of 15 years, effective from 1 April 2006. The lease payments are R150,095 (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 the 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.

Future minimum lease payments under non-cancellable operating lease for photocopiers

Within 1 year	108 874	38 994
2 to 5 years	100 414	56 396
	209 288	95 390

The NGB is renting five (5) photocopy machines from Konica Minolta over 36 months contracts, two (2) of which expired during the year. On average, monthly rentals of R9,503 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.

14. GENERAL EXPENSES

Professional and consulting fees

Legal fees	1 919 864	467 060
Research	1 789 135	706 356
Internal Audit	300 540	597 208
Other consulting fees	599 607	378 653
	4 609 146	2 149 277



14. GENERAL EXPENSES (CONTINUED)

	2017 R	2016 R
Travel and subsistence		
Local	537 761	411 909
Travel- overseas- deductible	369 250	-
	907 011	411 909
Other operating expenses		
Recruitment costs	88 826	145 104
Advertising	589 335	9 713
Training	87 024	-
Temporary staff costs	-	32 500
Internet costs	197 785	195 126
Telephone and fax	122 623	151 198
Printing and stationery	338 346	272 592
Bank charges	25 475	16 278
Car License	756	-
Cleaning	86 001	73 921
Conferences	82 408	-
Fora meetings	6 860	24 176
Copying costs	95 451	109 076
Postage and courier services	3 590	1 564
Fuel and oil	44 267	22 230
Subscriptions and membership fees	52 054	5 625
Water and Electricity	403 642	386 888
Software expenses	680 902	431 026
Stationery	55 083	54 299
General maintenance	69 745	60 449
Small Office Equipment	8 035	4 218
Insurance	312 402	307 809
Refreshments	182 368	27 600
Storage	10 617	10 406
Security costs	1 198	10 203
Loss on Disposal of Assets	132 135	5 259
Administration fees	-	(18 986)
Impairment of debtors	3 000	-
	3 679 928	2 338 274

14. GENERAL EXPENSES (CONTINUED)	2017 R	2016 R
Repairs and Maintenance		
Property, plant and equipment	21 197	20 479
Auditors' Remuneration		
External audit fees	1 007 972	1 449 659
Total General Expenses	10 225 254	6 369 598

15. CASH GENERATED FROM OPERATIONS

Surplus	10 411 156	13 083 367
Adjustments for:		
Depreciation and amortisation	2 183 483	2 150 450
Loss on disposal of non-current assets	132 135	5 259
Transfer of cash surplus to National Treasury	(5 035 285)	-
Movements in provisions	890 200	890 864
Changes in working capital:		
Inventories	8 297	(22 303)
Receivables from exchange transactions	(220 294)	307 685
Payables from exchange transactions	(119 859)	(251 097)
Deferred rent and accommodation	386 095	1 473 721
	8 635 928	17 637 946

16. COMMITMENTS

AUTHORISED CAPITAL EXPENDITURE		
Already contracted for but not provided for		
Firewall	-	43 006
Tender box	-	4 758
Electronic document management system	-	440 228
Computer equipment	62 099	29 868
Motor vehicle	-	301 077
Development of National Registers	4 479 972	-
Water coolers	13 307	-
	4 555 378	818 937
Total capital commitments		
Already contracted for but not provided for	4 555 378	818 937



16. COMMITMENTS (CONTINUED)

	2017 R	2016 R
AUTHORISED OPERATIONAL EXPENDITURE		
Already contracted for but not provided for		
Internet and telephone services	-	216 370
ICT infrastructure support	-	194 097
Internal audit services	52 656	353 196
Website hosting	12 938	89 372
Legal services	6 470 991	6 000 000
Quality assurance of bid process	1 046 856	1 362 479
Research services	1 697 745	1 061 530
Software upgrade	-	366 620
Navigator	-	2 999
Competency assessments	-	18 627
Media awareness campaign	-	490 921
Risk management training	-	23 000
Software hosting	-	4 900
Cleaning services	57 565	143 566
Audit of NCEMS	311 220	-
Antivirus upgrade	6 954	-
Transcription services	23 800	-
Verification of employees' qualifications	28 638	-
Media monitoring services	48 854	-
	9 758 217	10 327 677
Total operational commitments		
Already contracted for but not provided for	9 758 217	10 327 677
TOTAL COMMITMENTS		
Total commitments		
Authorised capital expenditure	4 555 378	818 937
Authorised operational expenditure	9 758 217	10 327 677
	14 313 595	11 146 614

