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 1 of 1999), to present the Annual Report of the National Gambling Board, South Africa for the year ended 31 March 2016.

Dr Rob Davies, MP
Minister of Trade and Industry

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PART A: GENERAL INFORMATION

Do not participate in illegal forms of gambling

NGB's GENERAL INFORMATION

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MINISTER'S FOREWORD

In line with its vision, mission and the National Gambling Act 7 of 2004 (the Act), the National Gambling Board (NGB) was required to execute its strategic and performance objectives during the financial year 2015/16.

The year symbolised the commencement of a period in which anticipated gambling policy reform influenced extensive engagements with stakeholders to design a suitable national gambling model for South Africa where gambling legislative review and feedback to stakeholders was the priority.

Ministerial priorities were driven by three Strategic Outcome Oriented Goals of NGB; namely to Enforce Compliance, Enhance Stakeholder Liaison and Statutory Advisory Services, as well as Optimise Organisational Excellence.

NGB continued to provide advice which added value to the final national gambling policy. The policy proposals include; the establishment of a regulatory framework to consider the effectiveness of the National Gambling Policy Council and the role of NGB; enhancing regulation of casinos in order to ensure that the destination approach for location of casinos is maintained; providing clarity on the regulation of limited payout machines via the creation of a national framework; the regulation of Electronic Bingo Terminals; a proposal that horse

This year symbolised the commencement of a period in which anticipated gambling policy reform influenced extensive engagements with stakeholders to design a suitable national gambling model for South Africa.

racing be self-regulated; reformation of the legal provisions with regards to the Unlawful Winnings Trust and the oversight of responsible gambling inclusivity in the mandate of NGB.

As part of its mandate, NGB was required to establish and maintain National Functional Registers. The year under review particularly focused on the updating of the illegal gambling operatives register which assisted in the monitoring and suppression of illegal gambling activities.

Research on the prevalence of gambling was conducted by NGB to determine and track gambling behaviour over time from April 2011 to April 2015. The study revealed that gambling participation had increased; illegal gambling had the highest risk of people becoming problem gamblers; and there was an increase in gambling across both genders of South African gamblers.

The establishment and updating of the Illegal Gambling Operative Register assisted in the monitoring and suppression of illegal gambling activities. In addition, a study to determine the socio-economic impact of illegal gambling with focus on online gambling, commissioned by NGB during the financial year. The main objective of the study was to assist NGB to understand the social implications of illegal gambling; the legislative environment in which it manoeuvred and the extent of understanding online gambling and other forms of illegal gambling in South Africa.

NGB is in a position to advise on the modes of gambling and revenue derived that contribute towards the national fiscus. Through the monitoring of gambling sector performance, NGB is in a position to determine market share and market conduct as well as analyse gambling trends.

In the financial year 2015/16 NGB has identified the casino sector as a form of gambling that generates the most revenue nationally. The casino industry generated the most Gross Gambling Revenue (GGR), followed by betting (on horse racing and sport), Limited Payout Machine and bingo industries. Gauteng province generated the most GGR, followed by Kwa-Zulu Natal, Western Cape, North West, Eastern Cape, Mpumalanga, Limpopo, Free State and Northern Cape.
Improved regulation and prosecution of online gambling in collaboration with the Provincial Licensing Authorities and law enforcement agencies resulted in three major online gambling establishments being successfully raided in the Limpopo Province.

The Accounting Authority ensured that processes and controls were in place leading to the achievement of the set objectives for the year, redress of the past audit report and a positive contribution towards the countries job creation objectives and the mainstream economy.

Lastly, under the able leadership and diligent work of Ms Caroline Kongwa, I would like to express gratitude to the officials of the NGB and their dedication, commitment and sacrifices who collectively continued to ensure that the entity carried out its mandate and obligation.

Dr. Rob Davies, MP
Minister of Trade and Industry
Executive Authority
National Gambling Board

ACCOUNTING AUTHORITY'S FOREWORD

Introduction

It is a great honour and privilege for NGB to present its Annual Report for the financial year 2015/16. It is trite that Gambling is a concurrent legislative competency between National and Provincial government.

In line with National Priorities, Constitutional prescripts, the mandate of **the dti**, and due consideration of the National Gambling Act 7 of 2004 (NGA), NGB is mainly responsible for the oversight and regulation of the gambling industry in the country in order

to preserve the integrity of South Africa as a responsible global citizen.

The National Gambling Board is committed to proper, fair and effective regulation of the Gambling industry. It was through hard work and determination of the team that the entity successfully

"NGB is to be repositioned as a strategic trading entity of the dti for regulating gambling".

achieved its planned targets as set out in NGB's Annual Performance Plan 2015/16.

High Level overview of NGB's Strategy and Performance Objectives

The five (5) year Strategic Plan of NGB was governed by the abovementioned prescripts and serves as a blueprint for the institution's response to the South African gambling industry.

NGB fulfilled an authoritative advisory role to **the dti** in that the entity played a vital role in the identification of matters for legislative consideration.

Despite a slowdown in the growth of the economy, gambling revenues have increased in the last financial year. Overall, Gross Gambling Revenue (GGR) increased by 9.6% to R23,9 billion from FY14 to FY15 and by 9.9% to R26.3 billion to FY16.

As at 31 March 2016, the GGR from all modes of gambling totalled R26,3 billion. Of this total, casino GGR accounted for 71% of the gambling market followed by betting GGR with a market share of 17%. LPM GGR accounted for 9% of the market whilst bingo GGR had the least market share. From 2012 to 2016, however, the trend in market share showed that the share of casino GGR in the market had dropped by 7.9%, while the market share of gambling revenues from betting had increased. The market share of bingo GGR also fell to 4% in the FY16.

The legal gambling industry of South Africa is mainly made up of the casino sector, betting sector (comprising of totalisators and bookmakers offering betting on sport and horse racing), limited payout machine sector and bingo sector. Market share of the gambling industry is assessed in terms of ownership, market conduct, GGR and taxes and levies contributed. The casino industry and Gauteng province accounted for the highest generators of GGR compared to other modes of gambling and provinces respectively.

Strategic Relationships

NGB shared the podium with the National Responsible Gambling Programme (NRGP) at an event hosted by **the dti** on the prevalence of gambling in South Africa, statistics about problem gambling, how to detect a gambling problem, tips on how to gamble more responsibly as well as treatment and rehabilitation programmes.

On enforcement, the strides of NGB to address regulation in the industry continued to grow with the introduction and the establishment of the National Inspectorate.

NGB consulted with the South African Central Registry (ZACR), a body responsible for the registration of South African website domains to address the issue of illegal online gambling with the objective of obtaining intelligence on how NGB could curb online gambling.

NGB collaborated with the National Lotteries Commission in to enforce illegal gambling (Fahfi and illegal betting on Lotto numbers). A memorandum of understanding was concluded in order to regulate this arrangement.

An electronic, web-based Illegal Gambling Operative Register was developed by NGB during the financial year for use by all provincial gambling boards which stimulate more in-depth and robust reporting related to suspects and/or operators, links to other cases or various gambling activities, identification and confiscation of different illegal gambling activities and equipment, as well as the status of cases with regard to law enforcement, and eventually those (to be) blacklisted.

Challenges faced by NGB

Investment and prioritisation of financial resources in eradicating illegal gambling activities remained a challenge as curbing the illegal gambling industry required a multifaceted approach and a dependency on collaboration with PLAs and law enforcement agencies with the aim of gathering intelligence for use in eradicating illegal gambling activities.

The regulatory framework required a shift in focus towards enforcement by assigning more human and financial resources; it should outline uniform criteria for processes and duties so that gambling regulator enforcement strategies become outcome based to ensure that there is a high success rate in the prosecution of illegal gambling operators.

South Africa is recognised as a country where gambling is well-regulated and measures are in place to curb problem gambling however problem gambling and its consequences remain a challenge.

Illegal enterprises pose a problem in the employment sector as people employed in illegal enterprises do not enjoy the basic provisions of a fair and equitable workplace as contained within the relevant legislation. Illegal enterprises often take advantage of their employees through low wages, poor working conditions and almost no economic benefits. These employees are not accounted for within the country's economic tax revenue base.

Many transnational criminal networks use illegal gambling, mostly online gambling, as a mechanism for money laundering and other criminal activities.

The estimated monetary flows associated with illegal (online) gambling in South Africa impact the economy in the following ways with respect to employment and GDP:

- Total loss in value add (the total contribution of the gambling industry to the SA economy) of R1.9 billion for the economy as a whole per annum. This includes a direct impact of R972 million and an indirect impact of R972 million. This is less than 0.01% of total annual GDP for South Africa
- Total loss of 3,785 employment opportunities in the legal gambling industry based on employment in casinos (841) and employment in related services such as retail outlets and restaurants (2,945). This equates to 5.9% of the total employed persons in the casino industry of the country.

It is important for these issues to be addressed in the future to ensure that illegal forms of gambling do not negate the positive contribution that the formal, regulated gambling sector makes to South Africa in the form of employment, tax revenue and local economic activity.

Long To Medium Term Goals

NGB will be repositioned as a strategic trading entity of **the dti** for regulating gambling. NGB will accordingly become the National Gambling Regulator (NGR). NGR will continue to conduct oversight as NGB is currently empowered to assist with monitoring coherence and policy coordination, conduct research, develop and implement education and awareness, develop and implement measures to combat illegal gambling, effectively operate the National Central Electronic Monitoring System (NCEMS) and to combat problem gambling by providing treatment for problem gamblers. The treatment programme will be funded by the industry through a levy at a rate that will be determined by the Minister through regulations.

The financial performance will be guided by available resources and the strategic objectives, with the emphasis on improving efficiencies on rand value. The spending focus regarding the Medium Term Strategic Framework period will be on the following focal areas:

- Inputs into the development of Gambling Policy and Regulation;
- Conduct regulatory oversight and enforcement of compliance;
- Dialogue with stakeholders;
- Suppression of illegal gambling;
- Provision of reliable information through the establishment and maintenance of national systems, namely:
  - a national central electronic monitoring system;
  - a functional information register;
- the monitoring of socio-economic patterns of gambling activity;
- significantly promote broad-based black economic empowerment within the gambling industry;
- providing a national public education programme to inform the public about the risks of, problem, responsible and illegal gambling;
- to conduct research studies to inform gambling policy on the impact of gambling; and
- monitoring market conduct and market share in the gambling industry to determine gambling sector performance.

Acknowledgements

I extend gratitude to the Minister and Director General for their unrelenting support as well as **the dti** and all the staff members of NGB for efforts and enthusiasm demonstrated in achieving a clean audit.

Conclusion

The year under review has been a journey worth travelling towards the attainment of a clean audit.

It was through team effort, but most importantly leadership and guidance in the best interest of the organisation that has led to the results achieved.

Our achievements this year are not the end of our aspirations as we are inspired to do more.

Ms Caroline Kongwa
Accounting Authority
National Gambling Board

STRATEGIC OVERVIEW

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 mission, vision and values of NGB are as follows:

VISION

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

MISSION

Lead the regulation of the gambling industry in the fulfilment 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 NGB is set out in Section 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 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) (PFMA)
- The Prevention of Organised Crime Act, 1998 (Act 121 of 1998) (POCA)
- The Financial Intelligence Centre Act, 2001 (Act 38 of 2001) (FICA)

In addition to the legislative mandate, NGB is mandated to execute additional responsibilities in terms of the Shareholder's Compact entered into with the Minister in which 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 gambling operatives and black-list them; and
- Identification of forms of gambling.

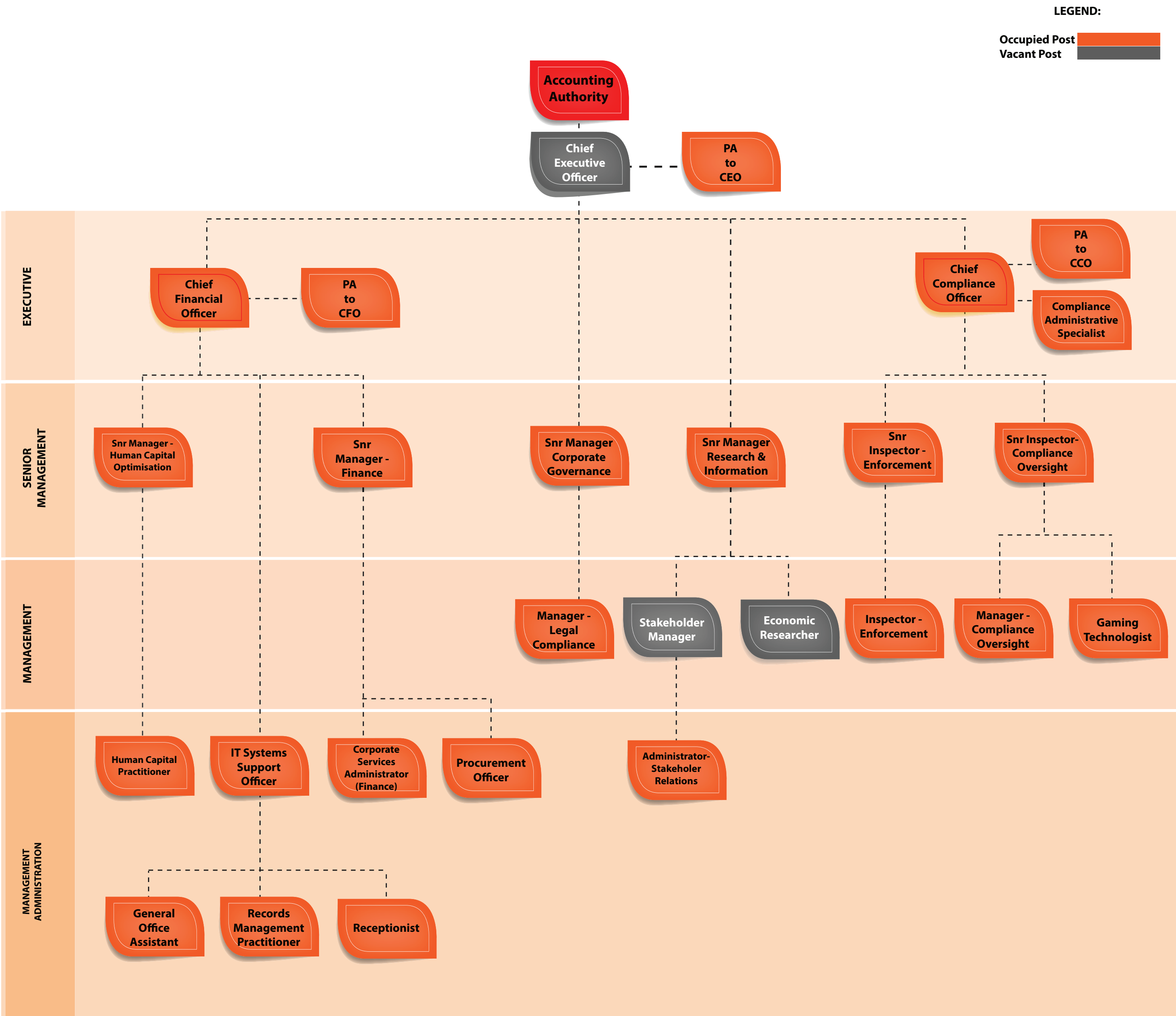
The services and products of NGB are stated in the NGA as follows:

- **Oversight of gambling in the Republic of South Africa by:**
  - Evaluating the issuing of national licences by the PLAs;
  - Evaluating the compliance monitoring of licensees by PLAs;
  - Conducting oversight evaluation of the performance of provincial licensing authorities so as to ensure that the national norms and standards established by the NGA are applied uniformly and consistently throughout the Republic.
  - Research and monitoring of market conduct and market share.
- Assist PLAs to ensure that the unlicensed gambling activities are detected.
- NGB must also establish and maintain a national registry of every gambling machine or gambling device manufactured within or imported into the Republic, as well as maintaining all other legislator prescribed registers;
- Assign a permanent and unique registration number for each machine or device; and
- NGB must investigate the circumstances of the gambling activity that relates to any unlawful winnings that 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 NGB is manifested by the effect and quality of its advice and recommendation to the National Gambling Policy Council (NGPC) on, amongst others, matters of national policy and legislative changes relating to gambling.

ORGANISATIONAL STRUCTURE

During the financial year 2015/16 the organisational structure of NGB was as follows:



Left to Right: Mr Shelton Pagiwa (Inspector: Gaming Technologist); Ms Yvonne Gwenhure (Economic Researcher); Mr Sakhi Mhlongo (IT Systems Support Officer); Ms Thivhasali Mlobedzi (Corporate Services Administrator: Finance); Mr Bryan Arumugam (Senior Manager: Corporate Governance); Mr Lucky Maimele (Supply Chain Management Practitioner); Mr Gerald Mametse (Senior Manager: Human Capital Optimisation); Ms Kaveshka Mackerduth (Chief Financial Officer); Mr Sydney Ramasodi (Senior Inspector: Compliance Oversight); Ms Nomfundiso Kgomo (Manager: Legal and Compliance); Ms Caroline Kongwa (Accounting Authority); Mr Magora Lekala (General Office Assistant); Ms Thembelihle Dlamini (Personal Assistant to the Chief Executive Officer); Mr Levy Mathiane (Inspector Enforcement); Ms Mathuli Zikalala (HR Practitioner); Mr Surgeon Mthombeni (Senior Manager: Finance); Ms Estelle Jonkheid (Senior Manager: Research and Information); Mr Dennis Makhari (Compliance Administrative Specialist);

Ms Keletso Makopo (Administrator Stakeholder Relations) and Ms Zaza Kumalo (Stakeholder Manager).

Absent: Adv. Mamiki Goodman (Chief Compliance Officer); Mr Santoro Arikum (Senior Inspector: Enforcement); Ms Morongoa Moss (Manager Compliance Oversight); Ms Beatrice Leola (Receptionist); Ms Zanele Kuali (Personal Assistant to Chief Financial Officer) and Ms Florence Molotja (Records Management Practitioner).

PART B: PERFORMANCE INFORMATION

Legalised forms of gambling are regulated in terms of the law

AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General South Africa (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 89 of the Report of the Auditors Report, published as Part F: Financial Information.

"Do not participate in illegal gambling activities."

SITUATIONAL ANALYSIS

NGB is an implementing entity of **the dti**, mandated among other functions in the NGA, to co-ordinate activities relating to the exercise of concurrent competencies 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 casinos, betting, LPM's and bingo to ensure that gambling activities are effectively regulated and licensed.

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 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 NGB, PLA's and other stakeholders to ensure implementation of the NGA.

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

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

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, NGB compiled a Concept Paper on the transformation within the gambling industry for the 2015/16 financial year. Provincial Licensing Authorities were consulted with on the Concept Paper.

The establishment of a register of illegal gambling operators to minimise and control the diffusion of illegal gambling operatives was set as a ministerial priority in the Shareholder Compact 2015/16. This was a part of an all-encompassing strategy to monitor illegal gambling.

Organisational Environment

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:

1. Create a high performance organisational culture, recognising team work and spirit;
2. Create a learning and development organisational culture;
3. Strategic talent acquisition and retention for organisational effectiveness;
4. Overhaul the organisational reward strategy;
5. An integrated information management system; and

KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

National Gambling Policy and National Gambling Amendment Bill

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

The key policy proposals were as follows:

- Regulatory structures and framework to establish a regulatory framework which looks at the effectiveness of NGPC and the role of NGB;
- Enhancing regulation of casinos in order to ensure the destination approach for location of casinos is maintained;
- Provide clarity on the regulation of limited payout machines through the creation of a national framework to regulate Electronic Bingo Terminals;
- Horse racing be statutorily regulated through a self-regulation model;
- 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 of unlawful winnings is eliminated; and
- On the minimisation of the social impact, NGB is empowered to provide problem gambling treatment.

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 policy was approved by Cabinet on 17 February 2016.

The Draft 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 was 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 sort to legalise online gambling. NGB in conjunction with **the dti** have indicated that online gambling is illegal and undesirable 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.

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

The Remote Gambling Bill was rejected by Cabinet on 26 May 2016.

Strategic Outcome Orientated Goals

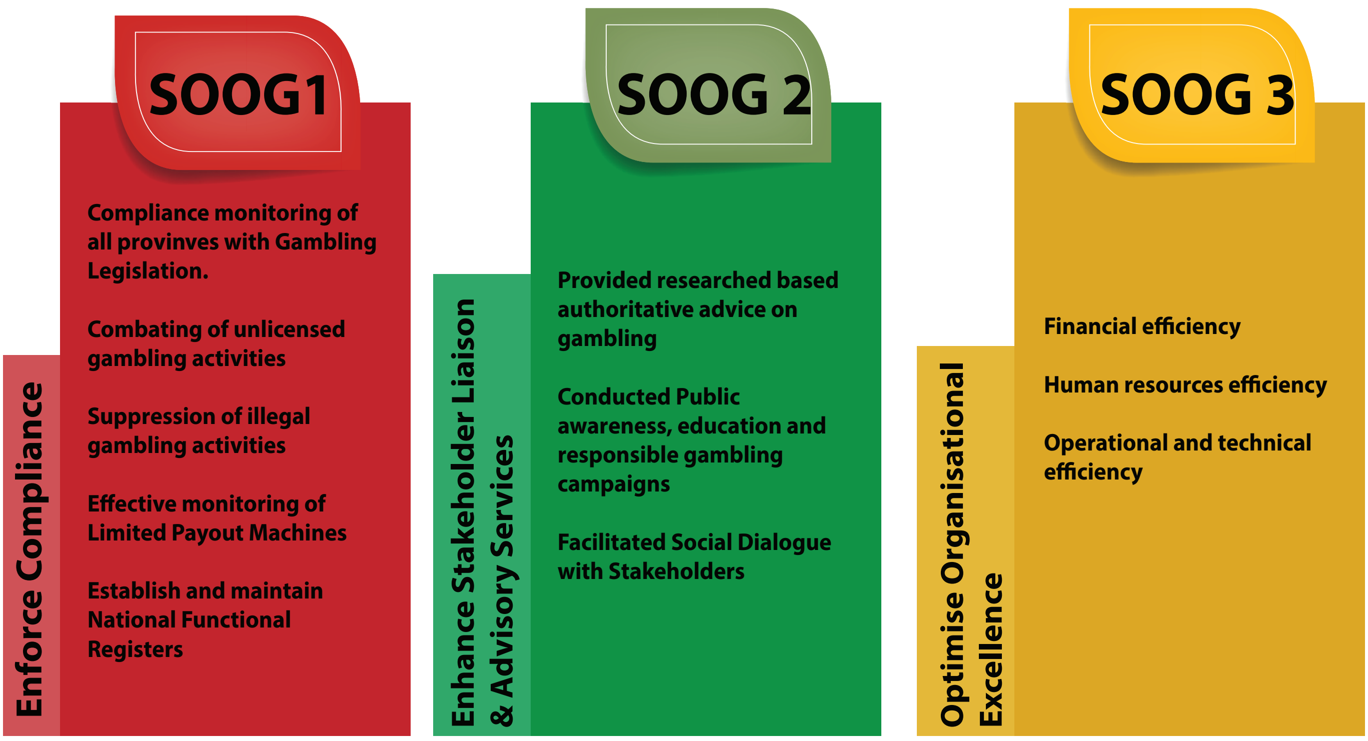
The National Gambling Board is one of the national regulatory agencies of **the dti**. Its Strategic Outcome-Orientated Goals (SOOG's) are derived from the National Gambling Act 7 of 2004 and are aligned to the strategic objectives of **the dti** as informed by the Government MTSF priorities as depicted in Figure 1.

Figure 1: Medium term strategic framework priorities

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, 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 2015/16, NGB focused on the following prioritised areas of performance to ensure that a meaningful impact from its determined outcomes was achieved.

Figure 2: Strategic orientated outcome goals (SOOG's)



The Strategic Outcome Orientated Goals are portrayed in the Strategic Plan 2015/2020, further developed into actionable programmes in the Annual Performance Plan 2015/16 and budgeted for in the entity's Business Plan 2015/16. The key products and services of NGB are outlined in "legislative and other mandate" as set out on Page 12.

