



Portfolio Committee on Trade and Industry

**Briefing by NLC on the
distribution of funds from
the National Lotteries
Distribution Trust Fund,
including proactive
funding, as well as a brief
overview of its 3rd quarter
performance**

10 March 2020



NATIONAL LOTTERIES COMMISSION

a member of **the dti** group

DISTRIBUTE

REGULATE



NLC Delegation

1. Prof Nevhutanda-Chairperson
2. Mrs TCC Mampane-Commissioner
3. Mr M Ramatsekisa-Operations
4. Ms M Nene-Company Secretary

OVERVIEW OF THE NLC

Prof Nevhutanda

WHAT WE DO AND WHO WE SERVE

The NLC is the sole regulator for Lotteries and Sports Pools in South Africa.

Constitutional Mandate

- The NLC has the sole mandate to regulate and prohibit lotteries and sports pools and to provide for matters connected therewith.

Legislative mandate

- To ensure that the National Lottery and Sports Pools are conducted with all due propriety and strictly in accordance with the Constitution, this Act, all other applicable law and the licence for the National Lottery, together with any agreement pertaining to that licence and that the interests of every participant in the National Lottery are adequately protected.
- Conduct research on worthy good causes that may be funded without lodging an application prescribed in terms of the Lotteries Act, upon request by the Minister, Board or on its own initiative in consultation with the Board.
- Invite applications for grants from worthy good causes in the prescribed manner.
- Promote public knowledge and awareness by developing and implementing educational and informational measures to educate the public about the lotteries and provisions of the Lotteries Act, as amended, and educating the public by explaining the process, requirements and qualifications relating to the application for grants in terms of this Act.
- Manage staff and its financial, administrative and clerical functions and exercise any other function as delegated or directed by the Minister or the Board.

Strategic Overview

Commissioner Mampane

STRATEGIC OVERVIEW 2019/20

▶ Ultimate outcomes

Competent, capable and relevant lottery industry

Compliant and regulated lottery industry receptive to the NLC mandate

Fair and equitable distribution of grant funding

▶ Strategic objectives

1

Effective and efficient administration of the NLC



2

Financial sustainability, control and discipline in line with applicable legislation



3

Initiatives geared towards ensuring compliance with the Lotteries Act



4

Fair and equitable grant allocations



▶ Performance indicators, baseline and targets

1. Collaborative partnerships
2. Education and awareness campaigns
3. Integrated enterprise wide architecture
4. Corporate governance
5. NLDTF disbursements
6. Implementation of the Investment Strategy
7. Localised procurement

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

1. 150 days
2. 5% distribution across all provinces
3. Monitoring & Evaluation site visits
4. Impact evaluation study



OPERATIONAL MANDATE

Operational mandate



Third licence operator of the South African National Lottery.



The lottery is regulated by the National Lotteries Commission and was established in 2000.

National Lotteries Participants Trust

Registered independent Trust, founded by Ithuba to hold and safeguard all prize monies belonging to National Lottery participants.



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Provides regulatory oversight over:

National Lottery: operated by ITHUBA

Other lotteries

Sports pools

Administers and adjudicates grant applications



NATIONAL LOTTERIES COMMISSION
LOTTO FUNDED

Makes payment to good causes.

