



NLC Third Quarter Performance Report 2018/19

Department of Trade and Industry Parliament Portfolio Committee



DELEGATION

1. Prof NA Nevhutanda – Chairman of the Board
2. Mrs TCC Mampane – NLC Commissioner
3. Mr T Maselwa – Acting COO

Prof NA Nevhutanda

HIGHLIGHTS FOR 3rd QUARTER 2018/19

- **Enforcement** of the Amended Lotteries Act was geared towards identifying and investigating illegal lotteries, inspection of active society lottery schemes together with education and awareness on illegal lotteries and society lotteries. The Lottery Player Participation survey fieldwork continued in November, and staff participated in fieldwork training sessions.
- A Research **Memorandum of Understanding (MoU)** with the Human Science Research Council (HSRC) has been drafted, and discussions with Statistics South Africa (Stats SA) and the National Heritage Council are at an advanced stage. An amendment to the existing MoU with Department of Social Development (DSD) has been drafted and includes an article on research in addition to articles on information sharing and capacity building.
- For the period under review, 19 **education and awareness workshops** were conducted in five (5) provinces. The critical topics covered were in relation to funding requirements as well as guidelines to NPOs and community clubs aimed at improving the quality of applications and progress reports submitted. The roll-out of education and awareness campaigns has resulted in high approval rate of applications as compared to the previous financial year.
- The most significant highlight for the quarter was **reputation management** on issues that have been raised in various media involving NLC funded projects. Additionally, a media campaign has been developed and implemented on TV and Social Media to announce the closing date for grant funding applications as well as the process leading up to acceptance of new applications in April 2019. Radio and print advertisements have successfully run throughout the festive period.

PROGRESS ON MINISTERIAL PRIORITIES

IDENTIFIED AREA	PERFORMANCE MEASURE	PROGRESS TO DATE
Education and Awareness	Develop informational measures to educate the public about lotteries and provisions of the Lotteries Amendment Act No 32 of 2013 and by explaining the process, requirements and qualifications for grants	<i>19 education and awareness campaigns were conducted in the quarter.</i>
Full-time Distributing Agencies	Manage the integration of full-time Distributing Agency (DA) members to improve the application process	<i>The full time Distributing Agency (DA) function has been integrated into the Grant Funding value chain. Furthermore, the implementation of Standard Operating Procedure for the adjudication process clearly outlining the roles and responsibilities of both administration and the DA's is monitored. The organisation is still awaiting the finalisation of the appointment of full time Sports and Recreation DA.</i>

PROGRESS ON MINISTERIAL PRIORITIES

IDENTIFIED AREA	PERFORMANCE MEASURE	PROGRESS TO DATE
Illegal Lotteries	Monitoring and enforcement against illegal lottery operations	<i>Monitoring and policing of illegal lottery operations was conducted through investigating identified and reported illegal lotteries. 100% of identified illegal lotteries were investigated.</i>
Proactive Funding	Proactive funding based on informed research for worthy causes that may be funded without lodging an application in terms of the Act	<i>The revised pro-active funding policy was approved by the Board. All pro-actively funded projects are closely monitored to ensure that the organization yields the envisaged return on investment.</i>
Monitoring of the Operator	Monitoring of the Lotteries Operator to ensure that it complies with government priorities e.g The Broad Based Black Economic Empowerment Act, 2003 (No. 53 of 2003) (BBBEE), Local Procurement & Skills Transfer	<i>The performance of the Operator against the approved business plan was monitored through the implementation of the six performance dimensions.</i>
Memorandum of Understanding (MOU's)	MOU's with other Regulatory Agencies and provincial counterparts in clamping down on illegal lotteries and gambling	<i>An MoU exists with the NGB. An MoU was finalised with the Botswana Gambling Authority.</i>

Mrs Thabang Mampane

VISION

Catalyst for social upliftment

MISSION

- Regulate all lotteries and sports pools with integrity and ensure the protection of all participants
- Maximise revenue for good causes in a responsible manner
- Distribute funds equitably and expeditiously

ULTIMATE OUTCOMES

Competent, capable and relevant National Lottery built

Compliant and regulated Lottery industry receptive to the NLC mandate

Fair and equitable distribution of grant funding

STRATEGIC OBJECTIVES

Effective and efficient administration of the NLC

Financial Sustainability, control and discipline in line with applicable legislation

Initiatives geared towards ensuring compliance with the Lotteries Act

Fair and Equitable grant allocations

PERFORMANCE INDICATORS, BASELINE AND TARGETS

1. Partnerships
2. Education and Awareness Campaigns
3. Integrated Enterprise Wide Architecture
4. Corporate Governance
5. NLDTF Disbursements
6. NLDTF Allocations
7. Implementation of the Investment Strategy
8. Localised Procurement

