



NLC 4TH QUARTER PRESENTATION TO PORTFOLIO COMMITTEE ON TRADE AND INDUSTRY

18 AUGUST 2015



NATIONAL LOTTERIES COMMISSION

a member of **the dti** group



DELEGATION

- Prof Alfred Nevhutanda – Chairperson of the Board
- Mrs. Thabang Mampane – Commissioner
- Mr Phillemon Letwaba – Chief Financial Officer
- Mr Jeffrey du Preez – Snr. Executive: Grant Funding
- Mr Herbert Chiloane – Acting Company Secretary

CONTENTS

1. Introduction and update on the Lotteries Act No as amended.
2. Non Financial Performance Information.
3. Grant Funding Performance.
4. Financial Performance.
5. Concluding remarks by Chairperson

UPDATE ON THE LOTTERIES ACT AS AMENDED

- The President assented to the Lotteries Amendment Act (Act) on 13 December 2013, and the Act was published for general information in the Government Gazette on 18 December 2013
- The revised Regulations was published on 14 April 2015
- The launch of the NLC and unveiling of new corporate identity took place on 29 June 2015

NLC'S FUNCTIONS



Regulation

National Lottery: Operated by ITHUBA

NLDTF Distribution

Process applications and make payments

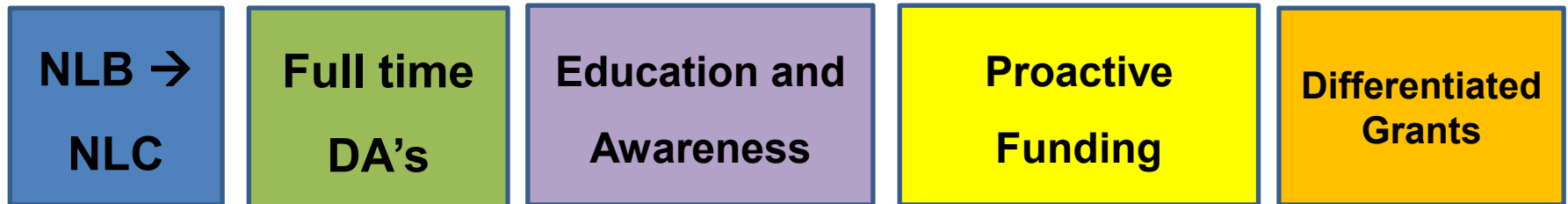


DAs adjudicate applications and make grants in line with criteria



BACKGROUND

- Established through an Act of Parliament in 1997
- Celebrated 16 years of existence in March 2015
- Has distributed more than **R18 billion** to good causes since inception
- On 14 April 2015, the Lotteries Amendment Act came into effect with main changes focused on:



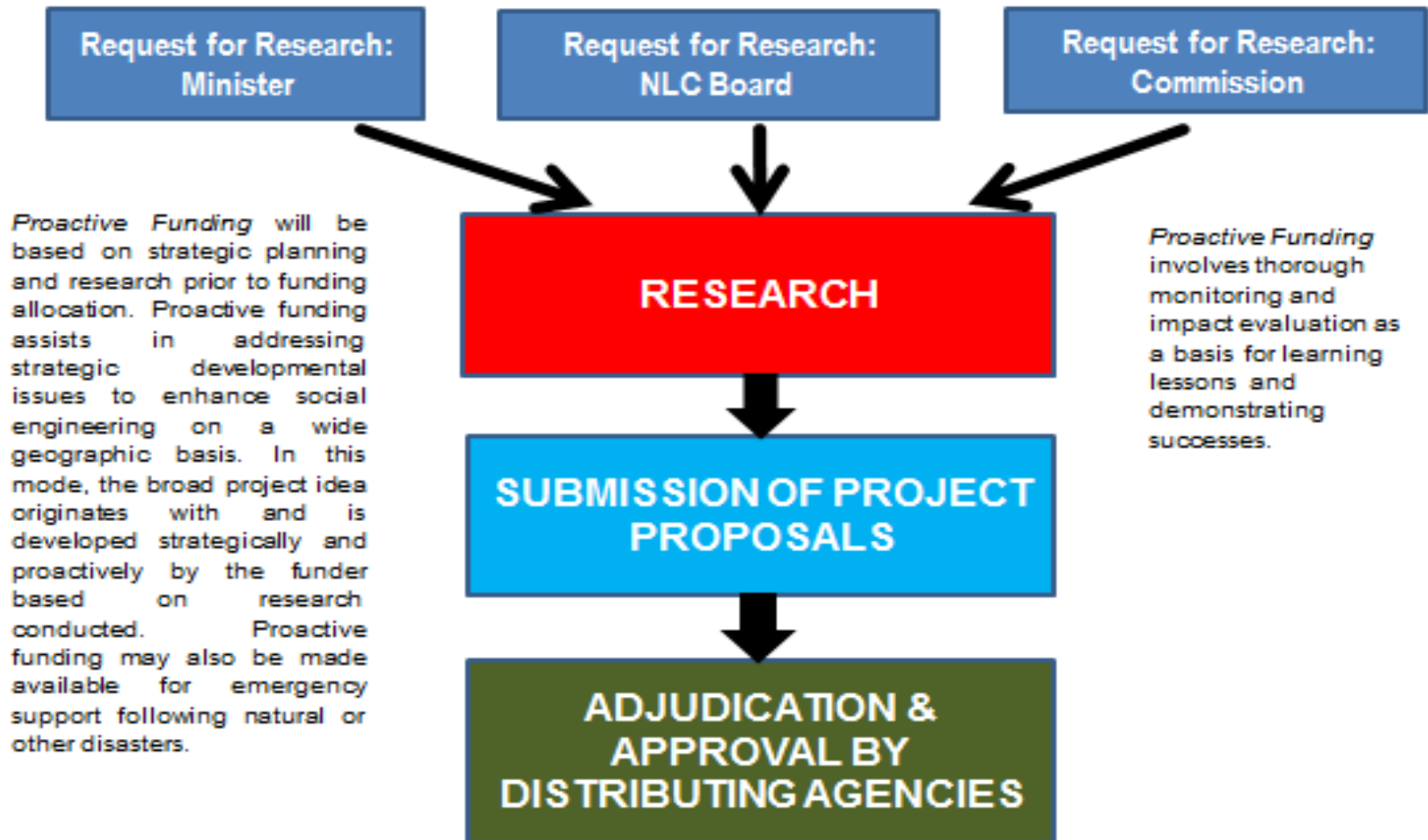
FULL TIME DA'S

- Permanent DA's to be appointed by the Minister of Trade & Industry for a period of 5 years (renewable once);
- Number of DA's to be appointed determined by Minister after consultation with Board in line with the size of the fundsprovided that such number shall not exceed nine in each category
- Implementation process championed by dti

EDUCATION AND AWARENESS

- The NLC must implement programmes to educate and raise awareness of the grant making process; and
- Provide financial management training to applicants for grants, if the NLC is of the view that applicants do not possess such skills and that the said skills are necessary for the successful execution of projects which are funded by the NLC

PRO-ACTIVE FUNDING PROCESS MAP



Reference: Amended Lotteries Act Section 2A(3)

DIFFERENTIATED GRANTS

- Small Grants: Not exceeding R500,000
- Medium Grants: R500 001-R5 million
- Large Grants: In excess of R5 million

THE LOTTERY LICENSE

- The Lottery licensing process started in July 2013, with the release of the RFP document, and ended in December 2014 when the Minister of Trade and Industry awarded the licence to ITHUBA Holdings.
- The New operator started business on 1 June 2015.
- The previous operator continues to challenging the awarding of the licence to the third operator.