The National Gambling Board is committed to proper, fair and effective regulation of the industry

PERFORMANCE INFORMATION BY PROGRAMME

The performance of NGB is firstly aligned to the mandate provided by the NGA. Secondly, 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 NGB for the period under review. NGB is structured into three programmes or divisions which provided the business framework to manage all SOOGs and specific activities linked to each. The three programmes are referred to as Compliance, Stakeholder Liaison and Statutory Advisory Services, and Corporate Services. Specific projects and activities are linked to each and will be reported on below.

"An informed gambler is a protected gambler. Gamble responsibly"

Programme 1: Compliance

(from left to right) Mr Dennis Makhari (Compliance Administrative Specialist); Mr Levy Mathiane (Inspector Enforcement); Mr Shelton Pagiwa (Inspector: Gaming Technologist) and Mr Sydney Ramasodi (Senior Inspector: Compliance Oversight)

Absent: Adv. Mamiki Goodman (Chief Compliance Officer); Mr Santoro Arikum (Senior Inspector: Enforcement) and Ms Morongoa Moss (Manager Compliance Oversight).

Purpose of the programme

This programme provides mandated operational core functions in terms of the National Gambling 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 improving enforcement of gambling related requirements for compliance by the licensees and affected parties.

Sub-programmes

Enforce compliance

The function of enforcement is regulating in-line with the legislation with a two-fold approach, addressing alignment by licensed institutions and addressing illegal gambling activities and the suppression thereof. There is systemic growth in this arena which indirectly impacts on the business of licensed institutions.

The focus area shift is directed to illegal online gambling in SA.

Functional registry

The function of the **Illegal Gambling Operative Register** is to establish a repository of illegal operatives and blacklisting of illegal operators.

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;
- Develop a register of illegal gambling operatives;
- Effective monitoring of licensed institutions;
- Combatting of unlicensed gambling activities;
- Suppression of illegal gambling activities (emphasis on online gambling);
- Enhance stakeholder relationship e.g. (South African Police Service, Provincial Licensing Athorities, National Prosecuting Authorities, BASA,Casino Association of South Africa); and
- Monitor and evaluate trends in the gambling industry.

"If you participate in illegal forms of gambling you will not receive your winnings."

Key Achievements of Sub-Programme

Compliance

NGB has successfully conducted onsite inspection of all nine (9) provinces and reported on findings accordingly. The entity improved on its methodology, approach and tools for evaluation that were utilised during the course of the financial year.

NGB participated in the **South African Bureau of Standards (SABS) Technical Committee** meetings for purposes of reviewing, updating and developing the South African National Standards relevant to the gambling industry, i.e. SANS1718. Further participation included technical assessment of test laboratories as part of the SANAS accreditation assessment team. This not only enhances the relationship between NGB and SANAS, but it provided NGB with mechanisms to assess the competencies of test laboratories to conduct testing in accordance with the requirement of the NGA.

The relationship with PLAs has improved through the interactions, participatory evaluations, stakeholder forums and continuous communication with PLAs over matters of common interest. Confirmation of good co-operative governance was evident as NGB assisted the North West Province by providing technical assistance as a member that occupied a seat at the Tribunal Committee that was constituted as per the provisions of the North West Gambling Act.

Report on annual analysis of LPM gambling sector performance was made possible through the effective and efficient management of the **NCEMS**. This included:

- The continuous monitoring of LPM's through the NCEMS Operational Change Committee and NCEMS Management Committee that convened on a quarterly basis. This included the rectification of irregularities identified by NCEMS;
- Proper contract management over the service level agreement with the NCEMS operator;
- NGB's ability to assist in dispute resolution by acting as a mediator between the NCEMS Operator and Route operator/s on irregularities that were cited;
- NCEMS effectiveness in detecting, analysing and reporting on significant events associated therewith; and
- NGB performed, in March 2016, a system audit of the NCEMS, as well as a compliance audit of the NCEMS operator against their contractual obligations.

The function of **established and maintained national functional registers** is to ensure the efficient maintenance and updating of national functional registers (machines and devices, probity, information sharing and exclusions), and specifically the establishment of an Illegal Gambling Operative Registers. In order to improve the efficiency and maintenance of the registers, the need arose to have four of the five national registers amended – based on a gap analysis performed by the division.

The division has improved its use of national registers including the establishment of the **Illegal Gambling Operative Register.** NGB has also trained all users to ensure that they will be in a position to successfully update the IGOR.

The strides of NGB to address regulation in the industry continues to grow with the introduction and the establishment of the National Inspectorate.

NGB consulted with ZACR, in which they found the key to curbing illegal online gambling is the monitoring of internet traffic. It was established that such monitoring is the responsibility of internet service providers. NGB plans on engaging with internet service providers as they are instrumental in the combatting of illegal online gambling activities.

NGB also consulted with the Gibraltar Gambling Commission as they are responsible for licensing internet gambling service providers, some of whom offer gambling to South Africans. The license conditions of Gibraltar stipulate that the licensees should not offer gambling to citizens of countries that do not allow this mode of gambling. The objective was to use their license conditions to stop offering gambling to South Africans. The Gibraltar Gambling Commission has so far shown unwillingness to engage on this matter. Further engagement is required with the Department of Communication to explore how regulators can effectively and efficiently curb illegal online gambling.

An electronic, web-based **Illegal Gambling Operative Register** was developed in order to stimulate more in-depth and robust reporting related to suspects and / or operators, linkage to other cases or various gambling activities, identification and confiscation of different illegal gambling activities and equipment, as well as the status of cases with regard to law enforcement, and eventually those (to be) blacklisted.

Missing and incomplete information prohibits proper analysis of the current status of illegal gambling operators in South Africa. However, based on information collected and analysed manually, the following can be recorded as at 31 March 2016 based on information received from all the PLAs:

- A total of 776 cases were recorded.

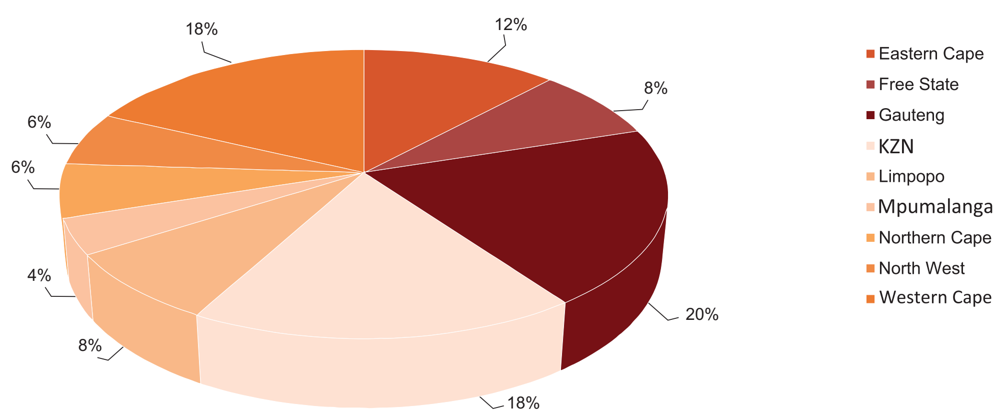
- PLAs further reported illegal gambling operatives linked to the following illegal gambling activities:
  - Gambling machines: KwaZulu-Natal, North West, Western Cape, Limpopo and Northern Cape;
  - Computer devices and gambling stations: Eastern Cape, Free State, Gauteng, Mpumalanga, North West, Western Cape, Limpopo and Northern Cape;
  - Fafi: Mpumalanga and Limpopo;
  - Video gambling machines: Mpumalanga;
  - (Chinese) roulette machines: Eastern Cape, KwaZulu-Natal and Mpumalanga; and
  - Teddy/Tommy bear machines: Eastern Cape, Mpumalanga and Limpopo.

Most cases are reported and investigated in Limpopo (416 cases) and Gauteng (207 cases), followed by Mpumalanga (54 cases) and North West (54 cases); Free State (20 cases), Northern Cape (10); KwaZulu-Natal (6 cases), Western Cape (6 cases) and Eastern Cape (3 cases).

NGB provided support in the form of expertise to Limpopo Provincial Gambling Board in terms of section 66 of the NGA. This related to the prosecution of illegal online gambling operatives in Modimolle, Limpopo.

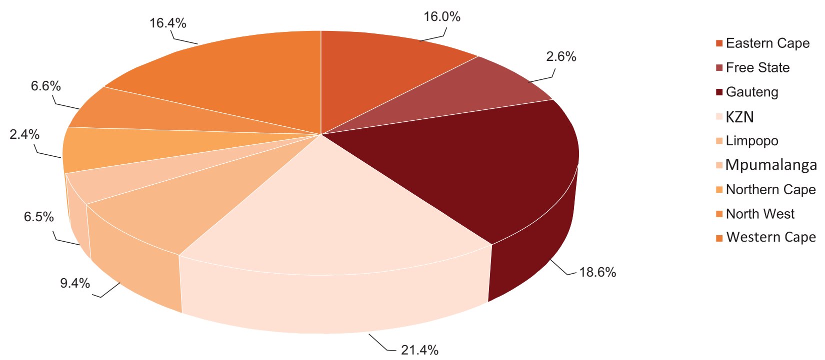
During the FY2015/16, NGB received applications for LPM sites in excess of five (5) LPMs per site from KZN, Limpopo and Gauteng. Figure 1 below demonstrates the national allocations of LPMs per province. Gauteng is allocated 20% of the total 50,000 LPMs, the most number of LPMs allocated in any one province. KwaZulu-Natal and Western Cape are allocated 18% each, i.e. second highest allocation of the national total. Eastern Cape has been allocated 12% of the national total. Limpopo and Free State each have an allocation of 8% of the national total. North West and Northern Cape have been allocated 6% each, whilst Mpumalanga has the lowest allocation of a mere 4% of the national total.

Figure 3: National allocations of LPMs



Based on the National Geographical Spread Roll-out of licensed LPMs, KwaZulu-Natal has the highest number of licensed LPMs at 21.4% of the national total. It is followed closely by Gauteng at 18.6%. Despite the fact that Limpopo has rolled out the most number of LPMs weighted against total allocation for the province, it only amounts to 9.4% rollout of the national total of LPMs. Northern Cape has rolled out the lowest percentage at 2.4% whilst Free State has rolled out the second lowest at 2.6% of the national total.

Figure 4: National geographical spread roll-out of LPMs as at March 2016



In terms of Regulation 13 of the National Gambling Regulations of 2004, NGB is required to conduct a socio-economic impact study in the LPM industry - balancing the negative socio-economic impact of gambling with the need to increase the rolling out of the LPMs provincially. NGB has thus planned to undertake such a study in the next financial year for provinces that are approaching 50% of their national LPM allocation.

Enforcement

Reports on **illegal gambling activities** and related matters were provided to the Accounting Authority on a quarterly basis. The balance of unlawful winnings amounted to R4,930,872 as at 31 March 2016 (R4,377,846 as at 31 March 2015). This implies that the monies confiscated during the 2015/16 financial year through third parties amounted to R553,026, a 13% escalation. This can be compared to the balance in the 2013/2014 financial year of R3,390,191. This is representative of a 29% escalation between the 2013/2014 and 2014/2015 financial year. One can further deduce that there is a decrease in the confiscation of illegal gambling proceeds. This represented a cause for concern for NGB. Hence the entity embarked on education campaigns with Banks (Standard Bank and First National Bank) relating to the confiscation of unlawful winnings and the procedure thereof.

There are approximately one hundred and seventy (170) cases of unlawful winnings that have been identified since 2007. The said cases have been referred to the state attorney in an attempt to fast track the process of investigation and application for forfeiture of unlawful winnings.

In addition to this, NGB has identified five (5) illegal gambling operatives in Gauteng, in collaboration with the SAPS. These matters are awaiting prosecution.

A report on **intelligence gathering** and intervention and support provided to Regulators, PLAs and Law Enforcement Agencies was prepared for the financial year that included the following activities that were undertaken:

- NGB participated with SAPS and the Directorate of Priority Crimes Investigation in a project which dealt with combating illegal gambling. NGB contributed towards strategic direction of the task team, as well as the provision of training to all members. This culminated in a syndicate of illegal online operatives identified. An investigation plan was completed and implemented;

- Contribution of information towards the development of an investigation manual for training of inspectors;

- Support in the form of expertise was provided to Limpopo PLA in terms of section 66 of the NGA. This related to the prosecution of online gambling operatives in Modimolle, Limpopo;

- There has been collaboration between NGB and the National Lotteries Commission in the combatting of gambling-lotteries related offences (Fafi and illegal betting on Lotto numbers). A memorandum of understanding was concluded in order to regulate this arrangement.

- Initiated and approached the National Commissioner of Police for collaborative activities and support to NGB.

- Internet service providers and the Department of Communication were approached regarding assistance to prevent illegal internet holders to spread illegal online gambling.

The Compliance and Enforcement Unit will continue to invest effort and resources in the combatting and suppression of illegal gambling activities. More can be done in this area.

Figure 5 summarises the strategic objective, performance indicators, planned targets and actual achievements of the Compliance programme.

Figure 5:: Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievements

Programme 1: Compliance				
Strategic objective	Measure / Indicator	Actual performance against target		Reason for variance
		Target	Actual	
Enforce Compliance	Nine (9) Consolidated three tier compliance evaluation assessment reports	Consolidated report on compliance monitoring of all provinces with Gambling Legislation	Achieved Quarterly reports and an annual cluster report was prepared on compliance monitoring of all provinces with Gambling Legislation	No variance
	Report on intelligence gathering and reporting of information to PLAs and law enforcement agencies	Report on intervention and support provided to regulators and law enforcement agencies	Achieved Quarterly reports demonstrating NGB's efforts invested in activities related to the combatting of illegal gambling via multi-disciplinary task teams, which included collaboration with PLA's, were prepared and submitted to the Accounting Authority	No variance
	Report on illegal gambling activities	Report on illegal gambling activities and related matters	Achieved Quarterly reports on illegal gambling activities and related matters were prepared and submitted to the Accounting Authority	No variance
	Annual Analysis and reporting data in accordance with the prescribed requirements	Report on the annual analysis of LPM gambling sector performance	Achieved Quarterly reports on the annual analysis of the LPM gambling sector performance were prepared and submitted to the Accounting Authority	No variance
	Report on the accessibility and functionality of national registers	Report on Consolidated information, accessibility and functionality of the national registers for gambling machines, devices, probity, exclusion and illegal gambling operatives	Achieved An annual report was prepared which included the current challenges and a gap analysis	No variance
	Illegal Operator register development, implementation and roll out plan	System development, implementation and roll out to provinces by 31 March 2016	Achieved A manual system was developed, implemented and rolled out to Provinces	No variance

Programme 2: Stakeholder Liaison and Statutory Advisory Services

(from left to right) Ms Nomfundiso Kgomo (Manager Legal Compliance); Ms Keletso Makopo (Administrator Stakeholder Relations); Ms Estelle Jonkheid (Senior Manager: Research and Information); , Ms Thembelihle Dlamini (Personal Assistant to the Chief Executive Officer); Mr Bryan Arumugam (Senior Manager: Corporate Governance); Ms Zaza Kumalo (Stakeholder Manager) and Ms Yvonne Gwenhure (Economic Researcher)

Purpose of the programme

This programme provides strategic coordination and promotes liaison at local and international level among the various stakeholders of 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 market share and market conduct and research within the gambling sector to inform policy and regulatory development inputs.

Sub-programmes

Stakeholder liaison

The Stakeholder and Liaison unit provides coordination and secretariat services to the various stakeholders of NGB. It undertakes strategic communication with key stakeholders and forges strategic cooperation, promotion of

NGB's policy and development with the regulators both on the continent and around the world. 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 NGPC mainly about the socio-economic impact of gambling and the monitoring of gambling sector performance based on market share, market conduct and research within the gambling sector to inform policy and regulatory development inputs.

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.

Key Achievements of Programme

Stakeholder liaison

There has been implementation of the framework to address concurrent gambling. To this end, NGB has achieved 100% implementation of the framework.

NGB has been effective and efficient in the implementation of its Communication Strategy and Plan. NGB has achieved 100% of implementation of the Stakeholder Strategy and Plan against a target of 100%. In addition, NGB utilized various tools to communicate and increase awareness on gambling-related matters i.e. increased participation in stakeholder forums, the establishment of a link on the website wherein matters relating to alleged fraud can be reported, as well as participation in public events to educate the public about gambling.

Education and awareness is one of NGB's key priorities. As a result NGB participated in an outreach programme through a radio interview on the SABC's Ikwekwezi FM on illegal gambling, its impact and the role of NGB. The entity also featured on Lesedi FM to educate listeners (pensioners, youth and adults) on the role of NGB in alleviating problem gambling, treatment of problem gamblers and the use of the national gambling register of excluded persons.

In addition, NGB shared the podium with National Responsible Gambling Programme (NRGP) at a "Men's Day Event" hosted by **the dti**. The targeted audience was briefed on the prevalence of gambling in South Africa, statistics about problem gambling, how to detect a gambling problem, tips on how to gamble more responsibly as well as treatment and rehabilitation programmes.

NGB had showcased itself at the "Open Day" session that was held in Parliament on 16 September 2015.

There was a joint seminar hosted by NGB in conjunction with **the dti** on online gambling where all stakeholders were invited and participated accordingly.

The upgrading of NGB's website allowed for improved awareness as the website contained messages advising readers on gambling related matters such as illegal online gambling, underage gambling etc. In addition to the above NGB facilitated joint training of staff as Cyber-Inspectors for the effective combating of interactive gambling.

Moreover, NGB attended the Cluster of the Council for Trade and Industry Institutions (COTII) meetings hosted by **the dti** and made presentations thereof. The aim of the forum is for **the dti** agencies to share information and find better ways of working together.

Internal stakeholder sessions that were conducted by NGB included the Legal and Compliance Forum and Information Communication and Technology (ICT) forum. The ICT Forum is a subcommittee of the CEOs Forum that is chaired by NGB and further comprises of all CEOs from the PLAs. As technology evolves, the effects are noticeable in the gambling industry, hence an advisory body was a prerequisite to ensure that the decisions taken are sound and knowledgeable.

Legal Services

Continuous legal advice was provided, as well as statutory advisory services in terms of section 65 of the NGA. NGB, in conjunction with **the dti**, played an instrumental role during the drafting of the National Gambling Policy which was published on 29 January 2016 and subsequently approved by Cabinet on 17 February 2016.

NGB successfully lodged an application in the Labour Court for an order reviewing and setting aside its decision to appoint an employee and for setting aside a resultant contract of employment thereof. Judgement, as well as costs of the application was awarded in favour of NGB.

NGB participated in a parliamentary consultative process with **the dti** on the Remote Gambling Bill during the month of June 2015.

NGB consulted with PLA's in relation to a B-BBEE Concept Document that was drafted. The purpose for the compilation of the B-BBEE Concept Document was to provide a framework in crafting a gambling sector specific code or charter in order to comply with the B-BBEE legislation and codes in a way that apply uniformly in the gambling industry and provide transparency in the measurement of B-BBEE codes.

Continuous legal advice was provided, as well as general legal services rendered to the business units of NGB on request.

Research

NGB continued to monitor the gambling sector performance by monitoring market conduct, market share, and economic performance of the gambling industry. This translated into the development of quarterly Gambling Sector Performance Reports covering the period 01 April 2015 to 31 March 2016. Through these reports NGB has been able to identify the casino sector as the form of gambling that brings in the most revenue in the country and the Gauteng Province as the one leading in gambling revenue generation. The highest amounts of taxes/levies have also been collected from the casino sector and in the Gauteng Province. This is consistent with information reported on in previous reports.

NGB commissioned research during the financial year to determine the socio-economic impact of illegal, and especially online gambling in South Africa as well as to determine NGB's role to combat illegal gambling. The study undertook an in depth enquiry as to the impact of online gambling especially illegal online gambling operations on the existing legal modes of gambling in South Africa, a focus area was how such impact pertains to revenue, unfair competition and increased challenges associated with problem gambling and finally how NGB should address these challenges.

Illegal online gambling has become a faceless adversary for regulators due to its borderless nature and modus operandi, making regulations and law enforcement even more difficult and challenging.

The main drivers / enablers of illegal online gambling are:

- marketing of e-gambling;
- social media (as a platform and marketing tool); and
- financial institutions that unknowingly transact in illegal payments, deposits and pay outs.

More control measures are required as the environment is quickly expanding and the associated consequences may be exacerbated by the unmonitored nature of the activity.

A big challenge is that combatting illegal online gambling requires a multifaceted approach. Often illegal gambling activities are linked to other organised crimes such as poaching and human trafficking.

This shadow industry brings with it unfair competition and creates other threat areas for the broader economy such as job sustainability within the regulated gambling industry because over time, as revenues decrease, the industry will be forced to shed jobs (direct and indirectly). In turn this will impact on the South African Government's objective, as set out in the NDP, to create 5 million jobs by 2030.

As revenues continue to erode this industry, the gambling industry's contribution to Corporate Social Responsibility initiatives are likely to decline. Hence, reducing the contribution to social and educational programs.

Economic Impact

Unfair competition created by illegal enterprises negatively affects legal enterprises in terms of their ability to generate revenue. Legal gambling enterprises have to fulfil a number of different conditions before operating licenses are granted. Illegal gambling outlets do not adhere to the rules, regulations and standards governing the industry, and thus face no restrictions in terms of the areas they operate in and the price which they can charge for gambling. This translates in reduced government revenue in the form of tax contributions by legal gambling enterprises;

- The **CASA** estimates the **total tax loss** due to illegal gambling activity equalled R110 million for the 2014/2015 financial year;
- Legal enterprises which face competition from illegal enterprises often have to undertake cost cutting measures to remain profitable. Reducing staff numbers is often one of the first avenues that are pursued for reducing costs;
- In addition, people employed in illegal enterprises do not enjoy the basic provisions of a fair and equitable workplace as contained within the relevant legislation. Illegal enterprises often take advantage of their employees through low wages, poor working conditions and almost no economic benefits;
- Many transnational **criminal networks** use illegal gambling, mostly online gambling, as a mechanism for money laundering and other criminal activities (i.e. animal poaching, trafficking of counterfeit merchandise, drugs and people).
- The estimated monetary flows associated with illegal (online) gambling in South Africa impact the economy in the following ways with respect to employment and Gross Domestic Product:
    - Total loss in value add (the total contribution of the gambling industry to the SA economy) of R1.9 billion for the economy as a whole per annum. This includes a direct impact of R972 million and an indirect impact of R972 million. This is less than 0.01% of total annual GDP for South Africa; and
    - Total loss of 3,785 employment opportunities in the legal gambling industry based on employment in casinos (841) and employment in related services such as retail outlets and restaurants (2,945). This equates to 5.9% of the total employed persons in the casino industry of the country.

Social Impact

- Many of the illegal gambling modes are targeted at lower income earners. These consumers, often desperate to make ends meet or earn extra income, are loured into playing. The consequence is that many of them end up spending the little income that have and are forced to borrow money to either fund their gambling habits or to take care of themselves;
- Consumers that participate in illegal gambling do not enjoy the same rights and protection as those that participate in legal gambling due to the legality of the operator. Many punters that have gambled in illegal establishments and won a substantial amount of money have been refused payment. Further, many of the games offered by illegal operators are not always based purely on chance or skill;
- Illegal gambling impacts society at large through its impact on social resources, both in terms of what is spent on enforcement with regard to prohibiting illegal gambling activities, and also what is lost on account of these activities;
- Many millions of rand in state resources are expended on crime intelligence activities relating to the investigation and prosecution of illegal gambling operators; and
- Social resources are lost due to legal operators (either private gambling enterprises or the National Lottery) having to cut spending in terms of social investment and the funding of good causes. In some instances, funding through these means exceeds traditional funding sources from the state. Therefore, a reduction in funding sourced from legal gambling activities can have a significant impact on many social causes.

Based on the report, the following key recommendations are highlighted to manage the impact of illegal online gambling:

- **Legislation:** Amend current laws to ensure terminology is substituted for online; laws should shift focus to enforcement and assign more resources; and laws should outline uniform criteria for processes and duties so that gambling regulators can concentrate more on enforcement;
- **Institutional capacity:** Capacitate regulators and ensure

they have the tools needed to combat illegal online gambling; assign all regulators peace officer powers and assign them legal authority to conduct raids; create gambling-specialised courts and appoint and train prosecutors aligned to gambling related cases;

- **Collaboration mediums:** Constituting forums which include representatives from the regulators and all other significant agencies that support the enforcement of illegal gambling; inter-link national databases or repositories of information so that all relevant parties are able to access them from any web capable device and they are able to update them;

- **Advertising:** Set advertising standards to ensure that exposure is limited and penalties are adequate to discourage operators; and

- **Awareness:** Create awareness campaigns that run constantly on some form of media to inform the public about gambling legislation and its penalties; as well as problem gambling, its consequences and treatment options.