Applications

NGOs, NPOs, NPCs

Funding

23% → Arts

47% → Charities

28% → Sports

2% → Misc



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NLDTF DISBURSEMENTS INCLUDING PROACTIVE FUNDING

OPERATIONS OVERVIEW

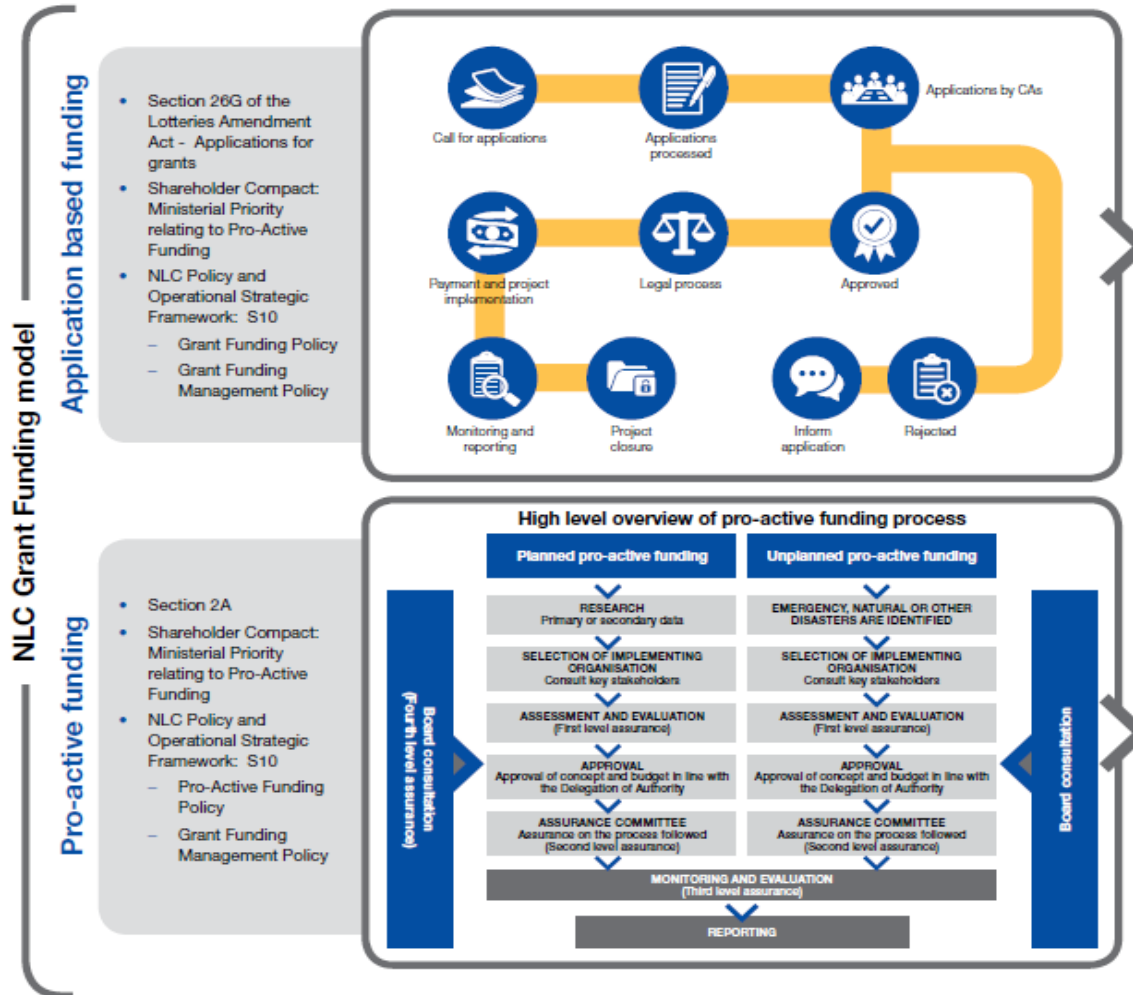
Grant Funding Department is responsible for ensuring that grants are administered efficiently and economically. The Grant Funding Model is designed to promote and support the NLC's strategic mandate by responding to socioeconomic problems and leverage on opportunities through strategic funding. The key principle of the NLC's funding model is to utilise NLC capitals to create opportunities for communities to realise their potential. The funding model is driven by an overall objective to Fund for Impact to maximise return on limited resources.



Funding models

Legal framework

Process maps



3rd QUARTER NLDTF DISBURSEMENTS

Allocation of grants amounted to R1.098 billion as at 31 December 2019 against a budget of R1.066 billion.

Sector	Application based Budget for the year R'000	Actual Application Based R'000	Board Review R'000	YTD Budget for Application Based R'000	Budget Available R'000	Pro-Active Funding R'000
<i>Arts, Culture & National Heritage</i>	295 689	295 768	-	221 767	*	109 769
<i>Charities</i>	508 886	375 971	2 432	381 665	130 483	60 389
<i>Sports & Recreation</i>	310 057	196 190	-	232 542	113 867	8 444
<i>Miscellaneous</i>	22 147	22147	-	16 610	-	27 100
Total	1 136 779	890 076	2 432	852 584		205 702
<i>Proactive Budget</i>						213 038
<i>Proactive Available Budget</i>						7 336

