

National Lotteries Commission

ANNUAL PERFORMANCE PLAN

2018-2019

Acronym/Term	Description/Definition
Act	Means the Lotteries Act No.57 of 1997 as amended.
Applicant	Means the juristic person making an application for funding.
Board	Means the Board of Directors of the National Lotteries Commission, established in terms of Section 2 of the Act.
Chairperson	Means the Chairperson of the Board appointed in terms of Section 3(1) (a) of the Act.
Grant Funding (GF)	Means the division of the National Lotteries Commission responsible for performing all administrative and associated functions in respect of the distribution of funds.
CM	Means the Commissioner appointed in terms of Section 7(1) (a) of the Act.
Distributing Agency (DA)	Means the agency appointed in terms of Section 27, 28, 29 or 30 of the Act.
DTI	Means the Department of Trade and Industry.
GMS	Means the Grant Management System used by the Board to record and track all applications received.
King Report	Means the current version of Report on Corporate Governance published by the King Committee on Corporate Governance.
Key Performance Indicators (KPIs)	Means qualitative/quantitative statements, measures/observed or parameters that can be used to describe performance and measure change or trends over a time period.
Minister	Means the Minister of Trade and Industry.
M&E	Means the Monitoring and Evaluation.
NLDTF	Means the National Lottery Distribution Trust Fund.
NDP	Means the National Development Plan.
PISE	Means the Post Indaba Stakeholder Engagement.
PFMA	Means the Public Finance Management Act.
Procedure Manual	Means the document that describes the work processes to be followed in the Grant Funding Office.
Programmes	Means a collection of initiatives that together achieve a beneficial

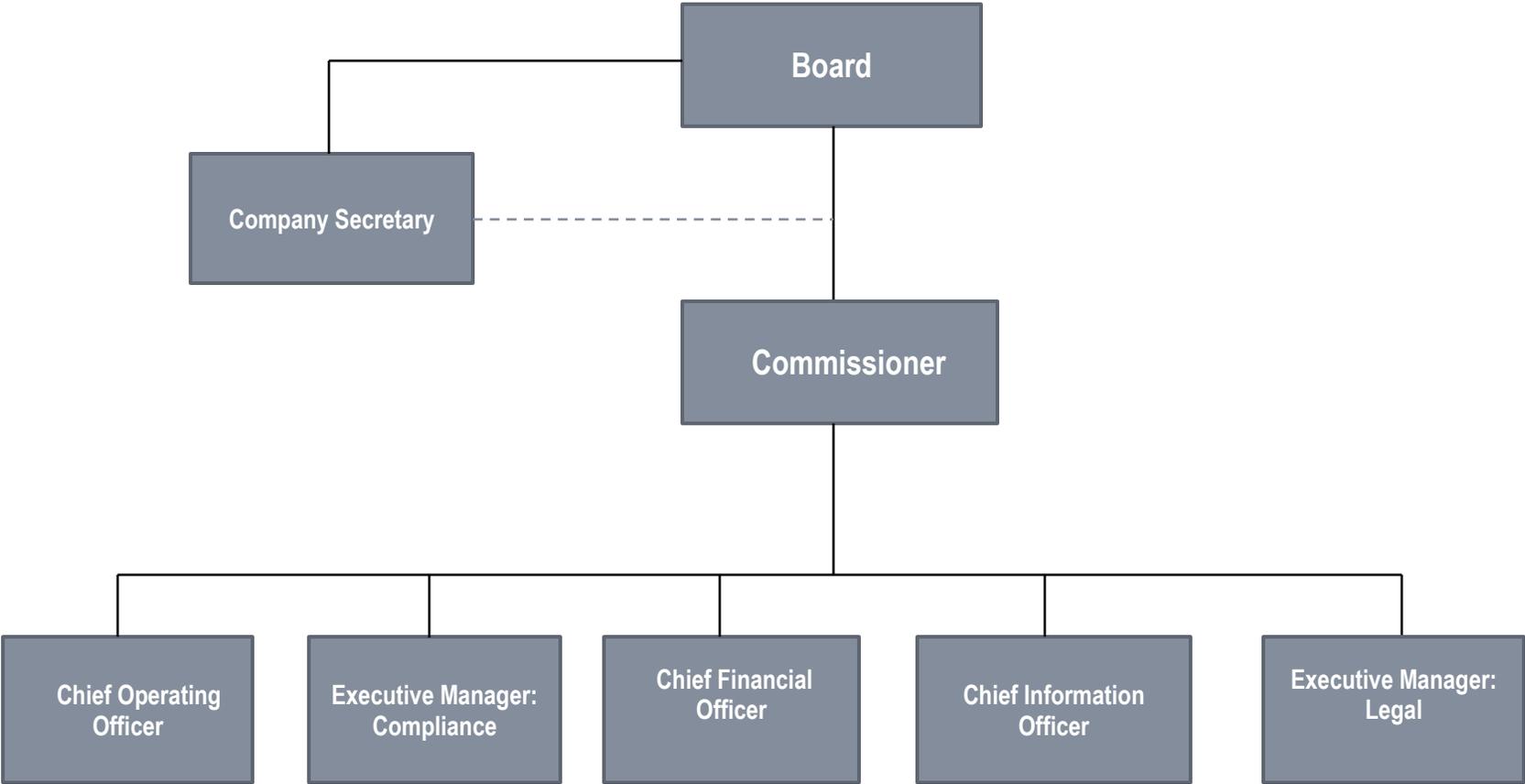
Acronym/Term	Description/Definition
	change for an organisation.
Projects	Means temporary initiatives designed to achieve specific objectives within allocated budget and pre-determined timeframes.
Policy Directive	Means the directions issued by the Minister to the Distributing Agencies in terms of Section 32 (3) of the Act.
Strategic Initiatives	Means broad actions that an organisation undertakes to achieve its objectives.
Strategic Objectives	Means organisational intentions geared towards responding to the organisational mandate, aspirations and challenges.
Strategic Outcomes	Means organisational results generated through the implementation of programmes, and should correspond to strategic objectives.

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1. Organisational Structure

Figure 1: NLC High Level Organisational Structure



2. Official Sign-off

It is hereby certified that this Annual Performance Plan was developed by the Management of the National Lotteries Commission (NLC) under the guidance of the Board of Directors and was prepared in line with the current Strategic Plan of the NLC. It accurately reflects the performance targets which the National Lotteries Commission will endeavour to achieve given the resources indicated in the budget for 2018/19.

X. Ntuli
Chief Financial Officer

Signed:



A. Maharaj-Domun
Official Responsible for Planning

Signed:



TCC Mampane
Commissioner

Signed:



Approved by:

Prof NA Nevhutanda
Chairman
31 January 2018

Signed:



3. Foreword by the Minister



Development is not only about economic growth or the building of infrastructure in the country. It is a way to improve the quality of life for our citizens and equip them to become game changers. There are still many pockets of the South African population that experience a higher risk of poverty and social exclusion than the general population. This sector requires particular effort to be made at all levels of policy planning and implementation to inform, amongst other things, resource allocation.

While government's Nine-Point Plan aims to boost economic growth and create much needed jobs, the NLC has also played a role to bring about this growth by ensuring that funds are distributed to qualifying beneficiaries through its mandate.

Sectors funded by the NLC contribute to job creation, rural development, infrastructure development, promoting wellness and social cohesion - a contribution to the objectives of the National Development Plan.

The NLC has distributed over R22 billion has been distributed to good causes since its inception. However, the reliance on a single source of funds does not make it possible to address the needs of the entire NGO/NPO sector in South Africa.

Over and above this initiative, focusing resources in areas prioritised for interventions by various organs of state will enable the NLC to operate in a partnership with other organisations where there is great potential (and need) for systemic change and not isolated intervention. This approach to partnerships, collaboration, aligning to government's developmental priorities and adopting a programmatic approach aligns to the funding for impact strategic thrust.

An analytical review of NLC operations within the South African context has led the organisation toward a critical growth path that will now see the core mandate of regulatory compliance receive a bigger spotlight and its importance amplified.

A handwritten signature in blue ink, appearing to read 'Rob Davies', written over a light blue circular stamp.

Dr Rob Davies, MP

Minister of Trade and Industry

4. Overview by the Accounting Authority



When the then National Lotteries Board opened its doors in 1999, the mandate was clear: to use what was previously regarded as a social ill (a lottery), as a means to uplift society.