NLC 4TH QUARTER NON-FINANCIAL INFORMATION

MRS THABANG MAMPANE



HIGH LEVEL OVERVIEW

Vision:

“The catalyst for social upliftment”

Mission:

- *To regulate all lotteries and sport pools with integrity and ensure the protection of all participants;*
- *To maximise revenue for good causes in a responsible manner;*
- *To distribute funds equitably and expeditiously.*

Values:

- *Integrity*
- *Performance Excellence*
- *Service Excellence*
- *Social Consciousness*

Strategic Objectives

SO1

Enhanced Administration

SO2

Financial Sustainability

SO3

Compliance to the Act

SO4

Fair & Equitable Grant Allocations

Organisational Mandate



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HIGHLIGHTS

- Preparation for transition from NLB to NLC
- Approval for ICT enhancements
- Completion of the Grant Funding Business Process Review
- Successful piloting of the provincial assessment process in Limpopo
- NLB's National Footprint – Services now taken to the people
- Business Continuity Plan

PERFORMANCE AGAINST THE BUSINESS PLAN

Strategic Outcome	Strategic Output	Performance Indicator	2014/15 Annual Target	Performance Targets			
				Quarter 4	Actual Achievement	Reasons for variance	Corrective Action
Strategic Objective [1]: To enhance administration and ensure compliance with applicable legislation and policy prescripts							
Enhance management of the NLB business	Governance and Risk Management Framework	1.1 Production of a governance review report in order to develop and implement an approved governance strategy & policy	Production of the governance review report	Produce governance review report	Achieved.	The report on governance within the organisation has been completed by the Secretariat	n/a
		1.2 Develop and implement an approved risk management framework/ methodology and policy	Develop risk management framework/ methodology and policy	Obtain approval of the risk management framework/methodology and policy	Achieved.	The Risk Management Framework/Methodology and Policy has been developed by the Risk Division and presented to the Board for approval.	n/a

PERFORMANCE AGAINST THE BUSINESS PLAN

Strategic Outcome	Strategic Output	Performance Indicator	2014/15 Annual Target	Performance Targets			
				Quarter 4	Actual Achievement	Reasons for variance	Corrective Action
<i>Enhance management of the NLB business</i>	Business Sustainability Strategies	1.3 Develop, Implement and review the approved business sustainability strategy	Develop business sustainability strategy	Obtain approval of business sustainability strategy	Achieved.	The 3 concepts relating to ensuring Business Sustainability within the organisation (Financial Sustainability, Disaster Recovery and Business Continuity) have been developed and approved.	n/a
	Knowledge Management Strategies	1.4 Develop, Implement and review approved knowledge management strategy	Develop Knowledge Management Strategy	Obtain approval for integrated knowledge management strategy	Achieved.	The document was tabled for approval to the Board.	n/a
	Corporate Social Responsibility (CSR)	1.5 Develop, implement and review approved Corporate Social Responsibility (CSR) strategy	Develop Corporate Social Responsibility strategy	Obtain approval for strategy	Achieved.	The Board took a resolution that implementation going forward would conflict with the mandate of the organisation and that the indicator should be removed going forward	n/a



PERFORMANCE AGAINST THE BUSINESS PLAN

Strategic Outcome	Strategic Output	Performance Indicator	2014/15 Annual Target	Performance Targets			
				Quarter 4	Actual Achievement	Reasons for variance	Corrective Action
Enhance management of the NLB business	Marketing, Communication and Stakeholder Engagement	1.6 Implement and review marketing, communication and stakeholder engagement strategy	Implement marketing, communication and stakeholder engagement strategy	Engage stakeholders and disseminate communication as per approved strategy	Achieved.	During the 4 th quarter, Marketing and Communications held PISE in 2 provinces and issued various press releases.	n/a
	Re-branding strategies	1.7 Develop and implement re-branding strategy	Develop re-branding strategy	Obtain approval of the re-branding strategy	Achieved.	The re-branding strategy was approved by the Board	n/a
	E-System	1.8 Develop, implement and monitor an integrated IT system.	Produce a report on the work-study conducted for all business processes and workflows	Obtain approval and sign off - Conduct testing and piloting of e-system incorporating business process review	Achieved.	The BPR was tabled and approved and the ICT division piloted the proposed new process in Limpopo in the quarter.	n/a