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

17. RELATED PARTIES

The NGB is part of the Council of Trade and Industry Institutions (COTII) which contribute towards the achievement of the objectives of **the dti** and the overall Government strategies. The entities listed below are part of COTTI and are all under the common control of **the dti**:

RELATIONSHIPS

The Department of Trade and Industry (the dti)	Controlling national department
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
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

RELATED PARTY BALANCES

	2017 R	2016 R
Rental receivable from related parties		
Rental for a building leased to the dti	62 579	63 579
Amounts payable to related parties		
Administrators' acting allowance and reimbursements	1 459	104 776

RELATED PARTY TRANSACTIONS

Rental received from related parties		
The Department of Trade and Industry	2 035 631	1 896 208
Payments made to related parties		
The Department of Trade and Industry- Allowances and reimbursements for the Administrator	667 414	606 642

The NGB is a signatory to a lease contract with Delta Properties for office premises located on the has sub-let the office premises to **the dti** which refunds the NGB for the rental paid.



18. CHANGE IN ACCOUNTING ESTIMATE

PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS

The remaining useful lives of all assets were assessed during the year. A change in accounting estimate was made in relation to Computer Equipment, Computer Software, Furniture, Office Equipment and Motor Vehicles. The effect of the change in accounting estimate on the current year's results was an increase in the current year's surplus by R54,132. The effect of the change in accounting estimate on future financial years will be a decrease in net surplus by R53,073 and R1,087 for the financial period 2017/18 and 2018/19 respectively.

19. PRIOR-YEAR ADJUSTMENTS

An invoice amounting to R932 for cellular phone expenses for the Accounting Authority was received after the end of the 2015/16 financial period.

An invoice amounting to R50,323 for quality assurance services in relation to a bid process was received after the 2015/16 financial period.

An invoice for the amount of R76,182 for legal services was received after the 2015/16 financial period.

An invoice for the amount of R8,616 for verification of qualifications for recruits was received after the end of the 2015/16 financial period.

During the year under review, a letter of assessment was received for the payment of Pay-as-you-earn relating to the 2013/14 financial period for an amount of R29,375.

The current portion of the deferred rent and accommodation was overstated by R835,953 while the non-current portion was understated by the same amount.

During the 2015/16 financial period, other benefits paid for the administration of the provident fund, disability insurance, group life assurance and funeral insurance for the executive managers for the total amount of R59,224 were not disclosed. A narrative disclosure has been added to the note on executive managers' remuneration.

In the 2015/16 disclosure of future minimum lease payments under non-cancellable operating leases for premises, a total amount of R896,218, being the lease incentive received for leasehold improvements at the inception of the lease, was deducted from the lease commitment amount. The disclose note has been revised to include the lease incentive received.

The above-mentioned errors resulted in the restatement of the annual financial statements for the 2015/16 financial period and a restatement of the accumulated surplus for the 2014/15 financial periods as follows:

STATEMENT OF FINANCIAL POSITION:		2015		
		AS PREVIOUSLY REPORTED R	CORRECTION OF ERROR R	RESTATEMENT R
Accumulated surplus		8 996 400	(29 375)	8 967 025

STATEMENT OF FINANCIAL POSITION:		NOTE	2016		
			AS PREVIOUSLY REPORTED R	CORRECTION OF ERROR R	RESTATEMENT R
Payables from exchange transactions		8	7 310 420	(670 525)	6 639 895
Deferred rent and accommodation			7 958 947	835 953	8 794 900
			15 269 367	165 428	15 434 795

