



National Gambling Board  
South Africa  
a member of the dti group



# ANNUAL REPORT 2014/15



National Gambling Board  
*South Africa*

a member of **the dti** group



## MINISTER'S NOTE TO PARLIAMENT

**Dear Honourable Speaker,**

I have the honour, in terms of section 65 of the Public Finance Management Act, 1999 (Act No. 1 of 1999), to present the Annual Report of the National Gambling Board, South Africa for the year ended 31 March 2015.

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

**Dr. Rob Davies, MP**

Minister of Trade and Industry

Executive Authority of the National Gambling Board

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# MINISTER'S FOREWORD



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

**T**he protection of consumers in the gambling industry is undertaken by the National Gambling Board.

The NGB provides for coordination of concurrent national and provincial legislative competence over matters relating to casinos, racing, gambling and wagering; continued regulation of those matters, for the purpose of establishing certain uniform norms and standards applicable throughout the Republic for gambling activities; and regulatory and oversight function for determination of matters relating to national gambling policy.

The NGB monitors the Provincial Licensing Authorities (PLA's) compliance with National Gambling legislation to ensure that the gambling activities are effectively regulated, licensed, controlled and monitored; members of the public who participate in any licensed gambling activity are protected; society and the economy are protected against over-stimulation of the latent demand for gambling and the licensing of gambling activities is transparent, fair and equitable.

During the financial year 2014/2015 the NGB continued to administer the National Gambling Act 7 of 2004 (NGA) and

continued to gather national gambling statistics and information. Market share and Market conduct trends, national gambling statistics in terms of turnover, gross gambling revenue (GGR) and the collection of taxes/levies were analysed. The generation of GGR increased by 13.6% in 2013 and by 4.2% in 2014. GGR has continued to make a contribution to Gross Domestic Product (GDP) which increased from 1.5% in 2013 to 2.2% in 2014.

The number of operational casinos increased from 36 to 37. Casinos continued to be the highest contributor to GGR in South Africa in relation to other modes of gambling; and casinos contribute at least 72% of collected gambling taxes/levies compared to other modes of gambling. Gauteng PLA remained the highest contributor to gambling taxes and levies in the country.

Furthering the implementation of the NGA and expectations as contained in the Shareholder's Compact is critical to the transformation of the gambling industry. To this end the NGB continued undertaking research projects and produced evidence-based information on the socio-economic impact of gambling; impact of illegal online gambling; and mapping of

*“The strategic direction and mandate of the NGB is currently under review to ensure its effectiveness in managing illegal gambling, problem gambling and enhance its research to promote transformation of the gambling industry.”*

growth in the industry. In the new financial year the NGB will focus on the socio-economic impact of illegal gambling with specific focus on online gambling.

During July 2014 the Office of the Auditor-General (AG) conducted a statutory audit into the financial affairs, condition of the NGB, and its compliance with laws and regulations for the financial year ended 31 March 2014. The findings necessitated specific intervention by the Minister.

In order to ensure that the business of the NGB continues unhampered, I appointed two Administrators, Ms Caroline Kongwa and Mr Tumelo Baleni with effect from 3 September 2014 as the Accounting Authority and controlling body of the NGB in terms of Section 49 of the Public Finance Management Act, 1999 as amended.

The strategic direction and mandate of the NGB is currently under review to ensure its effectiveness in managing illegal gambling, problem gambling and enhance its research to promote transformation of the gambling industry. As a result thereof and after consideration of **the dti** agency rationalisation project and the Gambling Review Commission’s Report, I

have taken a decision to strategically reposition the NGB. The resultant effect thereof will be the establishment of the National Gambling Regulator.

In closing, I would like to express and acknowledge the contribution by the Co-Administrators and staff of the NGB for the support and effort they have all put in during what has seemed as a very challenging year of performance for the entity.



**Dr. Rob Davies, MP**

Minister of Trade and Industry

Executive Authority of the National Gambling Board

## PART A

# GENERAL INFORMATION

*An informed gambler  
is a protected gambler*

### PART A: GENERAL INFORMATION

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# 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 X27, Hatfield, 0028

**TELEPHONE NUMBERS** +27 86 772 7713 or + 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



# ACCOUNTING AUTHORITY'S FOREWORD



**Ms Caroline Kongwa**  
Accounting Authority

I am pleased to present the 2014/15 Annual Report of the National Gambling Board. The year under review was momentous in undertaking the NGB's key priorities in order to achieve its strategic outcome oriented goals such as:

- Commission research to monitor the prevalence of gambling and problem gambling;
- development of stronger regulation and enforcement models through collaboration with all PLAs and gambling regulators across the borders of the Republic;
- improvement in stakeholder relations, the sharing of best practices, knowledge and intelligence;
- monitoring market share and conduct in the gambling sector and evaluating the trends;
- resolving the most effective safeguard against the socio-economic impact of gambling; and
- to provide a holistic view of the gambling sector performance.

The NGB remained committed to deliver on its mandate and continued to focus on matters that enhance existing relationships locally, continentally and internationally and forming new ones with other regulators all over the world to jointly eradicate illegal gambling and curb online gambling.

The suppression of illegal gambling activities, particularly online gambling, remained a priority with the NGB's continued

participation in various Law Enforcement Forums. The NGB commenced with the process to commission research to determine the capacity required for the NGB to curb illegal gambling. The legal processes for forfeiture of confiscated unlawful winnings to the State were initiated with the assistance of the Department of Justice and Constitutional Development.

Our efforts to educate the public about the impact of online gambling through the use of the NGB website and outreach programme yielded positive results with the well-known online international gambling concern, namely "bet 365" acknowledging that their business will not provide online gambling services to South Africans.

The NGB continued to support the PLAs in suppressing illegal gambling. The NGB participated in the "Operation Feel Safe" with the South African Police Services and recorded 27 verified unlawful winnings cases resulting in the confiscation of R133 421.67.

The NGB designed a framework for concurrent regulation of gambling which formed a foundation for the development of the stakeholder management and communication strategies and plans. These strategies have been adopted and will be implemented in the new financial year.

The NGB continued to educate the public on the impact of illegal gambling and encourage responsible gambling.



*“Our efforts to educate the public about the impact of online gambling through the use of the NGB website and outreach programme yielded positive results”*

On 20 March 2015 the NGB participated in the SABC television programme “Yilungelo Lakho” (Your Rights) and interacted with the public through this medium to answer questions on the role of the NGB in promoting responsible gambling and assisting those members of the public who became addicted to gambling. NGB interacted with at least 200 members of the public and distributed 500 pamphlets on its products, services and research bulletins during **the dti** open day outreach programme.

The NGB experienced an urgent need for transformation of the industry with regards to dispute resolution mechanisms amongst consumers, licensees and PLAs. A number of complaints from stakeholders included disputes relating to, *inter alia*, alleged abuse and discrimination in the horse racing sector and complaints relating to labour related issues that impacted on the gambling licensing conditions in the casino industry (Sun International). The Minister appointed Tokiso Dispute Settlement to facilitate the settlement of the dispute in the former case and the NGB intervened in the latter case with the assistance of the team from **the dti**. This matter was finally settled amicably between the parties.

The NGB continued to gather gambling statistics on the modes of gambling and highlighted the modes which contribute the greatest revenue. Although limited growth in the casino sector was reported, casinos accounted for and derived the highest GGR generated amongst all modes of gambling. Sports betting offered by bookmakers became very popular and generated the highest GGR in the betting sector compared to betting on horse racing and sport offered by totalisators. There was an increase in the number of bookmaker outlets (17.9% from FY14 to FY15) and further the roll-out of Limited Payout Machines (LPM’s) increased in all provinces (except Northern Cape). Bingo accounted for the highest percentage increase in operational positions and highest percentage increase in GGR generated by 52.5% from FY14 to FY15. Overall performance resulted in a substantial increase in GGR by 9.6% from FY14 to FY15 when compared to 4.3% from FY13 to FY14.

One of the achievements of the NGB was to eradicate the effects of irregularities identified by the Auditor-General South Africa (AGSA) after an audit was finalised in July 2014. As a consequence the NGB succeeded in deregistering the NGB Trust with effect from 25 November 2014. The NGB Trust was established during the year 2007 and subsequent to its deregistration the NGB

opened a new bank account exclusively for the purpose of depositing confiscated unlawful winnings as required by the NGA.

The NGB has also enhanced internal controls relating to management of expenditure by, *inter alia*, involving the end user during the entire procurement process of goods and services, verification and certification of Supply Chain Management (SCM) processes and confirmation of budget allocations in each instance by the Chief Finance Officer (CFO). The National Central Electronic Monitoring System (NCEMS) project team has been established and the preparation of documents for the publishing of a tender for the appointment of the new NCEMS service provider has been finalised.

There has been an extreme reduction of both operational staff and management staff due to resignations during the previous financial year and the year under review particularly in the Divisional Programme which performs the core function of the NGB. This brought about the need to realign the strategic focus of the Compliance Division to ensure continuity of services and resuscitation of the National Inspectorate primarily to improve the inspectorate function to curb online gambling.

Despite challenges and obstacles to service delivery, the NGB continued to foster a better approach to produce much with less and to equip the entity to embrace future opportunities.

The financial year was the beginning of a transition for the NGB to specifically focus in the area of illegal online gambling, as it progresses and mellows into an immense illegal activity in the Republic.

We are looking forward to repositioning the NGB as a leading regulator in both research, successful eradication of illegal gambling and promotion of responsible gambling to ensure integrity in gambling.

I would like to thank with appreciation all the staff members of the NGB for efforts and enthusiasm demonstrated in rebuilding the NGB and the unrelenting support from **the dti** and the Minister.



**Ms. Caroline Kongwa**  
Accounting Authority  
National Gambling Board

# STRATEGIC OVERVIEW

The NGB is established in terms of the National Gambling Act (NGA), 2004 (Act 7 of 2004). It is also registered as a Schedule 3A Public Entity in terms of the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999). The vision, mission and values of the NGB are as follows:

## VISION

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

## MISSION

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

## VALUES

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

# LEGISLATIVE AND OTHER MANDATES

The mandate of the NGB is set out in Sections 65 of the NGA read with sections 21, 27, 32, 33 and 34 as well as in the National Gambling Regulations 2004 and the Regulations on Limited Pay-out Machines, 2000.

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

- Constitution of the Republic of South Africa, 1996
- The Public Finance Management Act, 1999 (Act 1 of 1999)
- The Prevention of Organised Crime Act (POCA), 1998 (Act 121 of 1998)
- The Financial Intelligence Centre Act (FICA), 2001 (Act 38 of 2001)

In addition to the legislative mandate, the NGB is mandated to carry additional responsibilities in terms of the Shareholders Compact entered into with the Minister in which the NGB undertook to:

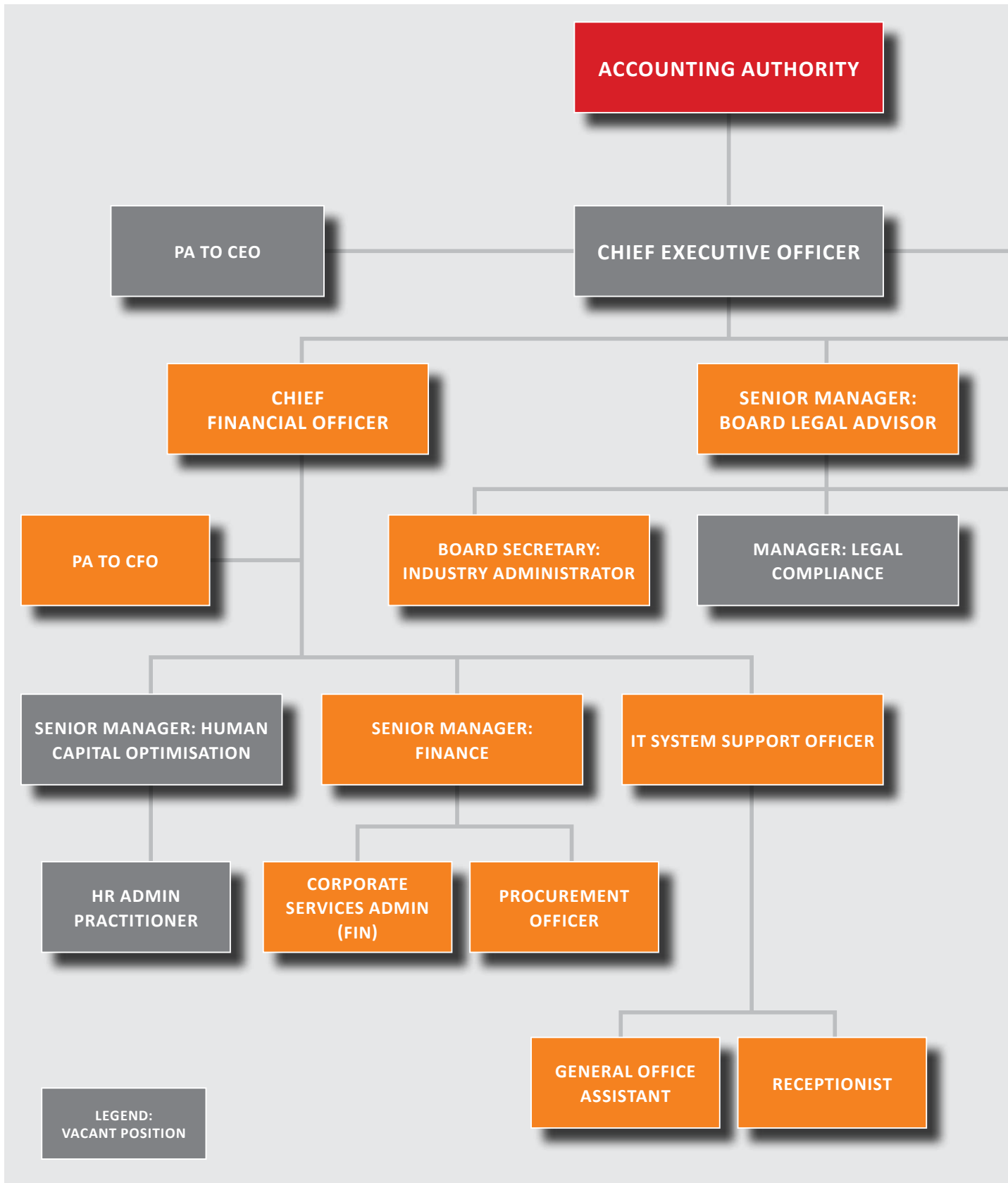
- Fast-track the agreement on norms and standards;
- Improve regulation and prosecution on online gambling;
- Monitor sports betting operating outside the ambit of the NGA;
- Develop a submission to be presented to the Department of Communication regarding online gambling;
- Develop a register of illegal operatives and black-list them; and
- Identification of forms of gambling.

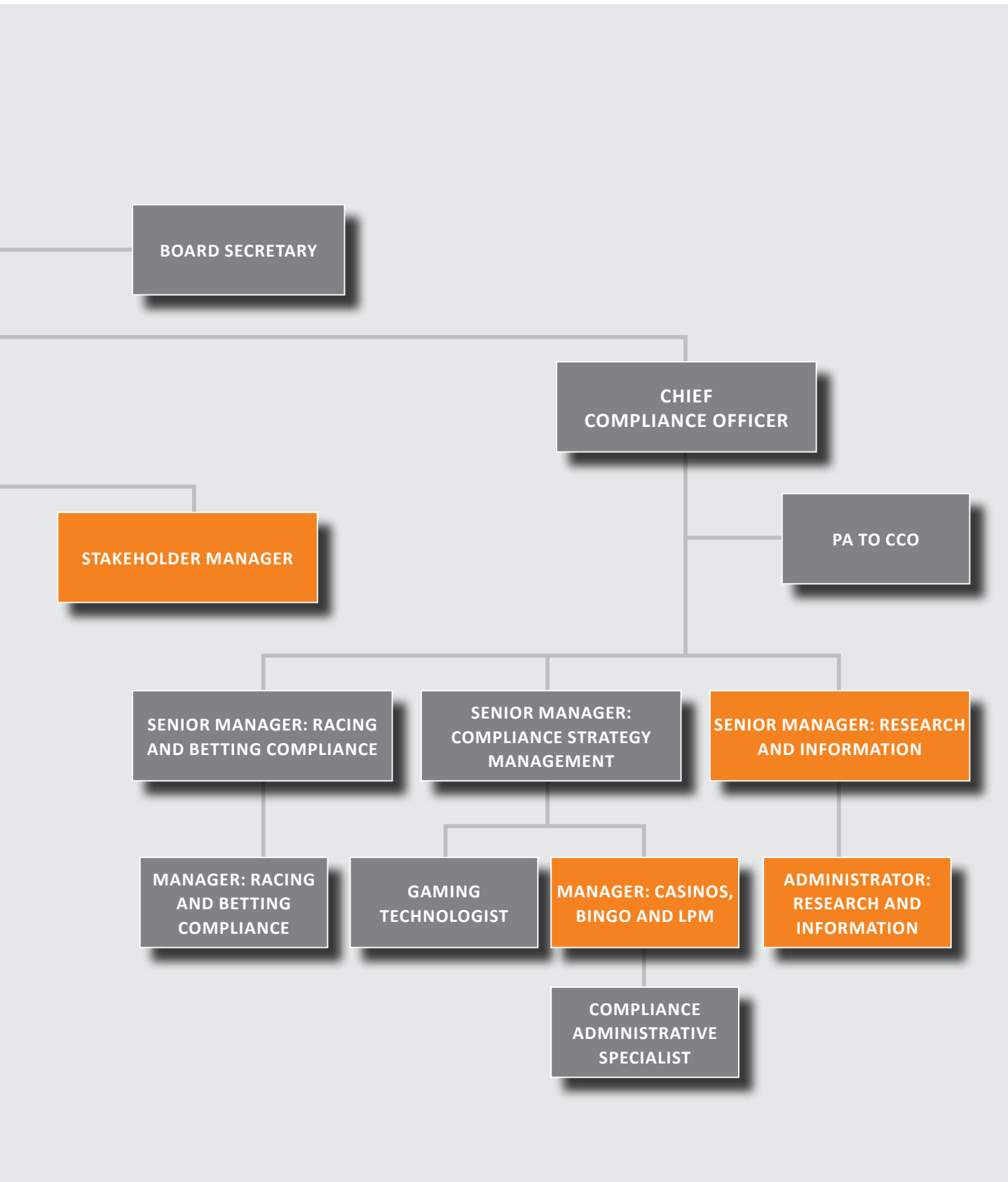
The services and products of the NGB are stated in the Act as follows:

- Oversight of gambling in the Republic of South Africa by:
  - o Evaluating the issuing of national licences by the PLAs;
  - o Evaluating the compliance monitoring of licensees by PLAs;
  - o Conducting oversight evaluation of the performance of provincial licensing authorities so as to ensure that the national norms and standards established by the Act are applied uniformly and consistently throughout the Republic; and
  - o Research and monitoring of market conduct and market share.
- Assist PLAs to ensure that the unlicensed gambling activities are detected.
- The NGB must also establish and maintain a national registry of every gambling machine or gambling device manufactured within or imported in to the Republic, as well as maintaining all other legislator prescribed registers;
- Assign a permanent and unique registration number for each machine or device; and
- The NGB must investigate the circumstances of the gambling activity that relates to any unlawful winnings that the NGB had held in trust and either delivers the winnings to the person who won them or apply to the High Court for an order to declare the winnings to be forfeited to the State.

The impact of the work of the NGB is manifested by the effect and quality of its advice and recommendation to the NGPC on, amongst others, matters of national policy and legislative changes relating to gambling.

# ORGANISATIONAL STRUCTURE





# STAFF MEMBERS



**Back Row – Left to right:** Ms. T Mlobedzi (Finance: Corporate Services Administrator), Ms. T Mukwevho (Procurement Officer), Mr. D Makhari (Compliance Administrative Specialist), Ms. E Jonkheid (Senior Manager: Research and Information), Mr. F Mametse (Senior Manager: Human Capital Optimisation), Ms. K Mackerduth (Chief Financial Officer), Ms. Z Quali (PA to CFO) and Mr. S Mthombeni (Senior Manager: Finance).



**Front Row – Left to right:** Ms. B Leola (Receptionist), MS. N Ntshangase (PA to CCO) Ms. M Moss (Manager: LPM , Bingo and Casino Compliance), Adv. M.T Goodman (Chief Compliance Officer) Ms. C Kongwa (Accounting Authority), Ms. K Makopo (Board Secretary: Industry Administrator) Ms. P Makamo (Administrator – Research and Information) and Mr. S Mhlongo (IT Systems Support Officer).

## PART B

# PERFORMANCE INFORMATION

*Under age gambling is prohibited.*



### PART B: PERFORMANCE INFORMATION

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# STATEMENT OF RESPONSIBILITY

STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2015

Management is responsible for the preparation of the public entity's performance information and for the judgements made with regards to this information.

Management is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

In my opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the strategic and annual performance plan of the public entity for the financial year ended 31 March 2015.

The NGB performance information for the year ended 31 March 2015 has been examined by the external auditors and their report is presented on page 55.

The performance information of the NGB set out on pages 20 to 31 was approved by the Accounting Authority.



**Ms. C Kongwa**  
Accounting Authority  
National Gambling Board  
31 July 2015

## AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being

reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to page 55 of the Report of the Auditors Report, published as Part F: Financial Information.

# SITUATIONAL ANALYSIS

## SERVICE DELIVERY ENVIRONMENT

The NGB is an implementing entity of **the dti**, mandated among other functions in the Act, to co-ordinate activities relating to the exercise of concurrent competence within the national and provincial spheres of government to establish certain uniform norms and standards. These provisions apply throughout the Republic with regards to gambling and wagering pertaining to casino's, betting, LPM's and bingo to ensure that gambling activities are effectively regulated and licensed.

The NGB is further required to ensure that members of the public who participate in any licensed gambling activity are protected; society and the economy are protected against over-stimulation of the latent demand for gambling; and the licensing of gambling activities is transparent, fair and equitable. This will safeguard the public at large participating in gambling against the adverse effects of gambling.