By 2012, billions had been distributed to good causes, and lessons learnt had paved the way for the amendment of the Lotteries Act in order to adequately address the needs of a developing nation.

The amended Act is closely aligned to **the dti** program that aims to create a fair regulatory environment that enables investment, trade and enterprise development in an equitable and socially responsible manner. The NLC's initiative to focus its funding on specific identified priority areas in the three funded sectors of Charities, Arts and Sports is highly welcomed as it represents an effort to direct funding to targeted projects and programmes that are catalytic in nature, leading to measurable, positive social change and tangible community upliftment. To date, the NLC has ensured effective implementation of all aspects pertaining to the transition of the organisation in terms of the legislative amendments. The NLC continues to deliver on Ministerial Priorities through the following initiatives:

- Continuous monitoring of the National Lottery Operator ensures that the signed Licence Agreement entered into with the Minister of Trade and Industry, together with the Lotteries Act, are complied with. This further assists in ensuring that proceeds from the National Lottery that are required to fund good causes are fully accounted for and reported on in a transparent manner. Lottery participants are also protected when playing National Lottery games by making certain that winners are paid their correct prizes. Prevention of under-age and excessive play is also critical in maintaining the integrity of the game;
- The appointment of full-time Distributing Agencies was introduced in order to improve turn-around times for adjudicating applications;

- Identification of and enforcement on illegal lotteries was implemented through research conducted to assess their impact on maximising proceeds from the National Lottery. The research made recommendations on how to effectively enforce on illegal lotteries in order to protect lottery participants and the National Lottery;
- Pro-active funding is a major inclusion in the amended Act. This aims to ensure that where a critical need for intervention is identified, the NLC is able to respond in a timely manner to fund programs and make a meaningful change;
- Education and awareness of existing and potential beneficiaries to enable them to understand how to access NLC funding. This is coupled with capacity building initiatives aimed at funded organisations to assist them in ensuring that funds allocated are used for their intended purpose;
- Memoranda of Understanding (MOU's) were entered into with key stakeholders in order to ensure that the NLC is effective in delivering its mandate of regulating lotteries and funding for good causes.

The organisation remains steadfast in its duty to protect the public through compliance enforcement, monitoring and evaluation, and the continued fight against fraud and corruption. As growth and impact continue, enforcement will gradually become a larger area of focus to complete the circle of regulation and funding – ensuring that all funds that are intended for good causes are used accordingly.



Prof N A Nevhutanda
Chairperson of the Board
National Lotteries Commission

PART A:

STRATEGIC OVERVIEW

5. Vision

A vision statement is sometimes referred to as the picture or aspirational description of what an organisation would like be or to achieve/accomplish in the medium to long term. The vision statement is the inspiration of the organisation. It provides the framework for which the development of all strategies and plans that the organisation intends to achieve are moulded. Most importantly, it should be the point of departure in developing the strategic intent for the NLC.

The Vision of the NLC is crafted as follows: *"The catalyst for social upliftment"*.

The NLC is mandated by an Act of Parliament to regulate the National Lottery and other lotteries through proceeds derived from the sales of lottery tickets. The NLC further endeavours to:

- Ensure that funds are distributed equitably and expeditiously across South Africa and
- Advance the socio-economic well-being of communities in need.

6. Mission

The mission statement is a brief description of the organisation's fundamental purpose and it advocates and articulates the reason for the existence of the organisation.

The Mission of the NLC is:

- *To regulate all lotteries and sport pools with integrity and to ensure the protection of all participants.*
- *To maximise revenue for good causes in a responsible manner.*
- *To distribute funds equitably and expeditiously.*

7. Core Values

The NLC is committed to achieving sustainable growth through the practice of good corporate governance, the provision of excellent service and sound regulatory practice. In fulfilling the mission we maintain high levels of:

Table 1: NLC Core Values

Value	Description
Integrity	To be honest, open, accessible and fair in all our dealings, decisions and actions.
Performance Excellence	To take ownership of our responsibilities, to work effectively, efficiently, with professionalism and to ensure a positive sustainable impact on the communities we serve.
Service Excellence	To provide a level of service of a high quality, target- based and one that meets the expectations of all stakeholders.

Value	Description
Social Consciousness	To be sensitive to the needs of the community in order to initiate social upliftment.

8. Strategic Goals/Objectives

NLC Strategic Objectives	
SO:1	Enhance administration of the NLC and ensure compliance with applicable legislation and policy prescripts
SO:2	Ensure financial sustainability, control and discipline in line with applicable legislation and policy prescripts
SO:3	Implement relevant initiatives geared towards ensuring compliance with the Lotteries Act
SO:4	Ensure fair and equitable grant allocations

9. Updated Situational Analysis

The National Development Plan (NDP) aims to eliminate poverty and reduce inequality by 2030. South Africa can realise these goals by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society. NLC is the largest organisation with a gaming regulatory and funding mandate in Africa. In line with its mandate, vision and mission, NLC's formulation of programme activities and targets is aligned to the political, social and economic realities of South Africa.

In particular, the NLC's role and functions as outlined in the Lotteries Act (as amended) places an obligation on the organisation to support (directly and indirectly) the electoral mandate of Government. From a strategic perspective, the sight of government priorities provides a major opportunity for the NLC within the disciplinary context of social development and social upliftment. These include addressing unemployment and alleviating poverty in alignment with the NDP. The NLC is therefore driven by government policies on economic and social development.

The NLC is governed by policy which is significantly influenced by the political landscape in the country. The looming 2019 National Elections could possibly influence a shift in the mandate of the organization whilst the political instability in all spheres of government also contributes to the negative impact on the economy. The organisation has positively contributed to the outcomes in the NDP through funding initiatives that have created employment, alleviated poverty and empowered women.

South Africa's economy is no longer regarded as stable and has experienced increasing economic pressure which has been a major driver of strikes and protests. The revenue received from the National Lottery Operator has been stagnant for the past 5 years. In addition, the number of registered NPO's has doubled to approximately 136 000 from 2010 to 2015 implying the additional demand for funding. The high levels of unemployment also negatively affect disposable income. These falling levels in disposable income implies that basic needs come first and the purchase of a lottery ticket might not be a priority. This could contribute to people participating in alternative illegal activities that exhibit higher success of winnings. Through these tough economic times, it is envisaged that selling "hope" through a game of chance may prove to be lucrative on the sale of national lottery tickets. In addition, the NLC has positively contributed by creating and sustaining approximately 25 000 jobs in the 2016/17 financial year.

Stats SA's estimate for the 2016 mid-year population puts the total at 54.9 million people. (Growth of 6% in 5 years). The age profiles are as follows: 0-14 years: 28.34%; 15-24 years: 18.07%; 25-54 years: 41.44%; 55-64 years: 6.59%; and 65 years and over: 5.57%. These statistics indicate that the majority of SA's population is eligible to play the lottery (18 years and older). Despite the general decline in poverty between 2006 and 2011, poverty levels in SA rose in 2015. When applying the upper-bound poverty line (R992 per person per month in 2015 prices), we see that more than one out of every two South African's were poor in 2015, with the poverty headcount increasing to 55,5% from a series low of 53,2% in 2011. This translates into over 30,4 million South Africans living in poverty. It was also noted that richer children get a better quality of education; they are more likely to progress to higher levels of education, which in turn bring them much higher rewards in the labour market. Since these two lines have a strong slope in South Africa, inequality is likely to perpetuate itself from generation to generation. In the previous financial year, the NLC invested around R600 million in building Early Childhood Centres nationally in order to address issues on inequality created through education and poverty.

Playing the National Lottery could still be considered taboo in certain religious and cultural groups but the trend is rapidly changing due to the NLC exhibiting all the good causes that have been funded through proceeds from the sale of lottery tickets.

In the context of the Fourth Industrial Revolution and its disruptive effect on all economies, there are three things to consider as Africa aims to maintain its "Africa rising" narrative:

(a) The development of digital skills is paramount;

(b) All industries are being digitally disrupted, which presents an opportunity for a growing digital economy;

(c) Public-private partnerships are powerful levers for change.