PERFORMANCE AGAINST THE BUSINESS PLAN

Strategic Outcome	Strategic Output	Performance Indicator	2014/15 Annual Target	Performance Targets			
				Quarter 4	Actual Achievement	Reasons for variance	Corrective Action
Strategic Objective [2]: To establish and maintain partnerships with Key Stakeholders and Law Enforcement Agencies							
	Strategic Partnerships	2.1 Develop and implement an approved strategic partnerships policy and strategy	Develop strategic partnerships policy and strategy	Obtain approval for the policy	Achieved.	The Board convened for a meeting in the 4 th Quarter and the report was tabled for approval.	n/a
Strategic Objective [3]: To implement relevant initiatives geared towards ensuring compliance by society and in terms of the Lotteries Act							
	Compliance and Regulation Strategies & Policy	3.1 Implement and review regulatory compliance policy	Implement regulatory compliance policy	Implement regulatory compliance policy	Achieved.	Regulatory compliance undertook several identified activities as indicated in the report	n/a

PERFORMANCE AGAINST THE BUSINESS PLAN

Strategic Outcome	Strategic Output	Performance Indicator	2014/15 Annual Target	Performance Targets			
				Quarter 4	Actual Achievement	Reasons for variance	Corrective Action
	Monitoring and Evaluation	3.2 Develop, implement and review monitoring and evaluation plan	Develop the monitoring and evaluation plan	Implement Monitoring and Evaluation methodology M&E reports generated Site visit reports generated	Achieved.	Monitoring and Evaluation undertook piloting the second leg of sports beneficiaries. M&E was also conducted in the arts sector.	n/a
	3rd Lottery Licence	3.3 3 rd Lottery Operator recommended for appointment as part of Managing the Licence transition	3 rd Lottery Operator recommended to the Minister of the dti for appointment	Nil	Not applicable for quarter but Annual Target Achieved	No milestone was set for the 4 th quarter although the activities in the area are in process	n/a

PERFORMANCE AGAINST THE BUSINESS PLAN

Strategic Outcome	Strategic Output	Performance Indicator	2014/15 Annual Target	Performance Targets			
				Quarter 4	Actual Achievement	Reasons for variance	Corrective Action
Strategic Objective [4]: To ensure fair and equitable grant funding allocation to all provinces							
	Funding Model	4.1 Develop and implement approved grant funding model	Develop grant funding model	Finalise grant funding model and associated requirements	Achieved.	The model incorporates the funding types as prescribed in the new legislation. It has been approved.	
	Lotteries Act/Regulation 5% per province	4.2 Percentage allocation of grant funding to provinces	A minimum of 5% grant funding allocated to each Province	Monitor grants funded per province and produce a report	Not Achieved.	Eastern Cape-7.39 Free State - 4.69 Gauteng - 34.55 KZN Natal - 12.64 Limpopo - 14.98 Mpumalanga - 4.35 North West - 6.50 Northern Cape - 2.65 Western Cape - 12.25	Grant Funding is in the process of developing a strategy to meet this requirement in conjunction with the new legislation
	50% to priority areas	4.3 Percentage allocation of grant funding to priority areas	50% grant funding allocated to priority areas	50% grant funding allocated to priority areas	Achieved.	Grant Funding has generated reports of allocations made to the priority areas.	n/a

PERFORMANCE AGAINST THE BUSINESS PLAN

Strategic Outcome	Strategic Output	Performance Indicator	2014/15 Annual Target	Performance Targets			
				Quarter 4	Actual Achievement	Reasons for variance	Corrective Action
Strategic Objective [4]: To ensure fair and equitable grant funding allocation to all provinces							
	Capacitated Beneficiaries	4.4 Number of workshops conducted per province per call	3 workshops per province for each call	Ongoing education and awareness by provinces	Achieved.	Workshops were undertaken for the targeted ECD calls.	n/a
		4.5 Number of Provincial Offices established, resourced and integrated	Establish 6 Provincial Offices	Nil	Not applicable for quarter but Annual Target Achieved	All 6 offices were established in the 3 rd quarter.	n/a