19. PRIOR-YEAR ADJUSTMENTS (CONTINUED)

STATEMENT OF FINANCIAL PERFORMANCE:	NOTES	2016		
		AS PREVIOUSLY REPORTED R	CORRECTION OF ERROR R	RESTATEd R
Total revenue as previously stated		40 726 021	-	40 726 021
Expenditure not affected by prior year error		(21 273 056)	-	(21 273 056)
General expenses	14	(6 233 545)	(136 053)	(6 369 598)
Surplus for the year		13 219 420	(136 053)	13 083 367

20. RISK MANAGEMENT

LIQUIDITY RISK

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

Other financial liabilities	7 108 672	6 385 631
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The table below illustrates the NGB's Maturity Analysis for non-derivative financial liabilities:

AT 31 MARCH 2017	LESS THAN 1 YEAR R	BETWEEN 1 AND 2 YEARS R	BETWEEN 2 AND 5 YEARS R	OVER 5 YEARS R	TOTAL R
Operating leases	7 569 617	8 204 095	26 691 175	5 039 038	47 539 925
Trade and other payables	2 178 165	4 930 507	-	-	7 108 672
	9 747 782	13 170 602	26 691 175	5 039 038	54 648 597

AT 31 MARCH 2016	LESS THAN 1 YEAR R	BETWEEN 1 AND 2 YEARS R	BETWEEN 2 AND 5 YEARS R	OVER 5 YEARS R	TOTAL R
Operating leases	6 878 798	7 494 581	26 738 599	13 153 853	54 265 831
Trade and other payables	1 941 197	4 415 060	29 374	-	6 385 631
	8 819 995	11 909 641	26 767 973	13 153 853	60 651 462

The NGB manages liquidity risk through an on-going review of future commitments. Annual cash flow forecasts are prepared and monitored. The entity receives an annual grant and is, therefore, not exposed to liquidity risk.



20. RISK MANAGEMENT (CONTINUED)

2017
R

2016
R

SENSITIVITY ANALYSIS

A change in the market interest rate at the reporting date would have increased/(decreased) the surplus for the year by amounts below:

Cash and Cash Equivalents-increase by 1%
Cash and Cash Equivalents-decrease by 1%

345 463	264 386
(345 463)	(264 386)
-	-

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

	1-30 DAYS PAST DUE R	60-90 DAYS PAST DUE R	90-120 DAYS PAST DUE R	MORE THAN 120 DAYS PAST DUE R	TOTAL R
TRADE RECEIVABLES					
2017	197 008	-	-	68 509	265 517
2016	17 218	-	13 448	59 060	89 726
	214 226	-	13 448	127 569	355 243

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.

20. RISK MANAGEMENT (CONTINUED)

2017
R

2016
R

EXPOSURE TO CREDIT RISK

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

Cash and Cash Equivalents	34 546 322	26 438 640
Other Receivables	1 283 258	1 062 963
	35 829 580	27 501 603

CONCENTRATION OF CREDIT RISK

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

Cash and Cash equivalents (excluding petty cash)	34 545 908	26 438 153
Other receivables	1 283 258	1 062 963
	35 829 166	27 501 116

FINANCIAL INSTRUMENTS

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

Cash and cash equivalents (excluding petty cash)	34 545 908	26 438 153
Receivables	1 283 258	1 062 963
Other financial liabilities	7 108 672	6 385 631
	42 937 838	33 886 747

21. GOING CONCERN

As at 31 March 2017, the entity had a net surplus for the year of R10.4 million, while total assets exceeded total liabilities by R27.4 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 30 March 2016. 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. It is further anticipated that the National Central Electronic Monitoring System (NCEMS) will generate additional revenue for the NGB during 2017/18 and subsequent years.

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.

22. UNAUTHORISED EXPENDITURE

There was no unauthorised expenditure during the year.



