



National Gambling Board
South Africa
a member of **the dti** group

PRESENTATION ON ANNUAL REPORT 2013/2014

PORTFOLIO COMMITTEE ON TRADE & INDUSTRY

**14 October 2014
Cape Town**

**Presenters:
Tumelo Baleni and Ms. Caroline Kongwa
(Accounting Authority)**



CONTENT

- Mandate of the National Gambling Board
- Strategic Overview
- Legislative and other mandate
- Key Highlights for the 2013/2014 financial year
- Actual Performance against Planned Targets
- Auditor General's Report
- Financial Status and Performance
- Challenges (key challenges and proposed action)
- Conclusion

MANDATE

VISION:

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

MISSION:

Lead the regulation and gambling industry in fulfilment of the National Gambling Act (NGA), 2004 (Act 7 of 2004) (the Act) through an effectively regulated and supervised gambling industry that upholds domestic, continental and internationally recognised standards of compliance

MANDATE CONT...

VALUES:

Professionalism

Moral integrity

Transparency, commitment and consistency

Effective implementation of resolutions and responsive communication

Teamwork, respect and tolerance

STRATEGIC OVERVIEW

- According to the strategic overview of the Annual Report (AR), on p 4, NGB in alignment of **the dti** goals seeks to achieve the following:
 - Harmonisation in dynamic legislative environment
 - Compliance oversight of PLA's and gambling industry in general
 - Integrated strategic information portal
 - Leadership of the debate concerning evolution of gambling
 - Optimisation of organisational excellence

STRATEGIC OVERVIEW CONT...

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- PART B: Performance Information p 13 - 28
- PART C: Gambling Industry Performance Report and National Gambling Statistics p 29 - 33
- PART D: Human Resources Management p 34 - 41
- PART E: Governance p 42 - 50
- PART F: Financial Information (Statement of Responsibility, ARC Report, AG Report and Annual Financial Statements) p 51 - 92

LEGISLATIVE AND OTHER MANDATE

- The NGB was established as a juristic person established by the previous National Gambling Act, (NGA), 1996 (Act 33 of 1996) and retained under the current NGA of 2004. The NGB is registered as a Schedule 3A Public Entity in terms of the PFMA of 1999.
- Sections 33 and 34 read with sections 21, 32 and 65 of the NGA spell out oversight responsibilities of the NGB regarding gambling in the Republic of South Africa.
- Outcome of NGB work is manifested by the effect and quality of its advice and recommendation to National Gambling Policy Council (NGPC) on, amongst others, matters of national policy and legislative changes relating to gambling.

KEY HIGHLIGHTS FOR THE 2013/2014 FINANCIAL YEAR

Successes

- Anti-money laundering and counter terrorism financing controls – interaction with a variety of other stakeholders (p19 of AR)
- Eradication of illegal gambling – ongoing campaign spearheaded by the Board in collaboration with provinces on public awareness and education
- Research:
 - Socio-economic impact of gambling (p 20-21 of AR)
 - Gambling sector performance (Part C, p29-33 of AR)

ACTUAL PERFORMANCE AGAINST PLANNED TARGETS

Strategic Objective	Measure / Indicator	Actual Performance against Target		Reason for Variance
		Target	Actual	
Programme 1: Stakeholder Liaison and Legal				
Strategic Objective 1: Harmonization in a Dynamic Legislative Environment				
NGA amendment (submission on proposed NG amendments)	Legislation report (submission on proposed legislative amendments)	NGA of 2004 amendment report	Report on input relating to legislative amendments	Target achieved None
Programme 2: Corporate Services				
Strategic Objective 5: Optimising organisational excellence				
Optimising organisational excellence	Clean external audit without matter of emphasis qualification	Unqualified Audit Report	Target achieved	None
	Revised Human Capital strategy and budget 2013/14	Implementation of the revised Human Capital strategy 2013/14	Target achieved	None
	Annual Organisational Performance report	Effective PMS system	Target achieved	None

ACTUAL PERFORMANCE AGAINST PLANNED TARGETS Cont...

