

ANNUAL REPORT  
2012 / 2013



National Gambling Board  
*South Africa*

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a member of **the dti** group



# SUBMISSION OF THE ANNUAL REPORT TO THE MINISTER

## NATIONAL GAMBLING BOARD (NGB) 2012/13

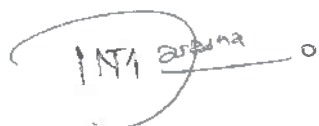
Minister of Trade and industry, Dr Rob Davies, MP

We have the honour and pleasure of submitting to you, in accordance with the Public Finance Management Act, 1999 (Act 1 of 1999), the Annual Report of the NGB for the period 1 April 2012 to 31 March 2013.



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Professor Linda de Vries  
Chairperson and Accounting Authority



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Mr Themba Marasha  
Acting Chief Executive Officer

Date of submission: 31 July 2013



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# GENERAL INFORMATION

## NGB'S General Information

REGISTERED NAME:	National Gambling Board of South Africa
PHYSICAL ADDRESS:	420 Witch-Hazel Avenue Eco Glades 2 Block C Eco Park Centurion 0144
POSTAL ADDRESS:	Private Bag x 27 Hatfield 0028
TELEPHONE NUMBER(S):	+27 10 003-3475
FAX NUMBER:	+27 86 618-5729
EMAIL ADDRESS:	info@ngb.org.za
WEBSITE ADDRESS:	www.ngb.org.za
EXTERNAL AUDITORS:	Auditor-General South Africa
BANKERS:	Standard Bank South Africa
ENTITY/ BOARD SECRETARY	Vacant

# LIST OF ABBREVIATIONS AND ACRONYMS

ACEO	Acting Chief Executive Officer
AFS	Annual Financial Statements
AGSA	Auditor-General South Africa
APP	Annual Performance Plan
BBBEE	Broad-Based Black Economic Empowerment
CEO	Chief Executive Officer
CMS	Compliance Monitoring System
DDG	Deputy Director General
DG	Director-General
FICA	Financial Intelligence Centre Act
FPP	Fraud Prevention Plan
GRAF	Gaming Regulators Africa Forum
GRC	Gambling Review Commission
HR	Human Resources
ICT	Information Communications Technology
IG	Internet Gambling
NGB	National Gambling Board
NGPC	National Gambling Policy Council
NRCS	National Regulator for Compulsory Specifications
PFMA	Public Finance Management Act (Act No 1 of 1999)
PGB	Provincial Gambling Board
PLA	Provincial Licensing Authority
SAPS	South African Police Service
SCM	Supply Chain Management
The Act	National Gambling Act, 2004 (Act No 7 of 2004)
<b>the dti</b>	Department of Trade and Industry

## 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 fulfilment of the Act, 2004 (Act 7 of 2004) (“the Act”), through an effectively regulated and supervised gambling industry that upholds domestic, continental and internationally recognised standards of compliance.*

## VALUES

*The values of the NGB are:*

- a) Professionalism;*
- b) Moral integrity;*
- c) Transparency, commitment and consistency;*
- d) Effective implementation of resolutions and responsive communication;*
- e) Teamwork, respect and tolerance.*

# STRATEGIC OVERVIEW

## STRATEGIC OUTCOME ORIENTATED GOALS

As one of the national regulatory agencies of **the dti**, the NGB's strategic outcome orientated goals are informed by the Act and are driven by the strategic objective of the dti as well as government priorities.

- i The aim of the Act is mainly to coordinate activities relating to the exercise of concurrent legislative competence of the national and provincial governments in order to harmonise the gambling environment in the Republic.
- ii. The main strategic objective of **the dti** is, to among others, facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation, build mutually beneficial regional and global relations to advance South Africa's trade industrial policy and economic activities, facilitate broad-based economic participation and to create a fair regulatory environment.
- iii These strategic thrusts are aligned to the government's outcome of creating decent employment through economic growth.

iv. The NGB seeks to achieve the following strategic outcome-orientated goals:

- a) Harmonisation in a dynamic legislative environment.
- b) Compliance oversight of the provincial licensing authorities and the gambling industry in general.
- c) Integrated strategic information portal.
- d) Evolution of the gambling industry.
- e) Optimisation of organisational excellence.

# LEGISLATIVE AND OTHER MANDATES

The NGB is a juristic person established by the repealed National Gambling Act, 1996 (Act 33 of 1996 <sup>1</sup>) and retained under the current National Gambling Act of 2004<sup>2</sup>, (“the Act”).

The National Gambling Board is registered as a Schedule 3A Public entity in terms of the Public Finance Management Act 1 of 1999<sup>3</sup>.

The mandate of the NGB is set out in sections 33 and 34, read with sections 32, 21 and 65 of the Act, these are:

- Oversight of gambling in the Republic of South Africa by:
- Evaluating the issuing of national licences by the provincial licensing authorities,
- Evaluate the compliance monitoring of licensees by provincial licensing authorities.
- Conduct oversight evaluation of the performance of provincial licensing authorities so to ensure that the national norms and standards established by the Act are applied uniformly and consistently throughout the Republic;
- Assist Provincial Licensing Authorities to ensure that the unlicensed gambling activities are detected.
- The board must also establish and maintain a national registry of every gambling machine or gambling device manufactured within or imported in to the Republic; assign a permanent and unique registration number for each such machine or device and
- The Board must investigate the circumstances of the gambling activity that relates to any unlawful winnings that the board had kept in its trust and either delivers the winnings to the person who won then or apply to the High Court for an order declaring the winnings forfeit to the state.

The outcome of the work of the NGB is manifested by the effect and quality of its advice and recommendation to the NGPC<sup>4</sup> on, among others, matters of national policy and legislative changes relating to gambling.

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

1. Constitution of the Republic of South Africa, 1996
2. National Gambling Act, 2004 (Act No 7 of 2004)
3. The Public Finance Management Act, 1999 (Act No 1 of 1999)
4. The Prevention of Organised Crime Act (POCA), 1998 (Act 121 of 1998)
5. The Financial Intelligence Centre Act, 2001 (Act No 38 of 2001)
6. Companies Act, 2008 (Act 71 of 2008)
7. A National Industrial Policy Framework (South Africa)
8. Policy Framework and procedures on oversight and governance of Public Entities and statutory Institutions, as approved by the Minister of Trade and Industry on 11 July 2012.

<sup>1</sup>Act 33 of 1996 • <sup>2</sup>Act 7 of 2004 - This Act repealed the National Gambling Act 33 of 1999

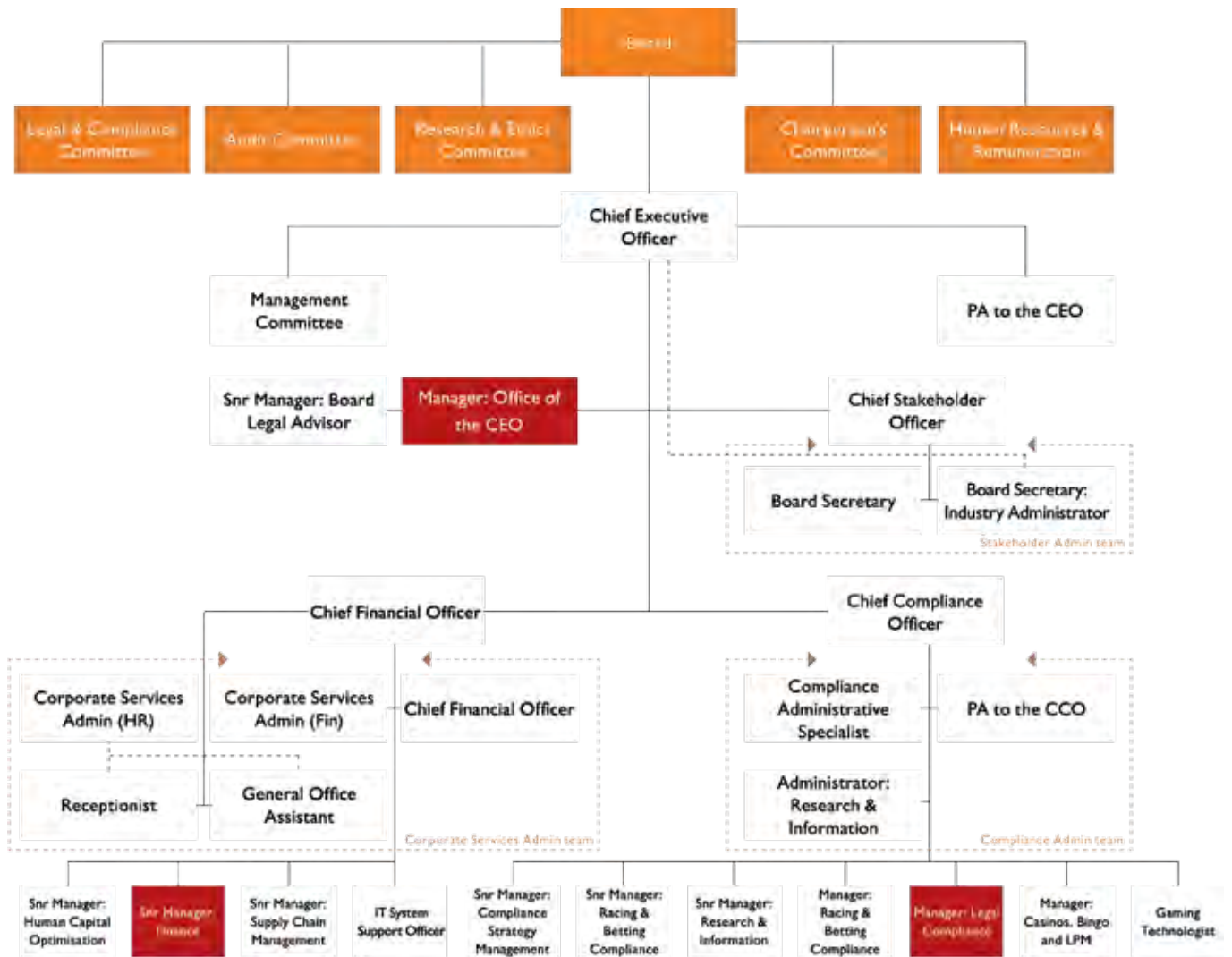
<sup>3</sup>Schedule 3A of the Public Finance Management Act 1 of 1999 • <sup>4</sup>established by section 61 of the National Gambling Act 7 of 2004







# NGB ORGANISATIONAL STRUCTURE





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

# MINISTER'S FOREWORD

## “UNDERSTANDING THE LANDSCAPE OF GAMBLING, THROUGH RESEARCH AND MAPPING OF THE INDUSTRY, IN SUPPORT OF ECONOMIC GROWTH AND DEVELOPMENT OF DECENT EMPLOYMENT”

South Africa’s gambling regulatory model grappled to find a sound balance between the proliferation of gambling and job creation as one of government’s key policy objectives. It is common knowledge that the staggering rate of unemployment is worrisome, which is characterised by high levels of poverty and other social ills. One of the critical questions that we need to ask is whether gambling can play a pivotal role in addressing these challenges.

### ECONOMIC FRONT

It is therefore important to understand the gambling landscape and the extent to which it can respond to the aforementioned challenges. I am delighted to indicate that the industry and regulators alike have made concerted efforts to ensure that the regulatory framework in our country does not hinder the operational and business objectives of operators. In the past financial year, we have witnessed growth and corresponding increase in gambling revenue. This has mainly been attributed to a sound regulatory framework and positive economic outlook.

In addition, the industry has also created 17 000 additional jobs with an estimated value of more than R1 billion to the country’s economy. I believe it is a positive step in the right direction.

We need however, to intensify our efforts and ensure that the industry addresses socio-economic challenges that continue to plague our country.

### SOCIAL FRONT

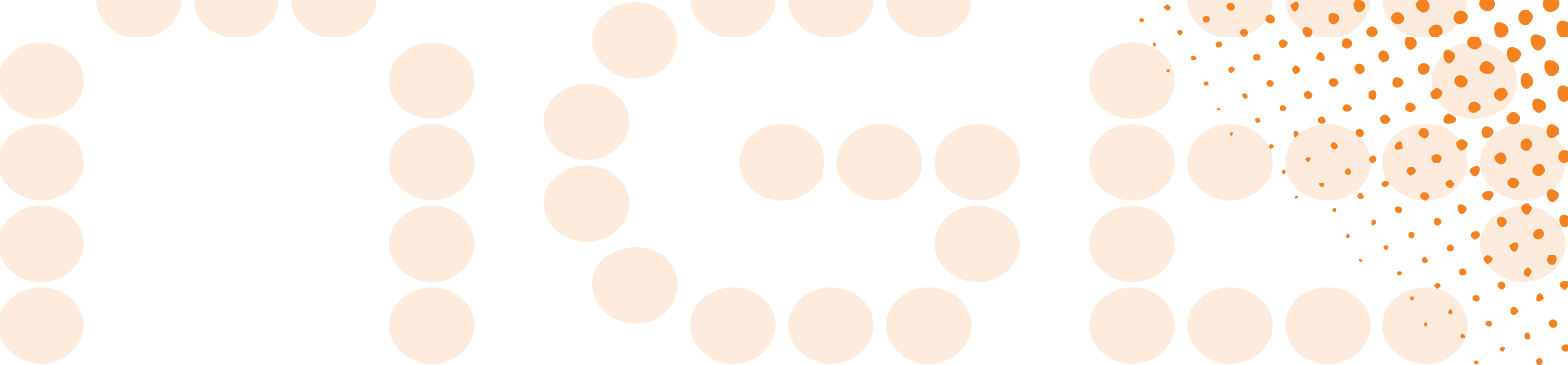
While social ills associated with gambling are inevitable, our research suggests that only 2% of the South African population is engaged in gambling.

The National Responsible Gambling Foundation and the gambling regulators have played a key role in ensuring that citizens gamble responsibly. We will continue to engage the public about the need to gamble responsibly. We will also continue to conduct research to better comprehend social ramifications associated with the adverse effects of gambling. Whilst there are positive economic spin-offs, we need to guard jealously the adversity that gambling can cause.

I am pleased that the NGB has embarked on a communication campaign with a view to alert our society about the dangers of excessive gambling. We will over the next coming year intensify our communication campaigns to yield the desired positive results.

### TECHNOLOGICAL FRONT

The evolution of technology is an inevitable reality and as a fast-developing country, we need to embrace it in all facets of our society. We are, however, in the process of establishing the extent to which technology will affect business and inhibit job creation. We need to continuously research this phenomenon and find a sound policy framework that would guide the process going forward. Interest regarding online gambling is a reality and we therefore need to gear ourselves and assess the effects of illegal online gambling thoroughly. Research in this respect still needs to be undertaken by the NGB.



On the other hand, the NGB will continue to conduct research in order to understand the correlation between socio-economic and technological aspects and their association with gambling. We need a model that will be relevant to the South African context and that will contribute significantly to the government policy imperative of job creation and poverty alleviation. As we seek to grow the industry, it is important to ensure that we do so responsibly since this would be at our own peril. As a result, we will continue to entrench a sound regulatory framework that seeks to shape the course of this industry going forward.

I would like to implore the NGB to continue with its awareness campaigns aimed at educating the public about the socio-economic problems caused by irresponsible gambling. No effort should be spared to ensure that South Africans are fully informed about the inherent dangers of gambling. Meanwhile, I wish to express my gratitude to the NGB for doing such good work during the year under review and trust that they will continue to do so.

**Dr Rob Davies, MP**  
Minister of Trade and Industry  
Date: 31 July 2013

**“THE NATIONAL RESPONSIBLE GAMBLING FOUNDATION AND THE GAMBLING REGULATORS HAVE PLAYED A KEY ROLE IN ENSURING THAT CITIZENS GAMBLE RESPONSIBLY. “**





Professor Linda de Vries

# CHAIRPERSON'S FOREWORD



## THE YEAR 2012/13 WAS MARKED BY THE DEDICATED PERFORMANCE OF THE BOARD IN LINE WITH ITS STRATEGIC OBJECTIVES.

The NGB delivered on its mandate as the catalyst of the industry despite the challenges it faced. The NGB has made progress in achieving its primary objectives during the year under review. It is true that much still needs to be done if one takes cognisance of the tabling of the Gambling Review Commission (GRC) Report by the Portfolio Committee on Trade and Industry and the Select Committee on Trade and International Relations.

During the year under review, the Board and Management of the NGB maintained a high level of Corporate Governance and reinforced this approach through further training by the Institute of Directors for both Board members and Senior Management.

The NGB, through the guidance of the Board and the dedication of Management, has performed well to ensure sound management and proper execution of our fiduciary duties, adopting a focussed approach in line with its mandate.

Through the NGB's interaction on the international stage in respect of gambling, South Africa has become known for its sound regulations. During the year, three international delegations namely Cameroon, the Democratic Republic of Congo and the Chinese Province of Jili, visited our offices to benchmark their regulatory standards against our regulatory standards. The Board also shared international experience through interaction with the Singaporean Casino Regulatory Authority, Singapore Tote Board as well as the Jockey Club of Singapore, the Australian Horseracing Club, Malta as well as The Jersey Island Gambling Commission. The engagements with other international regulators and industry experts through

the International Association of Gambling Regulators (IAGR) forum and the Gaming Regulators of Africa Forum (GRAF) are also critical to the NGB to ensure implementation of global best practices and staying abreast of global trends in gambling regulation.

The NGB is the permanent Secretariat of the Gaming Regulator's Africa Forum (GRAF). This forum brings together all Southern African Development Community Countries (SADC) and other African jurisdictions as member countries. In 2012, the NGB, as the Chairperson of GRAF, along with the host country Tanzania, successfully hosted the GRAF 2012 conference. Many of the critical gambling regulatory issues facing African regulators were explored.

The forum emphasises South Africa's commitment and the NGB in particular, in assisting all other African jurisdictions in respect of maintaining their sovereign security regarding money laundering and the movement of illegally imported gambling machines, which undermines the customs regime of member states and enhances the possibility of illegal gambling.

One of the strategic goals of the NGB is to curb money laundering and financing of terrorism, which is often linked to the financing of underground activities. The NGB has entered into a Memorandum of Understanding (MoU) with the Financial Intelligence Centre and with certain proactive provincial authorities in this regard.

It is pleasing to note that our relationship with **the dti** over the past year has been further strengthened through very constructive engagements. Throughout our reporting period, we have aligned our strategic objectives with the objectives of **the dti**. Despite some legal challenges, the NGB, with the support of **the dti**,

managed to overcome some of these impediments through its positive negotiations with the industry and more importantly, with the PLAs.

This positive attitude has permeated to the gambling industry and to the PLAs. In particular, we would like to thank the following jurisdictions: KwaZulu-Natal, Eastern Cape, Northern Cape and Western Cape, for our stakeholder engagements.