NGB plans to commission research to determine the socio-economic impact of gambling in South Africa, which is a follow-up study based on studies commissioned in 2005, 2009 and 2012, in the 2016/17 financial year.

Over and above this, the entity published a Research Bulletin on its website based on the findings of a gambling prevalence study conducted during the current financial year. Such findings are reflected under Part C of this report.

Figure 6 summarises the strategic objective, performance indicators, planned targets and actual achievements of the Stakeholder Liaison programme.

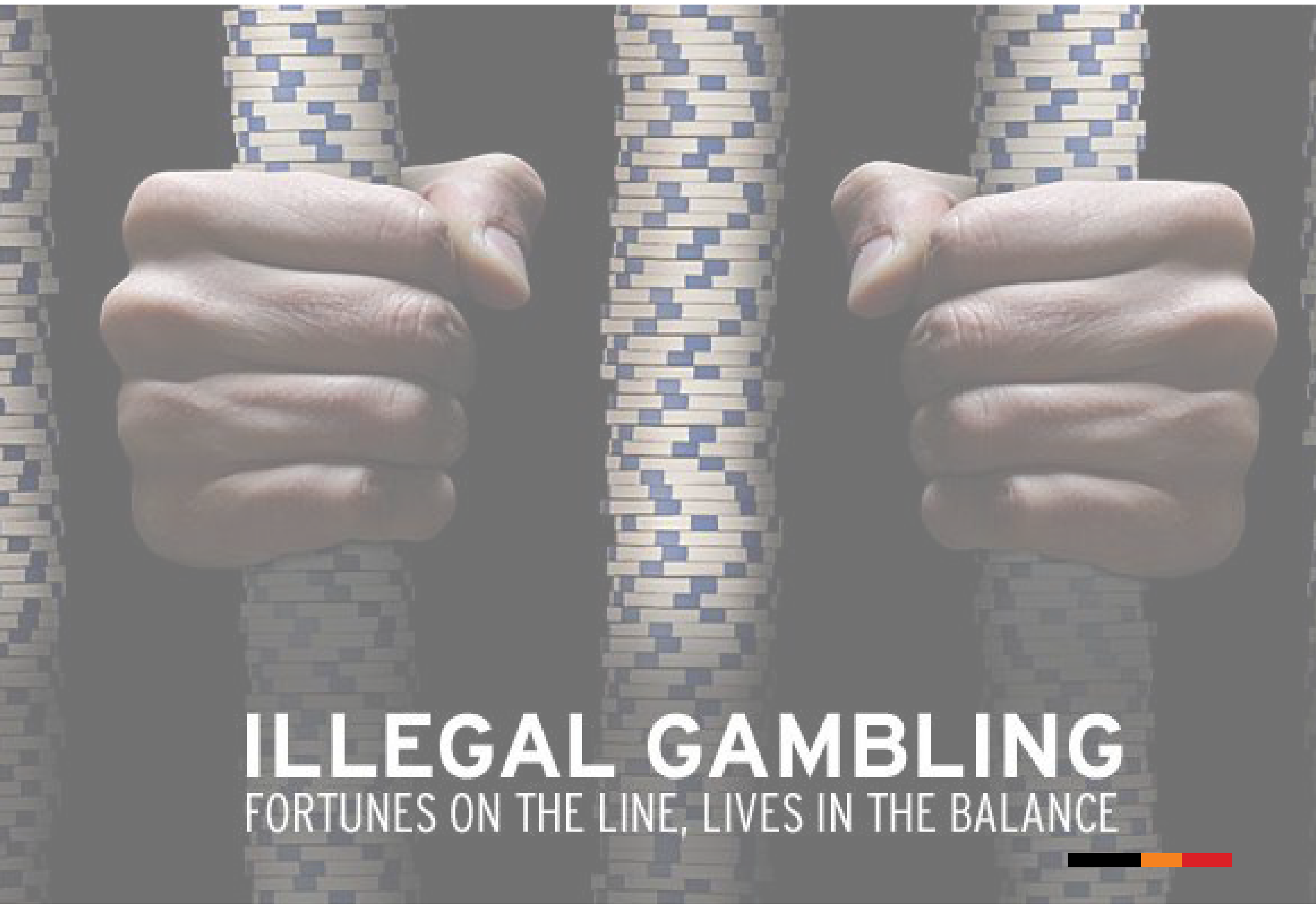


Figure 6:: Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievements

Programme 2: Stakeholder Liaison and Advisory Services				
Strategic objective	Measure / Indicator	Actual performance against target		Reason for variance
		Target	Actual	
Enhance Stakeholder Liaison and Statutory Service	S65 Advisory Reports presented to the Accounting Authority	S65 Annual Advisory report presented to the Accounting Authority on the implementation of the NGA	Achieved Gambling Sector Performance report completed in March 2016, including national gambling statistics for 2015/16 financial year	No variance
	Report on continuous legal advisory services provided to the entity	Consolidated advisory report for the year 2015/16	Achieved A quarterly report on continuous legal advice and litigious matters was completed. This included, but was not limited to, various labour matters, as well as matters relating to unlawful winnings	No variance
	Conduct research on impact of gambling and present the report to the Accounting Authority	Research on the impact of gambling conducted and a report presented to the Accounting Authority	Achieved Report on the prevalence of gambling (2015) submitted Phase one of the research to determine the socio-economic impact of illegal gambling (focus on online gambling), and NGB's role to combat illegal gambling has been completed	No variance
	Audited gambling sector performance report	Annual audited gambling sector performance report	Achieved Audited gambling sector performance reports and presentations, FY15, submitted and published on NGB's website, as well as quarterly FY16 reports and presentations based on raw data for quarters 1, 2 & 3	No variance

"Proceeds from illigal gambling will be forfeited to the state"

Figure 6:: Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievements (continued)

Programme 2: Stakeholder Liaison and Advisory Services				
Strategic objective	Measure / Indicator	Actual performance against target		Reason for variance
		Target	Actual	
	Approval of the B-BBEE concept document by the Accounting Authority	B-BBEE concept document presented and approved by the Accounting Authority	Achieved A Concept Document was presented to PLAs for comment and subsequently approved by the Accounting Authority	No variance
	100 Percentage Implementation of the Communication strategy and plan presented and approved by the Accounting Authority	100% implementation of communication strategy and plan	Achieved Progress report on 100% implementation of communication strategy and plan was completed	No variance
	100% Implementation of the Stakeholder management strategy and plan (framework) presented and approved by the Accounting	100% Implementation of the stakeholders strategy and plan (framework)	Achieved Progress report on 100% implementation against the plan was achieved	No variance
	100 Percentage implementation and assessment of the framework	100% implementation of the framework	Achieved Progress report reflecting 100% implementation against the framework plan was achieved	No variance

"Underage gambling is prohibited"

Programme 3: Corporate Services

(from left to right) Mr Lucky Maimele (Supply Chain Management Practitioner); Ms Thivhasali Mlobedzi (Corporate Services Administrator: Finance); Ms Kaveshka Mackerduth (Chief Financial Officer); Mr Magora Lekala (General Office Assistant); Mr Gerald Mametse (Senior Manager: Human Capital Optimisation); Mr Surgeon Mthombeni (Senior Manager: Finance); Ms Mathuli Zikalala (HR Practitioner); and Mr Sakhi Mhlongo (IT Systems Support Officer);

(Absent) Ms Beatrice Leola (Receptionist); Ms Zanele Kuali (Personal Assistant to Chief Financial Officer) and Florence Molotja (Records Management Practitioner).

Purpose of the programme

Corporate Services facilitate the overall management of 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 NGB.

Sub-programmes

Finance

The core functions of the finance unit are to provide overall management of the financial affairs of 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 NGB are in line with the 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 NGB in matters of ICT strategic development and maintenance of the communication and management systems, thereby safeguarding the assets of 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 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:

- Effective control support utilisation maintenance and management of financial resources.
- Efficient and effective skilled workforce;
- Operational and technical efficiency; and
- Uninterrupted ICT infrastructure.

Key Achievements of Programme

NGB has committed and spent 92.4% of the budget in the 2015/16 financial year. NGB has implemented and maintained internal controls since the 2014/15 financial year to prevent over expenditure of the budget as was the trend in the prior financial year.

Human Resource Optimisation was steadfast in their endeavours to ensure that the vacancy rate has significantly decreased from 48.1% (2014/15) to 11.1% (2015/16).

The entity has strived to ensure that there has been compliance with all SCM laws and regulations with the result that there was no new irregular expenditure that was incurred in the 2015/16 financial year. R70,005 of irregular expenditure which was reported in the 2015/16 annual financial statements arose as a result of a contract that was entered into in prior years that the entity was obligated to honour.

There has been a downward trend in the number of audit findings that the entity has received over the past three financial years; 2013/14 - 174 audit findings, 2014/15 - 34 audit findings and 2015/16 – 1 audit finding. Prior year's findings mainly related to irregular expenditure which was investigated and resolved in the 2015/16 financial year. The decrease in the number of audit findings, as well as NGB's ability to address 100% of all of the prior year's audit findings, is a clear indication of the commitment of the entity to ensure that there is proper financial management controls, as well as accountability for all matters within the entity.

NGB has been in a position to generate additional revenue of R5 million in the 2015/16 and R10 million in the 2016/17 financial year which is over and above the allocation received through **the dti** grant. In addition to this, the entity has not requested any increases in the baseline of revenue that has been allocated in terms of the Medium Term Expenditure Framework.

ICT achieved 100% uptime in the current financial year. A document management system was procured to ensure that there are proper processes and systems in place to manage the flow of information within NGB, as well as to ensure controls over proper records management are implemented at all times.

Figure 7 summarises the strategic objective, performance indicators, planned targets and actual achievements of the Corporate Services programme.

Figure 7: Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievements

Programme 3: Corporate services				
Strategic objective	**Measure / Indicator**	**Actual performance against target**		**Reason for variance**
		Target	**Actual**	
Optimise organisational excellence	Unqualified audit report with a reduction in the number of audit findings reported in the management report	Unqualified audit report with less than 50 audit findings reported in the management report	Achieved Unqualified audit report with 34 findings	No Variance
	Report on % implementation of the human capital strategy and plan	Report on 60% implementation of the human capital plan	Over achieved 69.23% implementation of the human capital strategy and plan	Over achievement is the result of filling in of the position of Senior Manager: HCO. This contributed towards the Senior Manager: HCO effectively and efficiently implementing more targets as contained within the Human Capital Strategy and Plan
	% uptime of all IT systems	Maintain uptime on all IT systems at 98% or above.	Over achieved 100% uptime for the year was achieved	The acquisition and installation of servers contributed to efficiencies in the maintenance of the ICT infrastructure

Linking Performance with Budgets

Performance in the light of expenditure that has been elaborated on above can be expressed in rand values as per figures 8 and 9

PROGRAMME EXPENDITURE

Figure 8: Expenditure

	2015/16			2014/2015		
Programme Name	Budget	Actual Expenditure	(Over)/ Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Stakeholder Liaison and Legal	5,669	3,361	2,308	7,021	6,002	1,019
Corporate Services	20,464	19,108	1,356	19,462	19,593	(131)
Compliance	12,402	5,038	7,364	5,856	3,989	1,867
Total	38,535	27,507	11,028	32,339	29,584	2,755

Figure 8 is inclusive of capital expenditure that was planned during the 2014/15 financial year. R1,641,646 was budgeted capital expenditure that was directed at the purchase of ICT equipment, a document management system, the upgrade of NGB's financial system, as well as the development of the illegal gambling operatives register. R535 236 of the total capital expenditure related to expenditure that was actually incurred. The balance has been committed for the financial year.

REVENUE COLLECTION

Figure 9: Revenue

	2015/16			2014/2015		
Sources of revenue	Estimate	Actual Amount Collected	(Over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Government Grant	31,483	31,983	(500)	29,797	29,797	-
NCEMS Licence Fees	5,272	5,301	(29)	258	258	-
Interest Received	1,367	1,325	42	174	285	(111)
Miscellaneous Income	2,150	2,118	32	2271	1794	477
Total	40,272	40,727	(454)	32,500	32,134	366

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 FY.

The current FY was no different as 79% of the revenue of NGB was as a result of **the dti** grant.

Total revenue amounting to R40.7 million was received during the year, which was made up of a grant of R32 million and a further R8.8 million received from other sources including the interest, rental income and request for proposal sales. Included in this amount was revenue from NCEMS monitoring fees of R5,3 million that was received. This significantly increased and as a result of negotiations with the current service provider, NGB was able to secure an additional R15 million. The balance of the R10 million will be received in the 2016/17 financial year.

CAPITAL INVESTMENT

Capital Investment, Maintenance and Asset Management Plan

NGB maintains a fixed asset register with a total asset value of R11,720 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 AND NATIONAL STATISTICS

The protection of consumers in the gambling industry is overseen by the National Gambling Board

GAMBLING SECTOR PERFORMANCE

One of the key mandates of NGB is to monitor market share and market conduct in the South African gambling industry. In doing so, NGB 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 reflected below is based on audited data as received from all PLAs.

Overall, a snapshot of the gambling industry in terms of market conduct and national gambling statistics applicable to FY2015 and FY2016 are reflected below in Figure 7. In general, a steady increase in GGR has been recorded from Quarter 1 to Quarter 4.

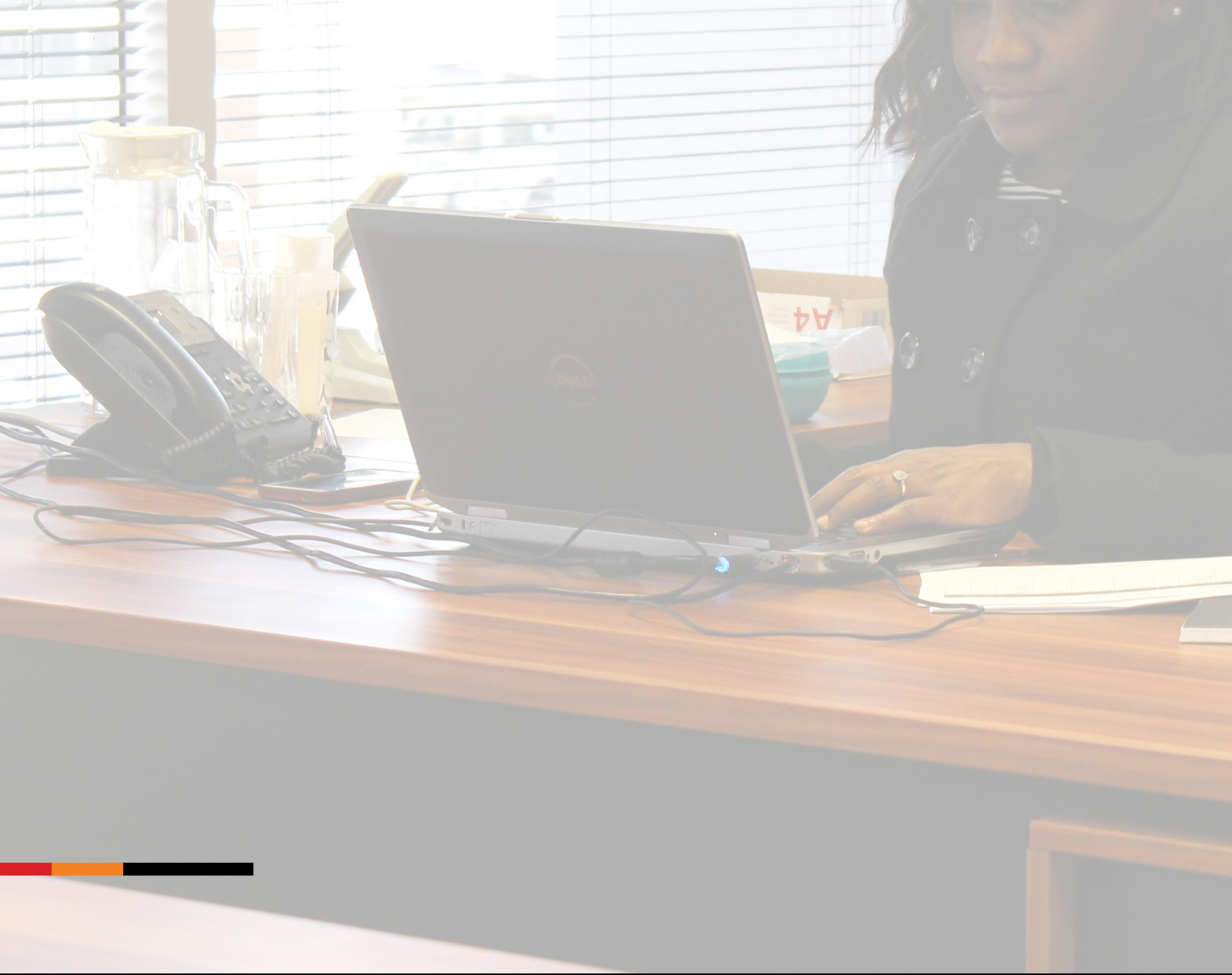


Figure 10: Snapshot of the gambling industry – FY15 & FY16, Quarters 1, 2, 3 & 4

Variable	FY2015 As at 31 March 2015	FY2016 Market conduct – as at Quarter 4 Statistics – Total all quarters	FY2016 Quarter 1	FY2016 Quarter 2	FY2016 Quarter 3	FY2016 Quarter 4
Number of operational casinos	37	38	38	38	38	38
Number of operational slots (casinos)	23 708	24 070	23 913	23 597	23 935	24 070
Number of operational tables (casinos)	916	889	898	908	892	889
Number of operational gambling positions (casinos)	33 360	33 618	33 793	33 497	33 819	33 618
Operational totalisator outlets	402	444	403	448	441	444
Operational bookmakers	214	227	219	220	218	227
Operational bookmaker outlets	435	457	423	436	454	457
Operational Limited Payout Machine (LPM) site operators	2 071	2 072	2 018	2 037	2 083	2 072
Installed LPMs	10 279	10 934	10 304	10 409	11 102	10 934
Operational bingo outlets	26	31	27	27	32	31
Operational bingo positions	5 369	6032	5 457	5 469	6 031	6 032
National gambling statistics: Turnover (Qrt 1, 2, 3 & 4) Total: R358 359 106 940	319 717 291 862	358 359 106 940	82 245 297 893	94 882 069 730	90 725 920 006	90 505 819 311
National gambling statistics: GGR generated (Qrt 1, 2, 3 & 4) Total: R26 265 474 796	23 893 934 269	26 265 474 796	6 126 801 892	6 404 665 285	6 696 362 747	7 037 644 873
National gambling statistics: Taxes/levies collected FY2016 (Qrt 1, 2, 3 & 4) Total: R2 770 743 912	2 476 683 639	2 770 743 912	633 328 904	759 032 481	693 480 961	684 901 566

Generation of GGR analysis of the increase in GGR and gambling positions per gambling mode during the period FY15, (Quarter 1 to Quarter 4) and FY16 (Quarters 1 to Quarter 4), reflects the following trends as shown in Figures 11 & 12 below.

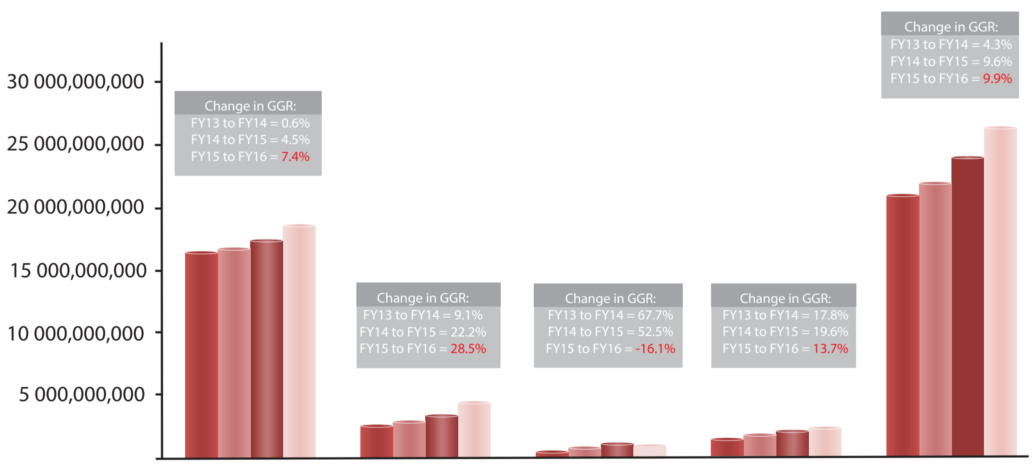
Since FY13, the highest increase in GGR generated in the casino industry was recorded from FY15 to FY16. GGR increased by 0.6% from FY13 to FY14, by 4.5% from FY14 to FY15, and by 7.4% from FY15 to FY16. The number of operational casinos positions increased by 4.7% from 31,860 (FY14) to 33,360 (FY15), and by only 0.8% to 33,618 (FY16, Quarter 4). A new casino became operational in Northern Cape during FY15 and in Limpopo during FY16 (Quarter 1). Increases in operational gambling positions in casinos were recorded in KwaZulu-Natal, Limpopo, Northern Cape, Eastern Cape and Free State during FY15 to FY16.

Compared to FY15, the growth in GGR generated in the LPM industry for FY16 has dropped. An increase by 17.8% from FY13 to FY14 and by 19.6% from FY14 to FY15 was recorded, however followed by only a 13.7% increase from FY15 to FY16. The number of active LPMs increased by 10.7% from FY14 to FY15, and by 6.4% from FY15 to FY16 in Quarter 4. This is mainly as a result of increases in the roll out of active LPMs from FY15 (10,279) to FY16, Quarter 4 (10,934) in all provinces, except Gauteng and Limpopo.

The betting on horse racing and sport industries recorded substantial, consistent and the highest growth in GGR generated compared to all other modes of gambling i.e. by 9.1% from FY13 to FY14, by 22.2% from FY14 to FY15, and by 28.5% from FY15 to FY16. This is mainly as a result of major increases in the generation of GGR by bookmakers offering betting on sport, as is still the case at the end of FY16, Quarter 4. GGR generated by bookmakers offering betting on sport increased by 36.0% from FY13 to FY14, by 59.9% to FY15, and by 50.9% to FY16.

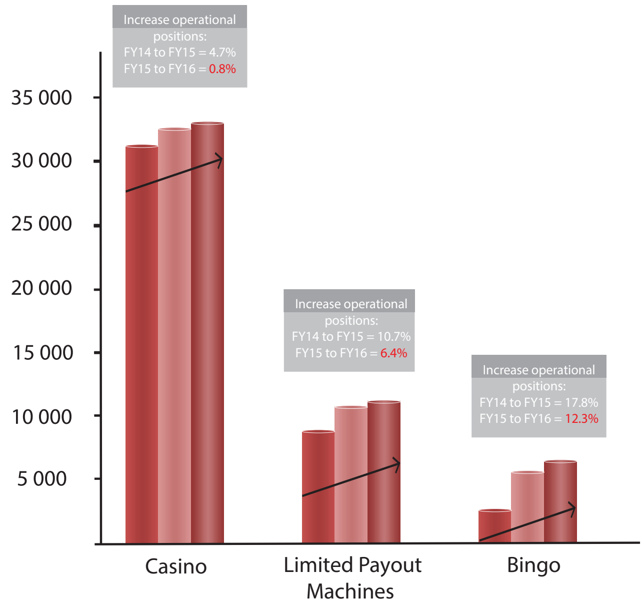
Although the bingo industry showed the highest growth (in percentage) in the generation of GGR, being reflected by an increase of 67.7% from FY13 to FY14, and by 52.5% from FY14 to FY15, less GGR was generated (mainly in Gauteng) in FY15 to FY16 compared to the previous FYs (decreased by 16.1% from FY15 to FY16). Initial high increases in GGR generated was mainly as a result of an increase of 36.5% in the number of operational bingo seats from FY13 to FY14, by 17.8% from FY14 to FY15, and by 12.3% from FY15 to FY16 (Quarter 4). An increase in the number of Electronic Bingo Terminals was recorded in Eastern Cape, as well as an increase in the number of traditional bingo positions in KwaZulu-Natal from FY15 to FY16.