23. FRUITLESS AND WASTEFUL EXPENDITURE

	2017 R	2016 R
Opening balance	29 276	29 276
Less: Amounts written off	(29 276)	-
	-	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 (R2,312), accommodation for one day more than the days approved (R1,051), board member's accommodation not utilised (no show) (24,946), bank honouring fees (R520) and call-out fee for temporary staff not utilised (R447).

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

24. IRREGULAR EXPENDITURE

Opening balance	-	6 951 121
Add: Irregular Expenditure- current year	-	70 005
Less: Amounts condoned	-	(6 950 453)
Less: Amounts not recoverable (not condoned)	-	(70 673)
	-	-

DETAILS OF IRREGULAR EXPENDITURE – CURRENT YEAR	DISCIPLINARY STEPS TAKEN/ CRIMINAL PROCEEDINGS	
No irregular expenditure was incurred during the current period.	No disciplinary steps were necessary.	-

DETAILS OF IRREGULAR EXPENDITURE CONDONED	CONDONED BY (CONDONING AUTHORITY)	
Non-compliance with PPPFA. Bids were advertised using the 90:10 preference point system, but proposals were below R1 million, which necessitated that the RFP be re-advertised at 80:20- this was not done - 2015/16.	Accounting Authority	70 005
Irregular expenditure relating to 2014/15	Accounting Authority	3 042 331
Irregular expenditure relating to 2013/14 and before	Accounting Authority	3 908 790
		7 021 126

24. IRREGULAR EXPENDITURE (CONTINUED)

Details of irregular expenditure not condoned

Bonuses paid over and above the capped percentage permissible by the entity's policy- 2014/15	70 673
Written off by the AA	(70 673)
	-

25. CONTINGENT LIABILITIES

	2017 R	2016 R
National Treasury- Cash surplus as at 31 March 2017	10 376 693	13 083 367
Former employee vs NGB	982 739	982 739
Former service provider vs NGB	78 026	-
	11 437 458	14 066 106

National Treasury - A contingent liability exists as a result of a cash surplus as at 31 March 2017, which must be surrendered to the National Treasury, unless permission is granted to retain it. The NGB intends to apply for the retention of the surplus.

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.

26. EXPLANATION OF VARIANCES

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

LIMITED PAYOUT MACHINES (LPM) MONITORING FEES

The budget for LPM monitoring fees was reduced in order to give effect to the contract with the NCEMS operator which specified the amount for monitoring fees as R10 million.

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 and RFP sales from prospective bidders, which income would be invested in the short-term investment facility available to the entity.



26. EXPLANATION OF VARIANCES (CONTINUED)

MISCELLANEOUS REVENUE

The budget for miscellaneous revenue was reduced due to the fact that the current NCEMS contract was amended such that some of the revenue previously envisaged for receipt in the year under review would only be received during the subsequent financial period.

The positive variance on the miscellaneous revenue resulted from the journal passed to straight-line the rentals receivable as a result of a sub-letting agreement. The variance was also caused by the fact that while the rental receivable could be estimated with precision, the variable costs associated with it, such as electricity and other consumables, fluctuate from month to month according to consumption.

PERSONNEL COSTS

The adjustment to the personnel budget was necessitated by the realisation that the process of filling vacant positions took longer than anticipated, such that when most of the vacant positions were eventually filled, the budget saving had already accumulated.

The positive variance on personnel costs was due to vacancies arising from resignations during the year.

EXECUTIVE MANAGERS' REMUNERATION

An increase in the budget for executive remuneration was made due to the need for the Audit Committee to participate in meetings hosted by the executive authority.

The positive variance at year-end resulted from a resignation by one member of the executive management, the Chief Compliance Officer.

DEPRECIATION AND AMORTISATION

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

OTHER OPERATING EXPENSES

The budget for other operating expenses was reduced due to a management decision not to continue with three (3) planned socio-economic research project on the LPM industry for which R4.5 million was initially allocated. The research budget was also reduced by R1.6 million due to a realisation that a research project on the socio-economic impact of gambling in South Africa would cost less than initially anticipated during budgeting. The budget revision was also attributable to a reduction in the budget for subsistence and travel when management realised that it would cost less than initially envisaged to undertake all the travelling for the year.

