ANNUAL REPORT

2014

National Gambling Board
South Africa

a member of **the dti** group

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MINISTERS NOTE TO PARLIAMENT

Dear Honourable Speaker,

Annual Report of the National Gambling Board for the year ended 31 March 2014.

I have the honour, in terms of section 65 of the Public Finance Management Act, 1999 (Act No. 1 of 1999), to present the Annual Report of the National Gambling Board for the year ended 31 March 2014.

Dr Rob Davies, MP
Minister of Trade and Industry

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Fax number: +27 86 618 5729
Email address: info@ngb.org.za
Website address: www.ngb.org.za
External auditors: Auditor-General South Africa
Bankers: Standard Bank South Africa
Company/board secretary: Vacant

VISION, MISSION AND VALUES

VISION

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

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

MISSION

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

VALUES

- Professionalism;
- Moral integrity;
- Transparency, commitment and consistency;
- Effective implementation of resolutions and responsive communication; and
- Teamwork, respect and tolerance.

STRATEGIC OVERVIEW

Strategic outcome-orientated goals:

As one of the national regulatory agencies of **the dti**, the NGB's strategic outcome-orientated goals are informed by the Act and are driven by the strategic objective of **the dti** as well as government priorities.

- The aim of the Act is mainly to co-ordinate activities relating to the exercise of concurrent legislative competence of the national and provincial governments in order to harmonise the gambling environment in South Africa.
- The main strategic objective of **the dti** is, among others, to facilitate transformation of the economy, to promote industrial development, investment, competitiveness and employment creation, build mutually beneficial regional and global relations to advance South Africa's trade industrial policy and economic activities, facilitate broad-based economic participation and to create a fair regulatory environment.
- These strategic thrusts are aligned to the government's outcome of creating decent employment through economic growth.
- The NGB seeks to achieve the following strategic outcome-orientated goals:
  - harmonisation in a dynamic legislative environment;
  - compliance oversight of the PLAs and the gambling industry in general;
  - integrated strategic information portal;
  - leadership of the debate concerning evolution of gambling; and
  - optimisation of organisational excellence.

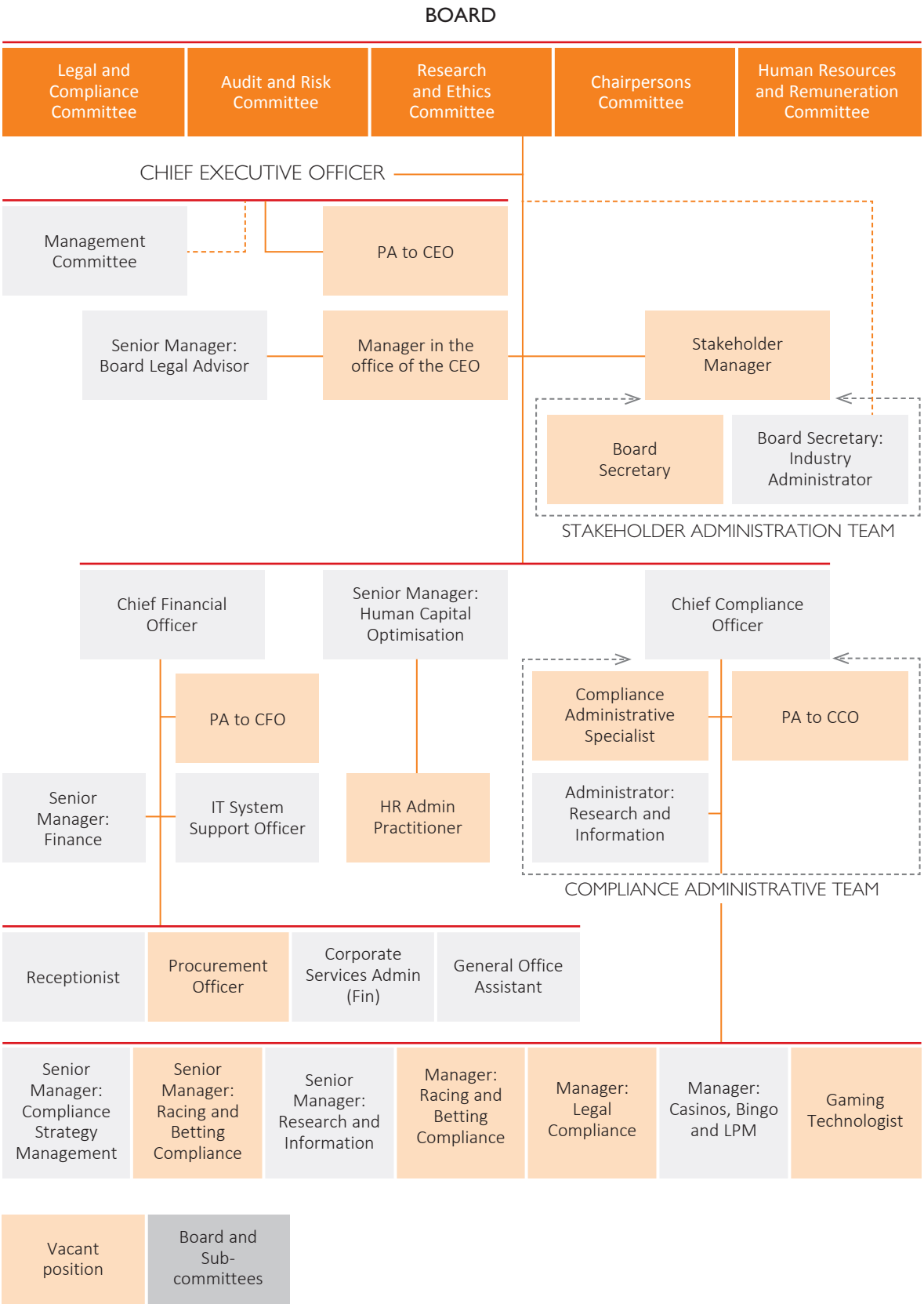
LEGISLATIVE AND OTHER MANDATE

The NGB is a juristic person established by the repealed NGA, 1996 (Act 33 of 1996) and retained under the current NGA of 2004. The NGB is registered as a Schedule 3A Public Entity in terms of the PFMA of 1999. The mandate of the NGB is set out in sections 33 and 34, read with sections 32, 21 and 65 of the Act, and these are 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 the PLAs;
- conducting oversight evaluation of the performance of PLAs to ensure that the national norms and standards established by the Act are applied uniformly and consistently throughout South Africa; and
- assisting PLAs to ensure that the unlicensed gambling activities are detected. The Board must also establish and maintain a national registry of every gambling machine or gambling device manufactured within or imported in to South Africa and assign a permanent and unique registration number for each such machine or device.

The outcome of the work of the NGB is manifested by the effect and quality of its advice and recommendation to the National Gambling Policy Council (NGPC) on, among others, matters of national policy and legislative changes relating to gambling.

ORGANISATIONAL STRUCTURE



OUR PEOPLE

Linda de Vries (B)
Chairperson

Ms Nana Magomola (B)
Deputy Chairperson

Prof SV Nzimande (B)
Board member

MC Macebele (B)
Board member

Brigadier ST Nkosi (B)
Newly appointed
Board member

E Masotja (B)
Newly appointed
Board member

D Muzwayine (B)
Acting Chief
Executive Officer

K Mackerduth (E)
Chief Financial Officer

T Marasha (E)
Chief Compliance
Officer

M Burns (SM)
Senior Manager –
Compliance Strategy
Management

M Goodman (SM)
Senior Manager –
Board Legal Advisor

E Jonkheid (SM)
Senior Manager –
Research and
Information

S Mthombeni (SM)
Senior Manager Finance

M Moss (M)
Manager LPM, Bingo
and Casino Compliance

P Makamo (PR)
Admisitrator – Research
and Information

T Mukwevho (PR)
Procurement Officer

S Mhlongo (PR)
IT Systems
Support Officer

L Mazibuko (PR)
Board Secretary

P Ntshaba (PR)
HR Practitioner

T Mlobedzi (A)
Corporate Services
Administrator – Finance

K Makopo (A)
Board Secretary –
Industry Administrator

M Lekala (A)
General Office Assistant

B Leola (A)
Receptionist

(B) Board
(E) Executives
(SM) Senior managers
(PR) Professionals
(A) Admin

MINISTER'S FOREWORD

The dti and its family of agencies continually strive to improve. In this spirit of continuous improvement, a shareholders' compact was signed during the year under review to improve the oversight of corporate governance and related matters by **the dti**.

A notable achievement was the completion of a study on the socio-economic impact of gambling, a detailed analysis of which can be found further in the Annual Report. It is important that these findings are now applied to inform policy and activities relating to the promotion of responsible gambling, the protection of gamblers, the assistance of problem gamblers, the eradication of illegal gambling, as well as to educating society about the nature and risks of gambling.

The development of new gambling modalities based on internet and mobile technology platforms, as well as gaps in the regulation of horseracing, betting and bingo, will necessitate a review of land-based, mainly destination-type gambling operations. Gambling regulation needs to create a balance between revenue generation, while taking cognisance of the government's development priorities. The NGB will provide continued gambling sector knowledge and statutory advisory services that examine best practices and ensure proper development and utilisation of research information in the sector. This information will assist the NGB to determine the best methods of combating, strengthening and enhancing enforcement of and compliance with legislation.

The vision of the NGB is to regulate other forms of gambling, such as online gambling, to develop a funding model, norms and standards, and a stronger model to tighten regulations. It also aims to oversee all provincial gambling activities and to demonstrate the economic opportunities to be derived from a well-regulated gambling environment and industry.

In closing, I would like to take this opportunity to thank the Board for their diligent service during my tenure as Minister and for their efforts to ensure that the NGB has continued to operate in an effective and efficient environment.

Dr Rob Davies, MP
Minister of Trade and Industry

31 July 2014

CHAIRPERSON'S FOREWORD

The NGB, through the guidance of the Board and the dedication of Management, has performed well to ensure sound management and the proper execution of its fiduciary duties, adopting a focussed approach in line with its mandate and as the catalyst of the industry, despite the challenges it faced.

The NGB has made progress in achieving its primary objectives during the year under review, although much still needs to be done if one takes cognisance of the tabled Gambling Review Commission (GRC) Report by the Portfolio Committee on Trade and Industry and the Select Committee on Trade and International Relations.

Through the NGB's interaction on the international stage in respect of gambling, South Africa has become known for its sound regulations, and plays a collaborative role in developing and enhancing the gambling jurisdiction. In this regard, there are interactions with a number of foreign countries, namely Cameroon, Denmark, Norway, United States of America (Nevada), as well as France, Italy, Rwanda, Zambia and Zimbabwe, with the aim of sharing information and best practices. The European study tour by the Board in 2013, with back-to-back conference attendance at the International Association of Gambling Regulators in Norway, where global regulators met, was extremely insightful and important.

The European study tour highlighted the experiences of the European member states, the lessons learnt with respect to the impact on other modes of gambling such as casinos, and also the ability to regulate and control Interactive Gambling (IG). In particular, the lessons of Denmark, France and Italy will shape and influence our advice to the Ministry when South Africa legalises IG. On behalf of the Board, I participated as an invited guest to present papers at the Pre-eminent Risk and Gambling Conference in Nevada, USA. Sharing the lessons of South Africa and our experiences as Gaming Regulators Africa Forum (GRAF) Secretariat with the broader regulatory community, as well as our research on the socio-economic impact of gambling was well-received.

One of the most important tasks of the NGB is to perform in the field of research. Broad-based research of the gambling industry empowers the NGB to take an informed position on various issues and ensures that **the dti** is always aware of the impact of this dynamic industry on the broader socio and economic terrain. Our tracking research over the past financial year provided important information on the participation of the public on the various modes of gambling in the country and on tracking the incidences of illegal and informal gambling in South Africa. Various scientific and professional research methodologies ensure that all our research objectives were met. Detailed strategic recommendations and action plans were forwarded to the Board and **the dti**, and are currently a work in progress.

Evidence-based research remains a key pillar of the NGB. In order to produce reliable research data for decision making in the sector an integrated web-based information portal to capture, analyse and present gambling-related information such as national gambling statistics and size of the market share is nearing completion. This solution contains historical and current statistical information. The capabilities of this solution were enhanced to provide performance projection reports and produce gambling sector performance reports.

The organisation has also presented a Business Plan with regards to online gambling. One key driver in our submissions was our understanding of overall licensing, global gambling opportunities such as casinos, limited payout machines and the current sites for bingo and horse racing betting. The research was both a secondary and primary research study which allowed us to make a submission to **the dti** and the provinces on Bingo. Such research will also assist the Executive Authority in assessing current policies and to craft a forward-looking framework on bingo.

One of the key challenges identified during the oversight assessment was the lack of an appropriate legislative framework regulating betting, wagering and bingo. Further research will soon be commissioned, and will establish the legislative framework for all modes of gambling, as well as the replacement effect of new modes should it be introduced.

IG remains a challenge in terms of regulation and control. After research on how other jurisdictions, especially the USA and the European Union have dealt with IG, the NGB formulated and submitted a draft business plan to **the dti**. The NGB participated in a workshop hosted by the chairperson of the Trade and Industry Portfolio Committee in Parliament on how, what and which key areas should be addressed, legalised and become operational when enacted.

Despite insufficient funding, the NGB continues to maintain its integrity
by ensuring that public funds are prudently spent against the set targets. The Auditor General has again issued an unqualified audit report and we hope this achievement will be a good indicator for securing additional funds during the budget adjustments process. Furthermore, in terms of good corporate governance, the Board has always kept **the dti** abreast
of the risk associated with a board that was not quorate, especially in respect of the decision-making process.

To date, sole reliance on revenue has been placed with **the dti** in the form of grant funding. Alternative sources of internal revenue generation are limited and therefore have a negative impact on the execution of the NGB's mandate. The National Central Electronic Monitoring System (NCEMS) for Limited Payout Machine (LPMs) regulation will be one of the methods of tapping into existing forms of revenue in future years. The Board has commenced with the process of calling for proposals for the NCEMS for the next financial year. The NGB has initiated the process to appoint a NCEMS operator. This will give the Board an opportunity to also review the current NCEMS revenue model to the betterment of the industry, and to align it to government imperatives and shareholders' compact.

During our assessment of the industry, we further identified additional norms and standards that must be developed. This will be focussed on in the next financial year, in collaboration with **the dti**.

One of the strategic goals of the NGB is to curb money laundering and the financing of terrorism, which is often linked to the financing of underground activities. In conjunction with the Financial Intelligence Centre (FIC), the gambling industry, led by the NGB, is preparing for a Financial Action Task Force (FATF) evaluation to address Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF).

The role of the South African Responsible Gambling Foundation in addressing problem gambling is also important and the role of the NGB is to ensure that the mandate of the National Gambling Act (NGA), 2004 (Act 7 of 2004)

is addressed through this public-private partnership. In 2013, a number of workshops were held in various provinces to address the Y-generation, and which yielded very valuable lessons and results on awareness and problem gambling.

I wish to thank the Board members and committees, as well as all stakeholders and the NGB staff for their hard work, commitment, dedication and the support provided to ensure that the NGB achieves its strategic goals and objectives. I also wish to acknowledge the important role played by the Acting Chief Executive Officer (ACEO), Mr Themba Marasha, during his eight-month tenure as we awaited the appointment of the permanent CEO, Mr Themba TC Dlamini. Unfortunately, Mr Dlamini resigned on 31 March 2014 after being in the position for three months, due to personal reasons, and the challenge of the possible agency rationalisation process (ARP) as proposed by **the dti**. The NGB has submitted a detailed response to the Minister on the proposed ARP, emphasising the insecurities related to this and the constitutional concerns that must be addressed.

I also wish to thank the members of the Board whose term expired during the 2013/2014 financial year and under whose leadership the various sub-committees performed their duties and advised the Board. The following sub-committee chairpersons are thanked for their contributions, namely Research and Ethics, Dr Malaga Kganakga, Legal and Compliance, Adv Tayob Aboobaker, and Audit and Risk, Mr August Keyser. Their commitment to the NGB and the regulation of gambling in South Africa was extremely valuable and appreciated.

In closing, on behalf of the NGB and its staff, I wish to express a special word of acknowledgement and thanks to the Minister and **the dti** for their support.

Professor Linda de Vries
Chairperson: NGB

31 July 2014

CHIEF EXECUTIVE OFFICER'S OVERVIEW

I am pleased with the progress made by the NGB this financial year as we demonstrated the Board's ability to provide leadership in regulating the gambling sector amidst challenges, while simultaneously delivering on the shareholder compact signed between the Board and the Minister of Trade and Industry..

