

Report of Auditor-General

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE NATIONAL GAMBLING BOARD FOR THE YEAR ENDED 31 MARCH 2010

Introduction

I have audited the accompanying financial statements of the National Gambling Board, which comprise the statement of financial position as at 31 March 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 34 to 60.

Accounting Authority's responsibility for the financial statements

The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Public Finance Management Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa and section 75(2) of the National Gambling Act, 2004 (Act No. 7 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Gambling Board as at 31 March 2010, and its financial performance and its cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Public Finance Management Act of South Africa.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the PAA of South Africa and General notice 1570 of 2009, issued in *Government Gazette No. 32758 of 27 November 2009* I include below my findings on the report on predetermined objectives, compliance with the Public Finance Management Act of South Africa, National Gambling Act and financial management (internal control).

Findings

Predetermined objectives

Usefulness of information

The following criteria were used to assess the usefulness of the planned and reported performance:

- Consistency: Has the entity reported on its performance with regard to its objectives, indicators and targets in its approved strategic plan, i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
- Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
- Measurability: Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable, and time bound?

The following audit findings relate to the above criteria:

Planned and reported performance targets are not specific, measurable and time bound

For the selected objectives (to be the portal of gambling information, to build integrity of the gambling industry, advise on gambling policy related matters, to promote a responsible gambling environment and public protection), 100% of the planned and reported targets were not

- Specific in clearly identifying the nature and the required level of performance;
- Measurable in identifying the required performance; and
- Time bound in specifying the time period or deadline for delivery.

Planned and reported indicators not well defined

For the selected objectives (to be the portal of gambling information, to build integrity of the gambling industry, advise on gambling policy related matters, to promote a responsible gambling environment and public protection), 43% of the planned and reported indicators were not clear, with an unambiguous definition to allow for data to be collected consistently.

Compliance with laws and regulations

Treasury Regulations of 2005

Non-adherence

Contrary to the requirement of Treasury Regulation 16A6.3(c) the accounting authority did not ensure that bids are advertised in at least the Government Tender Bulletin for a minimum period of 21 days before closure, except in urgent cases when bids may be advertised for such shorter period as the accounting authority may determine.

INTERNAL CONTROL

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the PFMA and National Gambling Act, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported are limited to the deficiencies identified during the audit.

Leadership

The internal policies and procedures pertaining to the planning of performance information were not aligned to National Treasury's Framework for Managing Programme Performance. Furthermore, the National Gambling Board did not have sufficient monitoring controls to ensure compliance with all applicable laws and regulations.

Auditor-General

Pretoria

31 July 2010



AUDITOR-GENERAL
SOUTH AFRICA

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