Strategic Objective	Measure / Indicator	Actual Performance against Target		Reason for Variance
		Target	Actual	
Programme 3: Compliance				
Strategic Objective 1: Harmonization in a Dynamic Legislative Environment				
Completed Evaluation of Norms and Standards (N&S)	<ul style="list-style-type: none"> Produce 1 Monogram per quarter (expert paper) on related legal matters 	<ul style="list-style-type: none"> Report on the review and input to draft legislative amendments by 31 March 2014 Produce assessment of compliance of the industry to BBBEE codes by 30 June 2013 Report on the review of gambling sector policies by March 2014 	Target achieved	None
Assessment report on the status of BBBEE in the gambling industry	<ul style="list-style-type: none"> Assessment report on the status of BBBEE in the gambling industry 	<ul style="list-style-type: none"> Produce assessment of compliance of the industry to BBBEE codes by 30 June 2013 	Target achieved	None
Report on the specific sector policy review produced	<ul style="list-style-type: none"> Draft report submitted on the review of gambling sector policies 	<ul style="list-style-type: none"> Report on the review of gambling sector policies March by 2014 	Target achieved	None

ACTUAL PERFORMANCE AGAINST PLANNED TARGETS Cont...

Strategic Objective	Measure /indicator	Actual Performance against Target		Reason for Variance
		Target	Actual	
Strategic Objective 2: Compliance Oversight of PLAs and the gambling industry in general				
Consolidated report on evaluation of CMS completed	<ul style="list-style-type: none"> CMS Report produced 	<ul style="list-style-type: none"> A report evaluating CMS's performance and effectiveness by 30 June 2013 	Target achieved	None
Assessment of PLAs' compliance completed	<ul style="list-style-type: none"> Compliance and deficiency reports (including recommended actions to legal mandated enforcement agencies and Government Departments) 	<ul style="list-style-type: none"> Assessment and compliance report of PLAs by 31 March 2014 	Targets achieved	None
Strategic Objective 3: Integrated Strategic Information Portal				
Consolidated reports on the establishment of the integrated portal and mapping of the gambling industry	<ul style="list-style-type: none"> Reports on the establishment of the integrated portal and mapping of the Gambling industry 	<ul style="list-style-type: none"> Report on the integration of the information on the status of the gambling industry by 31 March 2014 	Target achieved	None
Reports on tracked patterns of gambling	<ul style="list-style-type: none"> Research reports on updates and tracked gambling patterns produced 	<ul style="list-style-type: none"> Socio-economic Impact Report(s) Quantitative and Qualitative Reports Report on the tracking of gambling patterns by 31 March 2014 	Target achieved	None
Strategic Objective 4: Leadership of the debate concerning evolution of Gambling				
Comprehensive analysis on the evolution of the gambling trends	<ul style="list-style-type: none"> Draft report on the gambling trends 	<ul style="list-style-type: none"> Research evolution of gambling trends by 31 March 2014 	Target achieved	None <u>1</u>

AUDITOR GENERAL'S REPORT

Opinion

The NGB has received an unqualified report with matters of emphasis on areas mentioned in pg 53-56 in Annual Report.

An audit matrix has been developed to address the findings raised by the Auditor General.

Key actions relate to:

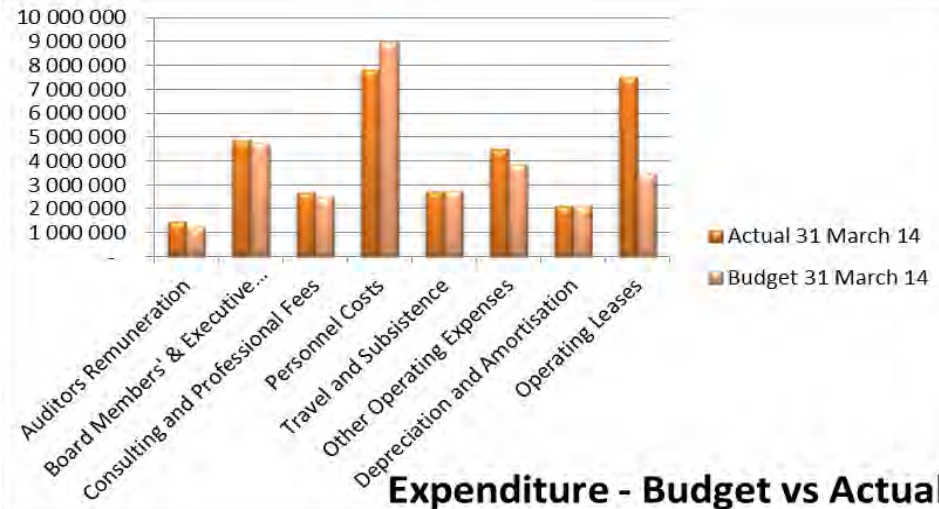
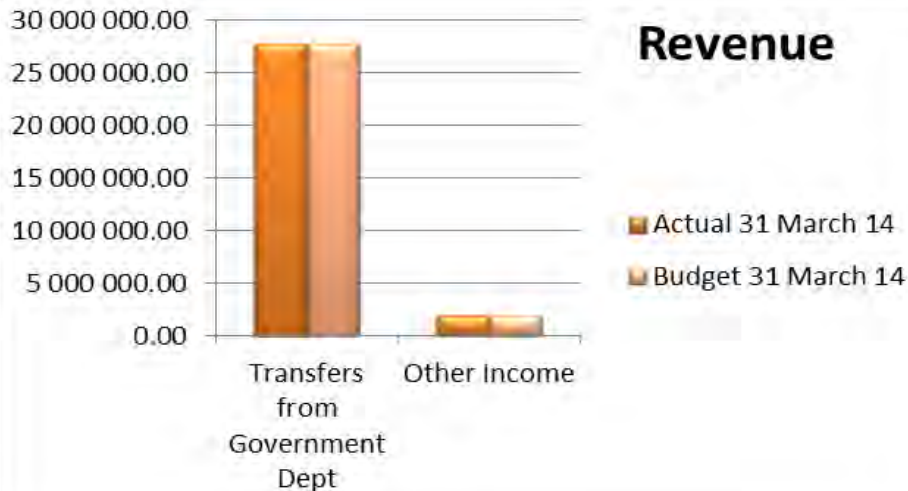
- Preparation of mid-year financial statements
- Submission of quarterly SCM reports to audit committee
- Introduce of contract management processes
- Strengthening of internal controls
- Improvement of information technology environment
- Source specialised skills to enhance Human capital
- Performance reporting and compliance deficiencies

FINANCIAL STATUS AND PERFORMANCE

Statement of Financial Performance For the year ended 31 March 2014

	Budget 31 March 14	Actual 31 March 14	Budget Variance	Percentage Variance
Transfers from Government Dept	27 717 000	27 717 000	0	0%
Other Income	1 911 089	1 911 278	189	0%
Total Revenue	29 628 089	29 628 278	189	0%
	Budget 31 March 14	Actual 31 March 14	Budget Variance	Percentage Variance
Auditors Remuneration	1 260 337	1 456 162	(195 825)	-16%
Board Members' & Executive Managers Remuneration	4 722 295	4 863 683	(141 388)	-3%
Consulting and Professional Fees	2 491 201	2 685 902	(194 701)	-8%
Personnel Costs	8 960 351	7 838 000	1 122 351	13%
Travel and Subsistence	2 757 220	2 733 188	24 032	1%
Other Operating Expenses	3 864 710	4 504 268	(639 558)	-17%
Depreciation and Amortisation	2 119 445	2 099 020	20 426	1%
Operating Leases	3 452 530	7 498 478	(4 045 948)	-117%
Total Expenses	29 628 089	33 678 701	(4 050 612)	-14%
(Deficit)/Surplus from Operations	0	(4 050 423)	(4 050 423)	0%

FINANCIAL STATUS AND PERFORMANCE



VARIANCE ANALYSIS

- Operating Lease** - The negative variance of R4,050,958 on administrative expenses resulted from an unfunded and over commitment in 2012/2013 financial year on rental and has a ripple effect over the Medium Term Expenditure Framework period.
- Personnel Costs & Other Operating Expenditure** - Included in Other Operating expenditure is costs relating to the employment of temporary staff to address the issues of vacant positions. These costs were budgeted for under personnel expenditure but disclosed in terms of accounting principles under other operating expenditure.
- Auditors Remuneration** - The negative variance of R195,825 relates to the additional hours of work that the AG spent during the audit due to the increase in audit findings as well as the additional time taken to provide the AG with supporting documentation.