The NGB delivered excellent work in the area of research during the year under review. A quantitative study conducted on the socio-economic impact of gambling has received plaudits and endorsement from our stakeholders and the findings will form the foundation of future legislation to combat the potential negative aspects of gambling.

We also conducted further research in the form of a qualitative study with focus groups in rural and urban areas (2013/14), tracking research of gambling through the IPSOS survey (2012/13) and gambling sector performance reports (2013/14). These achievements were made despite a limited research budget and an under-capacitated research unit.

Although the research shows a relatively stable social demand for gambling the growing number of different modes of gambling, perceptions that the most significant negative impact of gambling is associated with illegal and under-age gambling are concerning.

One of the biggest threats has been the rapidly growing pace of interactive gambling, which is currently illegal and unregulated and also extends to horseracing and bingo. The NGB has submitted proposals to **the dti** to amend legislation and I am confident that changes will be effected soon, providing the NGB with the legislative framework required to exercise its regulatory authority.

During the year under review the NGB developed a strategy to assist the provinces in combating illegal gambling by partnering with national entities such as the Priority Crime Division of the SAPS (Hawks) and the National Prosecuting Authority (NPA), the Department of Communication, SARS and the SARB. We are faced with the over 50 foreign licenced operators targeting South Africans and five illegal operator websites that are ranked in the top 500 most popular among South Africans.

Bingo also remains a contentious issue with certain provinces licencing and rolling out "slot machine-styled" electronic bingo terminals (EBTs).

The LPM sector is continuing its roll out, however the provinces ignore national legislation on the "more than five machines" per site approval process. We are pleased to report that the NGB won the first round of the court battle with the "lacuna" in the NGA section 18(2) and LPM regulation (regulation 3.2).

Horseracing is currently "officiated" over by the National Horseracing Authority (NHA) a self- regulating body established more than 100 years ago. We are in talks with **the dti** to amend legislation as this situation renders us powerless in our oversight role as mandated by the NGA. In the interim we continue to play a facilitating role between the various stakeholders namely grooms, horse owners and trainers.

The challenges of the year under review presented us with the opportunity to reassess our strategic plan so as to deliver on our mandate. The NCEMS project currently underway provides an opportunity for us to translate strategy into deliverables in line with the NDP, the IPAP and government priorities.

I remain confident that with tougher but enabling legislation the NGB will continue to contribute to the key strategic objectives of government around localisation in manufacturing, job creation, and transformation. A stronger and clearer articulation of the role and function of NGB nationally will contribute to better regulation of the industry and an improvement in serving the needs of all the communities directly and indirectly impacted by the gambling industry.

I am encouraged by the NGB's performance during the year under review, which is reinforced by the Auditor-General's unqualified audit opinion.

I wish to thank the staff and the Board for their resilience, commitment and contribution.in ensuring that the gambling industry is effectively regulated and in combating the negative effects of illegal gambling.

Finally, I encourage **the dti** and our stakeholders to take a fresh look at the significant contributions made by the NGB and to partner with us for the benefit of the industry, the economy and, consequently, all South Africans.

D Muzwayine
Acting Chief Executive Officer: NGB

31 July 2014

STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

Statement of Responsibility for Performance Information for the year ended 31 March 2014

The CEO is responsible for the preparation of the public entity's performance information and for the judgements made regarding this information.

The CEO is responsible for establishing and implementing a system of internal controls, designed to provide reasonable assurance as to the integrity and reliability of performance information.

In my opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the Strategic Plan and APP of the public entity for the financial year ended 31 March 2014.

The NGB performance information for the year ended 31 March 2014 has been examined by the external auditors and their report is presented on page 53.

The performance information of the NGB as set out on page 22 to page 27 was approved by the Minister and the Board.

D Muzwayine
Acting Chief Executive Officer: NGB

31 July 2014

AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor General of 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 53 of the Auditors Report, published as Part F: Financial Information.

OVERVIEW OF PERFORMANCE INFORMATION BY PROGRAMME

The NGB managed to execute its mandate as articulated in the legislation and in line with the shareholders compact signed with the Minister.

Programme 1: Stakeholder Liaison and Legal

Strategic objective 1	Harmonisation in a dynamic environment
Objective statement	Ensuring enabling and uniform rules and regulations across provincial gambling regulatory framework
Baseline	Aligned legislative framework and developed norms and standards
Strategic objective 4	**Leading debate on new forms of gambling**
Objective statement	Provide an integrated platform for discussion
Baseline	Provide a five-year strategy that integrates the processes and development around new forms of gambling
Strategic objective 5	**Organisational excellence**
Objective statement	Efficient internal management systems and effective people
Baseline	Developed secretariat systems and integrated strategies

PURPOSE OF THE PROGRAMME

This programme provides strategic co-ordination and promotes liaison at local and international level among the various stakeholders of the NGB, including the National Responsible Gambling Foundation, a body tasked with providing support and problem gambling interventions.

SUB-PROGRAMMES

This programme has sub-programmes, namely:

- Legal
- Stakeholder liaison.

KEY ACHIEVEMENTS OF THE SUB-PROGRAMMES

Legal

The programme is responsible for alignment of the legislative framework to ensure a harmonious gambling environment in South Africa, for the development of secretariat systems and for integrated strategies and leading debate on new forms of gambling.

Stakeholder Liaison

In addressing matters pertaining to a lack of empowerment and labour-related matters with regard to the grooms and the horse racing industry stakeholders, the NGB engaged the affected stakeholders of the industry, specifically the National Horseracing Authority, to address the empowerment of grooms and facilitate the resolution of labour-related matters.

Horse racing is one of the key areas that requires policy changes to ensure that empowerment in that sector of the industry takes place.

As part of the awareness campaign the organisation engaged the public and the regulators, namely the PLAs,

Chairperson's Forum and the CEO's Forum.

The Board continues to provide guidance and leadership in the industry through programmes such as the GRAF.

CHALLENGES

KEY CHALLENGES	PROPOSED ACTION
Delay in having the Council sitting to review advisory reports in terms of section 65 of the NGA of 2004 and to address disputes or non-compliance reports made by the NGB.	The policy and legislation division was advised on providing a framework for reporting matters to the Council, procedures and processes of reporting matters to the Council at a meeting held on 02 October 2013.
Delay in obtaining a directive from the Council in terms of section 65, on settlement of non-compliance by the PLAs.	Write letters to the Minister on non-compliance by the PLAs to obtain a directive on how to settle the issue of non-compliance.

Programme 2: Corporate Services

Strategic objective 1	Harmonisation in a dynamic environment
Objective statement	Ensure alignment and best practices within the gambling industry
Baseline	Human resources development and ICT infrastructure strategies
Strategic objective 5	**Organisational excellence**
Objective statement	Efficient internal management systems and people
Baseline	Transformed organisational processes and systems through re-engineering

PURPOSE OF THE PROGRAMME

The Corporate Services division seeks to Optimise Organisational Excellence as its strategic outcome-oriented goal.

The division is one of the support functions of the NGB; providing strategic financial management functions, human resources (HR) and information technology infrastructure support to the organisation. It is the custodian of human and financial resources. The division has four departments that provide specialised services to the NGB. The main aim of this division is to provide business solutions and resources as well as to support utilisation of those solutions and resources to maximise performance of the organisation.

BRIEF DESCRIPTION OF SUB-PROGRAMMES

Finance: The core function of the finance department is to provide overall management of the financial affairs of the organisation. This department provides for the financial planning and reporting for both internal and external users of financial information.

Supply Chain Management (SCM): The core objective of SCM is to ensure that the procurement of goods and services is done in a manner which is fair, equitable, transparent, competitive and cost effective as prescribed by section 38(i)(a)(iii) of the PFMA of 1999. This unit contributes to the achievement of the NGB's objectives through the procurement of goods and services for all the NGB's business units.

Information and Communications Technology (ICT): The function of the ICT department is to support the NGB with ICT strategic development and with maintenance of the communication and management systems, thereby enhancing the overall organisational performance through technology.

Human Capital Optimisation (HCO): The function of the HCO department is to provide HR systems and processes that support optimised employee performance. This department ensures that there are effective and up-to-date performance management systems and compliance with relevant labour laws.

KEY ACHIEVEMENTS OF THE SUB-PROGRAMME

The NGB was able to obtain an unqualified audit opinion which is consistent with past performance.

CHALLENGES:

Statement of financial performance

A deficit of R4, 050 million was reported for the financial year under review.

The NGB's Statement of Financial Performance reflected a negative budgeted variance of R4,050 million, mainly attributable to the unfunded rental paid for new premises. A budget saving of R1, 122 million was made on the personnel budget, owing to resignations and unfilled vacancies.

KEY CHALLENGE	PROPOSED ACTION
Insufficient funding – Due to the unavailability of cash resources, the NGB was unable to pay current invoices amounting to R1, 600 million. This implies that financial obligations relating to the 2013/14 financial period will be defrayed from the 2014/15 budget allocation.	The NGB is revisiting its strategic mandate, with the view of managing contracts more effectively and efficiently within the allocated resources. Implementation of National Treasury's Instruction 01 of 2013/14 on Cost Containment will be the basis of the budget for the 2014/15 financial year.
High staff turnover – This has had a negative impact on the NGB's ability to perform at an optimal level.	Conduct an analysis to identify reasons for high turnover. Develop a plan to address the outcomes based on the above analysis. Organisational culture change interventions.
Vacancies in critical posts.	Fill critical vacancies.
Retention and attracting staff.	Review staff employment and retention strategy and policy.
Alignment between the skills complement and the job requirements .	Conduct a review on the alignment of job descriptions versus job requirements.
Weak internal processes leading to irregularities with regard to the SCM policy and other related legislation has resulted in irregular expenditure of R3, 610 million incurred in the 2013/2014 financial year.	Create awareness of SCM processes within the NGB to ensure stricter adherence.

Programme 3: Compliance and Monitoring

Strategic objective 1	Harmonisation in a dynamic environment
Objective statement	Ensuring and enabling uniform rules and regulations across provincial gambling regulatory framework
Baseline	Human resources development and ICT infrastructure strategies
Strategic objective 2	**Compliance oversight of PLAs and gambling industry**
Objective statement	Ensuring and monitoring industry compliance through legislation
Baseline	Evaluate compliance and ensured corrective measures.
Strategic objective 3	**Integrated strategic information portal**
Objective statement	Providing access to national integrated information
Baseline	Established integrated information dashboard
Strategic objective 4	**Leading debate in new forms of gambling**
Objective statement	Developing scenarios that will contribute to policy direction in terms of new forms of gambling
Baseline	Researched new forms of gambling

PURPOSE OF THE PROGRAMME

The Compliance division, headed by the Chief Compliance Officer, seeks the **Harmonisation in a Dynamic Legislative Environment, Integrated Strategic Information Portal, Compliance Oversight of the Provincial Gambling Boards and the Gambling Industry** in general, as its strategic outcome-oriented goal.

The compliance division manages the core functions as prescribed in the NGA of 2004. This division provides strategic compliance management functions in respect of gambling in South Africa. It is the custodian of oversight and evaluation of the performance of the provinces, and registers and provides assistance with the detection of illegal gambling to the provinces. The division has three departments which provide specialised services on behalf of the NGB, namely Compliance Inspectorate, Racing and Betting and Information Management.

BRIEF DESCRIPTION OF THE SUB-PROGRAMMES

Compliance Inspectorate: This department is responsible for the majority of the core functions as set out in the NGA of 2004, the majority of which are prescribed in sections 33 and 65 of the Act. In this regard all the annual deliverables were achieved and reported on via the Legal Compliance Committee, which is a sub-committee of the Board.

Racing and Betting: The core objective of Racing and Betting department is to ensure that all racing and betting-related issues are dealt with.

Research and Information: The function of the department is to deal mainly with the gambling sector performance information and research. The most important outcomes were the social and economic impact of gambling study and line gambling sector performance report.

KEY ACHIEVEMENTS OF THE SUBPROGRAMME

Compliance Monitoring

Through the electronic CMS the oard continued to monitor compliance and evaluate the performance of the provinces. The system is a suitable tool, but the challenge lies in getting the provinces to actually assess their own performance and provide the information required by the Board.

During the period under review only five of the nine provinces submitted the self-evaluation documents, and this after a number of letters, postponements and extensions were granted.

The Board will escalate this non-compliance through the respective governance processes for further action.

National Register/Databases

The various national registers (databases) as prescribed in the legislation such as the Probity, Information Sharing, Exclusions and Machines and Devices have all been developed and are being maintained and functional. Regrettably, those whom the registers were meant to serve, have not fully utilised them. An upgrade of the registers is planned for 2014/15.

During the period under review, the exclusions' register remained inoperative because it was not effected as prescribed in the respective legislations.

National Public Awareness and Educational Roadshows

The Board participated in several public awareness roadshows along with **the dti** and other stakeholders and these were extremely well received. The participation of the Board was welcomed and will remain on the agenda for the years ahead.

National Central Electronic Monitoring System

The Board again ensured the continuous suitability and compliance of the NCEMS operator through various committees that manage the contract by virtue of a Service-Level Contract (SLC). namely:

Management Committee – Committee that is constituted manage the provision of services by the NCEMS operator in terms of the SLC.

Operations and Changes Committee – Committee that is constituted to provide guidance on the resolution of the daily operations of the NCEMS, which are approved by the Board representatives.

As a component of the stipulations of clauses in the SLC, it ensures that the system supplied by the NCEMS Operator is secure and that it transmits authentic and accurate information. It also ensures fair play, guarantees protection of patrons/players and is able to accurately calculate the taxes and levies to be paid by licensees and, finally, it ensures that the NCEMS complies with essential requirements.

The NCEMS Robustness Audit conducted during the past year, identified several areas of concern, all of which have been or are being addressed with the Boards appointed operator, Zonke Monitoring Systems.

ZMS also conducted disaster recovery testing which was successful and compliant as articulated in the SLC.

During the reporting period, the NCEMS continued to report a less than 1% downtime on average and the helpdesk reports and attendance thereto reported continuous technical functionality and good performance by the system.

LPMs

At present there are eight provinces that have licensed the operation of LPMs, namely:

- Mpumalanga – Since June 2003;
- KwaZulu-Natal – Since April 2004;
- Western Cape – Since November 2004;
- Eastern Cape – Since April 2005;
- Limpopo – Since August 2006;
- Gauteng – Since September 2009; and
- Free State and North West – Since 2011.

During the reporting period, the Board faced a challenge from Goldrush, a Gauteng-licensed Route Operator as well as Maxime's, an aspiring 5-40 machine site licensee. The matter was heard by the North Gauteng High Court. A decision in favour of the Board, Gauteng Gambling Board and the Minister of Trade and Industry was handed down. Goldrush has since applied for leave to appeal the decision.

While the issue was being dealt with, certain provinces chose to approve such 5-40 machine sites, and consideration will be given regarding the action that may be taken.

ERADICATION OF ILLEGAL GAMBLING

The ongoing campaign against illegal gambling, spearheaded by the Board, continued nationally with the collaboration and assistance of the provinces. Several high-level working groups, including outside stakeholders such as the SAPS and the NPA, were brought on board to assist in the fight against illegal gambling operations in South Africa.

The Board and the provinces provided an enormous amount of intelligence and the above-mentioned agencies have taken charge of the investigations, and the case/s remain under investigation. This matter was still ongoing at the time of reporting.

ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING CONTROLS

The Board, as a supervisory body together with a variety of other stakeholders including the FIC, met on four scheduled occasions to address issues of common interest as it pertains to the AML/CTF legislation.

The period under review also saw the FIC introducing a new RBA, focussing on the manner in which gambling licensees e.g. casinos were managing the AML/CTF issues. The shift saw casinos as accountable institutions having to understand the risks to their business with regards to AML/CTF issues and being required to put mechanism's in place to address threats, based on the risk-based assessment.

A far greater emphasis was also placed on casinos to get to know more about Politically Exposed Persons (PEPS) and how to deal with them from an enhanced customer due diligence (CDD) perspective. The FIC also put out a guidance note informing all licensees that loyalty programmes are deemed to be a business relationship and this requires licensees to obtain confirmation of residential addresses.

The Compliance division and the FIC continue to meet to advance ideas with regard to the issue of preventing money laundering and terror financing.

South Africa as a country will again be assessed by the world body, the FATF during 2015/16 and preparations are at an advanced stage. South Africa was previously assessed in 2009, with the gambling industry controls in place being highly thought of and complimented, considering that it was deemed by the FATF to be regularly used by organised crime worldwide to launder money.