The gambling sector is segmented into the following regulatory areas: casinos; LPMs; machine operators; gaming equipment manufacturers and distributors; gambling certification and testing laboratories; licensing of employees and key employees in the sector; bingo and betting. It can be summarised that the NGB is the "overseer of gambling regulation in order to protect consumers in the gambling industry".

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

To this end the NGB has devised a stakeholder framework for the management of the concurrent regulation of gambling in the country. The framework provides the foundation to facilitate improved relationships within the industry.

The outcome of the Gambling Review Commission (GRC) has resulted in the need to review the national gambling policy and the NGA.

The NGB is required to promote transformation within the gambling industry in line with the Broad-Based Black Economic Empowerment (B-BBEE) and the Codes of Good Practice. The B-BBEE and the Codes of Good Practice have been reviewed and the new codes are effective 01 May 2015. To ensure alignment with the new provisions of the codes, the NGB has planned to draft a concept paper on the transformation within the gambling industry for the 2015/16 financial year.

The development of a register of illegal operators to minimise and control the diffusion of illegal gambling operatives was set as a ministerial priority in the Shareholder Compact 2014/15. This was a part of an all-encompassing strategy to curb illegal gambling.

## ORGANISATIONAL ENVIRONMENT

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

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

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

## KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

### THE NATIONAL GAMBLING POLICY

**the dti** presented policy recommendations to the NGPC after considering all recommendations against economic contributions, unemployment, poverty levels, over indebtedness and social impact, job creation and capacity to monitor i.e. modes of gambling which derive the most revenue.

- The key policy proposals are as follows:
  - o Regulatory structures and framework to establish a regulatory framework which looks at the effectiveness of the Council and the role of the NGB;
  - o Enhancing regulation of casinos in order to ensure the destination approach for location of casinos is maintained;

- o Provide clarity on the regulation of limited payout machines via the creation of a national framework to regulate Electronic Bingo Terminals;
  - o Horse racing be statutorily regulated through a self-regulation model;
  - o The provisions relating to Unlawful Winnings Trust need to be reformed to ensure that the costs burden of approaching the High Court for a forfeiture order is eliminated; and
  - o The policy recommends that the NRGPC be included in legislation to ensure that it derives its powers from the legislation.
- The Policy review proposed that no new forms of gambling should be allowed and that the focus be on enhancing the regulation of the existing modes. Having regard to economic and employment benefits within the gambling sector, there should be continuous balance on the value that new forms of gambling potentially bring into the country's economy against the value and contributions derived from existing forms of gambling.
  - After consultation with the NGPC, **the dti** consulted the public and affected stakeholders, the revised policy proposals were tabled for approval and published for public comment in April 2015.
  - The National Gambling Policy will be followed by the National Gambling Amendment Bill and it will be processed through Cabinet for introduction into Parliament (National Assembly and the National Council of Provinces as gambling is subject to concurrent jurisdiction).

#### THE REMOTE GAMBLING BILL OF 2014

The remote gambling bill of 2014 was published in the Government Gazette on 23 April 2014 and was tabled in Parliament. The bill was debated in the Portfolio Committee for Trade and Industry.

The intention of the bill is to provide for:

- the regulation of remote gambling in the Republic of South Africa;
- uniform norms and standards to be applicable throughout the Republic;
- to prevent minors and vulnerable people from being exposed to the negative effects of gambling;
- to ensure compliance with the FICA; and
- to protect the public and licenced remote gambling operators from fraud, criminal behaviour, money laundering or financing of terrorist or related activities.

The Bill seeks to legalise online gambling. The NGB in conjunction with **the dti** have indicated that online gambling is undesirable and illegal in South Africa. This stance has been taken due to the cumbersome mechanisms that are required to ensure that such online activities are monitored, controlled and regulated.

The NGB, in collaboration with other law enforcement agencies, continues to suppress illegal gambling activities in the country.

#### THE AMENDMENT TO THE B-BBEE ACT, 2003 (ACT 53 OF 2003)

The amendment introduces:

- the B-BBEE Commission to exercise an oversight, advocacy and investigative role;
- it establishes criminal offences for misrepresentation for companies' B-BBEE status or engaging in a fronting practice;
- it grants government and any public entity power to cancel any contract that was entered into due to false information pertaining to B-BBEE status;
- It imposes an obligation to government and public entities to take the codes into account in their procurement policies and in issuing licences and authorisations; and
- Imposes an obligation on South African listed entities to provide a report to the B-BBEE Commission on their compliance with B-BBEE.

The amendment represents an improvement to the economic development of previously disadvantaged individuals.

NGB has plans in place to amend and align their procurement policy with the amendment.

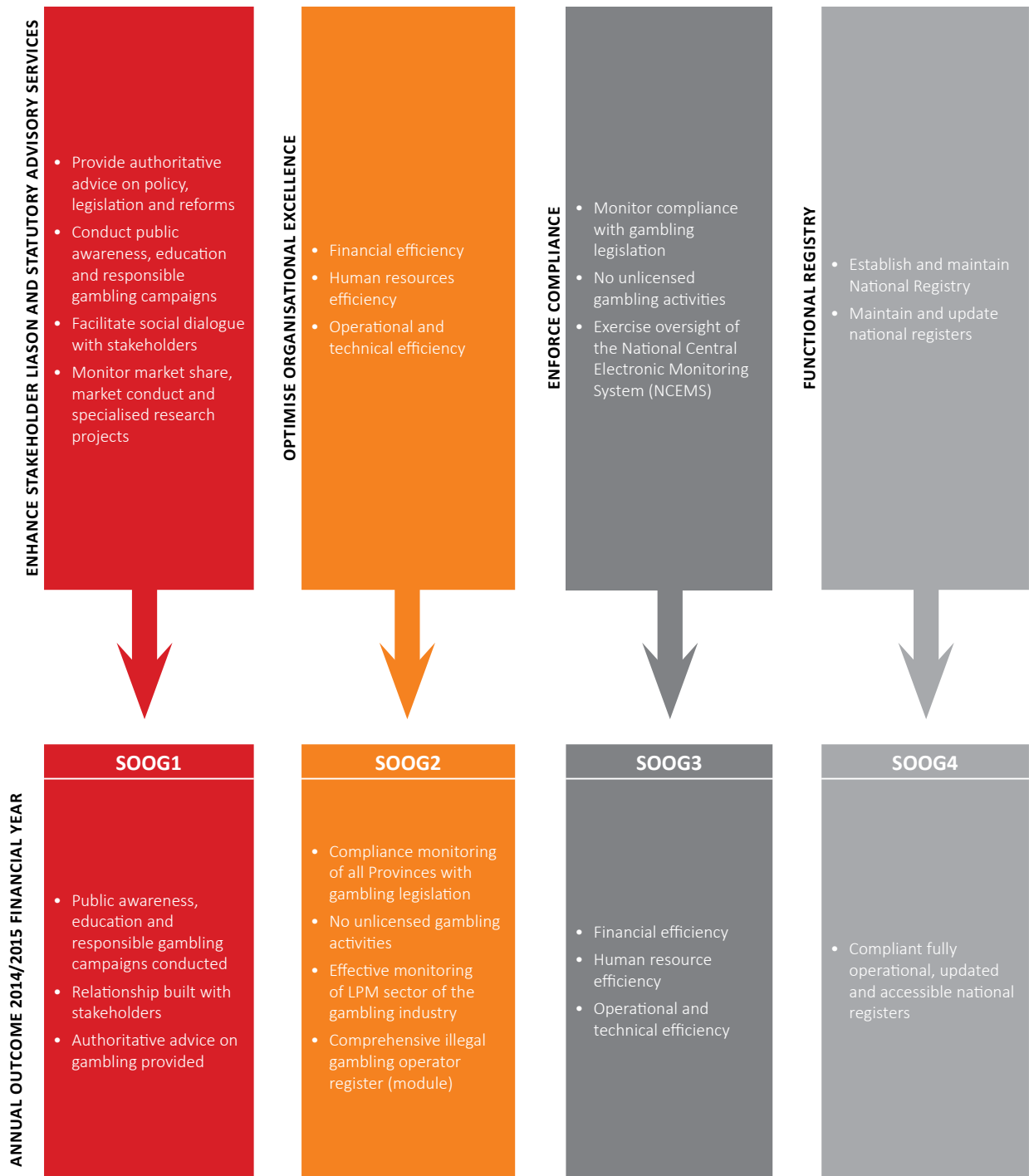
# STRATEGIC OUTCOME ORIENTATED GOALS

The National Gambling Board is one of the national regulatory agencies of **the dti**. Its Strategic Outcome Orientated Goals (SOOG's) are derived from the National Gambling Act, 2004 (Act 7 of 2004) and are aligned to the strategic objectives of **the dti** as informed by the Government MTSF priorities as depicted in the diagram below:

**Table 1: Alignment of the NGB Strategy to the Government-Wide Priorities and Outcomes**

GOVERNMENT'S MTSF PRIORITIES	GOVERNMENT OUTCOME	the dti STRATEGIC OUTCOME ORIENTATED GOALS	NGB STRATEGIC OUTCOME ORIENTATED GOALS	RESPONSIBLE NGB PROGRAMME
Decent employment, through inclusive economic growth	Outcome 4 Decent employment, through inclusive economic growth	Facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation	Enhance Stakeholder Liaison and Statutory Advisory Services	Divisional Programme: Stakeholder liaison and Statutory Advisory
		Create a fair regulatory environment that enables investment, trade and enterprise development, in an equitable and socially responsible manner	Enforce Compliance Establish and Maintain National Functional Registers	Divisional Programme: Compliance Services
		Facilitate broad-based economic participation, through targeted interventions to achieve more inclusive growth		Divisional Programme: Compliance Services and Stakeholder Liaison and Statutory Advisory Services
Priority 8 Pursuing African development and enhanced international co-operation	Outcome 11 Create a better South Africa, a better Africa and a better world	Build mutually-beneficial regional and global relations, advance South Africa's trade, industrial policy and economic development objectives	Enhance Stakeholder Liaison and Statutory Advisory Services	Divisional Programme: Stakeholder Liaison and Statutory Advisory Services
Priority 10 Building a developmental state, including improvement of public services and strengthening democratic institutions	Outcome 12 An efficient, effective and development-orientated public service and an empowered, fair and inclusive citizenship	Promote a professional, competitive and customer-focused working environment that ensures effective and efficient service delivery	Optimise Organisational Excellence	Divisional Programme: Corporate Services

In order to give effect to the SOOGs, during the financial year 2014/2015, the NGB focused on the following prioritised areas of performance to ensure that a meaningful impact from its determined outcomes was achieved.



The Strategic Outcome Orientated Goals are portrayed in the Strategic Plan 2014/2019 and further developed into actionable programmes in the Annual Performance Plan 2014/2015 and budgeted for in the entity's Business Plan 2014/2015. The key products and services of the NGB are outlined in "legislative and other mandate" as set out on Page 9.

# PERFORMANCE REPORT



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

*Proceeds from illegal gambling will be forfeited to the State*

## PROGRAMME 1: STAKEHOLDER AND LIAISON



**Standing – Left to right:** Ms. N Ntshangase (PA to CCO), Ms. Z Kuali (PA to CFO), Ms. B Leola (Receptionist) and Ms. P Makamo (Administrator – Research and Information).

**Sitting – Left to right:** Adv. M.T Goodman (Chief Compliance Officer) and Ms. K Makopo (Board Secretary: Industry Administrator).

## PURPOSE OF THE PROGRAMME

This programme provides strategic co-ordination and promotes liaison at local and international level among the various stakeholders of the NGB, including the South African Responsible Gambling Foundation (SARGF), a body tasked with the mandate to provide support and problem gambling interventions.

The co-ordination of stakeholder relations and co-operative governance is performed through the National Gambling Regulators Forum (NGRF). This forum consists of chairpersons of PLA's and provides support to NGB's Stakeholder meetings such as the CEO Forum, Legal and Compliance Forum and the Gaming Regulators Africa Forum (GRAF) respectively.

Lastly, comprehensive and researched advisory services are provided to **the dti** and the NGPC to ensure cooperative governance information and research within the gambling sector and informed policy and regulatory development inputs.

The office of the CEO is also responsible for strategic planning and support.

## LEGAL SERVICES

Legal Services researches and provides authoritative advice to **the dti** on regulatory strategies and inputs on legislation and policy development. Legal Services further provides the services of legal advice to the entire entity.

## RESEARCH

The Research unit provides comprehensive and researched advisory services to **the dti** and the NGPC to ensure co-operative governance information and research within the gambling sector and informed policy and regulatory development inputs.

## SUB-PROGRAMMES

### STAKEHOLDER LIAISON

The Stakeholder and Liaison unit provides coordination and secretariat services to the various stakeholders of the Board and Executive Management. The NGB undertakes strategic communication with key stakeholders and forges strategic cooperation, promotion of the NGB's policy and development with the regulators both on the continent and around the world.

## STRATEGIC OBJECTIVES

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

- Public awareness, education and responsible gambling campaigns conducted;
- Authoritative advice on legislative reforms provided;
- Authoritative advice based on research; and
- Social dialogue facilitated with stakeholders.

STRATEGIC OBJECTIVE	MEASURE / INDICATOR	ACTUAL PERFORMANCE AGAINST TARGET		REASON FOR VARIANCE
		TARGET	ACTUAL	
<b>PROGRAMME 1: STAKEHOLDER LIAISON AND LEGAL</b>				
Enhance stakeholder liaison and statutory advisory services	Reviewed communication strategy and plan presented and approved by the Accounting Authority	Communication strategy and plan reviewed and presented to Accounting Authority for approval	Target was achieved- approved on 31 March 2015	No variance
	Stakeholder management strategy and plan (framework) presented and approved by the Accounting Authority	Approval of stakeholder management strategy and plan (framework) by the Accounting Authority	Target was achieved- approved on 31 March 2015	No variance



STRATEGIC OBJECTIVE	MEASURE / INDICATOR	ACTUAL PERFORMANCE AGAINST TARGET		REASON FOR VARIANCE
		TARGET	ACTUAL	
<b>PROGRAMME 1: STAKEHOLDER LIAISON AND LEGAL (continued)</b>				
Enhance stakeholder liaison and statutory advisory services (continued)	Advisory reports presented to the Accounting Authority	Annual Advisory Report presented to the Accounting Authority	Target was not achieved	Minister produced a discussion document – it will add value to incorporate the inputs of the discussion document on the S65 Advisory Report. Such exercise needs further comparative study and research.
	Audited gambling sector performance report	Annual audited gambling sector performance report	Target was achieved- Quarterly reports (FY14 and FY15), as well as an annual audited report (FY14) were compiled and submitted. Audited statistics (FY14) are published on the website.	No variance
	Conduct research on impact of gambling and present the report to the Accounting Authority	Research on impact of gambling conducted and a report presented to the Accounting Authority	Target was not achieved – The project was overtaken by events initiated and executed by <b>the dti</b> .  The initial project “Impact of gambling modes on each other with a view to review legislation” was substituted at the insistence of <b>the dti</b> , prioritising the required research on the prevalence of gambling, which would be more valuable in the review of legislation.	The omnibus research was commissioned to monitor the prevalence of gambling and problem gambling. Field work is currently under way and the final report expected in May 2015.



## KEY ACHIEVEMENTS OF SUB-PROGRAMMES

### STAKEHOLDER LIAISON

In order to build relationships with stakeholders on an on-going basis, the NGB has created a framework for concurrent gambling regulation, the communication strategy and plan, as well as the stakeholder management strategy and plan. These strategies and plans will be implemented in the 2015/16 FY and will contribute towards the harmonised implementation of the national gambling legislation with the nine (9) provincial gambling legislations.

The NGB undertook outreach programmes and participated in public awareness and education initiatives during **the dti** open day, thus interacted with approximately 200 members of the public. NGB distributed approximately 500 copies of general information leaflets as well as research bulletins to the visiting public members. The NGB also undertook a broad-based public education on the role of the NGB in assisting persons with problem gambling and addiction on SABC televised programme, “Yilungelo Lakho” (Your Rights), on 20 February 2015.

### LEGAL SERVICES

The NGB has successfully managed to rectify through an application to the Master of the High Court for deregistration of a wrongfully registered NGB “Trust 14307/07”. The Trust was previously opened and registered under the Trust Property Control Act, 1988 (Act 51 of 1988). Deregistration will facilitate compliance with section 16 of the NGA by ensuring that unlawful winnings are forfeited to the State or handed back to the parties whom funds were confiscated from after investigation.

In addition, continuous legal advice and the production of a consolidated report of all cases (requests for advice) for the financial year 2014/15 was achieved to enhance proper governance and compliance with all applicable laws and legislation.

Further, the unit succeeded in opposing an urgent court application, provided support to an appeal case relating to the request made to court for an order to declare regulation 3(2) of the LPMs Regulations invalid and provided support in various labour related matters.

An advisory report in terms of section 65 of the NGA was completed and an amended advice was commenced with to include the Minister’s policy review proposals.

### RESEARCH

The research unit was able to:

- consolidate and compile gambling sector performance reports;
- commission research to track the prevalence of gambling, illegal and problem gambling;
- compile a business case to determine the impact of illegal gambling in South Africa, and the NGB’s role to combat illegal gambling; and
- establish an integrated electronic information portal to enable PLAs to update and view information, as well as the automatic updating of information on a dashboard.

This provided evidence-based advice and recommendations to the NGPC, through the Minister, and various other stakeholders on the latest trends and information for the purpose of national gambling policy reform.

## PROGRAMME 2: CORPORATE SERVICES



**Standing – Left to right:** Ms. T Mukwevho (Procurement Officer), Ms. B Leola (Receptionist), Mr. S Mhlongo (IT Systems Support Officer), Ms. T Mlobedzi (Finance: Corporate Services Administrator) and Ms. Z Quali (PA to CFO).

**Sitting – Left to right:** Mr. F Mametse (Senior Manager: Human Capital Optimisation), Ms. K Mackerduth (Chief Financial Officer) and Mr. S Mthombeni (Senior Manager: Finance).

## PURPOSE OF THE PROGRAMME

Corporate Services facilitate the overall management of the NGB and provide strategic financial management functions, human resources and information technology infrastructure support to the organisation. It is the custodian of human and financial resources. The division has four units that provide specialised services to the NGB.

## SUB-PROGRAMMES

### FINANCE

The core functions of the finance unit are to provide overall management of the financial affairs of the NGB. To this effect finance ensures an equitable allocation of financial resources amongst the various programmes and monitors expenditure against the budget. This unit provides for the financial planning and reporting for both internal and external users of the financial information.

### SUPPLY CHAIN MANAGEMENT (SCM)

The core objective of SCM is to ensure that the procurement processes of the NGB are aligned to government prescripts and guidelines. The unit must also ensure that procurement of goods and services required by the entity to achieve its objectives are procured in a manner that is fair, transparent, equitable, competitive, cost effective and compliant with procurement laws and regulations. This unit manages the performance of suppliers of goods and services to ensure that the entity receives value for money for all expenditure incurred.

### INFORMATION COMMUNICATION TECHNOLOGY (ICT)

The function of the ICT unit is to support the NGB in matters of ICT strategic development and maintenance of the communication and management systems, thereby safeguarding the assets of the NGB. The unit ensures that the ICT support functions are carried out in a manner that supports strategic goal 4 and the mission statement of the Accounting Authority. ICT is geared at supporting and enhancing the overall organisational

performance through the provision of technologies. Areas of support can be summarised as follows:

- Maintenance and support of NGB's ICT infrastructure;
- Maintenance and support of national registers (probity, exclusions, gambling machines and devices); and
- Development, review and implementation of ICT policies, standards and procedures in line with the entity's business plan and to ensure continuous operations.

### HUMAN CAPITAL OPTIMISATION (HCO)

The function of HCO is to provide support to the human resources systems and processes that support the operations and determination of performance levels as provided in the business and operational documents of the NGB. This unit ensures that there is sufficient up-to-date processes and compliant implementation with the existing labour laws. The unit also manages the performance agreements with personnel.

As a service organisation, NGB's greatest assets are its employees. HCO ensures that the full service potential of each employee is maximised. This is achieved by implementing recruitment processes which are designed to ensure that the job requirements are matched with the requisite skills.

## STRATEGIC OBJECTIVES

The performance objectives of this division include:

### FINANCIAL EFFICIENCY

Effective control support utilisation maintenance and management of financial resources.

### HUMAN RESOURCES EFFICIENCY

- Efficient and effective skilled workforce;
- Operational and technical efficiency; and
- Uninterrupted IT infrastructure.

STRATEGIC OBJECTIVE	MEASURE / INDICATOR	ACTUAL PERFORMANCE AGAINST TARGET		REASON FOR VARIANCE
		TARGET	ACTUAL	
<b>PROGRAMME 2: CORPORATE SERVICES</b>				
Optimise organisational excellence	Unqualified Audit Report with no findings	Unqualified Audit Report with no findings	Not Achieved Unqualified Audit with findings was received for the 2013/14 financial year.	There was a lack of controls over various processes that lead to financial, compliance and performance information related findings raised.
	Report on the implementation of the human capital strategy and plan	Report on the implementation of the human capital plan	Achieved	No variance
	Percentage up-time on Information Technology	Maintain the up-time on all ITS at 97% or above	Target was achieved – 99.85% up-time level maintained	No variance

## KEY ACHIEVEMENTS OF SUB-PROGRAMMES

Through very strict financial management processes, the NGB was in a position to proudly report a surplus in the 2014/15 financial year. This can be measured against the deficit that was reported over the past three (3) consecutive financial years.

The finance unit was committed to the implementation of the cost containment circular to ensure that the amount of irregular expenditure is reduced. This was achieved through the review of all existing contracts to ensure that they were compliant with laws and regulations. SCM internal controls and processes were improved during the financial year to ensure the prevention of irregular expenditure, as well as the processes to be followed to address the recovery thereof.

Notwithstanding the capacity constraints within the Human Resource Unit, the unit was still in a position to develop a Human Capital Strategy for the 2014/19 period.

ICT infrastructure hardware was successfully procured and finalised during the 2014/15 financial year and deployment of the new hardware is planned for the first quarter of the financial year 2015/16. The hardware is considered to be in line with latest technology.