1. Combatting illegal lotteries
2. Monitoring the performance of the National Lottery Operator against the licence conditions
3. Society Lotteries

1. 150 days
2. 5% distribution across all provinces
3. Site Visits
4. Impact evaluation studies in 4 provinces

ORGANISATION PERFORMANCE

Target relates to:	Milestone for Quarter 3	Achieved / Not Achieved
Strategic Objective 1: To Enhance Administration, Ensure Compliance with Applicable Legislation and Policy Prescripts		
Collaborative Partnerships	Establish partnerships	ACHIEVED Partnerships established and MoU's in place.
Number of stakeholder engagements conducted per province	Conduct 10 stakeholder engagements across the provinces	ACHIEVED 48 Stakeholder Engagements conducted across the provinces.
Integration of the E-system Enterprise Wide Architecture Platform – Online System	User Acceptance Testing	ACHIEVED The online portal was enabled in Quarter 3.
Number of organisation-wide ethical behaviour interventions per quarter	Roll-out of intervention	ACHIEVED <ol style="list-style-type: none"> 1. Organisation wide Ethics intervention rolled out 2. Acquisition of software for enhanced program implementation 3. Implementation of King IV disclosure recommendations with HCM

ORGANISATION PERFORMANCE

Target relates to:	Milestone for Quarter 3	Achieved / Not Achieved
<i>Strategic Objective 2: To ensure financial sustainability Control and Discipline in line with Applicable Legislation and Policy Prescripts</i>		
Percentage disbursement of grants as per GNR644, 6(c)(iv)	50% disbursement of grants	ACHIEVED 85% disbursement of grants.
Percentage Return on Investments (ROI) of NLDTF funds	8% Return on Investments	ACHIEVED 8.39% ROI.
Percentage of localised procurement for the provinces	90% average procurement to the provinces	ACHIEVED 99% procurement to the provinces.

ORGANISATION PERFORMANCE

Target relates to:	Milestone for Quarter 3	Achieved / Not Achieved
Strategic Objective 3: To Implement Relevant Initiatives Geared towards Ensuring Compliance with the Act		
Percentage of investigations on reported and identified illegal lotteries	Conduct investigations on 85% of all identified and reported illegal lotteries	ACHIEVED 100% of identified and reported cases were investigated. (19 cases in total)
Implement and monitor 3rd National Lottery Licence Monitoring Matrix	Implement and Monitor Compliance with the licence conditions	ACHIEVED Implemented and monitored 3rd National Lottery Licence in line with the Monitoring Matrix/Scorecard.
Develop a model for society lotteries	Analysis of best practices for society lotteries	ACHIEVED Analysis conducted, gaps identified, corrective action recommended, and the first draft fundraising scheme developed.



ORGANISATION PERFORMANCE

Target relates to:	Milestone for Quarter 3	Achieved / Not Achieved
Strategic Objective 4: To Ensure Fair and Equitable Grant Allocations		
Percentage of applications adjudicated within 150 days	75% of applications adjudicated within 150 days	NOT ACHIEVED
		70%
Lotteries Act-5% per province (GNR182) (5% per province)	A minimum of 3% grant funding allocated to each Province	ACHIEVED EC – 9.2% FS – 7.2% GP – 21.9% KZN – 9.6% LP – 15.8% MP – 8.6% NC – 4.5% NW – 7.2% WC – 6.6%
Number of impact assessments (site visits) conducted	Conduct 1875 monitoring and evaluation site visits	ACHIEVED 2004 site visits conducted to date. Q1: 677 Q2: 739 Q3: 588
Number of provincial impact evaluation studies	Field work in 4 provinces	ACHIEVED Field work was undertaken in the 4 provinces during the quarter.

3rd QUARTER ACHIEVEMENTS

Total No of Targets	Achieved	Not Achieved
14	13	1
	93%	7%

93% Achievement of targets for the 3rd quarter of 2018/19.

LITIGATION MATTERS

CASES	STATUS
<p>LottoStar</p>	<p><i>This is a matter initiated by the Commission enforcing provisions of the Lotteries Act No 57 of 1997 (as amended). The Company is a bookmaker and part of its business operations includes taking bets on the outcome of lottery results which is an offence in terms of the Act and the provisions of the Constitution (Schedule 4 – Act 108 of 1996). Their activities have a negative implication on the business interest of the operator as well. Case was heard on 13 December 2018. NLC is currently awaiting judgement.</i></p>
<p>Bongani Community Development Centre</p>	<p><i>This is a negative decision by the distributing agency. The application was declined for failure to submit a mandatory document. Only one set of financials was submitted instead of two according to the regulations. The application was declined. Notice of Set Down has been received from the instructed attorneys. The matter is due to proceed in the South Gauteng High Court on 28 January 2019.</i></p>