CHALLENGES

Key challenges

- Delay in council sitting on compliance matters
- Delay on directives from the council on settlement of non-compliance by PLA's
- High staff turnover and high vacancy rate for key positions
- Irregular expenditure
- Budget constraints

Proposed action

- Develop framework for reporting matters to council
- Include addressing non-compliance in the above framework
- Address organisational culture and fill critical vacancies
- Improve and enforce adherence to internal controls
- Strengthen planning process and align to budgeting process and ensure sufficient funding of the entity ¹⁵ mandate

CONCLUSION (REMARKS)

- Policy and Legislative reform are in process to enhance the regulation of Gambling industry taking cognisance of Governments developmental priorities.
- Certain measures have been embarked upon in order to strategically reposition the NGB. Outcomes of the Agency Rationalisation Project (ARP) Report have been adopted by **the dti** have been communicated to NGB for further collaboration.
- Internal focus into the provision of Gambling policy advice.
- Curbing social economic impact of Gambling.
- Outcome based and strategically focused research to enhance policy reform and regulation of various modes of gambling to support the transformation of the Gambling industry.



National Gambling Board
South Africa
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PRESENTATION FIRST QUARTER PERFORMANCE REPORT: 1 April – 30 June 2014

PORTFOLIO COMMITTEE ON TRADE & INDUSTRY

**14 October 2014
Cape Town**

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CONTENT

- Executive Summary
- Performance against business plan
- Progress on actions in the risk register
- Report against post audit implementation
- Financial report
- PFMA and Treasury regulation compliance checklist / calendar
- Conclusion
- Acronyms

EXECUTIVE SUMMARY

- Reviewed Communication Strategy and Plan
- Reviewed Stakeholder Management Strategy and Plan
- Completed advisory report on policy and legislation for tabling with NGPC and consideration by the Minister
- Provided assistance to PLAs in detecting unlicensed gambling activities
- NCEMS in operation
- National register maintained

EXECUTIVE SUMMARY cont....

- Produced a functional illegal gambling operator register
- GRAF conference held on 11 to 14 May 2014 – NGB serving as secretariat and coordinated by head of compliance
- Resuscitation of the task team on illegal gambling (joint initiative between SAPS, Hawks and NGB)

EXECUTIVE SUMMARY cont....

Key challenges

- The need to enhance technological capacity of NGB
- Lack of punitive measures NGB may impose for matters of non-compliance
- High staff turnover

Proposed action

- Develop internal capacity or expertise for Gaming technology
- Collaboration agreements to address non-compliance.
- Address organisational culture and fill critical posts

PROGRESS AGAINST BUSINESS PLAN QUARTERLY MILESTONES

Performance Indicator	Annual Target	1st Quarter Milestones	Actual Achievement
SOOG 1: Enhance Liaison and Statutory Advisory Services			
Reviewed communication strategy and plan presented and approved by the Board	Communication strategy and plan reviewed and presented to board for approval	1st draft communication strategy and plan	1st draft communication strategy and plan completed
Stakeholder management strategy and plan (framework) presented and approved by the Board	Approval of stakeholder management strategy and plan (framework) by the Board	1st draft Stakeholder Management Strategy & Plan	1st draft stakeholder management strategy and plan completed
Advisory reports presented to the Board	Annual advisory report presented to the Board	S65 Advisory Report to the Committee(LCC) Continuous advise report to the NGB	S65 advisory to Committee done (due to unavailability of LCC due to expiry & termination of services of key board members report submitted to research ethics Committee per resolution of Board)

PROGRESS AGAINST BUSINESS PLAN QUARTERLY MILESTONES (CONT...)