The review of the ICT governance policies and procedures was also conducted during the said financial year and has been aligned to existing applications. Further key SLA's that are critical to the ICT support were signed with the relevant service providers to ensure on-going effective and efficient ICT operations.

The appointment of Internal Auditors during the financial year over a three (3) year term will ensure that the organisation achieves its objectives through evaluating and improving the effectiveness of risk management, control and governance processes in the organisation.

## PROGRAMME 3: COMPLIANCE



**Standing – Left to right:** Ms. P Makamo (Administrator – Research and Information), Mr. D Makhari (Compliance Administrative Specialist), Ms. E Jonkheid (Senior Manager: Research and Information) and Ms. M Moss (Manager: LPM, Bingo and Casino Compliance).  
**Sitting – Left to right:** Adv. M.T Goodman (Chief Compliance Officer) and Ms. N Ntshangase (PA to CCO).

## PURPOSE OF THE PROGRAMME

This programme provides mandated operational core functions in terms of the National Gambling Act, 2004 (Act 7 of 2004). The mandate of the Compliance Programme is to provide enforcement with the statutory imperatives as provided in the gambling legislation and other laws that pertain to improve enforcement of gambling related requirements for compliance by the licensees and affected parties.

## SUB-PROGRAMMES

### ENFORCE COMPLIANCE

The function of enforcing compliance includes monitoring compliance with gambling legislation and assisting the PLAs in ensuring unlicensed gambling activities are detected.

## FUNCTIONAL REGISTRY

The Functional Registry has been created to maintain national registers regarding machines and devices, probity, exclusions and information sharing.

## STRATEGIC OBJECTIVES

The performance objectives of this function include:

- Compliance monitoring of all provinces with gambling legislation;
- No unlicensed gambling activities;
- Effective monitoring of limited pay-out machines;
- Improved regulatory environment;
- Establish and maintain national registry;
- Maintain and update national registers; and
- Develop a register of illegal operatives.

STRATEGIC OBJECTIVE	MEASURE / INDICATOR	ACTUAL PERFORMANCE AGAINST TARGET		REASON FOR VARIANCE
		TARGET	ACTUAL	
<b>PROGRAMME 3: COMPLIANCE</b>				
Enforce compliance	Nine consolidated three tier compliance evaluation assessment reports	Nine consolidated reports on the issuance of national licenses, compliance monitoring of licensees and performance of PLAs	Target was not achieved	Performance was impossible due to: 1. Lack of staff and existing vacancies; and 2. Lack of response by PLAs in submitting self-evaluations
	Report on intervention and support provided to regulators and law enforcement agencies	Report on intervention and support provided to regulators and law enforcement agencies	Target was achieved	No variance
	Appointment of the new NCEMS operator	New NCEMS operator, to manage the transition to new NCEMS appointed	Target was not achieved	The process was restarted due to irregularities evidenced in procurement of legal consultants that advised the Board.
	Compliance report on the registers	Compliance status report on the registers	Target was achieved	No variance
	Illegal Gambling Operator register development and roll-out plan	An illegal gambling operators module developed	Target was not achieved	The roll-out of the module was delayed due to temporary removal of Board members and lack of staff.

## Programme Expenditure

PROGRAMME NAME	2014/2015			2013/2014		
	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/ UNDER EXPENDITURE R'000	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/ UNDER EXPENDITURE R'000
Stakeholder Liaison and Legal	7,021	6,002	1,019	8,482	8,066	416
Corporate Services	19,462	19,593	(131)	14,262	19,270	(5,008)
Compliance	5,856	3,989	1,867	7,488	6,343	1,145
<b>TOTAL</b>	<b>32,339</b>	<b>29,584</b>	<b>2,755</b>	<b>30,232</b>	<b>33,679</b>	<b>(3,447)</b>

### KEY ACHIEVEMENTS OF SUB-PROGRAMMES

Compliance monitoring and oversight evaluation of PLAs is mandatory in terms of sections 33(a) (ii) and (b) of the National Gambling Act, 2004 (Act No 7 of 2004) ("the Act"). Successful oversight evaluation of:

- the issuance of national licenses;
- compliance monitoring of licensees; and
- performance of PLAs for five (5) PLA's, namely; Western Cape, Limpopo, Mpumalanga, KwaZulu-Natal and Free State was achieved.

R1,060 million of unlawful winnings was confiscated through banking institutions between the 2013/14 and 2014/15 financial year. The source of these confiscated winnings can be attributed mainly to South African citizens gambling with unlicensed foreign internet/online gambling operators.

### STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

The NGB was not in a position to exercise oversight over four (4) of the remaining provinces through the process of evaluation of the PLAs:

- issuance of national licenses;
- compliance monitoring of licensees with national norms and standards; and
- performance of PLAs.

The reason for non-performance was due to the lack of cooperation by the PLAs on the methodology and type of evaluation that was utilised.

The NGB has devised for the next financial year an improved methodology and type of evaluation that includes an independent on-site evaluation and cluster evaluation. The new method will ensure that the oversight of PLAs takes place without reliance on the PLAs to respond.

The continued proliferation of unlicensed internet cafes offering illegal server based gambling remains a problem. The NGB continues to collaborate with the Law Enforcement Forum to suppress illegal gambling.

The key vacant positions in the Compliance Division, namely, Chief Compliance Officer, Senior Manager: Compliance Strategy Management, Compliance Administrative Specialist and Manager: Gaming Technologist resulted in a vacuum. The Division remained with a single individual to perform all the core functions. Further, social dialogue that was meant to take place regarding the implementation of norms and standards did not materialise due to lack of capacity and staff. Performance during the year regressed which resulted in targets that were not achieved. Vacant positions were advertised in November 2014 and have been prioritised to be filled in the new financial year.

The NGB received complaints from stakeholders against the PLAs and gambling operators on several matters including cases of maladministration, violations of licensing conditions, illegal gambling and online gambling. The dispute resolution mechanisms provided by the national gambling legislation is not extended to disputes between stakeholders and the PLAs. The lack of powers to resolve complaints from the stakeholders brought an encumbrance to the Legal Services Division when such cases are referred for their resolution as the stakeholders expect the NGB to serve as an ombudsman.

The research project on the socio-economic impact of gambling with a view to review legislation was substituted by another research project; namely research on the prevalence of gambling and problem gambling. The substitution was due to NGB being overtaken by events undertaken by **the dti** in the area of research. To peruse the planned research would have resulted in duplication of effort and fruitless and wasteful expenditure and hence the decision to redirect financial resources for research.

### LINKING PERFORMANCE WITH BUDGETS

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

The above figures are inclusive of capital expenditure that was planned during the 2014/15 financial year. R899 710 was budgeted capital expenditure that was directed at the purchase of ICT hardware and software of which R604 307 related to expenditure that was actually incurred.



# REVENUE COLLECTION

## Revenue

SOURCES OF REVENUE	2014/2015			2013/2014		
	ESTIMATE R'000	ACTUAL AMOUNT COLLECTED R'000	(OVER)/UNDER COLLECTION R'000	ESTIMATE R'000	ACTUAL AMOUNT COLLECTED R'000	(OVER)/UNDER COLLECTION R'000
Government Grant	29,797	29,797	-	27,717	27,717	0
NCEMS Licence Fees	258	258	-	172	172	0
Interest Received	174	285	(111)	4	37	(33)
Miscellaneous Income	2271	1794	477	1,734	1,702	32
<b>TOTAL</b>	<b>32,500</b>	<b>32,134</b>	<b>366</b>	<b>29,627</b>	<b>29,628</b>	<b>(1)</b>

The NGB places heavy reliance on **the dti** for financial support. This is in the form of a government grant that was received in two (2) separate tranches over the financial year.

The current financial year was no different as 92% of the revenue of the NGB was as a result of **the dti** grant.

Total revenue amounting to R32.2 million was received during the year, which was made up of a grant of R29.8 million and a further R2.4 million received from other sources including the NCEMS monitoring fees, rental income and request for proposal sales.

# CAPITAL INVESTMENT

## CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

The NGB maintains a fixed asset register with a total asset value of R12,908 million. NGB's major assets are in the form of leasehold improvements which are attached to the entity's leased office building. In addition, other assets owned predominantly relate to furniture and equipment.

## SAFE GUARDING OF ASSETS

Every employee is the custodian of equipment, furniture and other fixed assets issued to him/her and is therefore responsible for the safekeeping thereof. Asset verification exercises are conducted on a quarterly basis to confirm the existence and condition of all NGB assets.

## ASSET MAINTENANCE

All assets are maintained in accordance with the asset management plan to ensure assets can be effectively and efficiently utilised over their economically useful life.

## PART C

# GAMBLING INDUSTRY PERFORMANCE

*Avoid borrowing  
money for Gambling*



### PART C: GAMBLING INDUSTRY PERFORMANCE

#### MARKET CONDUCT AND MARKET SHARE

Gambling Sector Performance

Responsible Gambling

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# MARKET CONDUCT AND MARKET SHARE

## GAMBLING SECTOR PERFORMANCE

One of the key mandates of the NGB is to monitor market share and market conduct in the South African gambling industry. In doing so, the board has gathered provincial gambling statistics and information in terms of market conduct and market share applicable to the different legal gambling modes in South Africa.

The information gathered for the period 1 April 2014 to 31 March 2015 is shown in the table below.

The report shows that one new casino has become operational in the Northern Cape, resulting in a total of 37 operational casinos in South Africa as at 31 March 2015. An increase of 4.7% is reflected in the number of operational gambling positions in casinos from FY14 (31 860 positions as at 31 March 2014) to FY15 (33 360 positions as at 31 March 2015) mainly as a result of the increase of operational positions in casinos in almost all provinces, except Mpumalanga, North West and Eastern Cape. Gauteng still accounts for the highest number of operational gambling positions (41.0%) in comparison to other provinces.

Noticeable increases in GGR generated are recorded in the racing and betting industry i.e. by 9.1% from FY13 to FY14, and by 22.2% from FY14 to FY15. This is mainly as a result of major increases in GGR generated by bookmakers offering betting on sport.

Significant increases in GGR generated have been recorded in the LPM industry. An increase by 17.8% from FY13 to FY14, and

by 19.6% from FY14 to FY15 is noticed. This is mainly as a result of increases in the roll-out of active LPMs from FY14 to FY15 in all provinces, except North West and the Northern Cape (where LMP's have yet to be rolled out).

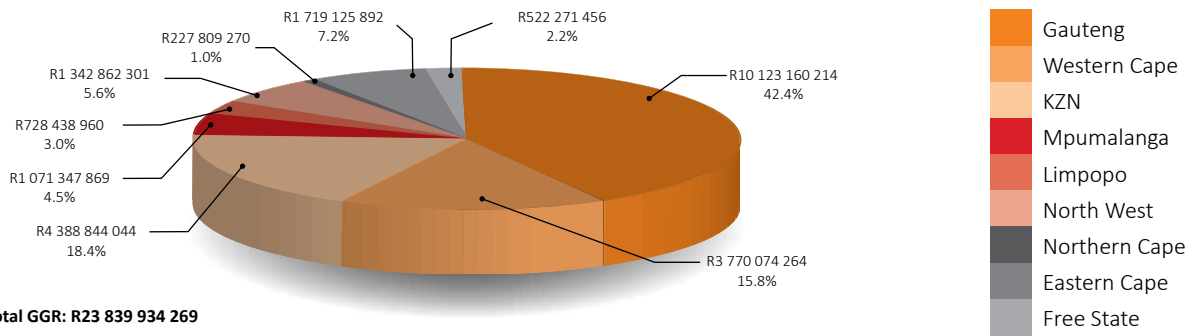
High increases in GGR generated in the bingo industry is mainly as a result of an increase in the number of operational bingo seats by 36.5% from FY13 to FY14, and by 17.8% from FY14 to FY15. Gauteng accounts for the highest number of licensed operational bingo positions or seats representing 55.4% out of the national figure.

Overall, GGR increased by 13.6% from R18,4 billion in FY12 to R20,9 billion in FY13, by 4.3% to R21,8 billion in FY14, and by 9.6% to R23,9 billion in FY15. A total amount of R23,9 billion was generated in GGR during FY15. During FY15, as at 31 March 2015, casinos accounted for the highest GGR generated being 72.1% as compared to other gambling modes. Compared to all other provinces, Gauteng represents 42.4% share, accounted for the highest amount of GGR generated.

The collection of taxes/levies increased by 14.4% from R1,8 billion in FY12, to R2,1 billion in FY13, by 6.6% to R2,1 billion in FY14, and by 10.7% to R2,5 billion in FY15. A total amount of R2,5 billion in taxes/levies was collected during FY15. During FY15, at 72.3%, casinos contributed the highest amount of taxes/levies paid by comparison with other gambling modes. At 37.9% Gauteng accounts for the highest amount of taxes/

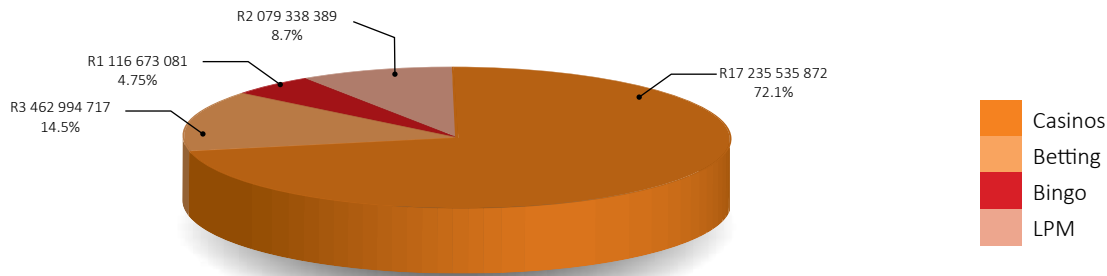
### Gambling sector performance — 1 April 2014 to 31 March 2015

VARIABLE	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Number of operational casinos	36	36	37	37
Number of operational slots (casinos)	22 215	23 236	23 575	23 708
Number of operational tables (casinos)	907	923	936	916
Number of operational gambling positions (casinos)	33 134	33 363	33 468	33 360
Operational totalisator outlets	400	399	400	402
Operational bookmakers	221	210	214	214
Operational bookmaker outlets	383	377	397	435
Operational LPM route operators across all provinces	10	11	11	11
Operational LPM site operators	2 031	2 007	2 049	2 071
Installed LPMs	9 744	9 667	9 939	10 279
Operational bingo operators across all provinces	4	4	4	4
Operational bingo outlets	18	21	25	26
Operational bingo positions	4 557	5 369	6 414	5 369
National gambling statistics: Turnover Total: R 319 717 291 862	R 77 942 705 997	R 76 446 190 289	R 84 383 244 391	R 80 945 151 185
National gambling statistics: GGR generated Total: R 23 893 934 269	R 5 745 870 179	R 5 992 679 515	R 6 180 179 397	R 5 975 205 178
National gambling statistics: Taxes/levies collected Total: R 2 476 683 639	R 583 002 901	R 603 670 780	R 640 618 068	R 649 391 890



Total GGR: R23 839 934 269

Figure 1: GGR per gambling mode, all provinces, FY15



Total GGR: R23 839 934 269

Figure 2: GGR per province, all modes, FY15

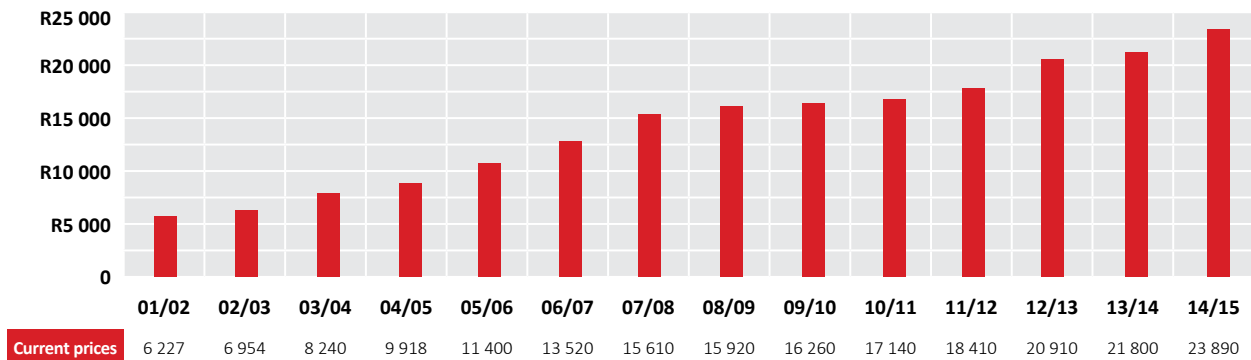


Figure 3: Trend in GGR – FY02 to FY15 (all modes)

levies paid compared to all other provinces. The NGB website was updated with the audited national gambling statistics for FY 2013/14. Gambling sector performance reports reflect the size and growth of the gambling sector in terms of statistics, market conduct and market share, as well as presentations on national gambling statistics for 2014/15 were submitted to management quarterly, and will be updated with audited information in August 2015. The Board will continue to monitor and update gambling sector performance quarterly.

An electronic information portal whereby regulators will be able to view, analyse and update provincial gambling statistics and information related to market conduct and market share in the different legalised gambling sectors, was finalised. Delegates at PLAs will be trained and the system rolled-out to all provincial regulators in the new financial year.

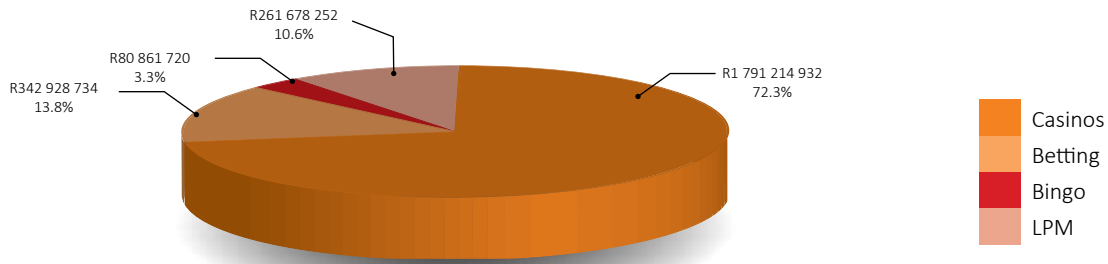
## RESPONSIBLE GAMBLING

The SARGF is a not-for-profit company (NPC) – a public-private sector entity which supervises the National Responsible Gambling Programme (NRGP), in co-operation with the gambling industry operators and governmental regulators.

The NRGP was founded in June 2000 and is acknowledged internationally to be an integrated, comprehensive and exceptionally cost-effective response to meeting the social needs which have arisen as a result of legalising gambling in 1996.

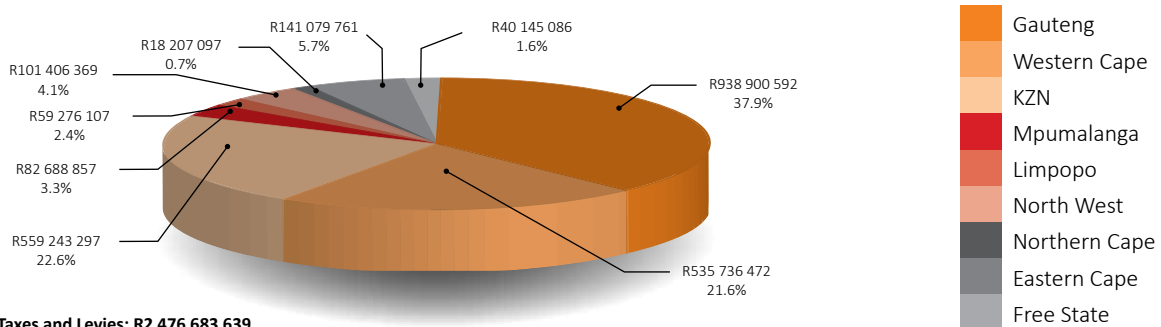
The NRGP is funded by voluntary contributions from the private sector which includes the casino, horse racing, bingo and Limited Payout Machine (LPM) industries. This comprises 0.1% of the industry's Gross Gambling Revenue (GGR) or company winnings. Some R181 million has been invested in the programme by the private sector up to February 2015.

These were the key highlights of the NRGP's activities during its financial year to end February 2015:



Total Taxes and Levies: R2 476 683 639

Figure 4: Taxes/levies contribution per gambling mode – FY2015



Total Taxes and Levies: R2 476 683 639

Figure 5: Taxes/levies contribution per province – FY2015

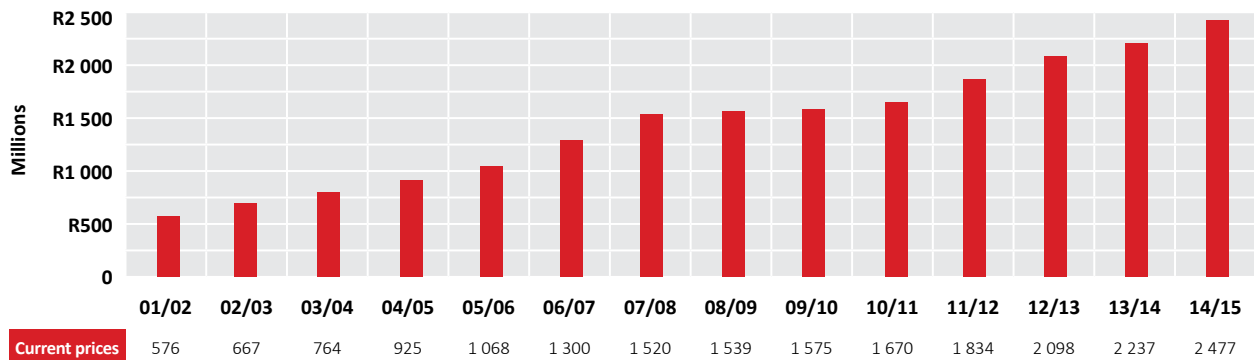


Figure 6: Trend in taxes/levies – FY02 to FY15 (all modes)

- The NRGPs toll free counselling line (0800 006 008), operating 24 hours a day and seven days a week, received 4 472 calls, of which 1 660 were specifically problem gambling calls; 886 callers were referred for free treatment to a medical professional (averaging 74 patients a month); and 21 callers received counselling assistance telephonically, while another 528 received information telephonically. Another 225 callers were referred for repeat outpatient or initial inpatient treatment or to the Family programme.
- The multilingual outpatient treatment network now has 75 treatment professionals based in multiple suburbs surrounding the cities of Pretoria, Johannesburg, Durban, Cape Town and Bloemfontein, as well as in 35 other towns close to the main gambling venues in southern Africa. There is also a dedicated treatment facility for the few inpatients who number about 10 to 12 a year.
- Some 3 235 gambling industry workers, along with staff from government regulatory authorities and other interested parties, received formal training on the subject of compulsive and problem gambling.
- Altogether 1 979 employees, including management, from 22 casinos, made use of the NRGPs mentoring service, which was first introduced in March 2012.
- After compilation of the teachers' resource for the life skills programme called Taking Risks Wisely Grades 10-12, 84 curriculum implementers, principals and Life Orientation teachers participated in the pilot programme at two training workshops, involving 36 delegates in Witbank, Mpumalanga and 48 in Upington, Northern Cape, with more to follow in the Western Cape, Mpumalanga and Free State during 2015.
- Via a sustained public education and awareness campaign, the NRGPs services are advertised in the media and through collateral displayed in all gambling venues. The website [www.responsiblegambling.co.za](http://www.responsiblegambling.co.za) enjoys up to 2 200 hits monthly from 1 727 users, 76% of them new visitors.