* Variance of R78 368 is funded from the withdrawals



REPORT ON QUARTER 3 2019/20

HIGHLIGHTS FOR 3rd QUARTER 2019/20

- As part of our efforts in curbing the scourge of illegal schemes, the collaborative arrangement with the provincial gambling boards continued into the third quarter. Of primary focus is the discussion on proposed solutions around ways to curb illegal lotteries and gambling throughout the country.
- Participant Protection seminars were conducted in the Western Cape, Mpumalanga, Northern Cape, Gauteng and the North West, where information was shared on the rights and protection of National Lottery participants.
- The Grant Makers Programme is rolled-out in partnership with the University of Pretoria. The primary objective of the programme is to equip officials with information and knowledge that will assist them to improve the quality of assessment reports, interpretation of founding documents and financial records. The first group successfully completed the programme at the end of November 2019.
- During this quarter under review, a total of 739 site visits were conducted. According to the monitoring data collected, 1757 jobs were created, comprising of 1353 permanent jobs and 404 temporary jobs. In terms of social groups 1200 were adults, 472 youth and 85 jobs were created for people with disabilities. Additionally, 186 jobs were retained through project funding, ensuring continued employment and income for the respective staff of NLC funded projects. A total of 1038 people benefitted from skills development interventions including 2 ECD practitioners who received NQF level 4 to 7 training. Lastly, over 44096 vulnerable secondary beneficiaries were reported to have been reached in quarter 3.

PROGRESS ON MINISTERIAL PRIORITIES

IDENTIFIED AREA	PERFORMANCE MEASURE	PROGRESS TO DATE
<p>Education and Awareness</p>	<p>Develop informational measures to educate the public about lotteries and provisions of the Lotteries Amendment Act No 32 of 2013 and by explaining the process, requirements and qualifications for grants</p>	<p><i>Education and awareness is included in NLC Annual Performance Plan as a target and continues to be measured. Twenty education and awareness were held within the current quarter.</i></p>
<p>Full-time Distributing Agencies</p>	<p>Manage the integration of full-time Distributing Agency (DA) members to improve the application process</p>	<p><i>The full time Distributing Agency (DA) function have been fully integrated into the Grant Funding value chain, furthermore the implementation of Standard Operating Procedure for the adjudication process clearly outlining the role and responsibilities of both administration and DA is monitored. The organisation is still awaiting the finalisation of the appointment of full time Sports and Recreation DA.</i></p>