Figure 11: Increase in GGR, all modes (FY13 – FY16)



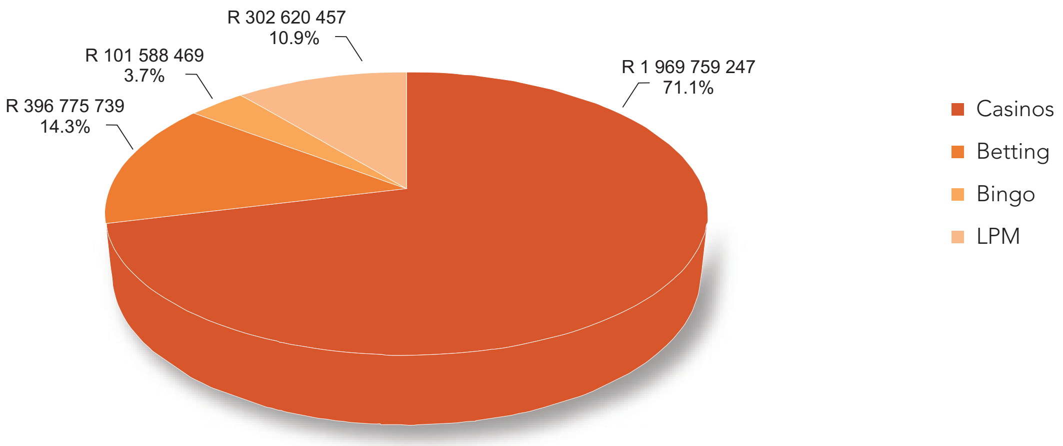
	GGR Casino	GGR Betting	GGR Bingo	GGR LPM	TOTAL
GGR, FY13	16 404 078 723	2 596 845 092	436 770 125	1 476 449 382	20 914 143 321
GGR, FY14	16 497 594 915	2 834 103 394	732 321 861	1 738 648 662	21 802 668 831
GGR, FY15	17 235 535 872	3 462 994 717	1 116 673 081	2 079 338 389	23 894 542 060
GGR, FY16	18 517 040 904	4 448 765 756	936 166 348	2 363 501 788	26 265 474 797

Figure 12: Increase in the number of gambling positions in the casino, LPM and Bingo sectors: FY14 – FY16



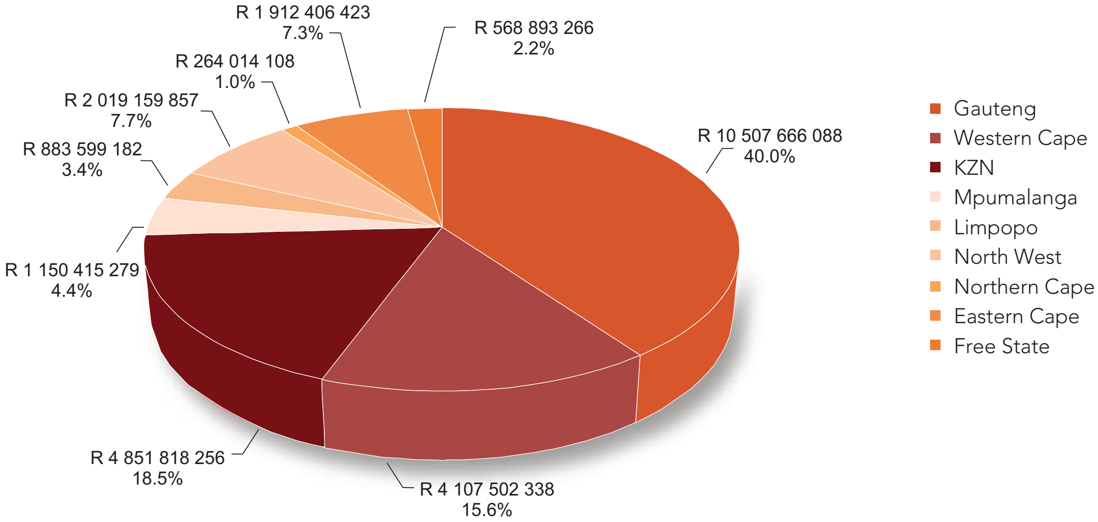
	Casino	Limited Payout Machines	Bingo
Operational positions, FY14	31 860	9 288	4 557
Operational positions, FY15	33 360	10 279	5 369
Operational positions, FY16	33 618	10 934	6 032

Figure 13: GGR per gambling mode, all provinces, FY16, Quarters 1, 2, 3 & 4



Total taxes/levies R 2 770 743 912

Figure 14: GGR per province, all modes, FY16, Quarters 1, 2, 3 & 4



Total GGR: R 26 265 474 796

Overall, GGR increased by 4.3% from R20,9 billion in FY13 to R 21,8 billion in FY14, by 9.6% to R 23,9 billion in FY15 and by 9,9% to R26.3 billion in FY16. A total amount of R 26 265 474 796 in GGR was generated during FY16. During FY16 casinos accounted for the highest GGR generated, being 70.5% as compared to other gambling modes. Compared to all other provinces, Gauteng at a 40.0% share, accounted for the highest amount of GGR generated.

The analysis of **taxes/levies** collected by all PLAs reflects that taxes/levies increased by 6.6% from R2,1 billion in FY13 to R2,2 billion in FY14, by 10.7% to R2,5 billion in FY15, and by 11.9% to R2,8 billion in FY16. A total amount of R2,7 billion was collected during FY16, Quarters 1, 2, 3 & 4. During FY16 (Quarters 1, 2, 3 & 4), at 71.1%, casinos contributed the highest amount of taxes/levies paid by comparison with other gambling modes. At 36.1% Gauteng accounts for the highest amount of taxes/levies paid compared to all other provinces. Taxes/levies collected per gambling mode and province are reflected in Figures 15, 16 and 17 below.

Figure 15: Taxes/levies per gambling mode, all provinces, FY16, Quarters 1, 2, 3 & 4

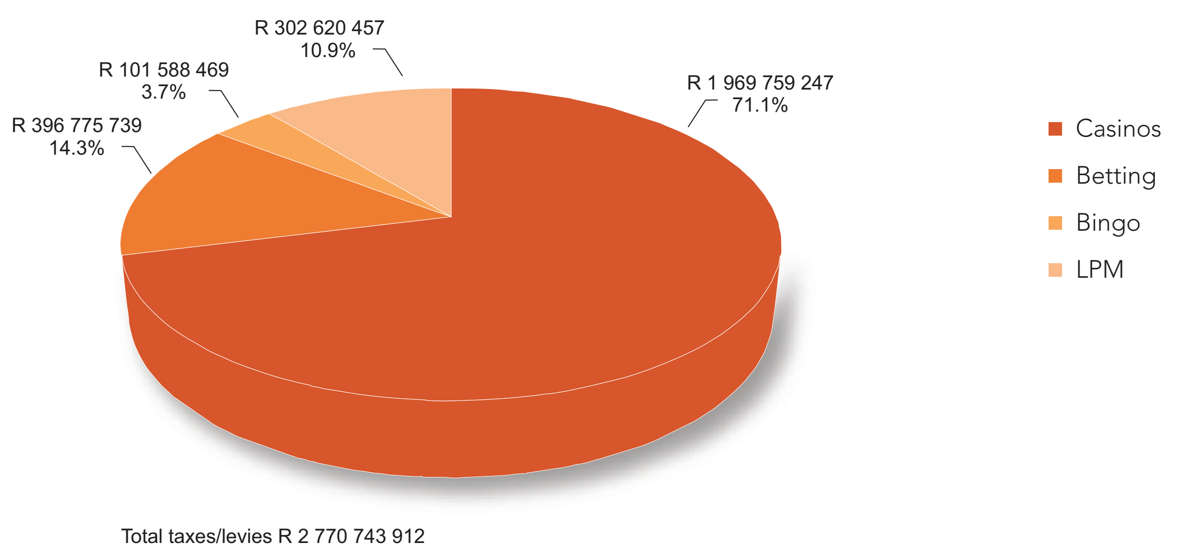


Figure 16: Taxes/levies per province, all modes, FY16, Quarters 1, 2, 3 & 4

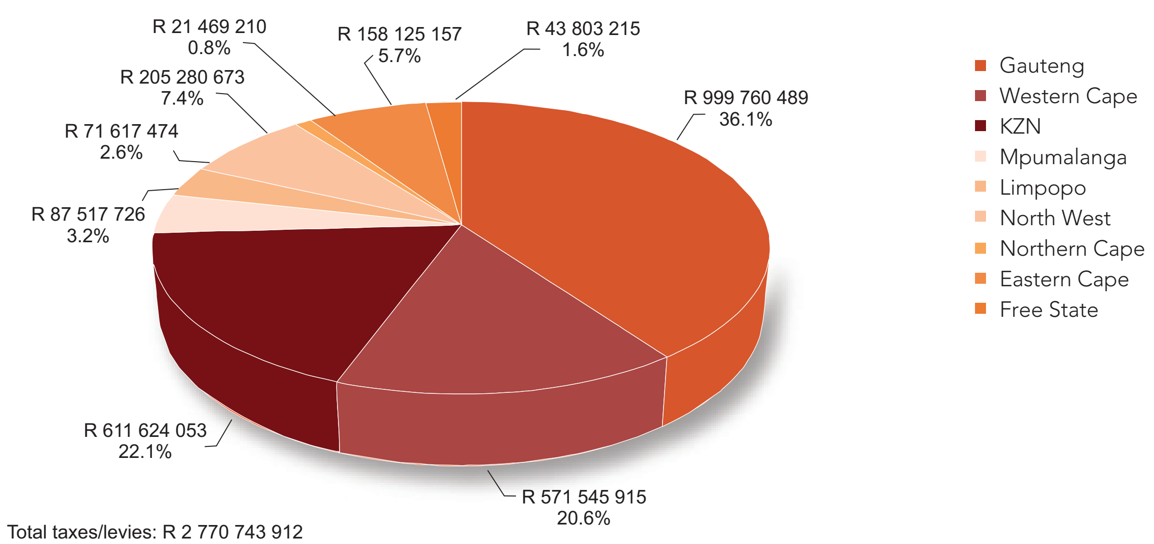
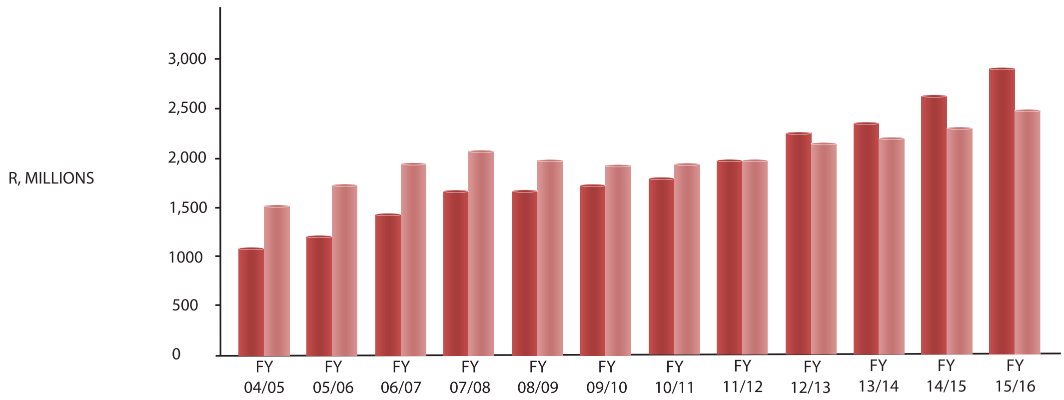


Figure 17: Trends in taxes/levies per province (all modes), FY05 – FY16



	FY 04/05	FY 05/06	FY 06/07	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16
At current prices	925	1 068	1 300	1 520	1 539	1 575	1 670	1 834	2 098	2 237	2 477	2 771
At constant 2012 prices*	1 410	1 578	1 811	1 926	1 820	1 787	1 804	1 834	2 029	2 039	2 159	2 317

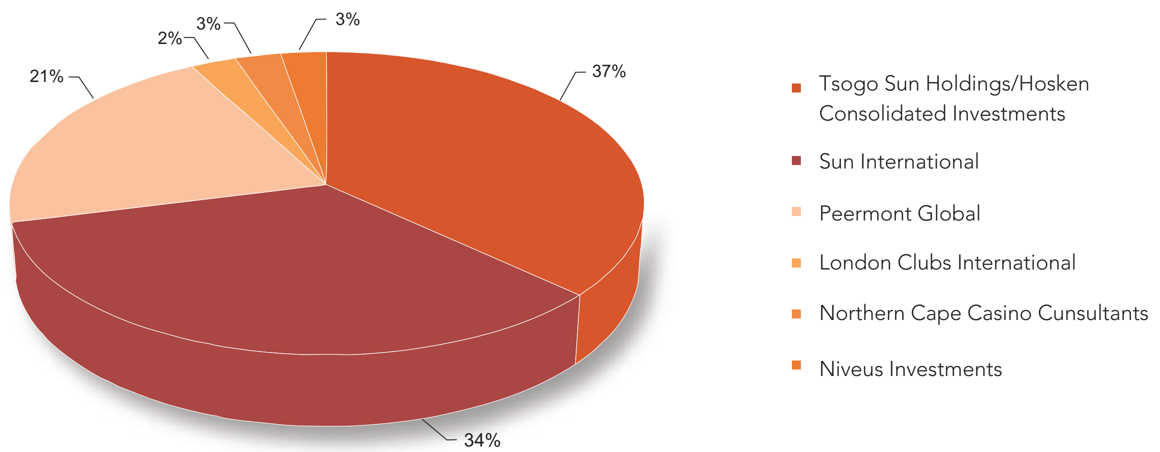
Market Share

The legal gambling industry of South Africa is mainly made up of the casino sector, betting sector (comprising of totalisator and sports), limited payout machine sector and bingo sector. Market share of the gambling industry is assessed in terms of ownership, GGR and taxes and levies contributed.

As at 31 March 2016 a total number of 38 casinos (a maximum of 40 licenses is provided for in the national legislation) are operational in South Africa. The controlling shareholders are Sun International (13 casinos), Tsogo Sun Holdings / Hosken Consolidated Investments (14 casinos), Peermont Resorts (8 casinos), London Clubs International (1 casino), Northern Cape Casino Consultants (1 casino) and Niveus Investments (1 casino). Two (2) casino licences still need to be finalised. The latest status regarding the outstanding casino licence in Mthatha, Eastern Cape, is that no license has been issued to date. It is currently unclear whether another casino licence, which was originally earmarked for the Pilgrims Region of Mpumalanga, will be relocated to the Nelspruit area. A new casino in Burgersfort (Limpopo) has become operational on 2 April 2015. Tsogo Sun Holdings is the controlling shareholder in respect of most of the operational casinos (14), followed by Sun International (13 casinos) in South Africa. In June 2016, the Minister of Trade and Industry, Dr Rob Davies, increased the maximum number of casino licences that may be granted in South Africa from 40 to 41 with the additional licence being allocated to the North West Province.

The controlling shareholders for the 38 operational casinos, are reflected by name, as well as the names of each shareholder's casinos and the respective number of casinos per shareholder in Figure 18.

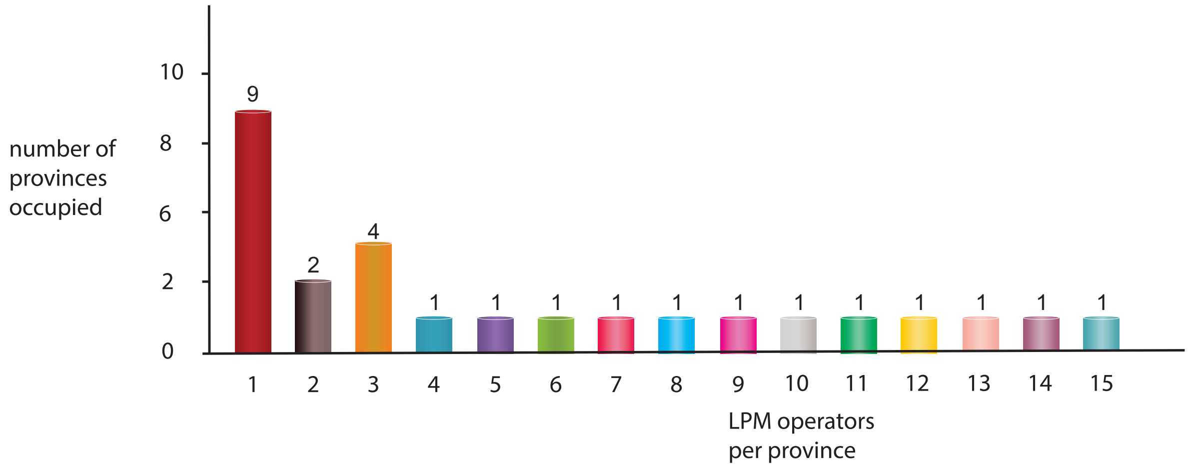
Figure 18: Market share of ownership of casinos as at FY16



Gold Circle is the totalisator operator in KwaZulu-Natal, and Phumelela in Gauteng, Mpumalanga, Limpopo, North West, Northern Cape, Eastern Cape and the Free State. Kenilworth Racing (totalisator) is operating in Western Cape, however, Phumelela currently manages the Western Cape racing operations on behalf of the Kenilworth Racing Trust. In essence, Phumelela has expanded its operations to include the Western Cape and has presence in eight (8) provinces with the exception of KwaZulu-Natal. Trotco (Pty) Ltd t/a Ithotho is also licensed in KwaZulu-Natal as a totalisator and a racecourse operator. Telebet call centres are located in Gauteng and Eastern Cape. Licensed bookmakers are located in all the provinces throughout the Republic. Bets can be placed on horse racing and sport (on and off course), as well as on any other legal contingency.

The main role players in the LPM sector can be defined in two (2) specific categories, namely route operators and site operators. Route operators are companies that are licensed to own, manage and operate LPMs throughout the country. Site operators are privately-owned hotels, pubs or eating establishments, totalisator or bookmaker outlets which may be situated throughout the country. There are fifteen (15) licensed LPM route operators across the country. The share of relevant route operators which are operational across the country are illustrated in Figure 19 below. Vukani Gaming operates LPMs in all nine (9) provinces, followed by Gold Rush Gaming which operates LPMs in four (4) provinces and Grand Gaming which operates in two (2) provinces. The rest of the route operators are licensed to operate LPMs in one (1) province. This has implications for competition.

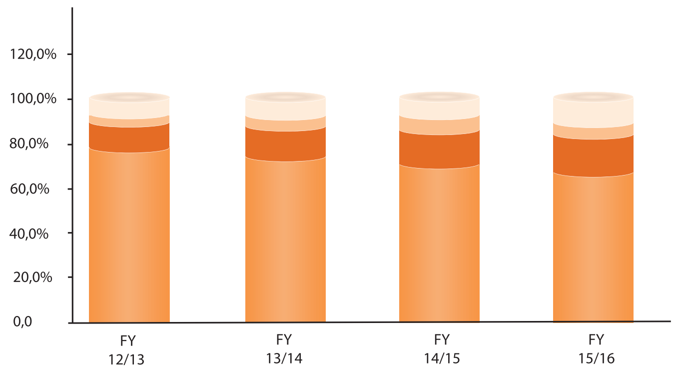
Figure 19: Ownership of the LPM (Route Operators) by number of provinces occupied



1	**Vukani Gaming**	9
2	**Grand Gaming**	2
3	**Gold Rush Gaming**	4
4	**Crazy Slots**	1
5	**Hot Slots**	1
6	**Kingdom Slots**	1
7	**KZN Slots**	1
8	**Luck@it**	1
9	**[Galaxy Bingo]**	1
10	**[Great Bingo]**	1
11	**Zimele**	1
12	**Independent Thaba Gare**	1
13	**Bathusi Investment**	1
14	**Hurtees**	1
15	**Pioneer**	1

In terms of GGR, as at 31 March 2016, the GGR from all modes of gambling totalled R26,3 billion. Of this total, casino GGR accounted for 71% of the gambling market followed by betting GGR with a market share of 17%. LPM GGR accounted for 9% of the market whilst bingo GGR had the least market share. From 2012 to 2016, however, the trend in market share shows that the share of casino GGR in the market has dropped by 7.9%, whilst the market share of gambling revenues from betting has increased. The market share of bingo GGR also fell to 4% in the FY16 as illustrated in Figure 20.

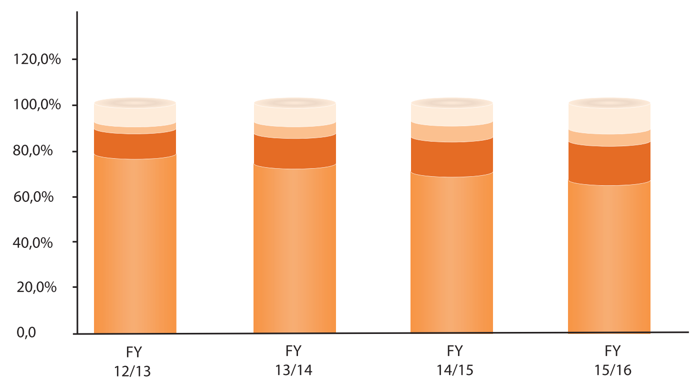
Figure 20: Market share of gambling industry sectors by (GGR) from FY2013 to FY2016



	FY 12/13	FY 13/14	FY 14/15	FY 15/16
Casinos	78,4%	75,7%	72,1%	70,5%
Betting	12,4%	13,0%	14,5%	16,9%
Bingo	2,1%	3,4%	4,7%	3,6%
LPM	7,1%	8,0%	8,7%	9,0%

In terms of taxes and levies from all modes of gambling, a total of R2.8 billion was collected from the gambling industry in the 2015/16 financial year. The market share of taxes tells a different story than that by GGR. As Figure 21, illustrates, the share of taxes/levies collected from casino gambling has decreased between 2012 and 2016. The share of taxes/levies collected from betting has increased between 2014 and 2016 by 0.4%.

Figure 21: Market share of gambling industry sectors by taxes/levies contribution from FY2013 to FY2016

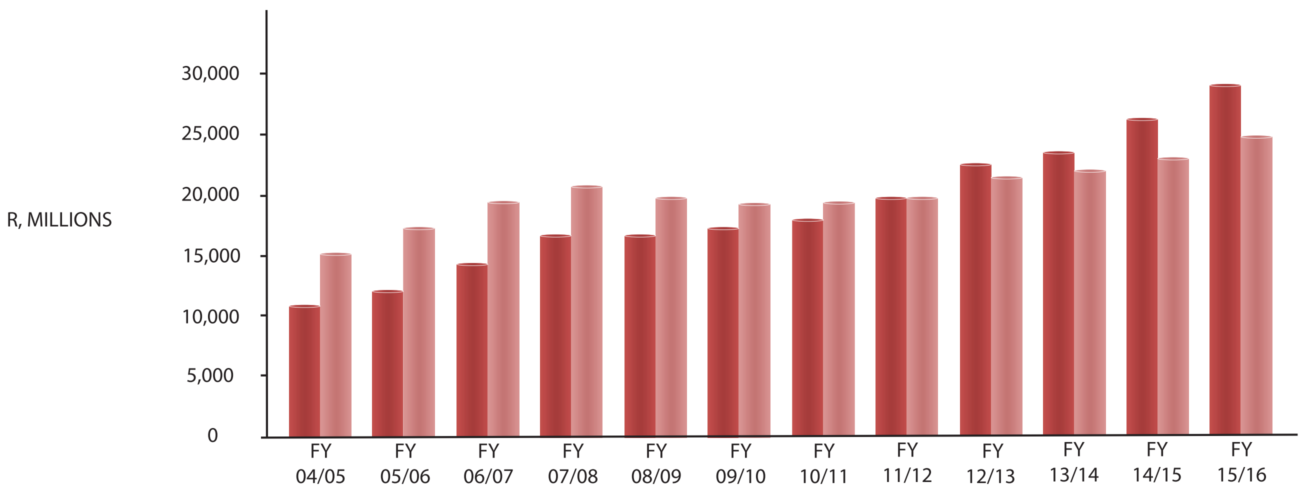


	FY 12/13	FY 13/14	FY 14/15	FY 15/16
Casinos	75,2%	73,3%	72,3%	71,2%
Betting	14,0%	14,8%	13,8%	14,2%
Bingo	2,1%	2,4%	3,3%	3,7%
LPM	8,6%	9,6%	10,6%	10,9%

Economic Analysis

The trend in GGR for all modes and all provinces is illustrated in Figure 22 at current and constant prices that account for inflation. From FY04/05 GGR at constant 2012 prices followed an increasing upward trend before falling after FY07/08. This is the same time as the Global Financial Crisis of 2008 that slowed down economic growth and resulted in a fall in incomes and consequently discretionary income for gambling. From FY13/14 GGR at constant prices has followed an increasing trend from R19,9 billion to R22 billion in FY15/16.