# PART D GOVERNANCE



*Do not participate in illegal forms of Gambling*

## PART D: GOVERNANCE

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## INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act of 2008, corporate governance regarding public entities is applied through the precepts of the PFMA of 1999 and runs in tandem with the principles contained in the King III Report on Corporate Governance. Parliament, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

## PORTFOLIO COMMITTEES

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

Pertinent issues that were discussed included, but were not limited to, the following matters:

- Gambling sector performance, market share and market conduct;
- Revenue contribution of the various modes of gambling to the national fiscus;
- Suppression of illegal and on-line gambling;
- The Auditor-General's opinion and specific interventions undertaken by the Minister to address governance and internal control deficiencies;
- Improved financial performance of the entity against the deficit that was reported on in prior years;
- Implementation of cost containment measures that resulted in savings and efficient and effective financial management of the entity;
- Self-funding/revenue generating model of the entity; and
- Proactive measures to reduce the vacancy rate and the filling of critical posts.

### *Quarterly Evaluations of the Entity's Performance by the dti*

QUARTERLY ASSESSMENT FOR 2014/2015	DATE SUBMITTED	ASSESSMENT RATING RECEIVED
Quarter 1 (April – June)	04 August 2014	Improvement required
Quarter 2 (July – Sept)	31 October 2014	Report noted
Quarter 3 (Oct – Dec)	31 January 2015	Improvement noted
Quarter 4 (Jan – Mar)	30 May 2015	Progress noted

## EXECUTIVE AUTHORITY

The NGB submitted to **the dti** the Strategic Plan 2014/2019 and APP 2014/2015 for the entity which was approved on 08 April 2015.

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

It must also be noted that the entity reported against its revised APP, approved by the Minister on 26 January 2015, in the fourth quarter of the financial year. This revision was necessitated by the prevailing circumstances that the entity experienced with capacity constraints and more focus was placed on the improvement in cash management in order to ensure that the entity was in a position to financially sustain itself.

## THE ACCOUNTING AUTHORITY

Based on findings of the AGSA as detailed in the NGB's Auditor Report 2013/14, the Minister commissioned a forensic investigation that resulted in the temporary removal of the NGB Board members in August 2014. Subsequent to this, Board members resigned in November 2014.

The Minister, in addressing the role, powers and statutory functions of the NGB, appointed Co-Administrators Mr Tumelo Baleni and Ms Caroline Kongwa, in terms of section 49 of the PFMA, as the Accounting Authority of the entity until 31 March 2015. This was to ensure that the goals and objectives of the NGB are performed within the limits of financial resources of the NGB. The Minister further extended the appointment of the Co-Administrators by an additional year. To date the NGB is headed by Ms Caroline Kongwa in the capacity of Administrator and Accounting Authority.



### ROLE OF THE ACCOUNTING AUTHORITY

The Accounting Authority is responsible and accountable for the NGB's performance and strategic direction:

- The responsibilities of the Accounting Authority are spelled out in section 49 of the PFMA of 1999.
- The Accounting Authority is obliged to report to the Minister of Trade and Industry at least once every year on its activities, and account for all monies received or paid for on behalf of the entity.
- The NGB's reports are transmitted through the Minister and tabled in Parliament.

### BOARD MEMBER'S CHARTER

The erstwhile Board members adopted a Board charter which directed its activities in terms of corporate governance in respect of the following:

- The maximum number of Board members;
- Diversity;
- Number of meetings;
- Appointment of the CEO;
- Exercise of the Board's functions;
- Board Secretary;

- The role, functions and responsibilities of the Board;
- Matters reserved for final decisions by the Board; and
- The terms of reference for all the committees serving under the Board were approved.

### MEMBERS OF THE BOARD

In terms of section 67 of the NGA the NGB consists of the following members appointed by the Minister for a term of no more than five years, as determined by the Minister at the time of appointment: a Chairperson and a Deputy Chairperson; and not more than three other members, each of whom, in the opinion of the Minister, has applicable knowledge or experience in matters connected with the objects of the Board; and in respect of the office of four (4) other members, of whom one each is designated by the

- Minister;
- Minister of Finance;
- Minister of Safety and Security; and
- Minister of Social Development.

respectively, to serve until substituted by that Minister who designated that member.

Details of the erstwhile Board members during the year under review are shown in the table on the following two pages.



**Members of the Board**

NAME	DESIGNATION	APPOINTMENT DATE & TERMINATION DATE	QUALIFICATIONS AREA OF EXPERTISE	DEMOGRAPHICS	OTHER BOARD DIRECTORSHIPS	OTHER BOARD COMMITTEES WITHIN NGB	NO. OF MEETINGS ATTENDED
<b>Prof Linda De Vries</b>	Chairperson	01 December 2010- 30 November 2013, term of appointment renewed for a further 5 years Resigned 24 November 2014	<ul style="list-style-type: none"> <li>• IOD certificate</li> <li>• SIDA- Board Governance Diploma</li> <li>• Advanced Organisational Diagnosis certificates – Suny Albany</li> <li>• Advanced Leadership Certificates – Suny Albany</li> <li>• MBA (University of Stellenbosch)</li> <li>• Hons Business Administration (University of Stellenbosch)</li> <li>• BCom Hons (University of Western Cape);</li> <li>• Secondary Teachers Diploma (University of the Western Cape)</li> <li>• BCom (University of the Western Cape)</li> <li>• ILO – Advanced Entrepreneurship Certificate</li> <li>• Executive Management</li> <li>• Project Management</li> <li>• Finance for Public Sector Organisations</li> <li>• Research</li> </ul>	<ul style="list-style-type: none"> <li>• Coloured</li> <li>• Female</li> <li>• Based in Cape Town</li> </ul>	<ul style="list-style-type: none"> <li>• South African Women Empowerment Foundation (Chairperson)</li> </ul>	<ul style="list-style-type: none"> <li>• Board</li> <li>• Research and Ethics Committee</li> <li>• HR Remuneration Committee</li> <li>• NCEMS Project Committee</li> <li>• Chairperson's Committee</li> </ul>	<p>7</p> <p>0</p> <p>4</p> <p>12</p> <p>0</p>
<b>Ms Nana Magomola</b>	Deputy Chairperson	01 November 2011 Resigned 24 November 2014	<ul style="list-style-type: none"> <li>• BSc (University of New York)</li> <li>• LLB (Wits)</li> <li>• Singapore/Commonwealth Development Programme</li> <li>• Executive Development Programme from Wharton</li> <li>• Business School, University of Pennsylvania USA, and Gordon</li> <li>• Legal</li> <li>• Management</li> <li>• Nursing</li> <li>• Business Administration</li> </ul>	<ul style="list-style-type: none"> <li>• African</li> <li>• Female</li> <li>• Based in Johannesburg</li> </ul>	<ul style="list-style-type: none"> <li>• Executive Director: National Responsible Gambling Foundation</li> <li>• Chairperson: Presidents Council</li> <li>• Deputy Chair: Nelson Mandela Children Hospital Trust</li> <li>• Global Director: International Leadership Foundation</li> <li>• Global Director: International Women's Forum</li> </ul>	<ul style="list-style-type: none"> <li>• Board</li> <li>• Legal and Compliance Committee</li> <li>• HR Remuneration Committee</li> <li>• NCEMS Project Committee</li> <li>• Chairperson's Committee</li> </ul>	<p>6</p> <p>0</p> <p>4</p> <p>12</p> <p>0</p>

**Members of the Board (continued)**

NAME	DESIGNATION	APPOINTMENT DATE & TERMINATION DATE	QUALIFICATIONS - AREA OF EXPERTISE	DEMOGRAPHICS	OTHER BOARD DIRECTORSHIPS	OTHER BOARD COMMITTEES WITHIN NGB	NO. OF MEETINGS ATTENDED
<b>Prof Siphwe Nzimande</b>	Member	Appointed: 01 November 2011 Resigned 24 November 2014	<ul style="list-style-type: none"> <li>BA Social Science (University College of Zululand under Unisa)</li> <li>BA (Hons) (Social Work) (University of Zululand)</li> <li>MA (Arts) (University of Zululand)</li> <li>DPhil (Unisa)</li> <li>Diploma in Admin (ISIS College; Vaal Triangle Technikon – Newport)</li> <li>Executive Management</li> <li>Project Management</li> </ul>	<ul style="list-style-type: none"> <li>African</li> <li>Male</li> <li>Based in Durban</li> </ul>		<ul style="list-style-type: none"> <li>Board</li> <li>Research and Ethics Committee</li> <li>Legal and Compliance Committee</li> <li>NCEMS Project Committee</li> <li>HR Remco</li> </ul>	<p>6</p> <p>0</p> <p>0</p> <p>8</p> <p>2</p>
<b>Mr Matimba Macebele</b>	Member	01 January 2009 – 31 December 2013 Term extended for a further 5 years Resigned 24 November 2014	<ul style="list-style-type: none"> <li>BCom Accounting (University of Venda)</li> <li>Further Certificate in Accounting Diploma (FCA accredited by ACCA) (University of Johannesburg)</li> <li>Advanced Certificate in Taxation</li> <li>Management</li> <li>Accounting</li> <li>Taxation</li> <li>Auditing</li> </ul>	<ul style="list-style-type: none"> <li>African</li> <li>Male</li> <li>Based in Johannesburg</li> </ul>		<ul style="list-style-type: none"> <li>Board</li> <li>Audit and Risk Committee</li> <li>NCEMS Project Committee</li> <li>Chairperson's Committee</li> </ul>	<p>5</p> <p>2</p> <p>5</p> <p>1</p> <p>0</p>
<b>Ms Evelyn Masotja</b>	Member	Appointed: 16 May 2014 Resigned: 02 September 2014	<ul style="list-style-type: none"> <li>BCom</li> <li>BCom (Hons)</li> <li>Masters in Economic Development</li> </ul>	<ul style="list-style-type: none"> <li>Black</li> <li>Female</li> <li>Based in Johannesburg</li> </ul>		<ul style="list-style-type: none"> <li>Board</li> </ul>	2
<b>Brig ST Nkosi</b>	Member	Appointed: 16 May 2015 Resigned 24 November 2014	<ul style="list-style-type: none"> <li>Information not available as the member was appointed through a different Ministry with the concurrence of the Minister of Trade and Industry.</li> </ul>	<ul style="list-style-type: none"> <li>Black</li> <li>Male</li> <li>Based in Johannesburg</li> </ul>		<ul style="list-style-type: none"> <li>Board</li> </ul>	3

## SUB-COMMITTEES

COMMITTEE	NO OF MEETINGS HELD	NO OF MEMBERS	NAME OF MEMBERS
Legal and Compliance Committee	0	2	1. Ms ME Magomola <sup>1</sup> 2. Prof SV Nzimande <sup>1</sup>
HR and Remuneration Committee	4	4	1. Ms ME Magomola <sup>1</sup> (Chairperson) 2. Prof L de Vries <sup>1</sup> 3. Brigadier ST Nkosi <sup>1</sup>
Audit and Risk Committee	4	4	1. Ms G Taylor <sup>2</sup> (Acting Chairperson) 2. Ms G Deiner 3. Mr K Naidoo ( <b>the dti</b> representative) 4. Mr M Macebele <sup>1</sup> (Chairperson) <sup>3</sup> 5. Mr T Baleni <sup>4</sup> 6. Ms C Kongwa <sup>4</sup>
Research and Ethics Committee	0	3	1. Ms E Masoja <sup>5</sup> (Chairperson) 2. Prof L de Vries <sup>1</sup> 3. Prof SV Nzimande <sup>1</sup>
Chairperson's Committee	0	3	1. Prof L de Vries <sup>1</sup> (Board Chairperson) 2. Ms ME Magomola <sup>1</sup> (HR & REMCO Chairperson) 3. Mr M Macebele <sup>1</sup>
NCEMS	12	4	1. Prof L de Vries <sup>1</sup> (Chairperson) 2. Ms ME Magomola <sup>1</sup> 3. Mr M Macebele <sup>1</sup> 4. Prof SV Nzimande <sup>1</sup>

<sup>1</sup> Member resigned on 24 November 2014

<sup>2</sup> Acting Chairperson from 28 October 2014 to date

<sup>3</sup> Chairperson from 16 May 2014 to 02 September 2014

<sup>4</sup> Appointed from 03 September 2014 to date

<sup>5</sup> Member resigned on 02 September 2014

## REMUNERATION OF MEMBERS OF THE BOARD AND BOARD COMMITTEE MEMBERS

To the point of resignation of members of the Board, the NGB consisted of independent non-executive members who were appointed by the Minister of Trade and Industry. Board and committee members are remunerated according to the National Treasury Circular, which categorises emoluments for different categories of listed public entities.

The NGB is a category 3A public entity and Board and committee members are remunerated in terms of this category as regulated

by National Treasury. The members of the Board representing the departments of Finance, Social Development, **the dti** and SAPS did not qualify for remuneration in terms of the National Treasury Circular.

The Board and committee members are reimbursed for travel expenses incurred when attending official meetings. Accommodation, travel (flight and other transport-related expenditure) and meal costs were borne by the NGB.

The table below reflects the remuneration paid out to Board and committee members over the financial year.

### Remuneration paid out to Board and committee members

NAME	REMUNERATION	OTHER ALLOWANCE	OTHER RE-IMBURSEMENTS	TOTAL
Prof L de Vries <sup>1</sup>	214,984	-	-	214,984
Ms ME Magomola <sup>1</sup>	115,368	-	-	115,368
Ms G Deiner <sup>2</sup>	24,448	-	-	24,448
Ms G Taylor <sup>2</sup>	26,912	-	-	26,912

<sup>1</sup> Member resigned on 24 November 2014

<sup>2</sup> Independent Audit and Risk Committee Members

## RISK MANAGEMENT

Risk management was spearheaded by executive management within the NGB. The NGB uses a participative approach to risk management which ensures that there is an all-inclusive risk management process.

Risk identification for the 2014/15 financial year was facilitated in the form of a workshop by the internal auditors. Risks were identified, measured and allocated to the units and individuals responsible for mitigation thereof.

As a result, a risk register for the 2014/15 financial year was reviewed and updated. Progress was monitored on an on-going basis and reported to **the dti** on a quarterly basis.

All matters relating to risk management were presented to the ARC for guidance and oversight. Further, risk based audits were performed by the internal auditors to evaluate the effectiveness of internal controls put in place to mitigate risk.

## INTERNAL AUDIT AND AUDIT COMMITTEES

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. 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 Accounting Authority, Internal Audit must evaluate governance processes and provide adequate assurance on the effectiveness of internal processes. These include:

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

The Internal Audit service provider has completed the audit projects as approved in their internal audit annual plan. Their audit approach was risk-based and they reported to the ARC.

## KEY ACTIVITIES AND OBJECTIVES OF THE INTERNAL AUDIT FOR THE 2014/15 FINANCIAL YEAR

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

- Financial Discipline Review;
- Supply Chain Management Review;
- Human Resource Review;
- Information Communication Technology Review; and
- Audit Findings Follow-up Review.

The objective of the selected reviews was to evaluate if the NGB has and implements internal controls which are adequate to mitigate and/or prevent identified risks. In most instances, these controls were adequate.

## KEY ACTIVITIES AND OBJECTIVES OF THE AUDIT COMMITTEE FOR THE 2014/15 FINANCIAL YEAR

The ARC has been established in terms of section 77 of the PFMA of 1999 and the Treasury Regulations. The objective of establishing the ARC is to ensure the integrity of integrated reporting.

During the financial year, the ARC has reviewed monthly and quarterly financial reports and made recommendations to the Accounting Authority on the approval of NGB financial policies and quarterly reports.

The objective was to:

- Provide an oversight role over the financial affairs of the entity;
- Provide advice to the Accounting Authority on all matters relating to finance, ICT, internal control effectiveness and risk management; and
- Review the work performed by the Internal Auditors.

## RELEVANT INFORMATION ON THE AUDIT AND RISK COMMITTEE MEMBERS

The table on the opposite page includes but is not limited to the following critical details of ARC members:

- name of members;
- qualifications; and
- number of meetings.

### Details of ARC members

NAME	QUALIFICATIONS	INTERNAL OR EXTERNAL	INTERNAL POSITION IN THE NGB	DATE APPOINTED	DATE RESIGNED	NO. OF MEETINGS ATTENDED
<b>G Taylor</b>	CA (SA)	External	n/a	October 2009	n/a	4
<b>M Macebele</b>	BCom 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	Resigned 24 November 2014	2
<b>G Deiner</b>	BCompt (Unisa); Higher Diploma in Education – Post-graduate (Wits); BA (Wits); Professional Accountant (SA)	External	n/a	January 2013	n/a	4
<b>K Naidoo</b>	BCom (Accounting) – (University of Durban Westville); Post-graduate Diploma in Computer Auditing; Currently finalising his MBL (Unisa)	External <b>the dti</b> Representative	n/a	September 2012	n/a	2
<b>ADDITIONAL MEMBERS OF THE ARC AS AT 03 SEPTEMBER 2014</b>						
<b>C Kongwa</b>	LLB (University of Durban Westville); Post-graduate Diploma in International, African and Regional law (University of Durban Westville); Certificate in Economic and Developmental Policy (Wits); Certificate in Labour Relations (University of Pretoria)	Internal	Accounting Authority	September 2014	n/a	2
<b>T Baleni</b>	Diploma State Finance and Auditing (University of Zululand); Post-graduate Diploma – Healthcare Management (University of Cape Town); MBA Healthcare (University of Free State)	Internal	Accounting Authority	September 2014	n/a	2

### COMPLIANCE WITH LAWS AND REGULATIONS

A governance framework and checklist has been created to continually enable the officials to observe the law when performing any function. The NGB utilises a corporate calendar to ensure that timelines for submitting corporate information are met.

### FRAUD AND CORRUPTION

The entity's fraud prevention plan has been approved as part of the 2015-2020 Strategic Plan. The entity will ensure that all mechanisms that have been put in place will be implemented to combat any areas of fraud and corruption.

### MINIMISING CONFLICT OF INTEREST

Conflict of interest in SCM is regulated by a Conflict of Interest Policy. Once an interest is declared, the affected party is recused from the proceedings if the interest has a potential of affecting the decision making of the party. The extent of the conflict is assessed to determine if it can be managed. The NGB's Employee and Rules and Regulation Policy provides a continuous responsibility for the staff to declare matters of conflict of interest.



## CODE OF CONDUCT

The NGB strictly applies its code of conduct and has in all cases applied the disciplinary policy where it is applicable. During the year under review, at least three employees were charged for misconduct. All three matters have since been finalised. The NGB utilises the Disciplinary Code, the Employee’s Rules and Regulations, Conflict of Interest Policy and each year employees are required to submit a declaration of financial interest. During each meeting, including interviews for positions, the staff and/or panellists are required to declare their interest.

## HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The NGB participates in initiatives promoting health and safety. The NGB thrives to work within a paperless environment.

## COMPANY / BOARD SECRETARY

The NGB appointed a Board Legal Advisor who was performing Company/Board Secretary functions. However, being a Schedule 3A Public Entity, it is exempted from filing returns.

## SOCIAL RESPONSIBILITY

The NGB conducted broad-based education during March 2015 through the SABC 1 TV Programme named “Yilungelo Lakho” (Your Rights) on responsible gambling and participated in an outreach programme through **the dti**’s open day. Through these initiatives the public began applying to be included in the exclusion register of people with problem gambling.

## AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2015.

### AUDIT AND RISK COMMITTEE RESPONSIBILITY

The Audit and Risk Committee report has been compiled in accordance with the Audit Committee's 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 and Risk Committee Charter, has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

### THE EFFECTIVENESS OF INTERNAL CONTROLS

The system of internal controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are effectively managed. The systems of internal controls applied by the NGB over the financial and risk management are effective, efficient and transparent.

In accordance with the PFMA of 1999 and the King III Report on Corporate Governance requirement, Internal Audit provides the ARC and management with assurance that the internal controls are appropriate and effective.

This is achieved by risk management processes as well as the identification of corrective action and suggested enhancement to the controls and processes.

The following internal audit reviews were performed for the 2014/2015 financial year:

- Information and Communication Technology;
- Financial Discipline Review;
- Supply Chain Management;
- Human Resource Review; and
- Follow up on audit findings.

The ARC noted and accepted that management has addressed and is fully committed to addressing audit findings from both the internal and external audits.

## IN-YEAR MANAGEMENT AND MONTHLY/QUARTERLY REPORT

The ARC is satisfied with the content and quality of the reports submitted. The ARC has also acknowledged an improvement in the documents submitted to the committee in comparison to the previous financial year.