PROGRESS ON MINISTERIAL PRIORITIES

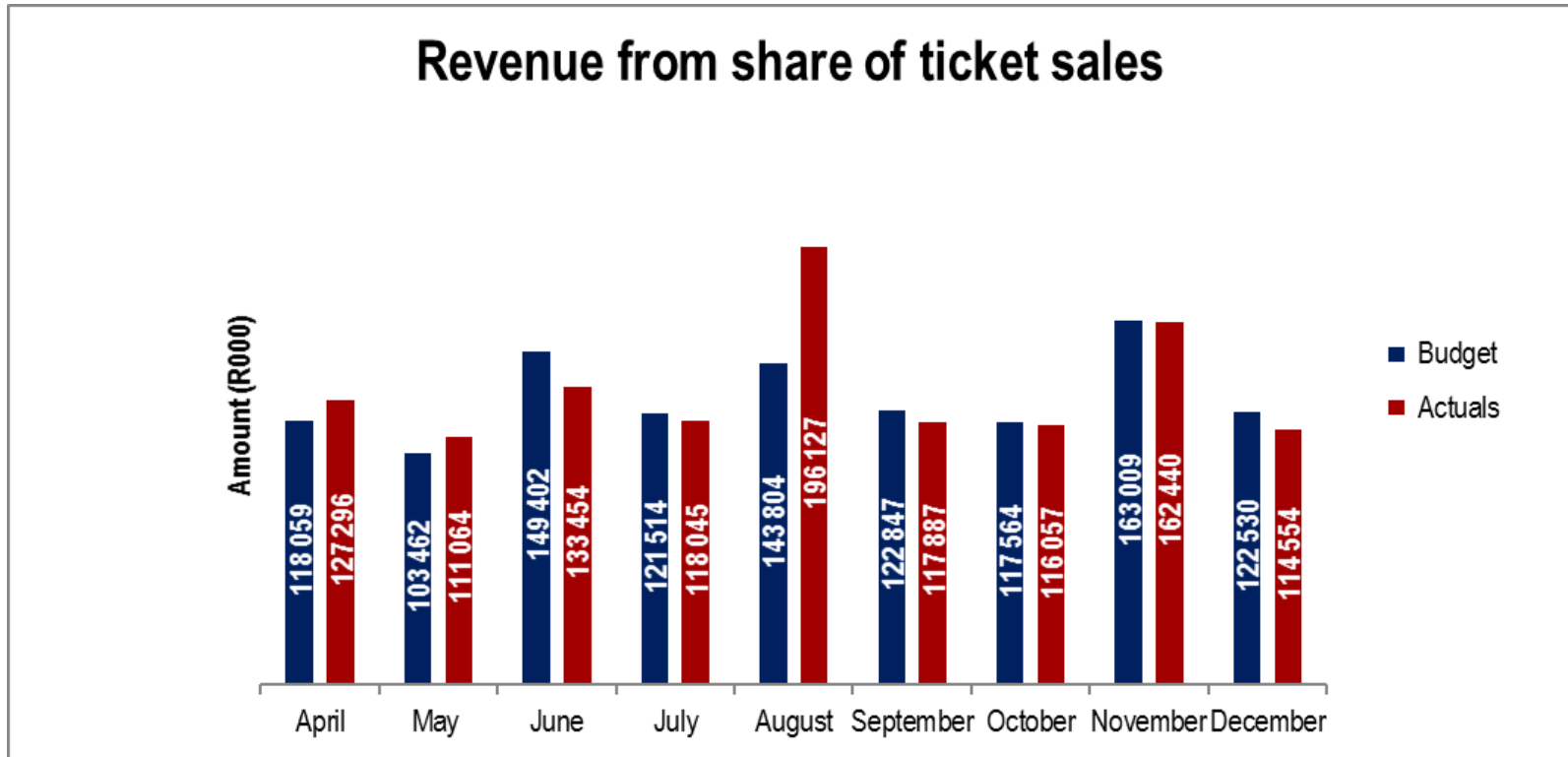
IDENTIFIED AREA	PERFORMANCE MEASURE	PROGRESS TO DATE
Illegal Lotteries	Monitoring and enforcement against illegal lottery operations	<i>Regulating and policing of illegal lottery operations was conducted through investigating identified and reported illegal lotteries. 100% of identified illegal lotteries were investigated.</i>
Proactive Funding	Proactive funding based on informed research for worthy causes that may be funded without lodging an application in terms of the Act	<i>The revised pro-active funding policy and standard operating procedure are approved. Two pro-active funding projects were approved in line with the revised policy. All pro-actively funded projects are closely monitored to ensure that the organization yield the envisaged return on investment.</i>
Monitoring of the Operator	Monitoring of the Lotteries Operator to ensure that it complies with government priorities e.g The Broad Based Black Economic Empowerment Act, 2003 (No. 53 of 2003) (BBBEE), Local Procurement & Skills Transfer	<i>Operator compliance against Licence requirements continued to be monitored in this Quarter through the six performance dimensions. Areas of non-compliance are communicated on a monthly basis to the Operator to ensure timeous corrective action.</i>
Memorandum of Understanding (MOU's)	MOU's with other Regulatory Agencies and provincial counterparts in clamping down on illegal lotteries and gambling	<i>MoU's were drafted for input for the Free State, Western Cape, Eastern Cape, Northern Cape, Limpopo, Kwa-Zulu Natal and Gauteng Gambling Boards.</i>