The real economy and the digital economy are not mutually exclusive. The two have become one and the same as technologies blur the lines between the physical, digital, and biological spheres. The vast and growing potential of the Fourth Industrial Revolution is yet to be fully grasped. The ICT sector, industry and governments have a responsibility to unlock its potential for citizen service delivery, customer experience and innovative solutions, for a better life for all. The NLC's Enterprise Wide Architecture aims to do exactly this from both an internal as well as external perspective. Entire systems of production, management and governance are being affected and, as digitization continues, the issue becomes intimately intertwined with addressing youth unemployment, manufacturing and harnessing human innovation. Furthermore, the increase of mobile and internet use comes with its own threats – namely cyber security, which has become a massive global problem. Prioritizing cyber security capabilities is not only important for protecting organizations and their customers' data, assets and reputations, but also fundamental to successful digital transformation. For the NLC, online gambling has changed the landscape as people want to participate at their convenience. The scourge of illegal online lotteries and gambling has encroached into the Lottery space. The promotion of Fantasy gaming further exacerbates the situation.

NLC has set aside necessary investments to enable staff and external stakeholders to participate in and benefit services from a secured infrastructure and enterprise architecture. Innovation remains a tool towards success, especially within an era of increasingly advancing business, social, and economical environments. We plan to introduce innovative methods of interaction, for example through use of mobile devices to allow stakeholders take on new roles as enabled and empowered participants. In order to capitalise on these opportunities, the NLC shall ensure that the developed technology roadmap encapsulates principles of a flexible, scalable, cost-effective and risk tolerant infrastructure and enterprise environment. It must however be noted that introducing new services in a network often presents challenges, among them security. At the NLC, this is addressed through the enacted ICT Governance Framework.

The proposed amendments to the Gambling Bill could positively impact on the NLC. Amendments to the Gambling Legislation in the country could possibly provide the enforcement powers the NLC to combat illegal lotteries as well as provide opportunities through licensing bookmakers for taking bets on the outcome of the National Lottery. However, the lack of alignment between the Provincial Gambling Legislation and the National Gambling Bill implies that illegal lotteries will still remain a

threat. Fantasy Gaming is also not addressed by the legislated amendments.

During this period, we introduced the “open-call” system for receipt of applications that heralded the end of the previous model of “Call for Applications” for funding good causes. The “Call for Applications” model permitted the NLC to accept applications only if they were submitted during a fixed window period (usually 3 months) on an annual basis. This had often resulted in worthy and deserving causes not being able to access funding if the window period was closed. The open-call on the other hand means that applications will be accepted throughout the year at all NLC Offices and there is no closing date.

Making inroads into reducing inequalities through provisions in the Act that now allow the NLC to pursue proactive funding based on research will help us to support innovative projects with greater impact and provide emergency support where the need arises.

The NLC through its mandate has also played a role to bring about this growth by ensuring that funds are distributed to qualifying beneficiaries. Sectors funded by the NLC contribute to job creation, rural development, infrastructure development, promoting wellness and social cohesion. This aligns to the objectives of the NDP as well as the Nine Point Plan in order to eliminate poverty and reduce inequality by 2030 and also bring about economic growth. Over R22 billion has been distributed to good causes since its inception. However, the reliance on a single source of funds does not make it possible to address the needs of the entire NGO/NPO sector in South Africa.

Corporate Governance is crucial to business sustainability and growth of the organization. The development and implementation of a proper corporate governance framework is endorsed by the Board. The Board accepts responsibility for the application and compliance with the principles of ensuring that effective corporate governance is practised consistently throughout the organisation. The Board discharges this role through its charters based on a Corporate Governance Framework which includes amongst others the principles of the Lotteries Act, PFMA, Treasury Regulations and good governance principles. These are further aligned to the organisations top strategic risks and reviewed annually.

9.1 Performance Delivery Environment

In order to achieve its dual mandate of regulator as well as distribution of funds to good causes, the NLC provides the following key services:

Regulation

The NLC's mandate to regulate all lotteries and sports pools with integrity and ensure protection of all participants is realised through the activities of the Regulatory Compliance Division. The NLC's regulatory mandate continues to be one of the main priority areas, focusing on monitoring compliance and performance of the National Lottery Operator (Operator) with the Lotteries Act (Act) and Licence Agreement.

We have also noted the impact that public awareness created on the scourge of scams and illegal lotteries to prevent lottery participants from falling victim to illegal activities. The Regulatory Compliance Division therefore increased its efforts in protecting the public against illegal lotteries through identifying, investigating and closing down some of these activities. The Division also continues to collaborate with other regulators to enforce on illegal lotteries through joint prosecution and exchanging valuable information on the modus operandi of these unlawful activities.

NATIONAL LOTTERY COMPLIANCE AND PERFORMANCE MONITORING

Regulating the National Lottery Operator

The National Lottery comprises of various games of chance, and is mainly built on integrity, which is the main objective of our regulatory work to ensure that the integrity and reputation of the National Lottery is maintained. The protection of lottery participants further remains top of our agenda for the reviews that we conduct to ensure adherence to the Act and Licence Agreement by the Operator; coupled with the NLC's legislative mandate outlined in the Act to ensure that:

- The National Lottery and sports pools are conducted with all due propriety and strictly in accordance with the Constitution, the Act, all other applicable laws, as well as the Licence for the National Lottery;
- Interests of every participant in the National Lottery are adequately protected; and
- Net proceeds of the National Lottery are as large as possible.

National Lottery Game Design

The NLC further ensures that measures are in place to mitigate the negative social impact of gambling in the design and development of any National Lottery game, with particular emphasis on preventing under-age play, curbing excessive play and not over-stimulating the lottery industry.

National Lottery Proceeds

Apart from generating revenue for good causes, the Operator is currently focusing on reinvigorating the National Lottery by regularly communicating during live draws and various media channels of jackpots that are won. In addition to raising funds for good causes and paying prizes to lottery winners, the Operator is required to pay commission to retailers who sell lottery tickets and pay out prizes.

Participant protection

We continue to create awareness to lottery participants on game rules and the claim period for prizes to ensure that winners claim their prizes in a timely manner. We also assist participants who had their tickets lost or stolen through the verification processes of the Operator, as well as reporting such theft to the relevant law enforcement agencies.

LOTTERIES COMPLIANCE AND ENFORCEMENT

Society Lotteries

With the introduction of the Lotteries Act in 1997, the Fund-raising Act was repealed and introduced a new method for Non-Profit Organisations (NPOs) to raise funds through conducting society lotteries (which must be authorised by the NLC), private lotteries and lotteries incidental to exempt entertainment. The Regulatory Enforcement Department assesses applications for societies and lottery schemes. As part of our campaign to promote sustainability of non-profit organisations (NPOs), we encourage civil society organisation's to register society lotteries for the purpose of fund-raising to support their various community-based initiatives. The Act allows an NPO to operate up to 6 schemes in a year raising a maximum of R2 million per scheme.

Competition for the National Lottery

Betting on the outcome of the National Lottery was allowed as a form of bookmaking for betting operators registered with respective provincial gambling boards. This remains a great concern both for the Operator and the regulator as it is seen to be in direct competition with the National Lottery. At face value, prize pay-outs from these games offered by bookmakers are far greater than those won when playing the National Lottery. This undoubtedly requires policy review.

Illegal Lotteries

There is a general consensus that business innovation is always advancing at lightning speed and regulation is often-times playing catch-up. It emerged that regulation was not seen as the complete solution to deal with illegal lotteries, and alternative approaches to restrict illegal lotteries had to be identified through conducting research.

The NLC conducted research on the impact of illegal lotteries and other forms of gambling that may influence lottery participants. The main challenges pertaining to the effective prohibition and combatting of unlawful lotteries in the country include:

- The lotteries' legislation is not clear on exactly what constitutes an illegal lottery, where many current forms of illegal lotteries, such as Fafi, being open to interpretation. Currently, there are some instances where different authorities regard and perceive illegal lotteries in different ways.
- Current lotteries legislation is not clear on sports pools and their authorisation (GRC, 2011).
- In many instances, provincial licensing authorities, particularly in the provinces in which illegal lotteries are prominent, are actively enforcing the law in terms of combatting these unlawful activities. However, the cases that result cannot be successfully prosecuted due to issues around the mandate of provincial authorities to combat illegal lotteries, which are a national competence and not a provincial competence.
- Collaboration and coordination between the lottery and gambling authorities is infrequent, particularly at the national level. Further, engagement within the trinity of lottery and gambling authorities, law enforcement and prosecutors is disorganised.
- While the current operator has rebranded the National Lottery and even tried to implement new lottery games, the feedback from punters indicates that there are some issues. Most importantly, many people do not understand what 'Phanda Pusha Play' is and how it relates to the previous 'Tata ma Chance' – many think it is a different lottery and are thus, sceptical. Also, the willingness to participate in the new lottery games implemented by the national operator, such as their own version of Fafi, is low for very similar reasons. The fact that illegal lotteries offer better chances, are cheaper to play, and are more accessible contributes to this feeling.