No AML Advisory Council meetings were held during the year.

Significant amendments to the FICA of 2001 are being considered and the Board has contributed significantly in this regard.

SANAS GAMBLING LABORATORY ACCREDITATION

The Board continues to be a member of this accreditation team as technical experts/assessors and together with SANAS ensures that gambling laboratories meet these standards and requirements.

During the reporting period the NGB assisted SANAS on three occasions with ongoing surveillance assessment's being conducted on all the licensed gambling test laboratories/agents.

The ongoing SANAS accreditation is a continuous process and assistance is provided on request.

PARTICIPATION ON SABS GAMBLING TECHNICAL STANDARDS COMMITTEE

Technical compliance of all gambling equipment remains a critical part of consumer protection and the integrity of such equipment is important. The Board thus always seeks to ensure the industry's technical compliance with the South African National Standards.

The Board in conjunction with the SABS, has always driven this technical committee to ensure that standards are continuously assessed in line with the technological advancements and international practices.

During the reporting period the technical standards working groups met on four occasions, each as it pertains to various parts of (SANS 1718) to ensure its ongoing compliance with current legislation and new gambling innovations.

THE GRAF CONFERENCE

The Board together with the Limpopo Gambling Board are planning the 10th GRAF Conference which is to be held in Polokwane, in the Limpopo province from 12-14 May 2014, the conference is expected to be attended by 150 regulators and invited licensees from all the GRAF member states and observer countries. It is anticipated that the conference will once again be hailed a success.

The conference will as previously done, seek to address a plethora of issues relating to the African continent, and will include a diverse group of speakers both from within the industry and external agencies, including the Financial Intelligence Centre that is responsible for AML/CTF in South Africa. The movement of machines throughout Africa and the upskilling of the regulators in Africa remain on the agenda for discussion.

The role of NGB as secretariat to the African continent is an important role for us to facilitate harmonisation and cross-border dialogue with our counterparts.

Research

As mandated by the NGA of 2004, the Board embarked on commissioned research studies in 2012 and 2013 to determine the socio-economic impact of gambling. The project was divided into the following three phases or research projects:

Social impact of gambling (quantitative perspective) – A series of questions were included on the Ipsos Khayabus, a nationally representative survey which focussed on people 15 years and older in South Africa. The sample size of 3 500 was then filtered to exclude 15-17 year-olds and the final sample 3 446, of which 540 (18 years and older) were defined as gamblers. The research objectives were to understand the following:

- Attitudes towards gambling ;
- Dynamics of gambling action;
- Positive and negative impact of gambling;
- Problem gambling;
- Impact of gambling on under-age gamblers;
- Impact of rehabilitative opportunities; and
- Possibility for a culture of responsible gambling.

Social impact of gambling (qualitative perspective) – A total of 29 focus groups were conducted nationwide, based on a demographic sample reflecting the diversity of the gambling population in South Africa. These groups were supplemented by a 500 person standardised questionnaire survey which was conducted at or near various gambling outlets, as well as 50 semi-structured interviews with punters and other stakeholders[1]. The research objectives were to track/monitor/understand the following:

- Incidence and prevalence of gambling (modes) overall
- Profile of gamblers and the different modes of gambling
- Perceptions about gambling as it impacts on society/household/regulation
- The reasons for gambling and not gambling
- Gambling activities (how and when it is taking place).

Economic impact of gambling – Findings from the Ipsos Khayabus were used and desk research was conducted to analyse the following:

- The impact of gambling on household welfare levels
- The size of the gambling sector in South Africa.

Three separate Research Bulletins were compiled to capture the main findings and were shared with stakeholders. Two Research Bulletins have also been published and are available on the NGB's website.

Strategic recommendations based on the main findings were tabled at the Research and Ethics Committee, and forwarded to NGB Management for further action.

Gambling Sector Performance

The NGB maintains a national gambling database that contains information on primary statistics such as turnover, gross gambling revenue (GGR), gambling taxes and levies, as well as return to player/punter.

PLAs are required to submit the primary provincial statistics to the Board on a quarterly basis for consolidation and reporting on national status. These audited national gambling statistics are published and are available on the NGB's website.

The data presented under Part F of this report is based on annual audited data as provided by PLAs. The results for 2013/14 continued to show an increase in GGR around the country, despite the high rise in the cost of living and the effect of the recent recession.

PERFORMANCE TABLES

Programme 1: Stakeholder Liaison and Legal

PROGRAMME 1: STAKEHOLDER LIAISON AND LEGAL				
STRATEGIC OBJECTIVE	MEASURE/INDICATOR	ACTUAL PERFORMANCE AGAINST TARGET		REASON FOR VARIANCE
		TARGET	ACTUAL	
Strategic objective 1: Harmonisation in a dynamic legislative environment				
NGA legislation amendment report (Submission on proposed NG legislative amendments)	Submitted and validated receipt by **the dti** of proposed NG legislative amendments.	Report on input relating to legislative amendment	Target was Achieved	No Variance
	National Gambling Act of 2004 legislative amendment report	Report on the review and input to draft legislative amendment by 31 March 2014	Target was Achieved	No Variance
	Advisory report on the similarities and inconsistencies of the purposes of designing norms and standards			

Programme 2: Corporate Services

PROGRAMME 2: CORPORATE SERVICES				
STRATEGIC OBJECTIVE	MEASURE/INDICATOR	ACTUAL PERFORMANCE AGAINST TARGET		REASON FOR VARIANCE
		TARGET	ACTUAL	
Strategic objective 5: Optimising organisational excellence				
Optimising Organisational Excellence	Clean external audit without matter of emphasis qualification.	Unqualified Audit Report	Target Achieved for the 2012/13 financial year.	N/A
		Unqualified Audit Report PFMA of 1999 compliance reporting	Target Achieved for the 2012/13 financial year.	N/A
	Compliance to the PFMA of 1999 and Treasury Instructions	Develop and implement Process Mapping for internal control procedures	Target Not Achieved	Inadequate resources if the division
		Develop and implement Process Mapping for budgetary control procedures	Target Not Achieved	Inadequate resources in the division

PROGRAMME 2: CORPORATE SERVICES				
STRATEGIC OBJECTIVE	MEASURE/INDICATOR	ACTUAL PERFORMANCE AGAINST TARGET		REASON FOR VARIANCE
		TARGET	ACTUAL	
Optimising Organisational Excellence	Aligned Human Capital operational workflow processes.	Develop and implement Process Mapping of Human capital operations	Target Not Achieved	Inadequate resources in the division
		Develop and implement Process Mapping for SCM operations	Target Not Achieved	Inadequate resources in the division
		Develop and implement Process Mapping for ICT operations	Target Not Achieved	Inadequate resources in the division
	Approved monthly management accounts	Unqualified Audit Report	Target Achieved; Monthly Management Accounts were produced and submitted to **the dti**.	N/A
Optimising Organisational Excellence Develop and implement E-budget and e-workflow system (EBS). Resolved Audit Findings	Decentralised budgetary process	Unqualified Audit Report	E-budget and e-work flow system were not developed and implemented.	Inadequate resources in the division
	Incidents of non-compliance report	Implementation of contract and supplier management system	Target Not Achieved	Inadequate resources in the division
	Supplier database reports	Supplier database maintenance Unqualified Audit Report	Target Partially Achieved	Suppliers were invited to register on the NGB database.
	Approved inventory sheets, updated asset register and reconciliation reports	Unqualified Audit Report Update and evaluation of assets	Target Achieved	N/A
	Internal audit report on follow up audits (FDR)	Unqualified Audit Report	Target Achieved	N/A
	Approved ICT Governance Structure & Policies	Unqualified Audit Report	Target Not Achieved	ICT policies were drafted but not approved.

PROGRAMME 2: CORPORATE SERVICES				
STRATEGIC OBJECTIVE	MEASURE/INDICATOR	ACTUAL PERFORMANCE AGAINST TARGET		REASON FOR VARIANCE
		TARGET	ACTUAL	
Optimising Organisational Excellence	Aligned Human Capital Operational workflow processes.	Develop and implement Process Mapping of Human Capital Operations	Target not achieved	insufficient capacity
	All vacancies filled in line with the approved organisational structure Human Capital variance report	Filled vacancies and aligned organisational structure	Target partially achieved	Offset by high turnover rate
	Fully functional Human Capital electronic system	Efficient and effective Human Capital electronic system	Target Partially Achieved	Roll out of modules using a phase-in approach.
	Approved quarterly human capital management information reports	Report on Human Capital management information report	Target Not Achieved	Under-resourced HR function
	Annual Organisational Performance report	Effective PMS system	Target Achieved	N/A
	Revised Human Capital strategy and budget 2013/14	Implementation of the revised Human Capital strategy 2013/14	Target Achieved	N/A
	Revised corporate training and organisational development plan 2013/14	Adequately skilled employees to execute NGB mandate	Target Not Achieved	Insufficient funds to implement training programme.
	Approved corporate social investment strategy, policy and plan	Contribute to a sustainable gambling environment and being a responsible corporate citizen	Target Not Achieved	No resource allocation
	Report on the management of employee benefits	Effective management of employee benefits	Target Achieved	N/A
	Completed market salary survey report	Market salary survey conducted	Target Not Achieved	Insufficient funds

PROGRAMME 2: CORPORATE SERVICES				
STRATEGIC OBJECTIVE	MEASURE/INDICATOR	ACTUAL PERFORMANCE AGAINST TARGET		REASON FOR VARIANCE
		TARGET	ACTUAL	
Optimising Organisational Excellence	Report on labour relations advice and settlement of disputes	Establish fair labour practices	Target Achieved	N/A
	Provide training to the regulators to improve compliance and skills development	GRAF Training Programme	Target Not Achieved	Insufficient Funds
	Approved corporate (HR) services policies	Review PMS, Training and Development Policy, Remuneration strategy and policy.	Target Partially Achieved	Limited Capacity
		Develop Time and Attendance Management Policy	Target Achieved	N/A
		Effective maintenance of existing human capital policies	Target Achieved	N/A
	Effective support services	Provide effective support to other divisions.	Target achieved	N/A

Programme 3: Compliance

PROGRAMME 3: COMPLIANCE				
STRATEGIC OBJECTIVE	MEASURE/INDICATOR	ACTUAL PERFORMANCE AGAINST TARGET		REASON FOR VARIANCE
		TARGET	ACTUAL	
Strategic objective 1: Harmonisation in a dynamic legislative environment				
Completed Evaluation of Norms and standards (N&S)	Report on the review and update norms and standards for relevance by Dec 2014	Report on the review and update norms and standards for relevance by Dec 2014	Target was Achieved.	No variance
	Produce 1 monogram per quarter (expect paper) on related legal matters	Report on the review and input to draft legislative amendments by 31 March 2014	Target was Achieved.	No variance
		Produce assessment of compliance of the industry to BBBEE codes by 30 June 2013	Target was Achieved.	No variance
		Report on the review of gambling sector policies March by 2014	Target was Achieved.	No variance
NGA legislation amendment report (Submission on proposed NG legislative amendments	Submitted and validated receipt by **the dti** of proposed NG legislative amendments Advisory report on the similarities and inconsistencies of the purposes of designing norms and standards	Report on the review and input to draft legislative amendment by 31 March 2014	Target was Achieved.	No variance
Assessment report on compliance of the gambling industry to the BBBEE codes	Assessment report on the status of BBBEE in the gambling industry	Produce assessment of compliance of the industry to BBBEE codes by 30 June 2013	Target was Achieved.	No variance
Report on the specific sector policy review produced	Draft report submitted on the review of gambling sector policies	Report on the review of gambling sector policies March by 2014	Target was Achieved.	No variance

PROGRAMME 3: COMPLIANCE				
STRATEGIC OBJECTIVE	MEASURE/INDICATOR	ACTUAL PERFORMANCE AGAINST TARGET		REASON FOR VARIANCE
		TARGET	ACTUAL	
Strategic objective 2: Compliance oversight of provincial licensing authorities and the gambling industry in general				
Consolidated report on Evaluation of CMS completed	CMS Report produced	A report evaluation CMS's performance and effectiveness by 30 June 2013	Target was Achieved.	No variance
Strategy on suppression of illegal gambling activities approved by the Board Gambling Intervention Strategy	Comprehensive multi-stakeholder strategy on the suppression of illegal gambling.	Report on the review of the effectiveness of the strategy document	Target was Achieved.	No variance
		Report on the implementation of illegal gambling intervention strategy by December 2012	Target was Achieved.	No variance
Assessment of PLAs' compliance completed	Compliance and deficiency reports (including recommended actions to legally mandated enforcement agencies and government departments)	Assessment and compliance report of PLA's by 31 March 2014	Target was Achieved.	No variance
Strategic objective 3: Integrated strategic information portal				
Consolidated reports on the establishment of the integrated portal and mapping of the gambling industry	Reports on the establishment of the integrated portal and mapping of the gambling industry	Report on the integration of the information on the status of the gambling industry 31 March 2014	Target was Achieved.	No variance
Report on the awareness campaign	Report on the implementation of the approved awareness campaign programme	Implementation of the communications strategy	Target was Achieved.	No variance
Reports on tracked patterns of gambling	Research reports on updates and tracked gambling patterns produced	Socio-economic Impact Report(s) Quantitative and Qualitative Reports	Target was Achieved.	No variance
		Report on the tracking of gambling patterns by 31 March 2014.	Target was Achieved.	No variance

PROGRAMME 3: COMPLIANCE				
STRATEGIC OBJECTIVE	MEASURE/INDICATOR	ACTUAL PERFORMANCE AGAINST TARGET		REASON FOR VARIANCE
		TARGET	ACTUAL	
STRATEGIC OBJECTIVE 4: LEADERSHIP OF THE DEBATE CONCERNING NEW FORMS OF GAMBLING				
Comprehensive analysis on the evolution of the gambling and trends	Draft report on the gambling trends	Research evolution of gambling trends by 31 March 2014	Target was Achieved.	No variance

Revenue collection

Sources of Revenue	2013 / 2014 Estimate R'000	2013 / 2014 Actual Amount Collected R'000	2013 / 2014 (Over)/ Under Collection R'000	2012 / 2013 Estimate R'000	2012 / 2013 Actual Amount Collected R'000	2012 / 2013 (Over)/ Under Collection R'000
Government Grant	27, 717	27, 717	0	26, 057	26, 057	0
NCEMS Licence Fees	172	172	0	140	181	(41)
Interest Received	4	37	(33)	267	794	(527)
Miscellaneous Income	1, 734	1, 702	32	0	667	(667)
Total	29, 627	29, 628	(1)	26, 464	27, 699	(1, 235)

Programme expenditure

Programme Name	2013 / 2014 Budget R'000	2013 / 2014 Actual Amount Spent R'000	2013 / 2014 Over/ Under Expenditure R'000	2012 / 2013 Budget R'000 R'000	2012 / 2013 Actual Amount Spent R'000	2012 / 2013 Over/ Under Expenditure R'000
Stakeholder Liaison and Legal	8,482	8, 066	416	13,131	11,198	1, 933
Corporate Services	14,262	19, 270	(5, 008)	12,119	13, 700	(1, 581)
Compliance Monitoring	7,488	6,343	1,145	9, 890	7,651	2, 239
Total	30,232	33, 679	(3, 447)	35, 140	32, 549	2, 591

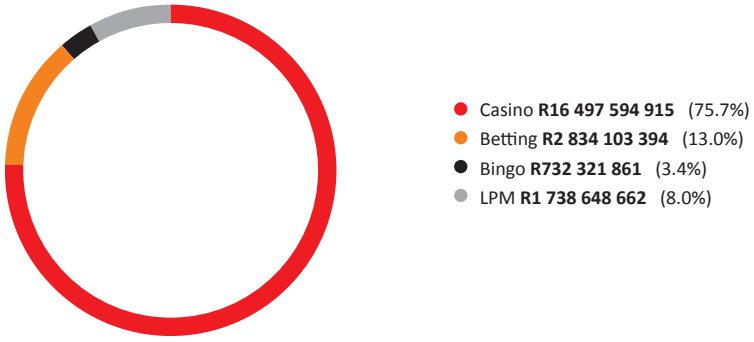
GAMBLING STATISTICS

The nine Provincial Licensing Authorities (PLAs) submitted provincial gambling statistics including Turnover (includes "recycling", which refers to amounts that are staked on more than one occasion), Gross Gambling Revenue (GGR) and Gambling Taxes levied and collected by all PLAs on a quarterly basis. The national gambling statistics published are all audited figures.

