

REPORT BY THE PORTFOLIO COMMITTEE ON SPORT AND RECREATION ON THE NATIONAL LOTTERY INDABA IN BIRCHWOOD HOTEL, JOHANNESBURG ON THE 22-24 SEPTEMBER 2013

Introduction

Members present

Ms B Dlulane (ANC)

Ms. DP Manana (ANC)

Mr. SG Mmusi (ANC)

Mr. LM Ntshayisa (AIC)

Mr. MS Mabika (NFP)

Support Staff

Mr. M Mdekazi (Researcher)

Ms. N Mahlanyane (Committee Assistant)

Mr. T Thebehae (Content Advisor)

Presentations

22 September 2014

Mr Ben Dikane, Cllr Ekurhuleni, welcomed guests to the Indaba, and this session of the roundtable. In his opening addressed, Mr Dikane, condemned the acts of corruption and its many forms that tend to affect ultimately service delivery. This takes place within the private and public sector. The NGOs are also affected when its members rely on corrupt relationships with the departmental officials in order to receive favours for funding. The anti-corruption institutions must be strengthened and be supported to ensure that corruption is rooted out and the culprits are brought to book.

Fraud and Corruption, NLB Chairman Prof. NA Nevhutanda

During the presentation it was highlighted that the NLB is also highly affected by the scourge of corruption from some of its beneficiaries and it also indicated that the NLB was ready to tell the truth and not hide anything about some of the corrupt bodies. The board is working with the law enforcement agencies to ensure that those on the wrong side are exposed. He mentioned that the NLB shall leave no stone unturned and will ensure zero tolerance for corruption. The board has distributed up to R18 billion to charities from across, arts and culture, sport and recreation, charity organisations over the past 15 years of its existence. Some of the buses that were bought with the board funds, are sometimes used as taxis around

the communities, this doesn't at all serve the purpose it meant to serve. He congratulated the beneficiaries who use the little funds they receive to make a better change to the communities.

Many requests were received over the last financial year and these were totalling R72 billion, which exceeded the budget of just R2 billion that is appropriated to the board annually. It is clear that the demand is more than the supply, indicating a greater need for more resources to the community and a more stress.

Fraud Risk Trends and Challenges within the NLB by NLB CEO, Mrs Charlotte Mampane

The presentation was providing a high level information of what is happening through the statistics. The overview covered the regulation and the purpose of the national lotteries including the different spheres that lottery is distributing funds for. These funds are distributed as follows:

- Charities (45%)
- Sport and recreation (22%)
- Arts and Culture (28%)
- Miscellaneous (5%)

The process map for distributing funds was outlined, to ensure a seamless effort to grant each application the priority status. She indicated that it is during the pre-authorisation, just after adjudication, where applications that were rejected during the assessment period, are picked up. The compliance issues are supposed to be checked by the NLB internal staff. Just after signing the grant, post adjudication a lot of things happen, bank accounts are changed. There are steps that the board has introduced to assist the NLB to check the process, and intervene. There are organisations that are also formed just to perpetuate corruption.

There are financial statements fraud as well, the request for financial statements is mandatory. There are intentional misstatements or omissions of material information from the organisations financial reports.

The fraud trends within the NLB are related to corruption or missuse of funds. Where such is detected the employees from NLB are disciplined, there are also misrepresentation of information relating to the existence of organisations. In other instances there are collusions between beneficiaries and to some extent collusion between beneficiaries and NLB. This is linked to the internal corruption, where employees are paid to ensure that the application of certain organisation is successful.

There are partnerships with the relevant law enforcement officers. There are also internal measures, which allows the organisation to hold the application suspected of being fraudulent. The board employees a proactive approach to fraud and corruption. The speaker indicated that she hoped that the indaba will provide a meaningful insight on global trends of combating fraud and corruption and provide a lesson on proven mechanism for better prevention and detection of fraud and corruption.

Department of Trade and Industry on Fraud and Corruption Prevention by Mr. Mzwandile Masina, Deputy -Minister of Trade and Industry (Prof. N Nevhutanda read the speech)

The address started by indicating that there is a widely held myth that the public entities are being exempted from being investigated or being enforced to comply with the proper use of public funds. It was indicated that the media was contributing to perpetuate such a myth. When public sector institutions underperform, it affects the ordinary citizens and such is a case where the media does not tell such stories. Public entities have a much bigger stakeholder name in ensuring good governance. Good governance is effectively good leadership. NLB has a responsibility to ensure that R2 billion is distributed to worthy and deserving NGOs in the communities, this means that good governance is not a nice thing to have but a necessity. Good governance is an issue that relates to the entire institutions, and proper management of funds by such institution should be a priority. Observation of the rule of law, governance systems and all the internal systems are all indicators of ensuring that the organisations will live for a much longer period.