### EVALUATION OF FINANCIAL STATEMENTS

We have reviewed the Annual Financial Statements prepared by the NGB. In addition, we have reviewed the management letter presented to the ARC on 17 July 2015. The committee has noted an improvement in the quality of financial information presented. Key areas of concern raised related to the financial statements of the NGB Trust and supporting information as well as the accounting treatment of NCEMS revenue that was received in prior financial years.

### FORENSIC INVESTIGATION

A forensic investigation was commissioned by the Minister. The investigation was undertaken by **the dti**. The investigation was initiated based on allegations of misappropriation of the public entity's assets. The investigation is currently in progress.

### 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 addressed.

The ARC 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.



**Ms. Gerdileen Taylor**

Acting Chairperson of the Audit and Risk Committee  
National Gambling Board  
31 July 2015

## PART E

# HUMAN RESOURCES

*Avoid using money allocated for household expenditure when gambling*

### PART E: HUMAN RESOURCES

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## OVERVIEW OF HR MATTERS

The nature of the human capital function within the NGB is broadly encapsulated in the NGB's legislative framework. The NGA requires the Accounting Authority to appoint suitably qualified and experienced staff to enable the NGB to carry out its functions. The Act further requires the Accounting Authority, in consultation with the Minister, to determine remuneration, allowances, employment benefits and other terms and conditions of employment.

## HR PRIORITIES FOR THE YEAR UNDER REVIEW AND THE IMPACT OF THESE PRIORITIES

HR priorities for the year under review centred around ensuring that there is an efficient and effective workforce within the NGB.

There has been a drastic reduction of staff due to resignations experienced in the year under review, especially in the Compliance Division which is dedicated to perform core functions of the NGB, in terms of the NGA, to the extent that management is tasked with re-building the Compliance Division.

During the course of the year new plans were developed to ensure that there is continuity of service; for instance, ten (10) vacant positions were advertised and a Senior Manager was appointed to head the Compliance Division in an Acting capacity. NGB has reviewed its allocation of resources to provide specific dedication to combat illegal gambling.

Despite the significant challenges endured by the NGB, the entity redistributed its resources and focused on increasing its efforts to achieve both the outstanding deliverables and objectives of the financial year.

## PERFORMANCE MANAGEMENT AND DEVELOPMENT SYSTEM

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

The NGB's performance management process is focused on the following core principles:

- Performance management is consistently applied across the NGB to ensure effective alignment of strategic objectives and individual outputs;
- Performance objectives are based on a scorecard of metrics

featuring both financial and non-financial indicators, which are aligned with the NGB's strategic imperatives; and

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

Performance outcomes are appropriately differentiated to reflect the different levels of contribution made by employees to the success of the NGB. Where performance deficits are identified, these are dealt with actively, with the primary objective of returning the employee to full performance.

## ORGANISATIONAL DESIGN AND CHANGE MANAGEMENT

The NGB is considering a revision of the organisational structure for implementation in order to realise the revised NGB's strategy and plan for 2015–2020 MTEF as the organisational structure is informed by organisational strategy. Human capital competencies, skills, knowledge and abilities should always be kept in line with the reviewed organisational structure. Business processes should be mapped out, automated and implemented to increase understanding of work and work linkages.

## TALENT MANAGEMENT AND RETENTION

The NGB is to adopt a forward-looking approach in terms of filling vacancies and, in addition, finding creative ways to attract and retain its skilled workforce as an alternative to resignations.

## REWARD STRATEGY

The NGB's reward strategies should be reviewed to ensure that employees are adequately rewarded and recognised for the work they perform. The NGB should continue to benchmark itself with the market, however, and the organisation should eventually move towards adopting government human resource and remuneration practices. Employee benefits should be reviewed and consolidated with a view to providing value adding benefits to NGB employees.

## WORKFORCE DIVERSITY

The NGB has a diverse workforce and its gender profile in terms of women representation is commendable. However, the NGB has not attracted people with disabilities. This challenge is rife in the public and private sector and thus requires innovative talent attraction methods. Targets should be put in place by the NGB and practical efforts should be explored to attain the target.

## EMPLOYEE WELLNESS

Employee wellness programmes are recognised as good organisational practices by international organisations such as the International Labour Organisation (ILO). In the context of the NGB, employee wellness is an important human capital aspect as it affects productivity. The NGB plans to establish an employee wellness policy and programme with the primary goal of informing, empowering and providing employees with the skills to take ownership of their wellbeing.

## HUMAN CAPITAL TECHNOLOGY

The NGB is currently operating one HR system, VIP for payroll, that encompasses a performance management system. The NGB has moved to an integrated human capital system within the organisation that incorporates all the components of human capital management. The system must be further interrogated to ensure it assists in the provision of reliable data that can be used for reporting and decision making purposes.

## HUMAN CAPITAL POLICIES AND PROCEDURES

Although human capital policies are in place, these must be reviewed on an annual basis to ensure that they are aligned to the Strategic Plan and legislative requirements. Furthermore, developed and revised policies need to be effectively implemented to mitigate human capital risk and to increase organisational effectiveness. HR procedures must be drafted and aligned to policy provisions.

## HUMAN RESOURCE 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	6,128	3,111	50.76%	5	622
Admin	18,964	5,497	28.98%	9	611
Compliance	3,962	3,474	87.68%	5	695
<b>TOTAL</b>	<b>29,054</b>	<b>12,082</b>	<b>41.59%</b>	<b>19</b>	<b>636</b>

Total employee costs for the 2014/15 FY amounted to R12 082 million. Highest costs were evidenced under the administration programme. This is directly linked to the programme having the highest number of staff. This can be compared directly to the compliance programme that had the lowest employee costs for the financial year.

## CHALLENGES FACED BY THE NGB

A high vacancy rate continues to compromise the economic, efficient and effective operations within the organisation.

## ACHIEVEMENTS AND FUTURE HR PLANS/ GOALS

The Accounting Authority approved the Human Capital Strategy – 2014/2019 in March 2015. This strategy is critical to ensuring that the staffing needs and requirements within the NGB are identified and addressed. Implementation and realisation of this Plan will be the focus area in the next financial year.

The NGB has filled certain critical posts that were advertised during the financial year to ensure continued service delivery within the regulatory environment.

Future plans for the NGB also entail conducting a salary survey to ensure that the salary bands within the organisation remain competitive within the industry. This is one area that will facilitate the process of attraction and retention of staff.

Further, HCO plans on zooming in on the training and developmental requirements of employees to ensure that there is value added benefit to the organisation, as well as the employees' personal development.

### Personnel Cost by Programme

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	3,137	25.96%	3	1,046
Senior Management	5,185	42.91%	5	1,037
Professional qualified	-	-	-	-
Skilled	2,949	24.41%	7	421
Semi-skilled	811	6.71%	4	203
Unskilled	-	-	-	-
<b>TOTAL</b>	<b>12,082</b>	<b>100%</b>	<b>19</b>	<b>636</b>

### Performance Rewards

PROGRAMME	PERFORMANCE REWARDS (R'000)	PERSONNEL EXPENDITURE (R'000)	% OF PERFORMANCE REWARDS TO TOTAL PERSONNEL COST (R'000)
Top Management	150	3,137	4.78%
Senior Management	86	5,184	1.66%
Professional qualified	-	-	-
Skilled	50	2,949	1.68%
Semi-skilled	14	811	1.72%
Unskilled	-	-	-
<b>TOTAL</b>	<b>300</b>	<b>12,082</b>	<b>2.48%</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 (R'000)
Stakeholder	3,111	11	.35%	9*	1,2
Admin	5,497	20	.36%	2	10
Compliance	3,474	-	-	-	-
<b>TOTAL</b>	<b>12,082</b>	<b>31</b>	<b>.26%</b>	<b>11</b>	<b>2,8</b>

\* All nine individuals trained include Board members that fall within the Stakeholder Division for training purposes.

### Employment and Vacancies

PROGRAMME	2013/2014 NO. OF EMPLOYEES	2014/2015 APPROVED POSTS	2014/2015 NO. OF EMPLOYEES	2014/2015 VACANCIES	% OF VACANCIES
Stakeholder	4	7	3	4	57%
Admin	7	10	8	2	25%
Compliance	5	10	3	7	70%
<b>TOTAL</b>	<b>16</b>	<b>27</b>	<b>14</b>	<b>13</b>	<b>48%</b>

PROGRAMME	2013/2014 NO. OF EMPLOYEES	2014/2015 APPROVED POSTS	2014/2015 NO. OF EMPLOYEES	2014/2015 VACANCIES	% OF VACANCIES
Top Management	3	3	1	2	67%
Senior Management	5	6	3	3	50%
Professional qualified	-	-	-	-	-
Skilled	5	15	7	8	53%
Semi-skilled	3	3	3	-	0%
Unskilled	-	-	-	-	-
<b>TOTAL</b>	<b>16</b>	<b>27</b>	<b>14</b>	<b>13</b>	<b>48%</b>

The vacancy rate has increased from 43% in the 2013/14 financial year to 48% in the 2014/15 financial year. This can be attributed to the five (5) resignations that occurred during the financial year.

Posts have remained unfilled/vacant at various stages throughout different financial years. This is as a result of the entity not being in a position to retain staff. The entity is undertaking a salary survey in the 2015/16 financial year that will entail a work study of such areas.

It is also important to note that ten (10) positions have been advertised in November 2014.

#### **Employment Changes**

<b>SALARY BAND</b>	<b>EMPLOYMENT AT BEGINNING OF PERIOD</b>	<b>APPOINTMENTS</b>	<b>TERMINATIONS</b>	<b>EMPLOYMENT AT END OF THE PERIOD</b>
Top Management	3	-	2	1
Senior Management	5	-	2	3
Professional qualified	-	-	-	-
Skilled	5	3	1	7
Semi-skilled	3	-	-	3
Unskilled	-	-	-	-
<b>TOTAL</b>	<b>16</b>	<b>3</b>	<b>5</b>	<b>14</b>

There were no changes in employment ranks within the financial year.

#### **Reasons for Staff Leaving**

<b>REASON</b>	<b>NUMBER</b>	<b>% OF TOTAL NO. OF STAFF LEAVING</b>
Death	-	-
Resignation	5*	100%
Dismissal	-	-
Retirement	-	-
Ill health	-	-
Expiry of contract	-	-
Other	-	-
<b>TOTAL</b>	<b>5</b>	<b>100%</b>

\*Resignations included employees where disciplinary hearings were held. Subsequently, NGB and the employees reached an agreement to settle the matter and terminate the employment relationship as it was more cost-effective for the entity to deal with the said matters out of court.

The 2014/15 financial year saw a total of five (5) resignations, two (2) of which related to key employees in the NGB's compliance division; the Chief Compliance Officer as well as the Senior Manager: Strategy and Compliance.

#### **Labour Relations: Misconduct and Disciplinary Action**

<b>NATURE OF DISCIPLINARY ACTION</b>	<b>Number</b>
Verbal Warning	1
Written Warning	-
Final Written warning	-
Dismissal	-
<b>TOTAL</b>	<b>1</b>

**Equity Target and Employment Equity Status**

LEVELS	MALE			
	AFRICAN	COLOURED	INDIAN	WHITE
	CURRENT	CURRENT	CURRENT	CURRENT
Top Management	-	-	-	-
Senior Management	1	-	-	-
Professional qualified	-	-	-	-
Skilled	1	1	-	-
Semi-skilled	1	-	-	-
Unskilled	-	-	-	-
<b>TOTAL</b>	<b>3</b>	<b>1</b>	<b>-</b>	<b>-</b>

LEVELS	FEMALE			
	AFRICAN	COLOURED	INDIAN	WHITE
	CURRENT	CURRENT	CURRENT	CURRENT
Top Management	-	-	1	-
Senior Management	1	-	-	1
Professional qualified	-	-	-	-
Skilled	5	-	-	-
Semi-skilled	2	-	-	-
Unskilled	-	-	-	-
<b>TOTAL</b>	<b>8</b>	<b>-</b>	<b>1</b>	<b>1</b>

LEVELS	DISABLED STAFF	
	MALE	FEMALE
	CURRENT	CURRENT
Top Management	-	-
Senior Management	-	-
Professional qualified	-	-
Skilled	-	-
Semi-skilled	-	-
Unskilled	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

NGB has not set Employment Equity targets according to Employment Equity Plan for the 2014/15 FY. There is only a proposed Employment Equity Plan that has not been finalised. The proposed plan is silent on specific employment equity targets. This is a deliverable in terms of the Human Resource Plan for the 2015/16 FY.

There are nine (9) approved top and senior management positions at the NGB. As at the end of the financial year only four (4) were occupied, three (3) of which were occupied by females.

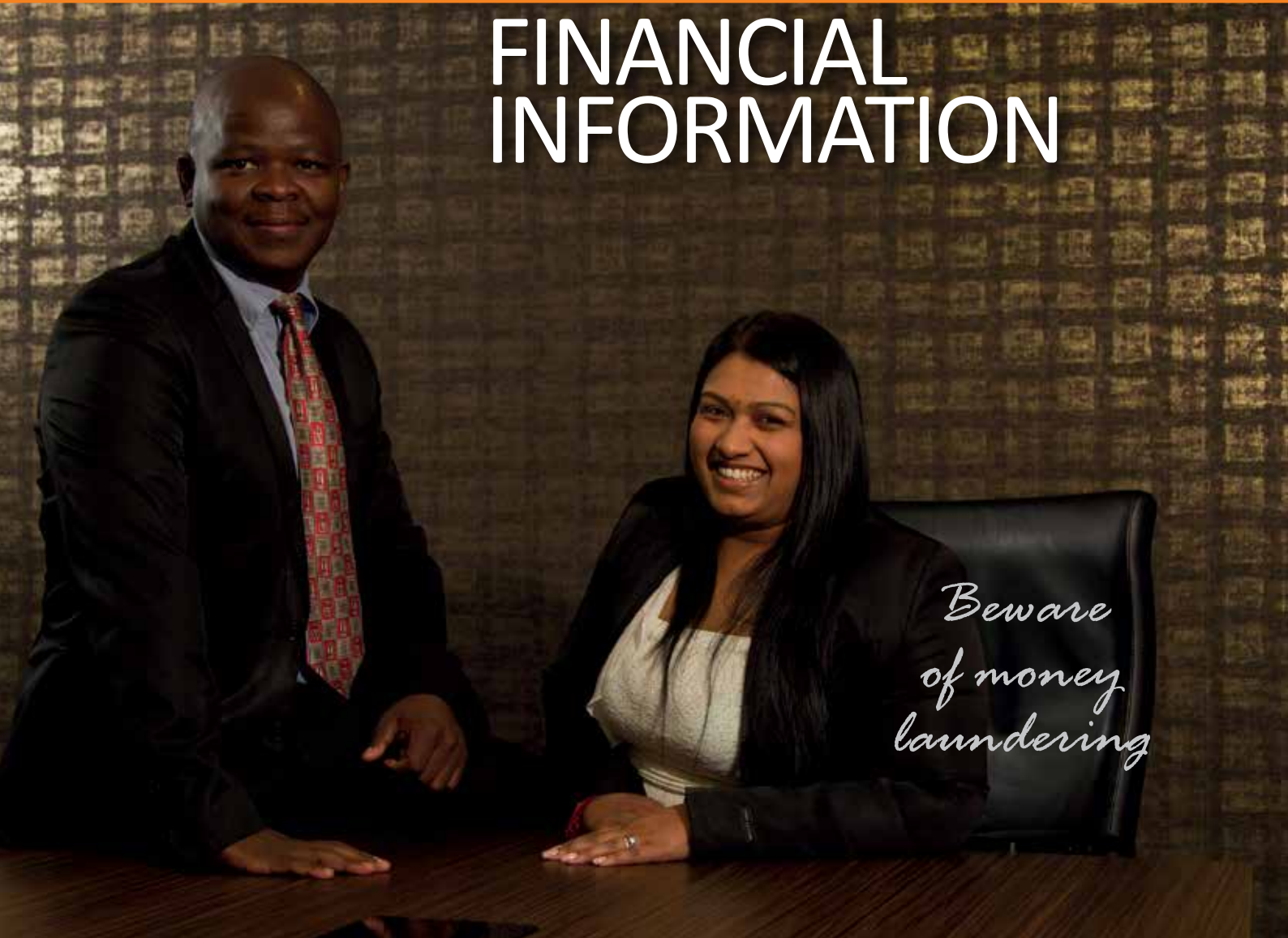
National Employment Equity targets have been set for females in management positions at 50% and people with disabilities at 2%.

The two national targets when applied against NGB's organisational structure translate to the following targets:

- females form 75% of top and senior management positions. This is expressed as a percentage of the four (4) positions that are occupied; and
- there are no people with disabilities currently employed at the NGB.

## PART F

# FINANCIAL INFORMATION



*Beware  
of money  
laundering*

### **PART F: FINANCIAL INFORMATION**

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# STATEMENT OF RESPONSIBILITY

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 of 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 was given unrestricted access to all financial records and related data.

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Authority acknowledges that she is ultimately responsible for the system of internal financial control established by the economic entity and place considerable importance on maintaining a strong control environment. To enable the Accounting Authority 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 economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic 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 is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Authority has reviewed the economic entity's cash flow forecast for the year to 31 March 2016 and, in the light of this review and the current financial position, they are satisfied that the economic 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 Department of Trade and Industry has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the Accounting Authority is primarily responsible for the financial affairs of the entity, she is supported by the economic entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the economic entity's annual financial statements. The annual financial statements have been examined by the economic entity's external auditors and their report is hereto included.

The annual financial statements which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 July 2015 and were signed on its behalf by:



**Ms. C Kongwa**  
Accounting Authority  
National Gambling Board  
31 July 2015

# REPORT OF THE CHIEF FINANCIAL OFFICER

The NGB prepared separate and consolidated financial statements for the 2014/15 financial year. Separate financial statements were prepared for the NGB Trust. NGB Trust financial statements were not prepared in the past despite the Trust being in existence from the 2008/09 financial year. The NGB Trust was created in error due to misinterpretation of legislation. To correct this error, the Trust was deregistered in November 2014. To ensure adherence to GRAP standards, separate and consolidated financial statements had to be prepared.

The NGB can summarise its financial state of affairs as follows for the 2014/15 financial year:

## FINANCIAL PERFORMANCE

### REVENUE

A grant of R29.8 million was allocated and received by the NGB during the year. A further R2.4 million was received from other sources including the NCEMS monitoring fees, rental income and RFP sales.

### EXPENDITURE

Annual expenditure as at 31 March 2015 was R29 million, which makes up 92.6% of the annual budgeted revenue of R32.4 million, giving rise to a surplus of R3.4 million. The following are key areas of under-expenditure:

- **Personnel Costs** - a saving of R250 597 due to unfilled vacancies.
- **Professional and Consulting Fees** - a budget saving of R2.6 million due to specific projects that have been committed but not yet completed. A portion of the savings related to the costs for legal consultation were the services of the state law advisor were utilised as opposed to private attorneys. The NGB will seek, through application to the National Treasury, retention of roll-over funds for the completion of committed projects.
- **Travel & Subsistence** - The positive variance of R198 269 on travel-related costs was as a result of a conscious effort to effect savings on travel-related expenditure.
- **Administrative Expenses** - There was a negative variance of R848 384. This is attributable to the straight-lining of the lease liability which gave rise to a debit to the rental expense account of R1 million.

## FINANCIAL POSITION

The Statement of Financial Position reflects a total of current and non-current assets balance of R23.5 million, which exceeds the total liabilities by R9.2 million. Included in the current liabilities balance is R4.37 million confiscated from winnings which are potentially unlawful. The NGB is in the process of identifying the source of the confiscated winnings with a view to applying to court to make a ruling on whether these funds are paid to the State (if declared unlawful winnings) or back to the punters (if declared lawful winnings).

## CASH FLOWS

The Cash Flow Statement reflects a Cash and Cash Equivalents balance of R9.2 million. This balance includes confiscated winnings amounting to R4.37 million. R4.5 million of the cash balance is kept in an interest-bearing short-term investment facility held with the South African Reserve Bank.

## CAPITAL EXPENDITURE

Computer hardware and software to the value of R604 307 were purchased during the year. While this capital expenditure had no impact on the reported surplus, it did result in a reduction of the Cash and Cash Equivalents. This implies that not all the reported surplus is cash-backed.

The NGB will continue to ensure that there are conscientious efforts in place to monitor expenditure patterns and adherence to cost containment measures.



**Ms. K Mackerduth**  
Chief Financial Officer  
National Gambling Board  
31 July 2015



# REPORT OF THE AUDITOR-GENERAL

## TO PARLIAMENT ON THE NATIONAL GAMBLING BOARD

### REPORT ON THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

#### INTRODUCTION

1. I have audited the consolidated and separate financial statements of the National Gambling Board and its subsidiary set out on pages 58 to 93, which comprise the consolidated and separate statement of financial position as at 31 March 2015, the consolidated and separate statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

#### ACCOUNTING AUTHORITY'S RESPONSIBILITY FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2. The accounting authority is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with 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), and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate 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 consolidated and separate financial statements based on my audit. I conducted my audit in accordance with 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 consolidated and separate financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement,

including the assessment of the risks of material misstatement of the consolidated and separate 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 consolidated and separate 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 consolidated and separate financial statements.

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

#### OPINION

6. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the National Gambling Board and its subsidiary as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with 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).

#### EMPHASIS OF MATTER

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

#### RESTATEMENT OF CORRESPONDING FIGURES

8. As disclosed in note 23 to the financial statements, the corresponding figures for 31 March 2014 have been restated as a result of an error discovered during 31 March 2015 in the financial statements of the National Gambling Board at, and for the year ended, 31 March 2014.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, non-compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

### PREDETERMINED OBJECTIVES

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2015:
  - Programme 1: Stakeholder and Liaison on pages 21 to 24.
  - Programme 3: Compliance on pages 28 to 31.
11. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
12. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPi).
13. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes:
  - Programme 1: Stakeholder and Liaison
  - Programme 3: Compliance

### ADDITIONAL MATTER

15. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected programmes, I draw attention to the following matter:

### ACHIEVEMENT OF PLANNED TARGETS

16. Refer to the annual performance report on page 21 to 24 and 28 to 31 for information on the achievement of the planned targets for the year.