Investigations

Illegal lotteries and Promotional competitions, which are regulated under the Consumer Protection Act, taking the form of lotteries, have been the subject of investigations. Operators of these activities who are found to be in contravention of the Lotteries Act are issued warning letters, letters of demand, and mostly signed undertakings to cease with their operations and properly register their lotteries where applicable.

With the Gambling Amendment Bill (Bill) underway, a legal study was conducted to identify contentions between the lotteries and gambling legislation. Proposals in the Bill, which the NLC

supports, include the exclusion of the National Lottery from the definition of a contingency on which bets can be taken.

Taking bets on the outcome of foreign lotteries was also creating unfair competition and is against the aim of the Act in creating the National Lottery as a monopoly. Furthermore, it was difficult to identify parties responsible for such schemes as most occur through the internet, and the few that were successfully identified were not operated within the borders of the country, but were targeting South African players. Consequently, our comments on the Bill included the prohibition of taking bets on the outcome of foreign lotteries, as well as adhering to Schedule 4 of the Constitution, which deems the National Lottery as a national competence of the National Lotteries Commission. The Bill further states that bookmakers wishing to take bets on the outcome of the National Lottery may do so, subject to approval of the Board of the NLC; and will have to contribute a portion of their proceeds towards good causes through the NLDTF. Policy recommendations from the research, which would result in amendment to our Act and other legislation, were:

- Promotional competitions be moved back to jurisdiction of the Lotteries Act;
- NLC to investigate and prosecute illegal lotteries;
- Expressly state powers of inspectors in the Act
- Similar inspector responsibilities as gambling authorities
- Registration of other forms of lotteries besides society lotteries; and
- Consider licensing/regulating other unlawful lotteries and schemes.

The focus is to conduct a feasibility study on whether identified forms of illegal lotteries can be regulated, and if so, how this should be legislated. The NLC is committed to discharging our regulatory mandate through applying compliance and enforcement principles of transparency in our processes, ensuring confidentiality of information relating to the National Lottery and other lotteries, timely investigation of any illegal schemes, consistency and fairness in the application of the Act and other laws.

NLDTF Distribution

The funding of grants to good causes is the second mandate of the NLC.

Funding for Impact

As alluded to earlier, the revenue received from the Operator has been stagnant whilst the number of NPO's has grown considerably since 2010. The NLC therefore finds itself in a place where it is required to do more with less, as demand for funding outstrips what is available. In response, we have revised the underpinning philosophy of our funding model to be based on "Funding for Impact". This calls for a much

more systematic and deliberate approach to grant making that enables the NLC to do more with less. It is the provision of funding to targeted projects and programmes that are catalytic in nature that lead to measurable, positive social change and community upliftment.

Beneficiary-Centrism

Apart from developing a better understanding of local needs, the NLC is committed to the optimisation of beneficiary support. In order to achieve impact in funding organisational capabilities such as a programmatic approach as well as results based management are being developed. A programme approach recognises that development takes place through interconnected actions within a specified geographical location. It further recognises that there may be multiple needs that are often better addressed by multiple actors. Development is not a linear occurrence but a cross pollination of multivariate factors coalescing to produce desired change. A programme approach is better positioned to impact various socio economic and political factors which produce a “defective” social system in a specific environment. Adopting a programming approach goes some way in unearthing the underlying factors which produce the social conditions that grant funding aims to address. The conceptual relationship between funding for impact and beneficiary-centricity is a causal one. Beneficiary-centricity is one of the key interventions, that if undertaken successfully will enable more impactful funding in the context of the NLC. Beneficiary-centricity is therefore one of the strategic and operational capabilities that should be developed by the NLC in order to achieve impact in funding. The NLC’s vision is to be a catalyst for social upliftment with a brand promise of “changing lives.” The broad societal impact that we aim to achieve extends beyond financially sustaining the organisations that we fund but to change lives of our beneficiaries as well as the communities in which they live.

Proactive Funding

One of the strategies introduced to address the shortcomings in priority areas in general is the introduction of the funding model, which aims to respond to social problems and opportunities through a strategic and evidence-based mixed funding model. The amended legislation made provision for proactive funding (research based funding) which can emanate from three sources, viz. the Minister, the Board or the Commission. NLC has already successfully implemented Proactive Funding Projects.

The National Stakeholder Engagement Indaba is a flagship project of the organization. The inaugural Indaba took place in 2011 followed by events in 2013, 2014, 2015 and 2017. The overall objectives of the national Indaba has always been to reiterate the NLC’s commitment to work closely with the beneficiaries and various other key stakeholders including the following:

- Understand stakeholder realities, challenges in order to enable NLC to improve its service delivery of its mandate.

- Educate the NLC stakeholders about its regulatory mandate and for funding good causes aligned to government's priorities of poverty alleviation and job creation.
- Encourage and ensure beneficiaries' sustainability on corporate governance and development and implementation of norms and standards for funding for NLC beneficiaries
- Beneficiaries' risk management and fraud prevention
- Continue to recognise beneficiaries complying with corporate governance through beneficiaries awards.

2011 Resolutions:

- Development of a National Funding Policy that is aligned with National Priorities and delivers maximum impact.
- Redefinition of the function of the Distributing Agencies, NLDTF and the NLC – roles, focus areas and accountability.
- Re-examination and broadening of categories in terms of numbers and distribution.
- Differentiation: match complexity of the process and the task to the complexity and the process inter alia: smaller tasks – a simpler process.
- Capacity building and mentoring of smaller organizations, or form partnerships to access NLDTF funding.
- Reinforce integrity through internal controls. Minister of Trade and Industry: development and formulation of Code of Conduct (to handle these types of conflict – may include Ombudsman).
- Further investigation on the matter of natural persons.

2013 Resolutions:

- Accelerates decentralisation of operations to all Provinces to ensure better access to services.
- Strengthens partnerships with organisations that enhance capacity building of beneficiaries.
- Audits all infrastructure and beneficiaries' assets acquired through the NLDTF-funded projects.
- Develops and implement norms and standards for grant funding.
- Endorses and align NLDTF-funding with the National Development Plan with focus on poverty alleviation and job creation.
- Facilitates a process of mentoring and coaching of new organisations by established ones.
- Absorbs about 1000 graduates through projects funded by NLDTF.

2014 Resolutions:

- The NLC will align its programmes with the youth employment accord by ensuring continuation and facilitation of a skills development programme through placement of unemployed graduates with its beneficiaries.
- Using its provincial offices, the NLC, will together with its strategic partners support the coordination of efforts towards the utilisation of a multi-purpose centre. Multi-Purpose Centres to focus on:
 - Skills development
 - Entrepreneurship

- NGO Capacity Building
- The NLC will continue to strengthen partnerships with law enforcement and other agencies that may be key stakeholders in the prevention of fraud, M&E and compliance
- Emphasise roles and responsibilities for NGOs/NPOs, Board of Directors and Management to be accountable for implementing projects.
- The NLC will continue to strengthen partnerships with organisations that enhance capacity building of beneficiaries.
- The NLC will incorporate and implement recommendations from stakeholders on the Norms & Standards Document
- The NLC will develop research capacity to be able to facilitate proactive funding.

Some of the above resolutions required legislative amendments for implementation purposes, many of which have been addressed in the Lotteries Act, as amended.

2015 Resolutions:

- Improve marketing and communication of the National Lotteries Commission, and the link between revenue and the funding of good causes
- Improve monitoring of funded organisations – and measurement of NLC's impact
- Strengthen partnerships with other stakeholders to improve regulation
- Improving service delivery and turnaround times through enhancing technology (by allowing for online submission and tracking of applications)
- Extend capacity building efforts for beneficiaries to improve resource use and the impact of programmes (e.g. management, financial and governance skills)
- Ensure processes and procedures are fair, ethical, transparent and professional, and deliver on the NLC's espoused values
- Establish a knowledge hub/website to facilitate connection among beneficiaries, and to enable sharing of services within the 'network'.