I am pleased to report that the NGB's focus for the year ahead would be to ensure the adoption of the draft norms and standards and ensure its implementation. These norms and standards will result in uniformity in the industry. One of the highlights of the year was the implementation of an electronic compliance monitoring system (CMS), which ensured an effective and efficient method of control.

One of the most important tasks the NGB has to perform is in the field of research. Broad-based research of the total gambling industry empowers the NGB to take an informed position on certain issues and ensures that **the dti** is always aware of the impact of this dynamic industry on the broader socio and economic terrain. Our tracking research over the past financial year provided important information on the participation of the public on the various modes of gambling in the country as well as tracking the incidence of illegal and informal gambling in South Africa.

During the coming year, a socio-economic impact study will be completed. Where necessary, its findings will be implemented to ensure a balanced approach to regulations that takes cognisance of all the social and economic factors to enforce the regulatory approach of the South African government.

The Board would not have been able to function so effectively and professionally if it was not for the diligence and hard work of all the staff members of the NGB. I wish to thank the NGB staff, the captains of industry, my colleagues and all our stakeholders for their continuous contribution towards establishing a sound gambling industry in South Africa. Subsequent to the year-end, the former CEO, Ms Baby Tyawa, resigned in May 2013.

I would also like to take this opportunity to thank all Board members for their proactive assistance and advice. I can proudly state that we have worked well together.

My gratitude goes to **the dti**, especially the DG, COO and the DDG for their continued support, advice and assistance.

Lastly, I wish to give a special thank you to the Honourable Minister, Dr Rob Davies, for his unequivocal support and guidance.



**Professor Linda de Vries**

Chairperson: NGB

Date: 31 July 2013







**Themba Marasha**  
Acting Chief Executive Officer

# CHIEF EXECUTIVE OFFICER'S OVERVIEW

Gambling contributes directly to government priorities of economic growth and the creation of employment. During planning for the year under review, it became necessary for the Board to balance the positive economic benefits arising from the gambling activities with the socio-economic impact thereof.

The year under review involved the implementation of our strategic objectives as set out in the NGB Annual Performance Plan for the year 2012/2013.

The diverse interests in the gambling industry make the regulation of gambling activities in South Africa a very involved undertaking, which requires a holistic approach and expeditious growth in skills and other necessary resources to match the speed with which gambling develops.

The year under review saw the manifestation of some of the new modes of gambling advanced mostly by technological developments.

It became necessary to prioritise and encourage dialogue with different stakeholders by leading the debate on gambling, which we effected by continuous engagement with **the dti**. These engagements helped the NGB to maintain alignment of its strategic objectives with relevant strategic objectives of **the dti** as well as government priorities.

The NGB successfully conducted workshops with licensees and stakeholders about the Broad-Based Black Economic Empowerment codes of good practice that are currently being reviewed.

The NGB also embarked on a communication campaign, which was aimed at informing and educating the public about illegal gambling and the regulation of the different forms of gambling. The goal of the campaign was to promote responsible gambling.

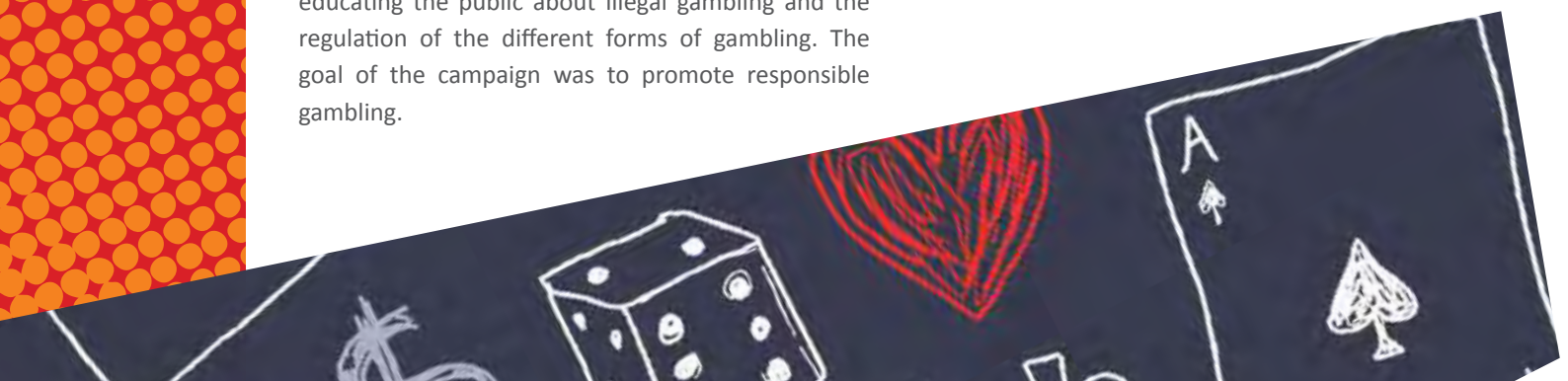
As part of the awareness campaign that we conducted in December 2012 and January 2013, a press release on illegal gambling and excessive gambling was released. We also posted media statements on the NGB website, to extend the awareness campaign.

### THE NGB DEVELOPED A FIVE-YEAR COMMUNICATION STRATEGY. THE STRATEGY WAS IMPLEMENTED AND COMMENCED DURING THIS REPORTING PERIOD.

The NGB also took part in public education and awareness programmes organised by **the dti**, such as “taking **the dti** to the people” project, which enabled the NGB to reach out to remote rural communities.

The NGB regularly participated in Parliamentary discussions about the regulatory development of gambling, including the issue of underage and compulsive gambling, the risk of fraud and money laundering. Other discussions involved the development of new modes of gambling, such as dog racing, as well as the need to tighten the regulation of horseracing and earnest efforts to prevent illegal gambling in South Africa.

A notable development during the parliamentary discussions was the report and recommendations made by the GRC, which included among others, the recommendation that the NGB should be the regulator for Interactive Gambling (IG).



In preparation for the possibility of regulating IG, the NGB has developed a feasibility advisory report that provides an analytical perspective to policymakers. It furthermore provides recommendations regarding controversial issues affecting IG in South Africa and how the country can best handle them.

The Act requires the Board to benchmark with international gambling regulatory agencies. To this end, the NGB, through its national policy working group, has included a comparative study, juxtaposing South Africa's regulatory model with countries such as Russia, India, Malta, Germany, United Kingdom, Barbuda, Australia, France and Antigua.

It is also significant for the success of any regulatory model, to study the socio-economic impact of any mode of gambling. This is to ensure that there is a clear balance between encouraging responsible gambling (including protecting minors and vulnerable members of the community) and promoting the economic gains brought about by gambling activities. To this end, the policy discussion report includes the possible social effects of IG.

IG, however, remains illegal in South Africa. Weighing the impact and cumbersome effects of illegal gambling and the need to be always on the alert for the emerging new modes of gambling, it is critical that the Minister promulgates and puts into effect, the law on IG and prioritises the overhauling of the gambling legislation in South Africa.

Such a step would provide the NGB with the authority needed to regulate internet gambling.

At the request of **the dti**<sup>5</sup>, the NGB relocated from **the dti** campus to its new offices in Eco Park, Centurion during the third quarter of 2012/13. This move inspired the NGB to commence with its preparation for growth and enhanced effectiveness.

<sup>5</sup>the dti needed more room for offices and directed the NGB to find offices outside the dti campus.

<sup>6</sup>The appointment of a change agent was registered as "Chief Operational Officer" as it was serving within the operations of the NGB.

The relocation provided the NGB with an opportunity to improve its systems by acquiring modern resources, which included tools for legal and regulatory research, conference and meeting equipment.

In order to achieve its mandate, the NGB accelerated its organisational excellence. During the second quarter, the NGB engaged the services of a Change Agent<sup>6</sup> who improved on the organisation's systems through the maximum application of resources, the introduction of new reporting systems and the continuous review of performance by management intervention. This highlighted the potential of the NGB and exposed operational gaps that required urgent review, such as the revision of the baseline of the NGB.

I wish to extend my appreciation to the NGB staff members for their continued commitment and dedication to regulating gambling in the Republic of South Africa.

I thank the Board for its continued support and strategic direction during the year.

I am also grateful to **the dti** administration staff for their continuous support and encouragement during the reporting year.



**Themba Marasha**

Acting Chief Executive Officer: NGB

Date: 31 July 2013

# PART B

# PERFORMANCE INFORMATION

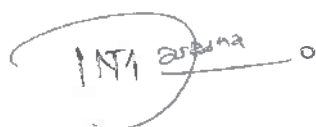


# STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2013

In my opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the Strategic Plan and Annual Performance Plan (APP) of the NGB for the financial year ended 31 March 2013.

The NGB's performance information for the year ended 31 March 2013 has been examined by the external auditors and their report is presented on page 69.

The performance information of the entity set out on page 20 to page 42 was approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Themba Marasha', with a horizontal line extending to the right from the end of the signature.

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**Themba Marasha**  
Acting Chief Executive Officer  
National Gambling Board  
Date: 31 July 2013

## BOARD MEMBERS



**Board Members:**

**Standing: Back Row:** Themba Marasha (Acting CEO); Mr. AC Keyser (Board member & ARC Chairperson), SV Nzimande,; Mr MC Macebele; Major General JW Meiring; TN Aboobaker SC (not on picture).

**Sitted: Front Row:** Dr MC Kganakga; Prof L de Vries (Chairperson); Ms N Magomola; Ms T Mabuza.

## NGB STAFF MEMBERS



### **Staff Members:**

- 1. Front Row - Left to right:** E. Machabaphala: Snr. Manager: Racing and Betting Compliance. ME. Ntsowe: Chief Financial Officer. P. Makamo: Administrator: Research & Information. E. Jonkheid: Snr. Manager: Research & Information. M. Burns: Snr. Manager: Compliance Strategy Management.
- 2. Second Row - Left to right:** Adv. M.T Goodman: Board Legal Advisor. S. Mhlongo: IT Systems Officer. M. Mahawane: Compliance Administrator Specialist.
- 3. Third Row- Left to right:** M. Maponya: Compliance Manager: Casinos, LPMs & Bingos, M. Lekala: General Office Assistant, S. Mthombeni: Snr. Manager: Finance.
- 4. Fourth Row- Left to right:** T. Mlobedzi: Finance : Corporate Services Administrator, K. Makopo: Board Secretary: Industry Administrator, B. Leola: Receptionist.

# OVERVIEW OF THE NGB'S PERFORMANCE

## SERVICE DELIVERY ENVIRONMENT

During the year under review, the NGB managed to execute its mandate as articulated in the legislation and in line with the shareholder's compact signed with the Minister.

The total mandate of the NGB has not been fully funded and the effect was that the NGB delivered at a reduced level when executing its duties.

Notwithstanding the above the following key outputs were achieved in line with the APP and the Strategic Plan:

- a) Public education, in respect of protection and awareness
- b) Harmonisation in the industry
- c) Evaluated compliance to the gambling legislation by the provinces
- d) Advised **the dti** and the NGPC
- e) Evaluation and implementation of transformation measures in the industry
- f) Ensured that internal controls, in the gambling industry to prevent money laundering and the financing of terrorism are in place
- g) Conducted research in the areas relating to offering advice and the harmonisation of the industry

The exercise of concurrent legislative competency in the provincial and national government meant that gambling in South Africa is governed by 10 different pieces of legislation.

The NGB's oversight powers in the National Gambling Act had not been extended to getting involved in the introduction of the Provincial gambling legislation and this anomaly opened the door to inconsistencies between the provincial legislations and posed the risk of litigation involving both the NGB and the Minister.

The ambiguity of the legislation has exposed the NGB to potential court action. To avoid further litigation risks and regulatory challenges, it is crucial that the Minister commence with the process of overhauling of the gambling legislation in the

Republic. Furthermore, **the dti** is in the process of reviewing the Codes of Good Practice on Broad-Based Black Economic Empowerment with a view to advance economic transformation. This process has provided an opportunity to gambling operators to review their business objectives in conformity with the amendments to the codes.

The technological developments in the industry have compelled the NGB and **the dti** to prioritise legalisation of IG and set up advanced regulatory mechanisms that are concomitant to such developments.

The propensity to expand the operations in the gambling industry has created a challenge in achieving a balance between the operator's needs and the public interest. As these expansions are not influenced by any national legislation, this enables provinces to consider unilaterally their own legislation, which can have a national impact.

The slow process of finalising the Gambling Review Commission Report (GRC) has affected the NGB's ability to address some of the challenges faced by the industry. The NGB has to wait for direction by the National Gambling Policy Council before implementing any of the recommendations made in the GRC report.

## ORGANISATIONAL ENVIRONMENT

The mandate of the NGB is four-fold, namely:

- a) Compliance oversight and evaluation of gambling in the entire Republic
- b) Establishment and maintenance of a national gambling registry to enable it to conduct compliance monitoring and oversight of the gambling industry, which includes being the portal of information for the industry
- c) Monitor market share, conduct broad-based public education and monitor socio-economic impact of gambling



d) Advise and make recommendations to the NGPC on policy changes and effectiveness of gambling legislation

The three major mandates are intertwined, in that for the NGB to regulate gambling effectively in the whole of the Republic of South Africa, it first has to lay out a foundational infrastructure for both a regulatory and support functions, which among other things involves establishing a national gambling registry.

All three segments of the mandate have several functions prescribed by statute. These functions are to be implemented with the vision of the National Gambling Act of 2004 in mind, which is “to harmonise the gambling environment.”

Gambling regulation, as a concurrent legislative competency between the national and provincial government, requires a consistent approach in the sharing and decentralisation of legislative power between these two spheres of government, which at times has created challenges. The Act<sup>7</sup>, established certain uniform norms and standards and provided for the creation of additional norms and standards applicable to national and provincial regulation of gambling activities. These standards are meant to improve consistency and harmony in the regulation of gambling.

The service delivery context within which the NGB operated during the reporting year affected the three segments of the mandate evenly. The main challenge is the provision of inadequate resources for the effective delivery of the statutory mandate of the NGB. This challenge has affected the following areas of delivery

- compliance monitoring and oversight
- participation and protection of communities against the adverse effects of gambling

- To uphold the integrity of gambling
- Vigorous implementation of the communication strategy is necessary, so that the NGB may continually engage the stakeholders and seek collaboration

The NGB also needs to develop management systems in order to ensure that it functions in a wholly integrated and coherent manner.

The NGB has been affected by a high staff turnover, which has resulted in extended pressure in complying with the objectives and plans already set for the financial year.

The relocation to new premises has improved the conducive working environment for staff members in that the infrastructure in the new building enhances the employment requirements.

The communications campaign was executed through coverage on the community and public radio stations, national television and different newspapers. This formed part of implementing the five-year communications strategy, which profiles the work of the NGB. It has also raised public awareness in respect of the risks of gambling.

In order to strengthen stakeholder relations, the Board consulted with other Boards, established the National Gambling Regulators’ Forum comprising of chairpersons of all the Provincial gambling Boards. This forum dealt with matters affecting the gambling industry as a whole.

<sup>7</sup>Sect 41(1) (e), (g) and( h) of the Constitution

## KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

The following were major changes to legislation and policies that affected the gambling industry during the period under review or alternatively, that will have an impact on the future financial expenditure of the NGB:

### NATIONAL GAMBLING ACT 7 OF 2004

The withdrawal of gambling advertising and the exclusion amendment regulations issued in terms of the Act. These gambling advertising and exclusions register amended regulations that were published in May 2012. The impact of the withdrawal of these regulations escalated the risk of advertising and operation of illegal gambling activities, especially online gambling. Until legislation on IG becomes operational, the NGB will be faced with challenges of preventing illegal gambling and or unlawful winnings.

### EXTRADITION ACT, 1962 (ACT 67 OF 1962)

The extradition treaty between the Republic of South Africa and the Hong Kong Special Administrative Region of the People's Republic of China includes gambling and lotteries.

The criminal matters mentioned in this treaty, as well as the treaty under the International Cooperation in Criminal Matters Act, 1996 (Act 75 of 1996) has a positive impact regarding the suppression and eradication of illegal gambling activities.

However, these treaties place an additional oversight responsibility on the NGB operations, which require additional financial resources and specialised skills for overseeing multinational gambling relations, particularly in that the NGB should participate in the investigations of unlawful winnings in terms of this Act and the notification of its findings to the South African Police Service (SAPS)

about illegal gambling in terms of the Prevention Of Organised Crime Legislation.

### ELECTRONIC COMMUNICATIONS ACT, 2005 (ACT 36 OF 2005)

The Under-Served Areas Definition Regulations has a positive outcome for purposes of section 88(2) of the Electronic Communication Act. An area will be under-served if the targets for universal access have not been achieved.

The impact of this regulation is positive in the sense that it will help the NGB to design a different strategy for the medium used for public awareness campaigns in rural areas, for instance, while the NGB publish some of its messages on the website and electronic media, similar messages were broadcast on radio, television and widely published in newspapers.

### MERCHANDISE MARKS ACT, 1941 (ACT 17 OF 1941), PROHIBITION OF THE USE OF THE NGB LOGO.

The effect of this legislation is positive and has reduced the risk of litigation, based on the possible unlawful use of the NGB logo, with specific reference to illegal lotteries and gambling scams.

During the year under review, there were proposed legislative enactments, which have not yet been finalised this has affected the operations of the NGB and that presented the potential impact on gambling operations and resources, namely:

### REVISED BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BBBEE) CODES OF GOOD PRACTICE, 2012



The industry has been working towards specific targets for 2015 and regulators approved plans that were aimed towards achieving these targets. The proposed amendments to the Codes of Good Practice will put entities at a different level once approved and this will imply that the regulators' targets set prior to the amendment of the codes will have to be revised and these negotiations could hinder the progress of transforming the industry.

## THE GAMBLING REVIEW COMMISSION REPORT

The GRC report was tabled by both Houses of Parliament and the recommendations stemming from the GRC are likely to require the NGB to facilitate a legislative review on a wide array of gambling-related aspects. The legislative review is likely to include a revision of operational forms of gambling and introduction of new forms of gambling like IG.