SUMMARY OF INVESTIGATIONS

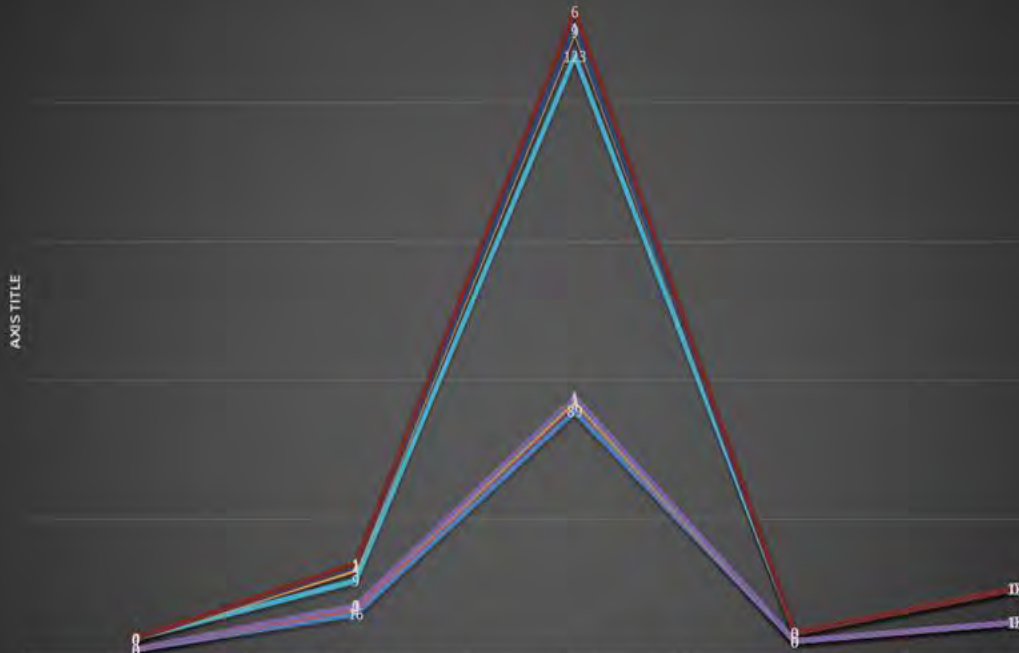
Cases Investigated	Total cases	Percentage
Closed Cases	12	63%
Pending	7	37%
Total Cases Investigated	19	100%

LABOUR RELATIONS MATTERS

Category & Number of Cases	Status	
Grievances 00	RESOLVED	PENDING
	00	00
Misconduct 02	FINALISED	PENDING
	00	02
CCMA & High Court 10	CLOSED	PENDING
	01	09
Precautionary Suspension 01	ACTIVE	LIFTED
	01	00
Labour Court 03	FINALISED	PENDING
	00	03
Appeals 00	FINALISED	PENDING
	00	00
Collective Bargaining Forum & Other Related Meetings Held		00

EMPLOYMENT WORKFORCE

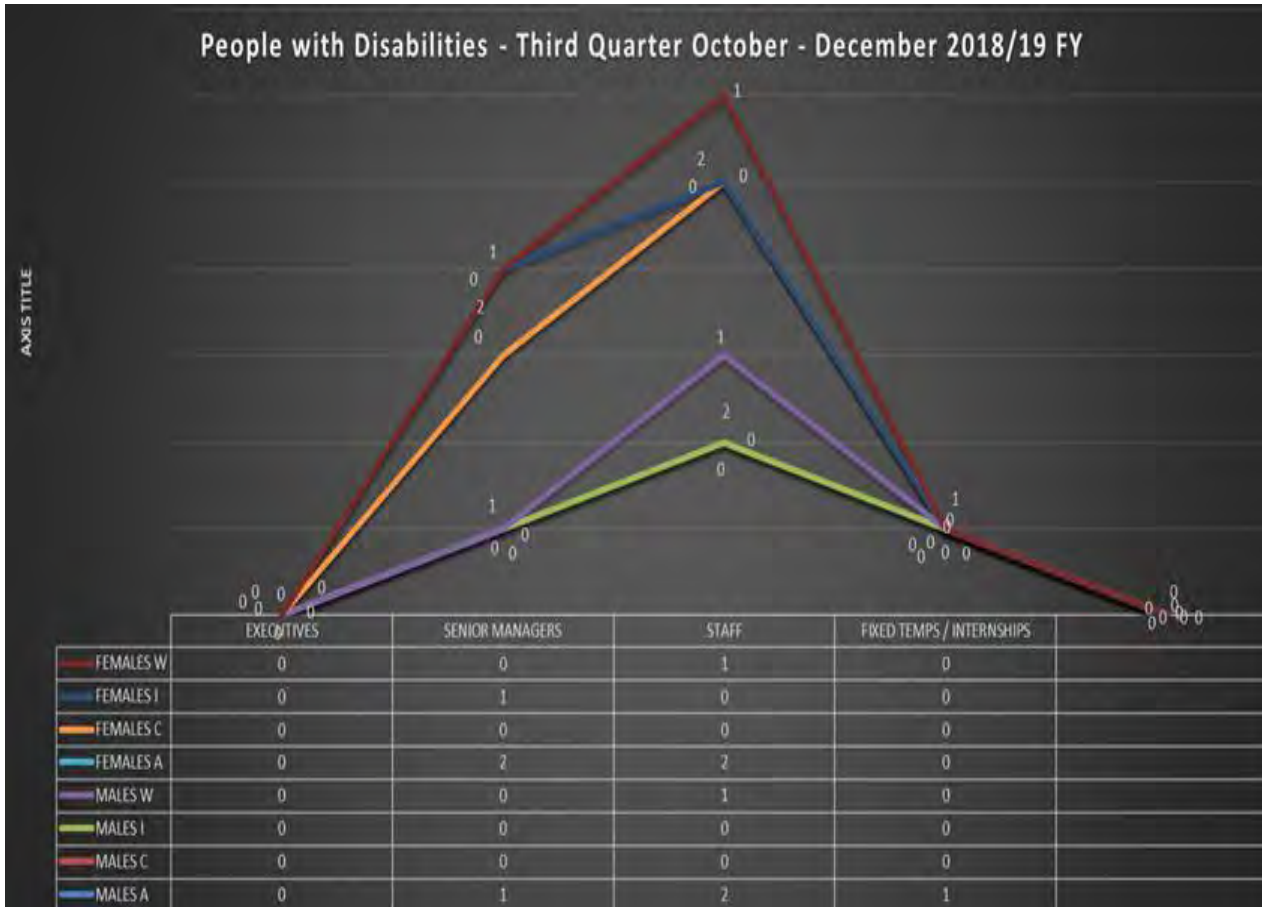
NLC Employment Workforce - Third Quarter October - December 2018/19 FY