GGR increased by 11.9% from R18 417 million in FY12, to R20 914 million in FY13 and by 4.1% to R 21 803 million in FY14. During FY14 (Quarters 1, 2, 3 and 4), casinos accounted for the highest GGR of 75.7% compared with other gambling modes. Gauteng, with a CGR of 42.2% accounts for the highest CGR compared with other provinces.

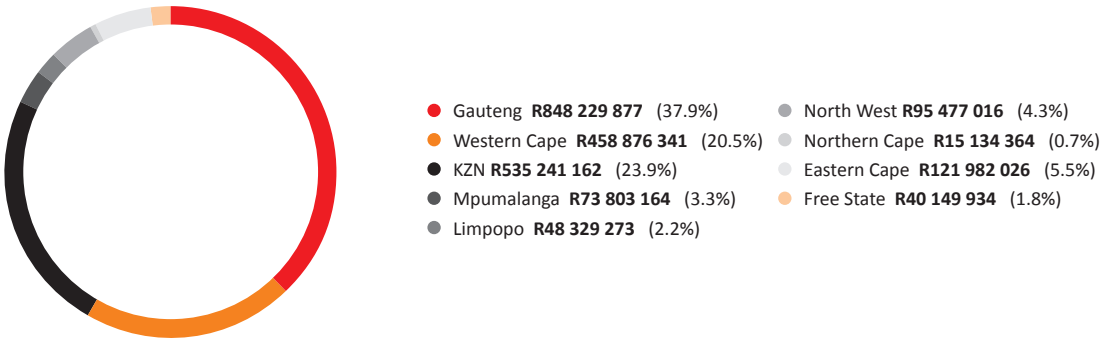
GGR per gambling mode, FY2014

GGR per gambling mode – FY2014, Qrt 1 – 4
Rand value of the gross revenue of an operator



GGR per province, FY2014

Taxes/levies contribution per province – FY2014, Qrt 1 – 4
Gambling tax levied and collected by PLAs



Taxes/levies collected per gambling mode, FY2014

Taxes/levies increased by 12.6% from R1 834 million in FY12, to R2 098 million in FY13 and by 6.2% to R2 237 million in FY14. During FY14 (Quarters 1, 2, 3 and 4) at 73.3%, casinos contributed the highest amount of taxes/levies paid in comparison with other gambling modes. Gauteng with 37.9% taxes and levies collected, was the highest of all provinces received.

GGR per province– FY2014, Qrt 1 – 4
Rand value of the gross revenue of an operator

- Gauteng **R9 202 134 387** (42.2%)
- Western Cape **R3 412 669 836** (15.7%)
- KZN **R4 157 196 966** (19.1%)
- Mpumalanga **R962 527 586** (4.4%)
- Limpopo **R628 657 070** (2.9%)
- North West **R1 184 482 349** (5.4%)
- Northern Cape **R198 709 419** (0.9%)
- Eastern Cape **R1 528 261 511** (7.0%)
- Free State **R528 029 708** (2.4%)

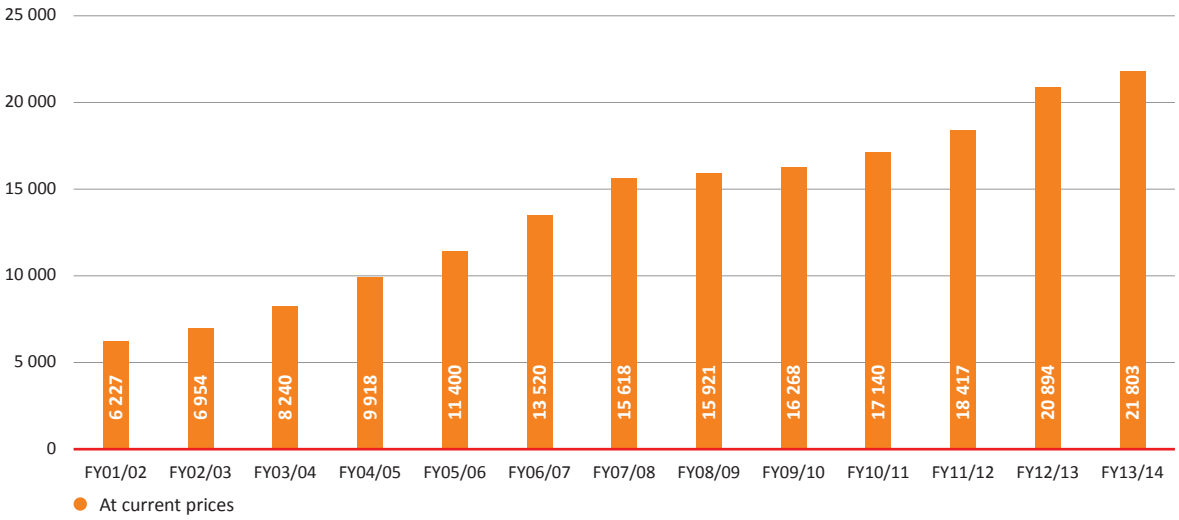
Taxes/levies collected per province, FY2014

Taxes/levies contribution per gambling mode – FY2014, Qrt 1 – 4
Gambling tax levied and collected by PLAs

- Casino **R1 639 946 413** (73.3%)
- Betting **R330 031 378** (14.8%)
- Bingo **R52 753 031** (2.4%)
- LPM **R214 492 336** (9.6%)

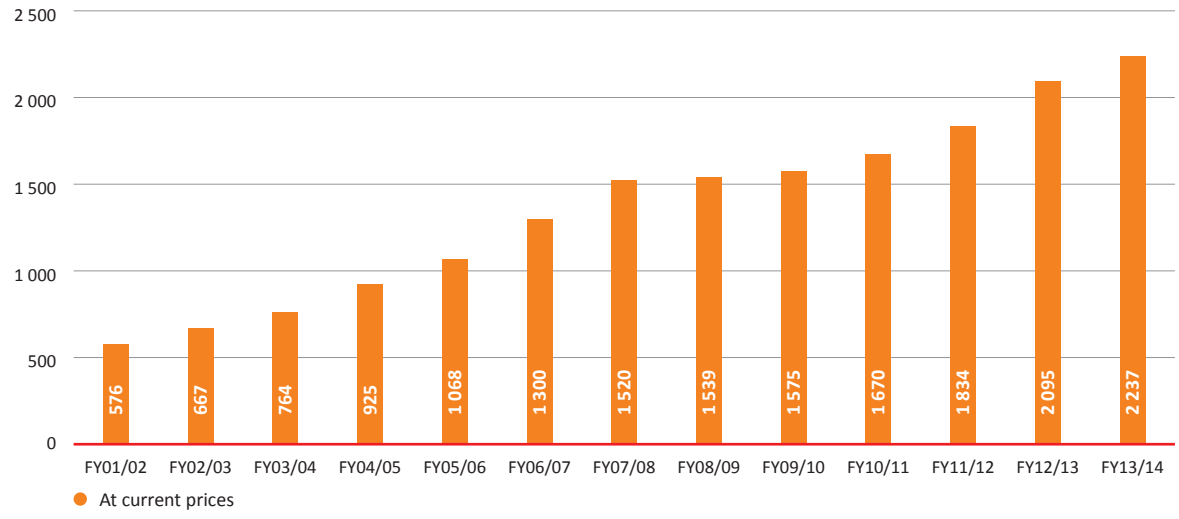
Trend in GGR – F01/02 to F12/13 (all modes)

Trend in GGR – FY01/02 to FY13/14 (all modes)
Rand value of the gross revenue by an operator (R millions)



Trend in taxes/levies – F01/02 to F13/14 (all modes)

Trend in Taxes/Levies – FY01/02 to FY13/14 (all modes)
Gambling tax levied and collected by PLAs (R millions)



GAMBLING SECTOR PERFORMANCE

Gambling sector performance report

One of the key mandates of the NGB is to monitor market share and market conduct in the South African gambling industry. In doing so, the Board has gathered provincial gambling statistics and limited information in terms of market conduct on the different legal gambling modes in South Africa over many years. The need was further expressed to extensively map the gambling industry in terms of size, growth and nature, and to inform stakeholders and the public accordingly, based on those gambling modes regulated by the Board. These modes include casinos, LPMs, Bingo and wagering and betting in terms of horseracing and sport.

A report was compiled based on audited information to map the gambling industry and provide the reader with a national and provincial overview of the size and scope of different regulated gambling modes in South Africa. A digital version was compiled and is suitable for publishing on the NGB website.

This initiative further serves as a benchmark for future reports by informing the reader about gambling trends by gambling operators, the number of outlets and gambling positions, as well as national gambling statistics per gambling mode and province.

In future, gambling sector performance reports will be drafted quarterly and serve as input to the final audited report that will be published each financial year.

The Board is in the process of finalising an electronic information portal which will allow regulators to view, analyse and update provincial gambling statistics, as well as to view information related to market conduct in the different legalised gambling sectors.

RESEARCH CONDUCTED

Social impact of gambling

Mandatory research to determine the social impact of gambling was commissioned in 2012 to determine the most important social impact of gambling and its overall impact on the quality of peoples' lives.

Gambling incidences have declined over the last three years from 21.1% in April 2011, 24.1% in November 2011 and 19.7% in April 2012 to 14.3% in November 2012. The results indicate that the majority of South African gamblers are recreational gamblers and able to manage their gambling behaviour in a relatively mature fashion. However, it is a general concern and perception that the most significant negative impact of gambling is associated with illegal and under-age gambling.

The social demand for gambling is relatively stable, despite the development of new gambling products.

Economic impact of gambling

It would seem that the propensity to gamble stabilised at just below 1% of household income/expenditure. Future movements in gambling expenditure would probably move sideways in tandem with increases in labour remuneration.

The initial gross domestic product (GDP) (value added) generated by the gambling sector amounted to an estimated R10 968.8 million in 2012. This amount is multiplied by indirect and induced effects to a total GDP contribution of R21 937.6 million. This represents an initial GDP contribution of 0.39% with a further 0.38% indirect and induced contribution. The total GDP contribution was 0.77%, which will probably remain at this level for the foreseeable future. The GDP multiplier was 2.0 meaning that for every R100 value added created by the gambling sector itself, another R100 was generated in other sectors of the economy.

It is expected that the gambling sector's approximate 1% contribution to the economy will probably remain at this level for the foreseeable future.

The employment multiplier is calculated at 5.6, implying that for every 100 jobs created directly by the gambling sector, a further 416 are created indirectly in other sectors of the economy. A total of 166 202 jobs were created directly (29 679) and indirectly (136 523), contributing 1.7% of the non-agricultural formal employment in South Africa.

HUMAN RESOURCES MANAGEMENT

Introduction

The HR Strategy 2013 – 2018 is designed to position the NGB as a premier provider of South Africa's gambling industry's regulatory and oversight services and to ensure that it is responsive to a rapidly evolving industry. It further aims to confirm the NGB as an employer of choice for regulatory and compliance experts and professionals from a wide range of backgrounds, and to support its staff, all of whom bring a wealth of knowledge, experience and commitment to the organisation. The strategy also aims to further improve organisational efficiency and/or excellence.

Staff are key to the NGB's success. The organisation has successfully navigated funding challenges and returned to delivering on its mandate, ensuring that results are achieved with tightly managed resources. This has been realised through a number of strategies, including productivity-enhancement initiatives in core service areas, the review and redesign of organisational structures, and the redeployment of resources where necessary. Transformation of the organisation to ensure successful delivery must, however, be the focus for the ensuing financial year. Further realignment of the workforce is needed, in terms of structure, skills and contracts.

The NGB is currently facing cost pressures that must be managed robustly. More than two-thirds of expenditure is related to staff costs. Structural adjustments and recalibration of the workforce are necessary to ensure that the NGB not only meets the demands of its mandate and stakeholder expectations, but also has the agility to adjust to changes rapidly. New programme needs must be financed through the realignment of current resources.

The NGB seeks to offer competitive employment conditions, together with a conducive working environment, opportunities for professional growth, work-life balance and family-friendly support systems. The NGB is committed to further improving its employment equity status, gender balance and internal mobility.

The present HR strategy requires additional financial resources. However, with the limited resources available, it calls for a plan of action, integrating tailored sub-strategies of the NGB's key operations, to be implemented and monitored from 2014 onwards.

In the reporting period the NGB embarked on an organisational structure review to ensure that its structure aligns with the approved strategy and that it is able to move forward as it grows.

The process was concluded with the Board approving the new organisational structure. The structure was reduced to three main divisions with HR and Legal Services reporting directly to the office of the CEO. Key considerations for the new structure were ensuring that the spans of control are narrowed to enhance operational efficiency. The support functions have been grouped together, separating them from core operations, and their prominence has been reduced against the core functions.

The structure was boosted with the creation of a strategic Human Capital role which is separate from corporate services and which will focus on driving all key strategic change management projects.

Recent Progress in HR

EMPLOYEE BENEFITS

Pension and/or provident funds

The NGB currently operates only one fund – the Alexander Forbes Provident Fund. This is an umbrella fund to which 14 employees belong. The fund provides life cover of five times an employee's annual salary.

Medical benefits

The entity provides medical benefits for its employees through defined contribution plans. The entity is not responsible for any further payment once the contributions have been paid. The contributions are recognised as employee benefit expenses in profit or loss, in the periods during which the services are rendered by the employees.

Bonus plans

The entity recognises a provision for bonuses where contractually obliged or where there is a past practice that created a constructive obligation, as a result of services received from the employee and the obligation can be measured reliably.

Leave entitlement

Employee entitlement to annual leave is recognised when it accrues. An accrual is raised for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date. The related expense is recognised as employee benefit expenses in profit or loss.

PERFORMANCE MANAGEMENT

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

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

- Performance management is consistently applied across the NGB to ensure effective alignment of strategic objectives and individual outputs.
- Performance objectives are based on a scorecard of metrics featuring both financial and non-financial indicators, which are aligned with the NGB's strategic imperatives.
- Performance management is an ongoing process rather than an event.

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

GUARANTEED REMUNERATION

Guaranteed remuneration comprises salary and employee benefits and is delivered to employees in a form determined by local market conditions. Guaranteed remuneration usually reflects the prevailing 'rate for the role' within a remuneration range, with actual remuneration being distributed around the median of the range.

The guaranteed package represents the fixed cost of employment and depending on local market practice, comprises a combination of a:

- cash salary;
- retirement benefits;
- medical benefits;
- death and disability benefits;
- contributions towards medical funding; and
- motor vehicle benefits – where applicable.

The primary determinant of guaranteed remuneration is market-relatedness.

The NGB conducts annual benchmarking against comparable agencies in the relevant jurisdictions to assess market competitiveness. The combination of guaranteed remuneration within the earnings ranges and the market relativity of the NGB's guaranteed remuneration is a primary input into the annual salary review process, but in all instances this is subject to affordability and appropriate consideration of the sustainability of the NGB's remuneration practices.

In support of remuneration benchmarking, there is a robust process of job profiling and evaluation. This ensures consistency in the evaluation and sizing of roles and the associated benchmarking of guaranteed-remuneration levels.

As part of a change process to a culture of performance, initiatives are in place that use performance to determine the extent of an individual's progression within a salary range. The market, and benchmarking with **the dti** agencies were considered and used concurrently to determine remuneration increases.

All employee benefits offered on a cost-to-company basis, are subject to appropriate oversight and governance to ensure that the financial and reputational risks associated with the provision of employee benefits are effectively and prudently managed.

HR OVERSIGHT STATISTICS

HR oversight statistics

Occupational levels

Occupational levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management	2	0	0	0	2	0	1	0	5
Senior management	3	0	0	1	2	0	0	1	7
Professionally qualified and experienced specialists and mid-management	1	0	0	0	2	0	0	0	3
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	0	0	0	0	4	0	0	0	4
Semi-skilled and discretionary decision-making	1	0	0	0	1	0	0	0	2
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total permanent	7	0	0	1	11	0	1	1	21
% Of total staff	25%	0%	0%	4%	39%	0%	4%	4%	75%
Temporary employees	1	0	0	0	1	0	0	0	2
Grand total	**8**	**0**	**0**	**1**	**12**	**0**	**1**	**1**	**23**
% Grand total	**27%**	**0%**	**0%**	**3%**	**4%**	**0%**	**3%**	**3%**	**77%**

EMPLOYMENT OF PEOPLE WITH DISABILITIES

The recruitment of people with disabilities has been a challenge for the NGB, a situation which was further aggravated by the relocation of offices from Hatfield to Centurion. The NGB has identified areas where it believes it is capable of employing people with disabilities in the 2014/15 financial year.