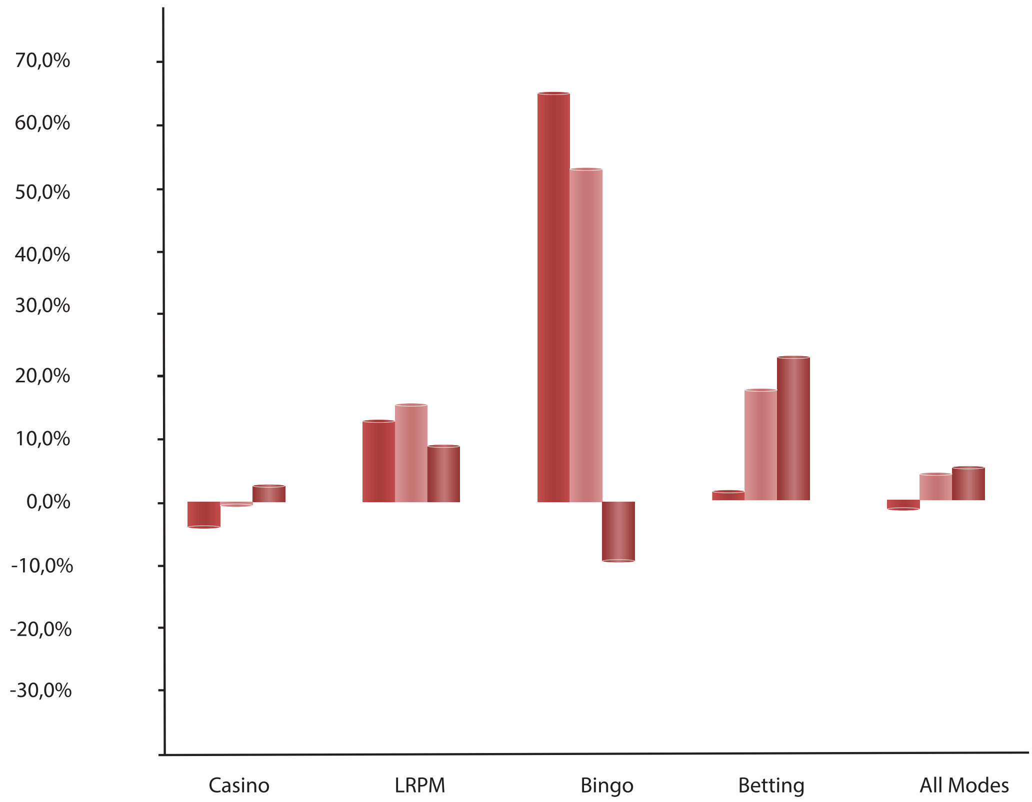
Figure 22: Trend in GGR FY05 to FY16, all modes all provinces



	FY 04/05	FY 05/06	FY 06/07	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16
At current prices	9 918	11 400	13 520	15 618	15 921	16 268	17 140	18 417	20 914	21 803	23 894	26 265
At constant 2012 prices*	15 121	16 847	18 832	19 788	18 828	18 453	18 516	18 417	20 221	19 875	20 826	21 961

Figure 23 illustrates the real growth in GGR per gambling mode over the last three financial years and reveals that despite increases in the number of operational gambling positions in the casino, LPM and bingo sectors, there was a slowdown in the real growth in casino GGR in the financial years FY14 and FY15. This coincides with fall in Gross Domestic Product (GDP) growth over the same period. However, LPM GGR and betting GGR increased in the FY14 and FY15 period, but bingo GGR fell from 58% in FY14 to 46% in FY15. Bingo GGR continued to register slow real growth in the FY16 whilst there was also a slowdown in the real growth in LPM GGR over the same period. Betting GGR, however, has shown an increase in real growth in the FY16 financial period of 23%

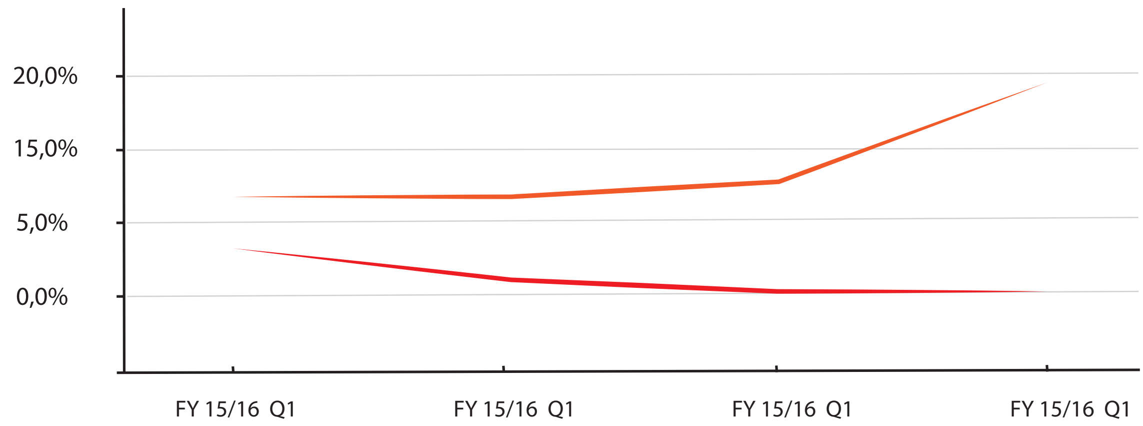
Figure 23: Real growth in GGR all modes (FY14 – FY16)



	Casino	LRPM	Bingo	Betting	All Modes
FY13 to FYI14	-5,2%	11%	58%	3%	-1,7%
FY14 to FYI15	-0,1%	14%	46%	17%	4,8%
FY15 to FYI16	3,7%	9%	-20%	23%	5,5%

NGB also monitors the movement of the real GGR from all modes of gambling against real GDP as reflected in Figure 24. During the financial year FY16 from the 1st quarter to the 4th quarter, the growth rate of GGR from all modes of gambling followed an increasing trend compared to real GDP growth rate which declined over the all the quarters of the financial year. This indicates that despite a slowdown in the growth of the economy in the last financial year, gambling revenues increased in the last financial year.

Figure 24: Growth rate of GGR and real GDP FY16



Growth Rate GGR	6,6%	6,9%	8,4%	17,8%
GDP Growth Rate-sourced from Statistics SA (2016)	4,0%	1,6%	0,6%	0,1%

EMPLOYMENT(direct)

Direct employment in the gambling sector has been monitored since 2011. The information below is based on information provided for the various positions both permanent (key and non-key) and outsourced employment based on the template used for FY2011, 2012 and 2013. The 2014 template was revised to make provision for the collection information relevant to direct permanent and temporary employment only.

A total number of 18 238 people (direct employment) were employed in the gambling industry as at 31 March 2016. In general, the casino sector, and Gauteng, KwaZulu-Natal, Western Cape and Eastern Cape account for the highest numbers in terms of direct employment in the gambling industry as reflected in Figure 25.

Figure 25: Direct employment per province and mode, FY16

PROVINCE										
Gambling mode	Gauteng	Western Cape	KwaZulu-Natal	Mpuma-langa	Limpopo	North West	Northern Cape	Eastern Cape	Free State	**TOTAL**
Casinos	762[1]	1 862	2 643	630	728	786	305	1 784	545	**10 045**
Totalisators	44	20	Combined with bookmaker figure	64	84	69	13	83	73	**450**
Bookmakers	62	179	1 675[2]	566	887	337	41	308	101	**4 156**
LPMs	237	95	101	112	715	252	9	869	14	**2 404**
Bingo	125	0	244	88	0	107	0	619	0	**1 183**
	1 230	2 156	4 663	1 460	2 414	1 551	368	3 663	733	**18 238**

1 Figure represents licenses that Gauteng Gambling Board has issued during FY16 and only those individuals that were required to be licensed in accordance with the Act

2 Inclusive of employment figures for totalisators

TRANSFORMATION [B-BBEE LEVELS]

Broad Based Black Economic Empowerment (B-BBEE) is an economic and political imperative in South Africa. Empowerment in the South African gambling industry is measured in terms of the Codes of Good practice published by the Department of Trade & Industry. The gambling industry, to date, does not have its own transformation charter. Thus gambling enterprises are measured in terms of the generic score card and more specifically, the following: Ownership, Management Control, Employment Equity, Skills Development, Preferential Procurement, Enterprise Development and Socio-Economic Development. However, on 11 October 2013, the Department of Trade and Industry released the revised B-BBEE Codes of Good Practice. NGB has monitored the contributor level for each operator per gambling mode since FY10 to FY16. The old and the new codes have been merged to monitor contributor levels applicable to FY16, and as follows: Ownership, management control, employment equity, skills development, preferential procurement, enterprise (supplier) development and socio-economic development.

Based on the information submitted by PLAs, the average B-BBEE status or level of the South African gambling industry as at 31 March 2016 per gambling mode and operator, was as follows:

- Average B-BBEE level for casino operators: Level 2.2
- Average B-BBEE level for totalisators: Level 2.3
- Average B-BBEE level for LPM operators: Level 2.7
- Average B-BBEE level for bingo operators: Level 1.6 (currently only operational in Gauteng, Mpumalanga, North West, Eastern Cape and KwaZulu-Natal).

A detailed breakdown of B-BBEE levels, per gambling mode and operator, from FY10 to FY16, is reflected below:

Figure 26: B-BBEE levels for the casino sector from FY10 to FY16

B-BBEE LEVELS, CASINO, FY10 – FY16								
Controlling shareholders	**Name of casino**	**Contributor / B-BBEE level**						
		FY10	**FY11**	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**
Sun International	Boardwalk Casino (EC),	4	3	3	3	3	2	2
	Wild Coast Sun (EC),	4	3	3	3	3	3	2
	Sibaya Casino (KZN),	4	2	2	2	2	2	2
	Windmill Casino (FS),	4	2	2	2	2	2	2
	Naledi (FS),	4	2	2	N/A	N/A	N/A	N/A
	Flamingo Casino (NC),	4	N/A	4	4	4	2	4
	Meropa Casino (LP),	4	N/A	2	2	2	2	2
	Grandwest Casino (WC),	4	N/A	3	3	2	2	2
	Golden Valley Casino (WC),	4	3	3	3	2	2	3
	Sun City (NW),	4	N/A	3	3	3	3	2
	Carousel Casino (NW),	4	N/A	N/A	2	2	2	2
	Morula Sun Casino (GT),	4	N/A	2	2	2	2	2
	Carnival City (GT)	N/A	N/A	N/A	N/A	N/A	N/A	2
Average for casinos based on available information		**4**	**2.6**	**2.7**	**2.7**	**2.5**	**2.3**	**2.3**

Figure 26: B-BBEE levels for the casino sector from FY10 to FY16 (continued)

B-BBEE LEVELS, CASINO, FY10 – FY16								
Controlling shareholders	**Name of casino**	**Contributor / B-BBEE level**						
		FY10	**FY11**	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**
Tsogo Sun Holdings/ Hosken Consolidated Investments	Hemingways Casino (EC),	3	3	3	3	3	2	1
	Queens Casino (EC),	3	N/A	N/A	N/A	2	3	2
	Suncoast Casino (KZN),	2	2	2	2	2	2	2
	Black Rock Casino (KZN),	3	3	3	3	3	2	2
	Golden Horse Casino (KZN),	2	2	2	2	2	2	2
	Goldfields Casino (FS),	2	2	2	2	2	2	2
	The Ridge Casino (Mpum),	3	N/A	3	2	2	2	2
	Emnotweni Casino (MP),	3	N/A	3	2	2	2	2
	Caledon Hotel Spa Casino (WC),	2	2	2	2	2	2	2
	Casino Mykonos (WC),	3	3	2	2	2	2	2
	Garden Route Casino (WC),	3	3	3	2	2	2	2
	montecasino (GT),	3	2	2	2	2	2	1
	Gold Reef City Casino (GT),	2	N/A	2	2	2	2	2
	Silverstar Casino (GT)	2	N/A	N/A	N/A	2	2	2
Average for Tsogo Sun		**2.6**	**2.4**	**2.4**	**2.2**	**2.1**	**2.1**	**1.9**

Figure 26: B-BBEE levels for the casino sector from FY10 to FY16 (continued)

B-BBEE LEVELS, CASINO, FY10 – FY16								
Controlling shareholders	**Name of casino**	**Contributor / B-BBEE level**						
		FY10	**FY11**	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**
Peermont Global	Umfolozi Casino (KZN),	2	4	2	2	2	2	2
	Frontier Inn and Casino (FS),	3	2	2	2	2	2	1
	Graceland Hotel Casino (MP),	3	N/A	2	2	2	2	2
	Khoroni Hotel Casino (LP),	4	N/A	2	2	2	2	2
	Mmabatho Palms Casino (NW),	4	4	4	2	2	2	2
	Rio Casino (NW),	5	5	3	2	2	2	2
	Emperors Palace (GT)	2	N/A	2	2	2	2	2
	Thaba Moshate (LP)							6
Peermont Global: Average		**3.3**	**3.8**	**2.4**	**2.0**	**2.0**	**2.0**	**2.4**
London Clubs International		N/A	N/A	N/A	N/A	3	2	2
Northern Cape Casino Consultants		2	N/A	2	2	2	2	2
Nivieus Investments		N/A	N/A	N/A	N/A	N/A	N/A	2
Average for casinos based on available information		**3.0**	**2.9**	**2.4**	**2.2**	**2.3**	**2.1**	**2.2**

Figure 27: B-BBEE levels for totalisators from FY10 to FY15

B-BBEE LEVELS, TOTALISATORS, FY10 – FY16								
Name of totalisator	**Name of province**	**Contributor / B-BBEE level**						
		FY10	**FY11**	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**
Gold Circle Kenilworth Racing (FY15)	Western Cape	4	3	3	3	3	2	2
Gold Circle	KwaZulu-Natal	4	N/A	N/A	N/A	4	4	2
Phumelela	Limpopo	N/A	4	3	3	2	2	2
Phumelela	Mpumalanga	N/A	4	3	3	2	2	2
Phumelela	Gauteng	4	N/A	N/A	3	2	2	2
Phumelela	North West	4	4	4	3	3	3	2
Phumelela	Free State	4	3	3	3	2	2	2
Phumelela	Eastern Cape	N/A	4	N/A	N/A	2	2	2
Phumelela	Northern Cape	N/A	N/A	N/A	N/A	N/A	N/A	5
Average		**4**	**3.8**	**3.4**	**3.2**	**2.6**	**2.4**	**2.3**

Figure 28: BBBEE levels for the bingo sector from FY10 to FY16

B-BBEE LEVELS, CASINO, FY10 – FY16								
Name of province	**Name of bingo operators**	**Contributor / B-BBEE level**						
		FY10	**FY11**	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**
Gauteng	Viva Bingo	N/A	N/A	3	2	2	3.7*	1.6*
	Galaxy Bingo	N/A	N/A	N/A	2	2	2	2
Mpumalanga	Viva Bingo	N/A	N/A	N/A	4	4 Exempt (Micro Enterprise)	1	2
North West	Gold Rush	N/A				N/A	4	1
	Galaxy Bingo						1	1
Eastern Cape	Galaxy Bingo	N/A	N/A	N/A	N/A	1	1	1.8*
	Bingo Royale	N/A	N/A	N/A	N/A	N/A	1	2
KwaZulu-Natal	Galaxy Bingo							1
	Great Bingo							N/A
Average:					2.7	1	2	1.6

* Average

Figure 29: BBBEE levels for the LPM sector from FY10 to FY16

B-BBEE LEVELS, TOTALISATORS, FY10 – FY16								
Name of province	**Name of route Operators**	**Contributor / B-BBEE level**						
		FY10	**FY11**	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**
Gauteng	Vukani Gaming	N/A	N/A	N/A	1	3	2	2
	Playmeter Leisure Services	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Gold Rush Gaming	N/A	N/A	N/A	N/A	N/A	N/A	2
	Zico Gaming	N/A	N/A	1	3	1	3	3
	Hot Slots	N/A	N/A	N/A	N/A	N/A	0	8

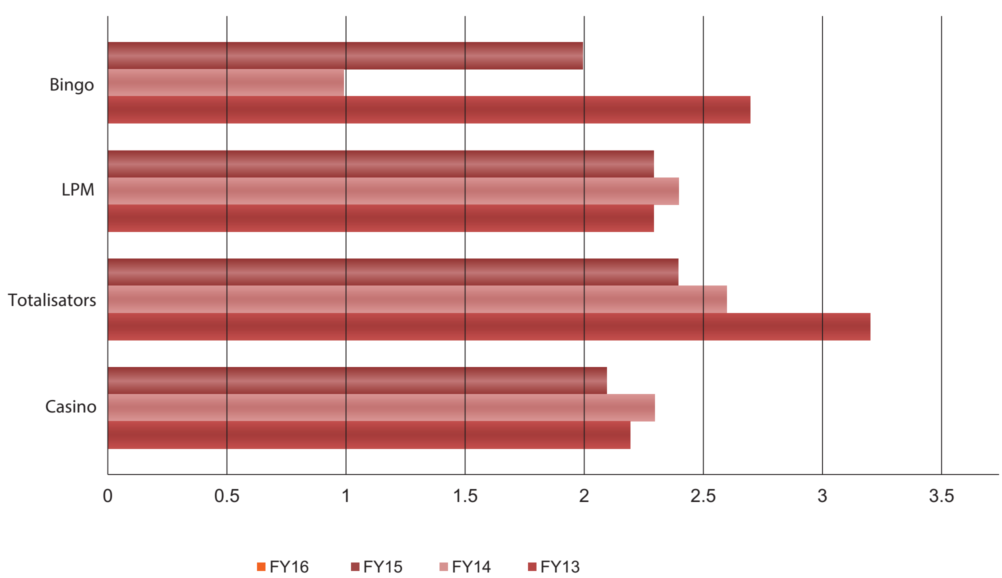
Figure 29: BBBEE levels for the LPM sector from FY10 to FY16 (continued)

B-BBEE LEVELS, TOTALISATORS, FY10 – FY16								
Name of province	**Name of route Operators**	**Contributor / B-BBEE level**						
		FY10	**FY11**	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**
	Grand Gaming		4	N/A	1	4	3	5
	Egoli Gaming		N/A	2	1	1	4	2
Eastern Cape	Vukani Gaming	N/A	N/A	N/A	N/A	3	3	3
Free State	Pioneer Slots	N/A	N/A	N/A	N/A	3	1	2
KwaZulu-Natal	Vukani Gaming	N/A	N/A	3	1	1	1	2
	Vukani Gaming	N/A	N/A	1	1	3	2	2
	Kingdom Slots	N/A	N/A	4	4	3	3	5
	Luck-at-it	N/A	N/A	1	1	1	1	2
	KZN Slots	N/A	N/A	5	5	5	5	5
	Galazy Bingo							1
Limpopo	Vukani Gaming	N/A	N/A	2	2	3	2	2
Mpumalanga	Gold Rush	N/A	N/A	3	3	1	1	1
	Vukani Gaming	N/A	N/A	4	3	3	2	2
	Thaba Gare (Independent)	N/A	N/A	2	2	2	3	N/A
	Zimele	N/A	N/A	N/A	3	N/A	N/A	N/A
	Grand Gaming	N/A	N/A	N/A	N/A	2	2	2
	Galaxy							1
North West	Vukani Gaming	N/A	6	4	2	2	2	1
	Bathusi	N/A	N/A	N/A	3	3	3	N/A

B-BBEE LEVELS, TOTALISATORS, FY10 – FY16

Name of province	Name of route Operators	Contributor / B-BBEE level						
		FY10	FY11	FY12	FY13	FY14	FY15	FY16
	Gold Rush	N/A	N/A	N/A	3	1	1	1
Western Cape	Vukani Gaming	N/A	2	2	3	3	2	3
	Grand Slots	N/A	4	4	4	3	N/A	N/A
	Grand Gaming	N/A	N/A	N/A	N/A	N/A	2	5
Northern Cape	Gold Rush							N/A
	Vukani Gaming							2
Average				**2.7**	**2.3**	**2.4**	**2.3**	**2.7**

Figure 30: B-BBEE levels per gambling mode FY13-FY16



	Bingo	LPM	Totalisators	Casino
FY16	1,6	2,7	2,3	2,2
FY15	2	2,3	2,4	2,1
FY14	1	2,4	2,6	2,3
FY13	2,7	2,3	3,2	2,2

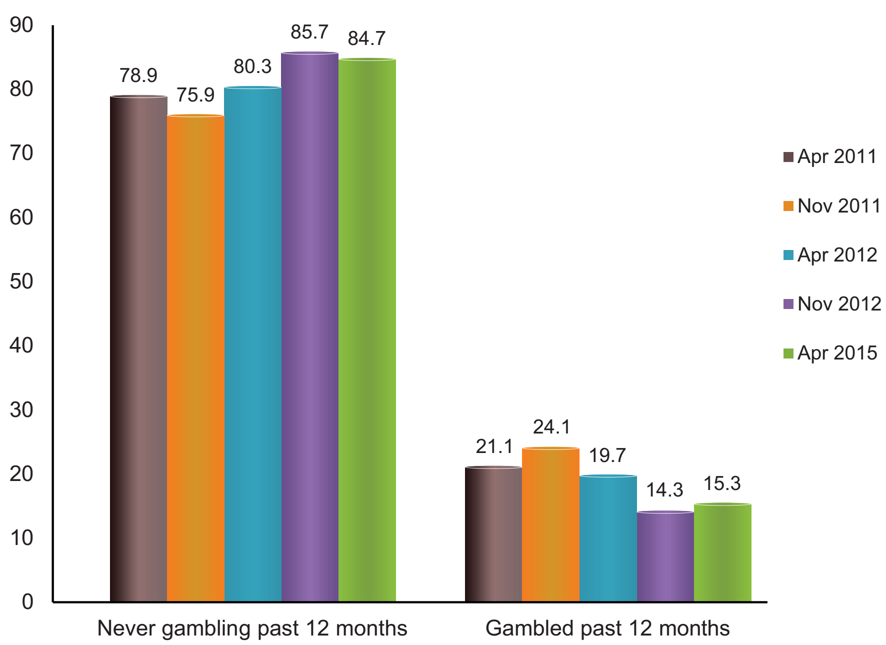
RESEARCH RESULTS ON GAMBLING PREVALENCE STUDY

NGB has conducted research on the prevalence of gambling and problem gambling. This is a follow up study that was conducted to determine and track gambling behaviour over time from April 2011 to April 2015.

Summary of the main trends are as follows, based on a sample of 3,598 South Africans with a margin area of 1,63%:

- Gambling participation has increased from 14.3% to 15.3%;
- National lottery participation has increased from 77.0% to 78.9%;
- Illegal gambling has seen a significant decrease from 41.0% to 17.5%;
- 54.4% of gamblers may be considered as "no risk", a significant increase from 43.4%;
- 9.9% of gamblers may be regarded as "problem gamblers". This is down from 20.2%;
- Illegal gambling has the highest risk of people becoming problem gamblers;
- There is a slight increase in gambling across both genders of South African gamblers;
- More coloured South Africans are participating in gambling, an increase to 19.8% from 11.3%;
- The ages groups 25 and older all show an increase in gambling participation;
- Problem gambling has decreased from 3.1% to 1.8% for those gamblers earning R1 to R2,999; and
- Both metro and non-metro problem gamblers have decreased.