### Compliance with legislation

17. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

### Annual Financial Statements and Annual Report

18. 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 Public Finance Management Act. Material misstatements of current liabilities, disclosure item as well as a trust that was not consolidated were identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

### Expenditure Management

19. The accounting authority did not take effective steps to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the Public Finance Management Act.

### Procurement and contract management

20. Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1.

21. Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by Treasury Regulations 16A6.1.
22. Contracts were extended or modified without the approval of a properly delegated official as required by section 44 of the PFMA.
23. Contracts and quotations were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by Treasury Regulations 16A9.1 (d) and the Preferential Procurement Regulations.
24. Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with Treasury regulation 16A8.3.

#### Other matters

25. Contrary to section 67 of the National Gambling Act, 2004 (Act No. 7 of 2004) some board members continued to serve on the board without the appropriate approval.
26. The National Gambling Board failed to discharge its duties in terms of section 16(4) of the National Gambling Act, 2004 (Act No. 7 of 2004). Upon receiving winnings that were confiscated through the banks, the board did not investigate the circumstances of the relevant gambling activity and either deliver the winnings to the person who won them or apply to the High Court for an order declaring the winnings be forfeited to the State.

#### Internal control

27. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on non-compliance with legislation included in this report.

#### LEADERSHIP

28. The former accounting authority did not exercise adequate oversight to ensure compliance with legislation.

#### FINANCIAL AND PERFORMANCE MANAGEMENT

29. Management at the entity has not established sufficient controls to ensure complete and accurate financial statements.
30. Non-compliance with legislation could have been prevented had compliance been properly reviewed and monitored by management.

#### OTHER REPORTS

##### Investigations

31. The Department of Trade and Industry performed an investigation at the request of the Minister. The investigation was initiated based on allegations of misappropriation of the public entity's assets. The investigation is currently in progress.

*Auditor-General*  
**Pretoria**  
 31 July 2015



**AUDITOR - GENERAL**  
**SOUTH AFRICA**

*Auditing to build public confidence*

## STATEMENT OF

**FINANCIAL POSITION**

AS AT 31 MARCH 2015

	NOTES	ECONOMIC ENTITY		CONTROLLING ENTITY	
		2015 R	2014 R	2015 R	2014 R
<b>Assets</b>					
<b>Current Assets</b>					
Inventories	3	20,453	31,489	20,453	31,489
Receivables from exchange transactions	4	1,370,650	574,723	1,370,650	574,723
Cash and cash equivalents	5	9,215,943	3,420,963	9,215,943	30,769
		<b>10,607,046</b>	<b>4,027,175</b>	<b>10,607,046</b>	<b>636,981</b>
<b>Non-Current Assets</b>					
Property, plant and equipment	6	11,488,468	13,132,638	11,488,468	13,132,638
Intangible assets	7	1,419,170	1,119,855	1,419,170	1,119,855
		<b>12,907,638</b>	<b>14,252,493</b>	<b>12,907,638</b>	<b>14,252,493</b>
<b>Total Assets</b>		<b>23,514,684</b>	<b>18,279,668</b>	<b>23,514,684</b>	<b>14,889,474</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Payables from exchange transactions	8	7,028,135	3,848,529	7,028,135	3,848,529
Provisions	9	918,380	717,031	918,380	717,031
Confiscated Gambling Winnings	10	-	3,276,089	-	-
Bank overdraft	5	-	78,532	-	78,532
		<b>7,946,515</b>	<b>7,920,181</b>	<b>7,946,515</b>	<b>4,644,092</b>
<b>Non-Current Liabilities</b>					
Deferred rent and accommodation		6,485,226	4,536,022	6,485,226	4,536,022
<b>Total Liabilities</b>		<b>14,431,741</b>	<b>12,456,203</b>	<b>14,431,741</b>	<b>9,180,114</b>
<b>Net Assets</b>		<b>9,082,943</b>	<b>5,823,465</b>	<b>9,082,943</b>	<b>5,709,360</b>
<b>Accumulated surplus</b>		<b>9,082,943</b>	<b>5,823,464</b>	<b>9,082,943</b>	<b>5,709,360</b>

STATEMENT OF

# FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2015

	NOTES	ECONOMIC ENTITY		CONTROLLING ENTITY	
		2015 R	2014 R	2015 R	2014 R
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Interest received		375,164	165,785	285,269	37,362
Other revenue	11	2,323,293	2,241,885	2,323,293	2,241,885
<b>Total revenue from exchange transactions</b>		<b>2,698,457</b>	<b>2,407,670</b>	<b>2,608,562</b>	<b>2,279,247</b>
<b>Revenue from non-exchange transactions</b>					
<b>Transfer revenue</b>					
Government grants	12	29,797,000	27,717,000	29,797,000	27,717,000
<b>Total revenue</b>		<b>32,495,457</b>	<b>30,124,670</b>	<b>32,405,562</b>	<b>29,996,247</b>
<b>Expenditure</b>					
Personnel costs	13	(9,161,086)	(7,838,000)	(9,161,086)	(7,838,000)
Board Members' & Executive Managers' Remuneration	15	(3,560,962)	(4,863,683)	(3,560,962)	(4,863,683)
Depreciation and amortisation	6&7	(1,939,627)	(2,099,270)	(1,939,627)	(2,099,270)
Finance costs	14	(662)	(482)	-	-
Operating leases	17	(7,440,894)	(7,473,882)	(7,440,894)	(7,473,882)
General Expenses	16	(7,005,025)	(11,410,868)	(6,929,410)	(11,379,521)
<b>Total expenditure</b>		<b>(29,108,256)</b>	<b>(33,686,185)</b>	<b>(29,031,979)</b>	<b>(33,654,356)</b>
<b>Surplus (deficit) for the year</b>		<b>3,387,201</b>	<b>(3,561,515)</b>	<b>3,373,583</b>	<b>(3,658,109)</b>

STATEMENT OF

# CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2015

	ACCUMULATED SURPLUS R	TOTAL NET ASSETS R
<b>ECONOMIC ENTITY</b>		
Opening balance as previously reported	9,225,053	9,225,053
<b>Adjustments</b>		
Prior year adjustments	(159,925)	(159,925)
<b>Balance at 01 April 2013 as restated</b>	<b>9,384,978</b>	<b>9,384,978</b>
<b>Changes in net assets</b>		
Surplus for the year	(3,561,514)	(3,561,514)
Total changes	(3,561,514)	(3,561,514)
<b>Balance at 01 April 2014</b>	<b>5,823,465</b>	<b>5,823,465</b>
<b>Changes in net assets</b>		
Surplus for the year	3,387,201	3,387,201
Transfer of accumulated surplus to controlling entity	(127,723)	(127,723)
Total changes	3,259,478	3,259,478
<b>Balance at 31 March 2015</b>	<b>9,082,943</b>	<b>9,082,943</b>
<b>CONTROLLING ENTITY</b>		
Opening balance as previously reported	9,207,543	9,207,543
<b>Adjustments</b>		
Prior year adjustments	159,925	159,925
<b>Balance at 01 April 2013 as restated</b>	<b>9,367,468</b>	<b>9,367,468</b>
<b>Changes in net assets</b>		
Surplus for the year	(3,658,108)	(3,658,108)
Total changes	(3,658,108)	(3,658,108)
<b>Balance at 01 April 2014</b>	<b>5,709,360</b>	<b>5,709,360</b>
<b>Changes in net assets</b>		
Surplus for the year	3,373,583	3,373,583
Total changes	3,373,583	3,373,583
<b>Balance at 31 March 2015</b>	<b>9,082,943</b>	<b>9,082,943</b>

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2015

NOTES	ECONOMIC ENTITY		CONTROLLING ENTITY	
	2015 R	2014 R	2015 R	2014 R
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Grants	29,797,000	27,717,000	29,797,000	27,717,000
Interest income	375,164	165,785	285,269	37,362
Rental income	1,537,254	1,677,143	1,537,254	1,677,143
Other receipts	-	196,773	-	196,773
	<b>31,709,418</b>	<b>29,756,701</b>	<b>31,619,523</b>	<b>29,628,278</b>
<b>Payments</b>				
Employee costs	(12,513,290)	(12,675,573)	(12,513,290)	(12,644,227)
Suppliers	(9,576,750)	(17,835,555)	(9,501,136)	(17,835,555)
Finance costs	(662)	(482)	-	-
Other payments	(4,053,714)	-	-	-
	<b>(26,144,416)</b>	<b>(30,511,610)</b>	<b>(22,014,426)</b>	<b>(30,479,782)</b>
<b>Net cash flows from operating activities</b>	<b>5,565,002</b>	<b>(754,909)</b>	<b>9,605,097</b>	<b>(851,504)</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(47,980)	(21,682)	(47,980)	(21,685)
Proceeds from sale of property, plant and equipment	4,449	6,602	4,449	6,602
Purchase of other intangible assets	(297,860)	-	(297,860)	-
<b>Net cash flows from investing activities</b>	<b>(341,391)</b>	<b>(15,083)</b>	<b>(341,391)</b>	<b>(15,083)</b>
<b>Cash flows from financing activities</b>				
Proceeds from confiscated winnings	649,901	557,632	-	-
Bank overdraft	-	78,532	-	78,532
<b>Net cash flows from financing activities</b>	<b>649,901</b>	<b>636,164</b>	<b>-</b>	<b>78,532</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,873,512</b>	<b>(133,828)</b>	<b>9,263,706</b>	<b>(788,055)</b>
Cash and cash equivalents at the beginning of the year	3,342,431	3,476,259	(47,763)	740,292
<b>Cash and cash equivalents at the end of the year</b>	<b>9,215,943</b>	<b>3,342,431</b>	<b>9,215,943</b>	<b>(47,763)</b>

## STATEMENT OF

**COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

FOR THE YEAR ENDED 31 MARCH 2015

Economic Entity	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
Revenue from exchange transactions Interest received (trading)	-	173,584	173,584	375,164	<b>201,580</b>	Note 19
Miscellaneous other revenue	7,700,000	(5,170,754)	2,529,246	2,323,293	<b>(205,953)</b>	Note 19
<b>Total revenue from exchange transactions</b>	<b>7,700,000</b>	<b>(4,997,170)</b>	<b>2,702,830</b>	<b>2,698,457</b>	<b>(4,373)</b>	
<b>Revenue from non- exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	29,797,000	-	29,797,000	29,797,000	-	Note 19
Total revenue from exchange transactions	7,700,000	(4,997,170)	2,702,830	2,698,457	(4,373)	
Total revenue from non-exchange transactions	29,797,000	-	29,797,000	29,797,000	-	
<b>Total revenue</b>	<b>37,497,000</b>	<b>(4,997,170)</b>	<b>32,499,830</b>	<b>32,495,457</b>	<b>(4,373)</b>	
<b>Expenditure</b>						
Personnel	(14,738,435)	5,582,228	(9,156,207)	(9,161,086)	<b>(4,879)</b>	Note 19
Board members' & executive managers' remuneration	(4,437,106)	620,668	(3,816,438)	(3,560,962)	<b>255,476</b>	Note 19
Depreciation and amortisation	(2,111,297)	48,972	(2,062,325)	(1,939,627)	<b>122,698</b>	Note 19
Finance costs	-	-	-	(662)	<b>(662)</b>	Note 19
Lease rentals on operating lease	(6,137,409)	(490,243)	(6,627,652)	(7,440,894)	<b>(813,242)</b>	Note 19
General Expenses	(8,996,827)	(780,414)	(9,777,241)	(7,005,025)	<b>2,772,216</b>	Note 19
<b>Total expenditure</b>	<b>(36,421,074)</b>	<b>4,981,211</b>	<b>(31,439,863)</b>	<b>(29,108,256)</b>	<b>2,331,607</b>	
<b>Surplus before taxation</b>	<b>1,075,926</b>	<b>(15,959)</b>	<b>1,059,967</b>	<b>3,387,201</b>	<b>2,327,234</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>1,075,926</b>	<b>(15,959)</b>	<b>1,059,967</b>	<b>3,387,201</b>	<b>2,327,234</b>	
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Non-Current Assets</b>						
Property, plant and equipment	620,710	-	620,710	41,719	<b>(578,991)</b>	Note 19
Intangible assets	279,000	-	279,000	562,588	<b>283,588</b>	Note 19
	<b>899,710</b>	<b>-</b>	<b>899,710</b>	<b>604,307</b>	<b>(295,403)</b>	
Non-Current Assets	-	-	-	-	-	
Current Assets	899,710	-	899,710	604,307	(295,403)	
<b>Total Assets</b>	<b>899,710</b>	<b>-</b>	<b>899,710</b>	<b>604,307</b>	<b>(295,403)</b>	
Assets	899,710	-	899,710	604,307	(295,403)	
Liabilities	-	-	-	-	-	
<b>Net Assets</b>	<b>899,710</b>	<b>-</b>	<b>899,710</b>	<b>604,307</b>	<b>(295,403)</b>	
<b>Reserves</b>						
Capitalisation reserve	899,710	-	899,710	604,307	<b>(295,403)</b>	



## STATEMENT OF

**COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

FOR THE YEAR ENDED 31 MARCH 2015

Controlling Entity	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Interest received	-	173,584	173,584	285,269	<b>111,685</b>	Note 19
Miscellaneous other revenue	7,700,000	(5,170,754)	2,529,246	2,323,293	<b>(205,953)</b>	Note 19
<b>Total revenue from exchange transactions</b>	<b>7,700,000</b>	<b>(4,997,170)</b>	<b>2,702,830</b>	<b>2,608,562</b>	<b>(94,268)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	29,797,000	-	29,797,000	29,797,000	-	Note 19
Total revenue from exchange transactions	7,700,000	(4,997,170)	2,702,830	2,608,562	(94,268)	
Total revenue from non-exchange transactions	29,797,000	-	29,797,000	29,797,000	-	
<b>Total revenue</b>	<b>37,497,000</b>	<b>(4,997,170)</b>	<b>32,499,830</b>	<b>32,405,562</b>	<b>(94,268)</b>	
<b>Expenditure</b>						
Personnel	(14,738,435)	5,582,228	(9,156,207)	(9,161,086)	<b>(4,879)</b>	Note 19
Board members' & Executive Managers' Remuneration	(4,437,106)	620,668	(3,816,438)	(3,560,962)	<b>255,476</b>	Note 19
Depreciation and amortisation	(2,111,297)	48,972	(2,062,325)	(1,939,627)	<b>122,698</b>	Note 19
Lease rentals on operating lease	(6,137,409)	(490,243)	(6,627,652)	(7,440,894)	<b>(813,242)</b>	Note 19
General Expenses	(8,996,827)	(780,414)	(9,777,241)	(6,929,411)	<b>2,847,830</b>	Note 19
<b>Total expenditure</b>	<b>(36,421,074)</b>	<b>4,981,211</b>	<b>(31,439,863)</b>	<b>(29,031,980)</b>	<b>2,407,883</b>	
<b>Surplus before taxation</b>	<b>1,075,926</b>	<b>(15,959)</b>	<b>1,059,967</b>	<b>3,373,582</b>	<b>2,313,615</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>1,075,926</b>	<b>(15,959)</b>	<b>1,059,967</b>	<b>3,373,582</b>	<b>2,313,615</b>	
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Non-Current Assets</b>						
Property, plant and equipment	620,710	-	620,710	41,719	<b>(578,991)</b>	Note 19
Intangible assets	279,000	-	279,000	562,588	<b>283,588</b>	Note 19
	<b>899,710</b>	<b>-</b>	<b>899,710</b>	<b>604,307</b>	<b>(295,403)</b>	
Non-Current Assets	-	-	-	-	-	
Current Assets	899,710	-	899,710	604,307	(295,403)	
<b>Total Assets</b>	<b>899,710</b>	<b>-</b>	<b>899,710</b>	<b>604,307</b>	<b>(295,403)</b>	
Assets	899,710	-	899,710	604,307	(295,403)	
Liabilities	-	-	-	-	-	
<b>Net Assets</b>	<b>899,710</b>	<b>-</b>	<b>899,710</b>	<b>604,307</b>	<b>(295,403)</b>	
<b>Reserves</b>						
Capitalisation reserve	899,710	-	899,710	604,307	<b>(295,403)</b>	

# ACCOUNTING POLICIES

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## 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

### 1.1 GOING CONCERN ASSUMPTION

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

### 1.2 CONSOLIDATION

#### **Basis of consolidation**

Consolidated annual financial statements are the annual financial statements of the economic entity presented as those of a single entity.

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and all controlled entity, including special purpose entities, which are controlled by the controlling entity.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The results of controlled entities are included in the consolidated annual financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases. The difference between the proceeds from the disposal of the controlled entity and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the controlled entity recognised in net assets in accordance with the Standard of GRAP on The Effects of Changes in Foreign Exchange Rates, is recognised in the consolidated statement of financial performance as the surplus or deficit on the disposal of the controlled entity.

An investment in an entity is accounted for in accordance with the Standards of GRAP on Financial Instruments from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as the fair value on initial recognition of a financial asset in accordance with the Standards of GRAP on Financial Instruments.

The annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same reporting date.

When the reporting dates of the controlling entity and a controlled entity are different, the controlled entity prepares, for consolidation purposes, additional annual financial statements as of the same date as the controlling entity unless it is impracticable to do so. When the annual financial statements of a controlled entity used in the preparation of consolidated annual financial statements are prepared as of a reporting date different from that of the controlling entity, adjustments are made for the effects of

significant transactions or events that occur between that date and the date of the controlling entity's annual financial statements. In any case, the difference between the reporting date of the controlled entity and that of the controlling entity shall be no more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

Adjustments are made when necessary to the annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Minority interests in the net assets of the economic entity are identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets. Losses applicable to the minority in a consolidated controlled entity may exceed the minority interest in the controlled entity's net assets. The excess, and any further losses applicable to the minority, are allocated against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make an additional investment to cover the losses. If the controlled entity subsequently reports surpluses, such surpluses are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

Minority interests in the surplus or deficit of the economic entity is separately disclosed.

A trust in the name of National Gambling Board Trust ("NGB Trust") was founded by the NGB in 2008. The purpose of the NGB Trust was to discharge the entity's mandate to confiscate illegal gambling winnings. Absa Bank was appointed as an administrator to oversee the activities and financial affairs of the NGB Trust.

For the purpose of consolidating the NGB Trust into the annual financial statement of the controlling entity, the NGB Trust's reporting date, which is normally on 28 February, has been changed to 31 March to coincide with that of the controlling entity. The change of the reporting date had no effect on the controlling entity nor the controlled entity.

The NGB Trust is the only entity under the control of the NGB.

Fees charged by the administrator, Absa Bank, are disclosed in the Statement of Financial Performance of the controlling entity and the economic entity.

### 1.3 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.

### 1.4 ROUNDING

Unless otherwise stated all financial figures have been rounded off to the nearest one rand.

### 1.5 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.

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## 1.6 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 economic entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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. is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

<b>Item</b>	<b>Depreciation method</b>	<b>Average useful life</b>
Leasehold property	Straight line	over the lease period
Furniture and office equipment	Straight line	3 to 10 years
Motor vehicles	Straight line	5 years
IT equipment	Straight line	3 to 10 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

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

Items of property, plant 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.

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.

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Assets which the economic entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

## 1.7 INTANGIBLE ASSETS

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the economic entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the economic entity; and
- the cost or fair value of the asset can be measured reliably.

The economic entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
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.

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## 1.8 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

## 1.9 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 amortised cost, 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 the assets are measured at amortised cost using the effective interest 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 a 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.

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 Liabilities

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

### 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 plus transaction costs when the entity is a party to a contractual arrangement. Subsequent to initial recognition these instruments are measured as set out below.

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### **Payables from Exchange Transactions**

Trade and other payable are stated at their nominal value. The carrying amount of these payables approximates fair value.

### **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).

### **Receivables from Exchange Transactions**

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. 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**

Financial assets are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

### **Impairment of financial assets**

At the end of the reporting period the economic 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 economic 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.



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## **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.

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.

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## Liquidity Risk

This is the risk that the entity may encounter difficulties in raising funds to meet its statutory commitments. Liquidity risk is managed by:

- investing in short-term deposit facilities held between 14 and 32 days;
- timeous request and release of funds by **the dti** to the NGB; and
- the nature of the entity's business is on a 30 days cash cycle basis.

## Fair Value

The entity's financial instruments consist mainly of cash and cash equivalents, receivables and trade payables. No financial asset was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial assets. The carrying amounts of financial assets and liabilities approximate their fair values.

## 1.10 TAXATION

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

## 1.11 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

## Finance Leases

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.

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## 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.

### 1.12 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.

### 1.13 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.

### 1.14 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.

### 1.15 INVENTORIES

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the economic entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### **1.16 IMPAIRMENT OF NON-CASH-GENERATING ASSETS**

Cash-generating assets are those assets held by the economic entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. Useful life is either:

- (a) the period of time over which an asset is expected to be used by the economic entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the economic entity.

#### **Identification**

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The economic entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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## **Reversal of an Impairment Loss**

The economic entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the economic entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

## **Redesignation**

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

## **1.17 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.

## **1.18 PROVISIONS**

Provisions are recognised when:

- the economic 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.

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

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

Employees entitlement to performance bonus is recognised when the Board has approved a percentage of the annual package as bonus for the year. The provision becomes actual after being qualified by the results of the performance measurement tool applied.

Payment of performance bonuses is at the sole discretion of the Board. The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

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

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

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

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

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

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

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

### 1.19 REVENUE RECOGNITION

Revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the National Gambling Board and can be reliably measured.

Government grants are recognised when there is reasonable assurance that such grant will be received and all related conditions are complied with. Interest is recognised on a time proportion basis that takes into account the effective yield on assets.

Revenue from non-exchange transactions is distinguished from revenue from exchange transactions. The corresponding trade and other receivables are split between trade and other receivables from exchange transactions and trade and other receivables from non-exchange transactions.

