

NATIONAL LOTTERIES COMMISSION

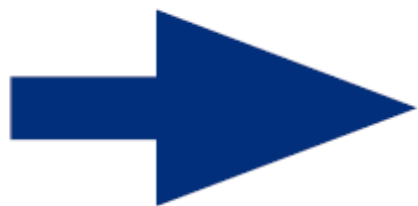
Briefing Department of Trade, Industry and Competition Portfolio Committee

27 SEPTEMBER 2022

Status Quo - Accounting Authority NLC Board



Major changes in 2022:



New Board appointed on
24 March 2022



The Acting
Commissioner also
joined the entity on
01 September 2022



The Chairperson formally took up the
position on
01 September 2022

NLC BOARD DELEGATION



Dr. Nyameko Barney Pityana
GCOB LL.M PHD FKC MASSAf -
NLC Board Chairperson



Ms. Precious Mvulane -
**Independent Non-Executive Board
Member**



Dr. Cassius Lubisi -
**Independent Non-Executive Board
Member**



Mr. Willie Hofmeyer -
**Independent Non-Executive Board
Member**



Ms. Beryl Kerr Ferguson
**Independent Non-Executive Board
Member**

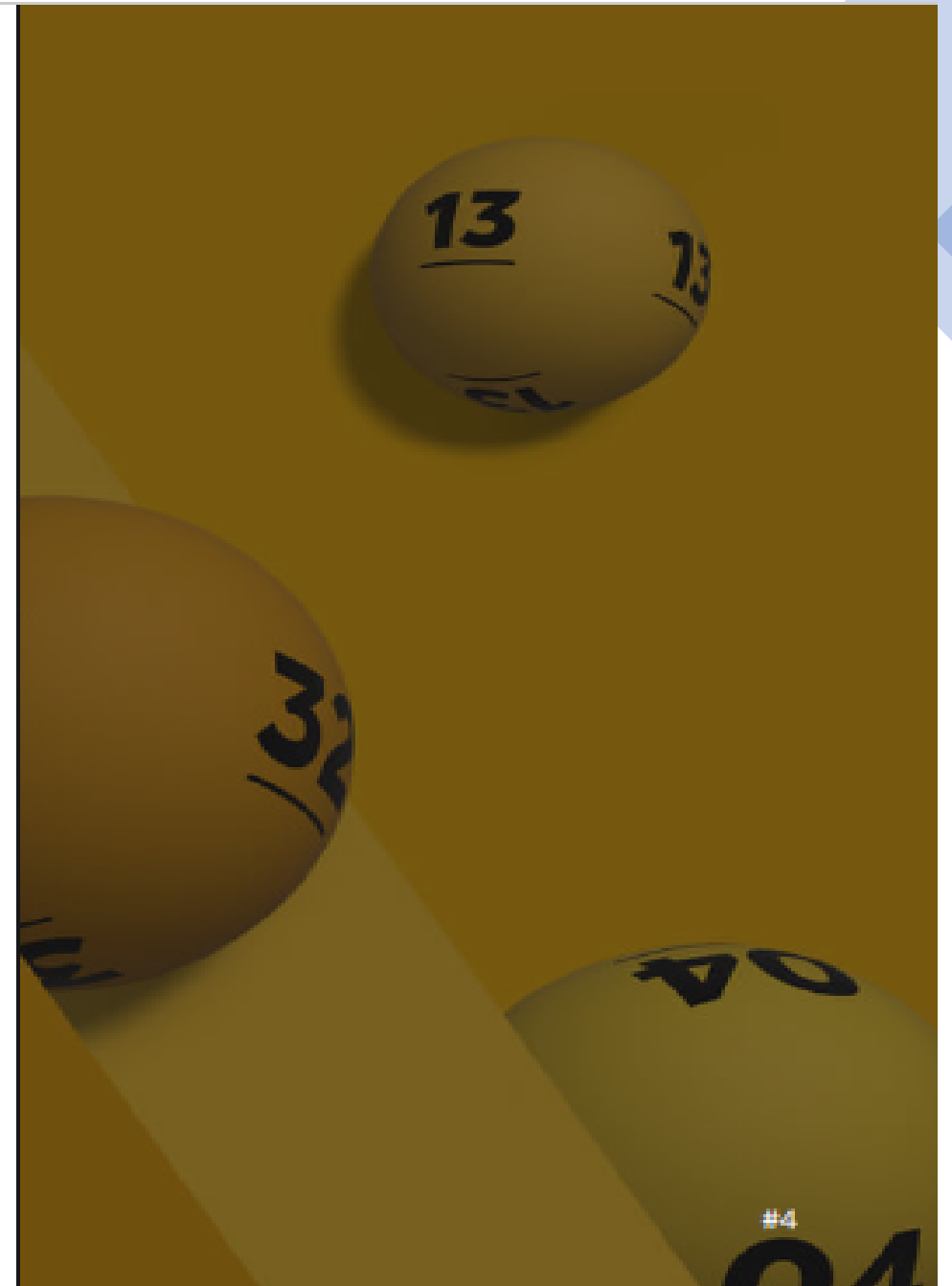


Mr. Lionel October -
NLC Acting Commissioner



SINCE THE COMMENCEMENT OF **THE BOARDS TENURE:**

- 1. By the end of August 2022, the Board had received and accepted letters of resignation from:**
 - The Commissioner (Thabang Mampane)
 - The COO (Phillemon Letwaba)
 - The CFO (Xolile Ntuli)
 - All Executive level vacancies have been advertised. (i.e Commissioner, COO, CFO and CAE)
- 2. Critical NLC Policies are in the process of being reviewed and aligned.**
- 3. The Third National Lottery Licence has been extended until May 2025 to ensure continuity and sustainability**
- 4. Preparations are underway for the appointment of the Fourth (4th) National Lottery Operator.**
- 5. The Board is committed to restoring and strengthening the relationship with the shareholder.**



RESTORING THE IMAGE OF THE NLC

“ACCOUNTABILITY, RESPONSIVENESS & OPENNESS”.

- It is fair to state that the NLC finds itself at a crossroads. This flagship philanthropic project, that should be the pride of our country, has been buffeted by crosswinds. At the regulatory mandate level - the performance of the national lottery continues to excel in making deposits to the National Lottery Distribution Trust Fund, the creation of at times rags-to-riches stories, creating and developing expertise in the intricate technology and management tools necessary for the operation of a lottery.