# PERFORMANCE INFORMATION BY PROGRAMME

## PROGRAMME 1: STAKEHOLDER LIAISON AND LEGAL

<b>Strategic objective 1</b>	<b>Harmonisation in a dynamic environment</b>
Objective statement	Ensuring enabling and uniform rules and regulations across Provincial gambling regulatory framework
Baseline	Aligned legislative framework and developed norms and standards
<b>Strategic objective 4</b>	<b>Leading debate on new forms of gambling</b>
Objective statement	Provide an integrated platform for discussion
Baseline	Provide a 5 year strategy that integrates the processes and development around new forms of gambling
<b>Strategic objective 5</b>	<b>Organisational Excellence</b>
Objective statement	Efficient internal management systems and effective people
Baseline	Developed secretariat systems and integrated strategies

## PROGRAMME 2: CORPORATE SERVICES DIVISION:

<b>Strategic objective 1</b>	<b>Harmonisation in a dynamic environment</b>
Objective statement	Ensure alignment and best practices within the gambling industry
Baseline	Human Resources Development and ICT infrastructure strategies
<b>Strategic objective 5</b>	<b>Organisational Excellence</b>
Objective statement	Efficient internal management systems and people
Baseline	Transformed organisational processes and systems through re-engineering

## PROGRAMME 3: COMPLIANCE MONITORING

<b>Strategic objective 1</b>	<b>Harmonisation in a dynamic environment</b>
Objective statement	Ensuring and enabling uniform rules and regulations across Provincial gambling regulatory framework
Baseline	Provided inputs into the development of draft national norms and standards and alignment of legislation
<b>Strategic objective 2</b>	<b>Compliance Oversight of PLA's and gambling industry</b>
Objective statement	Ensuring and monitoring industry compliance through legislation
Baseline	Monitored compliance and ensured corrective measures.
<b>Strategic objective 3</b>	<b>Integrated Strategic Information Portal</b>
Objective statement	Providing access to national integrated information
Baseline	Established integrated information dashboard
<b>Strategic objective 4</b>	<b>Leading debate in new forms of gambling</b>
Objective statement	Developing Scenarios that will contribute to policy direction in terms of new forms of gambling
Baseline	Researched new forms of gambling

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

### Strategic objectives

Programme: Stakeholder Liaison and Legal					
Strategic objectives	Actual Achievement 2011/12	Planned Target 2012/13	Actual Achievement 2012/13	Deviation from planned target to Actual Achievement for 2012/13	Comment on deviations
Harmonisation of dynamic environment	<p>Developed norms and standards for the industry</p> <p>Conducted workshop with provinces on the norms and standards</p> <p>Produced gap analysis document</p> <p>Developed sector policy review document</p> <p>Developed Electronic Bingo Terminals (EBT) policy</p>	<p>Report produced on the evaluation of PLAs implementation of N&amp;S</p> <p>Report on the input to draft legislative amendments</p> <p>Review gambling sector policies (IG, horse racing and Bingo)</p>	<p>Document on the review of norms and standards submitted to dti</p> <p>Report on the input to draft legislative amendments produced</p> <p>Gambling sector policies reviewed (Concept paper on IG and horse racing)</p>	<p>None</p> <p>None</p> <p>None</p>	<p>Norms and standards document has been submitted to the dti and not yet approved.</p> <p>Implementation of N&amp;S will commence upon approval</p>
Organisational excellence	<p>Developed internal management system</p> <p>Report on implementation of internal management system</p> <p>Developed communication strategy and campaign</p> <p>Report on implementation of communication strategy and campaign</p>	<p>Report on developed internal management system</p> <p>Report on implementation of communication campaign</p>	<p>Report on the implementation of effective management and reporting system</p> <p>Report on implementation of communication campaign</p> <p>Report on the communications campaign</p>	<p>None</p> <p>None</p> <p>None</p>	<p>None</p> <p>None</p> <p>None</p>
Leading debate on new forms of gambling	<p>GRAF regulator's seminar was arranged by the NGB</p> <p>Biennial conference hosted by the NGB provided the impetus for the debate for new forms of gambling</p> <p>NGB participated in IAGR</p>	<p>Research evolution of gambling by 31 March 2013</p>	<p>Research on new forms of gambling conducted</p>	<p>None</p>	<p>None</p>

## Key performance indicators, planned targets and actual achievements

Programme: Stakeholder Liaison and Legal						
Performance Indicator	Actual Achievement 2011/12	Planned Target 2013/14	Actual Achievement 2012/13	Deviation from planned target to Actual Achievement for 2012/13	Comment on deviations	
A report on the reviews of norms and standards submitted to the Board	Developed norms and standards for the industry Conducted workshop with provinces on the norms and standards	Report produced on the evaluation of PIAs Implementation of Norms and Standards	Document on the review of norms and standards submitted to dti	Yes	Norms and standards document has been submitted to the dti and not yet approved. Implementation of N & S will commence upon approval.	
Report on the review of sector-specific policy reviews	Produced gap analysis document	Report on the input to draft legislative amendments	Report on the input to draft legislative amendments produced	None		
Report on secretariat management system and integrated strategies	Developed sector policy review document N/A	Review gambling sector policies Develop secretariat systems and integrated strategy	Gambling sector policies reviewed (Concept paper on and horse racing) Secretariat systems and integrated strategy developed.	None None	None None	

#### a) Purpose of the programme

- i) The objective and thrust of this programme is to provide strategic guidance to the NGB in its totality, ensure that the NGB meets its mandate and delivers on its objectives, that each programme and division of the organisation has its work plan that structures activities aligned to the Five-Year Strategic Plan informed by the electoral cycle.
- ii) The programme provides strategic output and planning processes defined along the Medium Term Strategic Framework as well as the APP with the approved budget allocated by **the dti** into which the NGB reports. The programme is also responsible for coordinating the Board's functions and ensures that the whole entity adheres to the relevant legislation in line with its mandate.
- iii) The overall strategic objectives of the NGB are informed by the priorities of government as outlined in the government Programme of Action. This programme has been articulated in the State of the Nation Address and the strategic plan of **the dti**.

#### b) Sub-programmes

This programme has two sub-programmes that are:

- i) Stakeholder and communication
- ii) Legal advisory services

#### c) The strategic objectives

The programme contributes to the following strategic objectives:

- i) Harmonisation of a dynamic environment
- ii) Organisational excellence
- iii) Leadership in the debate concerning new forms of gambling

### **A) HOW THE PROGRAMME'S PERFORMANCE HAS CONTRIBUTED TO THE ACHIEVEMENT OF THE NGB'S STRATEGIC OUTCOMES ORIENTATED GOALS**

Through research and continuous legal advice, this programme has ensured that the NGB and the industry have a harmonised gambling environment in line with government policies. It has further streamlined the entity's processes towards delivery of its mandate. Engagement with stakeholders and public education has also been set out as a goal for this programme and has been achieved.

### **B) THE PROGRAMME'S STRATEGIC OBJECTIVES WITH THE ACTUAL OUTPUTS ACHIEVED IN THE PRIOR YEAR, THE PLANNED TARGETS AS PER THE APP AND THE ACTUAL OUTPUTS FOR THE FINANCIAL YEAR UNDER REVIEW**

#### **1. Strategic objective: Harmonisation in a dynamic legislative environment**

- i) This programme achieved the following outputs in the prior year
  - Draft norms and standards document
  - Workshop with provinces on norms and standards
  - Legislative gap analysis document
  - Sector policy document
  - EBT policy document
- ii) The programme planned to achieve the following outputs during the year under review:
  - Report on implementation of norms and standards
  - Report on review and inputs to draft legislative amendments
  - Review of gambling sector policy (IG, horseracing and bingo)
- iii) The programme achieved the following outputs during the year under review
  - Progress report on finalisation of norms and standards
  - Report on draft legislative amendments
  - Discussion paper on IG, horseracing and research on bingo

## 2. Strategic objective: Organisational excellence

- i) This programme achieved the following outputs in the prior year
- Developed communication strategy and campaign
  - Report on implementation of communication strategy and campaign
- ii) The programme planned to achieve the following outputs during the year under review
- Report on developed internal management system
- iii) The programme achieved the following outputs during the year under review:
- Report on the implementation of effective management and reporting system
  - Report on implementation of communication campaign

## 3. Strategic objective: Leadership in the debate concerning the evolution of gambling

- i) This programme achieved the following outputs in the prior year
- Coordinate training seminar by the Institute of Gambling of the University of Nevada, Reno
- ii) The programme planned to achieve the following outputs during the year under review
- Research on new forms of gambling
- iii) The programme achieved the following outputs during the year under review
- Produced desktop research on new forms of gambling
- iv) List programme / sub-programme performance indicators as per the annual performance plan.
- Report on review of norms and standards
  - Report on legislative gaps
  - Report on sector specific policy
  - Report on developed management system
  - Report on implementation of management and reporting system
  - Education campaign programme

- Report on implementation of education campaign
- v) Include the actual outputs achieved in the prior year, which must agree to the previous year's annual report.
- Draft norms and standards document
  - Report on implementation of draft norms and standards
  - Report on legislative gaps
  - Report on sector specific policy
  - Report on developed management system
  - Report on implementation of management and reporting system
  - Education campaign programme
  - Report on implementation of education campaign
- vi) Include the planned targets as per the Annual Performance Plan
- Report on the review of norms and standards
  - Report on legislative amendments
  - Report on review of sector specific policy
  - Report on implementation of management and reporting system
  - Research on new forms of gambling
- vii) The variance between the planned targets and actual achievements for the current year
- There were no variances to the planned targets
- viii) Strategy to overcome areas of under performance
- There were no areas of underperformance
- ix) Changes to planned targets
- The planned targets were not changed during the year
- x) Linking performance with budgets
- The programmes of the NGB are not subdivided into sub-programmes. The NGB has only three divisions, which are allocated a consolidated budget as a single business unit.

## PROGRAMME 2: CORPORATE SERVICES

The Corporate Services division, which is headed by the Chief Financial Officer, provides a support-oriented function to the NGB, based on specialised knowledge, best practices and technology to serve internal divisions that are core to the achievement of the organisation's mandate.

### i) Purpose of the programme

Corporate Services provides a coordinated support shared function within the organisation with a mandatory responsibility to provide an enabling environment, processes and systems to all divisions and staff. Providing synergy and inducing optimal performance in executing the mandate of the Board.

### ii) Strategic objective

The programme has one strategic objective, which is organisational excellence.

### iii) Sub-programmes

This programme is composed of the following functions:

- Finance
- HR and Administration
- Supply Chain Management (SCM)
- ICT

The above functions are not allocated individual dedicated budgets, but share in the overall budget of the Corporate Services division, due to the leanness of budgetary resources.

## STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

### Strategic objectives

Programme Name: Corporate Services					
Strategic objectives	Actual Achievement 2011/12	Planned Target 2012/13	Actual Achievement 2012/13	Deviation from planned target to Actual Achievement for 2012/13	Comment on deviations
Optimising Organisational Excellence	Training conducted for regulators with University of Nevada	Develop a concept paper on unit standards for gambling regulators	Draft concept paper developed on the unit standard for gambling regulators	None	None



## KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Programme Name: Corporate Services					
Performance Indicator	Actual Achievement 2011/12	Planned Target 2012/13	Actual Achievement 2012/13	Deviation from planned target to Actual Achievement for 2012/13	Comment on deviations
<p>Concept paper developed on regulator unit standards on gambling</p> <p>Report on facilitation and development of the training programme for gambling regulators</p>	<p>Training for regulators conducted with University of Reno, Nevada</p>	<p>Develop a concept paper on unit standards for gambling regulators 31/03/2013</p>	<p>Concept paper developed on the unit standard for gambling regulators</p>	<p>None</p>	<p>None</p>

### HOW THE PROGRAMME'S PERFORMANCE HAS CONTRIBUTED TO THE ACHIEVEMENT OF THE NGB'S STRATEGIC OUTCOMES ORIENTATED GOALS

#### The programme has:

- provided a platform at which gambling regulators' training and developmental needs could be considered and initiated discussions on how to provide necessary skills needed in the regulatory environment. The draft concept paper on regulator unit standards provides a basis for standardising skill development in the gambling regulator environment.
- through the relocation of offices ensured a better profile and branding of the organisation

#### Strategic objective: Optimising Organisational Excellence

- This programme achieved the following outputs in the prior year  
Rebranding the organisation included office relocation, performing a skills audit to determine availability of requisite skills and provide intervention where necessary. Corporate services marshalled resources to successfully conduct skills audit, re-construction of job descriptions of employees, placement of employees into positions after re-advertising of these positions. Corporate services

engaged extensively on the office relocation and managed to successfully relocate offices from a limiting environment to premises which allowed future expansion. It is through this programme that the change management expert was brought in and the Chief Operating Officer was appointed as a change champion.

The NGB, through the HR department, has succeeded in researching the development of gambling regulator unit standard that would serve as a springboard for a standard learning/development programme pertinent to gambling regulators only. A training was facilitated through the University of Reno, Nevada, where regulators from African countries also benefited. In the 2012/13 financial year, a concept paper was developed to kick-start the process of engaging curriculum developing institutions with a view of proposing the feasibility of such a concept to them

- The programme planned to achieve the following outputs during the year under review
  - Relocate the offices to an environment more conducive to NGB needs
  - Acquire additional funding of fourteen million (R14 million) for special project i.e. the public awareness campaigns, research etc
  - Produce a draft concept paper on regulator unit standards for the training of regulators
- The programme achieved the following outputs during the year under review:
  - Relocated the NGB offices to Eco Park in Centurion

- Acquired additional funding for Public Awareness campaigns
- Developed a concept paper on draft regulator unit standards

plan. In this regard, management resolved to seek approval in the fourth quarter of the year for projects intended for the new financial year. This includes research, acquisition of systems, piloting and roll out.

- iv) Strategy to overcome areas of under performance**
- There were identified delays in the delivery of training of personnel due to late approval of the corporate training strategy and the annual training

- iv) Changes to planned targets**
- There are no significant changes to planned targets for this division

## LINKING PERFORMANCE WITH BUDGETS

Programme Name	2011/12			2012/13		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Stakeholder Liaison	7 657	8 507	(850)	13 131	11 198	1 933
Corporate Services	10 693	11 268	(575)	12 119	13 681	(1 562)
Compliance Monitoring	7 097	7 149	(52)	9 890	7 651	2 239
<b>TOTAL</b>	<b>25 447</b>	<b>26 924</b>	<b>(1 477)</b>	<b>35 140</b>	<b>32 530</b>	<b>2 610</b>

## PROGRAMME 3: COMPLIANCE MONITORING

### a) Purpose of the programme

Compliance Monitoring Division is responsible to carry out most of the oversight functions of the NGB especially those relating to evaluation of the issuing of national licenses by a provincial Licensing Authorities, the compliance monitoring of licensees by provincial Licensing Authorities, conduct oversight evaluations of the performance of provincial Licensing Authorities and assist the provincial Licensing Authorities to ensure that unlicensed gambling activities are detected. This division also evaluates whether the PLAs adhere to the norms and standards created through the Act.

The programme has to collate, update and analyse gambling data and provide the country with current statistics on the gambling industry ranging from the number of machines, the legal existence and

verification of gambling personnel, the movement of machines and the probity of all providers of gambling facilities.

### b) Sub-programmes

This programme does not have any sub-programmes

### c) The strategic objectives

The programme contributes to the following strategic objectives:

- Harmonisation of a dynamic environment
- Compliance oversight of the PLAs and gambling industry
- Integrated strategic information portal
- Leadership in the debate concerning new forms of gambling

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

Programme: Compliance Monitoring					
Strategic objectives	Actual Achievement 2011/12	Planned Target 2012/13	Actual Achievement 2012/13	Deviation from planned target to Actual Achievement for 2012/13	Comment on deviations
Harmonisation in dynamic environment	BBBEE strategy developed Assessment report on BBBEE development in the industry	Consultation with industry sector players on application of BBBEE Assessment of compliance of the industry to BBBEE codes	Consultation with industry sector players on application of BBBEE conducted	None	None
Compliance oversight of PLAs and gambling industry in general	CMS developed	Report on the operation of a functional CMS system; available to nine provinces by 30 Sep 2012	Report on the evaluation of CMS and its effectiveness produced	Yes	Only three of the PLAs were evaluated and six PLAs did not complete evaluation forms and the matter is being considered by the Board for appropriate action
	Strategy on compliance monitoring developed in line with the CMS PLA compliance evaluation report FICA inspection report on bookmakers and casinos	Assessment and compliance report of the PLAs by 31 March 2013	Report on the assessment of PLAs compliance produced	None	None
	Suppression of illegal gambling strategy was developed	Report produced on implementation of Illegal Gambling intervention strategy by December 2012	Report on the implementation of the strategy produced	None	None
Integrated Strategic Information Portal	Developed a research and marketing strategy Produced report on social impact/patterns of gambling in South Africa	Report on the integration of the information on the status of the industry by 31 March 2013. Research report on socio-economic impact of gambling and tracked gambling patterns 31 March 2013 Assess communication campaigns effectiveness	Report on the integration of the information on the status of the industry produced. (Khayabus) Socio-economic impact of gambling industry conducted but report not yet produced	None The integrated socio economic report was not produced	None The revision of the scope of the economic research section delayed the appointment of the service provider. The integrated report will be produced in the first quarter of the next financial year.