	EXECUTIVES	SENIOR MANAGERS	STAFF	FIXED TEMPS	INTERNSHIPS
FEMALES W	0	1	6	0	0
FEMALES I	0	1	1	0	0
FEMALES C	0	4	9	0	0
FEMALES A	4	9	123	3	12
MALES W	0	0	1	0	0
MALES I	0	1	1	0	0
MALES C	0	2	3	0	0
MALES A	3	16	89	6	13

The NLC has ensured equity throughout the workforce and has exceeded targets in most levels. Focus will be on ensuring equity in the senior management category which currently demonstrates a complement of 56% males and 44% females. For the quarter under review, the staff complement is a total of 274 permanent employees, with 34 fixed term employees (temporary contracts and internships)

PEOPLE WITH DISABILITIES



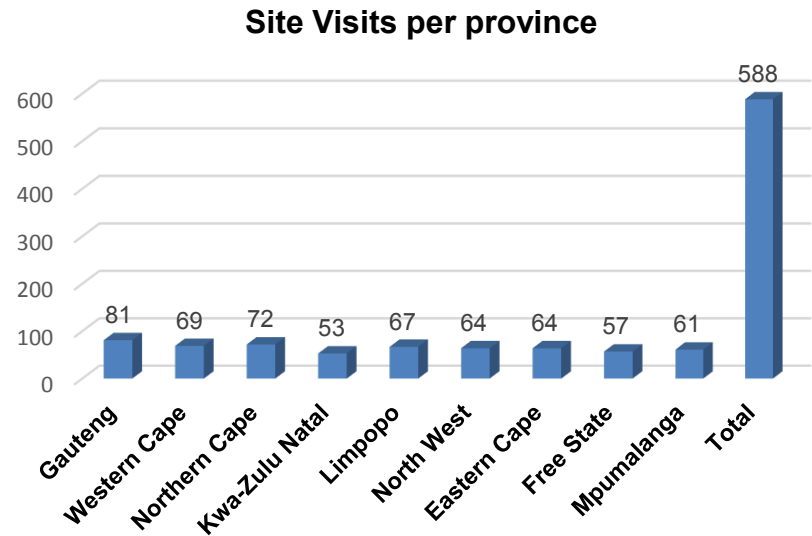
The status illustrates a 3.6% staff complement comprising of people with disabilities.