All of the above resolutions have been met.

2017 Resolutions:

- Enhance assessments of funding impact through providing beneficiaries with feedback following site visits (enabling further improvements).
- Extend capacity building initiatives for beneficiaries, to improve understanding of compliance and governance requirements.
- Explore legislative and policy alignment on matters relating to:
- The cooling off period
 - Co-operatives and other types of entities currently not funded by NLC due to legislative restrictions

- Expand current knowledge and information sharing initiatives with beneficiaries/ stakeholders – with this including greater access to compliance workshops and monitoring of beneficiary needs.
- Extend current beneficiary capacity building initiatives with regards to society lotteries.
- Strengthen NLC-funded infrastructure projects through ensuring that subsequent operational delivery is supported by properly-defined standards, established through consultation with the relevant government department/ stakeholders.

9.2 Organisational Delivery Environment

Sustaining Organizational Capacity:

Due to the decentralisation model wherein the provincial footprint has enabled the organisation to extend its services to be more accessible to the communities which it intends to serve, employees, predominantly from Grant Funding, have been deployed to the respective provinces.

9.3 Ministerial Priorities

Identified Area	Performance Measure
Education and Awareness	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
Full-time Distributing Agencies	Manage the integration of full-time Distributing Agency (DA) members to improve the application process
Illegal Lotteries	Monitoring and enforcement against illegal lottery operations
Proactive Funding	Proactive funding based on informed research for worthy causes that may be funded without lodging an application in terms of the Act
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
Memorandum of Understanding (MOU's)	MOU's with other Regulatory Agencies and provincial counterparts in clamping down on illegal lotteries and gambling

9.4 Alignment to the dti, NDP & 9PP

NLC Objectives	the dti Priorities	NDP	9 Point Plan
S To enhance administration of the NLC and ensure		Fighting corruption through the promotion	Reducing inequality in line with employment

3	compliance with applicable legislation and policy prescripts		of sound corporate governance & ethical behaviour Creating a culture of service delivery excellence	equity priorities
S O 2	To ensure financial sustainability, control and discipline in line with applicable legislation and policy prescripts	To facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation To facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth	Jobs created and sustained by capacitating projects to remain financial sound	Growth in GDP by strengthening the financial evaluation of projects with maximum economic benefits Jobs created and sustained by capacitating projects to remain financial sound
S O 3	To Implement Relevant Initiatives Geared towards Ensuring Compliance with the Lotteries Act	To create a fair regulatory environment that enables investment, trade and enterprise development in an equitable and socially responsible manner		Lottery operator license agreement monitoring to ensure local procurement acts as an enabler for GDP Growth as well as jobs created and sustained during the license period
S O 4	To ensure fair and equitable grant allocations		Creation of new Jobs by funding for impact Supporting projects that focus on capital infrastructure Funding in support of the provision of quality education	Projects that create sustainable jobs Funding that focuses on agricultural growth Support for youth & women projects Increasing Public & Private Investment by encouraging the matching principle of funding & implementation of Memorandum of Understanding (MOU's)

10. Description of the Planning Process

The NLC has categorised its work into three areas within which programmes that contribute to achievement of Government priorities and outcomes are implemented. The three clusters identified are:

- Administration and Support Services
- Regulatory Compliance and Enforcement
- Grant Funding and Service Delivery

This approach seeks to demonstrate the interrelation and interdependencies of various programmes and sub-programmes in fulfilling the legislative mandate of the NLC.

The Performance Matrix, including selected indicators and targets, are tested on the validity of the decisions taken.

Key questions directed to stakeholders included:

- Does the Performance Data represent the organisation effectively?
- Can meaningful targets be set for the indicators?
- Can quality data be collected cost effectively?
- Can evidence be kept cost-effectively?
- Are selected indicators the best possible indicators against objectives, values or management levels?

Furthermore, engagement also includes sessions to align budgets to the process. Once this internal process is completed, the matrix is incorporated into the Plan.

11. Financial Plan

The NLC follows the processes listed below for the purposes of budgeting:

12.1 Projections of revenue, expenditure and borrowings

Revenue projections include interest on investments, interest on cash in bank and receipts from lottery game sales. The interest on investments in the short term is projected at market related rates as negotiated with the relevant banking institutions.

Major expenditure relates to the distribution of funds to good causes. Expenditure for the NLC primarily consists of operational costs.

Operational expenditure (Opex) includes general & administration and employee costs are all budgeted for from a zero base. The overall principle applied when budgeting for Opex is largely linked to the organizational targets and activities.

12.2 Asset and liability management

The NLC as a Schedule 3A Public Entity under the PFMA, is required to operate fully on the basis of neither budgeting for a surplus nor for a loss. Investment activity is funded out of cash balances and thus all liabilities will at all times be off-set by cash balances. Excess cash is managed through a cash management process where short term cash is invested in fixed deposits of varying maturities at four approved banks to meet short to medium term cash requirements (in line with an approved investment policy).

12.3 Cash flow projections

**NATIONAL LOTTERIES COMMISSION
REVENUE AND EXPENDITURE
BUDGET 2018/19
R 000**

	BUDGET 2018/19 R'000	BUDGET 2019/20 R'000	BUDGET 2020/21 R'000
REVENUE	1 857 830	1 929 509	2 029 901
NLDTF	1 501 157	1 616 362	1 699 646
Interest Received	121 042	127 820	134 850
License Signing Fees	2 500	2 500	2 500
Societies & Other Lotteries	60	63	67
Unclaimed and unexpired prize money	150 000	158 400	167 112
Withdrawals from beneficiaries	60 000		
Interest from the Participants Trust	20 072	21 196	22 383
Sundry Income	3 000	3 168	3 342
EXPENDITURE	1 806 380	1 927 009	2 027 401
Allocations	1 306 918	1 399 577	1 470 960
Advertising & Publicity	28 033	29 602	31 230
Advertising & Publicity - Roadshows	2 752	2 906	3 065
Agency Emoluments	1 400	1 478	1 560
Audit Fees	3 974	4 197	4 428
Bank Charges and management fees	163	173	182
Board Members Emoluments	4 739	5 004	5 279
Computer Expenses	19 167	20 240	21 353
Conferences / Meetings	3 219	3 399	3 586
Consulting Fees	39 958	42 195	44 516
Courier & Postages	1 110	1 172	1 237
Depreciation	8 448	8 922	9 412
Electricity, water, rates & taxes	4 857	5 129	5 412
Refreshments & Catering	1 441	1 522	1 605
General Expenses	714	754	796
Insurance	2 016	2 128	2 246
Legal Fees	10 000	10 560	11 141
Motor Vehicle Expenses	1 439	1 520	1 603
Outsourced services	14 365	15 170	16 004
Print & Stationery	5 112	5 398	5 695
Lease costs - Office Equipment	2 480	2 619	2 763
Lease costs - Property	21 171	22 356	23 586
Lease costs - Motor Vehicle	2 400	2 534	2 674
Repairs & Maintenance	1 025	1 082	1 142

Lease costs - Office Equipment	2 480	2 619	2 763
Lease costs - Property	21 171	22 356	23 586
Lease costs - Motor Vehicle	2 400	2 534	2 674
Repairs & Maintenance	1 025	1 082	1 142
Risk Benefit & Mngmnt Fees	5 976	6 310	6 657
Removals	1 000	1 056	1 114
Salaries & Wages	270 605	285 759	301 476
Staff Recruitment	595	628	663
Staff Training	13 204	13 943	14 710
Staff Welfare	2 221	2 345	2 474
Subscriptions	483	510	538
Security	2 167	2 288	2 414
Telephone & Fax	3 480	3 675	3 877
Temporary Staff	510	539	568
Travel & Accommodation	18 744	19 793	20 882
Workmens Compensation	495	523	552
NET SURPLUS	51 450	2 500	2 500
CAPEX BUDGET			
Office accommodation	25 500	-	-
Computer Equipment	5 000	-	-
Office Equipment	180	-	-
Intangible Assets	7 700	-	-
Furniture and Fittings	720	-	-
Leasehold Improvements	2 850	-	-
Network Infrastructure	7 000	-	-
TOTAL CAPEX BUDGET	48 950	-	-
ADJ:			
Depreciation	8 448	8 922	9 412
License Signing Fees	-2 500	-2 500	-2 500
Sundry Income	-3 000	-3 168	-3 342
NET CASH FLOW	51 898	3 254	3 570

12.4 Capital expenditure projects (Capex)

The redesign of the grant management system (e-system) together with the full integration of all other systems is the most prominent capex item is. Included is the acquisition of the necessary hardware.