SUMMARY OF PERFORMANCE

No of Indicators	Number Achieved	Number Not Achieved
17	16	1
100%	94%	6%

COMMUNICATIONS AND MARKETING

MEDIA COVERAGE BREAKDOWN: April 2014 – March 2015

Category	Total amount of items	% Positive	% Neutral	% Negative
NLB & NLDTF	2 027	60	29	12
Gidani	334			
Operating Licence	71			
Industry Related	316			
Ithuba Holdings	5			
Grand Total	2 753			

- ❑ Coverage is inclusive of all media related mentions of Gidani, Ithuba Holdings as well as industry related items.
- ❑ The overall percentage coverage for this period was analyzed as follows, 46% positive, 41% neutral and 11% as negative.
- ❑ Coverage on the NLB (NLB & NLDTF) in isolation, excluding the other categories amounted to 2 027 items and analyzed as follows, 60% positive, 29% neutral and 12% rated as negative.
- ❑ Overall, the NLB has managed to successfully stay below the 15% cap tonality rate on negative coverage for the period under review (Apr14-Mar15), posting a recorded rate of 12% negative coverage.

EQUITY STATUS OF NLC STAFF

The table below illustrates the current standing at all levels and how they compare. Contract employees as well as interns have been included.

EMPLOYMENT WORKFORCE											
Levels	Males					Females					Total
	A	C	I	W	%	A	C	I	W	Total	%
Executive	2	1	0	0	50%	3	0	0	0	6	50%
Senior Management	13	1	2	0	55%	10	1	1	1	29	45%
Staff	68	3	0	0	40%	93	5	1	8	178	60%
Fixed terms	7	0	1	0	44%	10	0	0	0	18	56%
Interns	12	0	0	0	52%	11	0	0	0	23	48%
Grand Total	102	5	3	0	43%	127	6	2	9	254	57%

COMPLIANCE

Compliance monitoring of the Lottery Operator was performed throughout the year to ensure adherence to the Licence to Operate the National Lottery (Licence) and to the Act.

These reviews included:

- Availability of lottery tickets to Participants
- Live Lotto and PowerBall draws
- Continuation in revenue generation by the Operator
- Ensuring security over scratch cards
- Payment of revenue into the NLDTF
- Prize validation and payment of winners
- Winners counselling and protecting their identity
- Safeguarding the integrity of the National Lottery

Beneficiary Relations is responsible for maintaining relations with funded organisations and those wishing to access NLDTF funding. Information dissemination takes place in this department through the provision of application requirements for funding, the various sectors that are funded, as well as providing status on applications submitted. **Player Relations** plays the role of monitoring the publicity and accessibility of the National Lottery to be in line with the Licence, to ensure that Lottery Participants are protected through Codes of Practice for Advertising, Sales and Participants.

COMPLIANCE

The NLC also has a key role in protecting the National Lottery and lottery participants. **Enforcement on illegal lotteries** is critical in ensuring that revenue generation from the Operator for good causes is maximised. Action taken against illegal lotteries included amongst others:

- Undertakings
- Compliance notices
- Letters of demand
- Advice to those wishing to register or comply with the Act
- Warning letters to those not adhering to the Act

Monitoring & Evaluation tools developed were tested through a pilot conducted for all sectors with selected funded organisations. This was mainly done to test the tools for ease of use and understanding as these will be used by funded organisations to provide information on beneficiaries they serve who benefit from NLDTF funding. The tools were well received by most organisations and data collected will be used for planning for future funding and impact assessment.