LITIGATION MATTERS

CASES	STATUS
LottoStar	<p>This is a matter initiated by the Commission enforcing provisions of the Lotteries Act No 57 of 1997 (as amended). The Company is a bookmaker and part of its business operations includes taking bets on the outcome of lottery results which is an offence in terms of the Act and the provisions of the Constitution (Schedule 4 – Act 108 of 1996). Their activities have a negative implication on the business interest of the operator as well. Case was heard on 13 December 2018. Judgment was delivered on 15 May 2019. The court decided that the Intergovernmental Relations Framework Act be fully exhausted before the matter is referred to court. Ithuba has filed an appeal. The NLC also filed an appeal on 06 June 2019.</p>
Alpha Omega Youth Outreach / NLC	<p>This is an application for a judicial review of the decision of the distributing agency to decline the application due to the fact that that the date of the financial year in the founding documents was not aligned to the date of the financial statements. The applicant seeks an order declaring the decision taken by the distributing agency to decline the funding application to be reviewed and set aside. Further relief is sought by substituting the decision of the distributing agency, with a decision that the funding is granted with retrospective effect to the date in which the current negative decision was made. The court ruled in favour of the applicant and remitted the application to the Arts DA for adjudication de novo.</p> <p>The court indicated that the Arts DA took a technical, rigid and dogmatic approach when declining the application. Judgment has been communicated with all DA's, Legal and Ops are ensuring the implementation of the court judgment and future preventive measures.</p>
Yothela Media (Pty) Ltd and Tornamanzi NPC vs National Lotteries Commission	<p>This is an application for a judicial review of the decision of the distributing agency to decline an application for a grant based on defective annual financial statements brought forth by the first and second respondent. The answering Affidavit was served and filed on 21 June 2019.</p>



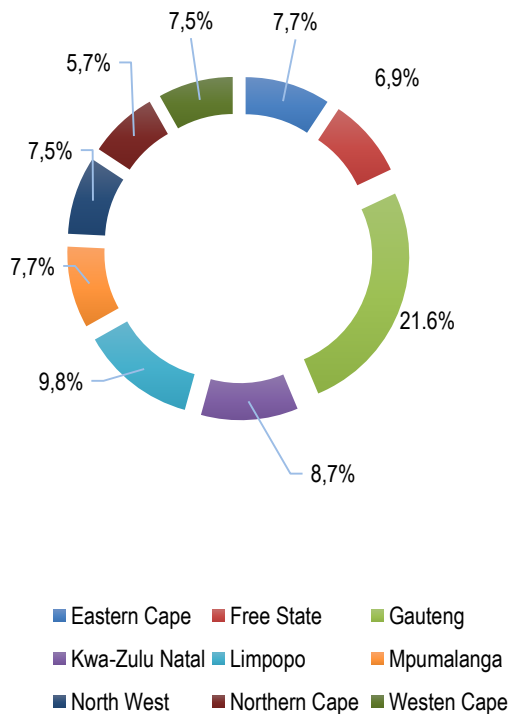
REVENUE



Revenue from share of ticket sales as at the end of 30 December 2019 is R1.196 billion (December 2018: R1.098 billion) against a budget of R1.162 billion. Revenue overperformed the budget by 3% as at December 2019.

ALLOCATIONS PER PROVINCE

YTD Allocations per Province



In terms of the Lotteries Act GNR 182, a minimum of 5% must be allocated to each province during the year. As at 31 December 2019, all provinces had achieved the minimum 3% percentage aligned to the Q3 milestone.

EC	7.7%
FS	6.9%
GP	21.6%
KZN	8.7%
LP	9.8%
MP	7.7%
NW	7.5%
NC	5.7%
WC	7.5%

ORGANISATION PERFORMANCE

Target relates to:	Milestone for Quarter 3	Achieved / Not Achieved
Strategic Objective 1: To Enhance Administration, Ensure Compliance with Applicable Legislation and Policy Prescripts		
Repositioning NLC as a regulator	Implementation of the strategy	ACHIEVED National and Regional media campaigns with key focus on the Regulatory mandate was implemented. (Bill Boards) TV (SABC 2 Morning Live and Soweto TV)
Number of stakeholder engagements conducted per province	Conduct 12 education and awareness engagements across the provinces	ACHIEVED 20 engagements conducted in Q3
Development and integration of the regulatory functions on the ERP	User testing	ACHIEVED The second iteration of the User Acceptance Testing (UAT) sessions took place in November 2019 with business stakeholders.
Number of organisation-wide compliance and ethics interventions	Roll-out of 5 interventions	ACHIEVED 8 Ethics workshops relating to a “Respectful Working Environment” successfully conducted.