12.5 Infrastructure plans

NLC plans to embark on acquiring long term provincial office accommodation.

12.6 Dividend policies

NLC is a Schedule 3A Public Entity and is exempted from Tax and VAT. Dividend policies are not applicable.

PART B:

**PROGRAMME
PERFORMANCE**

Programme 1

13.1 Purpose of the Programme

13.2 Description of the Programme

Purpose	To provide leadership and support to the entire organisation particularly the core business for effective service delivery.
Description	Office of the Commissioner
	<ul style="list-style-type: none"> • Corporate strategy development and implementation • Corporate performance monitoring and reporting • Governance systems development and implementation • Internal controls implementation and risk management • Legal Services functions • Efficiency improvement and systems development • Human Resources Management functions • Legal Services
The office of the Executive is constituted by Strategic planning & reporting; Internal Audit; Risk management; Company Secretary; Legal Services and Human Capital Management.	
Description	Finance
	<ul style="list-style-type: none"> • Financial planning and reporting • Development of financial controls and implementation thereof • Development of procurement strategy and policies in line with PFMA • Ensure compliance with statutory requirements from a finance perspective • Payroll function • Facilities Management
The Finance division is constituted by Financial Accounting (NLC & NLDTF), Supply Chain Management, Facilities and Management Accounting Departments.	
Description	Information Communication Technology
	<ul style="list-style-type: none"> • To provide vision and leadership for the planning,

	<p>implementation and management of Information and Communications Technologies (ICT) that support the National Lotteries Commission' business;</p> <ul style="list-style-type: none"> • Direct and manage Information Communications and Technology strategic plans, develop IT policies and governance framework. • Provide leadership and management of ICT services, network communications, transactional computing processes, information management and security. • Developing and maintaining a responsive, reliable, and secure ICT infrastructure. • Maximise the value of technology investments. • Ensure IT system operation adheres to applicable approved policies and governance framework. • Direct development and execution of an enterprise-wide disaster recovery and ICT service continuity plan. • Knowledge Management
<p>The Information Technology division is constituted by Application and Development; Infrastructure and Network, Business Analyses and the Support/Solutions Delivery Departments.</p>	

13.3 Programme Performance Indicators and Targets (Programme 1)

Strategic Objective [1]: To Enhance Administration, Ensure Compliance with Applicable Legislation and Policy Prescripts									
Strategic Outcome	Strategic Output	Performance Indicator	Audited Actual Performance			Baseline 2017/18	2018/19 Annual Target	2019/20 Annual Target	2020/21 Annual Target
			2014/15	2015/16	2016/17				
Effective and efficient management of the NLC operations	Collaborative Partnerships	1.1 Number of collaborative partnerships established	7 MOU's established	0	1 MOU established	3 MOU's established	Establish collaborative partnerships with 4 National Key Stakeholders	Implement collaborative partnerships with National Key Stakeholders	Monitor collaborative partnerships with National Key Stakeholders
	Education and Awareness	1.2 Number of stakeholder engagements conducted across the provinces	3 workshops per province	4 workshops per province	6 stakeholder engagements per province	8 stakeholder engagements across the provinces	10 stakeholder engagements across the provinces	12 stakeholder engagements across the provinces	15 stakeholder engagements across the provinces
	E-system (Integrated Enterprise Wide Architecture Platform)	1.3 Develop Online portal on the E-system Enterprise Wide Architecture Platform	Conduct work-study for business processes and workflows	Develop the E-system / Integrated Enterprise Wide Architecture Platform (Phase 1)	Develop the E-system / Integrated Enterprise Wide Architecture Platform (Phase 2)	Full internal integration of the Enterprise Wide Architecture Platform	Development of the online portal	Implementation of the online portal	Monitor the online portal
	Corporate Governance	1.4 Number of organisation-wide ethical behaviour interventions per quarter	Nil	Nil	Implementation of the approved ethics strategy	1 organisational intervention per quarter	3 organisational interventions per quarter	5 organisational interventions per quarter	10 organisational interventions per quarter

Strategic Objective [2]: To Ensure Financial Sustainability, Control and Discipline in line with Applicable Legislation and Policy Prescripts

Strategic Outcome	Strategic Output	Performance Indicator	Audited Actual Performance			Baseline 2017/18	2018/19 Annual Target	2019/20 Annual Target	2020/21 Annual Target
			2014/15	2015/16	2016/17				
Creating a Sustainable and financially efficient NLC	NLDTF Disbursements	2.1 Percentage disbursement of grants as per GNR644, 6(c)(iv)	38%	97.8%	67%	At least 65% of grants be paid in line with the regulated 60 day timeframe	At least 75% of grants be paid in line with the regulated 60 day timeframe	90% of grants be paid within the regulated 60 day timeframe	100% of grants be paid within the regulated 60 day timeframe
	NLDTF Investments	2.2 Percentage Return on Investments (ROI) of NLDTF funds	6.00%	7.77%	8% ROI on NLDTF funds	An annual minimum of 8% ROI on NLDTF funds	An annual minimum of 8% ROI on NLDTF funds	An annual minimum of 8% ROI on NLDTF funds	An annual minimum of 8% ROI on NLDTF funds
	Localised Procurement	2.3 Average Percentage of localised procurement	Nil	Nil	80% localised procurement	90% localisation of procurement for provincial offices	Average percentage of 90% localised procurement to the provinces	Average percentage of 95% localised procurement to the provinces	Average percentage of 100% localised procurement to the provinces

13.4 Quarterly Milestones (Programme 1)

Strategic Outcome	Strategic Output	Performance Indicator	Baseline 2017/18	2018/19 Annual Target	Quarterly Milestones			
					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Strategic Objective [1]: To enhance administration and ensure compliance with applicable legislation and policy prescripts								
Effective and efficient management of the NLC operations	Collaborative Partnerships	1.1 Number of collaborative partnerships established	3 MOU's Established	Establish collaborative partnerships with National Key Stakeholders	Appoint Working Committee	Identify National Key Stakeholders	Establish Partnerships	Establish Partnerships
	Education and Awareness	1.2 Number of stakeholder engagements across the provinces	8 stakeholder engagements across the provinces	10 stakeholder engagements per province	Planning of stakeholder engagements	Conduct 10 stakeholder engagements across the provinces	Conduct 10 stakeholder engagements across the provinces	Conduct 10 stakeholder engagements across the provinces
	E-system (Integrated Enterprise Wide Architecture Platform)	1.3 Develop the Online portal on the E-system Enterprise Wide Architecture Platform	Full internal integration of the Enterprise Wide Architecture Platform	Development of the online portal	Information gathering	UAT and testing	UAT and testing	Delivery of the online portal
	Corporate Governance	1.4 Number of organisation-wide ethical behaviour interventions	1 organisational intervention per quarter	3 organisational interventions per quarter	Roll-out of intervention	Roll-out of intervention	Roll-out of intervention	Roll-out of intervention

Strategic Outcome	Strategic Output	Performance Indicator	Baseline 2017/18	2018/19 Annual Target	Quarterly Milestones			
					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Strategic Objective [2]: To Ensure Financial Sustainability, Control and Discipline in line with Applicable Legislation and Policy Prescripts								
Creating a Sustainable and financially efficient NLC	NLDTF Disbursements	2.1 Percentage disbursement of grants as per GNR644, 6(c)(iv)	At least 65% of grants be paid in line with the regulated 60 day timeframe	At least 75% of grants be paid in line with the regulated 60 day timeframe	25% disbursement of grants	35% disbursement of grants	50% disbursement of grants	75% disbursement of grants
	NLDTF Investments	2.2 Percentage Return on Investments (ROI) of NLDTF funds	An annual average minimum of 8% ROI on NLDTF funds	An annual minimum of 8% ROI on NLDTF funds	8% Return on Investments			
	Localised Procurement	2.3 Average Percentage of localised procurement	90% localisation of procurement for provincial offices	Average percentage of 90% localised procurement to the provinces	90% average procurement to the provinces	90% average procurement to the provinces	90% average procurement to the provinces	90% average procurement to the provinces