Figure 31: Gambling incidents from April 2011 to April 2015

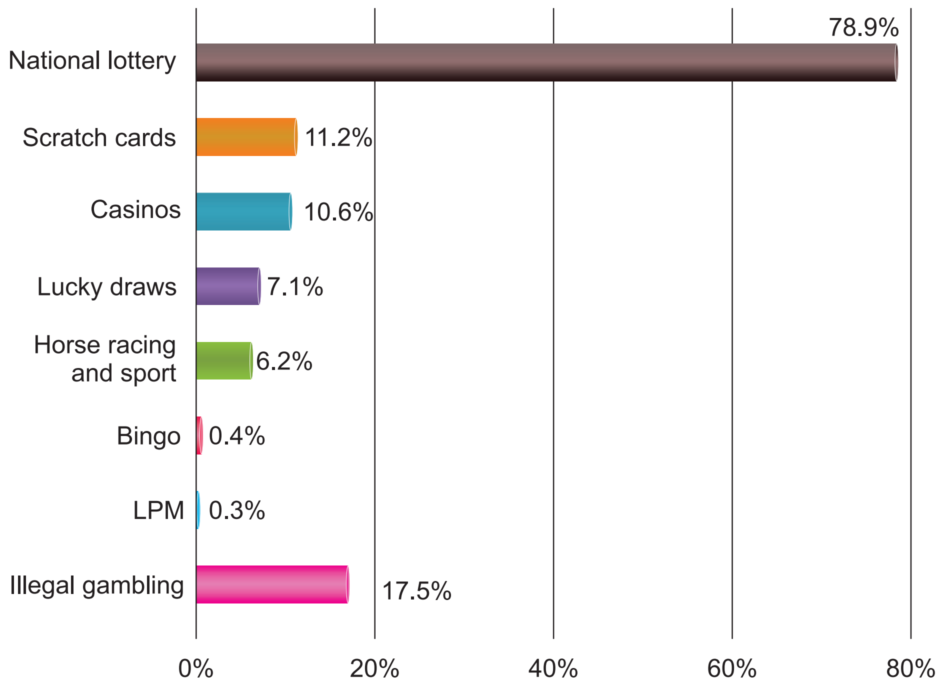


Those who participated in gambling activities (including the national lottery) between April 2014 to April 2015 were more likely to be male than female, between 35 – 49 years old, and regionally appeared to be more prevalent in Gauteng and among the highest income groups.

Participation in the national lottery remained the most popular choice (78.9%) in terms of gambling.

Illegal gambling accounts for 17.5% of gambling activities participated in this is the second highest gambling mode.

Figure 32: Participation in gambling activities as at April 2015

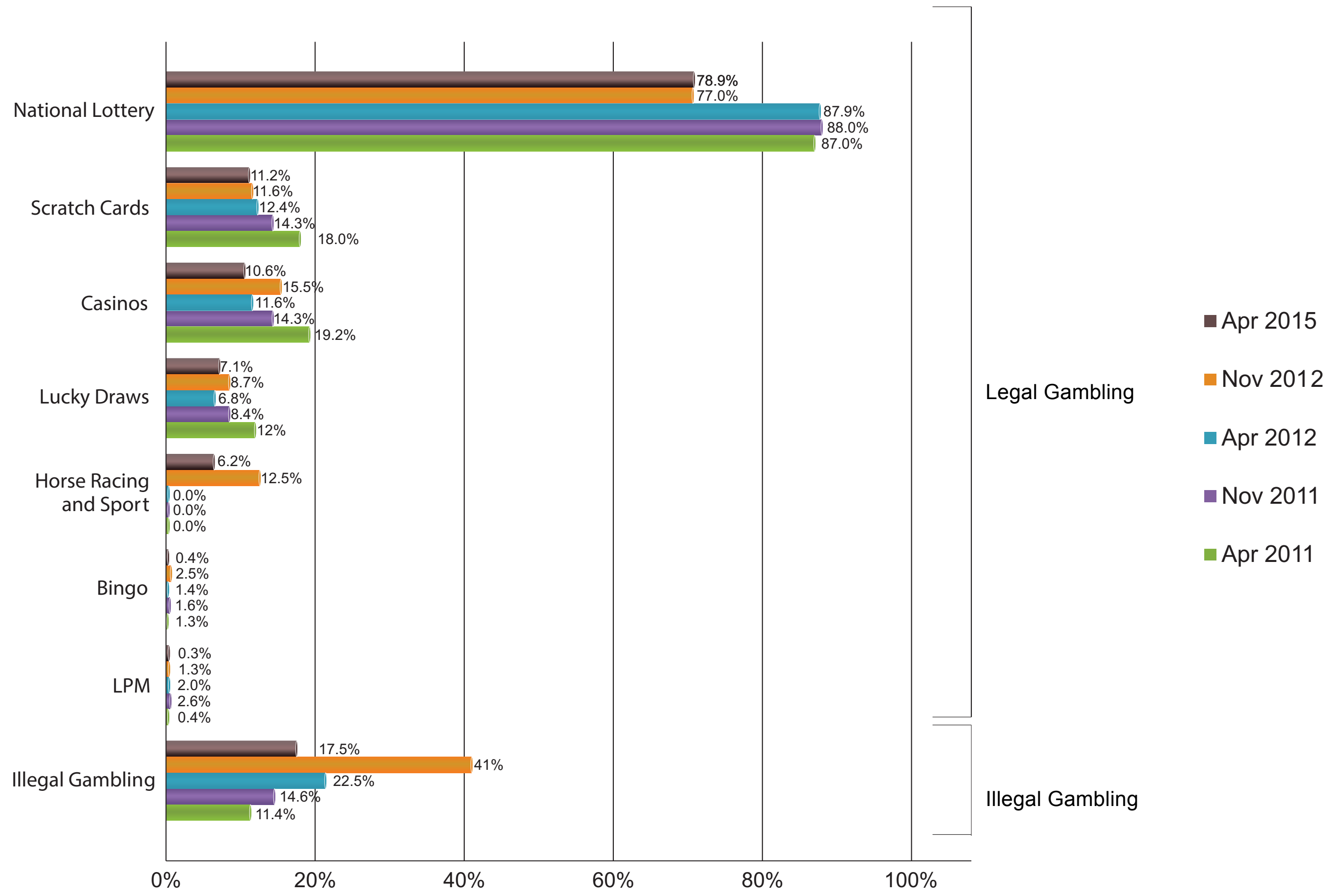


There has been a decline in incidences of gambling at casinos, buying of scratch cards, participation in lucky draws, betting on horse racing and sport, playing on LPMs and bingo.

Overall gambling modes reflect buying national lottery tickets is the only mode to show an increase in incidences since November 2012 – up from 77.0% in November 2012 to the current 78.9%. Based on the data, the percentage of participants in 45 year and older age category, and the male gender category, continued to grow steadily.

Although a decline was recorded in participation in legal and illegal modes of gambling since November 2012, the prevalence of participation in illegal gambling as at April 2015 at 17.5% is alarming.

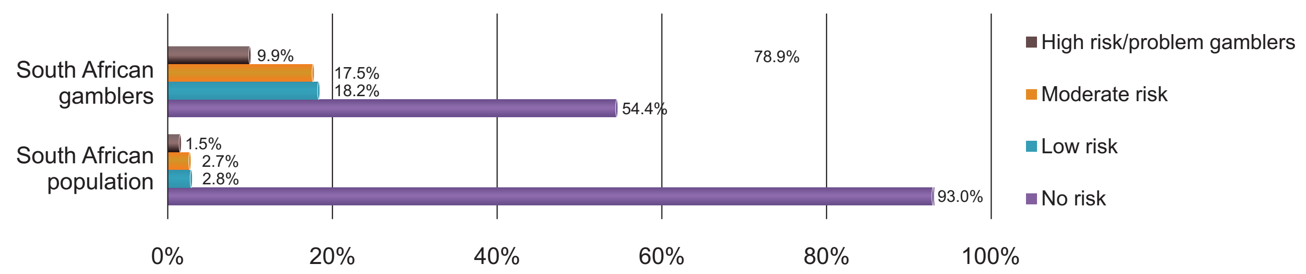
Figure 33: Participation in gambling activities from April 2011 to April 2015



93% of the South African population are at no risk with regard to gambling, compared to just over half of South African gamblers (54.4%) who are at no risk with regard to their participation in terms of the National Gambling Act.

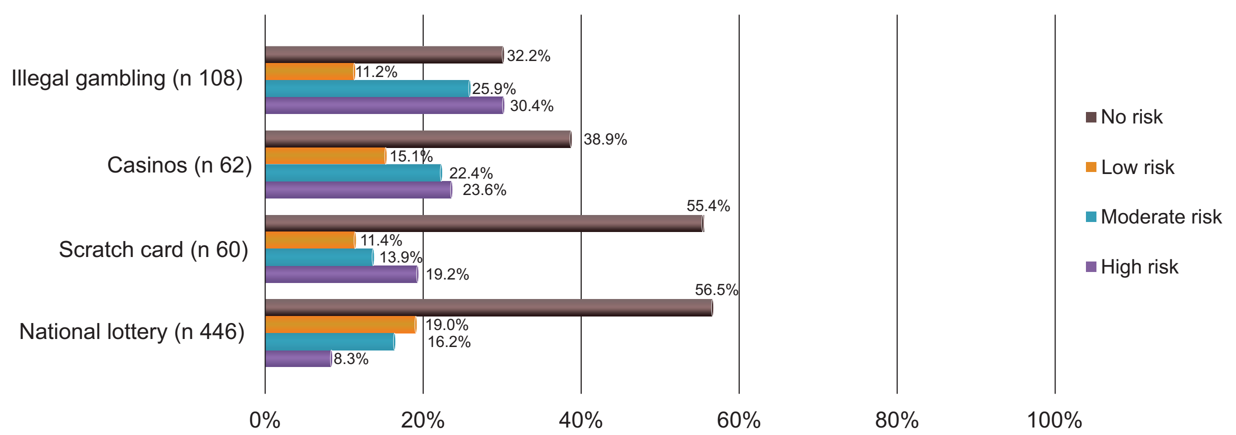
Only 1.5% of the South African population are at high risk (or regarded as problem gamblers) with regard to gambling, compared to 9.9% of South African gamblers who are at high risk (regarded as problem gamblers) with regard to their participation in gambling activities.

Figure 34: Problem gambling in South Africa (population versus gamblers) as at April 2015



The decrease in the proportion of South African adults and the South African gambling population falling into the high risk (problem gambling) risk category from November 2012 to April 2015 has been balanced by a corresponding increase in the percentage of the South African gambling population and gamblers who are not at risk. Refer to figure 35.

Figure 35: Gambling activities broken down by level of risk [only those activities with a sample size of more than 50] as at April 2015



Underage gambling in South Africa (including the buying of national lottery tickets) is illegal under the age of 18.

Incidence of gambling among 15 – 17 year olds remains low, although the data shows a slight increase since November 2012 (from 2% to 4%). The gambling activity that 15 – 17 year olds are most likely to take part in is the buying of national lottery tickets, which is also the most preferred form of gambling.

One of NGB's responsibilities is to ensure that gambling practices currently taking place, are legal as part of its mandate to ensure the integrity of gambling in South Africa and ensure punter protection. Given the dynamic and constant changing environment in which gambling is taking place i.e. emerging new forms of gambling and advanced technology, NGB needs to keep a vigilant eye to ensure that increased gambling participation does not translate to increased illegal gambling activities. The entity will have to keep a clear eye on how technology affects gambling, education of teenagers as they are most in touch with technology, greater support for education on the negative side effects of gambling, and tailor made communication dependent on the target audience.

RESPONSIBLE GAMBLING

SARGF is a not-for-profit company (NPC) – a public-private sector entity founded in 2004 and is responsible for the implementation of the responsible gambling programme on behalf of the gambling industry operators and governmental regulators. NRGP consists of the following programmes:

- Treatment and Counselling;
- Prevention and Public Awareness;
- Industry Support (Operators and Regulators);
- Research; and
- National Schools Programme.

The responsible gambling programme is acknowledged internationally as an integrated, comprehensive and exceptionally cost-effective response to meeting the social needs which have risen as a result of legalising of gambling in South Africa in 1996.

SARGF 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 GGR or company winnings. An estimation of R181-million has been invested into the programme since its inception up to the period under review.

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

- The Problem Gambling Treatment Centre, **(0800 006 008)**, which is a free call and it operates 24 hours a day and seven days a week. During the period under review the Problem Gambling Treatment Centre received an estimate of **4,009** calls, of which **1,589** were specifically problem gambling calls; **1087** callers were referred for free treatment to the SARGF Treatment Network made up medical professional and clinical social workers. Averaging **74** patients a month; and **78** callers received telephone counselling and another 880 received. Another 375 callers were repeat outpatient or to the Family programme and 6 were referred to initial inpatient treatment.
- The multilingual outpatient treatment network now has **74** 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.
- About 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 industry support and 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 SARGF's programmes are advertised in the media and through collateral displayed in all gambling venues. The website www.responsiblegambling.co.za enjoys up to 2,200 hits monthly from 1,727 users, 76% of them new visitors.

"Winners know when to stop"

PART D: GOVERNANCE

It is unlawful to permit a minor or excluded person to participate in any gambling activities

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 Report on Corporate Governance (King III). Parliament, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

PORTFOLIO COMMITTEES

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

Pertinent issues were discussed, but 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 online gambling;
- 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;
- Approval of the National Gambling Policy;
- Remote Gambling Bill;
- Self-funding / revenue generating model of the entity; and
- Proactive measures to reduce the vacancy rate and the filling of critical posts.

EXECUTIVE AUTHORITY

NGB submitted to **the dti** the Strategic Plan 2015/2020 and APP 2015/16 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.

Figure 36: Quarterly Reporting

Quarterly Assessment for 2015/16	Actual Achievements Against Planned Targets	Date Submitted	Assessment Rating Received
Quarter 1 (April – June)	100%	30 July 2015	Report Noted
Quarter 2 (July – Sept)	100%	30 October 2015	Congratulated on consistent satisfactory performance
Quarter 3 (Oct – Dec)	100%	29 January 2016	Congratulated on consistent satisfactory performance
Quarter 4 (Jan – Mar)	100%	29 April 2016	Congratulated on consistent satisfactory performance

It must also be noted that the entity reported against its revised Annual Performance Plan, approved by the Minister on 14 January 2016, in the fourth quarter of the financial year. This revision was necessitated due to alignment of the baseline as reported in the Annual Report 2014/2015 as well as revision of targets and key performance indicates to ensure that they were aligned and met the SMART principles.

THE ACCOUNTING AUTHORITY

Pursuant to findings of the AGSA as detailed in NGB's Audit Report 2013/14, NGB had been placed under administration by the Minister, in addressing the role, powers and statutory functions of NGB since 2014 until present. Ms Caroline Kongwa remains the Administrator appointed by the Minister, and in terms of section 49 of the PFMA, serves as the Accounting Authority of the entity. This is to ensure that the goals and objectives of NGB are performed within the limits of financial resources of NGB.

Due to the imminent re-positioning of NGB to a regulator, the position of the CEO will not be filled until the re-positioning has been completed, and NGB will remain under administration until such time that this process of establishment of the National Gambling Regulator has been completed.

Figure 37: Audit and Risk Committee - Attendance at Meetings

Date of Meetings	Names of Members						
	Ms G Deiner ** (Chairperson)	Ms G Taylor*	Mr T Balen[i#]	Ms C Kongwa	Ms PN Sibiya[1]	Mr J Matshiya[1]	Mr L Phahlamohlaka[2]
21 January 2016	√	n/a	n/a	√	√	√	√
28 October 2015	√	√	√	√	√	√	X
17 July 2015	√	√		√	n/a	n/a	√
22 May 2015	√	√	√	X	n/a	n/a	√
Total number of meetings attended	4	3	2	3	2	2	3

* Acting Chairperson from 28 October 2014 to 31 January 2016. Second term has come to an end on 31 January 2016

** Chairperson from 01 February 2016 to date

\# Resigned 31 May 2015

1 Appointed from 26 October 2015

2 Shareholder Representative from **the dti**

Remuneration of Members of the Audit and Risk Committee

The Audit and Risk Committee (ARC) members are remunerated according to the National Treasury circular, which categorises emoluments for different categories of listed public entities.

ARC 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 NGB.

Figure 38 reflects the remuneration paid out to board and committee members over the financial year.

Figure 38:

Name	Remuneration	Total
Ms G Deiner**	24,937	24,937
Ms G Taylor*	32,896	32,896
Mr J Matshiya	9,184	9,184
Ms PN Sibiya	9,184	9,184

* Acting Chairperson from 28 October 2014 to 31 January 2016. Second term has come to an end on 31 January 2016

** Chairperson from 01 February 2016 to date

RISK MANAGEMENT

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

Risk identification for the 2015/16 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 2015/16 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 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

NGB has an outsourced the 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 the PFMA.

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 ARC 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 2015/16 financial year

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

- Financial Discipline Review;
- Supply Chain Management Review;
- Human Resource Review;
- Performance Audit;
- Enterprise Risk Management;
- Information Communication Technology Vulnerability Assessment; and
- Audit Findings Follow-up Review.

The objective of the selected reviews was to evaluate if 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 and Risk Committee for the 2015/16 financial year

The ARC has been established in terms of section 77 of the PFMA ,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 quarterly financial reports and made recommendations to the Accounting Authority on the approval of NGB financial and ICT policies, quarterly reports, Annual Financial Statements 2014/2015, Annual Report 2014/2015, Risk Management and Irregular Expenditure.

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 figure 39 includes but is not limited to the following critical details of ARC members:

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

Figure 39: Details of Audit Committee Members

Name	Qualifications	Internal or External	Internal position in NGB	Date appointed	Date resigned	No. of meetings attended
G Taylor	CA (SA)	External	n/a	October 2009	Term ended 31 January 2016	4
G Deiner	BCompt (Unisa); Higher Diploma in Education – Post Graduate (Wits); and BA degree (Wits); Professional Accountant (SA)	External	n/a	January 2013	n/a	4
L Phahlamohlaka	Bachelor of Commerce	External **the dti** Representative	n/a	17 July 2015	n/a	1
C Kongwa	LLB degree (University of Durban Westville);Postgraduate Diploma in International, African and Regional law (University of Durban Westville); Certificate in Economic and Developmental Policy (Wits); and Certificate in Labour Relations (University of Pretoria)	Internal	AA	September 2014	n/a	3
T Baleni	Diploma State Finance and Auditing (University of Zululand); Post graduate Diploma – Healthcare management (University of Cape Town); MBA Healthcare (University of Free State)	Internal	AA	September 2014	31 May 2015	1
J Matshiya	Bachelor of Commerce, Higher Diploma Computer Auditing, Certified Information Systems Auditor (CISA)	External	n/a	October 2015	n/a	2
PN Sibiya	CA (SA)	External	n/a	October 2015	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. 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 has, through the Risk Management Committee reported on areas of Fraud and Corruption.

RMC has tabled the following documents to the ARC, all of which were referred to the AA for approval:

- Risk Maturity Analysis;
- Anti-Fraud and Corruption Policy; and
- Anti-Fraud and Corruption Checklist;

NGB has also established a fraud hotline, fraudalert@ngb.org.za and or 012 686 8800. The information is displayed on NGB's website and the public are welcome to report matters accordingly.

All matters raised are sent directly for the attention of the externally appointed Internal Auditor, Business Innovations Group. Any matters are thereafter brought to the attention of the Accounting Authority for actioning and the Audit and Risk Committee.

There were five (5) emails that were received by the internal auditors in relation to fraudulent activities that were reported. All matters referred to illegal gambling activities and were escalated to the Enforcement Unit for further investigation.

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.

During every meeting held, including interviews for positions, the staff and / or panellists are required to declare their interest.

NGB's Employee and Rules and Regulation Policy provides a continuous responsibility for the staff to declare matters of conflict of interest. Employees are required to declare any additional remunerative work that they perform. Instances were remunerative work is performed, consent of the Accounting Authority is required to perform the said duties.

CODE OF CONDUCT

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 there were no employees that were charged for misconduct.

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.

HEALTH SAFETY AND ENVIRONMENTAL ISSUES

NGB participates in initiatives promoting health and safety.

NGB is committed in ensuring that the approved Disaster Recovery Plan is realistic and implementable. In terms of NGB's processes, we are required to undertake two (2) evacuation drills per year. This is conducted under the supervision of the City of Tshwane Emergency Services Department. Entities that do not comply are issued with fail certificates. NGB undertook both evacuations during the 2015/16 financial year.

In addition to the above, NGB forms part of the Operational Health and Safety Committee. Members are from fellow entities that are accommodated within Block C office park. The committee convenes on a quarterly basis to discuss matters of health and safety, as well as to educate the committee on the same.

NGB strives to work within a paperless environment. In saying this, the entity has implemented internal controls that minimises the use of paper.

COMPANY/BOARD SECRETARY

NGB is a Schedule 3A Public Entity and as such is exempted from filing company returns.

Notwithstanding the above, NGB has appointed a Senior

Manager: Corporate Governance who bears the responsibility to ensure that the entity operates in terms of good governance.

SOCIAL RESPONSIBILITY

NGB participated in the outreach through a radio interview on SABC's Ikwekwezi FM on illegal gambling, its impact and the role of the National Gambling Board. Further, outreach was also evidenced at **the dti**'s "Mens Day Event". Through these initiatives the public began applying to be included in the exclusion register of people with problem gambling.

NGB also produced pamphlets on services and products and distributed same through parliament to constituencies and successfully conducted an educational outreach through radio "Lesedi "Ke nako" on the role of NGB in alleviating problem gambling, treatment of problem gamblers and the use of national register of excluded persons. The programme has listeners including pensioners, youth and adults.

PART E: HUMAN CAPITAL OPTIMISATION

Avoid using money allocated for household expenditure when gambling

OVERVIEW OF HR MATTERS

The nature of the human capital function within NGB is broadly encapsulated in NGB's legislative framework. The NGA requires the Accounting Authority to appoint suitably qualified and experienced staff to enable 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

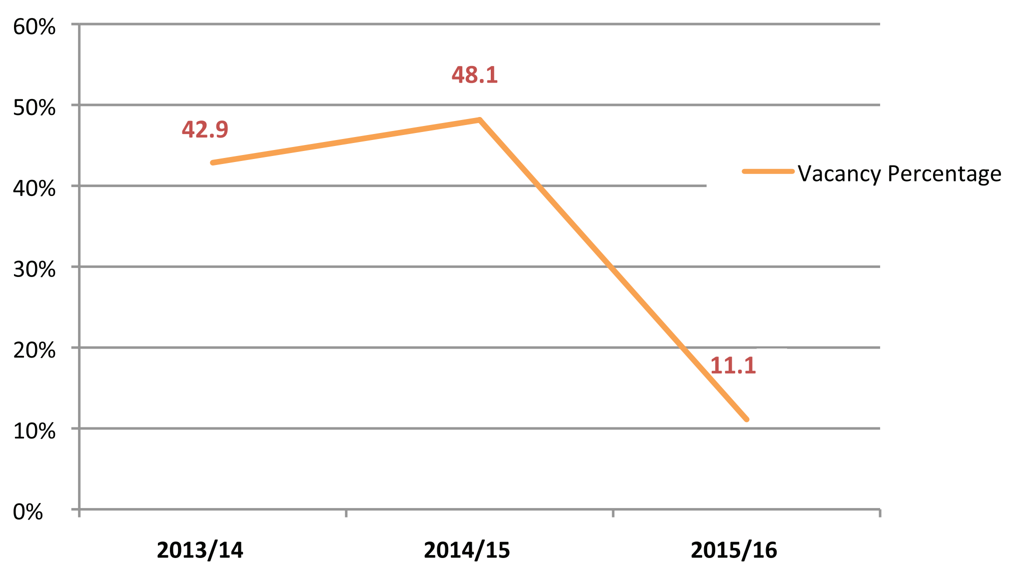
HR priorities for the year under review centred around ensuring that there is an efficient and effective workforce within NGB.

Human Capital Optimisation has made concerted efforts to ensure implementation of the recruitment and selection policy of the entity during the financial year.