Performance Indicator	Annual Target	1st Quarter Milestones	Actual Achievement
SOOG 2: Optimise Organisational Excellence			
Unqualified Audit Report with no findings	Unqualified audit report with no findings	Submit unaudited AFS and AFS working paper file to AG, ARC and National Treasury	AFS sent to the AG and National Treasury on 30 May 2014 and to the ARC on 16 May 2014
Report on the implementation of the human capital strategy and plan	Report on the implementation of the human capital plan	Develop draft strategy document	Strategy in place, however under review to align with strategic objectives
Review and consolidate existing and new ICT policies and procedures manuals	Existing and new ICT policies and procedure manuals reviewed, consolidated and presented to the Board for approval	Submit ICT policies to the ARC for approval	Policies presented and approved by ARC

PROGRESS AGAINST BUSINESS PLAN QUARTERLY MILESTONES (CONT...)

Performance Indicator	Annual Target	1st Quarter Milestones	Actual Achievement
SOOG 3: Compliance			
Evaluation report on the performance of licensees against the Anti-Money Laundering and Terrorism Financing reporting	Status report on evaluation of the performance of the licensees against the Anti-Money Laundering and Terrorism Financing reporting	Self evaluation with regard to the performance of provincial licensing authority by four (4) provinces and three (3) FICA AMILLION/TF onsite verification inspections	Partially achieved
Report on intervention and support provided to regulators, law enforcement agencies	Report on intervention and support provided to regulators, law enforcement agencies	Providing support to regulators, law enforcement agencies	Achieved
Approved NCEMS compliance report	Report on the continuous oversight of the NCEMS operations	Managing of the CEMS and the relationship with the licensed CEMS operator	Achieved
SOOG 4: Functional Registry			
Establish the national registry	National Registry to manage the registers of machines and devices established	Develop a national registry concept document	Achieved
Compliance Report on the registers	Compliance Status report on the registers	Develop an illegal gambling operators module concept document	Achieved
Illegal Gambling Operator register development and roll out plan	An illegal gambling operator's module developed	Develop an illegal gambling operators module concept document	Achieved

PROGRESS ON ACTIONS IN THE RISK REGISTER

Risk	Risk control	Action
Mis-alignment between National and Provincial legislation	Establish (NGB and PGB's) work team of select legal managers that will be working closely with <i>the dti</i> policy unit	Held workshop with <i>the dti</i> and identified legislative gaps
The NGB may produce unreliable/inaccurate statistics and/or information	Requesting audited information which has been checked for integrity	Insisting on audited information that was checked for integrity, building relationships with the PGB's Escalate the challenge to the provincial head of the department and chairperson of the board
Outdated ICT hardware (servers)	Perform a needs analysis to determine acceptable requirements necessary to update the ICT Infrastructure	Perform a needs analysis to determine the acceptable requirements necessary to update the ICT Infrastructure and prioritized the budget for acquisition of the ICT hardware
Inadequate physical and information security	Ensure that the IT Framework/Policy and Procedures are updated and enforced	Reviewed ICT Policies to ensure adequate security

REVENUE AND EXPENDITURE VERSUS BUDGET (R'000)

Description of item	Actual for the Quarter	Budget revenue for the quarter	Variance for the Quarter	% Variance	YTD Actual	YTD Budget	YTD Variance	Annual Budget	% Received / Spent to total budget
REVENUE									
The dti grant	17 878	17 800	78	0%	17 878	17 800	78	29 797	60%
Other Income	656	0	656	100%	656	0	656	7 700	9%
Total Revenue	18 534	17 800	734		18 534	17 800	734	37 497	
EXPENDITURE									
Personnel Costs	3 017	4 497	1 480	49%	3 017	4 497	1 480	18 704	16%
Travelling & Subsistence	155	245	90	58%	155	245	90	979	16%
Administrative Expenses	2 174	2 045	-129	-6%	2 174	2 045	-129	8 161	27%
Professional and Consulting Fees	841	606	-235	-28%	841	606	-235	5 500	15%
Board Members' Remuneration	199	81	-118	-59%	199	81	-118	325	61%
Depreciation	516	528	12	2%	516	528	12	2 111	24%
Other Operating Expenses	83	126	43	52%	83	126	43	641	13%
Total Expenditure	6 985	8 128	1 143		6 985	8 128	1 143	36 421	