WORKFORCE MOVEMENT – RECRUITMENT

The recruitment of key personnel includes the recruitment of the CFO and the Senior Manager: Human Capital Optimisation (HCO), which has positively impacted the organisation. The appointment of the CFO assisted in ensuring that all compliance with the PFMA of 1999 and National Treasury requirements were dealt with effectively, while the Senior Manager: HCO will help to develop an employee value proposition to attract and retain high calibre staff with competencies and skills required to achieve the NGB's goals and mandate. The senior manager: HCO will also introduce interventions aimed at a high performing culture and at creating development of thought leadership.

Another critical appointment was that of the CEO, who unfortunately resigned three months after taking up the post in January 2014. The NGB also enhanced its compliance and regulatory oversight functions with the appointment of an advocate in a legal advisory role, to improve the legal advisory function.

RECRUITMENT STATUS

	Male				Female				
Occupational levels	A	C	I	W	A	C	I	W	Total
Top management	1	0	0	0	0	0	1	0	2
Senior management	0	0	0	0	2	0	0	0	2
Professionally qualified and experienced specialists and mid-management	0	0	0	0	0	0	0	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	0	0	0	0	0	0	0	0	0
Semi-skilled and discretionary decision-making	0	0	0	0	0	0	0	0	0
Unskilled and defined-decision making	0	0	0	0	0	0	0	0	0
Total permanent	1	0	0	0	2	0	1	0	4
Temporary employees	2	0	0	0	1	0	0	0	3
Grand total	**3**	**0**	**0**	**0**	**2**	**0**	**1**	**0**	**7**

EMPLOYMENT AND VACANCIES

Programme	2012/13 No. of employees	2013/14 Approved posts	2012/13 Vacancies	% Of vacancies
Top management	4	2	4	7%
Senior management	6	2	1	7%
Professional qualified	10	3	1	11%
Skilled	5	3	1	11%
Semi-skilled	2	0	0	0%
Unskilled	0	0	0	0%
Total	**27**	**10**	**7**	**6%**

PROMOTIONS

There were no promotions registered in the reporting period. A policy on promotion is currently being developed to link promotion to other HR initiatives such as performance, training and development, and succession planning.

TERMINATION

The NGB did not record any natural-attrition terminations in the reporting period except for resignations. These resignations were mainly due to individuals identifying better opportunities elsewhere or changing careers, while others sought to work in a different culture to that of the NGB.

The NGB has recorded one critical resignation over the period, that of the CEO, only three months after joining the organisation in January 2014. With the current challenges facing the NGB, recruitment and replacement for this position was held in abeyance.

Staff turn-over

	Male				Female				
Occupational levels	A	C	I	W	A	C	I	W	Total
Top management	1	0	0	0	2	0	0	0	3
Senior management	2	0	0	0	0	0	0	0	2
Professionally qualified and experienced specialists and mid-management	0	0	0	0	2	0	0	0	2
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	0	0	0	0	1	0	0	0	1
Semi-skilled and discretionary decision-making	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total permanent	3	0	0	0	5	0	0	0	8
Temporary employees	2	0	0	0	0	0	0	0	2
Grand Total	**5**	**0**	**0**	**0**	**5**	**0**	**0**	**0**	**10**

Reasons for termination

	Male				Female				
Terminations	A	C	I	W	A	C	I	W	Total
Resignation	3	0	0	0	6	0	0	0	9
Non-renewal of contract	1	0	0	0	1	0	0	0	2
Retrenchment – operational requirements	0	0	0	0	0	0	0	0	0
Dismissal – misconduct	0	0	0	0	0	0	0	0	0
Dismissal – incapacity	0	0	0	0	0	0	0	0	0
Retirement	0	0	0	0	0	0	0	0	0
Death	0	0	0	0	0	0	0	0	0
Total	**4**	**0**	**0**	**0**	**7**	**0**	**0**	**0**	**11**

SKILLS DEVELOPMENT

Plans are underway to focus on core NGB skills development and leadership development training in the next financial year.

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
Stakeholder liaison	R2 899	R8 743	0.3%	9	R10
Corporate services	R4 648	R8 182	0.2%	1	R8 182
Compliance monitoring	R4 835	R0	0.0%	0	R0
Total	**R12 382**	**R16 925**	**0.5%**	**10**	**R8 192**

Personnel cost – By occupation/levels

Occupational levels	Total expenditure for the entity	Personnel expenditure	Personnel exp. As a % of total exp.	No. Of employees	Average personnel cost per employee
Office of the CEO	R7 983 391	R2 898 739	36%	6	R483 123
Corporate Services	R19 260 745	R4 647 534	24%	10	R464 753
Compliance Monitoring	R6 162 052	R4 835 471	70%	8	R604 434
Grand Total	**R33 406 188**	**R12 381 744**	**46%**	**24**	**R515 906**

Personnel cost by salary band

Occupational levels	Total expenditure	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee
Top management	R3 223 810	26%	8	R402 976
Staff	R9 157 934	74%	7	R1 308 276
Total	**R12 381 744**	**100%**	**15**	**R825 450**

Performance rewards

Levels	Performance rewards	Personnel expenditure	% of performance rewards to total personnel cost
Top management	R30 100	R3 223 810	0.93%
Staff	R189 082	R9 157 934	2.06%
Total	**R219 182**	**R12 381 744**	**2.99%**

GOVERNANCE

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. Parliament, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

Portfolio of Committees

The NGB was tasked by the Portfolio Committee on Trade and Industry to address concerns raised by the grooms in the horseracing industry. The committee requested the NGB to facilitate an engagement between the grooms and the National Horseracing Authority with the objective of signing a recognition agreement between the two parties. A process of engagement has taken place and more than five meetings between the parties took place, co-ordinated by the NGB.

Executive Authority

The NGB developed a set of performance indicators in line with its strategic outcomes and objectives.

The overall performance of the entity against the set targets/pre-determined objectives was equivalent to an average performance.

The Accounting Authority/Board

The Board must ensure that there is co-operative governance in the NGB and must further execute the mandate as articulated in the Act. The purpose of the Board is to provide a national regulatory framework for gambling in South Africa by:

- monitoring and investigating when necessary, the issuing of national licences by PLAs, entering into agreements with those licensing authorities in respect of steps taken to correct those deficiencies and making recommendations to the NGPC with regard to such matters;
- overseeing an evaluation of how the PLAs exercises its responsibilities and functions in terms of the National Gambling Act of 2004; and
- ensuring compliance with co-operative governance in terms of section 41(e), (g) and (h) of the Constitution.

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

- The responsibilities of the Board are spelled out in section 75(1) and section 33 of the NGA of 2004 read with section 49(1) and (2) of the PFMA of 1999. These responsibilities are amplified by the now approved policy framework and procedures on oversight and governance of public entities and statutory institutions.
- The Board's responsibilities in terms of the NGA of 2004 include evaluating national licences issued by the PLAs and monitoring compliance of licensing authorities.
- The Board is obliged to report to the Minister of Trade and Industry at least once every year on its activities, and account for all monies received or paid for on behalf of the Board.
- The Board's reports are transmitted by the Minister, to the Premier of each province and tabled in Parliament.

The Board is empowered by section 65 of the NGA, to execute the following functions and roles, which include:

- Monitoring and investigating the issuing of national licences by PLAs; and
- Investigating, monitoring and evaluating compliance by the PLAs and entering into agreements with them to address any non-compliances and making recommendations to the NGPC with regard to such matters.

Board's Charter

The Board adopted a charter which directs its activities in terms of corporate governance and complied with this charter in respect of the following:

- The maximum number of Board members;
- Diversity;
- Number of meetings;
- Appointment of the CEO;
- Exercise of the Board's functions;
- Board Secretary;
- The role, functions and responsibilities of the Board;
- Matters reserved for final decisions by the Board; and
- The terms of reference for all the committees serving under the Board were approved.

Remuneration of Board members

The NGB consists of a Board made up of independent non-executive members who are appointed by the Minister of Trade and Industry. Board members are remunerated according to the National Treasury circular, which categorises emoluments for different categories of listed public entities. The NGB is a category 3A public entity and members are remunerated in terms of this category.

The Act empowers the Minister of Trade and Industry to appoint members of the Board and request designated Ministers, defined by the Act to nominate representatives from their departments to the NGB Board. The members representing the departments of Finance, Social Development, **the dti** and SAPS do not qualify for remuneration in terms of the National Treasury circular.

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

Remuneration of Board members continued

Name	Remuneration Rands	Other allowance Rands	Other reimbursements Rands	Total Rands
Prof L de Vries (Chairperson)	498,223	0	0	498,223
Adv TN Aboobaker	118,856	0	0	118,856
Mr AC Keyser (Board/ARC member)	305,600	0	0	305,600
Ms GA Deiner (ARC member)	66,904	0	0	66,904
Mr J Hargovan (ARC member)	70,288	0	0	70,288
Ms MN Magomola (Board member)	269,192	0	0	269,192
Prof SV Nzimande (Board member)	183,360	0	0	183,360
Ms G Taylor (ARC member)	55,008	0	0	55,008
Total	1,567,431	0	0	1,567,431

Committees of the Board

Committee	No of meetings held	No of members	Name of members
Legal and Compliance Committee	2	6	Adv T Aboobaker (Chairperson) Major-General JW Meiring Ms ME Magomola Prof SV Nzimande Ms T Mabuza Mr AC Keyser
HR and Remuneration Committee	2	4	Ms ME Magomola (Chairperson) Prof L de Vries Major-General Meiring Ms T Mabuza
Audit and Risk Committee	10	6	Mr AC Keyser (Chairperson) Ms G Taylor Ms G Deiner Mr K Naidoo (the dti representative) Mr M Macebele Mr J Hargovan
Research and Ethics Committee	3	3	Dr MC Kganakga (Chairperson) Prof L de Vries Prof SV Nzimande
Chairperson's Committee	2	5	Prof L de Vries (Board Chairperson) Ms ME Magomola (HR and REMCO Chairperson) Dr MC Kganakga (Research and Ethics Committee) Mr AC Keyser (Audit and Risk Committee) Adv T Aboobaker (Legal and Compliance Committee)

Committee	No of meetings held	No of members	Name of members
NCEMS	8	9	Prof L de Vries (Chairperson) Ms ME Magomola Dr MC Kganakga Mr AC Keyser Adv T Aboobaker Mr M Macebele Ms T Mabuza Major-General JW Meiring Prof SV Nzimande

Details of Board members

Appointment & termination date	Qualifications Area of expertise	Demographics	Other board directorships	Other board committees within NGB	No. of meetings attended
Professor Linda de Vries – Chairperson					
1 December 2010 – 30 November 2013, term of appointment renewed for a further 5 years	• IOD certificate • SIDA – Board Governance Diploma; • Advanced Organisational • Diagnosis certificates – Suny Albany • Advanced Leadership Certificates – Suny Albany • MBA (University of Stellenbosch) • Honours Business Administration (University of Stellenbosch) • BCom Honours (University of Western Cape); • Secondary Teachers Diploma (University of the Western Cape) • BCom (University of the Western Cape) • ILO – Advanced Entrepreneurship Certificate • Executive Management • Project Management • Finance for Public Sector Organisations • Research	Coloured Female Based in Cape Town	• South African Women Empowerment Foundation (Chairperson)	• Board • Research and Ethics Committee • HR Remuneration Committee • NCEMS Project Committee • Chairperson's Committee	13 3 3 8 2

Appointment & termination date	Qualifications Area of expertise	Demographics	Other board directorships	Other board committees within NGB	No. of meetings attended
Ms Nana Magomola – Chairperson					
01 November 2011 – 31 October 2016	• BSc (University of New York) • LLB (Wits) • Singapore/Commonwealth Development Programme • Executive Development Programme (Wharton) • Business School, University of Pennsylvania USA, and Gordon • Legal • Management • Nursing • Business Administration	African Female Based in Johannesburg	• Executive Director: National Responsible Gambling Foundation • Chairperson: Presidents Council • Deputy Chair: Nelson Mandela Children Hospital Trust • Global Director: International Leadership Foundation • Global Director: International Women's Forum	• Board • Legal and Compliance Committee • HR Remuneration Committee • NCEMS Project Committee • Chairperson's Committee	12 2 3 8 2
Adv Tayob Aboobaker – Member					
01 January 2009 – 31 December 2014	• LLB (University of Durban Westville) • Advocate • Senior Counsel • Legal expertise – specialising in commercial law, administrative law, constitutional law and delict.	Indian Male Based in Durban		• Board • Legal and Compliance Committee • NCEMS Project Committee	7 1 4
Prof Siphiwe Nzimande – Member					
01 November 2011 - 31 October 2016	• BA Social Science (University College of Zululand under Unisa) • BA Honours Social Work (University of Zululand) • MA Arts (University of Zululand); • DPhil (Unisa) • Diploma in Admin (ISIS College; Vaal Triangle Technikon – Newpoint) • Executive Management • Project Management	African Male Based in Durban		• Board • Research and Ethics Committee • Legal and Compliance Committee • NCEMS Project Committee	13 3 1 8

Appointment & termination date	Qualifications Area of expertise	Demographics	Other board directorships	Other board committees within NGB	No. of meetings attended
Dr Malaga Kganakga – Member					
01 November 2011 – 31 October 2016 Retired on 31 March 2014	• PhD (Medical University of South Africa) • Master's degree in Public Health (International Health) – Tulane School of Public Health and Tropical Medicine (New Orleans, Louisiana) • MA Psychology – (University Pretoria) • BSc (Med) Honours Psychology – (Medunsa) • BCur (I et A) (University of the North) • Midwifery (Chris Hani Baragwanath Hospital) • Project Manager • Business Leadership • Research • Strategy Developer	African Female Based in Pretoria		• Board • Research and Ethics Committee • NCEMS Project Committee • Chairperson's Committee	6 3 4 2
Ms Thezi Mabuza – Member					
01 November 2011 – 31 October 2016 Resigned 31 January 2014	• Senior Primary Teacher's Diploma (Transvaal College) • BA (BEd) (Unisa) • MBA Public Policy & Admin (MPPA) (Jackson State University, Jackson MS (USA) • Project Management (University of Pretoria) • Certificate Programme – Leadership Development (Wits Business School) • BA Arts (Unisa) • Project Management • Business Leadership	African Female Based in Pretoria		• Board • HR Remuneration Committee • Chairperson's meeting	7 1 1

Appointment & termination date	Qualifications Area of expertise	Demographics	Other board directorships	Other board committees within NGB	No. of meetings attended
Gen JW Meiring – Member					
01 January 2009 – 31 December 2013	• BA; National Diploma Police Administration (Unisa) • Leadership in Commercial Crime (SAPS) Policing investigations • Enforcement of Custom Laws and Law Enforcement • Combating Commercial Crimes Specialist	White Male Based in Pretoria		• Board • Legal and Compliance Committee • NCEMS Project Committee • Chairperson's Committee	9 1 3 1
Mr Matimba Macebele – Member					
01 January 2009 – 31 December 2013	• BCom Accounting (University of Venda) • Further Certificate in Accounting Diploma (FCA accredited by ACCA) (University of Johannesburg • Advanced Certificate in Taxation • Management • Accounting • Taxation • Auditing	African Male Based in Johannesburg		• Board • Audit and Risk Committee • NCEMS Project Committee • Chairperson's Committee	11 6 5 1
Mr August Keyser – Member					
01 January 2009 – 31 December 2013	• Financial Management • Auditing • Business Leadership • Business Leader	White Male Based in Nelspruit		• Board • Audit and Risk Committee (Chairperson) • NCEMS Project Committee • Chairperson's Committee	13 9 4 2

NB: Based on the communication received from the dti, the expiry of term of office of the following Board members are indicated below:

Member	Membership termination date
Adv Tayob Aboobaker	31 December 2014
Mr Matimba Macebele	31 December 2014
Mr August Keyser	31 December 2014

The services of certain Board members were retained to ensure compliance with various submissions and the fulfilment of various duties as required by the Board while awaiting the shareholders' approval and communication on the matter. The Board acted in good faith.

Internal audit and audit and risk committees

The NGB has an outsourced Internal Audit function which provides combined assurance to stakeholders on the integrity of information provided, governance of the organisation and assurance of existing internal control systems. The King III Report (Chapter 7) recommends the establishment of this function, which is also prescribed by Treasury Regulations.