There are many incidences of corruption in the workplace these days, there is a need to assist good governance in order to reduce the risk of corruption. There is myth that the explanations to some of the investigations or behavioural attitudes are enough. However the practice of good governance relies more on the principles that have been set and South Africans have a responsibility to ensure that they don't do the right thing wronger but are able to uphold the principles of good governance by doing the right things right.

Alternative ways of dealing with fraud and corruption by, Nigel Iyer, of Septia Group. United Kingdom

This presentation was to offer some practical experiences around this topic. The topic covered the following topics fraud and corruption demystified, some international trends, alternative strategies to fight corruption, spotting the red flags and asking what to do next in order to prevent corruption and fraud.

Corporate responsibility is not about fighting or defending yourself against the side but more about understanding it. Any criminal or fraudulent activity has far reaching impact on the organisation, there's a reputational loss, information and cultural reputation. Many audit companies have a responsibility of bringing out corruption however in many countries, they do have a problem when such a behaviour is close to the executive, as they want to keep their clients for more future business deals. Whilst most CEO's perceive corruption to be very low, the average person always has a perception that it is slightly higher than what is being reported.

The Transparency International Corruption Perception Index (2013) shows that many African and Eastern European countries as the most corrupt, Nigeria ranking 143, South Africa (72) UK is ranking (14) and Norway (5). In South Africa it is reported that the cost of corruption per capita is at 20%.

In essence corruption is everywhere and we all play a role in perpetuating it for one reason or another. Fraud and corruption is a game that needs to be played differently. What we need to do is combat fraud is to recognise it and never underestimate it, find innovative ways of addressing it, never to believe that poorer countries are the most corrupt and that rich countries are clean. There is a need to use tolerance, amnesty, compassion to fight fraud and corruption and restore dignity, red flags need to be flagged early.

Fraud Prevention in South African Funding Institutions" Mr Gumba

This was an opportunity for these institutions to interact and share their experiences regarding fraud and corruption. The law enforcement officers, Departments, Government agencies (SASSA). Some of the corrupt activities from the departments includes filing wrong financial statements by service providers. The audited statements from their appointed auditors show some misrepresentation. Issues presented ranged from fraudulent activities from home affairs related to illegal marriages, fraudulent issuing of identity documents and illegal entries into the country. The House of Tradition Leaders also made input stating that the programme of distributing funds without enforcing monitoring and evaluating the impact of the funded in programmes opens a space for corrupt activities, systems for monitoring and evaluations should be strengthened.

The Chairperson of Lottery indicated that the focus should not be on catching the fraudulent but it should be on cultivating the good values that harness good behaviour. The Chairperson of Portfolio Committee Sport and Recreation also made an input to say the committee will

continue support NLB in monitoring the use of funds by the organisations that have been funded to support sport programmes.

Panel Discussions

Panelists:

Ms. B Dlulane (Parliament of RSA, Chairperson PC Sport and Recreation)

Ms. T Mampane (CEO: NLB)

Prof. N Nevhutanda (Chairman: NLB)

Mr. Nigel Iyer (Septia Group, United Kingdom)

Kgosi Setlamorago Thobejane (Contralesa)

Kgosi Mabhunda (House of Traditional Leaders)

The participants indicated and highlighted the importance of monitoring and evaluation, to ensure that the NLB verifies the existence of such projects in the areas. There was a concern raised from the floor that the traditional leaders were not aware and could not acknowledge the existence of projects funded by the NLB. The representative responded that was untrue and he'll follow up. Prof. Nevhutanda also added that the NLB staff was partly to blame for such by not insisting on the IDPs of the areas that have been approved for funding. The project ought to be community projects and not individual projects. Members of the Portfolio Committee took part in the discussions and highlighted that auditors become lenient to the company's being audited and could not reflect the true financial status of the company.

Auditors are there to discover fraud as per the International Standards 240 (IS240) and not work with the company to make them look bad, looking for fraud was said to require more resources and hence auditors sometimes never go look for fraud. The company culture ought to change their way of confronting and dealing with the controversial issues like corruption involving the influential people and work with the prevention and not just treat the symptoms.