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### **1.20 COMPARATIVE FIGURES**

Prior period comparative information has been presented in the current financial year. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

### **1.21 IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

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. Irregular expenditure is expenditure other than unauthorised expenditure incurred in contravention of a requirement of any applicable legislation, including the PFMA. All unauthorised, irregular, fruitless and wasteful expenditure is charged against income in the period in which they are incurred.

### **1.22 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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 2. NEW STANDARDS AND INTERPRETATIONS

### 2.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 April 2015 or later periods:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact</b>
GRAP 18: Segment Reporting	01 April 2015	The impact of the amendment is not material.
GRAP 105: Transfers of functions between entities under common control	01 April 2015	The impact of the amendment is not material.
GRAP 106: Transfers of functions between entities not under common control	01 April 2015	The impact of the amendment is not material.
GRAP 107: Mergers	01 April 2015	The impact of the amendment is not material.
GRAP 20: Related parties	No effective date	The impact of the amendment is not material.
IGRAP 11: Consolidation – Special purpose entities	01 April 2015	The impact of the amendment is not material.
IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2015	The impact of the amendment is not material.
GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2015	The impact of the amendment is not material.
GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2015	The impact of the amendment is not material.
GRAP 7 (as revised 2012): Investments in Associates	01 April 2015	The impact of the amendment is not material.
GRAP32: Service Concession Arrangements: Grantor	No effective date	The impact of the amendment is not material.
GRAP108: Statutory Receivables	No effective date	The impact of the amendment is not material.
IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	No effective date	The impact of the amendment is not material.
DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2015	The impact of the amendment is not material.

The initial application of the statements and interpretations on the entity's financial statements is not expected to have an impact on the entity's financial statements as the entity already applies International Accounting Standards (IAS) for GRAP standards which are not yet effective. According to Directive 5, entities must either apply IPSAS 20 or GRAP 20 and GRAP 6.



	ECONOMIC ENTITY		CONTROLLING ENTITY	
	2015 R	2014 R	2015 R	2014 R
<b>3. INVENTORIES</b>				
Stationery on hand and consumables	20,453	31,489	20,453	31,489

No discounts or rebates were received from the purchase of inventory during the year.

#### 4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade debtors	854,063	553,823	854,063	553,823
Payments in advance	510,657	14,970	510,657	14,970
Accrued income	5,930	5,930	5,930	5,930
	<b>1,370,650</b>	<b>574,723</b>	<b>1,370,650</b>	<b>574,723</b>

Payments in Advance include R367,803 and R137,229 paid in relation to two lease contracts for which the NGB is a signatory.

#### 5. CASH AND CASH EQUIVALENTS

<b>Cash and cash equivalents consist of:</b>				
Cash on hand	121	67	121	67
Bank balances	4,837,976	3,416,354	4,837,976	26,160
Short-term deposits	4,377,846	4,541	4,377,846	4,541
Bank overdraft	-	(78,532)	-	(78,532)
	<b>9,215,943</b>	<b>3,342,430</b>	<b>9,215,943</b>	<b>(47,764)</b>
Current assets	9,215,943	3,420,963	9,215,943	30,769
Current liabilities	-	(78,532)	-	(78,532)
	<b>9,215,943</b>	<b>3,342,431</b>	<b>9,215,943</b>	<b>(47,763)</b>

Included in the Cash and Cash Equivalents balance disclosed above are confiscated winnings amounting to R4,377,846. The NGB confiscates and holds funds that are suspected to be unlawful winnings. The unlawful winnings are placed in a bank account in the name of the NGB until such funds are declared by the courts as unlawful winnings. If the courts deem the funds to be unlawful winnings, such amounts are surrendered to the State. Alternatively, if the courts determine the contrary, such funds are returned to the persons from whom they were confiscated.

#### 6. PROPERTY, PLANT AND EQUIPMENT

Economic entity	2015			2014		
	Cost / Valuation R	Accumulated depreciation and accumulated impairment R	Carrying value R	Cost / Valuation R	Accumulated depreciation and accumulated impairment R	Carrying value R
Furniture and fixtures	3,448,673	(783,216)	2,665,457	3,459,355	(447,621)	3,011,734
Motor vehicles	399,997	(174,316)	225,681	399,997	(116,317)	283,680
IT equipment	806,463	(650,296)	156,167	866,565	(583,591)	282,974
Leasehold improvements	10,850,310	(2,409,147)	8,441,163	10,850,310	(1,296,060)	9,554,250
<b>Total</b>	<b>15,505,443</b>	<b>(4,016,975)</b>	<b>11,488,468</b>	<b>15,576,227</b>	<b>(2,443,589)</b>	<b>13,132,638</b>

## 6. PROPERTY, PLANT AND EQUIPMENT (continued)

Controlling entity	2015			2014		
	Cost / Valuation R	Accumulated depreciation and accumulated impairment R	Carrying value R	Cost / Valuation R	Accumulated depreciation and accumulated impairment R	Carrying value R
Furniture and fixtures	3,448,673	(783,216)	2,665,457	3,459,355	(447,621)	3,011,734
Motor vehicles	399,997	(174,316)	225,681	399,997	(116,317)	283,680
IT equipment	806,463	(650,296)	156,167	866,565	(583,591)	282,974
Leasehold improvements	10,850,310	(2,409,147)	8,441,163	10,850,310	(1,296,060)	9,554,250
<b>Total</b>	<b>15,505,443</b>	<b>(4,016,975)</b>	<b>11,488,468</b>	<b>15,576,227</b>	<b>(2,443,589)</b>	<b>13,132,638</b>

### Reconciliation of property, plant and equipment - Controlling entity - 2015

Controlling entity	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
Furniture and fixtures	3,011,735	-	(6,062)	(340,217)	2,665,456
Motor vehicles	283,681	-	-	(58,000)	225,681
IT equipment	282,974	41,719	(3,472)	(165,054)	156,167
Leasehold improvements	9,554,250	-	-	(1,113,087)	8,441,163
	<b>13,132,640</b>	<b>41,719</b>	<b>(9,534)</b>	<b>(1,676,358)</b>	<b>11,488,467</b>

### Reconciliation of property, plant and equipment - Controlling entity - 2014

	Opening balance R	Additions R	Disposals R	Transfers received R	Depreciation R	Total R
Furniture and fixtures	3,352,203	-	(5,868)	6,237	(340,837)	3,011,735
Motor vehicles	341,680	-	-	-	(57,999)	283,681
IT equipment	495,247	21,685	(15,935)	-	(218,023)	282,974
Leasehold improvements	10,667,337	-	-	-	(1,113,087)	9,554,250
	<b>14,856,467</b>	<b>21,685</b>	<b>(21,803)</b>	<b>6,237</b>	<b>(1,729,946)</b>	<b>13,132,640</b>

## 7. INTANGIBLE ASSETS

Economic entity	2015			2014		
	Cost / Valuation R	Accumulated amortisation and accumulated impairment R	Carrying value R	Cost / Valuation R	Accumulated amortisation and accumulated impairment R	Carrying value R
Computer software, internally generated	1,814,563	(1,043,152)	771,411	1,722,831	(911,179)	811,652
Computer software, other	1,139,958	(492,199)	647,759	765,231	(457,028)	308,203
<b>Total</b>	<b>2,954,521</b>	<b>(1,535,351)</b>	<b>1,419,170</b>	<b>2,488,062</b>	<b>(1,368,207)</b>	<b>1,119,855</b>

## 7. INTANGIBLE ASSETS (continued)

Controlling entity	2015			2014		
	Cost / Valuation R	Accumulated amortisation and accumulated impairment R	Carrying value R	Cost / Valuation R	Accumulated amortisation and accumulated impairment R	Carrying value R
Computer software, internally generated	1,814,563	(1,043,152)	771,411	1,722,831	(911,179)	811,652
Computer software, other	1,139,958	(492,199)	647,759	765,231	(457,028)	308,203
<b>Total</b>	<b>2,954,521</b>	<b>(1,535,351)</b>	<b>1,419,170</b>	<b>2,488,062</b>	<b>(1,368,207)</b>	<b>1,119,855</b>

### Reconciliation of intangible assets - Controlling entity - 2015

	Opening balance R	Additions R	Internally generated R	Amortisation R	Total R
Computer software, internally generated	811,652	-	91,732	(131,973)	771,411
Computer software, other	308,203	470,856	-	(131,299)	647,760
	<b>1,119,855</b>	<b>470,856</b>	<b>91,732</b>	<b>(263,272)</b>	<b>1,419,171</b>

### Reconciliation of intangible assets - Controlling entity - 2014

	Opening balance R	Internally generated R	Disposals R	Amortisation R	Total R
Computer software, internally generated	817,881	206,128	-	(212,357)	811,652
Computer software, other	473,560	-	(8,389)	(156,968)	308,203
	<b>1,291,441</b>	<b>206,128</b>	<b>(8,389)</b>	<b>(369,325)</b>	<b>1,119,855</b>

## 8. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	1,001,022	1,722,330	1,001,022	1,722,330
Deferred rent and accommodation	1,609,856	2,085,338	1,609,856	2,085,338
Unidentified confiscated gambling winnings	4,326,525	-	4,326,525	-
SARS for PAYE and UIF	39,775	40,861	39,775	40,861
Confiscated winnings identified punters	50,957	-	50,957	-
	<b>7,028,135</b>	<b>3,848,529</b>	<b>7,028,135</b>	<b>3,848,529</b>

## 9. PROVISIONS

### Reconciliation of provisions - Controlling entity - 2015

	Opening balance R	Additions R	Utilised during the year R	Reversed during the year R	Total R
Leave provision	297,457	231,201	(242,750)	-	285,908
Provision for Compensation Commissioner	106,401	68,163	-	(146,330)	28,234
Provision for performance bonuses	313,173	590,480	(299,415)	-	604,238
	<b>717,031</b>	<b>889,844</b>	<b>(542,165)</b>	<b>(146,330)</b>	<b>918,380</b>

### Reconciliation of provisions - Controlling entity - 2014

Leave provision	427,497	339,593	(469,633)	-	297,457
Provision for Compensation Commissioner	106,401	-	-	-	106,401
Provision for performance bonuses	527,383	313,173	(219,182)	(308,201)	313,173
	<b>1,061,281</b>	<b>652,766</b>	<b>(688,815)</b>	<b>(308,201)</b>	<b>717,031</b>

#### PROVISION FOR PERFORMANCE BONUSES

The provision for performance bonuses is based on an upper limit of 5% of the total annual salary package. It is anticipated that bonuses will be paid within the next twelve months.

The amount to be paid for bonuses is uncertain as it is linked to the achievement of pre-determined key deliverables, the achievement of which is measured as a percentage of the total key performance areas. The exact amount of future cash outflows related to bonuses can only be determined once performance has been measured.

#### LEAVE PAY PROVISION

Provision for leave pay is calculated at current salary rate multiplied by the number of available leave credits. The leave credits are expected to become payable when an employee ceases to become an employee of the NGB. Employees may not carry more than 8 days of leave into a new leave cycle, unless they do so due to operational requirements.

It is not known how many or when employees will leave the employ of the NGB, giving rise to an uncertainty about the amount and timing of the expected outflows relating to the leave pay provision.

#### PROVISION FOR COMPENSATION COMMISSIONER

The provision for Compensation Commissioner relates to a provision for an amount to be paid as an insurance against occupational injuries for staff. The amount is based on a return of earnings (ROE) which is submitted annually to the Compensation Commissioner. It is anticipated the amount will be paid within the next twelve months.

The balance of R28,234 is calculated as a percentage of total earnings (0.48%). The uncertainty about the amount payable arises from the fact that the entity is yet to file its ROE with the Compensation Commissioner for the 2014/15 financial period, which ROE will result in an assessment and invoice from the Commissioner.

	ECONOMIC ENTITY		CONTROLLING ENTITY	
	2015 R	2014 R	2015 R	2014 R
<b>10. CONFISCATED GAMBLING WINNINGS</b>				
Confiscated gambling winnings	-	3,276,089	-	-

The above confiscated winnings are kept in trust by the NGB pending an application to the High Court to either declare them illegal winnings (in which case they are surrendered to the State), or declare them legal (in which case the funds are paid back to the punter).

### 11. REVENUE FROM EXCHANGE TRANSACTIONS

Rental income- related party	2,016,230	2,045,112	2,016,230	2,045,112
Limited payout machines (LPM) license fees	257,703	172,452	257,703	172,452
RFP Sales	45,000	8,500	45,000	8,500
Miscellaneous income	4,360	15,821	4,360	15,821
	<b>2,323,293</b>	<b>2,241,885</b>	<b>2,323,293</b>	<b>2,241,885</b>

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

#### Taxation revenue

Within 1 year	1,691,213	1,587,994	1,691,213	1,587,994
2 to 5 years	7,937,947	7,453,471	7,937,947	7,453,471
Thereafter	2,317,108	4,492,797	2,317,108	4,492,797
	<b>11,946,268</b>	<b>13,534,262</b>	<b>11,946,268</b>	<b>13,534,262</b>

The NGB has leased a building to **the dti** under a sub-letting arrangement for a period of 8 years and four months. Monthly rental payments of R116,672 (including VAT) are payable to the NGB, with an annual escalation clause of 6.5%. No contingent rent is payable. The lease agreement is not renewable at the end of the lease term.

### 12. GOVERNMENT GRANTS AND SUBSIDIES

Grant received	29,797,000	27,717,000	29,797,000	27,717,000
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### 13. EMPLOYEE RELATED COSTS

Basic	8,637,094	7,249,916	8,637,094	7,249,916
UIF	28,881	30,692	28,881	30,692
Leave pay provision charge	100,148	230,514	100,148	230,514
Defined contribution plans	336,763	256,959	336,763	256,959
Other salary related	58,200	69,919	58,200	69,919
	<b>9,161,086</b>	<b>7,838,000</b>	<b>9,161,086</b>	<b>7,838,000</b>

### 14. FINANCE COSTS

Interest paid	662	482	-	-
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## 15. BOARD MEMBERS' & EXECUTIVE MANAGERS' REMUNERATION

Executive - 2015	Basic Salary R	Pension paid or receivable R	Medical Aid R	Leave Encashment R	Total R
Chief Operations Officer: Mr MB Mashigo (term ended 31 July 2014)	600,000	-	-	27,586	627,586
Chief Compliance Officer: Mr DT Marasha (term ended 30 September 2014)	460,226	65,738	37,188	96,213	659,365
Chief Financial Officer: Ms K Mackerduth (appointment date: 17 March 2014)	952,257	128,544	-	-	1,080,801
Administrator: Ms C Kongwa (appointed 03 September 2014)	316,571	-	-	-	316,571
Administrator: Mr T Baleni (appointed 03 September 2014)	214,289	-	-	-	214,289
	<b>2,543,343</b>	<b>194,282</b>	<b>37,188</b>	<b>123,799</b>	<b>2,898,612</b>

### Executive - 2014

Chief Operations Officer: Mr MB Mashigo (term ended 31 July 2014)	424,000	-	-	82,851	506,851
Chief Compliance Officer: Mr DT Marasha (term ended 30 September 2014)	920,819	125,416	68,949	-	1,115,184
Chief Financial Officer: Ms K Mackerduth (appointment date: 17 March 2014)	35,007	10,712	-	-	45,719
Chief Executive Officer: Ms BP Tyawa	168,995	29,393	6,806	51,580	256,774
Chief Financial Officer: Ms ME Ntsowe (term ended 30 September 2013)	813,010	62,206	10,698	74,019	959,933
Chief Executive Officer: Mr T Dlamini (from 01 January 2014 to 31 March 2014)	399,634	-	-	12,157	411,791
	<b>2,761,465</b>	<b>227,727</b>	<b>86,453</b>	<b>220,607</b>	<b>3,296,252</b>

### Non-Executive - 2015

	Members' fees R	Total R
Prof L de Vries (Chairperson)- termination date: 21 November 2014)	214,984	214,984
Adv TN Aboobaker (Board member)- (termination date: 31 December 2013)	74,631	74,631
Mr AC Keyser (Board member)- termination date: 31 December 2013)	81,409	81,409
Ms GA Deiner (Audit Committee member)	24,448	24,448
Mr J Hargovan (Audit Committee member)- termination date: 31 May 2014	6,112	6,112
Ms MN Magomola (Board member)- termination date: 21 November 2014	115,368	115,368
Prof SV Nzimande (Board member)- termination date: 21 November 2014	99,024	99,024
Ms G Taylor (Audit Committee member)	26,912	26,912
Gen JW Meiring (Board member)- termination date: 31 December 2013	19,462	19,462
	<b>662,350</b>	<b>662,350</b>

### Non-Executive - 2014

Prof L de Vries (Chairperson)- termination date: 21 November 2014)	498,223	498,223
Adv TN Aboobaker (Board member)- (termination date: 31 December 2013)	118,856	118,856
Mr AC Keyser (Board member)- termination date: 31 December 2013)	305,600	305,600
Ms GA Deiner (Audit Committee member)	66,904	66,904
Mr J Hargovan (Audit Committee member)- termination date: 31 May 2014	70,288	70,288
Ms MN Magomola (Board member)- termination date: 21 November 2014	269,192	269,192
Prof SV Nzimande (Board member)- termination date: 21 November 2014	183,360	183,360
Ms G Taylor (Audit Committee member)	55,008	55,008
	<b>1,567,431</b>	<b>1,567,431</b>

16. GENERAL EXPENSES	ECONOMIC ENTITY		CONTROLLING ENTITY	
	2015 R	2014 R	2015 R	2014 R
<b>Professional and consulting fees</b>				
Legal fees	1,167,547	424,016	1,167,547	424,016
Research	117,061	919,723	117,061	919,723
Internal audit	92,029	581,791	92,029	581,791
Other consulting fees	720,662	760,372	720,662	760,372
	<b>2,097,299</b>	<b>2,685,902</b>	<b>2,097,299</b>	<b>2,685,902</b>
<b>Travel and subsistence</b>				
Local	563,813	1,262,253	563,813	1,262,253
Overseas	-	1,470,934	-	1,470,935
	<b>563,813</b>	<b>2,733,187</b>	<b>563,813</b>	<b>2,733,188</b>
<b>Other operating expenses</b>				
Recruitment costs	65,858	818,918	65,858	818,918
Advertisements- tenders	13,350	50,963	13,350	50,963
Training expenses	20,292	16,925	20,292	16,925
Temporary staff costs	466,132	1,213,984	466,132	1,213,984
Internet Costs	222,306	209,730	222,306	209,730
Telephone and Fax Charges	151,581	125,341	151,581	125,341
Gambling Week	-	9,021	-	9,021
Printing costs	271,278	161,911	271,278	161,911
Bank Charges	24,255	21,400	24,255	21,400
Car License	696	-	696	-
Cleaning Costs	65,523	61,066	65,523	61,066
Conference Costs	-	127,013	-	127,013
Fora Meetings	6,865	-	6,865	-
Copying Costs	144,495	151,207	144,495	151,207
Courier Services	10,871	55,419	10,871	55,419
Flowers, Gifts and Cards	-	3,796	-	3,796
Fuel	25,790	48,862	25,790	48,862
Postage	1,069	1,069	1,069	1,069
Subscription, Membership and Registration Fees	113,594	128,728	113,594	128,728
Water and Electricity	366,391	388,947	366,391	388,947
Software, Licenses and Upgrades	252,435	205,417	252,435	205,417
Stationery	58,688	113,008	58,688	113,008
Venue Hire	8,602	40,931	8,602	40,931
Maintenance Costs	58,727	54,436	58,727	54,436
Small Office Equipment	5,167	5,724	5,167	5,724
Insurance	293,791	270,303	293,791	270,303
Official Entertainment	-	1,200	-	1,200
Refreshments	38,996	152,870	38,996	152,870
Storage	10,472	9,090	10,472	9,090
Security Costs	1,454	-	1,454	-
Social Responsibility	-	12,454	-	12,454
Loss on Disposal of Assets	6,064	23,590	6,064	23,590
Impairment of Debtors	-	20,945	-	20,945
Administrative fees for the NGB Trust fees for the NGB	75,615	31,347	-	-
	<b>2,780,357</b>	<b>4,535,615</b>	<b>2,704,742</b>	<b>4,504,268</b>

16. GENERAL EXPENSES (continued)	ECONOMIC ENTITY		CONTROLLING ENTITY	
	2015 R	2014 R	2015 R	2014 R
<b>Auditors' Remuneration</b>				
External audit fees	1,563,556	1,456,162	1,563,556	1,456,162
<b>Total General Expenses</b>	<b>7,005,025</b>	<b>11,410,868</b>	<b>6,929,410</b>	<b>11,379,521</b>

## 17. OPERATING LEASE

Current year				
Premises	7,359,212	7,397,354	7,359,212	7,397,354
Photocopiers	81,682	76,528	81,682	76,528
	<b>7,440,894</b>	<b>7,473,882</b>	<b>7,440,894</b>	<b>7,473,882</b>
Future minimum lease payments under non-cancellable operating leases				
Within 1 years	6,138,680	5,616,642	6,135,680	5,616,642
2 to 5 years	30,777,836	28,167,504	30,777,836	28,167,504
Thereafter	22,496,385	31,242,398	22,496,385	31,242,398
	<b>59,412,901</b>	<b>65,026,544</b>	<b>59,409,901</b>	<b>65,026,544</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 R315,468 (including VAT) are payable with an annual escalation clause of 10% per annum. The lease is renewable for an optional period of a further nine years and eleven months. The entity is also contracted to Parkdev SA (Pty) Ltd for a period of 15 years, effective from 1 April 2006. The lease payments are R124,256 (including 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 sub-let to **the dti** for the remainder of the lease period.

### Future minimum lease payments under non-cancellable operating lease for a photocopier

Within 1 year	64,770	81,685	64,770	81,685
2 to 5 years	5,157	69,927	5,157	69,927
	<b>69,927</b>	<b>151,612</b>	<b>69,927</b>	<b>151,612</b>

The NGB is renting three photocopy machines from Konica Minolta over 36 months contracts. Monthly rentals of R6,807.04 are payable with no escalation clauses. No contingent rent is payable and the lease contracts are not renewable at the end of the lease period.