- The National Lottery, for its part is a national development agency for the Government of the Republic of South Africa. Not only does it regulate the operation and management of the national lottery and sports pools, it also manages and distributes the funds established from the proceeds of the lottery to support the work of charity organisations, non-profit organization (NPOs) and others to promote good causes, including arts culture, sport, heritage and charities. This is a supremely laudable undertaking for which our nation takes great pride. The National Lottery is obligated to function with due regard to some key constitutional and moral principles:
- The lottery must have regard to the principles of **“accountability, responsiveness and openness”** (s.1(d) of the Constitution). In addition, though not stated as such in the Act, the lottery is there to execute the national agenda stated in the Preamble to the Constitution as follows:



THE BOARD'S FOCUS IS **BASED ON 3 PILLARS**

1. Returning the NLC to its core mandates of regulation and grant making and reinstating its credibility

2. Restoring governance and integrity with zero tolerance for fraud and corruption

**3.
Building operational excellence**

Returning the NLC to
its core **mandate**

& REINSTATING CREDIBILITY



NLC briefing to dtic PPC – 27 September 2022

RETURNING THE NLC TO ITS CORE MANDATES **AND** **REINSTATING CREDIBILITY**

Findings From the SKX and
SIU revealed the
following:



A high level of fraud with respect to grant funding– especially proactive funding



High levels of irregular expenditure & a culture of non-compliance



A culture of secrecy and intimidation



No consequence management

RETURNING THE NLC TO ITS CORE MANDATES **AND** **REINSTATING** **CREDIBILITY**



A moratorium on all Proactive Funding is in place, pending the review of the model which shall be based on strategic



The Distributing Agencies (DA) structure is being reviewed to ensure robustness in adjudication of grants.



The entire Grant Funding value chain, processes and systems are being reviewed to strengthen controls and improve operational efficiency; this



RETURNING THE NLC TO ITS CORE MANDATES **AND** **REINSTATING CREDIBILITY**

Regulatory mandate:



The term of the 3rd National lottery and sports pool operator, Ithuba is due to expire in May 2023.