There are constituency offices within the traditional leaders' areas, which are supposed to also assist with identifying these NGOs that are receiving the funds from lottery without even the knowledge of the leader of that area. The committee insisted that it will assist to monitor the usage of the funds to the NGOs and the projects it funds. There are limitations to the current legislative mandate of lottery to own the facilities it has built instead the legislations insists that the facility be handed to the community/municipality. It was therefore requested that Parliament should help with the establishment of the legislation that will provide stringent measures to control the usage of resources and projects funded by the NLB, because they are vulnerable to being hijacked or stolen by the individuals for personal use.

Oversight structures being set up, members of those committees are not appointed on merit thus posing a challenge when these cases appear. The same goes with law enforcement officers, who might be vulnerable to corruption and their capacity to investigate cases of corruption without jeopardising the evidence being led. Auditors do not really investigate fraud. Lotto distributes funds in trenches and does not provide a full amount to the successful applicant. The lottery act will provide an opportunity for the NLB to fund where there is a need without undergoing the stringent application process.

Tuesday, 23 September 2014

Programme Director: Mothibi Ramotse

Welcome by the Ekurhuleni Mayor, Mondli Gungubeli

There are many challenges facing the development in our country, a call to young people to make a difference in ensuring that learning takes place and the ECD are the foundation from which we can start building. At this level whilst learning may take in the class room, but more can be experienced outside through recreation.

Introductions and address by the NLB Chairperson - Defining the impact and the role of the NLB National Indaba - Prof. A.N. Nevhutanda

The purpose of the topic was to share with the delegates the role that the NLB has played over the past 15 years of its establishment, in the 20 year democratic dispensation. It has not been an easy task. The indaba provides an opportunity to bring all stakeholders and beneficiaries under one roof in order to discuss some innovative ways to find solution. The National Lottery Indaba represents one of the largest ecosystems in South Africa of individuals who committed to bring about social change and carry the hopes of many destitute people of South Africa. Whilst the funds that have been distributed to all individuals and NGOs, it has not been enough to meet the needs of those organisations but the real impact that the organisations make can be evidenced in the eyes of the people that these organisations are serving and this is the greatest achievement and the sole commitment to suggest that indeed there is a good level of social upliftment that these organisations play.

Over the last 15 years the National Lottery has distributed an estimated R18 billion to these distributing agencies. There is a greater value in sharing the experiences and this tends to enhance the fundamental principles of democracy of providing funding and entering in meaning conversations through the Indaba. The lessons learnt is that there is a greater accountability and the beneficiaries should continue to ensure that the work of the NLD is being known in the communities. The NLB has developed the norms and standards, as a

result these monies distributed to NGOs should be spent for the purpose it meant for. The NGOs and beneficiaries were encouraged to jealously guard against misusing the funds and engaging in fraudulent activities.

Official Opening of the NLB Indaba 2013 –Consolidation of the 15 Years NLB Journey and how the dti has created an enabling environment - Minister of the DTI, Dr. Rob Davies

This is the 4th Indaba held by the NLB and the demographics are continually looking representative. The lottery distribution has undergone some reforms over the past five years, was to look at the distribution process, amend the act in order bring some efficiency in the work of the NLB. Some changes that have taken place were to make the distribution agencies a permanent job, which has in many instance inhibited faster decision making due to unavailability of the members who were not permanent. The second one was to ensure that the members of the agency do not have any interest in the funds or organisations that are benefitting. The Indaba provides an opportunity to share the newly developed norms and standards with the beneficiary. The approach is to ensure that there is a zero tolerance for fraud and corruption, the intention is to optimise and broaden the access to the lottery funding. The DTI will continue to improve its performance on the distribution of lottery funding. There is a process underway to identify the new operator licence and the minister has not yet finalised the appointment as there are still other processes taking place to ensure that due diligence takes place.

Social Development-Acting DDG Mr Wiseman Magasela

Welcomes and acknowledges the impact that the NLB makes through provision of grants to the many beneficiaries. The department held a national summit, at which all the NPO some of which have received funding from NLB, were present to share their knowledge and find ways of working together. There are things that the NPOs can do better than government as they are closer to the communities. The department might have constraints with capacity and funding, and therefore will work closer with the NLB to maximise on the impact that they make. This support should be channelled towards the ensuring that the rural areas are changed for better as they mostly affected by unemployment

Contralesa - Kgosi Setlamorago Thobejane

The organisation intends to work together with the NLB and as it brings a better life to all the people. The funds are clearly marked to NGOs within the previously disadvantaged areas and as such reverse some of the legacies of apartheid. There is a commitment to allocate land for

projects that are intended to uplift the lives of people in rural areas and provide for the building of a better South Africa.