COMPLIANCE CALENDAR FOR THE FIRST QUARTER: 01 APRIL 2014 – 31 MARCH 2015

<i>Date</i>	<i>Section of the regulation/ act</i>	<i>Action needed</i>	<i>Done: Yes/No</i>
25 April 2014	Shareholder's requirement	Submit monthly expenditure and income statements with projections	Yes
30 April 2014	Shareholder's requirement	Board Secretaries Forum to discuss key corporate governance issues	No (Planned for Q2)
30 April 2014	TR 29.1.3	Schedule 3B entities to submit quarterly reports	N/A (NGB is a Schedule 3A PE)
30 April 2014	Shareholder's requirement	CFO's Forum to discuss key financial issues	Yes (04 June 2014)
31 May 2014	Shareholder's requirement	Submit monthly expenditure and income statements with projections	Yes
31 May 2014	TR 32.1.1 (a)	3A entities that have borrowed for bridging purposes	N/A (No borrowings)
31 May 2014	TR 31.2.1	Schedule 3 entities must annually submit via their accounting authorities lists of all banking accounts of the public entities to National Treasury	Yes
31 May 2014	PFMA Section 55(1)(c)	Submit annual financial statements to the Auditor-General and National	Yes
31 May 2014	TR 15.8.1	Public Entities surrender unspent voted funds of previous financial year to the National Treasury	N/A (No surplus funding)

COMPLIANCE CALENDAR FOR THE FIRST QUARTER: 01 APRIL 2014 – 31 MARCH 2015

<i>Date</i>	<i>Section of the regulation/ act</i>	<i>Action needed</i>	<i>Done: Yes/No</i>
27 June 2014	Shareholder's requirement	Submit monthly expenditure and income statements with projections	Yes
To be confirmed	Shareholder's requirement	Cluster Forums convene with the shareholder to discuss matters relevant to the cluster	Yes
30 June 2014	TR 15.8.1	Public Entities to confirm that unspent voted funds of previous financial year have been surrendered to National Treasury	N/A (No unspent funding)
30 June 2014	TR 6.1 MTEF Budget Guidelines	Submit MTEF inputs to National Treasury (Policy proposals)	No (No policy proposals warranted a submission)
30 June 2014	Shareholder's requirement	The Accounting Authority must conduct an annual performance assessment of their performance according to criteria specified in <i>the dti</i> performance assessment tool template and submit to the Executive Authority an annual performance assessment report	No

CONCLUSION

- 52% of the annual performance targets were achieved
- In order to remedy the non achievement of quarterly targets the following actions will be taken:
 - Appointment of Stakeholder Manager to address matters of coordination
 - Focus on performance management reporting
 - Improve stakeholder relationships and management
 - Solicited temporary relief from **the dti** whilst addressing gaps in the organisation structure
- Core functions of the entity covering compliance and research requires urgent re-positioning in form of specific interventions and specialised human resources
- Stability of the entity needs to be managed effectively and carefully to ensure certain measures have been embarked upon in order to strategically reposition the NGB

ACRONYMS

- Act : National Gambling Act, 2004 (Act No 7 of 2004)
- ARC : Audit and Risk Committee
- DOC : Department of Communications
- DPCI : Directorate for Priority Crime Investigation
- GRAF : Gambling Regulator Africa forum
- GRC : Gambling Review Commission
- NCEMS : National Central Electronic Monitoring System
- NGPC : National Gambling Policy Council
- NLB : National Lotteries Board
- NPA : National Prosecution Authority
- PLA : Provincial Licensing Authority
- PPP : Public Private Partnership
- RFP : Request For Proposals
- SAPS : South African Police Service
- SCM : Supply Chain Management

End

Thank you