Mr Tsietsi Maselwa

TOTAL NUMBER OF M&E VISITS

Total no of site visits conducted in the 3rd Quarter:

Province	Charities	Sports	Arts	Misc	Total
Eastern Cape	47	18	15	1	81
Free State	40	14	14	1	69
Gauteng	50	16	6	0	72
Kwa-Zulu Natal	29	9	15	0	53
Limpopo	29	36	2	0	67
Mpumalanga	39	20	4	1	64
North West	39	18	7	0	64
Northern Cape	39	12	6	0	57
Western Cape	44	12	5	0	61
Total	356	155	74	3	588



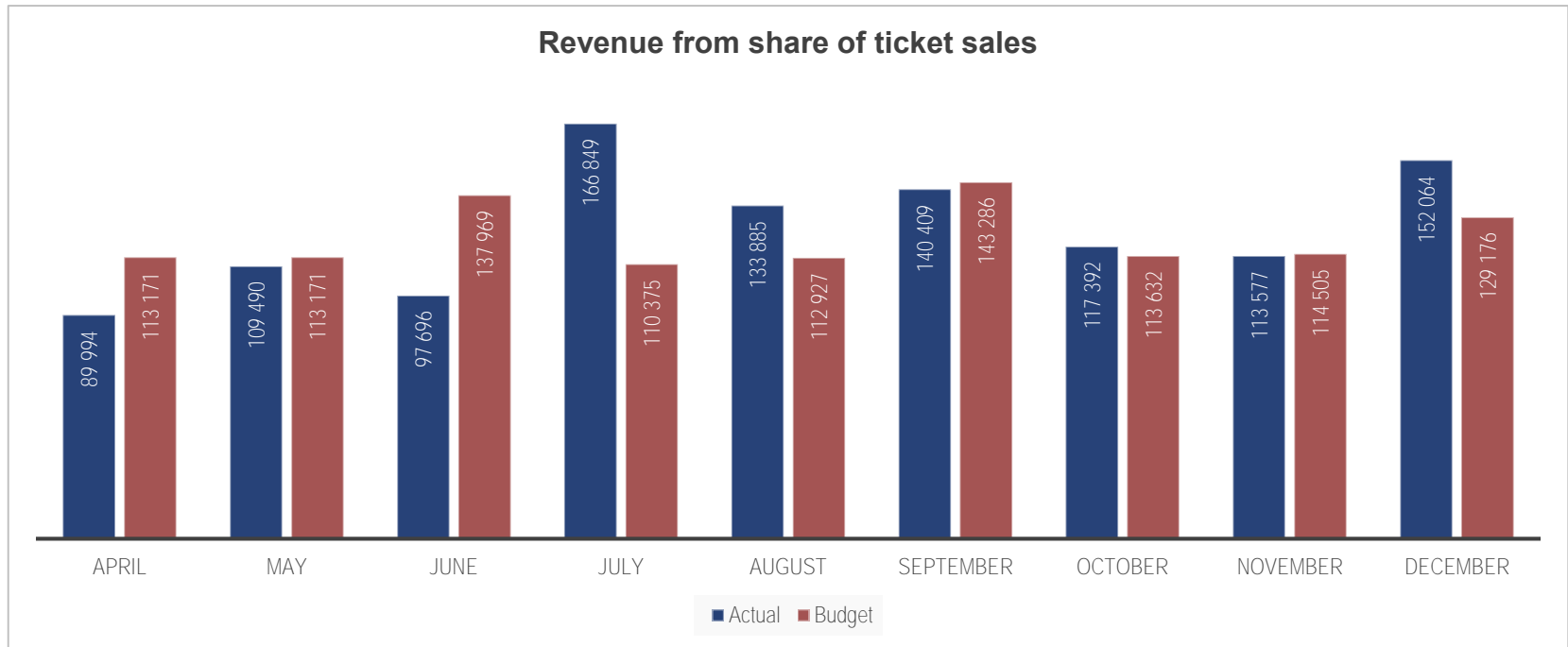
A total of **588** site visits were conducted during the quarter under review. The total number of site visits conducted includes both pre- adjudication and post- adjudication site-visits.

JOB CREATION

Sector	Total number of Jobs created	Permanent Jobs	Temporary Jobs	Adults		Youth		People with Disabilities	
				F	M	F	M	F	M
Charities	1909	1439	470	1113	254	386	128	10	18
Sports	118	3	115	32	30	20	36	0	0
Arts	361	181	180	93	82	102	65	3	1
Miscellaneous	30	0	30	3	27	0	0	0	0
TOTAL	2418	1623	795	1241	393	508	229	13	19

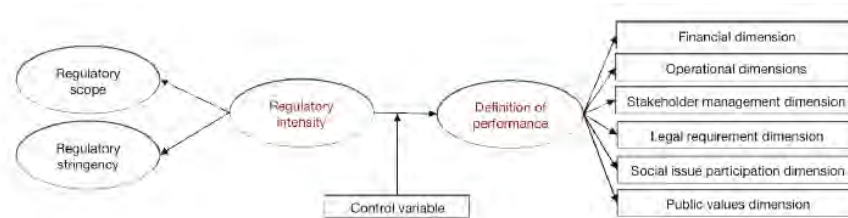
Of the 588 site visits conducted, 2418 jobs were created of which 1623 were permanent jobs and 795 temporary employment. In terms of social groups, 1634 were Adults, 737 Youth and 32 jobs were created for people with disabilities. The Charities sector had the highest number of jobs created at 1909.