House of Traditional Leaders- Kgosi Mabhunda

The institution is very thankful for the role that the NLB plays in changing the lives of the destitute people. Corruption is not allowed and as a result all criminal activities related to the misuse of funds will be brought forward and the perpetrators of such acts will be brought to book.

PC Sport and Recreation- Ms Beauty Dlulane

The committee will continue to monitor the usage of funds distributed to sport and recreation will support the NLB in conducting oversight to such projects. NLB plays a big role in contributing to the funding sport and recreation, as the budget that is appropriated to the Department of Sport and Recreation is not enough. This means there is a need to maximise the little resources for the development of sport and recreation, thus it will be unfair for the beneficiaries to misuse these resources.

Plenary Session: Programme Director – Mr Tim Modise

Presentation 1: The National Lotteries Act as amended - What is in it for the Beneficiaries-DDG: the DTI-Ms. Zodwa Ntuli

The newly introduced amended act is intended to increase access to NLB funding and close gaps for any undue misuse of funds. South Africa faces a lot of challenges, related to poverty, unemployment. The integrity of the institution should be upheld and the NLB is entrusted with that responsibility of ensuring that the institute's core values are upheld. Changes took place because there were delays to the distribution of funds, the approved funds did not go to the intended beneficiaries but to those skilled with drafting proposals, they are meant to ease the requirements for applications which had largely alienated deserving beneficiaries, to reduce the high level of decline. The other reason the act was amended was to provide review mechanism, which will limit the litigations that the organisations had previously lodged against NLB. It intends to eliminate a conflict of interest amongst the NLB members and its employees. Changes effected are as follows:

- There is an obligation by the NLB to educate about the act
- The grants have been categorised, these will make the requirements risk based
- There is no need for audited financial statements, only certain organisations will be required to organisation that are applying for funds of more than R500 000.
- The legislation empowers the Minister to withdraw the grant anytime

- The board will adjudicate funds on daily basis
- Funding will be provided proactively without undergoing the stringent application process
- Applications can now be filed immediately without waiting for the call to be made
- The new act will help the NLB to provide for the regulation of a conduit to apply for funding.
- The act empowers the Minister to determine the turnaround times for which the application may be considered and adjudicated upon.

Implementation

- The regulations will be made available at the end September and members are expected to comment on them for the next 30 days afterwards.
- The NLB needs to align its systems to meet the needs of the people
- The NLB is going to re-launch itself to be called a the National Lottery Commission
- The DTI is going to be monitoring the distribution and use of funds.
- Fraudulent applications will be withdrawn

Presentation 2: The NLB as a Catalyst of Social Upliftment - Mrs. Thabang Charlotte Mampane, NLB CEO

The NLB strives to improve and change the lives of the people for the better. The board has completed the adjudication of the licence for the operator of Lotteries, the process is now with the Minister of Trade and Industry. An IT audit was conducted and there are plans to upgrade the systems. The NLB has partnered with community stakeholders to improve and accelerate service delivery. There are 1000 unemployed graduates who have been trained and were allocated to the different organisations to assist with capacity and this is part of skills transfer that the organisation is contributing in the economy. Key challenge is to meet the balance of supply and demand, every year the Board receives more applications than the resources that are available. The funding is intended to support projects that have a long lasting impact in the society, projects such as infrastructure development. The NLB intends to fund project that are aligned to the government priorities and the NDP.

When you can measure what measure what you have done and show it in number, it means you know something about it. Provincial offices are being opened and services will be rolled out to assist with the capturing of application and adjudication process. There is a monitoring and evaluation unit that has been established. The current monitoring process has indicated that the funds are able to benefit a large number of people with little resource.

Presentation 3: Managing risk and identifying fraud and corruption, Nigel Iyer

Corruption and fraud is one of the weapons of mass destruction. There are misconceptions that corruption is very large in the developing countries than it is in the developed countries. Corruption is a deliberate lying behaviour that is unethical. Corruption happens because people see an opportunity to benefit themselves and are motivated by it and want to rationalise it.