13.5 Financial Plan (Expenditure Estimates for programme 1)

Strategic Objective [1]: To enhance administration and ensure compliance with applicable legislation and policy prescripts

Strategic Objective [2]: To Ensure Financial Sustainability, Control and Discipline in line with Applicable Legislation and Policy Prescripts

Economic Classification	Expenditure Outcome			Adjusted Appropriation	Medium Term Expenditure Estimate		
	2012/13 R'000	2013/14 R'000	2014/15 R'000	2015/16 R'000	2016/17 R'000	2017/18 R'000	2018/19 R'000
Current payment							
Compensation of employees, goods and services	123 451	139 092	177 633	359 870	464 525	490 074	471 986
Payment of capital assets							
Building & other fixed structure Machinery & equipment	9 156	11 296	81 087	70 253	180 527	190 456	48 950
Other classifications	-	-	-	-	-	-	-

Programme 2

14.1 Purpose of the Programme

14.2 Description of the Programme

Purpose	To ensure compliance and to regulate the entire Lottery industry in line with the mandate
Description	Regulatory Compliance
	<ul style="list-style-type: none">• Ensuring that mechanisms are instituted to ensure compliance with applicable laws and regulations as they relate to the lotteries environment• Monitor, Regulate and Police society & other lotteries• Develop and Implement of Enforcement strategy• Develop and implement Compliance strategy• Develop, implement and monitor Service Standards• Education and awareness for voluntary compliance• Monitor and Evaluate the implementation of funded projects
The Compliance Division is constituted by Lotteries Compliance and the Compliance Enforcement Departments.	

14.3 Performance indicators and performance targets per programme (Programme 2)

Strategic Objective [3]: To Implement Relevant Initiatives Geared towards Ensuring Compliance with the Lotteries Act									
Strategic Outcome	Strategic Output	Performance Indicator	Audited Actual Performance			Baseline 2017/18	2018/19 Annual Target	2019/20 Annual Target	2020/21 Annual Target
			2014/15	2015/16	2016/17				
Compliant and Regulated Lottery Industry receptive to the NLC mandate	Illegal Lotteries	3.1 Percentage investigations on reported and identified illegal lotteries	Nil	70% of investigations conducted	75% of investigations conducted	Conduct investigations on 85% of all identified and reported illegal lotteries	Conduct investigations on 95% of all identified and reported illegal lotteries	Conduct investigations on 100% of all identified and reported illegal lotteries	Conduct investigations on 100% of all identified and reported illegal lotteries
	3 rd Lottery Licence	3.2 Implement and monitor 3 rd National Lottery Licence Monitoring Matrix/ Scorecard	Licence transition plan & resources in place	Develop & Implement the 3 rd National Lottery Licence Monitoring matrix/ scorecard	Implement and Monitor Compliance with the licence conditions	Implement and Monitor Compliance with the licence conditions	Implement and Monitor Compliance with the licence conditions	Implement and Monitor Compliance with the licence conditions	Implement and Monitor Compliance with the licence conditions
	Society Lotteries	3.3 Develop a model for society lotteries	R25 000 revenue from society lotteries	56 schemes	49 schemes	50 schemes	Society Lotteries model developed for Board approval	10% increase in uptake of society lotteries	20% increase in the uptake of society lotteries

14.4 Quarterly milestones (Programme 2)

Strategic Outcome	Strategic Output	Performance Indicator	Baseline 2017/18	2018/19 Annual Target	Quarterly Milestones			
					1st Quarter	2nd Quarter	3rd Quarter	4 th Quarter
Strategic Objective [3]: To implement relevant initiatives geared towards ensuring compliance with the Lotteries Act								
Compliant and Regulated Lottery Industry receptive to the NLC mandate	Illegal Lotteries	3.1 Percentage investigations on reported and identified illegal lotteries	Conduct investigations on 85% of all identified and reported illegal lotteries	Conduct investigations on 95% of all identified and reported illegal lotteries	Conduct investigations on 65% of identified and reported illegal lotteries	Conduct investigations on 75% of identified and reported illegal lotteries	Conduct investigations on 85% of identified and reported illegal lotteries	Conduct investigations on 95% of identified and reported illegal lotteries
	3 rd Lottery Licence	3.2 Implement and monitor 3 rd National Lottery Licence Monitoring Matrix/ Scorecard	Implement and Monitor Compliance with the licence conditions	Implement and Monitor Compliance with the licence conditions	Implement and Monitor Compliance with the licence conditions	Implement and Monitor Compliance with the licence conditions	Implement and Monitor Compliance with the licence conditions	Implement and Monitor Compliance with the licence conditions
	Society Lotteries	3.3 Develop a model for society lotteries	50 Schemes	Society Lotteries model developed for Board approval	Review of current processes and forms	Analysis of best practices for society lotteries	Analysis of best practices for society lotteries	Develop model for Board approval

14.5 Financial Plan (Expenditure Estimates for programme 2)

Strategic Objective [3]:To implement relevant initiatives geared towards ensuring compliance with the Lotteries Act							
Economic Classification	Expenditure Outcome			Adjusted Appropriation	Medium Term Expenditure Estimate		
	2012/13 R'000	2013/14 R'000	2014/15 R'000	2015/16 R'000	2016/17 R'000	2017/18 R'000	2018/19 R'000
Current payment Compensation of employees, goods and services	10 717	11 001	25 195	21 815	25 632	27 042	28 394
Payment of capital assets Building & other fixed structure Machinery & equipment	-	-	-	-	-	-	-
Other classifications	-	-	-	-	-	-	-

Programme 3

15.1 Purpose of the Programme

15.2 Description of the Programme

Purpose	To provide support to the Distributing Agencies and to ensure that the grants are distributed according to the legislated mandate.
Description	Grant Funding
	<ul style="list-style-type: none">• Develop and implement an integrated Grant Funding strategy• Develop and implement Grant Funding policies• To ensure funding is distributed efficiently and effectively to deserving causes in line with the national legislation and NLC policies.• Provincial office support• Communications, Education and Awareness, Marketing and Stakeholder Management• Monitoring and Evaluation• Policy and Research
Description	Service Delivery & Support
	<ul style="list-style-type: none">• Overall management of the grant making processes in support to the Distributing Agencies and determine the effectiveness of the grant making process• Provide clearly defined functions of Provincial Offices aligned to grant funding processes• Develop functional strategies• Ensure implementation of streamlined grant funding processes• Develop and implement service improvement plan

The Grant Funding and Service Delivery programme is constituted by GF operational support, the 9 Provincial Offices, Business Development and organisational monitoring and evaluation departments.

15.3 Performance indicators and performance targets per programme (Programme 3)

Strategic Objective [4]: To Ensure Fair and Equitable Grant Allocations									
Strategic Outcome	Strategic Output	Performance Indicator	Audited Actual Performance			Baseline 2017/18	2018/19 Annual Target	2019/20 Annual Target	2020/21 Annual Target
			2014/15	2015/16	2016/17				
Fair and Equitable allocation of Grant Funding	Regulation 3A(1)(a)	4.1 Percentage of applications adjudicated within 150 days	Nil	Nil	50% of applications adjudicated within 150 days	75% of applications adjudicated within 150 days	98% of applications adjudicated within 150 days	100% of applications adjudicated within 150 days	100% of applications adjudicated within 150 days
	Lotteries Act-5% per province (GNR182)	4.2 Percentage allocation of grant funding to provinces	EC- 7.57% FS – 2.63% GP- 38.51% KZN- 11.9% LIMP-15.41% MP- 1.45% NW- 3.74% NC- 3.33% WC- 15.43%	EC-10% FS-7% GP-30% KZN-14% LP-10% MP-6% NC-6% NW-7% WC-10%	EC-10% FS-7% GP-32% KZN-9% LP-9% MP-10% NC-6% NW-6% WC-11%	A minimum of 5% grant funding allocated to each Province	A minimum of 5% grant funding allocated to each Province	A minimum of 5% grant funding allocated to each Province	A minimum of 5% grant funding allocated to each Province
	Monitoring and Evaluation of NLDTF Funding	4.3 Number of monitoring & evaluation site visits	Developed monitoring and evaluation framework and piloted the framework	1000 visits conducted	1500 monitoring and evaluation site visits	Conduct 2000 monitoring & evaluation site visits	Conduct 2500 monitoring & evaluation site visits	Conduct 3000 monitoring & evaluation site visits	Conduct 3500 monitoring & evaluation site visits
		4.4 Number of provincial Impact evaluation study	Developed monitoring and evaluation framework and piloted the framework	1000 visits conducted	1500 visits conducted	Impact evaluation studies in 5 provinces	Conduct an impact evaluation study in 4 provinces for Board approval	Redesign of the Grant Funding Model	Implementation of the Grant Funding Model