REVENUE



Revenue from share of ticket sales (year to date until December) is R1.098 billion (December 2017: R999 million) against a budget of R1.105 billion, which results in a 0.5% under-performance year to date.

REGULATORY COMPLIANCE



Financial Dimension

- **Business Plan Implementation:** The sales target for the period was achieved, together with NLDTF contributions. The Operator advised that sales performance was mostly driven by Lotto, PowerBall and SportStake 13 games. The Raffle game was launched on 21 October and four EaziWin games were offered online. The Board has also approved the introduction of Daily Lotto from March 2019 which includes the phasing out of Pick 3 and Rapido games when the Daily Lotto is introduced.
- **Sales Analysis and NLDTF Payment Reconciliation:** Weekly reconciliations of accuracy in sales figures as reflecting on the Operator's main gaming system and IVS (Independent Verification System), together with verification of amount paid for ticket sales payment to NLDTF was performed and no significant differences were noted.
- **Review of the Participants Trust Payments and Re-imbursements:** The prescribed payments and funds movement between the Participants Trust and the Operator were reviewed in order ensure compliance with the Licence and Participant Trust Deed. Funds due to/from the Participants Trust by the Operator were reconciled to the weekly and monthly reports, as well as funds deposited into/reimbursed from the Participants Trust account.

REGULATORY COMPLIANCE

Operational Dimension

- Physical and system security: Security at the Operator's premises was monitored through physical inspections and reported incidents. Physical security inspections were conducted at the draw centre during draw inspections. These were found to be adequate and there were no security incidents noted or reported.
- National Lottery Retailers: National Lottery Retailer reviews were conducted in Northern Cape (Kimberly) and Free State (Bloemfontein) focusing on regulatory awareness, training of retailers, controls to prevent excessive and under-age play and general controls required per regulatory requirements. All observations and findings are being addressed with the Operator.
- Draws: Four draw inspections were conducted across all draw-based games (viz: Lotto, Powerball, SportStake, and Pick 3) and were found to be conducted in line with approved descriptions.
- Review of Bookmakers' Sports Betting Offerings: We reviewed four Bookmakers' sports betting offerings (Hollywood Bets, TopBet, PlayBet and SportsBet) and found that the Bookmakers' sports betting appears to be popular and attracts many participants at their betting outlets. One of the reasons is that as little as R1 can be wagered, with higher pay-outs than Sportspool. Bookmakers have fixture lists that can have up to 340 fixtures and participants can choose as few as five fixtures to bet on, compared to 13 fixtures that Sportspool offers. Bookmakers also offer the same bets online. Sports betting includes all forms of sports such as tennis, rugby, golf and motor-racing, whereas the Sportstake offered by the Operator is on soccer.

REGULATORY COMPLIANCE

Stakeholder Management Dimension

- **Complaints Handling and Player Protection:** The Operator submitted, in terms of Clause 19.9.7, the Quarterly complaints report. We noted that performance standards for resolving queries and complaints were met, with only matters that require investigation taking longer. For the quarter, NLC attended to 4 public and player complaints.
- **Winner protection:** Three winners' reviews were conducted on the Operator payment and validation of prizes above R50 000. No discrepancies were noted.
- **Participants Protection:** A Participants Protection Policy was developed to guide the implementation of the Board approved Participant Protection Strategy. Research into the National Lottery participation attitudes commenced and is expected to provide NLC with an in-depth and evidence-based information on the above area, which will in turn assist in the enhancement of strategies to effectively regulate this area.

REGULATORY COMPLIANCE

Legal Requirement Dimension

- Prescribed Reports Submission: The Operator submitted game rules, regulations and games specifications for the online Eaziwin Games which were approved. The Operator was found to be compliant with legal requirements for the areas reviewed.