The positive variance on other operating expenses is attributable to an unutilised portion of the budget for a research project which had not been completed as at year-end; an unutilised budget for subscriptions to a web-based information platform; an unused portion of the training budget, temporary staff costs, travel and subsistence and copying costs; as well as an NCEMS audit and probity of entities bidding for the NCEMS bid which were procured during the current financial period but scheduled to commence in the subsequent financial period.

26. EXPLANATION OF VARIANCES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT (PPE)

The PPE was increased to make provision for the purchase of a disaster recovery server hardware and minor office equipment items.

The over-spending on PPE was due to the purchase of a motor vehicle in the current financial period from funds which were allocated and committed in the previous financial period.

INTANGIBLE ASSETS

The budget was increased to make provision for the development of National Registers.

The unused budget for intangible assets was due to the fact that the services for the development of National Registers were procured in the current financial period, but the actual development would be undertaken during the 2017/18 financial period.

27. EVENTS AFTER THE REPORTING DATE

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

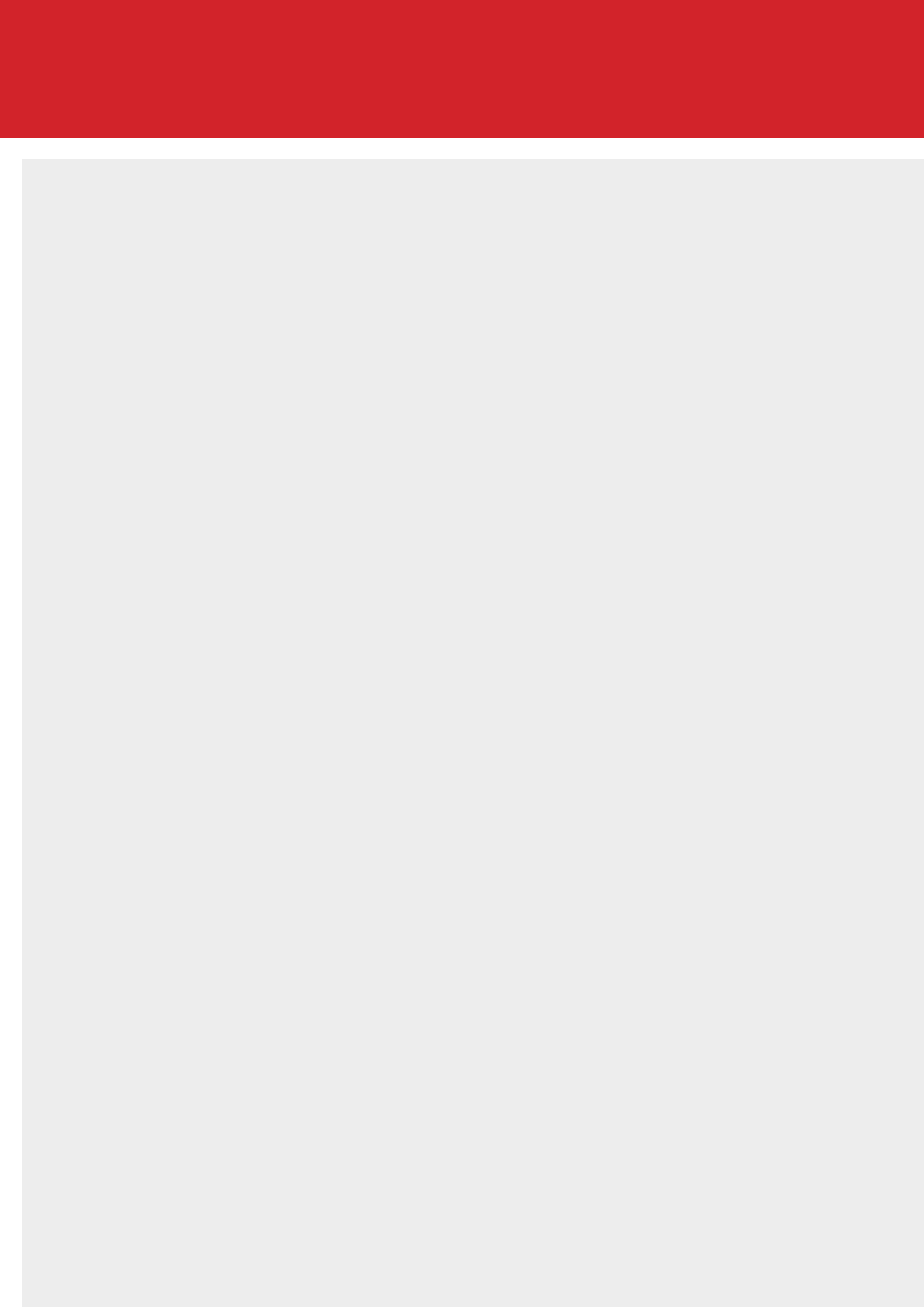
- Three matters relating to suspected illegal gambling winnings were heard in the Northern Cape High Court as well as the Gauteng High Court of South Africa during the month of May 2017. The High Courts found that the winnings were proceeds of illegal gambling activities, and ordered that such winnings be surrendered to the State.
- The total amount to be surrendered to the State was R1,247,710.