The objective of the Internal Audit function is to assess the effectiveness of the organisation's system of internal control and risk management efforts. The Audit Committee is mandated to monitor the performance of the internal auditors, including reports submitted, budgets proposed and overall audit scope proposed for the year. In assisting the Board, Internal Audit must evaluate governance processes and provide adequate assurance on the effectiveness of internal processes. These include:

- incorporating a risk-based audit approach in their annual plan and executing audits accordingly
- providing adequate assurance on effective governance, risk management and the internal control environment; and
- providing a 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 Audit and Risk Committee (ARC).

The ARC was established in terms of section 77 of the PFMA of 1999 and accompanying National Treasury regulations. The objective of establishing the ARC is to ensure the integrity of integrated reporting.

RELEVANT INFORMATION ON THE AUDIT AND RISK COMMITTEE MEMBERS

Qualifications	Internal or External	Internal position in the NGB	Date appointed	Date resigned	No. of meetings attended
AC Keyser					
Financial Management Programme Essentials of Financial Management	External	n/a	February 2009	Term expired	9
G Taylor					
CA (SA)	External	n/a	October 2009	n/a	8
M Macebele					
BCom Accounting (University of Venda); Further Certificate in Accounting Diploma (FCA accredited by ACCA) (University of Johannesburg); Advanced Certificate in Taxation	External	n/a	February 2009	Term expired	6
J Hargovan					
BCom; Postgraduate Diploma in Management	External	n/a	September 2010	Term expired 31 May 2013	8

Qualifications	Internal or External	Internal position in the NGB	Date appointed	Date resigned	No. of meetings attended
G Deiner					
BCompt (Unisa); Higher Diploma in Education – Post Graduate (Wits); BA (Wits)	External	n/a	January 2013	n/a	9
K Naidoo					
BCom (Accounting) (University of Durban Westville); Post Graduate Diploma in Computer Auditing; Currently finalising his MBL (Unisa)	External	n/a	September 2012	n/a	5

FINANCIAL INFORMATION

STATEMENT OF RESPONSIBILITY FOR THE AFS

FOR THE YEAR ENDED 31 MARCH 2014

The Accounting Authority is responsible for the preparation of the public entity's AFS and for the judgements made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the AFS.

In my opinion, the financial statements fairly reflect the operations of the public entity for the financial year ended 31 March 2014.

The external auditors have been engaged to express an independent opinion on the AFS of the public entity.

The NGB's AFS for the year ended 31 March 2014 have been audited by the external auditors and their report is presented on page 53.

The AFS of the public entity set out on page 57 to page 90 have been approved.

D Muzwayine
Acting Chief Executive Officer: NGB

31 July 2014

Prof Linda de Vries
Chairperson of the Board: NGB

31 July 2014

AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2014.

AUDIT AND RISK COMMITTEE (ARC) RESPONSIBILITY

The Audit and Risk Committee reports have been compiled in accordance with the Audit Committee's responsibilities arising from section 77 of the PFMA of 1999 and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

THE EFFECTIVENESS OF INTERNAL CONTROLS

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

In accordance with the PFMA of 1999 and the King III Report on Corporate Governance requirement, Internal Audit provides the ARC and management with assurance that the internal controls are appropriate and effective. This is achieved by risk management processes as well as by identifying corrective action and suggested enhancements to controls and processes.

The following internal audit reviews were performed for the 2013/14 financial year:

- Information and Communication Technology
- Financial Discipline Review
- Supply Chain Management
- Internal Control
- Follow-up on audit findings and
- Audit of Performance Information.

Areas of concern raised by the internal auditor related to the ICT findings.

IN-YEAR MANAGEMENT AND MONTHLY/QUARTERLY REPORT

The ARC is satisfied with the content and quality of the reports submitted.

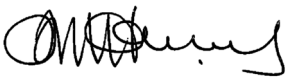
EVALUATION OF FINANCIAL STATEMENTS

We have reviewed the annual financial statements (AFS) prepared by the NGB. In addition, we have reviewed the management letter presented to the ARC on 23 July 2014. The committee as a whole has expressed its concerns about the increase in the number of findings presented in the aforementioned report. It must further be noted that factors that contributed to the increase in findings include, but are not limited to, the vacancies within the NGB as a whole as well as the high turnover ratio at the level of a senior management and above.

AUDITOR'S REPORT

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

The ARC concurs and accepts the conclusions of the external auditor on the AFS and is of the opinion that the audited AFS be accepted and read together with the report of the auditor.



Mr MC Macebele
Chairperson of the Audit and Risk Committee: NGB

31 July 2014

REPORT OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE NATIONAL GAMBLING BOARD OF SOUTH AFRICA

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the National Gambling Board set out on pages 59 to 90, which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget 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 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 the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and 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 2014 and its financial performance and cash flows for the year then ended, in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Emphasis of matter

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

Restatement of corresponding figures

8. As disclosed in note 27 to the financial statements, the corresponding figures for 31 March 2013 have been restated as a result of an error discovered during the 2014 in the financial statements of the National Gambling Board for the year ended, 31 March 2013.

Going concern

9. Note 33 to the financial statements indicates that the public entity incurred a net loss of R4 050 423 during the year ended 31 March 2014 and, as of that date, the public entity's current liabilities exceeded its current assets by R8 199 406. This condition indicates the existence of a material uncertainty that may cast significant doubt on the public entity's ability to discharge its liabilities in the normal course of business.

Additional matter

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

Inconsistencies in other information included in the annual report

11. Part D of the annual report includes the details of human resource and organisational management. The report is not fully consistent with the supporting documentation submitted for audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, non-compliance with legislation as well as 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

13. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2014:

    - Programme 1: Stakeholder liaison and legal on page 22
    - Programme 3: Compliance and Monitoring on pages 26 to 28

14. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

15. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).

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

17. The material findings in respect of the selected programmes are as follows:

Programme 1: Stakeholder liaison and legal

Usefulness of reported performance information

18. Treasury Regulation 30.1.3(g) requires the annual performance plan to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 100% of the reported indicators and targets were not consistent with those in the approved annual performance plan. This was due to insufficient monitoring controls to ensure the proper implementation of the overall performance process of planning, budgeting, implementation and reporting.

Reliability of reported performance information

19. I did not identify any material findings on the reliability of the reported performance information for Programme 1: Stakeholder liaison and legal.

Programme 3: Compliance and Monitoring

Usefulness of reported performance information

20. I did not identify any material findings on the usefulness of the reported performance information for Programme 3: Compliance and Monitoring.

Reliability of reported performance information

21. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Significantly important targets were not reliable when compared to the source information or evidence provided. This was due to a lack of standard operating procedures or documented system descriptions for the accurate recording of actual achievements, recording and monitoring of performance.

Additional matter

22. I draw attention to the following matter:

Achievement of planned targets

23. Refer to the annual performance report on page 22 and pages 26 to 28 for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected programmes in paragraph 17 to 21 of this report.

Compliance with legislation

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

Strategic planning and performance management

25. The strategic plan did not include the key performance measures and indicators for programme 1 and 2 for all objectives for assessing performance in delivering the desired outcomes and objectives as required by Treasury Regulation 30.1.3(d).

Annual financial statements, performance and annual reports

26. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the Public Finance Management Act. Material misstatements of contingent liabilities, related parties, irregular expenditure, the comparison of budget and actual amounts and in the cash flow statement identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

REPORT OF THE AUDITOR-GENERAL CONTINUED

Procurement and contract management

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

Expenditure management

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

Liability management

29. The bank overdraft were not approved in writing by the Minister of Finance or an official authorised by the Minister, as required by section 66(5) of the Public Finance Management Act.

Other matters

30. Contrary to section 67 of the National Gambling Act, 2004 (Act No. 7 of 2004) some board members continued to serve on the board without the appropriate approval.

Internal control

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

Leadership

32. The accounting authority did not ensure there are appropriate controls in place to ensure compliance with legislation.

33. The accounting authority did not ensure proper implementation of the overall process of planning, budgeting, implementation and reporting of performance against pre-determined objectives were developed.

Financial and performance management

34. Management at the entity has not established sufficient controls to ensure complete and accurate financial statements and compliance with legislation.

Auditor-General.

Pretoria

31 July 2014

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

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Legal form of entity: Schedule 3A Public Entity
Nature of business and principal activities: Gambling Regulatory Body
Registered office: Private Bag x27, Hatfield, 0028
Business address: 420 Witch Hazel Avenue Eco Glades – Block C Eco Park, Centurion, 0144
Bankers: Standard Bank of South Africa
Auditors: Auditor-General South Africa

ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility the Accounting Authority to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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

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

The Accounting Authority acknowledges that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the Accounting Authority sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Authority has reviewed the entity's cash flow forecast for the year to 31 March 2014 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is wholly dependent on the Department of Trade and Industry for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the National Treasury has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

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

The annual financial statements, which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 July 2014 and were signed on its behalf by:

Prof. L. de Vries
Chairperson, National Gambling Board

31 July 2014

STATEMENT OF FINANCIAL POSITION

	Note(s)	2014	2013 Restated
Assets			
Current assets			
Accounts receivable: exchange transactions	13	**21,231**	589,688
Inventory	14	**31,489**	21,613
Cash and cash equivalents	15	**30,769**	740,287
		83,489	1,351,588
Non-current assets			
Property, plant and equipment	16	**13,132,638**	14,856,467
Intangible assets	17	**1,120,106**	1,291,441
		14,252,744	16,147,908
Non-current assets held for sale		**–**	6,237
Total assets		**14,336,233**	17,505,733
Liabilities			
Current liabilities			
Trade and other payables	18	**7,488,333**	6,069,423
Provisions	19	**716,030**	1,060,280
Bank overdraft	20	**78,532**	–
		8,282,895	7,129,703
Non-current liabilities			
Deferred rent and accommodation	21	**896,218**	1,168,487
Total liabilities		**9,179,113**	8,298,190
Net assets		**5,157,120**	9,207,543
Net assets			
Accumulated surplus		**5,157,120**	9,207,543
Total liabilities and reserves		**14,336,233**	17,505,733

STATEMENTS OF FINANCIAL PERFORMANCE

	Note(s)	2014	2013 Restated
Income			
Revenue from non-exchange transactions – government grants	2	**27,717,000**	26,057,000
Revenue from exchange transactions	3	**1,873,916**	847,208
Other revenue from exchange transactions – interest received	4	**37,362**	793,706
		29,628,278	27,697,914
Operating expenses			
Auditors' remuneration	5	**(1,456,162)**	(919,544)
Board members' and executive managers' remuneration	6	**(4,863,683)**	(5,360,585)
Consulting and professional fees	7	**(2,685,902)**	(3,812,896)
Personnel costs	8	**(7,838,000)**	(10,816,346)
Travel and subsistence	9	**(2,733,188)**	(2,352,149)
Other operating expenses	10	**(4,504,268)**	(4,960,946)
Depreciation and amortisation	11	**(2,099,020)**	(769,437)
Operating leases	12	**(7,498,478)**	(3,556,771)
		(33,678,701)	(32,548,674)
Deficit for the year		**(4,050,423)**	(4,850,760)

STATEMENT OF CHANGES IN NET ASSETS

	Accumulated surplus	Total net assets
Balance at 01 April 2012	**14,058,304**	**14,058,304**
Changes in net assets		
Net deficit for the period as restated	(4,850,761)	(4,850,761)
Total changes	(4,850,761)	(4,850,761)
Balance at 01 April 2013	**9,207,543**	**9,207,543**
Changes in net assets		
Deficit for the period	(4,050,423)	(4,050,423)
Total changes	(4,050,423)	(4,050,423)
Balance at 31 March 2014	**5,157,120**	**5,157,120**

CASH FLOW STATEMENT

	Note(s)	2014	2013 Restated
Cash flows from operating activities			
Receipts			
Government grants		**27,717,000**	40,057,000
Interest income		**37,362**	788,000
Rental income received		**1,677,143**	514,664
Other receipts		**196,773**	292,336
		29,628,278	41,652,000
Payments			
Employee costs		**(12,644,227)**	(15,595,000)
Suppliers		**(17,835,555)**	(12,672,000)
		(30,479,782)	(28,267,000)
Net cash flows from operating activities	22	**(851,504)**	13,385,000
Cash flows from investing activities			
Purchase of property, plant and equipment	16	**(21,685)**	(14,425,000)
Proceeds from sale of property, plant and equipment	16	**6,602**	32,000
Purchase of other intangible assets	17	**–**	(533,000)
Net cash flows from investing activities		**(15,083)**	(14,926,000)
Cash flows from financing activities			
Procceeds from other financial liabilities – bank overdraft		**78,532**	–
Net decrease in cash and cash equivalents		**(788,055)**	(1,541,000)
Cash and cash equivalents at the beginning of the year		**740,292**	2,281,000
Cash and cash equivalents at the end of the year	15	**(47,763)**	740,000

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

	Notes	Approved budget	Adjustments	Final budget	Actual amount on comparable basis	Difference between final budget and actual
Statement of financial performance						
Revenue						
Revenue from non-exchange transactions – government grant		27,330,000	387,000	27,717,000	27,717,000	–
Revenue from exchange transactions	23	200,000	1,706,934	1,906,934	1,873,916	(33,018)
Other revenue from exchange transactions – interest received	23	230,000	(225,845)	4,155	37,362	33,207
Total revenue		**27,760,000**	**1,868,089**	**29,628,089**	**29,628,278**	**189**
Expenditure						
Auditors' remuneration	23	(790,000)	(470,337)	(1,260,337)	(1,456,162)	(195,825)
Board members & executive managers' remuneration	23	(3,954,076)	(768,219)	(4,722,295)	(4,863,683)	(141,388)
Consulting and professional fees	23	(3,721,000)	1,229,799	(2,491,201)	(2,685,902)	(194,701)
Personnel costs	23	(11,727,625)	2,767,274	(8,960,351)	(7,838,000)	1,122,351
Travel and subsistence	23	(2,416,110)	(341,110)	(2,757,220)	(2,733,188)	24,032
Other operating expenses	23	(2,958,749)	(905,961)	(3,864,710)	(4,504,268)	(639,558)
Depreciation and amortisation	23	(380,440)	(1,739,005)	(2,119,445)	(2,099,020)	20,426
Operating leases	23	(1,800,000)	(1,652,530)	(3,452,530)	(7,498,478)	(4,045,948)
Total expenditure		**(27,748,000)**	**(1,880,089)**	**(29,628,089)**	**(33,678,701)**	**(4,050,612)**
Net surplus per approved budget		**12,000**	**(12,000)**	**–**	**(4,050,423)**	**(4,050,423)**

ACCOUNTING POLICIES

1. Presentation of annual financial statements

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

Significant accounting policies, which have been consistently applied, are disclosed below. Details of any changes in accounting policies are explained in the relevant policy.

1.1 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.

1.2 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.

1.3 ROUNDING

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

1.4 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.

1.5 IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

In terms of section 55(2)(b)(i) of the Public Finance Management Act, 1999 the financial statements must include particulars of any irregular and fruitless and wasteful expenditure.

Fruitless and Wasteful expenditure is expenditure made in vain and would have been avoided had reasonable care been exercised. Irregular expenditure is expenditure other than unauthorised expenditure incurred in contravention of 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.

1.6 INVENTORY

Inventory is stated at the lower of cost or net realisable value while cost is determined on a first-in-first-out

basis. Net realisable value represents the estimated selling price in the ordinary course of business less any costs incurred in selling and distribution. Inventory comprises of stationery that shall be consumed within a short-term period in the normal business of the entity and not held for sale.

1.7 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 entity; and
- the cost of the item can be measured reliably.

Property, Plant and Equipment is initially measured at cost.

The cost of property, plant and equipment is the purchase price and other direct 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 at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where property, plant and equipment is acquired through a non-exchange transaction, its costs shall be measured at its fair value at the date of acquisition. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) take up value.

Property, Plant and Equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. 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.

The carrying values of property, plant and equipment are reviewed for impairment when events or circumstances indicate that the carrying values may not be recoverable. If any such indicators are present and where the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is written down to its recoverable amount through the statement of financial performance.

Item	Average useful life
Leasehold improvements	Over the period of lease
Furniture and office equipment	3 to 10 years
Motor vehicles	5 years
Computer equipment	3 to 10 years

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.

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.

ACCOUNTING POLICIES CONTINUED

1.7 PROPERTY, PLANT AND EQUIPMENT CONTINUED

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.

The entity tests items of property, plant and equipment for impairment where there is an indication that an asset might be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of propert, plant and equipment is greater than the estimated recoverable amount, an impairment loss is charged to the statement of financial performance.