Presentation 4: Governance and Compliance by NGOs and NPOs - Mr. Thembekile Kimi Makwetu, The Auditor - General of South Africa

The NLB is established to provide the financial and other resources to the community organisation doing good work. Good work that the NLB does to disburse funds to organisations, result in a debit to them and credit to the recipients. As a result governance and compliance is important in this regard. Organisation have created values and the mission they intend to achieve at the time they received the money. The boards of the organisation are therefore brought together to account for the fund received. Compliance should be the daily task of the board and the executive. The implementation of the programme should be guided by the King III manual. It is difficult to commit to projects of public nature if their lifespan is only going to be short-lived, as a result, by complying it ensures that these organisations become self-sustainable.

Discussions

There are number of concerns raised by the public related to the funding of the projects, especially the time frames required for the review of applications and therefore the payment of the final trench of funds. Other concerns were regarding the invitation of beneficiaries, two hundred beneficiaries per province were invited. Lack of feedback needs to be strengthened and there is still room for improvement. The turnaround time for processing of reports currently may take up to three months, it is not acceptable but the NLB is working on improving. The purpose for conducting site visits comes as a request from the distributing agency in order to check if the organisation that has been funded has got a capacity to and are using the funds for the projects that they have been funded. The NLB has set mechanisms to deal with matters of fraud and corruption, they do this with the help law enforcement agencies.

“Why is the NLB Number One –To Restore the Pride of the Nation” Mr. Oscar Motsepe, NLB Awards Head Judge and President: Lesett Corporation

The measures being taken to curb corruption, should be used to correct the behaviour of an individual as opposed to destroying the perpetrators. The NLB is the only agency that has the capacity and the resources to support the organisations that are addressing the social ills in our communities. These NGOs are led by individuals, some of whom have no formal education, but are doing great work. The onus is upon the NLB to protect and support such individuals who are doing a great work.

Norms and Standards for Funding Organisations Ms Modjadji Makoela, NLB Corporate Services Executive

The discussion document was distributed for perusal and this is said to be the first such documents internationally. This is intended to align the norms and standards with the mandate of the NLB and define the principles and guiding values of funding. These guidelines were developed in partnership with many stakeholders from civil society organisations, private and public sector amongst other. The norms and standards documents also address the benefits to NLB and stakeholders and provides guidelines for successful applications, whereby applicants are encouraged to formulate strategies on how to approach funders.

Wednesday, 24 September 2014

In celebrating the heritage day, the programme started with the live performances of some of the beneficiaries in the cultural and heritage section, these included the Cape Minstrels from Cape Town and Dikwena tsa Maleka, from Limpopo.

Case Study: NLB Beneficiary – SOS Children’s Villages - Mr. Siphwe Maphanga

The institution has been a beneficiary and through the funds they have managed to develop good governance systems in order to prevent fraud and corruption. Their role to ensure the well-being of abused children in providing shelter for them throughout the country. They also empower other similar organisation to become self-sustainable through creating income generating activities. The organisation intends to reach 10400 children by 2016 and increase this to 20000 by 2020.

Fraud prevention, monitoring, evaluation and Compliance in Funding institutions – Adv. Weapond – NLB Board member and Chairperson of Risk and IT Committee

The funds that are being distributed do not belong to the NLB but to the community. Any deviations that the applicants are making on the funds and these are picked up, the NLB has got an obligation to withdraw the grant if the deviation has not added value. The NLB

subscribes to the zero tolerance principles and also the restorative justice. It is important that the NLB satisfies itself with the two sides of the story, once fraud or any corrupt activity is identified. The fraud and compliance departments have developed an integrated system in order to maximise resources to curb some of these irregular activities. All beneficiaries were encouraged to use the opportunity to report any fraudulent and non-compliance activities they may know of, so that the NLB can make follow-ups.

Breakaway session

Norms and Standards

These norms and standards have established a threshold for applications. Previously Sport and recreation distribution agency used to provide R100 000 for kit and equipment to schools that apply for lotto funding, however as a result of the recommendation from the PC Sport and Recreation, the new document on norms and standards has indicated that funding has been increased to R300 000 (R50 000 kit and equipment and R250 000 for Sport facilities). The new call for applications has been opened to focus on schools in quarantine 1, 2 and 3 especially in rural areas.

The Sport and Recreation Chamber has started with the educational roadshows around the country to assist with the application process. There was a proposal that the document need to acknowledge the scarcity of funding in the country, especially as it relates to the diversification of funds. There was a concern that the document is written only in one language (English), and the users might have a challenge understanding its contents. Delays in the review of reports has been a serious challenge in the NLB, and it has been aggravated by non-compliance from the beneficiaries at times when they submit progress reports.