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

Programme: Compliance Monitoring					
Strategic objectives	Actual Achievement 2011/12	Planned Target 2012/13	Actual Achievement 2012/13	Deviation from planned target to Actual Achievement for 2012/13	Comment on deviations
Report on the integration of information of the status of the gambling industry	Produced report on status of gambling industry	Compilation of quarterly Gambling Industry Reports (raw data) and the publishing of an annual Gambling Industry Report based on audited information	Audited national gambling statistics (FY12) have been published  The information dashboard has been updated with gambling related information and national gambling statistics (audited FY12 and first three quarters FY13)  A draft Gambling Industry Report has been compiled based on raw data (FY13)  Quarterly status reports were submitted	None  Incomplete information  Incomplete data	None  Reluctance by some PGBs to submit required information  Reluctance by some PGBs to submit required information
Report on the integrated portal established, including mapping of the gambling industry	Dashboard with new indicators and new information developed	Established portal	A service provider has been appointed to establish an integrated electronic strategic web-based solution Quarterly status reports have been submitted	Portal not yet operational	Changes were made to the scope and a service provider appointed in the last quarter. The portal will be operational after audited information (2012/2013) has been updated.
Leadership of the debate concerning new forms of gambling	None	None	Report on the conceptualisation of new forms of gambling produced	None	None

## Key performance indicators, planned targets and actual achievements

Programme: Compliance Monitoring					
Performance Indicator	Actual Achievement 2011/12	Planned Target 2012/13	Actual Achievement 2012/13	Deviation from planned target to Actual Achievement for 2012/13	Comment on deviations
Assessment report on the status of BBBEE in the gambling industry	BBBEE strategy developed Assessment report on BBBEE development in the industry	Consultation with industry sector players on application of BBBEE Assessment of compliance of the industry to BBBEE codes	Consultation with industry sector players on application of BBBEE Assessment of compliance of the industry to BBBEE Codes of Good Practice	None	None
Report on the implementation of the strategy and review of the suppression of illegal gambling intervention strategy	Suppression of illegal gambling strategy was developed	Report produced on implementation of Illegal Gambling Intervention strategy by December 2012	Strategy on document on suppression of illegal gambling produced. Report produced on the implementation of the strategy to address illegal gambling activities	None	None
CMS report produced	CMS developed Strategy on compliance monitoring developed in line with the CMS	Report on the operation of a functional CMS system: available to nine provinces by 30 Sep 2012	Report on the operation of a functional CMS completed and available to nine provinces by 30 Sep 2012	None	None
Assessment and compliance report on the PLAs produced	PLA compliance evaluation report FICA inspection report on bookmakers and casinos	Assessment and compliance report of the PLAs by 31 March 2013	Assessment and compliance report of three PLAs by March 2013	Only 3 of 9 PLAs evaluated	An assessment and compliance report for only 3 PLAs evaluated was produced due to 6 provinces providing the required information to be assessed
Consolidated information on the gambling industry	Dashboard with new indicators and new information developed	Established portal	A service provider has been appointed to establish an integrated electronic strategic web-based solution Quarterly status reports have been submitted	Portal not yet operational	Changes were made to the scope and a service provider appointed in the last quarter. The portal will be operational in the first quarter of the new financial year
Research report on socio-economic impact of gambling and tracked patterns	Developed a research and marketing strategy Produced report on social impact/patterns of gambling in South Africa	Report on the integration of the information on the status of the industry by 31 March 2013. Research report on socio-economic impact of gambling and tracked gambling patterns 31 March 2013. Assess communication campaigns effectiveness.	Strategy was developed and approved Socio-economic impact of gambling industry conducted but report not yet produced Report on prevalence gambling patterns and problem gambling based on tracked research provided First Research Bulletin was published Draft second Research Bulletin was compiled Quarterly status reports were submitted	None The integrated socio economic report was not produced None None Updated Research Bulletins not yet published	None The revision of the scope of the economic research section delayed the appointment of the service provider. The integrated report will be produced in the 1st quarter of the next financial year None None Drafted subject to approval by Management
Draft a strategy on gambling trends		Research on evolution of gambling trends by 31 March 2014	Report on the conceptualisation of new forms of gambling produced	None	None

## D) HOW THE PROGRAMME'S PERFORMANCE HAS CONTRIBUTED TO THE ACHIEVEMENT OF THE NGB'S STRATEGIC OUTCOMES ORIENTATED GOALS

### The programme has:

- provided an opportunity to interact with industry stakeholders on key strategic empowerment objectives
- assisted the NGB with an opportunity to establish multi-sector initiatives comprised of various law enforcement agencies and key industry players in an endeavour to suppress illegal gambling in the country
- ensured that the NGB monitor compliance of the PLAs and the industry
- ensured electronic consolidation of information on the gambling industry in a form of a portal
- ensured that the NGB understood gambling patterns and the socio-economic impact of gambling
- assisted the NGB to commence with the process of leading debate on new forms of gambling

e) The programme's strategic objectives with the actual outputs achieved in the prior year, the planned targets as per the APP and the actual outputs for the financial year under review

### 1.Strategic objective: Harmonisation in a dynamic legislative environment

- i) This programme achieved the following outputs in the prior year
- Developed a BBBEE compliance strategy
  - Provided an opportunity to understand implications of the new BBBEE codes
  - Engaged **the dti** in respect of interpretation of key definitions in relation to the Codes of Good Practice
  - Assessment report on industry progress on BBBEE
- ii) The programme planned to achieve the following outputs during the year under review:
- Assessment report of compliance of the industry to BBBEE Codes of Good Practice
- iii)The programme achieved the following outputs during the year under review:

- Assessment report of compliance of the industry to BBBEE Codes of Good Practice

### 2.Strategic Objective: Compliance oversight of PLAs and the gambling industry in general

- i) This programme achieved the following outputs in the prior year
- Assessment of compliance of PLAs to the legislation
  - Engaged with stakeholders on challenges facing the suppression of illegal gambling
  - Developed the CMS
  - FICA inspection conducted on betting and casino industry
- ii) The programme planned to achieve the following outputs during the year under review
- Report on the operation of a functional CMS implemented and available to the PLAs by 30 September 2012
  - Reviewed the strategy document on the suppression of illegal gambling
  - Report produced on implementation of strategy on suppression of illegal gambling
  - Assessment and compliance report on the PLAs
- iii)The programme achieved the following outputs during the year under review:
- Evaluation of CMS completed
  - Review of the strategy document on the suppression of illegal gambling
  - Assessment of PLAs compliance completed

### 3.Strategic objective: Integrated strategic information portal

- i) This programme achieved the following outputs in the prior year
- Dashboard with indicators designed and information uploaded on the system
  - Research and marketing strategy developed
  - Conducted research on social impact/patterns of gambling in South Africa
- ii) The programme planned to achieve the following outputs during the year under review
- Report on the integration of the information on the status of the gambling industry

- Research report on socio-economic impact of gambling and tracked patterns

iii) The programme achieved the following outputs during the year under review

- Report to provide information on the size and growth of the gambling industry (mapping of the industry)
- Establishment and handover of an electronic dashboard with updated information on the gambling industry
- Updated dashboard
- Audited national gambling statistics

#### 4. Strategic objective: Leadership in the debate concerning the evolution of gambling

i) This programme achieved the following outputs in the prior year

- Coordinate training seminar by the Institute of Gambling of the University of Nevada, Reno

ii) The programme planned to achieve the following outputs during the year under review

- Research on new forms of gambling

iii) The programme achieved the following outputs during the year under review

- Produced desktop research on new forms of gambling
- Produced report on the conceptualisation of new forms of gambling (draft strategy report)

The following are the NGB's performance indicators as per the APP:

- i) Assessment report on the status of BBEE in the gambling industry
- ii) Revised strategy document
- iii) Report on the implementation of the strategy
- iv) Evaluation reports on the functionality of CMS
- ii) Produce assessment report in respect of FICA
- iii) Assessment reports of three PLAs
- vii) Report on the integrated portal established including mapping of the gambling industry
- viii) Report on the integration of the information on status of the gambling industry

- ix) Research reports on updates and tracked gambling patterns produced

- x) Draft strategy on gambling trends

#### The NGB achieved, in the prior year, the outputs listed hereunder:

- i) Consultation with industry sector players on application of BBEE assessment of compliance of the industry to BBEE Codes of Good Practice

- ii) Developed strategy document on suppression of illegal gambling

- iii) Report on the implementation of the strategy

- iv) Produce assessment and compliance report on PLAs

- v) Produce assessment report in respect of FICA

- vi) An information dashboard has been established and a report submitted

- vii) Updated information on the industry

- ix) Updated dashboard

- x) Audited gambling statistics

- xi) Approved Research and Marketing Strategy

#### During the year under review, the following targets were planned during the beginning of the year:

- i) Produce assessment of compliance of the industry to BBEE codes by 30 June 2013

- ii) Report on the review of the effectiveness of strategy document

- iii) Report on the implementation of the strategy to combat illegal gambling

- iv) Evaluation report on the performance and effectiveness of CMS

- v) Assessment and compliance report of the PLAs

- vi) Report on the integration of the information on the status of the industry by 31 March 2013

- vii) Research report on socio-economic impact of gambling and tracked gambling patterns by 31 March 2013

- viii) Research on evolution of gambling trends

## Variance between the planned targets and actual achievements for the current year

Calculate the variance between the planned targets and actual achievements for the current year.

- i) Proposed amendments to the BBBEE codes of good practise,
- ii) Incomplete information on the dashboard and failure to complete and submit quarterly Gambling Industry Reports
- ii) Failure of PLAs to provide requested annual and quarterly information
- iii) Inability to provide a comprehensive and integrated research report on the socio-economic impact of gambling

The entity planned to achieve the outputs as articulated in the prior sections but deviated from such plans. These were the outputs achieved as a result of such deviations:

- i) Proposed amendments to the BBBEE codes of good practise,
- ii) Incomplete information on the dashboard and failure to complete and submit quarterly Gambling Industry Reports
- iii) Failure of PLAs to provide requested annual and quarterly information
- iii) Inability to provide a comprehensive and integrated research report on the socio-economic impact of gambling due to amendment to research resulting to delay in producing the final report

## Strategy to overcome areas of under performance

There was no underperformance in this programme, only deviations that are dealt with in the comments.

# SUMMARY OF FINANCIAL INFORMATION

## REVENUE COLLECTION

Sources of revenue	2011/12			2012/13		
	Estimate	Actual Amount Collected	(Over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Government Grant	24 105	38 105	(14 000)	26 057	26 057	0
CMS licence fees	160	151	9	140	181	(41)
Interest received	267	248	19	267	794	(527)
Miscellaneous Revenue	990	1 132	(133)	0	667	(667)
<b>TOTAL</b>	<b>25 522</b>	<b>39 636</b>	<b>(14 105)</b>	<b>26 464</b>	<b>27 699</b>	<b>(1 235)</b>

The NGB does not generate any income nor have another stream of revenue except the grant allocated through the dti vote. This grant received constitutes 95% of total revenue.

The revenue on interest received has exceeded the initial budgeted amount and this is because of the additional funds the NGB received in April 2012.



## PROGRAMME EXPENDITURE

Programme Name	2011/12			2012/13		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Stakeholder Liaison	7 657	8 507	(850)	13 131	11 198	1 933
Corporate Services	10 693	11 268	(575)	12 119	13 681	(1 562)
Compliance Monitoring	7 097	7 149	(52)	9 890	7 651	2 239
<b>TOTAL</b>	<b>25 447</b>	<b>26 924</b>	<b>(1 477)</b>	<b>35 140</b>	<b>32 530</b>	<b>2 610</b>

The approved budget for the 2012/13 financial year includes additional funds for specific projects approved in the 2011/12 financial year; these funds were received in April 2012. The expenditure indicated above includes those projects undertaken and financed through the additional grant.

The Programme: Corporate Services shows an over expenditure of 13% for the year under review. The said over expenditure arose from the costs associated with relocation of the NGB from **the dti** to the new offices in Eco Park, Centurion. The said costs are reflected in the annual financial statements, which are included in this report.

The Programme: Stakeholder Liaison and Legal shows an under spending of 15% due to lack of capacity and the gap left by the resignation of the person responsible for the campaign projects. In spite of this setback, the NGB communication strategy was approved and partly implemented.

The Programme: Compliance Monitoring shows an under-expenditure of 23%. The research projects were funded from the special grant received in April 2012. Some of the research projects were deferred to the subsequent year, 2013/14, as it was necessary to use the services of external researchers, which required a lengthy procurement processes.

The funding for special projects improved the NGB's financial ability by 54%.

The non-continuation of the funding for special projects has left a distinct negative variance of the same percentage. This amounted to the operational budget being reduced by R9 million. This challenge has resulted in the NGB ending the year with a deficit of R4.8 million, as these funds had to be transferred to fund the approved office relocation.

The following projects will be affected by the lack of funding:

- Planned and additional research
- Public awareness campaigns
- Interactive Gambling training

## CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

Infrastructure projects	2011/12			2012/13		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Leasehold Improvement	0	0	0		10 850	(10 850)
Office Furniture and Equipment	0	30	(30)	3 300	3 300	0
Intangible Assets/ Software	600	526	74	657	568	89
Motor Vehicles	400	400	0	0	0	0
ICT Equipment	200	193	7	1 043	275	768
<b>TOTAL</b>	<b>1 200</b>	<b>1 149</b>	<b>51</b>	<b>5 000</b>	<b>14 993</b>	<b>(9993)</b>

The NGB recently undertook a significant capital investment in the form of leasehold improvements, furniture and office equipment during the move to the newly leased office premises. The asset register has been updated to reflect these new assets. The leasehold improvements, as they form an integral part of the main building, have been capitalised and will be amortised over the 10-year lease period.

The NGB's Asset Management Plan revolved around procurement of infrastructure related to new office premises and has been implemented. Currently, there is no capital project in progress.

For the 2013/14 financial year, no significant capital investment is envisaged except continued maintenance of the acquired office infrastructure.

The NGB relied on the infrastructure provided by **the dti** but since moving into new premises, additional rental and infrastructure costs will be borne by the Board. The impact of this move increased the organisational expenditure, including rental, to a sum of R4.4 million per year.

The NGB maintains an asset register, which is reconciled to the general ledger monthly and audited quarterly.

The NGB's asset holding changed significantly since the office move. Previously, the asset holding was valued at R2 million whereas the current asset holding is at R14 million. Assets that have become of no economic use to the NGB were disposed of and removed from the asset register. These constituted an insignificant amount, being less than six thousand rand. Three laptops were lost due to theft and were replaced by the insurers.

# PART C

# GOVERNANCE



## I. INTRODUCTION

Corporate governance embodies processes and systems by which the NGB is directed, controlled and held accountable. In addition to legislative requirements based on the NGB's enabling legislation and the Companies Act of 2008, corporate governance at the NGB is applied through the precepts of the PFMA of 1999 and run in tandem with the principles contained in the King III Report on Corporate Governance.

Parliament, the Executive and the Accounting Authority of the NGB are responsible for corporate governance.

## II. PORTFOLIO COMMITTEES

The NGB was tasked by the Portfolio Committee on Trade and Industry to address concerns raised by the grooms in the horseracing industry. The committee requested the NGB to facilitate an engagement between the grooms and the National Horseracing Authority with the objective of signing a recognition agreement between the two parties.

A process of engagement has taken place and more than five meetings between the parties took place under the coordination of the NGB. We hope to resolve the matter in the next financial year.

## III. EXECUTIVE AUTHORITY

The NGB submitted Performance Information Reports for the three quarters of the year. The following issues were raised by the Executive Authority:

- a) First Quarter Report: No issues raised
- b) Second Quarter Report: The issue raised was a concern over the increased costs related to stationery, number of board/ committee meetings and travel costs; that these expenses are controllable and should be minimised
- c) Third Quarter Report: The issue raised was on the NGB's strategy in dealing with a possible deficit that may occur at the end of the financial year due to financing of the relocation costs from the operational budget. The NGB requested financial assistance to relocate offices to Centurion and **the dti** committed to provide resources required for this project. At the time of this report, **the dti** was still awaiting approval to transfer the funds to NGB.

# THE ACCOUNTING AUTHORITY

## INTRODUCTION

The Board must ensure that there is cooperative governance in the NGB and further execute the mandate as articulated in the Act.

The purpose of the Board is to provide a national regulatory framework for gambling in South Africa by:

- a) monitoring and investigating when necessary, the issuing of national licences by PLAs, entering into agreements with those licensing authorities in respect of steps taken to correct those deficiencies and making recommendations to the NGPC in relation to such matters
- b) overseeing an evaluation of the exercise by provincial licensing authority of its responsibilities and functions in terms of the National Gambling Act of 2004
- c) ensuring compliance with cooperative governance in terms of section 41(e), (g) and (h) of the Constitution<sup>8</sup>

The Board's responsibilities and accountability for NGB's performance and strategic direction

- a) The responsibilities of the Board are spelled out in section 75(1) and section 33 of the National Gambling Act<sup>9</sup> of 2004 read with section 49(1) and (2) of the PFMA<sup>10</sup> of 1999. These responsibilities are amplified by the now approved policy framework and procedures on oversight and governance of public entities and statutory institutions<sup>11</sup>
- b) The Board's responsibilities in terms of the National Gambling Act of 2004 include evaluating national licences by PLAs and compliance monitoring of licensing authorities
- c) The Board is obliged to report to the Minister of Trade and Industry at least once every year on its activities, account for all monies received or paid for or because of the Board
- d) The Board's reports are transmitted by the Minister, to the Premier of each province and it is tabled in Parliament

<sup>8</sup>Act 106 of 1996 • <sup>9</sup>Act 7 of 2004 • <sup>10</sup>Act 1 of 1999 • <sup>11</sup>Approved for implementation by the Minister of Trade and Industry on the 11 July 2012

## The Role of the Board Composition of the Board

Name	Designation (in terms of the NGB Board structure)	Date appointed	Appointment valid until	Qualifications	Area of Expertise	Board/ Directorships	Other committees	No. of Meetings attended
Prof. Linda de Vries	Chairperson	01 Dec 2010	30 Nov 2013	MBA (Univ. of Stellenbosch) Honours in Business Administration (Univ Stellenbosch) B.Com Hons (Univ Western Cape) Secondary Teachers Diploma (Univ Western Cape) Board Leadership Certificate (Swedish Development Agency) Doctoral course work- Organisational Theory and Leadership – Quantitative, Qualitative and Ethnography research and , Demography (State University of New York- (SUNY) at Albany) International Labour Organisation Certificates in Entrepreneurship SIDA- Board Membership Diploma-Swedish Board Membership Programme	Executive Leadership and Management, Research Capacity Building-with developing countries and also African scholars Lecturer, Author, Business Leader, especially on Governance and Entrepreneurship	Deputy Chairperson - National Responsible Gambling Foundation SAWEEF- (South African Woman's Empowerment Foundation) Professor- University Western cape	HR & Remuneration Research & Ethics Committee	5
Ms Nana Magomola	Deputy Chairperson	01 Nov 2011	31 Oct 2016	BSc degree (University of New York) LLB (Wits) Singapore/Commonwealth Development Programme Executive Development Programme from Wharton Business School, University of Pennsylvania, USA and Gordon Institute of Business Science	Legal, Management, Nursing, Business Administration	CEO National Responsible Gambling Forum Chairperson: President's Council Deputy Chair: Nelson Mandela Children Hospital Trust Global Director: International Leadership Foundation Global Director: International Women Forum	Legal & Compliance (Member) Chairperson HR & Remuneration Committee Chairperson Committee	4

The role of the Board is empowered by section 65 of the NGB, to execute the following functions and objects, which include:

- a) Monitoring and investigating the issuing of national licences by provincial licensing authorities for compliance with the National Gambling Act of 2004
- b) Investigating, monitoring and evaluating compliance by provincial licensing authorities, entering into agreements therewith in respect of steps to be taken to correct any deficiencies and making recommendations to the NGPC in relation to such matters governed by the NGB

## BOARD'S CHARTER

The Board adopted a charter, which directs its activities in terms of corporate governance and complied with this charter in respect of the following:

- a) The maximum number of Board members
- b) Diversity
- c) Number of meetings
- d) Appointment of the CEO
- e) Exercise of the Board's functions
- f) Board Secretary
- g) The role, functions and responsibilities of the Board
- h) Matters reserved for final decisions by the Board
- i) The terms of reference for all the committees serving under the Board have been approved