1.8 INTANGIBLE ASSETS

Costs associated with research or maintenance of software programs are recognised as an expense and are charged to the statement of financial performance when incurred. Identifiable development costs are recognised as an asset when it is probable that it will give rise to an asset that will generate future economic benefits for the organisation. Development costs are only recognised as assets if they meet the following conditions:

- An asset is created that can be identified;
- It is probable that the asset created will generate future economic benefits; and
- The development costs of the asset can be measured reliably.

Expenditure that enhances or extends the performance of computer software programs beyond their original specifications is recognised as a new acquisition.

Internally generated software

Internally generated software programs are initially recognised at cost. Intangible assets with indefinite useful lives, if any, are not amortised but tested for impairment annually and impaired if necessary.

National databases with a finite useful life are amortised over their useful lives using a straight line basis and tested for impairment at each reporting date. A database is amortised only once it is complete.

Purchased software

Software licenses are carried at cost less accumulated amortisation and impairment. Software is amortised over its useful life on a straight- line basis.

Item	Useful life
National databases	4 to 5 years
Computer software	3 to 5 years
Other internally generated assets	4 to 5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.8 INTANGIBLE ASSETS CONTINUED

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised. The NGB tests intangible asstes for impairment where there is an indication that an intangible asset might be impaired. An assessment of whether there is an indication of possible impairment is performed at each reportind date. Where the carrying amount of an item of intangible asset is greater than the estimated recoverable amount, an impairment loss is cahrged to the statement of financial performance.

1.9 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.

Finance leases

Assets held under finance leases are recognised as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statement of financial performance.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

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

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

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

Operating leases

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

1.10 FINANCIAL INSTRUMENTS

Classification

Financial instruments are recognised on the statement of financial position when the entity becomes party to the contractual provisions of the instrument. Financial instruments include cash and bank balances, receivables and trade payables. These financial instruments are generally carried at their amortised cost, which is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

ACCOUNTING POLICIES CONTINUED

1.10 FINANCIAL INSTRUMENTS CONTINUED

Financial assets

The entity's principle financial instruments are cash at bank and cash on hand, trade receivables and other receivables. These financial assets are initially measured at fair value plus direct transaction costs. At subsequent reporting dates the assets are measured at amortised cost using the effective interest method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as a difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occuring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

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

Initial recognition and measurement

Financial instruments are initially recognised using the trade date accounting method. The entity classifies the financial instruments on their component parts on initial recognition in accordance with the substance of the contractual arrangement.

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

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents are measured at fair value. The carrying amount approximates fair value due to the short period to maturity. Cash and cash equivalents comprise cash at bank, cash on hand and short- term investments (32 days).

Trade and other receivables

Trade and other receivables are stated at the nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. The carrying amount of these receivables approximate fair value. Trade and other receivables from exchange transactions are disclosed separately from trade and other receivables from non-exchange transactions. Trade and other receivables in exchange for which the entity gives approximately equal value to another entity are recognised as trade and other receivables from exchange transactions. Trade and receivables received without directly giving approximately equal value in exchange are recognised as trade and other receivables from non-exchange transactions.

Gains and losses

Gains and losses arising from a change in the fair value of financial instruments are included in net surplus or deficit in the period in which they arise.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the entity has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Subsequent measurement

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

Impairment of financial assets

At the end of the reporting period the entity assesses all financial assets, other than those at fair value, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised as a reduction to the surplus. Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in the surplus.

Derecognition of financial instruments

A financial asset is derecognised when:

- the right to receive cash flows from the asset has expired;
- the entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without delay to a third party under a "pass through" arrangement; or
- the entity has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control thereof.

ACCOUNTING POLICIES CONTINUED

1.10 FINANCIAL INSTRUMENTS CONTINUED

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same customer on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability, and the difference in the respective carrying amounts is derecognised in the Statement of Financial Performance.

Financial risk management

In running its operations the organisation is exposed to interest rate, liquidity, credit and market risks. NGB has developed a comprehensive risk management process which monitors and controls the impact of such risks on the organisation's daily operations. The risk management process relating to each of these risks is discussed under the headings below.

Credit risk and market risk

Credit risk consists mainly of accounts receivable and cash and cash equivalents.This is the risk of the entity being exposed to counter party failures. Although this risk is unlikely to occur in the short term, it is mitigated as follows:

- Cash and short-term deposits are placed with well established financial institutions of high quality and credit standing and also approved by National Treasury;
- Transactions are entered into with reputable financial institutions which are approved by National Treasury;
- Funds are invested in short-term facilities; and
- The organisation does not raise debtors in its ordinary course of business.

Credit risk with respect to accounts receivable is limited due to the nature of the entity's business and its reliance on government grant as the main source of funding.

Market risk is the risk that the value of an investment will decrease due to changes in market factors. The above stated mitigating factors apply to market risk as well.

Interest rate risk management

This is the risk that adverse changes in interest rates will have a negative impact on the net income of the entity. The inherent interest rate risk is concentrated in short term investments and deposits which are highly liquid. This risk is managed by:

- investing in short term deposit accounts;
- transacting with well-established financial institutions of high quality credit standing and the accounts bearing interest at prevailing market rates; and
- the entity does not hold significant finance leases with fluctuating interest rates.

Liquidity risk

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

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

Fair value

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

1.11 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.

1.12 PROVISIONS

Provisions are recognised when:

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

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 recognised 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.

1.13 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.

ACCOUNTING POLICIES CONTINUED

1.14 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.

1.15 TAXATION

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

1.16 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.

1.17 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.

1.18 RELATED PARTIES

Parties are considered to be related to the entity if they have the ability to control or exercise significant influence over the the entity (or vice versa) in making financial and operational decisions or if both parties are subject to common control. Related party relationships where control exists are disclosed irrespective of whether there have been transactions between the related parties. Related party disclosures for transactions that took place on terms and conditions considered to be "at arms length" and "in the ordinary course of business" are not disclosed. All other transactions with related parties not considered to be "in the ordinary course of business" are disclosed.

1.19 CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		2014	2013 Restated
2.	**Revenue from non-exchange transactions**		
	Government grants	**27,717,000**	26,057,000
3.	**Revenue from exchange transactions**		
	Rental income	**1,677,143**	514,664
	Limited payout machines (LPM) license fees	**172,452**	180,582
	RFP sales	**8,500**	17,111
	Miscellaneous income	**15,821**	134,851
		1,873,916	847,208
4.	**Other revenue from exchange transactions**		
	Interest received	**37,362**	793,706
5.	**Auditors remuneration**		
	External audit fees	**1,456,162**	919,544

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

6. Members' emoluments

Board members' and executive managers' remuneration during the year.

Executive managers' remuneration

2014	Basic salary	Pension	Medical aid	Leave encashment	Total
Chief Executive Officer (CEO): Ms. P.B. Tyawa (Term ended 31 May 2013)	**168,995**	**29,393**	**6,806**	**51,580**	**256,774**
Chief Operations Officer (COO): Mr. M.B. Mashigo (Term ended 31 July 2013)	**424,000**	**–**	**–**	**82,851**	**506,851**
Chief Compliance Officer (CCO): Mr. D.T. Marasha	**912,458**	**125,416**	**68,949**	**–**	**1,115,183**
Chief Financial Officer (CFO): Ms. M.E. Ntsowe (Term ended 30 September 2013)	**810,010**	**62,206**	**10,698**	**74,019**	**959,933**
Chief Executive Officer (CEO): Mr. T.C. Dlamini (Started 01 January 2014, resigned 31 March 2014)	**399,634**	**–**	**–**	**12,157**	**411,792**
Chief Financial Officer: Ms. K. Mackerduth (Started 17 March 2014)	**35,007**	**10,712**	**–**	**–**	**45,719**
	2,750,104	**227,727**	**86,453**	**220,607**	**3,296,252**
2013					
Chief Executive Officer: Ms. B.P. Tyawa	1,257,844	174,960	37,196	–	1,470,000
Chief Operation Officer (COO): Mr. M.B. Mashigo	808,000	–	–	–	808,000
Chief Compliance Officer (CCO): Mr. D.T. Marasha	828,014	119,444	57,507	–	1,004,964
Chief Financial Officer (CFO): Ms. M.E. Ntsowe	862,174	119,444	23,346	–	1,004,964
	3,756,032	413,848	118,049	–	4,287,928

6. Members' emoluments continued

Non-executive members

2014	Board allowance	Kilometre claims	Infrastructure	Total
Prof. L. de Vries – (Chairperson)	**498,223**	–	–	**498,223**
Adv. T.N. Aboobaker (Board member)	**118,856**	–	–	**118,856**
Mr. A.C. Keyser (Board member)	**305,600**	–	–	**305,600**
Ms. G.A. Deiner ((ARC member)	**66,904**	–	–	**66,904**
Mr. J. Hargovan (ARC member)	**70,288**	–	–	**70,288**
Ms. M.N. Magomola (Board member)	**269,192**	–	–	**269,192**
Prof. S.V. Nzimande (Board member)	**183,360**	–	–	**183,360**
Ms. G. Taylor (ARC member)	**55,008**	–	–	**55,008**
	1,567,431	–	–	**1,567,431**
2013				
Prof. L. de Vries (Board chairperson)	411,758	–	–	411,758
Adv. T. N. Aboobaker (Board member)	98,328	–	–	98,328
Mr. A.C. Keyser (Board member)	196,380	–	–	196,380
Ms. G.A. Deiner (ARC member)	5,784	–	–	5,784
Mr. J. Hargovan (ARC member)	5,784	–	–	5,784
Ms. M.N. Magomola (Board member)	207,839	–	–	207,839
Prof. S.V. Nzimande (Board member)	115,680	–	–	115,680
Ms. G. Taylor (ARC member)	31,104	–	–	31,104
	1,072,657	–	–	1,072,657

Over and above the amount disclosed above, the Chief Compliance Officer (CCO) received a bonus payment of R30,100. The payment was included in the provision for performance bonuses for the 2012/13 financial year and included in the 2012/13 employee costs.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

	2014	2013 Restated
7. Professional and consulting fees		
Legal fees	**424,016**	455,123
Research	**919,723**	1,564,150
Probity investigations	**–**	34,312
Internal audit	**581,791**	617,167
Other consulting fees	**760,372**	1,142,144
	2,685,902	3,812,896
8. Personnel costs		
Salaries, bonuses and overtime – excl CEO, CFO, COO & CCO	**7,249,916**	8,976,371
Contract and temporary staff	**–**	872,004
Leave provision and payment in lieu of leave	**230,514**	175,677
UIF	**30,692**	35,605
Insurance and administration of the provident fund	**256,959**	342,567
Other salary and related costs	**69,919**	414,122
	7,838,000	10,816,346
9. Travel and subsistence		
Local	**1,262,253**	1,239,725
Overseas	**1,470,935**	1,112,424
	2,733,188	2,352,149

	2014	2013 Restated
10. Other operating expenses		
Communication costs	**407,195**	2,951,715
Conference, forum and workshop expenses	**114,472**	162,128
Administrative expenses	**1,251,062**	535,530
Maintenance, repairs and running costs	**54,436**	81,439
Temporary staff costs	**1,207,369**	–
Recruitment costs	**3,072**	11,236
Advertisement costs	**50,963**	98,795
Bank charges	**21,400**	31,264
Cleaning costs	**61,066**	63,647
Conference costs	**12,541**	4,322
Flowers and gifts	**3,796**	1,575
Fuel	**48,862**	23,639
Subscriptions, membership and registration costs	**128,728**	10,203
Hosting of servers	**–**	164,324
Water and electricity	**388,947**	–
Software, licenses and upgrades	**205,417**	252,439
Venue hire	**40,931**	25,148
Small office equipments	**5,724**	131,067
Insurance	**270,303**	121,097
Office refreshments	**154,070**	123,575
Social responsibility	**12,454**	16,778
Sundry items	**–**	150,725
Loss on disposal of assets	**23,590**	–
Impairment of debtors	**20,945**	–
Training costs	**16,925**	–
	4,504,268	4,960,646
11. Depreciation and amortisation		
Furniture and office equipment	**340,837**	67,397
Computer equipment	**218,024**	172,234
Motor vehicles	**58,000**	57,999
Leasehold improvements	**1,113,087**	182,973
Computer software, internally generated	**212,357**	203,893
Computer software, other	**156,715**	84,941
	2,099,020	769,437

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

	2014	2013 Restated
12. Operating lease		
Current year		
Premises	**7,421,950**	3,460,771
Photocopiers	**76,528**	–
Other rent and accomodation costs	**–**	96,000
	7,498,478	3,556,771
Future minimum lease payments under non-cancelable operating leases for the NGB's offices:		
Within 1 year	**5,616,642**	5,140,560
2 To 5 years	**28,167,504**	25,780,000
Thereafter	**31,242,398**	39,246,440
	65,026,544	70,167,000
The National Gambling Board leases a building from M&T Development (Pty) Ltd for a period of nine years and eleven months effective from 1 December 2012. Monthly rental payments of R315,468 (including VAT) are payable with an annual escalation clause of 10% per annum. The lease is renewable for an optional period of a further nine years and eleven months. The entity is also contracted to Parkdev SA (Pty) Ltd for a period of 15 years, effective from 1 April 2006. The lease payments are R124,256 (including VAT) per month with an annual escalation clause of 6.5%. No contingent rent is payable. The lease agreement is not renewable at the end of the lease term. The leased building has been let to **the dti** for the remainder of the lease period.		
Future minimum lease payments under a non-cancelable operating lease for a photocopier		
Within 1 year	**81,685**	50,744
2 to 5 years	**69,927**	84,574
	151,612	135,318
The NGB is renting three photocopy machines from Konica Minolta over 36 months contracts. Monthly rentals of R6,807.04 are payable with no escalation clauses. No contingent rent is payable and the lease contracts are not renewable at the end of the lease period.		

	2014	2013 Restated
13. Accounts receivable: exchange transactions		
Payments in advance	**14,970**	440,612
Accrued interest income	**5,930**	11,788
Other receivables	**331**	137,288
	21,231	589,688
14. Inventory		
Stationery on hand and consumables	**31,489**	21,613
No discounts or rebates were received from the purchase of inventory during the year.		
15. Cash and cash equivalents		
Cash at bank	**26,161**	736,606
Cash on hand	**67**	2,686
Short-term investments	**4,541**	995
	30,769	740,287

Over and above the cash and cash equivalents balance disclosed above, the NGB established a Trust in December 2007. The Trust confiscates and holds funds that are considered to be unlawful winnings. The unlawful winnings are placed in a bank account in the name of the Trust until such funds are declared by the courts as unlawful winnings. If the courts deem the funds to be unlawful winnings, such amounts are surrended to the State. Alternatively, if the courts determine the contrary, such funds are returned to the persons whom they were confiscated from. As at 31 March 2014, the Trust account, banked at ABSA, had a closing balance of R3,317,779.28.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

16. Property, plant and equipment

	2014			2013		
	Cost/ valuation	Accumulated depreciation	Carrying value	Cost/ valuation	Accumulated depreciation	Carrying value
Leasehold improvements	**10,850,310**	**(1,296,060)**	**9,554,250**	10,850,310	(182,973)	10,667,337
Furniture and office equipment	**3,459,355**	**(447,621)**	**3,011,734**	3,457,947	(105,744)	3,352,203
Motor vehicles	**399,997**	**(116,317)**	**283,680**	399,997	(58,317)	341,680
Computer equipment	**866,565**	**(583,591)**	**282,974**	1,163,422	(668,175)	495,247
Total	**15,576,227**	**(2,443,589)**	**13,132,638**	15,871,676	(1,015,209)	14,856,467

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT – 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Leasehold property	**10,667,337**	**–**	**–**	**–**	**(1,113,087)**	**9,554,250**
Furniture and office Equipment	**3,352,203**	**–**	**(5,869)**	**6,237**	**(340,837)**	**3,011,734**
Motor vehicles	**341,680**	**–**	**–**	**–**	**(58,000)**	**283,680**
Computer equipment	**495,247**	**21,685**	**(15,935)**	**–**	**(218,023)**	**282,974**
	14,856,467	**21,685**	**(21,804)**	**6,237**	**(1,729,947)**	**13,132,638**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT – 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Leasehold property	–	10,850,310	–	-	(182,973)	10,667,337
Furniture and office Equipment	125,309	3,300,528	–	(6,237)	(67,397)	3,352,203
Motor vehicles	399,679	–	–	–	(57,999)	341,680
Computer equipment	423,991	275,822	(32,332)	–	(172,234)	495,247
	948,979	14,426,660	(32,332)	(6,237)	(480,603)	14,856,467

17. Intangible assets

	2014 Cost/ valuation	2014 Accumulated amortisation	2014 Carrying value	2013 Cost/ valuation	2013 Accumulated amortisation	2013 Carrying value
Computer software, internally generated	**1,722,831**	**(911,179)**	**811,652**	1,516,703	(698,822)	817,881
Computer software, other	**765,231**	**(456,777)**	**308,454**	826,333	(352,773)	473,560
Total	**2,488,062**	**(1,367,956)**	**1,120,106**	2,343,036	(1,051,595)	1,291,441

RECONCILIATION OF INTANGIBLE ASSETS – 2014

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, internally generated	**817,881**	**206,128**	**–**	**(212,357)**	**811,652**
Computer software, other	**473,560**	**–**	**(8,389)**	**(156,717)**	**308,454**
	1,291,441	**206,128**	**(8,389)**	**(369,074)**	**1,120,106**

RECONCILIATION OF INTANGIBLE ASSETS – 2013

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	748,733	273,041	(203,893)	817,881
Computer software, other	262,292	296,209	(84,941)	473,560
	1,011,025	569,250	(288,834)	1,291,441

18. Trade and other payables

	2014	2013 Restated
Trade payables	**1,722,330**	2,216,737
SARS for PAYE and UIF	**40,861**	349,017
Deferred rent and accommodation	**5,725,142**	3,503,669
	7,488,333	6,069,423

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

19. Provisions

RECONCILIATION OF PROVISIONS – 2014

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for performance bonuses	527,383	313,173	(219,182)	(308,201)	313,173
Leave pay provision	427,497	339,593	(469,633)	–	297,457
Provision for compensation commissioner	105,400	–	–	–	105,400
	1,060,280	652,766	(688,815)	(308,201)	716,030

RECONCILIATION OF PROVISIONS – 2013

	Opening balance	Additions	Utilised during the year	Total
Performance bonuses	–	527,383	–	527,383
Leave pay provision	442,351	643,474	(658,328)	427,497
Provision for compensation commissioner	51,402	53,998	–	105,400
	493,753	1,224,855	(658,328)	1,060,280

PROVISION FOR PERFORMANCE BONUSES

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

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

LEAVE PAY PROVISION

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

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

PROVISION FOR COMPENSATION COMMISSIONER

The provision for Compensation Commisioner 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 Commisioner. It is anticiapted the amount will be paid within the next twelve months.