NLC 4TH QUARTER GRANT FUNDING INFORMATION

MR JEFFREY DU PREEZ



NATIONAL LOTTERIES COMMISSION

a member of **the dti** group



GRANT FUNDING

For the period 01 April 2014 to 31 March 2015, the breakdown of the funding is as follows:

Category	Amount Available for Distribution R'mil	No. of Approved Beneficiaries (Hard)	Amount Allocated R'mil
Charities	1 001 45%	1 238 64.45	529 38%
Arts, Culture & National Heritage	623 28%	210 10.93	441 31%
Sport and Recreation	489 22%	421 21.92	311 22%
Miscellaneous Purposes	111 5%	52 2.71	122 9%
Total	2 225 100%	1 921 100	1 403 100%

GRANT FUNDING

Province	Arts, Culture & National Heritage R'mil	Charities R'mil	Miscellaneous Purposes R'mil	Sport and Recreation R'mil	Grand Total R'mil
Eastern Cape	18	67	3	43	131
%	4	10	2	10	8
Free State	14	43	11	15	82
%	3	6	7	3	5
Gauteng	166	211	94	196	666
%	39	31	56	46	39
KZN Natal	59	75	2	21	156
%	14	11	1	5	9
Limpopo	42	88	28	34	192
%	10	13	17	8	11
Mpumalanga	8	38	1	13	59
%	2	6	0	3	4
North West	25	27	10	24	85
%	6	4	6	6	5
Northern Cape	11	18	-	18	47
%	3	3	-	4	3
Western Cape	78	116	20	61	276
%	19	17	12	14	16
Grand Total	422	683	168	423	1695
%	100	29100	100	100	100

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

- The area pertaining to GNR182 that relates to equitable distribution of funds is a matter that is receiving the undivided attention of Management. The Regulation, specifies that a minimum of 5% of the total budget available in the financial year must be allocated to each of the provinces. Achievement of this target has proved to be a challenge for the following reasons:
 1. Fewer compliant applications
 2. Scarcity of registered NPO's
 3. Less dense population in underperforming province
- However, it is envisaged that the following interventions will assist in achievement of this target, going forward:
 1. **Proactive Funding:** The amended legislation makes provision for targeted calls which means that specific calls for applications can be made purely for projects identified in the under-performing provinces.
 2. **Decentralisation:** The establishment of provincial offices will enable efficient capacity building and assistance with completion of applications in order to improve the rate of compliance.
 3. **Education and Awareness:** The roll-out of workshops to under-performing provinces will also assist in ensuring a higher rate of successful applications.



NLC 4TH QUARTER FINANCIAL FORMATION

MR PHILLEMON LETWABA



SALIENT INFORMATION

Salient Comparative Information

R'000	2014/15 Approved Budget	2014/15 Actuals Audited	2013/14 Actuals Audited
Lottery ticket sales	4 725 641	4 557 598	4 594 611
Contribution to the NLDTF from Lottery Ticket Sales	1 606 718	1 549 583	1 562 168
Grant allocation	1 633 371	1 139 362	2 006 910
Interest NLDTF and current account	259 670	284 241	258 364

Financial Ratios Analysis

	2014/15 Audited	2013/14 Audited
Liquidity Ratio (Times)	3.11	2.40
Solvency ratio (Times)	2.42	1.90
Opex/Revenue (excludes grants allocated)	18%	11%
Compensation of Employees/Opex (excludes grants all Supplier and other parties payment days (days)	39%	51%
	16	50

FINANCIAL PERFORMANCE

	Approved Budget (R'000)	Actual (R'000)	Variance (Actual vs Budget YTD)	Prior year (YoY) 31 March 2014 (R'000)
Revenue from exchange transactions	1 606 718	1 559 298	3%	1 572 032
Other income from exchange transactions	287 860	338 334	18%	274 357
Total income	1 894 578	1 897 632		1 846 389
Grants Allocated	1 633 371	1 139 362	30%	2 006 910
Compensation of employees	143 209	136 940	4%	104 554
Goods, services, administrative expenditure, depreciation and amortisation	218 104	211 536	3%	99 439
Total Expenditure	(1 931 634)	1 487 838		2 210 903
Net Surplus/(Deficit)	(100 106)	409 794		(364 514)