Name	Designation (in terms of the NGB Board structure)	Date appointed	Appointment valid until	Qualifications	Area of Expertise	Board/Directorships	Other committees	No. of Meetings attended
Adv Tayob Aboobaker	Member	d) 01 Jan 2009	31 Dec 2013	LLB (University of Durban-Westville)	Advocate Senior Counsel Legal expertise esp. Commercial Law, Administrative Law, Constitutional Law and Delict	None	Chairperson: Legal & Compliance Committee	4
Prof Siphwe Nzimande	Member	01 Nov 2011	31 Oct 2016	BA Social Science (University College of Zululand under Unisa) BA (Honours) (Social Work) (University of Zululand) D.Phil (Unisa) Diploma in Admin (SIS College – Natal)	Executive Management, Project Management	None	Research & Ethics Legal & Compliance	5
Dr Malaga Kganaka	Member	01 Nov 2011	31 Oct 2016	PhD – Medical University of South Africa Masters' Degree in Public Health (International Health) – Tulane School of Public Health and Tropical Medicine (New Orleans Louisiana) MA (Psychology) – University Pretoria BSc (Med) Honours (Psychology) – Medunsa B.Cur (1 et A) – University of the North Midwifery – Chris Hani Baragwanath Hospital (Passed midwifery with distinction)	Project Manager  Business Leadership Research, Strategy Developer	None	Chairperson: Research & Ethics Committee	5
Ms Thezi Mabuza	Member	01 Nov 2011	31 Oct 2016	Secondary Primary Teacher's Diploma (Transvaal College) BA (BA Ed) (Unisa) Masters' Degree (Public Policy & Admin) – (Jackson State University, Jackson MS (USA) Programme: Project Management – (University of Pretoria) Certificate Programme – Leadership Development – (Wits Business School) BA Arts (Unisa)	Project Management Business Leadership	None	HR & Remuneration  Legal and Compliance	5
General JW Meiring	Member	01 Jan 2009	31 Dec 2013	BA, National Diploma: Police Administration (Unisa)	Leadership in Commercial Crime, (SAPS) Policing Investigations, Enforcement of Custom Laws, Law Enforcement and Combating Commercial Crimes Specialist	None	Legal & Compliance Committee	4
Mr Matimba Macebele	Member	01 Jan 2009	31 Dec 2013	B.Com Accounting (University of Venda) Further Certificate in Accounting Diploma (FCA accredited by ACCA) – (University of Johannesburg) Advanced Certificate in Taxation	Management, Accounting, Taxation and Auditing	None	Audit & Risk Committee	3
Mr August Keyser	Member	01 Jan 2009	31 Dec 2013	Financial Management Program, Essentials of Financial Management by Graduate School of Business Administration of Witwatersrand	Financial Management, Auditing and Business Leadership. Business Leader	None	Chairperson: Audit & Risk Committee	4

## COMMITTEES OF THE BOARD

Committee	No. of meetings held	No. of members	Name of members
Legal & Compliance Committee	2	6	1. Adv TN Aboobaker (Chair) 2. Prof SV Nzimande 3. Ms T Mabuza 4. Ms Nana Magomola 5. Mr August Keyser 6. Major-General Meiring
HR & Remuneration Committee	3	5	1. Ms Nana Magomola (Chair) 2. Prof Linda De Vries 3. Major-General Meiring 4. Ms Thezi Mabuza 5. Ms Baby Tyawa
Audit & Risk Committee	4	6	1. Mr August Keyser (Chair) 2. Mr Matimba Macebele 3. Ms Emily Modiadie – term ended 31 Jan 2013 4. Ms Gerdileen Taylor 5. Mr J Hargovan 6. Mr K Naidoo ( <b>the dti</b> ) 7. Ms G Deiner
Research & Ethics Committee	3	3	1. Dr M Kganakga (Chair) 2. Prof Linda De Vries 3. Prof Siphwe Nzimande
Chairpersons' Committee	2	5	1. Prof Linda de Vries (Chair) 2. Ms N Magomola (HR REMCO Chair) 3. Dr M Kganakga (Research and Ethics Chair) 4. Adv TN Aboobaker (LCC Chair) 5. Mr A Keyser (Audit & Risk Chair)

## REMUNERATION OF BOARD MEMBERS

The NGB consists of a Board made up of independent non-executive members who are appointed by the Minister of Trade and Industry. Board members are remunerated according to the National Treasury circular, which categorises emoluments for different categories of listed public entities. NGB is a category 1A entity and members are remunerated in terms of this category.

The Act empowers the Minister of Trade and Industry to appoint members of the Board and request designated Ministers defined by the Act to nominate representatives of their departments to the NGB Board. The members representing the departments of Finance, Social Development, **the dti** and SAPS do not qualify for remuneration in terms of the National Treasury circular.

Board members are reimbursed travel expenses incurred when attending official meetings.



## BOARD MEMBERS REMUNERATION

Name	Remuneration R'000	Other allowance	Other reimbursements	Total
Prof Linda de Vries	412	0	0	412
Ms Nana Magomola	208	0	0	208
Prof Siphwe Nzimande	116	0	0	116
Adv Tayob Aboobaker	98	0	0	98
Mr August Keyser	196	0	0	196
Ms G Taylor (ARC)	31	0	0	31
Mr J Hargovan (ARC)	6	0	0	6
Ms G Deiner (ARC)	6	0	0	6

## RISK MANAGEMENT

The NGB has developed a Risk Management Strategy and a Fraud Prevention Plan (FPP), which directs the treatment of risks in the organisation. Both documents were approved in 2011 and are due for review in the 2013/14 financial year. The strategy and the FPP are supported by HR policies, which provide for corrective measures and/or disciplinary action to be taken against non-compliance by employees.

Risk management in the NGB is carried out at both operational and strategic levels. Operationally, an internal risk management committee has been established to coordinate risk-mitigating activities across the organisation. This committee reports to management and presents reports at the Audit and Risk Committee.

The organisation has an outsourced internal audit function, which facilitates assessment of both strategic and operational risks. Identified risks are rated according to their impact on the organisation. These risks are then presented to the Audit and Risk Committee. The annual audit plan of the internal auditors is risk-based, thus designing audit projects around risk areas of the organisation, with intent to test the effectiveness of mitigating controls put in place.

To ensure further proper management of enterprise-wide risk, the Audit and Risk Committee oversees the management of risks and monitors internal audit reports on these risk areas.

## INTERNAL CONTROL UNIT

The NGB does not have an internal control unit.

## INTERNAL AUDIT AND AUDIT COMMITTEE

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 III Report (Chapter 7) recommends the establishment of this function and 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 Audit Committee 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 Board, Internal Audit must evaluate governance processes and provide adequate assurance on the effectiveness of internal processes. These include:

- a) incorporating risk-based audit approach in their annual plan and execute audits in this manner
- b) providing adequate assurance on effective governance, risk management and internal control environment
- c) providing written assessment of the effectiveness of the organisation's internal control processes

The Internal Audit service provider has completed the audit projects as was approved in their annual plan. Their audit approach was risk-based and they reported to the Audit and Risk Committee. The following projects were undertaken:

- i. Performed a risk assessment of the organisation
- ii. Audited Performance Information – Quarter 1- 4 reports
- iii. Did Follow-up Reviews on audit findings from both the Auditor-General and audit findings from the internal auditors
- iv. Performed audit of the strategic objective: Leadership of the debate concerning evolution of Gambling
- v. Performed a Finance Discipline Review (audit of Finance and HR Administration):

vi. Performed reviews on Revenue

vii. Performed reviews on HR

viii. Performed reviews on Trade and Other Payables

ix. Performed reviews on SCM/Procurement

x. Performed reviews on Compliance Audit

xi. Performed reviews on Information Technology (IT)

The Audit and Risk Committee has been established in terms of Section 77 of the PFMA of 1999 and accompanying National Treasury regulations. The objective of establishing the Audit and Risk Committee is to ensure the integrity of integrated reporting.

### RELEVANT INFORMATION ON THE AUDIT COMMITTEE MEMBERS:

Name	Qualifications	Internal or external	Internal, position in the NGB	Date appointed	Date resigned	No. of meetings attended
AC Keyser	Financial Management Programme, Essentials of Financial Management	External	n/a	February 2009	n/a	4 of 4
G Taylor	CA (SA)	External	n/a	October 2009	n/a	4 of 4
M Macebele	B.Com Accounting (University of Venda) Further Certificate in Accounting Diploma (FCA accredited by ACCA) – (University of Johannesburg) Advanced Certificate in Taxation	External	n/a	February 2009	n/a	3 of 4
J Hargovan	Bachelor of Commerce (B.Com) Postgraduate Diploma in Management	External	n/a	September 2010	n/a	1 of 4 <sup>12</sup>
G Deiner	B.Compt, Higher Diploma in Education, BA degree	External	n/a	January 2013	n/a	1 of 4 <sup>13</sup>
K Naidoo	B.Com (Accounting) from the University of Durban Westville. Post Graduate Diploma in Computer Auditing currently finalizing his MBL through UNISA	External	n/a	September 2012	n/a	3 of 4
E Modiadie	B.Com	External	n/a	October 2009	Term expired 31 Jan 2013	3 of 4

<sup>12</sup> During 2012, Mr J Hargovan was recuperating from a motor vehicle accident, hence he could not attend all the meetings during the Year under review.

<sup>13</sup> Ms G Deiner was only appointed during the last quarter of the year under review; as such she attended the only meeting the Board had in the last quarter of 2012/13.

## COMPLIANCE WITH LAWS AND REGULATIONS

The NGB has a compliance checklist to monitor compliance with the entire applicable statutory requirement, which is overseen by the respective committees under whom the area of compliance falls.

This control measure is audited by the internal auditors to ensure that all areas required are covered; in the state of the effectiveness of such measures and that no non-compliances occurred.

Responsible staff members underwent development and training in the areas of compliance where they identified the need for improvement or training. This has also been applicable to new compliance requirements.

## FRAUD AND CORRUPTION

The NGB has a Fraud Prevention Plan. This plan is currently undergoing a review process to take into account the factors associated with the change of offices from **the dti** to Ecopark in Centurion. Reporting of fraud and corruption is done through the NGB HR department. To date, no fraud or corruption cases have been reported.

## MINIMISING CONFLICT OF INTEREST

The NGB has established “conflict of interest registers,” one for staff members and another for board members. These registers are compulsory for completion by staff members as well as Board members. The registers are also completed during evaluating or adjudicating tenders in various tender committees.

Members recuse themselves from processes where they have conflict of interest.

## CODE OF CONDUCT

The NGB has an approved Code of Conduct, which is signed by all newly appointed employees in the organisation. The Code of Conduct instils professional conduct and good behaviour amongst colleagues and stakeholders. Non-compliance with the Code of Conduct, which is reviewed every year, will result in disciplinary proceedings.

## HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The NGB does not own premises but occupies offices on a lease basis. The NGB meets the obligations of health and safety requirements and has the necessary policy and facilities that ensure compliance to health and safety legislation including a First Aid room in the offices.

## COMPANY/BOARD SECRETARY

The NGB does not have a position of the company secretary as prescribed in terms of the Companies Act of 2008. The requirements for this position will be considered in the subsequent financial year. In the meantime, the governance functions of the board are performed by the Board Legal Advisor.

## SOCIAL RESPONSIBILITY

The NGB contributes to social responsibility as part of ensuring that issued gambling licences require licensees to invest in infrastructure development within communities the licensees are going to operate in.



PART D

HR MANAGEMENT



## OVERVIEW OF HUMAN CAPITAL MATTERS

### INTRODUCTION

The most important investment that the Board made during the period under review was in its people. This is in keeping with the Board's philosophy, which views employees as its most important assets. During the period under review, the Board continued to invest in its Human Capital through compensation and benefits, learning and development programmes, mandate delivery system, Human Capital technology, etc. to ensure that employees are successful in executing their jobs.

In terms of recruitment, during the period under review, the Board has placed a moratorium on vacancies to ensure that an investigation into matters relating to the appointment of two employees outside their salary bands is concluded. Although the Board had placed a moratorium on vacancies, two vacancies were filled during the period under review i.e. the Senior Manager: Board Legal Advisor and the Legal Compliance Manager (appointed prior to the moratorium on vacancies being implemented). The key Human Capital highlights for the financial year 2012/13 are outlined below.

### CHANGE MANAGEMENT

As part of ensuring that the re-engineering process started in the 2011/12 financial year succeeds, the Board appointed a Change Agent for one year. This was aimed at strengthening the Executive Management's capacity to implement the corporate strategy and thus ensure the successful implementation of the NGB's mandate.

The appointment of the Change Agent created a space for an independent person to perform the following key strategic functions:

- a) assess the attainment of organisational strategic objectives and mandate
- b) establish a business operating system (ensuring overhauling of operational systems)

The work of the Change Agent, guided by the Chairperson and the Deputy Chairperson of the Board, is work in progress until the end of the Change Agent's fixed term contract of employment in July 2013.

## CAPACITY BUILDING

Human Capital Department was allocated adequate budget to ensure that it implements the Human Capital training plan successfully. It managed to ensure the successful execution of the leadership and management programme, as well as staff skills development initiatives.

### THE HR SYSTEM

One of the highlights of the period under review is the commencement of the project of introducing the new Human Capital system within the organisation. This project ensured that the organisation introduces an integrated HR Information System, which integrates HR and Payroll systems into one system. This initiative will enable efficient management reporting and further enable the organisation to use the information from the system in the most effective manner to ensure statutory compliance.

### ADHERENCE TO HUMAN CAPITAL POLICIES

During the year under review, the Human Capital Department successfully reviewed its policies, in keeping with its standard of ensuring that current policies are reviewed once a year, work-shopped the policies with the staff and submitted them to the Board for consideration and approval. Although the reviewed policies were submitted to the HR and Remuneration Committee for approval, the Committee made its input and recommendations. This means that reviewed policies will be resubmitted in the next financial year for final consideration and approval by the Board.

### EMPLOYEE WELLBEING (OFFICE RELOCATION)

The Board had reported in its Annual Report of 2011/12 that it was in the process of relocating its offices by December 2012 to ensure that it improves employee conditions by providing a conducive working environment.

## EMPLOYEE RELATIONS

The Board executed a labour-relations process, which resulted in one of the senior employees being suspended.

Furthermore, the Board terminated the services of two employees who were on probation, based on incapacity. One of the cases was referred to the Commission for Conciliation, Mediation and Arbitration where the matter was settled.

## CHALLENGES FACED BY THE NGB

One of the key challenges facing the organisation is the issue of insufficient resources. The entity's funding challenge has a major bearing on its Human Capital resource allocation, thus affecting the execution of the overall mandate of the

organisation. This challenge influences the Board's retention and acquisition of adequate skills.

During the year under review, the Board's Human Capital was overstretched to straddle between operational and strategic roles without enough operational personnel to relieve the administrative workload. The risks created by the financial challenges are low levels of employee engagement and low productivity levels that affect the organisation's ability to deliver on its mandate.

## HR OVERSIGHT STATISTICS

### PERSONNEL COST BY PROGRAMME

Programme	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Stakeholder Liaison	11 198	4 666	42	7	667
Corporate Services	13 681	5 082	37	10	508
Compliance Monitoring	7 651	5 347	70	9	594
<b>TOTAL</b>	<b>32 530</b>	<b>15 095</b>	<b>46</b>	<b>26</b>	<b>581</b>

## PERSONNEL COST BY SALARY BAND

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	4 288	29	4	1 072
Senior Management	5 817	39	7	831
Professional qualified	1 319	9	3	440
Skilled	2 022	13	5	404
Semi-skilled	1 415	10	7	202
Unskilled		0	0	0
<b>TOTAL</b>	<b>15 095</b>	<b>100</b>	<b>26</b>	<b>581</b>

## PERFORMANCE REWARDS

Programme	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top management	0	0	0
Senior management	0	0	0
Professional qualified	0	0	0
Skilled	0	0	0
Semi-skilled	0	0	0
Unskilled	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>

## TRAINING COSTS

Directorate/ Business Unit	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	No. of employees trained	Avg training cost per employee
Stakeholder Liaison	4 666	100	2	4	25
Corporate Services	5 082	138	3	7	20
Compliance Monitoring	5 347	141	3	8	18
<b>Total</b>	<b>15 095</b>	<b>379</b>	<b>3</b>	<b>19</b>	<b>20</b>



## EMPLOYMENT AND VACANCIES

Programme	2012/13 No. of employees	2013/14 Approved posts	2014/15 No. of employees	2015/16 Vacancies	% of Vacancies
Stakeholder Liaison	7	7	0	0	0
Corporate Services	10	10	0	0	
Compliance Monitoring	9	11	0	0	0
<b>TOTAL</b>	<b>26</b>	<b>28</b>	<b>0</b>	<b>0</b>	<b>0</b>

Programme	2012/13 No. of employees	2013/14 Approved posts	2012/13 Vacancies	% of Vacancies
Top Management	4	4	0	0
Senior Management	7	7	2	29
Professional qualified	3	3	1	33
Skilled	5	6	2	33
Semi-skilled	7	7	1	14
Unskilled	0	0	0	0
<b>TOTAL</b>	<b>26</b>	<b>27</b>	<b>6</b>	<b>22</b>

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## EMPLOYMENT CHANGES

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	3	1	0	4
Senior Management	6	2	2	6
Professional qualified	3	1	1	3
Skilled	6	0	2	4
Semi-skilled	7	0	1	6
Unskilled	0	0	0	0
<b>TOTAL</b>	<b>25</b>	<b>4</b>	<b>6</b>	<b>23</b>

## REASONS FOR STAFF LEAVING

Reason	Number	% of total no. of staff leaving
Death	0	0
Resignation	4	67
Dismissal	0	0
Retirement	0	0
Ill-health	0	0
Expiry of contract	2	33
<b>Other</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>6</b>	

According to exit interviews, resignation of employees was because of the following reasons: better opportunities; better remuneration offers; relationship with immediate managers; mismatch between role and expertise; loss

of interest in the job; pursuing other job prospects etc. The Board has a retention strategy in place and conducts exit interviews to hear and understand the reasons why employees leave the NGB.

## LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTIONS

Nature of disciplinary action	Number
Verbal warning	0
Written warning	0
Final written warning	1
Dismissal	0
Total	1

## EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	0	0	0	0	0		0
Senior Management	3	0	0	0	0	0	1	0
Professional qualified	2	0	0	0	0	0	0	0
Skilled	2	0	0	0	0	0	0	0
Semi-skilled	1	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
TOTAL	10	0	0	0	0	0	1	0

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	0	0	0	0	0	0	
Senior Management	1	0	0	0	0	0	1	0
Professional qualified	1	0	0	0	0	0	0	0
Skilled	5	0	0	0	0	0	0	0
Semi-skilled	4	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
Temporary employee	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>

Levels	Staff with disabilities			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	0	0	0	0
Skilled	0	0	0	0
Semi-skilled	0	1	0	1
Unskilled	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>

The NGB's target was to employ one male with disability and one female with disability and this target has not been achieved.

# PART E

# FINANCIAL INFORMATION



# STATEMENT OF RESPONSIBILITY

## STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

The Accounting Authority is responsible for the preparation of the NGB's AFS and for the judgments made in this information.

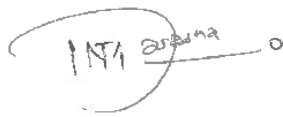
The Accounting Authority is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the AFS.

In my opinion, the financial statements fairly reflect the operations of the NGB for the financial year ended 31 March 2013.

The external auditors are engaged to express an independent opinion on the AFS of the NGB.

The AFS for the year ended 31 March 2013 have been audited by the external auditors and their report is presented on pages 69 and 70.

The AFS of the NGB set out on page 71 to page 91 have been approved.