## 18. CASH GENERATED FROM (USED IN) OPERATIONS

Surplus (deficit)	3,387,201	(3,561,514)	3,373,582	(3,658,109)
<b>Adjustments for:</b>				
Depreciation and amortisation	1,939,627	2,099,270	1,939,627	2,099,270
Loss on disposal of non-current assets	5,087	23,590	5,087	23,590
Movements in provisions	201,349	(344,250)	201,349	(344,250)
<b>Changes in working capital:</b>				
Inventories	11,036	(9,876)	11,036	(9,876)
Receivables from exchange transactions	(789,666)	181,751	(789,666)	181,751
Accrued Income	-	(5,858)	-	(5,858)
Payables from exchange transactions	1,082,637	1,134,247	5,136,351	1,134,247
Deferred rent and accommodation	(272,269)	(272,269)	(272,269)	(272,269)
	<b>5,565,002</b>	<b>(754,909)</b>	<b>9,605,097</b>	<b>(851,504)</b>



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## 19. EXPLANATION OF VARIANCES

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### REVENUE FROM EXCHANGE TRANSACTIONS

The adjustment to the budget was made to remove an amount which it was initially projected would be received from the sale of documents for the National Central Electronic Monitoring System (NCEMS) contract. The bid process was placed on hold during the year as the entity under was placed administration.

The variance was caused by an over-estimation of rental income and RFP sales.

### INTEREST RECEIVED

An adjustment to the interest budget was made because of a decision to reduce the entity's overall expenditure, which meant that there would be excess cash resources available to be kept in short-term investments that would earn interest.

The positive variance was achieved due to a conscious decision to reduce overall expenditure which resulted in the availability of more cash resources for investment than initially anticipated.

### AUDITORS' REMUNERATION

The adjustment to the auditors' budget was made when it was realised that the time spent on the 2014/15 external audit would exceed the amount initially provided for.

The positive variance was due to the fact that some of the 2014/15 external audit work would be completed in the subsequent 2015/16 financial period.

### BOARD MEMBERS AND EXECUTIVE MANAGERS' REMUNERATION

The adjustment to the budget was made as a result of executive managers' vacant positions which it was resolved would not be filled in the 2014/15 financial period.

The positive variance resulted from a resignation of an executive manager (Chief Compliance Officer) during September 2014.

### GENERAL EXPENSES

An upward adjustment to the auditors' budget was made when it was realised that the time spent on the 2014/15 external audit would exceed the amount initially provided for.

The budget for consulting and professional fees was increased to provide for projected additional costs on legal fees emanating from a projected increase in legal costs for the year.

An increase in the budget for other operating costs was also made to provide for administrative expenditure which it was determined were not adequately budgeted for.

The positive variance on general expenditure was a direct outcome of Management's resolve to reduce overall expenditure in order to achieve a net surplus for the current financial period.

### PERSONNEL COSTS

A reduction to the personnel budget was made as a result of a resolution not to fill vacant positions during the current financial period. The negative variance is attributable to an increase in acting allowances paid as a result of vacant positions.

### TRAVEL AND SUBSISTENCE

The travel budget was reduced due to a conscious resolve to reduce travel-related costs in line with the National Treasury's cost containment measures, and positive variance can be attributable to the same reason.

## 19. EXPLANATION OF VARIANCES

### ECONOMIC ENTITY

### CONTROLLING ENTITY

2015  
R

2014  
R

2015  
R

2014  
R

#### DEPRECIATION AND AMORTISATION

The budget was reduced due to a decision to acquire servers through an operating lease option as opposed to an outright purchase. The implication of this decision was that there would be less depreciation/amortisation as ownership of the servers would be retained by the lessor.

The positive variance was due to an extension of the useful lives of some assets, leading to a depreciation/amortisation write-back.

#### OPERATING LEASES

The rental expenditure budget was increased to make provision for additional variable costs associated with the sub-letting of office premises.

The negative variance resulted from the straight-lining of the lease obligation as required by GRAP.

#### PROPERTY, PLANT AND EQUIPMENT

The positive variance of R578,991 on property, plant and equipment was due to the fact that server hardware purchased during the year for R340,770 had not been received as at year-end. It is expected that the servers would be received during the first quarter of the subsequent financial period.

#### INTANGIBLE ASSETS

The negative variance of R283,588 was due to the fact that over and above the server software budgeted for and purchased during the year, additional software programs (MS Office and MS Windows) were purchased to replace old versions which were no longer compatible to those used by the entity's stakeholders.

## 20. COMMITMENTS

#### Authorised operational expenditure

##### Already contracted for but not provided for

Internet Solutions- Internet and telephone services	174,602	272,689	174,602	272,689
EOH Managed Services- ICT infrastructure support	388,193	211,694	388,193	211,694
Knowledge Dimensions- Software development	-	93,872	-	93,872
Outsourced Risk and Compliance Assessment (ORCA)- Internal audit	-	162,725	-	162,725
Ipsos (Pty) Ltd- Research services	292,652	-	292,652	-
Vodacom- Mobile internet services	19,488	-	19,488	-
Fidelity Supercare Group- Cleaning services	45,395	-	45,395	-
Business Enterprise at University of Pretoria- NCEMS technical advice	572,820	-	572,820	-
Business Innovations Group- Internal audit	981,020	-	981,020	-
Flux Interactive (Pty) Ltd- Website hosting	31,086	-	31,086	-
ADT Security (Pty) Ltd- Armed response	6,072	-	6,072	-
	<b>2,511,328</b>	<b>740,980</b>	<b>2,511,328</b>	<b>740,980</b>
<b>Total operational commitments</b>				
Already contracted for but not provided for	2,511,328	740,980	2,511,328	740,980

**CONTROLLING ENTITY**

**21. RELATED PARTIES**

**2015**  
R

**2014**  
R

**RELATIONSHIPS**

<b>The Department of Trade and Industry (the dti)</b>	National department in national sphere
<b>National Gambling Board Trust</b>	Private entity

**RELATED PARTY BALANCES**

**Rental receivable from related parties**

Rental for building leased to <b>the dti</b>	23,908	-
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**RELATED PARTY TRANSACTIONS**

**Rent received from related parties**

The Department of Trade and Industry	1,745,180	1,677,143
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**Distributions received from related parties**

NGB Trust- Confiscated gambling winnings	4,053,715	-
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The NGB is a lessee in a lease contract with Motseng Properties for office premises located on **the dti** Campus. The NGB has sub-let the office premises to **the dti** which re-imburses the NGB rental paid.

The amount transferred to the NGB from the NGB Trust was as a result of the closure of the NGB Trust as a legal persona. The NGB now keeps confiscated winnings in an NGB-owned account.

**22. CHANGE IN ACCOUNTING ESTIMATE**

**PROPERTY, PLANT AND EQUIPMENT**

The remaining useful lives of all assets were assessed during the year. A change in accounting estimate was effected in relation to Computer Equipment, Computer Software and National Databases. The effect of the change in accounting estimate on the current year's results was an increase in the current year's surplus by R74,151 (R16,529, R4,893 and R52,729 for Computer Equipment, Computer Software and National Databases respectively). The effect of the change in accounting estimate on future financial years will be a decrease in net surplus of R44,525 (R16,529, R1,630 and R26,365 for Computer Equipment, Computer Software and National Databases respectively), R27,995 (R1,630 and R26,365 for Computer Software and National Databases respectively) and R1,630 (or Computer Software) for 2015/16, 2016/17 and 2017/18 respectively.

**23. PRIOR YEAR ERRORS**

Not all the parking allocated to the NGB by the landlord was accessible, even though it was paid for. During the year, the landlord refunded the NGB a total amount of R32,531 for the unused parking. The amount refunded was made up of R7,934 and R24,597 for the 2012/13 and 2013/14 financial periods respectively. The effect of the correction of the prior year error on the entity's financial results is shown below.

During the 2013/14 period, a year's amortisation (R251) for an Intangible Asset was inadvertently omitted from the general ledger, as the amortisation was erroneously put on hold on the assets register.

For the 2012/13 and 2013/14 the NGB has not accounted for rental income on a straight-line basis. Instead, actual income received was recorded in the entity's financial statements. This resulted in the Revenue from Exchange Transactions being understated by R152,991 and R367,969 for the 2012/13 and 2013/14 financial periods respectively.

Furthermore, by way of a rounding adjustment, the balance for the Leave Provision liability for the 2012/13 financial period was reduced by R1,001.

Annual financial statements for the National Gambling Trust (NGB Trust) founded during the 2008/2009 financial period were not consolidated into the NGB's annual financial statements. During the 2014/15 financial period, consolidated annual financial statements were prepared to include the NGB Trust's annual financial statements.

The effect of the correction of the prior year errors on the entity's financial statements is shown below:

### 23. PRIOR YEAR ERRORS (continued)

Statement of Financial Position	2013/14 R	2012/13 R	2013/14 R	2012/13 R
Net assets at the beginning of the year	5,157,120	9,207,543	5,157,120	9,207,543
Increase in Accounts Receivable from exchange transactions	553,492	160,926	553,492	160,926
Increase in Provision for Leave	(1,001)	(1,001)	(1,001)	(1,001)
Decrease in intangible assets	(251)	-	(251)	-
Increase in cash and cash equivalents	3,390,194	2,735,966	-	-
Increase in current liabilities	(3,276,089)	(2,718,489)	-	-
	<b>5,823,465</b>	<b>9,384,945</b>	<b>5,709,360</b>	<b>9,367,468</b>
<b>Statement of Financial Performance</b>				
Deficit as previously stated	(4,050,423)	(4,850,760)	(4,050,423)	(4,850,760)
Decrease in Operating Leases	24,595	7,394	24,595	7,934
Decrease in Amortisation	(251)	-	(251)	-
Increase in Revenue from exchange transactions	367,969	152,991	367,969	152,991
Increase in interest earned	128,424	52,107	-	-
Increase in finance costs	(482)	(351)	-	-
Increase in administrative costs	(31,347)	(12,949)	-	-
	<b>(3,561,515)</b>	<b>(4,651,027)</b>	<b>(3,658,110)</b>	<b>(4,689,835)</b>
Adjustment against retained earnings at the beginning of the year	-	178,435	-	160,926

### 24. GOING CONCERN

As at 31 March 2015, the entity had a net surplus for the year of R3.1 million, and that the NGB's total assets exceeded its total liabilities by R8.3 million. The NGB is wholly dependent on the government for continued funding of its operations. The entity's five year strategy, the annual performance plan and budget were approved by the Minister of the dti on 08 April 2015. This is indicative of a commitment to fund the NGB's operations for the next medium-term expenditure framework (MTEF) period. The NGB's ability to continue as a going concern and meet its financial obligations remains intact. It is further anticipated that the National Central Electronic Monitoring System (NCEMS) will generate additional revenue for the NGB during 2015/16 and subsequent years.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 25. UNAUTHORISED EXPENDITURE

There was no unauthorised expenditure during the year.

	ECONOMIC ENTITY		CONTROLLING ENTITY	
	2015 R	2014 R	2015 R	2014 R
<b>26. FRUITLESS AND WASTEFUL EXPENDITURE</b>				
Opening balance	28,829	-	28,829	-
Over-payment of PAYE to SARS	-	2,312	-	2,312
Accommodation paid for an additional day at conference	-	1,051	-	1,051
Travel and accommodation not utilised	-	24,946	-	24,946
Honouring fees	-	520	-	520
Call-out fee for unutilised temporary staff	447	-	447	-
	<b>29,276</b>	<b>28,829</b>	<b>29,276</b>	<b>28,829</b>

During the year, an arrangement for the services of a temporary Receptionist was cancelled, giving rise to a cancellation/call out fee of R446.31. At the time of preparing the annual financial statements, this expenditure and the balance of the fruitless and wasteful expenditure incurred in the previous financial period were under investigation by the entity's management.

<b>27. IRREGULAR EXPENDITURE</b>	<b>ECONOMIC ENTITY</b>		<b>CONTROLLING ENTITY</b>	
	<b>2015 R</b>	<b>2014 R</b>	<b>2015 R</b>	<b>2014 R</b>
Opening balance	3,908,790	298,527	3,908,790	298,527
Add: Irregular Expenditure- current year	3,042,331	3,610,263	3,042,331	3,610,263
	<b>6,951,121</b>	<b>3,908,790</b>	<b>6,951,121</b>	<b>3,908,790</b>

#### Analysis of expenditure awaiting condonation per age classification

Current year	3,042,331	3,610,263	3,042,331	3,610,263
Prior years	3,908,790	298,527	3,908,790	298,527
	<b>6,951,121</b>	<b>3,908,790</b>	<b>6,951,121</b>	<b>3,908,790</b>

<b>Details of irregular expenditure recoverable (not condoned)</b>	<b>2015 R</b>
No original tax clearance certificates obtained	125,615
Standard bidding documents (SBD 4) not completed	32,469
Less than three quotations obtained	1,199,039
Contract period exceeded	145,928
Deviations not approved	1,062,715
Lowest quotations not selected	945,071
No quotations obtained	2,815,666
Term of office exceeded- Board members	338,396
Deviation from Cost Containment Instruction	6,502
Deviation from Preferential Procurement Regulations	279,720
	<b>6,951,121</b>

#### Details of irregular expenditure not recoverable (not condoned)

##### Steps taken on identified irregular expenditure

The Minister of Trade and Industry appointed forensic auditors to investigate all irregular expenditure incurred by the entity. The forensic investigation had not been finalised as at the reporting date.

#### 28. CONTINGENT LIABILITIES

National Treasury	3,373,583	-	3,373,583	-
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The contingent liability relates to the surplus reported in the current year, 2014/15, which must be returned to the National Treasury, unless permission is granted to retain it. The NGB intends to apply for the retention of the surplus.

#### 29. LOSSES

Loss on disposal of assets	6,064	23,590	6,064	23,590
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### 30. RISK MANAGEMENT

#### ECONOMIC ENTITY

#### CONTROLLING ENTITY

2015  
R

2014  
R

2015  
R

2014  
R

#### LIQUIDITY RISK

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

Other financial liabilities	5,418,279	1,763,191	5,418,279	1,763,191
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#### CONTROLLING ENTITY

The table below illustrates the NGB's Maturity Analysis for non-derivative financial liabilities:

	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R	Over 5 years R
<b>At 31 March 2015</b>				
Operating Leases	6,200,450	6,708,825	24,074,168	22,496,385
Trade and other payables	1,040,798	4,377,481	-	-
<b>At 31 March 2014</b>				
Operating Leases	5,697,726	6,200,450	22,036,981	31,242,398
Trade and other payables	1,763,195	-	-	-

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

#### 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%	92,159	308	92,159	308
Cash and Cash Equivalents-decrease by 1%	(92,159)	(308)	(92,159)	(308)

#### 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 the NGB does not hold significant finance leases with fluctuating interest rates.

#### Age Analysis of Financial Assets that are past due but not impaired

	1-30 days past due R	60-90 days past due R	More than 120 days past due R	Over 5 years R	Total R
<b>Trade Receivables</b>					
2015	1,321,344	-	23,908	25,399	1,370,650
2014	406,761	-	14,970	152,991	574,723

### 30. RISK MANAGEMENT (continued)

#### ECONOMIC ENTITY

#### CONTROLLING ENTITY

2015  
R

2014  
R

2015  
R

2014  
R

#### CREDIT RISK AND MARKET RISK

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

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

#### EXPOSURE TO CREDIT RISK

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

Cash and Cash Equivalents	9,215,943	30,769	9,215,943	30,769
Other Receivables	1,370,650	53,762	1,370,650	53,762
	<b>10,586,593</b>	<b>84,531</b>	<b>10,586,593</b>	<b>84,531</b>

#### CONCENTRATION OF CREDIT RISK

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

Cash and Cash equivalents (excluding petty cash)	9,215,822	30,702	9,215,822	30,702
Other receivables	1,370,650	574,722	1,370,650	574,022
	<b>10,586,472</b>	<b>605,424</b>	<b>10,586,472</b>	<b>604,724</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 (excluding petty cash)	9,215,943	30,702	9,215,943	30,702
Receivables	1,370,650	574,722	1,370,650	574,722
Other financial liabilities	5,418,279	1,763,191	5,418,279	1,763,191

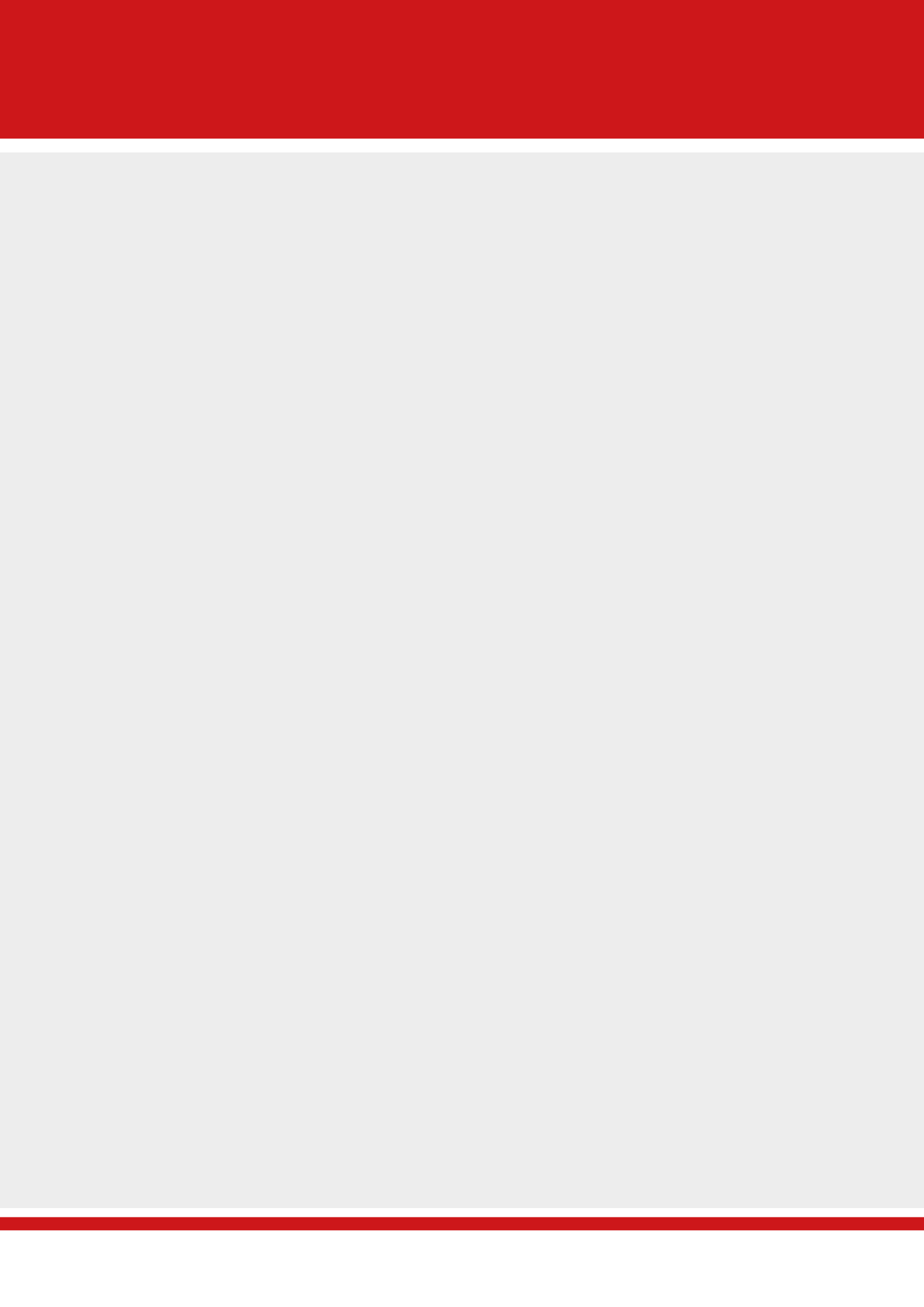
# LIST OF ABBREVIATIONS / ACRONYMS

<b>AFS</b>	Annual Financial Statements
<b>AGSA</b>	Auditor-General South Africa
<b>APP</b>	Annual Performance Plan
<b>ARC</b>	Audit and Risk Committee
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment
<b>CEO</b>	Chief Executive Officer
<b>CCO</b>	Chief Compliance Officer
<b>CFO</b>	Chief Finance Officer
<b>CMS</b>	Compliance Monitoring System
<b>DDG</b>	Deputy Director-General
<b>DG</b>	Director-General
<b>FATF</b>	Financial Action Task Force
<b>FICA</b>	Financial Intelligence Centre Act
<b>FY</b>	Financial Year
<b>FPP</b>	Fraud Prevention Plan
<b>GDP</b>	Gross Domestic Product
<b>GGR</b>	Gross Gambling Revenue
<b>GRAF</b>	Gaming Regulators Africa Forum
<b>GRC</b>	Gambling Review Commission
<b>HCO</b>	Human Capital Optimisation
<b>HR</b>	Human Resource
<b>GGR</b>	Gross Gambling Revenue
<b>ICT</b>	Information Communication Technology
<b>IG</b>	Interactive Gambling
<b>LPM</b>	Limited Pay-out Machines
<b>MTSF</b>	Medium-Term Strategic Framework
<b>NCEMS</b>	National Central Electronic Monitoring System
<b>NGA</b>	National Gambling Act, 2004 (Act 7 of 2004)
<b>NGB</b>	National Gambling Board
<b>NGRF</b>	National Gambling Regulators Forum
<b>NGPC</b>	National Gambling Policy Council
<b>NRCS</b>	National Regulator for Compulsory Specifications
<b>PFMA</b>	Public Finance Management Act, 1999 (Act 1 of 1999)
<b>PGB</b>	Provincial Gambling Board
<b>PLAs</b>	Provincial Licensing Authorities
<b>SAPS</b>	South African Police Service
<b>SARGF</b>	South African Responsible Gambling Foundation
<b>SCM</b>	Supply Chain Management
<b>SLC</b>	Service Level Contract
<b>SOOG</b>	Strategic Outcome Orientated Goal
<b>the dti</b>	Department of Trade and Industry









*Problem gambling is treatable.  
Gamble responsibly.*

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