19. Provisions continued

The balance of R105,400 relates to previous financial periods as no additional provision was made during the current year. The uncertainty about the amount payable arose from the fact that no assessments were received for the past two financial periods and the amounts were based on prior assessments.

	2014	2013 Restated
20. Bank overdraft		
Overdrawn cheque account	**78,532**	–
21. Non-current liabilities		
Non-current portion of deferred rent and accommodation	**896,218**	1,168,487
22. Reconciliation of net suplus for the year to net cash from operating activities		
Deficit	**(4,050,423)**	(4,851,000)
Adjusted for:		
Depreciation and amortisation	**2,099,020**	769,000
Movements in provisions relating to employee costs	**(344,250)**	567,000
Loss on disposal of fixed assets	**23,590**	–
Changes in working capital:		
Inventory	**(9,876)**	(5,000)
Accounts receivable: exchange transactions	**574,315**	(492,000)
Accrued interest receivable	**(5,858)**	-
Accounts receivable: non-exchange transactions	**–**	14,000,000
Trade and other payables	**1,134,247**	3,397,000
Deferred rent and accommodation	**(272,269)**	–
	(851,504)	13,385,000

23. Explanation of variances

REVENUE FROM EXCHANGE TRANSACTIONS

The adjustment to the budget was made to include rental income received from **the dti**, which was not included in the initial budget.

INTEREST RECEIVED

An adjustment to the interest budget was made because it was realised that there was not enough excess cash resources to be kept in short-term investments that would earn the interest initially envisaged.

AUDITORS' REMUNERATION

The adjustment to the auditors' budget was made when management realised that the time spent on the 2012/2013 external audit exceeded the amount initially provided for.

The negative variance was due to the additional time spent on the 2013/2014 audit which was necessitated by an increase in audit findings.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

23. Explanation of variances continued

BOARD MEMBERS AND EXECUTIVE MANAGERS REMUNERATION

The adjustment to the budget was made to make provision for additional Board meetings to oversee the preparation for the issuance of a new contract the National Central Electronic Monitoring Systems (NCEMS) which is scheduled to be issued in the 2015/2016 financial period.

The negative variance was necessitated by additional Board activities necessitated by the NCEMS project as well as payouts to executive managers who resigned from the organisation.

CONSULTING AND PROFESSIONAL FEES

The adjustment to the Consulting and Professional Fees budget was made when it was realised that the corresponding projected income from the sale of NCEMS bid documents was not going to be received in the current year. Had it materialised, the NCEMS project would have necessitated the appointment of consultants to render technical advice, owing to the technical nature and magnitude of the project.

The negative budget variance on Consulting Fees is attributable to an increase in the internal audit scope during the year in order to conduct more procurement-related internal audit reviews owing to the increase in the number of external audit findings on procurement during 2012/13; consulting fees associated with an analysis of the NCEMS robustness which was budgeted for in the previous financial year but only completed during the current year; and legal fees which could not be accurately anticipated during budgeting, due to the nature of the industry the entity regulates.

PERSONNEL COSTS

The adjustment to the personnel budget was reduced during the year when it was relised that there were more resignations than anticipated, giving rise to an unused personnel budget.

The overall positive budget variance resulted from the following factors:

- There were more resignations than budgeted for, reducing the number of leave days accumulated;
- Less employees qualified for performance bonuses during the year than provided for during budgeting, owing to resignations;
- Less salaries were paid than originally budgeted for due to positions which were vacant for longer than anticipated;
- Training and temporary staff costs were budgeted for as personnel costs whereas the actual expenditure was disclosed as other operating expenditure.

TRAVEL AND SUBSISTENCE

The travel budget was reduced during the year when it was realised that the projected income on the NCEMS project was not going to materialise in the current year. Travel expenditure had initially been allocated in anticipation of an increase in NCEMS-related meetings which would have given rise to increased travel.

23. Explanation of variances continued

OTHER OPERATING EXPENSES

The budget for other operating expenses was reduced during the year when management took a conscious effort to reduce costs as it was realised the NCEMS projected income was only going to be realised in the next financial year. The initially anticipated NCEMS income had made it possible to make the budget provision initially made.

The negative variance arose from the fact that temporary staff costs and training costs were budgeted for as personnel costs whereas the actual expenditure was disclosed as other operating expenses.

DEPRECIATION AND AMORTISATION

The depreciation expenditure was increased to correct a previous under-provision for depreciation expenses.

OPERATING LEASES

The Rental expenditure budget was increased to make provision for the increased rental obligation stemming from a new lease obligation which was now at a higher amount thatn the initial office premises.

The negative varinace of R3.9 million on Operating Leases was caused by unfunded rental costs for the entity's newly acquired office bulding.

24. Related parties

Relationships

The Department of Trade and Industry	National Department in National Sphere
National Responsible Gambling Programme	Private entity
NGB Trust	Trust established in terms of Section 16(3) of NGA

Payments to executive and non-executive members are disclosed in Note 6.

RELATED PARTY TRANSACTIONS

The National Gambling Board registered a Trust to administer unlawful winnings in compliance with Section 16(3) of the National Gambling Act No. 7 of 2004. The detailed unaudited financial statements of the NGB Trust do not form an integral part of these financial statements.

The NGB is a lessee in a lease contract with Motseng Properties for office premises located on **the dti** Campus. The dti leases the building from the NGB and reimburses the NGB for rent paid. Transactions entered into during the year in relation to the sub-letting arrangement are listed below:

Nature of transaction	Amount invoiced	Amount received
Rental for building leased to **the dti**	1,677,143	(1,677,143)

The above transaction was at arms length.

25. Change of accounting estimate

The remaining useful lives of all assets were assessed during the year. A change in accounting estimate was effected in relation to computer equipment, computer software and national databases. The effect of the change in accounting estimate on the current year's results was an increase in the current year's surplus by R10,422 (R2,882, R753 and R6,787 for computer equipment, computer software and national databases respectively). The effect of the change in accounting estimate on future financial years will be a decrease in net surplus of R24,360 (a decrease of R24,572 for computer equipment and an increase of R212 in relation to computer software) and R9,154 (associated with computer equipment) for 2014/15 and 2015/16 respectively.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

	2014	2013 Restated
26. Losses		
Loss on disposal of assets	**23,590**	–

27. Prior year errors

Expenditure amounting to R19,568 for overtime and the hosting of servers was incurred during the 2012/13 financial period but only paid in the 2013/14 financial period without an accrual being raised in the 2012/13 financial period. The effect of the correction of the prior year error on the entity's financial results is shown below.

Furthermore, an amount of R5,931 became receivable from the Compensation Commisioner during the 2011/12 financial period as re-imbursement to the NGB for a salary paid to an employee during a four-day "temporary disablement". However, this amount was not included in the accrued income for the 2011/12 financial period.

Also, a contingent liability of R700,000 was disclosed in the 2012/13 annual financial statements. The disclosure was based on possible legal fees associated with litigious matters. It has since been established that the amount disclosed did not meet the defininition of a contingent liability, and the amount has been removed from the contingent liabilities note, Note 31.

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

STATEMENT OF FINANCIAL POSITION

	2012/13	2011/12
Net assets at the beginnig of the year	9,221,180	14,052,000
Increase in trade and other payables	(19,567)	–
Increase in accounts receivables from exchange transactions for 2011/12	5,930	5,930
	9,207,543	**14,057,930**
Statement of financial performance		
Surplus/Deficit as previously stated	(4,831,193)	12,712,000
Increase in personnel costs	(9,562)	–
Increase in operating leases	(10,006)	–
Increase in revenue from exchange transactions	–	5,930
	(4,850,761)	**12,717,930**
Adjustment against retained earnings at the beginning of the year	–	5,930

28. Unauthorised expenditure

No unauthorised expenditure was incurred during the year under review.

	2014	2013 Restated
29. Fruitless and wasteful expenditure		
Over-payment of PAYE to SARS	**2,312**	–
Accommodation paid for an additional day at conference	**1,051**	
Travel and Accommodation not utilised	**24,946**	
Honouring Fees	**520**	–
	28,829	–

A payment was made to SARS for PAYE which was R2,312 more than the amount deducted from an employee during a termination of employment. This was discovered at month-end when the VIP Payroll system re-calculated payroll figures. Whilst the amount is irrecoverable, management does not attribute the loss to any of its officials.

Accommodation was paid for a delegate who stayed at a conference for a day longer than required. The additional conference stay resulted in an additional R1,051, which the entity is in the process of recovering.

Accommodation expenses and conference registration fees for R24,946 were paid for an international conference but were not honoured by the NGB. The amount is not recoverable as the situation beyond the control of the NGB.

Honouring fees amounting to R520 were paid to the bank for honouring debit order payments when the entity did not have funds in the bank, resulting in an overdraft during the month of March 2014. The fees are not recoverable as the situation was unavoidable.

30. Irregular expenditure		
Opening balance	**298,527**	–
No original tax clearance certificates	**–**	125,615
Standard Bidding Documents (SBD 4) not completed	**–**	32,469
Less than three quotes obtained	**443,808**	140,443
Contract period exceeded	**59,479**	–
Deviations not approved	**364,456**	–
Lowest quotes not selected	**515,426**	–
No quotations obtained	**2,086,813**	–
Board members – expiry of term of office	**140,281**	–
	3,908,790	298,527

A total amount of R3,610,263 was paid to service providers whose services were procured without following laws and regulations governing the procurement of goods and services. These ranged from goods and services procured without obtaining three quotations to contract variations beyond the dates of expiry. The services of certain Board members were retained to ensure compliance with various submissions and fulfilling various duties as required by the Board while awaiting the shareholder's approval/communication on the matter. The Board acted in good faith. The irregular expenditure will be investigated as required by the Public Finance Management Act (PFMA).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

	2014	2013 Restated
31. Contingent liabilities		
There were no contingent liabilities during the year.		
32. Commitments		
– Internet Solution – Internet services	**187,166**	306,271
– Internet Solutions – Telephone system	**85,523**	122,760
– EOH Managed Services – ICT infrastructure support	**211,694**	347,783
– Knowledge Dimensions	**93,872**	–
– Outsourced risk and compliance assessment (ORCA)	**162,725**	–
	740,980	776,814

33. Going concern

We draw attention to the fact that at 31 March 2014, the entity had a net deficit for the year of R4 million, and that the entity's current liabilities exceeded its current assets by R8.2 million. The NGB is wholly dependent on the government for continued funding of its operations. The entity's five year strategy, the annual performance plan and budget were approved by the Minister of **the dti** on 05 March 2014. This is an indication 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 NCEMS will generate additional revenue for the NGB during 2014/15 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.

34. Statements issued but not effective

GRAP 18: Segment reporting
GRAP 20: Related party disclosure
GRAP 105: Transfer of functions between entities under common control
GRAP 106: Transfer of functions between entities not under common control
GRAP 107: Mergers

The above-mentioned standards have been issued but are not yet effective. Except for GRAP 20, it is unlikely that these standards will have a material impact on the entity's financial statements.

	2014	2013 Restated

35. 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.

The table below illustrates the Board's exposure to liquidity risk from financial liabilities.

Other financial liabilities	**1,763,191**	2,565,754

SENSITIVITY ANALYSIS

A change in the market interest rate at the reporting date would have increased/(decreased) the surplus for the year by the amounts below:

Cash and cash equivalents – increase by 1%	**308**	7,403
Cash and cash equivalents – decrease by 1%	**(308)**	(7,403)

INTEREST RATE RISK

The organisation is exposed to interest rate risk in respect of returns on investments with financial institutions. In the year under review the entity held no finance lease contracts.

Interest rate risk is a risk that adverse changes in interest rates will negatively impact on the net income of the organisation. This exposure to interest rate risk is mitigated by investing on short-term basis in fixed deposits. The other factor is that 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
2014	331	–	14,970	–	21,231
2013	580,945	–	–	8,743	589,688

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

	2014	2013 Restated
35. Risk management continued		
CREDIT RISK AND MARKET RISK		
Credit risk arises mainly from receivables and cash and cash equivalents. The Board'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	**30,769**	740,287
Other receivables	**21,231**	589,688
	52,000	1,329,975
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)	**30,702**	737,601
Other receivables	**21,231**	589,688
	51,933	1,327,289
The following table provides information regarding the credit quality of assets which may expose the Board to credit risk.		
FINANCIAL INSTRUMENTS		
The following table shows the classification on the entity's principle instruments together with their carrying values:		
Cash and cash equivalents (excluding petty cash)	**30,702**	737,601
Receivables	**21,231**	589,688
Other financial liabilities	**1,763,191**	2,565,754

LIST OF ABBREVIATIONS/ACRONYMS

ACEO	Acting Chief Executive Officer
AFS	Annual Financial Statements
AGSA	Auditor-General South Africa
AML	Anti-Money Laundering
APP	Annual Performance Plan
ARC	Audit and Risk Committee
ARP	Agency Rationalisation Process
BBBEE	Broad-Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMS	Compliance Monitoring System
CTF	Counter Terrorism Financing
FATF	Financial Action Task Force
FIC	Financial Intelligence Centre
FICA	Financial Intelligence Centre Act
GGR	Gross Gambling Revenue
GRAF	Gaming Regulators Africa Forum
HCO	Human Capital Optimisation
ICT	Information and Communications Technology
IG	Interactive Gambling
LPMs	Limited Payout Machines
MTSF	Medium Term Strategic Framework
NCEMS	National Central Electronic Monitoring System
NGA / The Act	National Gambling Act
NGB	National Gambling Board
NGPC	National Gambling Policy Council
PFMA	Public Finance Management Act

LIST OF ABBREVIATIONS/ACRONYMS CONTINUED

PGB	Provincial Gambling Board
PLA	Provincial Licensing Authority
RBA	Risk Base Approach
SANAS	South African National Accreditation System
SANS	South African National Standards
SAPS	South African Police Service
SCM	Supply Chain Management
SLA	Service-Level Agreement
SLC	Service-Level Contract
SOOGs	Strategic Outcome Oriented Goals
the dti	The Department of Trade and Industry
ZMS	Zonke Monitoring Systems

STUDIO 5

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