**Themba Marasha**  
ACEO: NGB  
31 July 2013



**Professor Linda de Vries**  
Chairperson: NGB  
31 July 2013

# PART E

# REPORT OF THE CHIEF EXECUTIVE OFFICER



The NGB had a stable financial performance during the year under review, until the 12th December 2013 when the office relocated from **the dti** campus to Eco Park in Centurion.

**THE OFFICE RELOCATION CREATED A DEFICIT OF R4.8 MILLION, AS OUTLINED IN THE FINANCIAL REPORT. HOWEVER, IN SPITE OF THE SHORTFALL, THE NGB MANAGED TO ACHIEVE ITS PLANNED ACTIVITIES IN LINE WITH THE MANDATE.**

The NGB's baseline has not been reviewed and has remained a challenge. The review of this baseline is critical to the delivery of its mandate by the entity. This is a challenge and has hindered the delivery of NGB mandate. However, this has led to the NGB not performing optimally but at bare minimum. The risk based approach assisted the NGB in the prioritisation of compliance monitoring matters. This prioritisation further considered matters that were urgent, important, mandatory and essential and ensured that a balance was maintained. The NGB is engaged in the process of having the baseline to be reviewed and is hoping for a positive outcome.

The NGB has to perform its functions effectively and comprehensively with a view to advising and recommending policy reforms in respect of in gambling in the Republic. Should Parliament approve the legalisation of IG, it is expected that the NGB would have an additional income to implement these responsibilities.

The supply chain and procurement function represents one of the key areas where the NGB always ensures that the controls required are in place and all respective approvals are obtained in line with delegations of authority. This function is executed by dedicated staff and the NGB encountered challenges concerning compliance with procurement legislation. However, the organisation will put corrective measures in place to ensure that there is compliance with the applicable laws.

In the audit of the prior year, the NGB received a report with matter of emphasis on performance information where the formulation of objectives was not in line with the SMART principle. In the year under review, the NGB corrected this weakness on performance information and has received a clean report in relation to performance information.

Notwithstanding all the challenges articulated above, the NGB received an unqualified audit opinion.

I would like to take this opportunity and thank the Board members and their support in ensuring that the entity was able to execute its functions in line with the mandate despite all the challenges.



**Themba Marasha**

Acting Chief Executive Officer  
National Gambling Board

Date: 31 July 2013

# PART E

# AUDIT AND RISK COMMITTEE REPORT





We are pleased to present our report for the financial year ended 31 March 2013.

## AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has complied with its responsibilities arising from Section 77 of the PFMA of 1999 and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter that it has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that it has not reviewed changes in accounting policies and practices. This process has been removed from the evaluation of financial statements.

## 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 entity revealed certain weaknesses, which were then raised with management.

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

- a) Performed Risk Assessment of the organisation
- b) Performed Performance Information audits – Quarterly reports
- c) Performed a follow-up audit on audit findings from both the AGSA and audit findings from internal auditors
- d) Performed audit of the strategic objective: Leadership of the debate concerning evolution of gambling
- e) Performed Finance Discipline Review (audit of Finance and HR Administration):
  - Revenue
  - HR
  - Trade and other payables
  - SCM/Procurement
- f) Performed Compliance Audit
- g) Performed assessment of IT environment within the new premises

## IN-YEAR MANAGEMENT AND MONTHLY/QUARTERLY REPORT

The Audit and Risk Committee is satisfied with the content and quality of the monthly and quarterly reports prepared and issued by the Accounting Authority during the year under review.

## EVALUATION OF FINANCIAL STATEMENTS

The Audit and Risk Committee has:

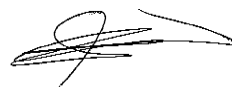
- reviewed and discussed the audited annual financial statements (AFS) to be included in the annual report with NGB management and the Auditor-General SA
- reviewed the Auditor-General's management report and management responses thereto
- reviewed and discussed the performance information with management
- reviewed the entity's compliance with the legal and regulatory provisions
- reviewed the significant adjustments resulting from the audit

The Audit and Risk Committee would like to highlight the fact that the NGB is dependent on both the approval by National Treasury of the retention of its accumulated surplus, as well as its annual grants from **the dti** for its going concern status.

## AUDITOR'S REPORT

We have reviewed the NGB's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved.

The Audit Committee concurs and accepts the conclusions of the external auditor on the AFS and is of the opinion that the audited AFS be accepted and read together with the report of the Auditor-General SA.



**August Keyser**  
Chairperson of the Audit and Risk Committee  
NGB 31 March 2013

# PART E

# ANNUAL FINANANCIAL STATEMENTS



## ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The Accounting Authority is required by the Public Finance Management Act (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 the Accounting Authority 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 South African Statements 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 Accounting Authority acknowledges that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the Accounting Authority 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 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 Accounting Authority has reviewed the entity's cash flow forecast for the year to March 31, 2014 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is wholly dependent on the Department of Trade and Industry for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the National Treasury has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

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 presented.

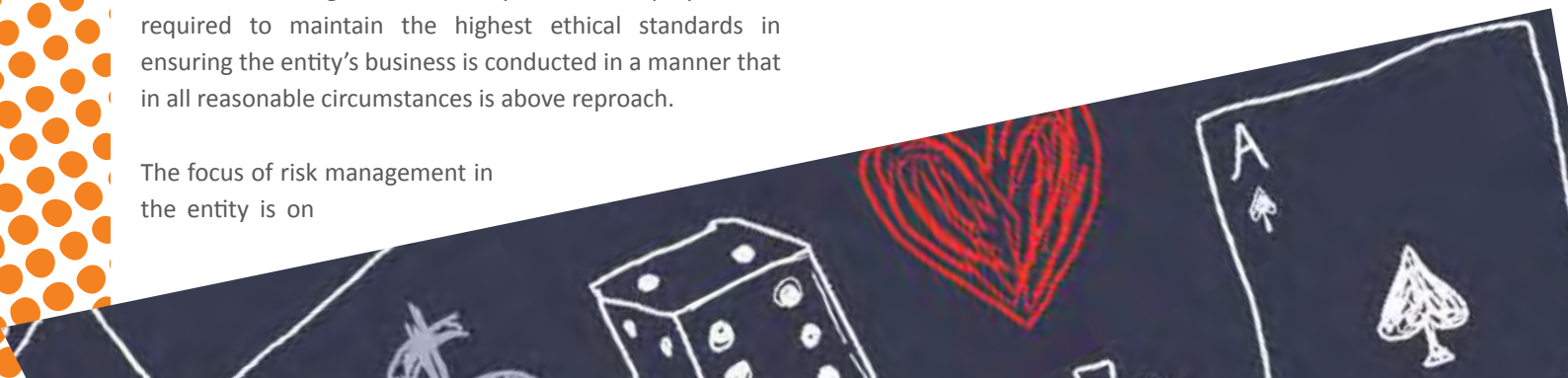
The annual financial statements, which have been prepared on the going concern basis, were approved by the accounting authority on 31 July 2013 and were signed on its behalf by:



**Professor Linda de Vries**

Chairperson: NGB

Date: 31 July 2013



# PART E

# REPORT OF THE EXTERNAL AUDITOR



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

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

1. I have audited the financial statements of the National Gambling Board of South Africa as set out on pages 71 to 91, which comprise the statement of financial position, the statement of financial performance, statements of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year ended 31 March 2013, and the notes, comprising a summary of significant accounting policies and other explanatory information.
4. 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Accounting Authority's Responsibility for the Financial Statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practise (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-General's Responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. 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 misstatement.

### Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Gambling Board South Africa as 31 March 2013, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

7. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

### Predetermined Objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the information in the report of the predetermined objectives as set out on pages 27 to 37 the annual report.
9. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

10. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

### Compliance with laws and regulations

11. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

### **Annual Financial Statements, performance and Annual Reports**

12. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial

reporting framework as required by section 55(1)(b) of the PFMA. Material misstatements of revenue and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

### Internal Control

13. I considered internal control relevant to my audit of the financial statements, on the annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of the internal control are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

### **Financial and performance management**

14. Management did not establish sufficient controls to ensure complete and accurate financial statements.

Auditor - General  
Pretoria  
31 July 2013



AUDITOR - GENERAL  
SOUTH AFRICA

# ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

## STATEMENT OF FINANCIAL POSITION

	Note(s)	2013 '000	2012 '000
<b>Assets</b>			
<b>Current Assets</b>			
Accounts Receivable: Exchange Transactions	13	584	92
Accounts Receivable: Non-exchange Transactions	14	-	14,000
Inventory	15	22	17
Cash and Cash Equivalents	16	740	2,281
		<b>1,346</b>	<b>16,390</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	17	14,856	949
Intangible Assets	18	1,291	1,012
		<b>16,147</b>	<b>1,961</b>
Non-current Assets Held for Sale	19	6	-
<b>Total Assets</b>		<b>17,499</b>	<b>18,351</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	20	6,050	3,806
Provisions	21	1,060	493
		<b>7,110</b>	<b>4,299</b>
<b>Non-Current Liabilities</b>			
Deferred Rent and Accommodation	22	1,168	-
<b>Total Liabilities</b>		<b>8,278</b>	<b>4,299</b>
<b>Net Assets</b>		<b>9,221</b>	<b>14,052</b>
<b>Net Assets</b>			
Accumulated Surplus		9,221	14,052
<b>Total Liabilities and Reserves</b>		<b>17,499</b>	<b>18,351</b>

# ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

## STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2013 '000	2012 '000
<b>Income</b>			
Revenue from Non-exchange Transactions - Government Grants	2	26,057	38,105
Revenue from Exchange Transactions	3	848	1,283
Other Revenue from Exchange Transactions - Interest Received	4	794	248
		<b>27,699</b>	<b>39,636</b>
<b>Operating expenses</b>			
Auditors' Remuneration	5	(920)	(804)
Board Members' & Executive Managers' Remuneration	6	(5,361)	(4,142)
Consulting and Professional Fees	7	(3,813)	(2,802)
Personnel Costs	8	(10,807)	(10,798)
Travel and Subsistence	9	(2,352)	(2,658)
Other Operating Expenses	10	(4,951)	(3,654)
Depreciation and Amortisation	11	(769)	(349)
Operating Leases	12	(3,557)	(1,717)
		<b>(32,530)</b>	<b>(26,924)</b>
<b>(Deficit) Surplus for the year</b>		<b>(4,831)</b>	<b>12,712</b>



# ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

<b>STATEMENT OF CHANGES IN NET ASSETS</b>	Accumulated Surplus '000	Total net assets '000
<b>Balance at 01 April 2011</b>	<b>1,340</b>	<b>1,340</b>
Changes in net assets		
Net surplus for the period as restated	12,712	12,712
Total changes	12,712	12,712
<b>Balance at 01 April 2012</b>	<b>14,052</b>	<b>14,052</b>
Changes in net assets		
Surplus for the period	(4,831)	(4,831)
Total changes	(4,831)	(4,831)
<b>Balance at 31 March 2013</b>	<b>9,221</b>	<b>9,221</b>

# ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

## CASH FLOW STATEMENT

	Note(s)	2013 '000	2012 '000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Government Grants		40,057	24,105
Interest Income		788	248
Other Receipts		807	1,277
		<u>41,652</u>	<u>25,630</u>
<b>Payments</b>			
Employee Costs		(15,595)	(13,616)
Suppliers		(12,672)	(12,793)
		<u>(28,267)</u>	<u>(26,409)</u>
<b>Net cash flows from operating activities</b>	23	<b>13,385</b>	<b>(779)</b>
<b>Cash flows from investing activities</b>			
Purchase of Property, Plant and Equipment	17	(14,425)	(623)
Proceeds from sale of Property, Plant and Equipment	17	32	18
Purchase of Other Intangible Assets	18	(533)	(526)
		<u>(14,926)</u>	<u>(1,131)</u>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,541)</b>	<b>(1,910)</b>
Cash and Cash Equivalents at the beginning of the year		2,281	4,191
<b>Cash and Cash Equivalents at the end of the year</b>	16	<b>740</b>	<b>2,281</b>

# ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2013

	Notes	Approved budget	Adjustments	Final budget	Actual amount on comparable basis	Difference between final budget and actual
		'000	'000	'000	'000	'000
<b>Statement of financial performance</b>						
<b>Revenue</b>						
Revenue from Non-exchange Transactions - Government Grant		25,900	157	26,057	26,057	-
Revenue from Exchange Transactions	24	160	-	160	848	688
Other Revenue from exchange Transaction - Interest Received	24	267	510	777	794	17
<b>Total Revenue</b>		<b>26,327</b>	<b>667</b>	<b>26,994</b>	<b>27,699</b>	<b>705</b>
<b>Expenditure</b>						
Auditors' remuneration	24	(755)	(260)	(1,015)	(920)	95
Board Members' & Executive Managers' Remuneration	24	(4,796)	(80)	(4,876)	(5,361)	(485)
Consulting and Professional Fees	24	(6,837)	(140)	(6,977)	(3,813)	3,164
Personnel Costs	24	(12,037)	-	(12,037)	(10,807)	1,230
Travel and Subsistence	24	(1,650)	366	(1,284)	(2,352)	(1,068)
Other Operating Expenses	24	(6,804)	-	(6,804)	(4,951)	1,853
Depreciation and Amortisation	24	(391)	-	(391)	(769)	(378)
Operating Leases	24	(1,756)	-	(1,756)	(3,557)	(1,801)
<b>Total Expenditure</b>		<b>(35,026)</b>	<b>(114)</b>	<b>(35,140)</b>	<b>(32,530)</b>	<b>2,610</b>
<b>Net Surplus per approved budget</b>		<b>(8,699)</b>	<b>553</b>	<b>(8,146)</b>	<b>(4,831)</b>	<b>3,315</b>

# ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

## ACCOUNTING POLICIES

### 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

Significant accounting policies, which have been consistently applied, are disclosed below. Details of any changes in accounting policies are explained in the relevant policy.

#### 1.1 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.

#### 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 thousand rand (R'000).

#### 1.4 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.

#### 1.5 IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

In terms of section 55(2)(b)(i) of the Public Finance Management Act, 1999 the financial statements must include particulars of any irregular and fruitless and wasteful expenditure.

Fruitless and Wasteful expenditure is expenditure made in vain and would

have been avoided had reasonable care been exercised. All unauthorised, irregular, fruitless and wasteful expenditure is charged against income in the period in which they are incurred.

#### 1.6 INVENTORY

Inventory is stated at the lower of cost or net realisable value while cost is determined on a first-in-first-out basis. Net realisable value represents the estimated selling price in the ordinary course of business less any costs incurred in selling and distribution. Inventory comprises of stationery that shall be consumed within a short-term period in the normal business of the entity and not held for sale.

#### 1.7 PROPERTY, PLANT AND EQUIPMENT

Property, Plant and 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 and 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 and Equipment is initially measured at cost.

The cost of property, plant and equipment is the purchase price and other direct 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 at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where property, plant and equipment is acquired through a non-exchange transaction, its costs shall be measured at its fair value at the date of acquisition. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) take up value.

Property, Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, Plant and Equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The carrying values of property, plant and equipment are reviewed for impairment when events or circumstances indicate that the carrying values may not be recoverable. If any such indicators are present and where the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is written down to its recoverable amount through the statement of financial performance.

<i>Item</i>	<i>Average useful life</i>
Leasehold Improvements	Over the period of lease
Furniture and office equipment	3 to 10 years
Motor vehicles	5 years
Computer equipment	3 to 10 years

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Items of property, plant and 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.

# ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

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

## 1.8 INTANGIBLE ASSETS

Costs associated with research or maintenance of software programs are recognised as an expense and are charged to the statement of financial performance when incurred. Identifiable development costs are recognised as an asset when it is probable that it will give rise to an asset that will generate future economic benefits for the organisation. Development costs are only recognised as assets if they meet the following conditions:

An asset is created that can be identified;

It is probable that the asset created will generate future economic benefits; and  
The development costs of the asset can be measured reliably.

Expenditure that enhances or extends the performance of computer software programs beyond their original specifications is recognised as a new acquisition.

### *Internally Generated Software*

Internally generated software programs are initially recognised at cost. Intangible assets with indefinite useful lives, if any, are not amortised but tested for impairment annually and impaired if necessary.

National databases with a finite useful life are amortised over their useful lives using a straight line basis and tested for impairment at each reporting date. A database is amortised only once it is complete.

### *Purchased Software*

Software licenses are carried at cost less accumulated amortisation and impairment. Software is amortised over its useful life on a straight- line basis.

<i>Item</i>	<i>Useful life</i>
National databases	4 to 5 years
Computer software	3 to 5 years
Other internally generated assets	4 to 5 years

Intangible Assets are derecognised:  
on disposal; or  
when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

## 1.9 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.

### *Finance leases*

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*

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 installments over the period of the lease.

## 1.10 FINANCIAL INSTRUMENTS

### *Classification*

Financial instruments are recognised on the statement of financial position when the entity becomes party to the contractual provisions of the instrument. Financial instruments include cash and bank balances, receivables and trade payables. These financial instruments are generally carried at their estimated fair value, which is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction

### *Financial Assets*

The entity's principle financial instruments are cash at bank and cash on hand, trade receivables and other receivables. These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the entity has the positive intention and ability to hold to maturity are classified as held to maturity.

### *Financial Liabilities*

The entity's principle financial liabilities are trade and other payables.

# ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

## *Initial recognition and measurement*

Financial instruments are initially recognised using the trade date accounting method. The entity classifies the financial instruments on their component parts on initial recognition in accordance with the substance of the contractual arrangement.

Financial instruments are initially measured at fair value costs when the entity is a party to a contractual arrangement. Subsequent to initial recognition these instruments are measured as set out below.

## *Trade and other payables*

Trade and other payable are stated at their nominal value. The carrying amount of these payables approximates fair value due to the short period to maturity of these instruments.

## *Cash and cash equivalents*

Cash and cash equivalents are measured at fair value. The carrying amount approximates fair value due to the short period to maturity. Cash and cash equivalents comprise cash at bank, cash on hand and short-term investments (32 days) held to maturity.

## *Trade and other receivables*

Trade and other receivables are stated at the nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. The carrying amount of these receivables approximate fair value due to the short period to maturity of these instruments. Trade and other receivables from exchange transactions are disclosed separately from trade and other receivables from non-exchange transactions. Trade and other receivables in exchange for which the entity gives approximately equal value to another entity are recognised as trade and other receivables from exchange transactions. Trade and receivables received without directly giving approximately equal value in exchange are recognised as trade and other receivables from non-exchange transactions.

## *Gains and losses*

Gains and losses arising from a change in the fair value of financial instruments are included in net surplus or deficit in the period in which they arise.

## *Offsetting*

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the entity has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## *Subsequent measurement*

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

## *Impairment of financial assets*

At the end of the reporting period the entity assesses all financial assets, other than those at fair value, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised as a reduction to the surplus. Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in the surplus.