ORGANISATION PERFORMANCE

Target relates to:	Milestone for Quarter 3	Achieved / Not Achieved
<i>Strategic Objective 2: To ensure financial sustainability Control and Discipline in line with Applicable Legislation and Policy Prescripts</i>		
Percentage disbursement of grants as per GNR644, 6(c)(iv)	75% disbursement of grants	ACHIEVED 95% of grants paid within 60 days for Q3
Percentage Return on Investments (ROI) of NLDTF funds	8% Return on Investments	ACHIEVED 8.42%
Percentage of localised procurement for the provinces	Average percentage of 85% localised procurement to the provinces	ACHIEVED 99%



ORGANISATION PERFORMANCE

Target relates to:	Milestone for Quarter 3	Achieved / Not Achieved
Strategic Objective 3: To Implement Relevant Initiatives Geared towards Ensuring Compliance with the Act		
Percentage of investigations on reported and identified illegal lotteries	Conduct investigations on 90% of identified and reported lottery schemes	ACHIEVED 100% of identified illegal lotteries were investigated.
Implement and monitor 3rd National Lottery Licence Monitoring Matrix	Implement and Monitor Compliance with the licence conditions	ACHIEVED Licence Monitoring Matrix was implemented to monitor the Operator's compliance with the Act and Licence.
Participants Protection	Implement program in 2 provinces	ACHIEVED Participants Protection Programs were implemented in Western Cape, Mpumalanga, Northern Cape, Gauteng and North West.

ORGANISATION PERFORMANCE

Target relates to:	Milestone for Quarter 3	Achieved / Not Achieved
Strategic Objective 4: To Ensure Fair and Equitable Grant Allocations		
Percentage of applications adjudicated within 150 days	85% of applications adjudicated within 150 days	ACHIEVED 92.59 % of applications received were adjudicated within 150 days
Lotteries Act-5% per province (GNR182) (5% per province)	A minimum of 3% grant funding allocated to each province	ACHIEVED All provinces received more than 3% allocation
Number of site visits conducted	Conduct 625 monitoring & evaluation site visits	ACHIEVED 739 Site Visits conducted
Infrastructure impact evaluation study	Conduct Study	ACHIEVED The Study is in progress – for ECDs nationally and Schools Ablution Facilities in EC & LP. Preliminary findings report on the ablutions has been submitted and shared with relevant stakeholders.
Review of the GF Model	Submit 2nd draft to Exco	ACHIEVED 2nd draft of the grant model submitted to EXCO.

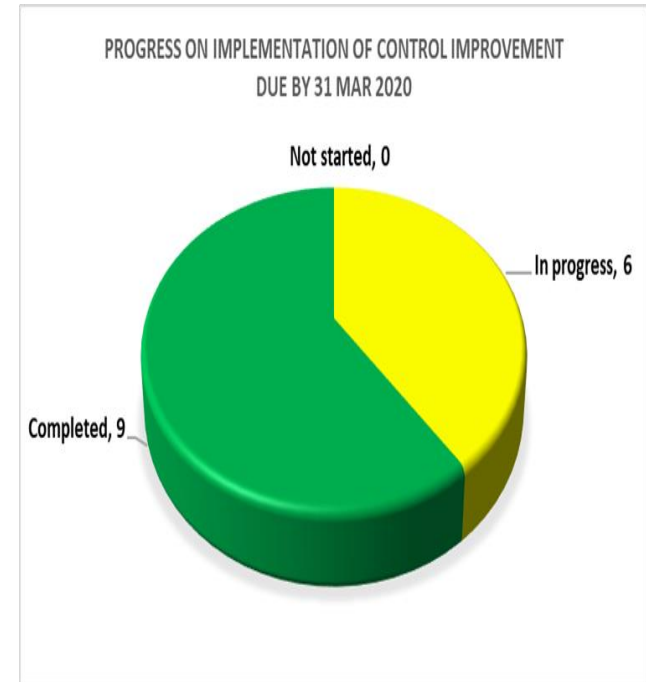
3rd QUARTER ACHIEVEMENTS

Total No of Targets	Achieved	Not Achieved
15	15	0
	100%	

100% Achievement of targets for the 3rd quarter of 2019/20.

STRATEGIC RISKS

Control improvements are being implemented to ensure that key risks are mitigated to an acceptable level. Forty-five (45) Control improvements to mitigate the identified risks were identified and are due for implementation over a 3-year period from March 2019 to March 2023. Management is in the process of implementing identified control improvements to ensure that these risks are mitigated to an acceptable level.



Thank you