ANALYSIS OF MATERIAL VARIANCES

Variance Item	Analysis
Revenue	<p>The 3% under performance is attributable to:</p> <ol style="list-style-type: none"> 1. Increase in number of illegal lotteries as presented by the operator 2. Unemployment adding to the decrease in the disposable income of the players 3. Player fatigue as per the operator's research
Grant Funding Expenditure	<p>The underspending in grants allocated was due to the Charities 30% under spending due to the late call on Early Child Development (ECD) which commenced in March 2015 and Sports 37% under spending due to the late call during the year for schools and federations. Adjudications for these calls is under way.</p>
Compensation of Employees	<p>The 4% underspending is due to the planned appointments that did not materialise.</p>
Goods and Services	<p>The 3% underspending is due to delayed delivery of furniture and fittings and underspending on purchase of computer equipment. Its also attributable to provision for possible non-recovery of beneficiary debtors.</p>

FINANCIAL POSITION

	Year ended 31 March 2015 Audited (R'000)	Year ended 31 March 2014 Audited (R'000)
ASSETS		
Non-Current Assets		
Property, plant and equipment	20 767	11 295
Intangible assets	43 178	6 739
	63 945	18 034
Current Assets		
Financial Assets - Investments	1 084 899	3 294 438
Receivables from exchange transactions	65 516	57 777
Receivables from non-exchange transactions	15 217	26 923
Prepayments and deposits	1 030	76
Cash and cash equivalent	3 077 225	1 018 917
	4 243 887	4 398 131
Total Assets	4 307 832	4 416 164
NET ASSETS AND LIABILITIES		
Net Assets		
Accumulated Surplus	2 486 842	2 077 048
Non-Current Liabilities		
Deferred Revenue - Licence Fees	20 000	190
Provision for allocation by Distributing Agencies	381 413	549 551
	401 413	549 741
Current Liabilities		
Deferred Revenue - Licence Fees	190	1 308
Provision for allocation by Distributing Agencies	1 352 283	1 740 246
Payable from exchange transactions	56 564	21 612
Provisions	10 540	26 208
	1 419 577	1 789 374
Total Net Assets and Liabilities	4 307 882	4 416 164

GRANT FUNDING

Arts	622 953	613 316	2%
Charities	1 001 174	696 425	30%
Miscellaneous	111 242	103 339	7%
Sports	489 463	308 851	37%
	2 224 831	1 721 932	

Line Item	Variance	Explanations and remedial steps/remarks
Charities	30%	Charities 30% under spending due to the late call on Early Child Development (ECD) which commenced in March 2015
Sports	37%	Sports 37% under spending due to the late call during the year for schools and federations. Adjudications for these calls is under way.

GRANT FUNDING

Soft Allocations R'000	-	17 689	50 218	56 892	378 636	503 435
Paid during the year	55 952	16 204	62 182	42 669	770 281	947 288

Number of Projects (Hard)	349	187	321	681	1918	3 456
Number of Projects Paid		9	42	156	352	559

Hard Allocations per Sector (R'000)

Arts	25 035	190 712	165 719	240 293	232 640	854 399
Charities	3 576	1 133	18 231	112 824	206 404	342 168
Misc	-	-	14 924	26 962	18 709	60 595
Sports	42 916	79 682	101 608	160 242	187 567	572 015
	71 527	271 527	300 482	540 321	645 320	1 829 177

Soft Allocations per Sector (R'000)

Arts	-	13 397	14 158	-	177 822	205 377
Charities	-	-	-	375	177 918	178 293
Misc	-	-	-	-	1 200	1 200
Sports		4 291	36 060	56 517	29 007	125 875
	-	17 688	50 218	56 892	385 947	510 745

Paid during the year per sector (R'000)

Arts	58 122	9 861	40 723	114 368	197 639	420 713
Charities	16 121	12 792	72 801	267 186	317 283	686 183
Misc	11 478	-	8 404	48 267	98 323	166 472
Sports	59 037	52 878	60 287	144 264	105 629	422 095
	144 758	60 952	131 595	477 880	135 013	1 695 463

THANK YOU!