## *Derecognition of financial instruments*

A financial asset is derecognised when:

- the right to receive cash flows from the asset has expired;
- the entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without delay to a third party under a "pass through" arrangement; or
- the entity has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control thereof.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same customer on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability, and the difference in the respective carrying amounts is derecognised in the Statement of Financial Performance.

## *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.

## *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

# ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

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 with a maturity period 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 due to their short- term maturity period.

## **1.11 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

## **1.12 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.

## **1.13 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.

## **1.14 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.

## **1.15 TAXATION**

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

## **1.16 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.

## **1.17 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.

## **1.18 RELATED PARTIES**

Parties are considered to be related to the entity if they have the ability to control or exercise significant influence over the the entity (or vice versa) in making financial and operational decisions or if both parties are subject to common control. Related party relationships where control exists are disclosed irrespective of whether there have been transactions between the related parties. Related party disclosures for transactions that took place on terms and conditions considered to be "at arms length" and "in the ordinary course of business" are not disclosed. All other transactions with related parties not considered to be "in the ordinary course of business" are disclosed.

## **1.19 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.

# ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013 '000	2012 '000
<b>2. Revenue from Non-exchange Transactions</b>		
Government grants	26,057	38,105
<b>3. Revenue from Exchange Transactions</b>		
Zonke - LPM License Fees	181	151
RFP Sales	17	36
Profit on Disposal of Non-current Assets	-	5
Miscellaneous Income	650	1,087
Bad Debt Recovered	-	4
	<b>848</b>	<b>1,283</b>
<p>Included in the "Miscellaneous Income" figure is R516,507 received from <b>the dti</b> as rental income stemming from a sub-letting arrangement.</p>		
<b>4. Other Revenue from Exchange Transactions</b>		
Interest Received	794	248
<b>5. Auditors Remuneration</b>		
External Audit Fees	920	804



# ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013 '000	2012 '000
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### 6. Members' Emoluments

Board members' and executive managers' remuneration during the year.

#### Executive Managers' Remuneration

2013	Basic Salary	Pension	Medical Aid	Total
Chief Executive Officer (CEO) : Ms. P.B. Tyawa	1,258	175	37	1,470
Chief Operations Officer (COO): Mr. B. Mashigo	808	-	-	808
Chief Compliance Officer (CCO): Mr. D.T. Marasha	828	119	58	1,005
Chief Financial Officer (CFO) : Ms. M.E. Ntsowe	862	119	24	1,005
	<b>3,756</b>	<b>413</b>	<b>119</b>	<b>4,288</b>

2012	Basic Salary	Pension	Medical Aid	Total
Chief Executive Officer : Ms. B.P. Tyawa	1,199	167	33	1,399
Chief Compliance Officer: Mr. D.T. Marasha	784	114	58	956
Chief Financial Officer : Ms. M.E. Ntsowe	797	114	45	956
	<b>2,780</b>	<b>395</b>	<b>136</b>	<b>3,311</b>

#### Non-executive Members

2013	Board Allowance	Kilometer Claims	Infrastructure	Total
Prof. L. de Vries (Board Chairperson)	412	-	-	412
Adv. T.N. Aboobaker (Board member)	98	-	-	98
Mr. A.C. Keyser (Board member)	196	-	-	196
Ms. G.A. Deiner ((ARC member)	6	-	-	6
Mr. J. Hargovan (ARC member)	6	-	-	6
Ms. M.N. Magomola (Board member)	208	-	-	208
Prof. S.V. Nzimande (Board member)	116	-	-	116
Ms. G. Taylor (ARC member)	31	-	-	31
	<b>1,073</b>	<b>-</b>	<b>-</b>	<b>1,073</b>

2012	Board Allowance	Kilometer Claims	Infrastructure	Total
Prof. L. de Vries (Board Chairperson)	363	-	-	363
Adv. T. N. Aboobaker (Board member)	149	-	-	149
Mr. A.C. Keyser (Board member)	176	-	-	176
Ms. G. Taylor (ARC member)	37	-	-	37
Mr. J. Hargovan (ARC member)	22	-	-	22
Ms. M.N. Magomola (Board member)	57	-	-	57
Prof. S.V. Nzimande (Board member)	28	-	-	28
	<b>832</b>	<b>-</b>	<b>-</b>	<b>832</b>

# ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 7. Professional and Consulting Fees

Legal Fees	455	126
Research	1,564	1,662
Probity Investigations	34	7
Internal Audit	617	478
Other Consulting Fees	1,143	529
	<b>3,813</b>	<b>2,802</b>

### 8. Personnel costs

Salaries, Bonuses and Overtime - excl CEO, CFO, COO & CCO	8,966	8,852
Contract and temporary staff	872	377
Payment in Lieu of Leave	178	9
UIF	36	88
Insurance & Administration of the Provident Fund	343	371
Other Salary Related Costs	412	1,101
	<b>10,807</b>	<b>10,798</b>

### 9. Travel and Subsistence

Local	1,240	1,695
Overseas	1,112	963
	<b>2,352</b>	<b>2,658</b>

### 10. Other Operating Expenses

Communication Costs	2,952	357
Conference, Forum and Workshop Expenses	162	1,792
Administrative Expenses	536	508
Maintenance, Repairs and Running Costs	81	55
Other	1,220	907
Loss on Disposal of Asset	-	35
	<b>4,951</b>	<b>3,654</b>

### 11. Depreciation and Amortisation

Furniture and Office Equipment	67	21
Computer Equipment	172	142
Vehicles	58	-
Leasehold Improvements	183	6
Leased Office Equipment	85	66
Computer Software, Internally Generated	204	114
	<b>769</b>	<b>349</b>

# ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 12. Operating lease

#### Current year

Premises	3,461	1,547
Other Rent and Accommodation Costs	96	170
	<b>3,557</b>	<b>1,717</b>

#### Future minimum lease payments under non-cancelable operating leases for the NGB's offices:

Within 1 year	5,141	1,400
2 to 5 years	25,780	6,571
Thereafter	39,246	8,454
	<b>70,167</b>	<b>16,425</b>

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. Monthly rental payments of R267,800 (excluding VAT) are payable with an annual escalation clause of 10% per annum. The lease is renewable for an optional further period of nine years and eleven months. The entity is also contracted to Parkdev SA (Pty) Ltd for a period of 15 years, effective from 1 April 2006. The lease payments are R128,906 (excluding VAT) per month with an annual escalation clause of 6.5%. No contingent rent is payable. The lease agreement is not renewable at the end of the lease term. The leased building has been let to **the dti** for the remainder of the lease period. **The dti** granted approval to the NGB to relocate to its new premises. **The dti** further undertook to provide financial assistance for the relocation project. As at the reporting date, the NGB was yet to receive an additional grant of R12,1 million from **the dti** for the relocation project.

#### Future minimum lease payments under a non-cancelable operating lease for a Photocopier

Within 1 year	51	-
2 to 5 years	85	-
	<b>136</b>	<b>-</b>

The NGB is renting a photocopier from Konica Minolta over 36 months, effective from 01 December 2012. Monthly rentals of R3,709.37 are payable with no escalation clause. No contingent rent is payable and the lease is not renewable at the end of the lease.

### 13. Accounts Receivable: Exchange Transactions

Payments in Advance	441	-
Accrued Interest Income	6	-
Other Receivables	137	92
	<b>584</b>	<b>92</b>

### 14. Accounts receivable: Non-exchange transactions

Additional Grant from the dti	-	14,000
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### 15. Inventory

Stationery on Hand and Consumables	22	17
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No discounts or rebates were received from the purchase of inventory during the year.

# ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013 '000	2012 '000
<b>16. Cash and Cash Equivalents</b>		
Cash and cash equivalents consist of:		
Cash at Bank	737	2,279
Cash on hand	3	2
	<b>740</b>	<b>2,281</b>

	2013 '000	2012 '000
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## 17. Property, Plant and Equipment

	2013			2012		
	Cost / Valuation	Accumulated Depreciation	Carrying Value	Cost / Valuation	Accumulated Depreciation	Carrying Value
Leasehold Improvements	10,850	(183)	10,667	-	-	-
Furniture and Office Equipment	3,458	(106)	3,352	175	(50)	125
Motor vehicles	400	(58)	342	400	-	400
IT equipment	1,163	(668)	495	928	(504)	424
<b>Total</b>	<b>15,871</b>	<b>(1,015)</b>	<b>14,856</b>	<b>1,503</b>	<b>(554)</b>	<b>949</b>

### Reconciliation of property, plant and equipment - 2013

	Opening Balance	Additions	Disposals	Transfers	Depreciation	Total
Leasehold property	-	10,850	-	-	(183)	10,667
Furniture and Office Equipment	125	3,300	-	(6)	(67)	3,352
Motor vehicles	400	-	-	-	(58)	342
IT equipment	424	275	(32)	-	(172)	495
	<b>949</b>	<b>14,425</b>	<b>(32)</b>	<b>(6)</b>	<b>(480)</b>	<b>14,856</b>

### Reconciliation of property, plant and equipment - 2012

	Opening Balance	Additions	Disposals	Depreciation	Total
Furniture and Office Equipment	128	30	(12)	(21)	125
Motor vehicles	-	400	-	-	400
IT equipment	408	193	(35)	(142)	424
Cellular Phones (Leased)	10	-	(4)	(6)	-
	<b>546</b>	<b>623</b>	<b>(51)</b>	<b>(169)</b>	<b>949</b>

# ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 18. Intangible Assets

	2013			2012		
	Cost / Valuation	Accumulated Amortisation	Carrying Value	Cost / Valuation	Accumulated Amortisation	Carrying Value
Computer software, internally generated	1,517	(699)	818	1,244	(495)	749
Computer software, other	826	(353)	473	533	(270)	263
<b>Total</b>	<b>2,343</b>	<b>(1,052)</b>	<b>1,291</b>	<b>1,777</b>	<b>(765)</b>	<b>1,012</b>

#### Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	749	273	(204)	818
Computer software, other	263	295	(85)	473
	<b>1,012</b>	<b>568</b>	<b>(289)</b>	<b>1,291</b>

While the "Additions" column reflects R568,000, the amount disclosed on the face of the Cash Flow Statement (R533,000) excludes intangible assets of R35,000 which were purchased on credit.

#### Reconciliation of intangible assets - 2012

	Opening Balance	Additions	Amortisation	Total
Computer software, internally generated	414	449	(114)	749
Computer software, other	252	77	(66)	263
	<b>666</b>	<b>526</b>	<b>(180)</b>	<b>1,012</b>

### 19. Non-current Assets Held for Sale

	Office Equipment	Computer Equipment	Motor Vehicles	Total
Cost	18	-	-	18
Accumulated Depreciation	(12)	-	-	(12)
<b>Net carrying amount</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>6</b>

Non-current assets held for sale consisted of shelving units, a table, fridge and a microwave which were of no economic value to the entity. These assets would be made available to staff on auction in accordance with the entity's Asset Policy. It is expected that the sale transaction would be completed within six months of the next financial year.

### 20. Trade and Other Payables

Trade payables	2,197	1,302
SARS for PAYE and UIF	349	-
Deferred Rent and Accommodation	3,504	2,504
	<b>6,050</b>	<b>3,806</b>

# ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 21. Provisions

#### Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Provision for Performance Bonuses	-	527	-	527
Leave Pay Provision	442	643	(658)	427
Provision for Compensation Commissioner	51	55	-	106
	<b>493</b>	<b>1,225</b>	<b>(658)</b>	<b>1,060</b>

#### Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance Bonuses	1,000	-	(708)	(292)	-
Leave Pay Provision	367	471	(396)	-	442
Provision for Compensation Commissioner	-	51	-	-	51
	<b>1,367</b>	<b>522</b>	<b>(1,104)</b>	<b>(292)</b>	<b>493</b>

Provision for leave is calculated at current salary rate multiplied by the number of available leave credits. There are no uncertainties envisaged that may affect the above provisions.

### 22. Non-current Liabilities

Non-current Portion of Deferred Rent and Accommodation	1,168	-
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### 23. Reconciliation of Net Surplus for the year to Net Cash From Operating Activities

(Deficit) surplus	(4,831)	12,712
<b>Adjusted for:</b>		
Depreciation and Amortisation	769	349
Movements in Provisions relating to Employee Costs	567	(874)
Profit and Loss on Disposal of Fixed Assets	-	35
<b>Changes in working capital:</b>		
Inventory	(5)	42
Accounts Receivable: Exchange Transactions	(492)	(13,714)
Accounts Receivable: Non-exchange Transactions	14,000	9
Trade and Other Payables	3,377	662
	<b>13,385</b>	<b>(779)</b>

### 24. Explanation of Variances

#### Revenue from Exchange Transactions

The variance was caused by revenue received from the sub-letting of an office building to the dti which re-imbursed the NGB for the rent paid. The variance can also be attributable to the repayment of bursaries by employees who did not successfully complete their studies.

#### Interest Received

An adjustment to the interest budget was made because of an additional grant of R14 million received at the beginning of the year under review. The positive variance between the budget and the actual amount received was due to the fact that the additional funds received were not immediately spent and were kept in short-term investments.

# ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### Auditors Remuneration

The adjustment to the auditors' budget was made to incorporate the budget submitted by the auditors. The positive variance was due to a concerted effort by the auditors to effect a saving on their budget.

### Board Members and Executive Managers Remuneration

The adjustment to the budget was made to make provision for a stakeholder engagement exercise undertaken by the Board. The negative variance was necessitated by the employment of a Chief Operations Officer, stemming from an organisational re-engineering process.

### Consulting and Professional Fees

The adjustment to the budget was made in anticipation of a research project to assess the Impact of Gambling on Gambling Regulation, which was later withdrawn on the advice of **the dti**. The positive variance was caused by the cancellation of a research project.

### Personnel Costs

The positive variance was caused by an increase in the number of vacancies.

### Travel and Subsistence

The adjustment to the budget was made to make provision for travelling relating to the Communications Campaign and stakeholder engagements. The variance was caused by the increase in Board activities due to interactions with Parliament. Stakeholder engagements also increased as the Board engaged on industry matters.

### Other Operating Expenses

The positive variance on Other Operating Expenses was due to a saving on the Communications Campaign budget.

### Depreciation and Amortisation

Depreciation expenses exceeded the budgeted amount due to the purchase of additional non-current assets for the new leased office premises. These were in the form of Office Furniture, Office Equipment and Leasehold Improvements

### Operating Leases

The move to a new office building resulted in increased office space and a concomitant increased rent expenditure.

### Budget Deficit

The Net Budget Deficit of R8,146 million reflected on the Statement of Comparison of Budget and Actual Amounts should be viewed in conjunction with an amount of R14 million received from **the dti** on 01 April 2012 as additional grant. While this additional grant was included in the 2011/12 budget, it was only available for use by the entity during the 2012/13 financial year. It, therefore, has an off-setting effect on the budget deficit of R8,146 million.

# ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 25. Related parties

Relationships	
The Department of Trade and Industry	National department in National Sphere
SA Revenue Services	National Department
National Responsible Gambling Programme	Private Entity
NGB Trust	Trust established in terms of Section 16(3) of NGA

### Related party transactions

The National Gambling Board registered a Trust to administer unlawful winnings in compliance with Section 16(3) of the National Gambling Act No. 7 of 2004. The detailed unaudited financial statements of the NGB Trust do not form an integral part of these financial statements.

The NGB is a lessee in a lease contract with Motseng Properties for office premises located on **the dti** Campus. **The dti** leases the building from the NGB and re-imburses the NGB for rent paid. Transactions entered into during the year in relation to the sub-letting arrangement are listed below:

Nature of transaction	Amount Invoiced	Amount Received	Closing Balance
Rental for building leased to the dti	514	(494)	20

88

### 26. Losses

Other Losses Written Off	-	2
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### 27. Unauthorised Expenditure

No unauthorised expenditure was incurred during the year under review.

### 28. Fruitless and Wasteful Expenditure

No fruitless and wasteful expenditure was incurred during the year under review.

### 29. Irregular Expenditure

Goods and Services procured in contravention of Practice Note 8 of 2007/08	126	-
Goods and services procured in contravention of Practice Note 7 of 2009	32	-
Goods and services procured in contravention of Treasury Regulation 16A 6.1	140	-
	<b>298</b>	<b>-</b>

Goods to the value of R125,615 were procured with copies of tax clearance certificates instead of originals, while goods and services to the value of R32,469 were procured without the service providers completing the Declaration of Interest (SBD 4) forms while goods and services to the value of R140,442.56 were procured without obtaining at least three quotations. Management attributes this oversight to inadequate staffing within the Finance division. The filling of all the critical vacant positions will be expedited such that these positions are filled within the next six months of the new financial year.

### 30. Contingent Liabilities

One of the licensees in the Gauteng Province has filed an application against the National Gambling Board, Gauteng Gambling Board and the Minister of Trade and Industry regarding an interpretation of a section in the gambling law.



# ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 30. Contingent Liabilities (continued)

The NGB is also cited as first respondent in a matter between Derivco (Pty) Ltd and others. The action involves whether or not an online gambling software developer should be licensed in terms of applicable legislation. Parties are currently exchanging pleadings and the matter is yet to be set down for hearing.

Maxime Hotel vs NGB and others	500	-
Derivco vs NGB and KZNGB	200	450
	<b>700</b>	<b>450</b>

### 31. Commitments

Vodacom - Hosting of National Databases	-	60
Internet Solution - Internet Services	306	-
Internet Solutions - Telephone System	123	-
EOH Managed Services - ICT Infrastructure Support	348	-
	<b>777</b>	<b>60</b>

### 32. Statements Issued but not Effective

**GRAP 18: Segment Reporting**

**GRAP 25: Employee Benefits**

**GRAP 20: Related Party Disclosure**

**GRAP 105: Transfer of functions between entities under common control**

**GRAP 106: Transfer of functions between entities not under common control**

**GRAP 107: Mergers**

The above-mentioned standards have been issued but are not yet effective. Except for GRAP 20 and GRAP 25, it is unlikely that these standards will have a material impact on the entity's financial statements.

# ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 33. Risk management

#### Liquidity risk

Liquidity risk is the risk that the organisation would not have sufficient funds available or may encounter difficulties in raising funds to meet its future commitments. This risk is regarded as low considering the entity's current funding structures and management of available cash resources.

The table below illustrates the Board's exposure to liquidity risk from financial liabilities.

Other financial liabilities	7,218	4,234
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#### 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%	7	23
Cash and Cash Equivalents-decrease by 1%	(7)	(23)

#### Interest rate risk

The organisation is exposed to interest rate risk in respect of returns on investments with financial institutions. In 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 NGB does not hold significant finance leases with fluctuating interest rates.

#### Credit Risk and Market Risk

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

- Cash and Cash equivalents are placed with high credit quality financial institutions thus rendering the credit risk with regard to cash and cash equivalents limited.
- Transactions are entered into with reputable institutions approved by National Treasury.
- With regard to accounts receivables credit risk is limited by the fact that the organisation does not issue loans to staff or raise debtors in its day to day operations.
- Funds are invested in short term facilities which are highly liquid.
- The entity does not offer credit facilities either to employees or any other person except where a debtor may be raised due to advance on travel and subsistence.