Social Issue Participation Dimension

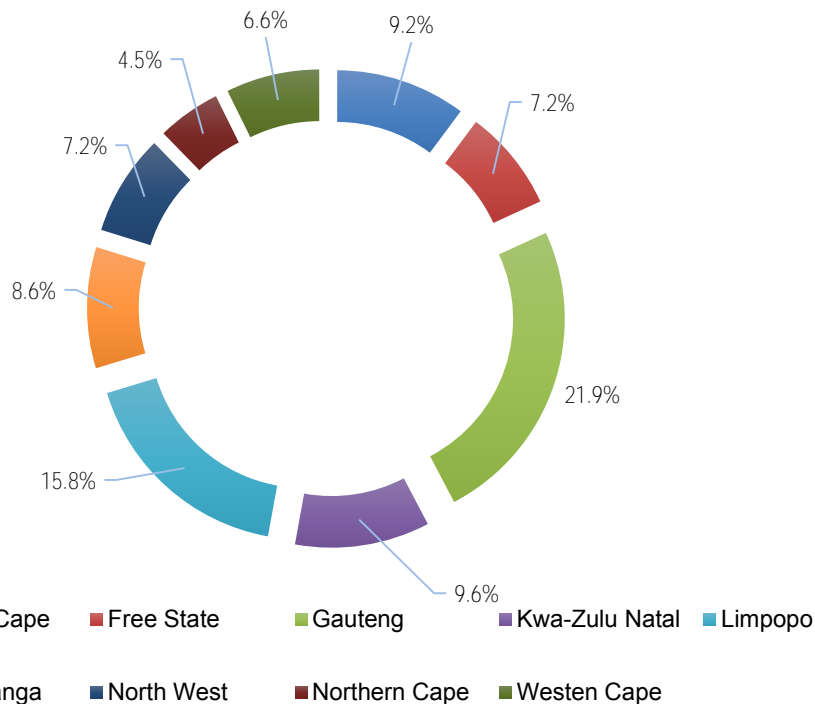
- Review of Operator Supplier Development Plan Quarter 1 & 2 Update: A review was conducted of the submitted Quarter 1 & 2 Supplier Development Plan progress report for the period 1 April to 30 September 2018. It was noted that the Operator reported on total procurement spend of R492 million, for which R960 000 was spent on imported goods/service. Thresholds of local content as set out in clause 13.2 and Part 2 of Schedule 4 of the Licence and the Board approved SD plan were not indicated to assess whether targets for the period were achieved or not. The Operator did not report on the SD initiatives for the period as set out in clause 13.2 and Part 3 of Schedule 4 of the Licence and the Board approved SD plan. The Operator has been requested to provide the outstanding information.

Public Value Dimension

- Website Information on draw, sales and share Integrity verification: The next draw date for LOTTO draw number 1857 scheduled for 13 October 2018 was incorrectly stated on the website as 18 October 2018. This was subsequently corrected. Share calculation and results verification with shares and results published on the National Lottery website were also conducted to ensure the integrity of reported information was undertaken daily. An incident was reported for 23 November for Pick 3 sales that were incorrectly captured on the website as R120 457 instead of R120 427. This was corrected by the Operator on 24 November. An incident report was duly submitted detailing the root cause and corrective action take, which included disciplinary action taken against officials responsible.
- Maintenance of prescribed level of B-BBEE Compliance: The B-BBEE Certification for the Operator was reviewed and it was found that the certificate shows level 5 status which is not compliant with Clause 12.2 which requires a level 3 or higher level. This is an improvement from the previous assessment rating which was level 8, after the introduction of new BEE ratings from the amended Act. The Operator however, complied with the Black ownership requirement as they achieved 100% over the prescribed 84%, with 34.69% for women ownership.

ALLOCATIONS PER PROVINCE

YTD Allocations per Province



In terms of the Lotteries Act GNR 182, a minimum of 5% must be allocated to each province during the year. As at 31 December 2018, Eastern Cape, Free State, Gauteng, Kwa-Zulu Natal, Limpopo, Mpumalanga, North West and Western Cape have met the 5% minimum allocation for the year. Northern Cape has been allocated the least requiring a further R6.4 million in order to meet the 5% annual target.

All provinces have achieved the third quarter target of 3%.

ICT PRIORITIES

- The ERP: GMS Fusion rollout to Kwa-Zulu Natal, Limpopo and Gauteng Provincial offices has been deferred to January 2019 as per the recommendation from Grant Funding Operations. The GMS Fusion rollout as at 30th November 2018 has been successfully deployed to Northern Cape, Free State, North West, Mpumalanga, Eastern Cape and Western Cape provincial offices.
- Engagements towards the design and development of the front-end for the ONLINE platform has commenced.
- ICT is currently reviewing potential new solutions for both the Grant Funding as well as the Internal Audit divisions. In terms of Grant Funding, the solutions pursued are for enhanced contact centre capabilities. In terms of Internal Audit, the solutions being explored are for Governance, Risk and Compliance applications.
- Implementation of the Content Management Hub to showcase NLC's funded projects will be tested in the month of November 2018.
- The ICT Division has embarked and continues with a research programme focusing particularly on Technical Regulatory Framework. This will include elements such as Crypto currency, Bitcoin, Cyber Security, Lottery Technology and its associates applications. This remains one of the focal areas for the ICT Division for the next financial years to come.
- The Monitoring and Evaluation (M&E) hand-held unit has been distributed to all Provincial offices for use. Analytical reports will be shared with business through the office of the M&E in November 2018.