LIST OF ABBREVIATIONS / ACRONYMS

AA	Accounting Authority
AFS	Annual Financial Statements
AGSA	Auditor-General South Africa
APP	Annual Performance Plan
ARC	Audit and Risk Committee
BASA	Banking Association of South Africa
B-BBEE	Broad-Based Black Economic Empowerment
CASA	Casino Association of South Africa
CEO	Chief Executive Officer
CCO	Chief Compliance Officer
CFO	Chief Finance Officer
CIPC	Companies and Intellectual Property Commission
DPCI	Directorate for Priority Crime Investigation
EBT	Electronic Bingo Terminal
FICA	Financial Intelligence Centre Act
FNB	First National Bank
FPB	Film and Publications Board
FSB	Financial Services Board
FY	Financial Year
GDP	Gross Domestic Product
GRAF	Gaming Regulators Africa Forum
GRAP	Generally Recognised Accounting Practice
GGR	Gross Gambling Revenue
GRC	Gambling Review Commission
HCO	Human Capital Optimisation
HR	Human Resource
IAGR	International Association for Gambling Regulators
ICT	Information Communication Technology
IG	Interactive Gambling
IGOR	Illegal Gambling Operatives Register
ILO	International Labour Organisation
ISPA	Internet Service Providers Association

LPM	Limited Pay-out Machine
MTSF	Medium Term Strategic Framework
NCEMS	National Central Electronic Monitoring System
NGA	National Gambling Act (Act 7 of 2004)
NGB	National Gambling Board
NGO	Non-Government Organisation
NGR	National Gambling Regulator
NGRF	National Gambling Regulators Forum
NGPC	National Gambling Policy Council
NLA	National Liquor Authority
NLC	National Lotteries Commission
NPA	National Prosecution Authority
NRCS	National Regulator for Compulsory Specifications
PFMA	Public Finance Management Act (Act 1 of 1999)
PGB	Provincial Gambling Board
PLA	Provincial Licensing Authority
RMC	Risk Management Committee
SA	South Africa
SABS	South African Bureau of Standards
SANAS	South African National Accreditation System
SANS	South African National Standards
SAPS	South African Police Service
SARGF	South African Responsible Gambling Foundation
SCM	Supply Chain Management
SDS	Service Delivery Standard
SOOG	Strategic Outcome Oriented Goal
TC	Technical Committee
the dti	Department of Trade and Industry
YTD	Year to Date





**PROBLEM GAMBLING IS TREATABLE
GAMBLE RESPONSIBLY**

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