#### Exposure to Credit Risk

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

Cash and Cash Equivalents	740	2,281
Other Receivables	584	14,102
	<b>1,324</b>	<b>16,383</b>

# ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 33. Risk management (continued)

#### 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	737	2,279
Other receivables	584	14,102
	<b>1,321</b>	<b>16,381</b>

The following table provides information regarding the credit quality of assets which may expose the Board to credit risk.

#### Financial Instruments

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

Cash & Cash Equivalents	737	2,279
Receivables	584	14,102
Trade Payables	7,218	4,234

# PART E

# NATIONAL GAMBLING STATISTICS

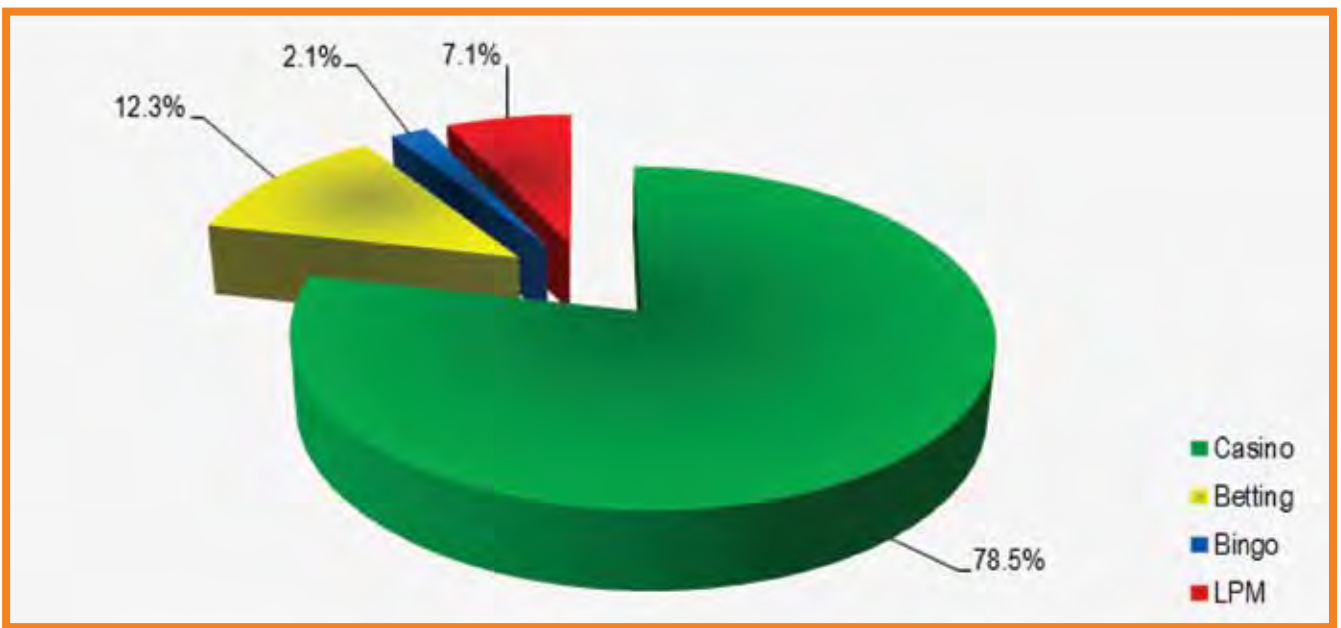


## NATIONAL GAMBLING STATISTICS - 1 APRIL 2012 – 31 MARCH 2013

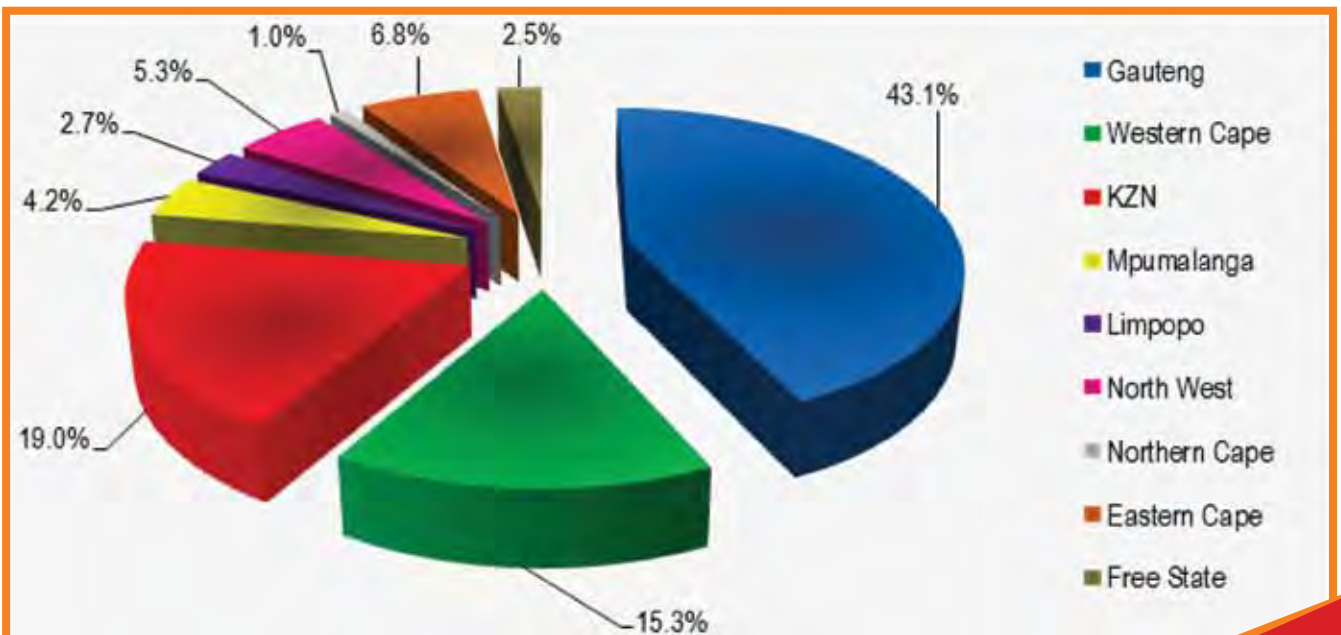
1. The nine (9) Provincial Gambling Boards (PGBs) submit provincial gambling statistics such as Turnover (includes “recycling”, which refers to amounts that are staked on more than one occasion), Gross Gambling Revenue (GGR) and gambling taxes levied and collected by all Provincial Gambling Boards (PGBs) to the National Gambling Board (NGB) on a quarterly basis. The statistics submitted is audited data

(except for Northern Cape) which is analysed and thereafter published on the NGB website. The 2012/2013 statistics continue to show an increase in GGR as well as taxes/levies across all modes of gambling and in all provinces. The GGR increased by 11.9% R18 417 million to R20 894 million. Taxes/levies increased by 12.5% from R1 834 to R2 095 million.

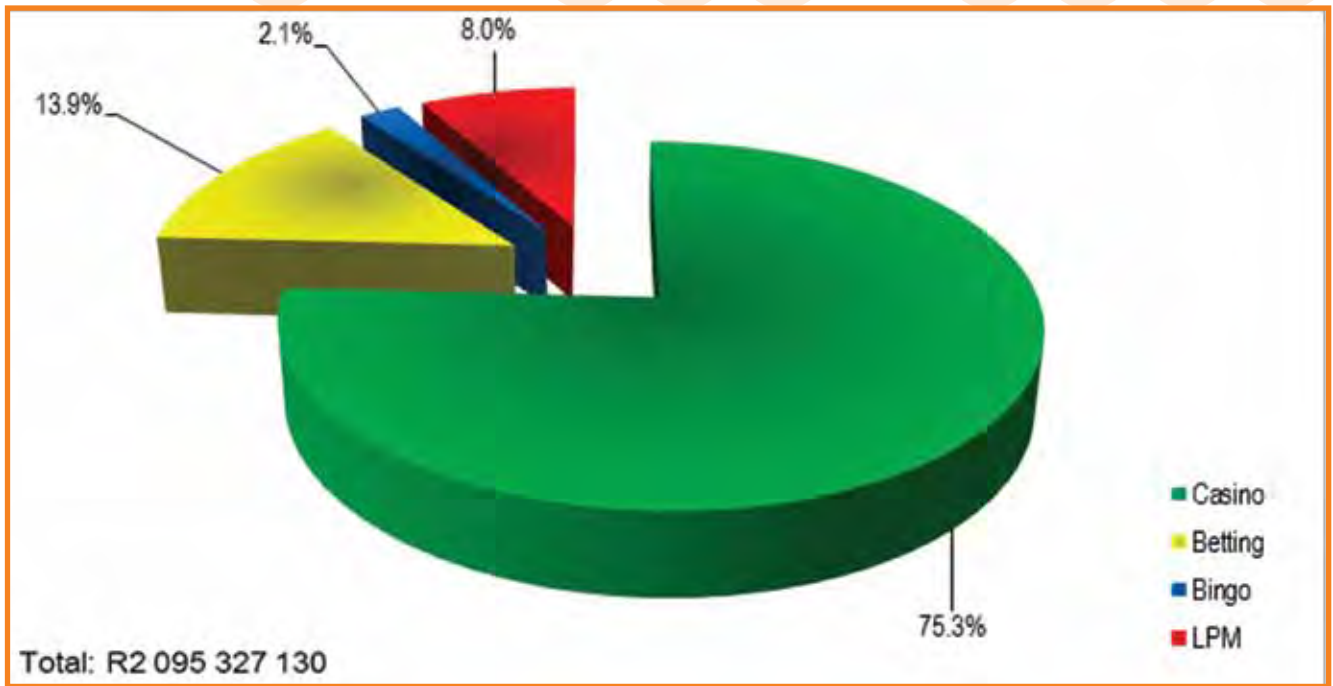
### GGR PER GAMBLING MODE



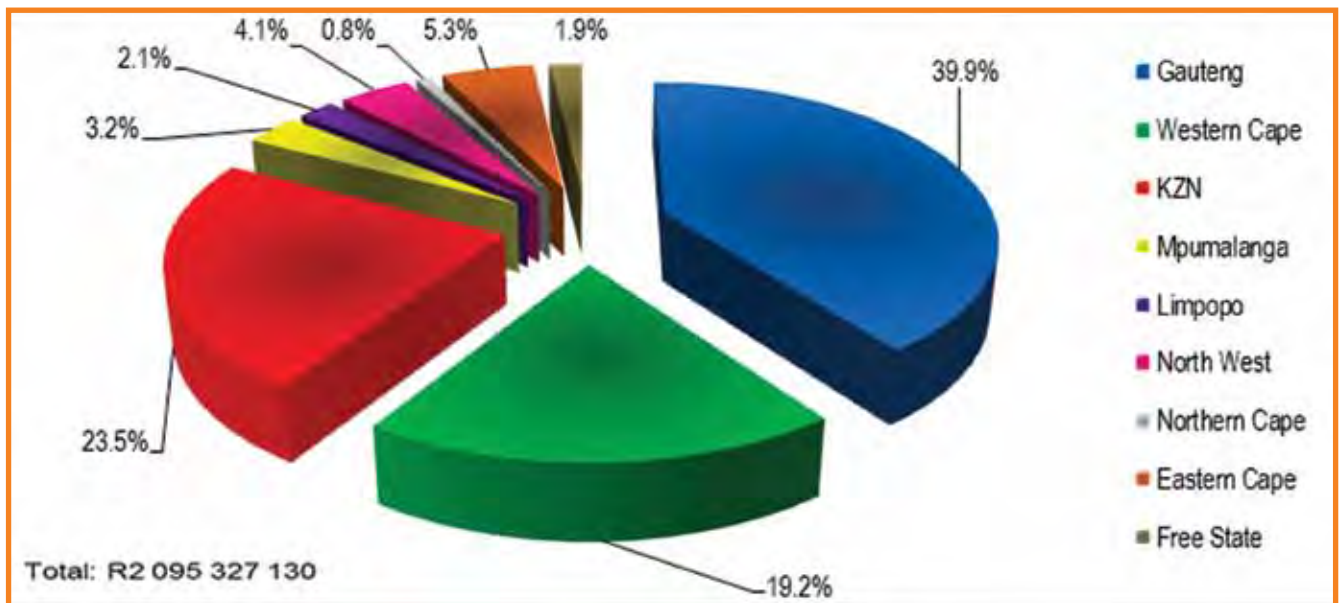
### GGR PER PROVINCE



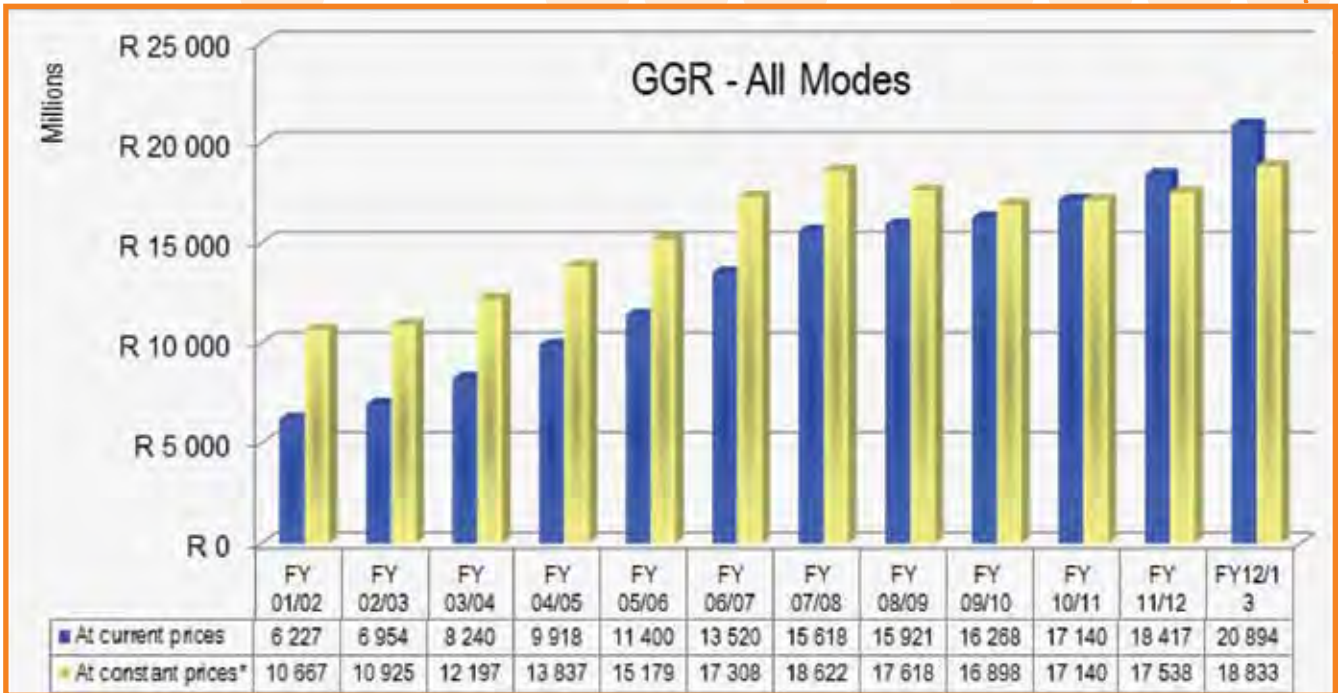
**TAXES/LEVIES CONTRIBUTION PER GAMBLING MODE**



**TAXES/LEVIES CONTRIBUTION PER PROVINCE**



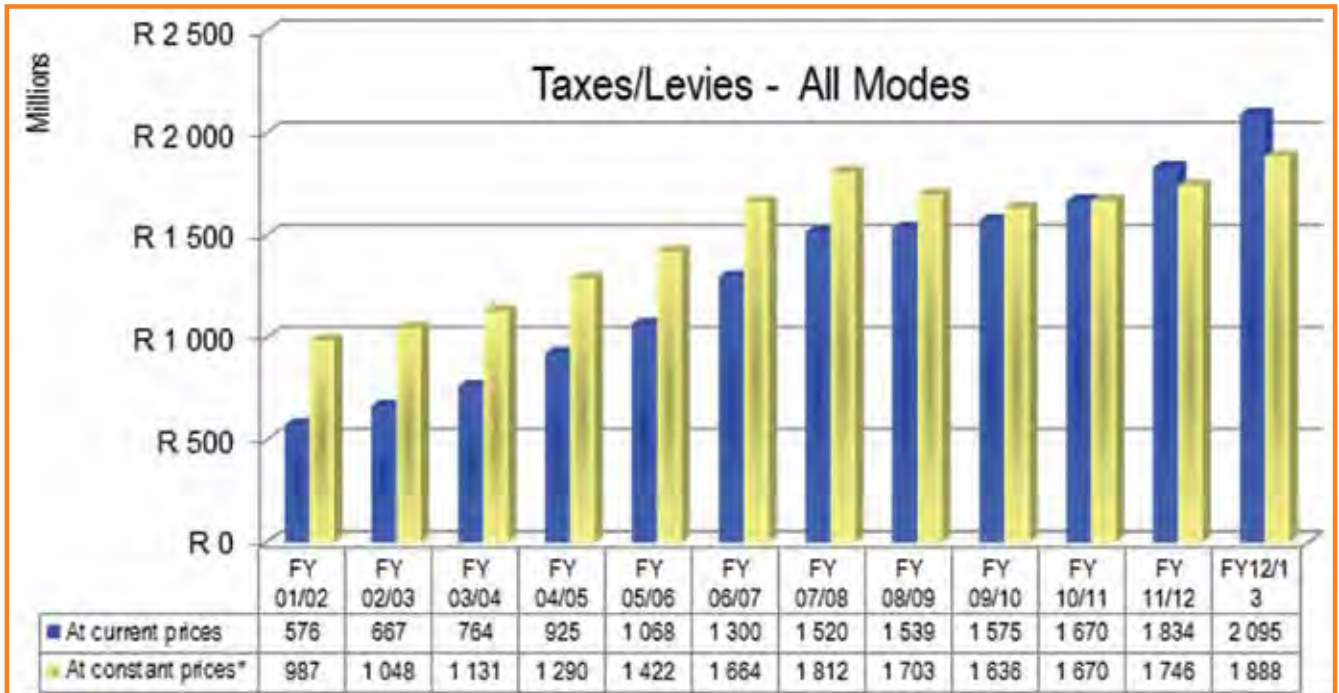
## TREND IN GGR – FY01/02 TO FY12/13



Constant 2010 prices Deflated with Household Expenditure inflator, Reserve Bank.

95

## TREND IN TAXES/LEVIES – FY01/02 TO FY12/13



Constant 2010 prices Deflated with Household Expenditure inflator, Reserve Bank.

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**National Gambling Board**

*South Africa*

a member of **the dti** group