The entity has a staff complement of twenty seven (27) officials as per the approved organisational structure.

NGB has analysed the vacancy rate over the past two (2) financial years and compared it to the rate in the current financial year as depicted in graph below. There was an upward trend between FY2013/FY2014 and 2014/2015. This was rapidly counteracted by the reduction in the vacancy rate from 48.1% (FY2014/FY2015) to 11.1% (FY2015/FY2016). This is representative of a 37% decrease in the vacancy rate. This is consistent with the progressive actions and outlook of Human Capital Optimatisions in ensuring that that the entity has been steadfast in filling of vacancies.

Figure 40: Vacancy rate over the past financial years



As a result, there are only three (3) vacancies that existed within the organisation as at the end of the financial year. Of the three (3) vacant positions, two (2) of those, namely: Economic Researcher and Stakeholder Manager; the officials will be assuming duty at NGB on 01 June 2016.

PERFORMANCE MANAGEMENT AND DEVELOPMENT SYSTEM

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

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

- Performance management is consistently applied across 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 NGB's strategic imperatives; and
- Performance management is an ongoing process rather than an event.

NGB corporate services division held an awards ceremony during the year under review where employees were rewarded with certificates and gifts in recognition of their exceptional performance. Management of NGB is committed to rewarding performance on an on-going basis.

Performance outcomes are appropriately differentiated to reflect the different levels of contribution made by employees to the success of NGB. Where performance deficits are identified, these are dealt with actively, with the primary objective of returning the employee to full performance. The system was further enhanced by reviewing the current policy and processes to ensure effectiveness and efficiency.

ORGANISATIONAL DESIGN AND CHANGE MANAGEMENT

As the organisational structure is informed by organisational strategy, NGB revised the organisational structure in order to realise the entity's Strategic Plan over the FY2016 – FY2021 MTEF period. Human capital competencies, skills, knowledge and abilities should always be kept in line with the reviewed organisational structure. Business processes have been mapped out, automated and implemented to increase understanding of work and work linkages.

There were several change initiatives held with staff in order to improve the communication flow within the entity and to also ensure that staff is kept abreast with all developments within the organisation.

In line with documented National Gambling Entity Establishment Requirements, NGB succeeded in contributing to the creation of the project for the establishment of the National Gambling Regulator, and participated in meetings which translated into the development and submission of a business case for the said project.

TALENT MANAGEMENT AND RETENTION

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.

The entity further enhanced the usage of competency assessment as a tool to address development of senior managers.

REWARD STRATEGY

NGB's reward strategies should be reviewed to ensure that employees are adequately rewarded and recognised for the work they perform. NGB conducted benchmarking exercises with similar entities with a view of assessing the market value of our rewards to employees.

It is a firm view of NGB that employee benefits should be reviewed and consolidated with a view to providing value adding benefits to NGB employees.

In light of this, the entity further assessed and addressed the impact that the relocation of the entity had on employees.

WORKFORCE DIVERSITY

NGB has a diverse workforce and its gender profile in terms of women representation is commendable. However, 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 NGB and practical efforts should be explored to attain the target.

Efforts have hence been invested in the development and implementation of NGB's Employment Equity Policy which will assist the entity in realising its employment equity targets.

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 NGB, employee wellness is an important human capital aspect as it affects productivity. 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

NGB is currently operating one HR system, VIP for payroll that encompasses a performance management system. 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. Several discussions where held with the service provider to further interrogate other functionalities that can be beneficial to the entity.

HUMAN CAPITAL POLICIES AND PROCEDURES

Although human capital policies are in place, these must be reviewed on an ongoing 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.

CHALLENGES FACED BY NGB

The finalisation and implementation of the HR aspects on the establishment of the National Gambling Regulator.

ACHIEVEMENTS AND FUTURE HR PLANS /GOALS

The Accounting Authority approved the Human Capital Strategy – FY2015/2020 in March 2015. This strategy is critical to ensuring that the staffing needs and requirements within NGB are identified and addressed. Implementation and realisation of this plan has been the primary focus area within the financial year.

NGB has achieved an 89% occupancy rate of positions against the approved organisation structure during the financial year. This will ensure continued service delivery within the regulatory environment.

NGB also conducted 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.

HUMAN RESOURCE OVERSIGHT STATISTICS

Figure 41: 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	R3 3860 560	R1 730 904	6.3	8	R307 926
Admin	R19 108 471	R5 153 911	18.74	11	R2 388 617
Compliance	R5 037 569	R3 999 258	14.54	5	R1 007 504
TOTAL	**R27 506 600**	**R10 884 073**	**39.58**	**24**	**R1 147 235**

Total employee costs for the 2015/16 FY amounted to R10884073. 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.

Figure 42: Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	R2 415 149	22.19	2	R1 207 575
Senior Management	R3 252 249	29.88	6	R542 042
Professional qualified	R1 836 186	16.87	4	R459 047
Skilled	R2 947 709	27.08	10	R294 771
Semi-skilled	R432 780	3.98	2	R216 390
Unskilled	-	-	-	-
TOTAL	**R10 884 073**	**100**	**24**	**R453 503**

Figure 43: Performance rewards

Programme	Performance rewards (R'000)	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost(R'000)
Top Management	R296 773	R2 415 149	2.73
Senior Management	R259 573	R3 252 249	2.38
Professional qualified	R126 062	R1 836 186	1.16
Skilled	R22 406	R2 947 709	0.21
Semi-skilled	R41 425	R432 780	0.38
Unskilled	-	-	-
TOTAL	**R746 239**	**R10 884 073**	**6.86**

Figure 44: 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	-	-	-	-	-
Admin	-	-	-	-	-
Compliance	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**

Figure 45: Employment and vacancies

Programme	2014/2015 No. of Employees	2015/16 Approved Posts	2015/16 No. of Employees	2015/16 Vacancies	% of vacancies
Stakeholder	3	8	5	3	37.5
Admin	8	11	11	-	-
Compliance	3	8	8	-	-
TOTAL	**14**	**27**	**24**	**3**	**11.1**

Figure 45: Employment and vacancies (continued)

Programme	2014/2015 No. of Employees	2015/16 Approved Posts	2015/16 No. of Employees	2015/16 Vacancies	% of vacancies
Top Management	1	3	2	1	33.3
Senior Management	3	6	6	-	-
Professional qualified	2	6	4	2	33.3
Skilled	6	10	10	-	-
Semi-skilled	2	2	2	-	-
Unskilled	-	-	-		-
TOTAL	**14**	**27**	**24**	**3**	**11.1**

There has been a downward movement in the vacancy rate over the 2015/16 financial year to 11.1%. This implies that the entity has been filling in vacant positions.

Figure 46: Employment changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	1	1	-	2
Senior Management	3	4	1	6
Professional qualified	-	3	-	3
Skilled	7	6	2	11
Semi-skilled	3	-	1	2
Unskilled	-	-	-	-
TOTAL	**14**	**14**	**4**	**24**

There were changes in employment ranks within the financial year. This was evident as a Senior Manager moved to an executive role within the organisation.

Figure 47: Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	-	-
Resignation	4	80
Dismissal	1	20
Retirement	-	-
Ill health	-	-
Expiry of contract	-	-
Other	-	-
TOTAL	**15**	**100**

The 2015/16 financial year saw a total of four (4) resignations and one (1) dismissal.

Figure 48: Labour Relations: Misconduct and disciplinary action

Nature of disciplinary action	Remuneration
Verbal Warning	-
Written Warning	1
Final Written warning	-
Dismissal	1
TOTAL	**2**

Figure 49: Equity target and employment equity status

Levels	Male				Female			
	African	Coloured	Indian	White	African	Coloured	Indian	White
	Current	Current	Current	Current	Current	Current	Current	Current
Top Management	-	-	-	-	1	-	1	-
Senior Management	3		2		-			1
Professional qualified	2				2			
Skilled	3				7			
Semi-skilled	1				1			
Unskilled	-				-			
TOTAL	**9**		**2**		**11**		**1**	**1**

Levels	Disabled Staff Appointments	
	Male	Female
	Current	Current
Top Management	-	-
Senior Management	-	-
Professional qualified	-	-
Skilled	-	-
Semi-skilled	-	-
Unskilled	-	-
TOTAL	-	-

NGB has not set Employment Equity targets according to Employment Equity Plan for the 2015/16 FY. NGB has recently finalised the Employment Equity Policy and in a process of developing the Employment Equity Plan.

There are nine (9) approved top and senior management positions at NGB. As at the end of the financial year only eight (8) 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 37,5% of top and senior management positions. This is expressed as a percentage of the eight positions that are occupied; and
- There are no people with disabilities currently employed at NGB.

PART F: FINANCIAL INFORMATION

Did you know that gambling is a game of chance? Sometimes you win, sometimes you don't

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2016

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the Annual Report is consistent with the annual financial statements audited by the Auditor General.

- The Annual Report is complete, accurate and is free from any omissions.
- The Annual Report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.
- The Annual Financial Statements (Part F) have been prepared in accordance with the Generally Recognised Accounting Practices Standards applicable to the Public Entity.
- The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.
- The Accounting Authority is responsible for establishing, and implementing a system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.
- The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of NGB for the financial year ended 31 March 2016.

Yours faithfully,

Ms Caroline Kongwa
Accounting Authority
National Gambling Board

AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2016.

Audit and Risk Committee (ARC) Responsibility

The ARC reports that it has complied with its responsibilities arising from Section 51 (1)(a)(ii) of the Public Finance Management Act, 1999 (Act 1 of 1999) and Treasury Regulation 27.1. The ARC 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 Control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the public entity revealed certain weaknesses, which were then raised with the public entity.

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

- Financial Discipline Review;
- Supply Chain Management Review;
- Human Resource Review;
- Performance Audit;
- Enterprise Risk Management;
- ICT Vulnerability Assessment; and
- Audit Findings Follow-up Review.

There were no significant areas of concern that were identified during the financial year.

In addition, the committee is satisfied that the Internal Audit function is operating effectively and that the internal audit plan is implemented.

In-Year Management and Quarterly Report

The public entity has reported quarterly to the Treasury as is required by the PFMA.

Quarterly reports are reviewed by the ARC and a recommendation is made to the Accounting Authority (AA) in relation to approval of the said document. The committee was satisfied with the quality and content of the quarterly reports for NGB. All reports were recommended for approval to the AA subject to amendments.

Evaluation of Financial Statements

We have reviewed the annual financial statements prepared by the public entity for the financial year 2015/16. There were no matters of concern that were brought to the attention of the committee that warranted intervention thereof.

Auditor's Report

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

The ARC concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

Appreciation

The ARC extends its appreciation to the Accounting Authority, management and all staff of NGB as well as the Internal Auditors for the support provided during the year. Congratulations on the excellent audit opinion achieved.

Ms. Gaylene Deiner
Chairperson of the Audit and Risk Committee
National Gambling Board

REPORT OF THE EXTERNAL AUDITOR

Report of the auditor-general to Parliament on The National Gambling Board

Report on the financial statements

Introduction

1. I have audited the financial statements of the National Gambling Board set out on pages to which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information and actual amounts 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 financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Gambling Board as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA.

Report on other legal and regulatory requirements

7. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) 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 objectives 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

8. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following programmes presented in the annual performance report of the National Gambling Board for the year ended 31 March 2016.

- Programme 1: Compliance on pages
- Programme 2: Stakeholder Liaison and Advisory Services on pages

9. 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 objectives. 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).

10. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

11. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:

- Programme 1: Compliance on pages
- Programme 2: Stakeholder Liaison and Advisory Services on pages

Additional matter

12. 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 matters:

Achievement of planned targets

- Refer to the annual performance report on pages for information on the achievement of the planned targets for the year.

Compliance with legislation

13. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

14. I considered internal control relevant to my audit of the financial statements, performance information and compliance with legislation. I did not identify any significant deficiencies in internal control.

Auditor - General

Pretoria

30 July 2016

AUDITOR-GENERAL SOUTH AFRICA

Auditing to build public confidence

ACCOUNTING AUTHORITY RESPONSIBILITIES AND APPROVAL

Accounting Authority's Responsibilities and Approval

The Accounting Authority (AA) is required by the Public Finance Management Act, 1999 (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 AA 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 AA acknowledges it is ultimately responsible for the system of internal financial control established by the economic entity and places considerable importance on maintaining a strong control environment. To enable the AA to meet these responsibilities, the AA 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 that 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 AA 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 AA has reviewed the economic entity's cash flow forecast for the year to 31 July 2017 and, in the light of this review and the current financial position, is satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

NGB is substantially dependent on **the dti** for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that NGB has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the AA is primarily responsible for the financial affairs of NGB, it is supported by the entity's internal auditors and the Audit and Risk Committee (ARC) as assurance providers with respect to matters of oversight and governance.

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 attached hereto.

The annual financial statements which have been prepared on the going concern basis, were approved by the AA on 29 July 2016 and were signed by:

Kongwa

Ms Caroline Kongwa
Accounting Authority
National Gambling Board

Statement of Financial Position as at 31 March 2016

		Economic entity		Controlling entity	
Figures in Rand	**Note(s)**	**2016**	**2015 Restated***	**2016**	**2015 Restated***
Assets					
Current Assets					
Inventories	3	42 756	20 453	-	20 453
Receivables from exchange transactions	4	1 062 964	1 370 650	-	1 370 650
Cash and cash equivalents	5	26 438 640	9 215 943	-	9 215 943
		27 544 360	**10 607 046**	-	**10 607 046**
Non-Current Assets					
Property, plant and equipment	6	10 391 830	11 488 467	-	11 488 467
Intangible assets	7	1 358 241	1 419 171	-	1 419 171
		11 750 071	12 907 638	-	12 907 638
Total Assets		39 294 431	**23 514 684**	-	**23 514 684**
Liabilities					
Current Liabilities					
Payables from exchange transactions	8	7 310 420	7 114 678	-	7 114 678
Provisions	9	1 809 244	918 380	-	918 380
		9 119 664	**8 033 058**		**8 033 058**
Non-Current Liabilities					
Deferred rent and accommodation		7 958 947	6 485 226	-	6 485 226
Total Liabilities		**17 078 611**	**14 518 284**	-	**14 518 284**
Net Assets		**22 215 820**	**8 996 400**	-	**8 996 400**
Accumulated surplus		22 215 820	8 996 400	-	8 996 400

Statement of Financial Performance for the year ended 31 March 2016

		Economic entity		Controlling entity	
Figures in Rand	**Note(s)**	**2016**	**2015 Restated***	**2016**	**2015 Restated***
Revenue					
Revenue from exchange transactions					
Interest received		1 324 254	375 164	-	285 269
Miscellaneous other revenue	10	7 418 767	2 323 294	-	2 323 294
Total revenue from exchange transactions		**8 743 021**	**2 698 458**	-	**2 608 563**
Revenue from non-exchange transactions					
Transfer revenue					
Government grants	11	31 983 000	29 797 000	-	29 797 000
Total revenue		**40 726 021**	**32 495 458**	-	**32 405 563**
Expenditure					
Depreciation and amortisation	6&7	(2 150 450)	(1 939 627)	-	(1 939 627)
Personnel costs	12	(8 900 259)	(9 161 086)	-	(9 161 086)
Finance costs	13	-	(662)	-	-
Board Members' & Executive Managers' Remuneration	14	(2 726 382)	(3 568 606)	-	(3 568 606)
General Expenses	15	(6 233 545)	(7 083 925)	-	(7 008 310)
Operating leases	16	(7 495 965)	(7 440 894)	-	(7 440 894)
Total expenditure		(27 506 601)	(29 194 800)	-	(29 118 523)
Surplus for the year		**13 219 420**	**3 300 658**	-	**3 287 040**

Statement of Changes in Net Assets for the year ended 31 March 2016

Figures in Rand	Accumulated surplus	Total net assets
Economic entity		
Adjustments		
Correction of errors	5 823 465	5 823 465
Balance at 01 April 2014	**5 823 465**	**5 823 465**
Changes in net assets		
Surplus for the year	3 300 658	3 300 658
Transfer of accumulated surplus to controlling entity	(127 723)	(127 723)
Total changes	3 172 935	3 172 935
Restated* Balance at 01 April 2015	**8 996 400**	**8 996 400**
Changes in net assets		
Surplus for the year	13 219 420	13 219 420
Total changes	13 219 420	13 219 420
Balance at 31 March 2016	**22 215 820**	**22 215 820**
Note(s)		
Controlling entity		
Balance at 01 April 2014	**5 709 360**	**5 709 360**
Changes in net assets		
Surplus for the year	3 287 040	3 287 040
Total changes	3 287 040	3 287 040
Restated* Balance at 01 April 2015	**8 996 400**	**8 996 400**
Changes in net assets		
Surplus for the year	13 219 420	13 219 420
Total changes	13 219 420	13 219 420
Balance at 31 March 2016	**22 215 820**	**22 215 820**

Cashflow Statement
for the year ended 31 March 2016

		Economic entity		Controlling entity	
Figures in Rand	**Note(s)**	**2016**	**2015 Restated***	**2016**	**2015 Restated***
Cash flows from operating activities					
Receipts					
		31 983 000	29 797 000	-	29 797 000
Interest income		1 324 254	375 164	-	285 269
Rental income		1 893 208	1 537 254	-	1 537 254
Other receipts		5 317 067	-	-	-
		40 517 529	31 709 418	-	31 619 523
Payments					
Employee costs		(10 971 136)	(12 513 290)	-	(12 513 290)
Suppliers		(11 908 447)	(9 576 750)	-	(9 501 136)
Finance costs		-	(662)	-	-
Other payments		-	(4 053 714)	-	-
		(22 879 583)	(26 144 416)	-	(22 014 426)
Net cash flows from operating activities	17	**17 637 946**	**5 565 002**	-	**9 605 097**
Cash flows from investing activities					
Purchase of property, plant and equipment	6	(532 583)	(47 980)	-	(47 980)
Proceeds from sale of property, plant and equipment	6	-	4 449	-	4 449
Purchase of other intangible assets	7	(435 692)	(297 860)	-	(297 860)
Net cash flows from investing activities		**(968 275)**	**(341 391)**	-	**(341 391)**
Cash flows from financing activities					
Proceeds from confiscated winnings		553 026	649 901	-	-
Net increase/(decrease) in cash and cash equivalents		**17 222 697**	**5 873 512**	-	**9 263 706**
Cash and cash equivalents at the beginning of the year		9 215 943	3 342 431	-	(47 763)
Cash and cash equivalents at the end of the year	5	**26 438 640**	**9 215 943**	-	**9 215 943**

Statement of Comparison of Budget and Actual Amounts for the year ended 31 March 2016

Figures in Rand	Approved	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Interest received (trading)	131 155	1 235 667	1 366 822	1 324 254	(42 568)	Note 18
Miscellaneous other revenue	2 497 714	4 924 479	7 422 193	7 418 767	(3 426)	Note 18
Total revenue from exchange transactions	**2 628 869**	**6 160 146**	**8 789 015**	**8 743 021**	**(45 994)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	31 483 000	-	31 483 000	31 983 000	500 000	Note 18
Total revenue	**34 111 869**	**6 160 146**	**40 272 015**	**40 726 021**	**454 006**	
Expenditure						
Personnel	(13 427 424)	4 064 553	(9 362 871)	(8 900 259)	462 612	Note 18
Board members' & executive manager's remuniration	(2 281 780)	(356 255)	(2 638 035)	(2 726 382)	(88 347)	Note 18
Depreciation and amortisation	(2 211 716)	72 190	(2 139 526)	(2 150 450)	(10 924)	Note 18
Lease rentals on operating lease	(6 658 420)	(1 172 672)	(7 831 092)	(7 495 965)	335 127	Note 18
General Expenses	(9 278 207)	(7 285 244)	(16 563 451)	(6 233 545)	10 329 906	Note 18
Total expenditure	**(33 857 547)**	**(4 677 428)**	**(38 534 975)**	**(27 506 601)**	**11 028 374**	
Surplus for the year	**254 322**	**1 482 718**	**1 737 040**	**13 219 420**	**11 482 380**	

Statement of Comparison of Budget and Actual Amounts for the year ended 31 March 2016 (continued)

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Non-Current Assets						
Property, plant and equipment	156 000	470 770	**626 770**	562 451	**(64 319)**	Note 18
Intangible assets	555 270	459 606	**1 014 876**	435 692	**(579 184)**	Note 18
	711 270	**930 376**	**1 641 646**	**998 143**	**(643 503)**	
Total Assets	**711 270**	**930 376**	**1 641 646**	**998 143**	**(643 503)**	
Net Assets	**711 270**	**930 376**	**1 641 646**	**998 143**	**(643 503)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	711 270	930 376	**1 641 646**	998 143	**(643 503)**	

Accounting Policies

1. Presentation of Annual Financial Statements

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 122(3) of the Public Finance Management Act, 1999 (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.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that NGB 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.

1.2 Consolidation (continued)

A trust in the name of National Gambling Board Trust ("NGB Trust") was founded by NGB in 2008. The purpose of 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 NGB Trust. NGB Trust was de-registered during the 2014/15 financial period (28 November 2014) and its functions transferred to the economic entity.

During the 2014/15 financial period, consolidated annual financial statements were prepared in order to present NGB Trust as an entity under the control of NGB. Even though NGB Trust did not exist during the 2015/16 financial period, the annual financial statements incorporate the controlling entity and controlled entity for the comparative financial period, 2014/15.

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.

Trade receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flow from a financial asset. The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

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.

1.6 Property, plant and equipment (continued)

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 are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

Item	Depreciation method	Average useful life
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.

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

1.7 Intangible assets (continued)

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
Computer software, internally generated	4-5 years
Computer software, other	3-5 years
National Databases	4-5 years

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

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

1.9 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or

financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
    - receive cash or another financial asset from another entity; or
    - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:

1.9 Financial instruments (continued)

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and

- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Receivables from exchange transactions

Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Payables from exchange transactions

Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value]

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at cost.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

1.9 Financial instruments (continued)

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

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.

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 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, 1962 (Act 58 of 1962).

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

1.11 Leases (continued)

the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rent is expensed in the period in which they are incurred.

Operating leases

Leases under which the lessor effectively retains the risks and benefits of ownership are classified as operating leases. Obligations incurred under operating leases are charged against income in equal installments over the period of the lease.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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 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.

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.

1.15 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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.

Criteria developed by the economic entity to distinguish non-cash-generating assets from cash-generating assets are as follow: [Specify criteria]

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.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential.

This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

1.15 Impairment of non-cash-generating assets (continued)

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the economic entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, 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.

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.

1.16 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.

1.17 Provisions

Provisions are recognised when:

- the economic entity has a present obligation as a result of a past event;

1.17 Provisions (continued)

- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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

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

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

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

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.

1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

1.19 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

1.20 Revenue recognition

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

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

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

1.21 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.

1.22 Irregular, 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 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.

1.23 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or

(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end

and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

1.23 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.24 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.

1.25 Budget information

Entities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2015-04-01 to 2016-03-31.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.26 Related parties

The economic entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

		Economic entity		Controlling entity	
Figures in Rand		2016	2015	2016	2015

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 aremandatory for the economic entity's accounting periods beginning on or after 01 April 2016 or later periods:

• GRAP 20: Related parties	01 April 2017	The impact of the amendment is not material.
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2016	The impact of the amendment is not material.
• GRAP 108: Statutory Receivables	01 April 2016	The impact of the amendment is not material.
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	The impact of the amendment is not material.
• GRAP 16 (as amended 2015): Investment Property	01 April 2016	The impact of the amendment is not material.
• GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	The impact of the amendment is not material.
• GRAP 109: Accounting by Principals and Agents	01 April 2017	The impact of the amendment is not material.
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017	The impact of the amendment is not material.
• GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2017	The impact of the amendment is not material.
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	The impact of the amendment is not material.

3. Inventories

Stationery on hand and consumables	42 756	20 453	-	20 453

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

4. Receivables from exchange transactions

Trade receivables	1 039 815	854 063	-	854 063
Payments in advance	17 219	510 657	-	510 657
Accrued income	5 930	5 930	-	5 930
	1 062 964	**1 370 650**	**-**	**1 370 650**

Trade receivables include an amount of R815,918 receivable in relation to rent receivable and a deferred lease asset resulting from the straightlining of rental income.