STRATEGIC RISKS

Risk High level definition	Residual Risk Assessment	Mitigating effectiveness	July- Sept 2018 Risk (Threat) Outlook	Oct-Dec 2018 Risk (Threat) Outlook	Opportunities (Initiatives or planned strategies to enhance control adequacy)	Quarterly tracking
1. Conflict of interest	6	Acceptable	Stable ↔	Stable ↔	<ul style="list-style-type: none"> Enforcement of relevant policies such as ethics and gift policies. - Automated process for disclosure of interest. Training and awareness of all stakeholders. 	
2. Fraud Risk	10	Acceptable	Stable ↔	Stable ↔	<ul style="list-style-type: none"> Assessment of effectiveness of hotline. Screening of employees prior to employment. Periodic screening of employees who work in critical divisions. Ongoing fraud risk assessment. Ongoing investigation of all reported cases of alleged fraud and corruption. Risk profiling of beneficiaries. Strengthening of verification process. Integrated communications strategy to include fraud issues. 	
3. Illegal lotteries	13	Acceptable	Stable ↔	Stable ↔	<ul style="list-style-type: none"> Policy review to enhance enforcement. Analyse the findings of the research and implement appropriate recommendations. 	
4. Inadequate stakeholder relationships	4	Acceptable	Stable ↔	Stable ↔	<ul style="list-style-type: none"> Ongoing stakeholder engagement. Implementation of Public Affairs policies, strategy programmes and procedures. 	

STRATEGIC RISKS

Risk High level definition	Residual Risk Assessment	Mitigating effectiveness	July- Sept 2018 Risk (Threat) Outlook	Oct-Dec 2018 Risk (Threat) Outlook	Opportunities (Initiatives or planned strategies to enhance control adequacy)	Quarterly tracking
					<ul style="list-style-type: none"> Customer focussed strategy (to respond to public perception). Communications strategy focussed on closing the gap between public expectations and actual available funding. Optimize the powers granted to the Board in terms of the Lotteries Act (To manage and communicate with beneficiaries on available benefits/ products and limits thereof). 	
5. Continuity & sustainability	8	Acceptable	Stable ↔	Stable ↔	<ul style="list-style-type: none"> Organisational sustainability study. Table recommendations of the organisational sustainability study to the Board. Full implementation of the financial sustainability strategy. Full implementation of the business continuity plan. 	
6. Non-compliance with prescribed timeframes	11	Acceptable	Stable ↔	Stable ↔	<ul style="list-style-type: none"> Implementation of the strategy and plan for the implementation of open call system. Continuous follow -ups with the DTI on the appointment of full-time DA's. Implement Board resolution on how to deal with noncompliant applications. 	
7. information security management of	11	Ongoing	Stable ↔	Stable ↔	<ul style="list-style-type: none"> Communicate information classification policy to all staff. Enforce information classification policy. 	

STRATEGIC RISKS

Risk High level definition	Residual Risk Assessment	Mitigating effectiveness	July- Sept 2018 Risk (Threat) Outlook	Oct-Dec 2018 Risk (Threat) Outlook	Opportunities (Initiatives or planned strategies to enhance control adequacy)	Quarterly tracking
next generation cyber threats					<ul style="list-style-type: none"> Employees and key stakeholders to formally acknowledge organisational information security standards. Use of technology systems to prevent and detect breach of security. 	
8. ICT infrastructure and systems	8	Acceptable	Stable ↔	Stable ↔	<ul style="list-style-type: none"> Upgraded Enterprise Architecture System (Integrated platform - align ICT strategy with new legislation and business process review). Business to identify required services for activation in the case of a disaster. Identification of a disaster recovery site. 	
9. Non-compliance with regulatory requirements by National Lottery Operator	8	Acceptable	Stable ↔	Stable ↔	<ul style="list-style-type: none"> Continuous engagement and guidance with the new operator. Management review on IVS. Security and information reliability and monthly reporting 	

NLC FUNDED PROJECTS



NLC FUNDED PROJECTS



NLC IG: sa_nlc
@SA_NLC

#PISE_WC Beneficiary case study by Olunje Foundation (olunjefoundation.org) funded under the Arts & Culture Sector.



11:50 am · 31 Jan 19



NLC
NATIONAL LOTTERIES COMMISSION
a member of the dti group

Music keeps kasi kids busy

By ORIS MNISI
PLOUGH Back To The Communities Music School in Dwarsoop, Mpumalanga, has 350 students. Most of them have been studying music for six months and will graduate soon.
Founder Freddy Mathabela said the non-profit organisation was funded by the National Lotteries Commission.
"Our vision was to establish a music school for disadvantaged villages near the Kruger National Park. We want to nurture future artists.
"We also want to use music to uplift unemployed youth, people living with disabilities, and pupils



This group of young music school pupils has been given the chance to learn the ins and outs of music.

He said music kept young people away from drug abuse and crime.
"The students often provide entertainment at community events and government gigs.

school's studio," he said.
Assistant project director Lambert Simango said: "Our current challenge is a lack of food and transport for students living with disabilities."

Thank you