The Minister in consultation with the Board, successfully concluded a two-year extension in line with the Lotteries Act, as amended [Section 14(1)]



The outcome of the negotiations for the extension of Ithuba's licence led to an increase of 4% in contributions to the NLDTF by 4%.



The Board continues to clarify the relationship with the Operator.



The Board continues to advise the Minister in ensuring the appointment of the new operator.

Restoring governance and integrity with **zero** **tolerance**

OF FRAUD AND CORRUPTION



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Restoring Governance And Integrity With Zero Tolerance For Fraud And Corruption

Salient matters pertaining to governance at the NLC



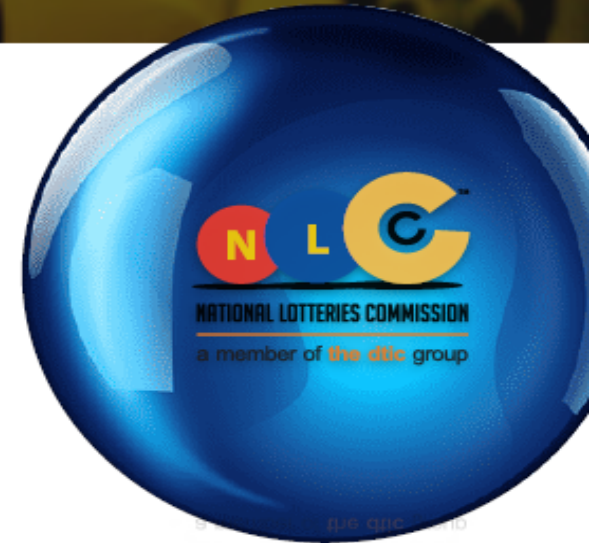
(A) Fraud & Corruption



(B) Irregular Expenditure



(C) 4th RFP National Lottery & Sports Pools Licence



ACTIONS AGAINST **FINANCIAL MISCONDUCT**

- The NLC Audit Committee adopted the Auditor General's report for the 2021/22
- NLC received a qualified audit for the 2021/22 FY, due to material findings on non-compliance with procurement

ROOT CAUSE:



The Board has focused attention on consequence management and reinforcing the Internal Audit and Risk

ACTING AGAINST FRAUD AND CORRUPTION

The Board is considering a number of interventions to deal with Fraud and Corruption including instituting lifestyle audits and conflict of interest vetting processes for staff and beneficiaries.

Management in collaboration with the dtic Shared Services Centre has appointed forensic auditors and re-established the anti-fraud & corruption hotline.

All irregular ICT & Legal contracts were terminated on 16 September 2022

The NLC continues to cooperate with all Law Enforcement Agencies including the SIU/AFU to recover assets

Management is taking action against employees implicated in various reports and to strengthen internal control weaknesses.

Building **operational** excellence

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BUILDING OPERATIONAL EXCELLENCE

The NLC is the largest funder of good causes in the country and distributes on average R1.2 Billion per annum

High levels of poverty and unemployment, exacerbated by the pandemic, has resulted in a surge in the number of applications being received.

The biggest strategic challenge facing the Board is, balancing the large number of funding requests, with limited resources and will therefore be considering more focused and targeted interventions to ensure that funding is directed to the most urgent needs.

Building Operational Excellence - Grant Funding



a member of the dtic group
National Lotteries Commission

We recorded a very high number of applications in the current financial year (9 596). It represents an almost twofold increase since 2019/20

To date, 3340 applications have been adjudicated and an amount of R447 million has been allocated.

The Board is considering a new funding model coupled with the strengthening of systems will give rise to an invigorated and robust process aligned to the developmental needs of our country.

	2019	2020	2021	2022	2023 (July)	Total
Arts, Culture and National Heritage	767	2 219	2 162	2 798	2 510	10 456 (26%)
Charities	2 534	3 147	3 167	4 877	4 484	18 209 (44%)
Miscellaneous Purpose	75	149	208	154	147	733 (2%)
Sports and Recreation	2 252	1 506	2 160	3 151	2 127	11 196 (27%)
Processing					328	
Total	5 628	7 021	7 697	10 980	9 596	

THANK YOU

NATIONAL LOTTERIES COMMISSION



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