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Rand	Economic entity 2016	Economic entity 2015	Controlling entity 2016	Controlling entity 2015

5. Cash and cash equivalents (continued)

Cash on hand	487	121	-	121
Bank balances	21 507 281	4 837 976	-	4 837 976
Short-term deposits - Confiscated winnings	4 930 872	4 377 846	-	4 377 846
	26 438 640	**9 215 943**	-	**9 215 943**

Included in the Cash and Cash Equivalents balance disclosed above are confiscated winnings amounting to R4,930,872. 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

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	3 429 425	(1 083 441)	2 345 984	3 448 672	(783 216)	2 665 456
Motor vehicles	399 997	(232 316)	167 681	399 997	(174 316)	225 681
IT equipment	1 129 784	(579 695)	550 089	806 463	(650 296)	156 167
Leasehold improvements	10 850 310	(3 522 234)	7 328 076	10 850 310	(2 409 147)	8 441 163
Total	**15 809 516**	**(5 417 686)**	**10 391 830**	**15 505 442**	**(4 016 975)**	**11 488 467**

Controlling entity

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	3 429 425	(1 083 441)	2 345 984	3 448 672	(783 216)	2 665 456
Motor vehicles	399 997	(232 316)	167 681	399 997	(174 316)	225 681
IT equipment	1 129 784	(579 695)	550 089	806 463	(650 296)	156 167
Leasehold improvements	10 850 310	(3 522 234)	7 328 076	10 850 310	(2 409 147)	8 441 163
Total	**15 809 516**	**(5 417 686)**	**10 391 830**	**15 505 442**	**(4 016 975)**	**11 488 467**

Reconciliation of property, plant and equipment - Economic entity - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	2 665 456	-	(5 258)	(314 214)	2 345 984
Motor vehicles	225 681	-	-	(58 000)	167 681
IT equipment	156 167	562 450	-	(168 528)	550 089
Leasehold improvements	8 441 163	-	-	(1 113 087)	7 328 076
	11 488 467	**562 450**	**(5 258)**	**(1 653 829)**	**10 391 830**

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	3 011 734	-	(6 062)	(340 216)	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
	13 132 639	**41 719**	**(9 534)**	**(1 676 357)**	**11 488 467**

7. Intangible assets

Economic entity	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	2 190 649	(1 274 697)	915 952	1 814 563	(1 043 152)	771 411
Computer software, other	1 024 903	(582 614)	442 289	1 139 959	(492 199)	647 760
Total	**3 215 552**	**(1 857 311)**	**1 358 241**	**2 954 522**	**(1 535 351)**	**1 419 171**

Controlling entity	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	2 190 649	(1 274 697)	915 952	1 814 563	(1 043 152)	771 411
Computer software, other	1 024 903	(582 614)	442 289	1 139 959	(492 199)	647 760
Total	**3 215 552**	**(1 857 311)**	**1 358 241**	**2 954 522**	**(1 535 351)**	**1 419 171**

Reconciliation of intangible assets - Economic entity - 2016

	Opening balance	Additions	Internally generated	Amortisation	Total
Computer software, internally generated	771 411	-	376 086	(231 545)	915 952
Computer software, other	647 760	59 605	-	(265 076)	442 289
	1 419 171	**59 605**	**376 086**	**(496 621)**	**1 358 241**

Figures in Rand	Economic entity 2016	Economic entity 2015	Controlling entity 2016	Controlling entity 2015

7. Intangible assets (continued)

Reconciliation of intangible assets - Economic entity - 2015

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

8. Payables from exchange transactions

Trade payables	1 253 716	1 087 565	-	1 087 565
Deferred rent and accommodation	1 090 218	1 609 856	-	1 609 856
Unidentified confiscated gambling winnings	4 772 588	4 326 525	-	4 326 525
SARS for PAYE and UIF	35 979	39 775	-	39 775
Confiscated winnings from identified punters	157 919	50 957	-	50 957
	7 310 420	**7 114 678**	-	**7 114 678**

9. Provisions

Reconciliation of provisions - Economic entity - 2016

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Leave provision	285 908	453 383	(230 907)	-	508 384
Provision for Compensation Commissioner	28 234	24 467	(23 870)	(4 364)	24 467
Provisions fpr performance bonuses	604 238	1 276 393	(278 085)	(326 153)	1 276 393
	918 380	**1 754 243**	**(532 862)**	**(330 517)**	**1 809 244**

Reconciliation of provisions - Economic entity - 2015

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

Reconciliation of provisions - Controlling entity - 2015

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
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
	717 031	**889 844**	**(542 165)**	**(146 330)**	**918 380**

Provision for performance bonuses

The provision for performance bonuses is based on an upper limit of 20% of the total annual salary package for executive management and 12% for all other employees. 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 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 NGB, giving rise to an uncertainty about the amount and timing of the expected outflows relating to the leave pay provision.

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

9. Provisions (continued)

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 R24,467 is calculated as a percentage of total earnings (0.41%). 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 2015/16 financial period, which ROE will result in an assessment and invoice from the Commissioner.

10. Revenue from exchange transactions

Rental income - related party	2 100 709	2 016 230	-	2 016 230
Limited payout machines (LPM) license fees	5 300 668	257 703	-	257 703
RFP Sales	11 250	45 000	-	45 000
Miscellaneous income	6 140	4 361	-	4 361
	7 418 767	**2 323 294**	-	**2 323 294**

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

Within 1 year	1 801 142	1 691 213	-	1 691 213
2 to 5 years	8 453 914	7 937 947	-	7 937 947
Thereafter	-	2 317 108	-	2 317 108
	10 255 056	**11 946 268**	-	**11 946 268**

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 R140,934 (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

11. Government grants and subsidies

Operating grants				
Grant received	31 983 000	29 797 000	-	29 797 000

12. Employee related costs

Basic	8 260 193	8 637 094	-	8 637 094
UIF	29 231	28 881	-	28 881
Leave pay provision charge	268 747	100 148	-	100 148
Defined contribution plans	295 816	336 763	-	336 763
Other salary related	46 272	58 200	-	58 200
	8 900 259	**9 161 086**	**-**	**9 161 086**

13. Finance costs

Interest paid	-	662	-	-

14. Board members' & executive managers' remuneration

Executive

2016

	Emoluments	Pension paid or receivable	Total
Chief Financial Officer: Ms K Mackerduth	998 220	134 039	1 132 259
Accounting Authority: Mrs. Caroline Kongwa-Hankanga	575 538	-	575 538
Administrator: Mr T Baleni - (termination date: 31 May 2015)	90 779	-	90 779
Adv. M Goodman (appointment date: 01 July 2015)	749 412	102 193	851 605
	2 413 949	**236 232**	**2 650 181**

2015

	Emoluments	Pension paid or receivable	Medical Aid	Leave Encashment	Total
Chief Operations Officer: Mr MB Mashigo (termination date: 31 July 2014)	600 000	-	-	27 586	627 586
Chief Compliance Officer: Mr DT Marasha (termination date: 30 September 2014)	460 226	65 738	37 188	96 213	659 365
Chief Financial Officer: Ms K Mackerduth	952 257	128 544	-	-	1 080 801
Accounting Authority: Ms Caroline Kongwa	316 571	-	-	-	316 571
Administrator: Mr T Baleni - (termination date: 31 May 2015)	221 933	-	-	-	221 933
	2 550 987	**194 282**	**37 188**	**123 799**	**2 906 256**

Non-executive

2016

	Members' fees	Total
Ms GA Deiner (Audit Committee Chairperson from 27 January 2016)	24 937	24 937
Ms G Taylor (Audit Committee member) - (termination date: 31 January 2016)	32 896	32 896
Ms PN Sibiya (Audit Committee member) - (appointment date: 26 October 2015)	9 184	9 184
Mr J Matshiya (Audit Committee member) - (appointment date: 26 October 2015)	9 184	9 184
	76 201	**76 201**

2015

	Members' fees	Total
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) - (termination date: 31 January 2016)	26 912	26 912
Gen JW Meiring (Board member) - (termination date: 31 December 2013)	19 462	19 462
	662 350	**662 350**

	Economic entity		Controlling entity	
Figures in Rand	**2016**	**2015**	**2016**	**2015**
15. General expenses				
Professional and consulting fees				
Legal fees	390 878	1 214 666	-	1 214 666
Research	706 356	117 061	-	117 061
Internal Audit	597 208	92 029	-	92 029
Other consulting fees	319 714	720 662	-	720 662
	2 014 156	**2 144 418**	**-**	**2 144 418**
Travel and subsistence				
Local	411 909	563 813	-	563 813
Other operating expenses				
Recruitment costs	145 104	65 858	-	65 858
Advertising	9 713	13 350	-	13 350
Training	-	20 292	-	20 292
Temporary staff costs	32 500	466 132	-	466 132
Internet costs	195 126	222 306	-	222 306
Telephone and fax	150 266	183 362	-	183 362
Printing and stationery	272 592	271 278	-	271 278
Bank charges	16 278	24 255	-	24 255
Car License	-	696	-	696
Cleaning	73 921	65 523	-	65 523
Fora meetings	24 176	6 865	-	6 865
Copying costs	109 076	144 495	-	144 495
Courier services	1 564	10 871	-	10 871
Fuel and oil	22 230	25 790	-	25 790
Postage and courier	-	1 069	-	1 069
Subscriptions and membership fees	5 625	113 594	-	113 594
Water and Electricity	386 888	366 391	-	366 391
Software expenses	431 026	252 435	-	252 435
Stationery	54 299	58 688	-	58 688
Venue expenses	-	8 602	-	8 602
Maintenance hire	80 928	58 727	-	58 727
Small Office Equipment	4 218	5 167	-	5 167
Insurance	307 809	293 791	-	293 791
Refreshments	27 600	38 996	-	38 996
Storage	10 406	10 472	-	10 472
Security costs	10 203	1 454	-	1 454
Loss on Disposal of Assets	5 259	6 064	-	6 064
Administration fees	(18 986)	75 615	-	-
	2 357 821	**2 812 138**	**-**	**2 736 523**
Auditors' Remuneration				
External audit fees	1 449 659	1 563 556	-	1 563 556
Total General Expenses	**6 233 545**	**7 083 925**	**-**	**7 008 310**

Figures in Rand	Economic entity 2016	Economic entity 2015	Controlling entity 2016	Controlling entity 2015
16. Operating lease				
Current year				
Premises	7 419 916	7 359 212	-	7 359 212
Photocopiers	76 049	81 682	-	81 682
	7 495 965	**7 440 894**	**-**	**7 440 894**
Future minimum lease payments under non-cancellable operating leases				
Within 1 year	6 703 669	6 138 680	-	6 135 680
2 to 5 years	33 632 246	30 777 836	-	30 777 836
Hereafter	12 938 307	22 496 385	-	22 496 385
	53 274 222	**59 412 901**	**-**	**59 409 901**

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 R406,344 (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 R140,934 (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.

Figures in Rand	Economic entity 2016	Economic entity 2015	Controlling entity 2016	Controlling entity 2015
Future minimum lease payments under non-cancellable operating lease for a photocopier				
Within 1 year	38 994	64 770	-	64 770
2 to 5 years	56 396	5 157	-	5 157
	95 390	**69 927**	**-**	**69 927**

The NGB is renting four photocopy machines from Konica Minolta over 36 months contracts. Monthly rentals of R6,337 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.

17. Cash generated from operations

Figures in Rand	Economic entity 2016	Economic entity 2015	Controlling entity 2016	Controlling entity 2015
Surplus	13 219 420	3 300 658	-	3 287 040
Adjustments for:				
Depreciation and amortisation	2 150 450	1 939 627	-	1 939 627
Loss on disposal of non-current assets	5 259	5 087	-	5 087
Movements in provisions	890 864	201 349	-	201 349
Changes in working capital:				
Inventories	(22 303)	11 036	-	11 036
Receivables from exchange transactions	307 685	(789 666)	-	(789 666)
Payables from exchange transactions	(387 150)	1 169 180	-	5 222 893
Deferred rent and accommodation	1 473 721	(272 269)	-	(272 269)
	17 637 946	**5 565 002**	**-**	**9 605 097**

18. Explanation of Variances

Variances which are equal to or more than R50,000 are explained below. Variances which are below R50,000 are considered immaterial and, therefore, not explained.

Revenue from exchange revenue - Government grant

Variance of R500,000 on the government grant was due to the fact that the anticipated assistance funding was removed from the budget during the budget revision period when there were no longer indications that such funding was still forthcoming.

18. Explanation of Variances (continued)

Depreciation and Amortisation

A reduction was made to the Depreciation budget when it was anticipated that the useful lives of some of the entity's assets would be revised, leading to reduced depreciation/amortisation.

Personnel costs

The adjustment to the personnel budget was necessitated by the realisation that the process of filling vacant positions took longer than anticipated, such that when most of the vacant positions were eventually filled, the budget saving had already accumulated.

The positive variance was due to the fact that though all but one vacant position had been filled as at year-end, two candidates who were appointed would only assume duties in the subsequent financial period.

Board Members and Executive Managers' Remuneration

A budget increase was made due to the the decision by the Minister of **the dti** to extend the term of office for the Administrators, thereby necessitating a budget provision for their remuneration.

The negative budget variance at year-end resulted from the timing difference between invoicing by **the dti** and the payment of claims by NGB in relation to the Administrators.

Other operating expenses

The operating expenses budget was increased to make provision for a consultant to provide quality assurance services during a bid process for a significant project (NCEMS) and to provide for the appointment of the State Attorney to ensure an investigation and presentation to the High Court of the cases relating to confiscated gambling winnings.

The positive variance on general expenditure was due to the fact that while funds were committed for research, NCEMS quality assurance, investigation of unlawful winnings and other projects disclosed in the "Commitments" note to the annual financial statements, work had not been completed for these projects as at the end of the financial period.

Operating leases

The operating leases budget was increased to make provision for the straight-lining of lease rentals in relation to the two operating leases NGB is a signatory of.

The positive variance at year-end was due to the fact that while the rental payments can be estimated with precision, the variable costs associated with them (electricity, water, waste removal etc.) fluctuate from time to time based on consumption thereof.

Property, plant and equipment (PPE)

The PPE increased to make provision for the purchase of a motor vehicle for investigations, replacement computers, a navigator and a tender box.

The positive variance on PPE was due to the fact that while purchase orders were issued for the motor vehicle purchase, navigator and tender box, these items had not been delivered at reporting date.

Intangible assets

The budget was increased to make provision for the purchase of an electronic document management system.

The positive variance was due to the fact that the installation of the electronic document management system was underway but had not been completed as at the reporting date.

Figures in Rand	Economic entity 2016	Economic entity 2015	Controlling entity 2016	Controlling entity 2015

19. Commitments

Authorised operational expenditure

Already contracted for but not provided for:				
Internet Solutions - Internet and telephone services	216 370	174 602	-	174 602
EOH - Managed Services - ICT infrustructure support	194 097	388 193	-	388 193
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	353 196	981 020	-	981 020
Flux Interactive (Pty) Ltd - Website hosting	89 372	31 086	-	31 086
ADT Security (Pty) Ltd - Armed Response	-	6 072	-	6 072
State Attorney - Processing of unlawful winnings	6 000 000	-	-	-
KPMG - Quality Assurance of bid process	1 362 479	-	-	-
Urban Econ - Research services	1 061 530	-	-	-
iQual - Software upgrade	366 620	-	-	-
Makro - Navigator	2 999	-	-	-
Assessment Centre Technology - Competency Assessment	18 627	-	-	-
Human Communications - Media awareness campaign	490 921	-	-	-
Sizwe IT - Firewall	43 006	-	-	-
Waltons - Tender box	4 758	-	-	-
YMG Consulting - Risk management training	23 000	-	-	-
First Technology - Electronic document management system	440 228	-	-	-
CHM Vhuwani - Notebook	29 868	-	-	-
Kia Motors - Vehicle for investigations	301 077	-	-	-
Superitum - Software hosting	4 900	-	-	-
Bidvest - Cleaning services	143 566	-	-	-
	11 146 614	**2 511 328**	**-**	**2 511 328**
Total operational commitments				
Already contracted for but not provided for	11 146 614	2 511 328	-	2 511 328

Figures in Rand	Economic entity 2016	Economic entity 2015	Controlling entity 2016	Controlling entity 2015

20. Related parties

Relationships

Companies and Intellectual Property Commission (CIPC)	Schedule 3A Public Entity
Companies Tribunal (CT)	Schedule 3A Public Entity
National Credit Regulator (NCR)	Schedule 3A Public Entity
National Consumer Tribunal (NCT)	Schedule 3A Public Entity
National Consumer Commission (NCC)	Schedule 3A Public Entity
South African National Accreditation System (SANAS)	Schedule 3A Public Entity
National Metrology Institute of South Africa (NMISA)	Schedule 3A Public Entity
The Department of Trade and Industry (the dti)	National department in national sphere
National Regulator for Compulsory Specifications (NRCS)	Schedule 3A Public Entity
National Empowerment Fund (NEF)	Schedule 3A Public Entity
National Lotteries Commission (NLC)	Schedule 3A Public Entity
Export Credit Insurance Corporation (ECIC)	NSchedule 3B Public Entity
South African Bureau of Standards (SABS)	Schedule 3B Public Entity

Related party balances

	Controlling entity 2016	Controlling entity 2015
Rental receivable from related parties		
Rental for a building leased to **the dti**	63 579	23 908
Amounts payable to related parties		
Administrators' acting allowance and reimbursements	104 776	-
Related party transactions		
Rental received from related parties		
The Department of Trade and Industry	1 896 208	1 745 180
Distributions received from related parties		
NGB Trust - Confiscated Gambling Winnings	-	4 053 715
Payments made to related parties		
The Department of Trade and Industry - Allowances and reimbursements for the Administrators	606 642	-

The NGB is a signatory to 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.

21. 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 made in relation to Computer Equipment, Computer Software and Furniture and Office Equipment. The effect of the change in accounting estimate on the current year's results was an increase in the current year's surplus by R71,414 (R39,135, R13,841 and R18,438 for Computer Equipment, Computer Software and Furniture and Office Equipment respectively). The effect of the change in accounting estimate on future financial years will be a decrease in net surplus of R37,136 (R26,376, R4,614 and R6,146 for Computer Equipment, Computer Software and Furniture and Office Equipment respectively), R23,519 (R12,759, R4,614 and R6,146 for Computer Software and Furniture and Office Equipment respectively) and R10,760 (R4,614 and R6,146 for Computer Software and Office Furniture and Office Equipment respectively) for 2016/17, 2017/18 and 2018/19 respectively.

Figures in Rand	Economic entity 2016	Economic entity 2015	Controlling entity 2016	Controlling entity 2015

22. Prior Year Errors

An invoice for the amount of R47,118 for legal costs relating to the 2014/15 financial period was received after the financial year-end.

A claim for cellular phone expenses and remuneration for the Administrators amounting to R39,425 was also received after the financial year-end.

The above expenses resulted in the restatement of the annual financial statements for the 2014/15 financial period, the effect of which is shown below:

				2014/15
Statement of Financial Position				
Net assets at the beginning of the year	-	-	-	9 082 943
Increase in current liabilities	-	-	-	(86 543)
Statement of Financial Performance				
Surplus as previously stated	-	-	-	3 387 201
Increase in General Expenses	-	-	-	(78 899)
Increase in increase in board members and executive managers' remuneration	-	-	-	(7 644)
	-	-	-	3 300 658

23. Going concern

As at 31 March 2016, the entity had a net surplus for the year of R13.2 million, while total assets exceeded total liabilities by R22.2 million. The NGB is substantially 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 2016/17 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.

24. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:

- On 26 May 2016, the NGB received a summons for breach of confidentiality of a settlement agreement with a former employee.
- An amount of R982,739 is being claimed for the alleged breach of confidentiality. The matter is yet to be heard in court.

25. Unauthorised expenditure

There was no unauthorised expenditure during the year.

26. Fruitless and wasteful expenditure

Opening balance	29 276	28 829	-	28 829
	-	447	-	447
	29 276	**29 276**	-	**29 276**

There was no fruitless and wasteful expenditure during the year.

Figures in Rand	Economic entity 2016	Economic entity 2015	Controlling entity 2016	Controlling entity 2015

27. Irregular expenditure

Opening balance	6 951 121	3 908 790	-	3 908 790
Add: Irregular Expenditure - current year	70 005	3 042 331	-	3 042 331
Less: Amounts condoned	(6 950 453)	-	-	-
Less: Amounts not recoverable (not condoned)	(70 673)	-	-	-
	-	**6 951 121**	-	**6 951 121**

Analysis of expenditure awaiting condonation per age classification

Current year	-	3 042 331	-	3 042 331
Prior years	-	3 908 790	-	3 908 790
	-	**6 951 121**	-	**6 951 121**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Non-compliance with PPPFA. Bids were advertised using the 90:10 preference point system, but proposals were below R1 million, which necessitated that the RFP be re-advertised at 80:20 – this was not done. The expenditure constitutes the last payment against a contract entered into in the 2013/14 financial year.	Matter referred to HR for disciplinary processes.	70 005

Details of irregular expenditure condoned

	Condoned by (condoning authority)	
Non-compliance with PPPFA. Bids were advertised using the 90:10 preference point system, but proposals were below R1 million, which necessitated that the RFP be re-advertised at 80:20 – this was not done.	**Accounting Authority**	70 005
Irregular expenditure relating to 2014/15	Accounting Authority	3 908 790
Irregular expenditure relating to 2013/14 and prior years	Accounting Authority	3 042 331
		7 021 126

Details of irregular expenditure not condoned

Bonuses paid over and above the capped percentage permissible by the entity's policy	70 673

The above amount related to a payment for bonuses to a former employee which was over and above the capped percentage permissible by the entity's policy.

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. Internal investigations were conducted, leading to the condonation of the Irregular Expenditure by the Accounting Authority and the decision to recover the amount for which no value was received by the entity.

28. Contingent liabilities

National Treasury - Surplus for the year	13 219 420	3 300 658	-	3 300 658
Former employee vs NGB	982 739	-	-	-
	14 202 159	**3 300 658**	-	**3 300 658**

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

28. Contingent liabilities (continued)

National Treasury: A contingent liability exists as a result of the surplus reported in the current year, 2015/16, 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.

Former employee vs NGB: The NGB received a summons on 26 May 2016 for breach of confidentiality of a settlement agreement from attorneys representing a former employee.

29. Losses

Loss on disposal of assets	5 259	6 064	-	6 064

30. Risk management

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	6 220 203	5 504 823	-	5 504 823

Controlling entity

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

At 31 March 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	6 742 663	7 358 447	26 330 195	12 938 307
Trade and other payables	1 805 144	4 415 060	-	-

At 31 March 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	6 200 450	6 708 825	24 074 168	22 496 385
Trade and other payables	1 127 341	4 377 481	-	-

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%	264 386	92 159	-	92 159
Cash and Cash Equivalents-decrease by 1%	(264 386)	(92 159)	-	(92 159)

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 .

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

30. Risk management (continued)

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

Trade Receivables	1-30 days past due	60-90 days past due	90-120 days past due	More than 120 days past due	Total
2016	17 218	-	13 448	59 060	89 726
2015	1 321 344	-	23 908	25 399	1 370 650

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:

a) 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.

b) Transactions are entered into with reputable institutions approved by National Treasury.

c) 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.

d) Funds are invested in short term facilities which are highly liquid.

e) 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	26 438 640	9 215 943	-	9 215 943
Other Receivables	1 062 963	1 370 650	-	1 370 650
	27 501 603	10 586 593	-	10 586 593

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)	26 438 153	9 215 822	-	9 215 822
Other receivables	1 062 963	1 370 650	-	1 370 650
	27 501 116	10 586 472	-	10 586 472

Financial Instruments

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

Cash and cash equivalents (excluding petty cash)	26 438 153	9 215 943	-	9 215 943
Receivables	1 062 963	1 370 650	-	1 370 650

Figures in Rand	Economic entity 2016	Economic entity 2015	Controlling entity 2016	Controlling entity 2015
30. Risk management (continued)				
Other financial liabilities	6 220 203	5 504 823	-	5 504 823

LIST OF ABBREVIATIONS / ACRONYMS

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

Problem Gambling is Treatable.
Gamble Responsibly.

National Gambling Board

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