15.4 Quarterly milestones (Programme 3)

Strategic Outcome	Strategic Output	Performance Indicator	Baseline 2017/18	2018/19 Annual Target	Quarterly Milestones			
					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Strategic Objective [4]: To ensure fair and equitable grant allocations								
Fair and Equitable distribution of Grant Funding	Regulation 3A(1)(a)	4.1 Percentage of applications adjudicated within 150 days	75% of applications adjudicated within 150 days	98% of applications adjudicated within 150 days	40% of applications adjudicated within 150 days	60% of applications adjudicated within 150 days	75% of applications adjudicated within 150 days	98% of applications adjudicated within 150 days
	Lotteries Act-5% per province (GNR182)	4.2 Percentage allocation of grant funding to provinces	A minimum of 5% grant funding allocated to each Province	A minimum of 5% grant funding allocated to each Province	A minimum of 1% grant funding allocated to each province	A minimum of 2% grant funding allocated to each province	A minimum of 3% grant funding allocated to each province	A minimum of 5% grant funding allocated to each province
	Monitoring and Evaluation of NLDTF Funding	4.3 Number of monitoring & evaluation site visits conducted	Conduct 2000 monitoring & evaluation site visits	Conduct 2500 monitoring & evaluation site visits	Conduct 625 monitoring & evaluation site visits	Conduct 1250 monitoring & evaluation site visits	Conduct 1875 monitoring & evaluation site visits	Conduct 2500 monitoring & evaluation site visits
		4.4 Number of provincial Impact evaluation study	Impact evaluation studies in 5 provinces	Conduct an impact evaluation study in 4 provinces for Board approval	Drafting and approval of ToR	Appoint Service Provider	Field work in 4 provinces	Present final report to Board for approval

15.5 Financial Plan (Expenditure Estimates for programme 3)

Strategic Objective [4]: To ensure fair and equitable grant allocations							
Economic Classification	Expenditure Outcome			Adjusted Appropriation	Medium Term Expenditure Estimate		
	2012/13 R'000	2013/14 R'000	2014/15 R'000	2015/16 R'000	2016/17 R'000	2017/18 R'000	2018/19 R'000
Current payment Compensation of employees, goods and services	2 344 459	1 889 926	1 633 371	1 559 298	1 600 000	1 547 000	1 306 000
Payment of capital assets Building & other fixed structure Machinery & equipment	-	-	-	-	-	-	-
Other classifications	-	-	-	-	-	-	-

PART C:

LINK TO OTHER PLANS

**NATIONAL LOTTERIES COMMISSION
MATERIALITY FRAMEWORK IN TERMS OF TREASURY REGULATION 28.1.5.**

For purposes of material (sections 50(1), 55(2) and 66(1) of the Public Finance Management Act) and significant (section 54 (2) of the Public Finance Management Act), the Accounting Authority has developed and agreed on a framework of acceptable levels of materiality and significance with the relevant Executive Authority.

PFMA Section	Quantitative (Amount)	Qualitative (Nature)
Section 50 Fiduciary duties of accounting authorities		
(1) The Accounting Authority for a public entity must : (c) on request , disclose to the Executive Authority responsible for that public entity or the legislature to which the public entity or the legislature to which the public entity is accountable , all material facts , including those reasonably discoverable , which in any way may influence the decisions or actions of the Executive Authority or that legislature ; and	Any fact discovered of which the amount exceeds the materiality figure for the year under review.	1. Any item or event of which specific disclosure is required by legislation/law or GRAP. 2. Any fact discovered of which its omission or misstatement, in the Board's opinion, could influence the decisions or actions of the Executive Authority or legislature.
Section 55 Annual Report and financial statements		
(2)The annual report and financial statements referred to in subsection (1)(d) must- (a) fairly present the state of affairs of the public entity , its business ,its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned; (b) include particulars of- (i) any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year:	- NLC separate financial statements - 1% of budgeted operational expenditure NLDTF annual financial statements - 1% of budgeted grants allocations Consolidated annual financial statements - 1% of budgeted expenditure 1. Losses through criminal conduct -any loss identified. 2. Losses through any expenditure - if the combined total exceeds the materiality figure 3.Any irregular , fruitless and wasteful expenditure as defined by the PFMA will be reported	Any identified loss through criminal, reckless or negligent conduct.
(ii) any criminal or disciplinary steps taken as a consequence of such losses or irregular expenditure or		

fruitless and wasteful expenditure;		
(iii) any losses recovered or written off ;		
(iv) any financial assistance received from the state and commitments made by the state on its behalf; and		
(v) any other matters that may be prescribed.		
Section 66 (1)		
Restrictions on borrowing , guarantees and other commitments	R 0 (NIL)	This Public entity may not borrow money, nor issue a guarantee, indemnity or security, nor enter into any other transaction that binds or may bind the institution to any future financial commitment unless acting through the relevant Executive Authority.(PFMA section 66(3)(c))
Section 54		
Information to be submitted by Accounting Authorities		
(2) Before a public entity concludes any of the following transactions ,the Accounting Authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its Executive Authority for approval of the transaction:		
(b) participation in a significant partnership , trust, unincorporated joint venture or similar arrangement;	Not applicable	Any participation, outside of the approved strategic plan and budget.
(c) acquisition or disposal of a significant shareholding in a company;	Not applicable	Any acquisition or disposal , outside of the approved strategic plan and budget
(d) acquisition or disposal of a significant asset;	Immovable property Acquisition: Above R50 million each Disposal: Above to a total of R50 million (carrying amount)	1.Any asset that would increase or decrease the overall operational functions of the Board , outside of the approved strategic plan 2. Disposal of movable assets are within the approval limits of the Board as per the approved delegation of Authority.
(e) commencement or cessation of a significant business activity	Not applicable	Any business activity that would increase or decrease the overall operational functions of the Board, outside of the approved strategic plan and budget.

1. Asset management Plan

The National Lotteries Commission manages the asset base through an asset policy, which incorporates concepts of asset management as prescribed in the National Treasury Asset Management Framework. The asset policy prescribes the formulation of an asset register which meets the composition requirement as set out in the framework.

The register facilitates the ability to keep track of the assets of the organisation, regular review of their existence and condition to determine the need to maintain or replace.

The purpose of the asset policy is to ensure there is accountability for resources meant to assist with service delivery.

2. Information and Communications Technology (ICT) Plan

The ICT Strategic Plan is a visionary approach that helps make measurable advances to progress the NLC towards our key initiatives and strategic goals over a five-year time frame.

Our vision is to be a proactive ICT leader that continues to develop and support a strong ICT workforce, establish management-approved ICT governance, and deliver innovative ICT solutions that support the National Lotteries Commission's core mission.

As we embark on the future, the ICT division is task with the annual refresh of the divisional five-year IT Strategic Plan. This evaluation and refresh process began by reviewing NLC business needs, technology progress, architecture advancement, and the progress of strategic projects. The review also included a comprehensive view of the NLC as a whole and division's funding, resources, and capabilities in addition to leveraging a business problem analysis for each system of work (e.g, grant funding, human resources, document management, audit, risks, finance and supply chain). This analysis assisted with identifying realistic challenges and opportunities that lie ahead for IT. Key focus was on internal organizational improvement, and enhanced services for the NLC. Our IT is continuing to: establish consistent and repeatable processes; provide improved IT governance framework; and better manage the IT resources from an enterprise and infrastructure perspective.

Additionally, it has become very important and relevant to have a continuous performance evaluation metrics, based on the IT Operational Model (targeting both regulatory functions, licensee' activities and grant management systems). NLC is geared towards becoming a fact-based organisation; allowing management to make informed decisions regarding IT spending, organisational structure, resource allocation, asset management, business reengineering, and IT services.

In refreshing this IT Strategic Plan, our intent is to ensure continual alignment with the National Lotteries Commission mission, vision, and strategic goals. Therefore, the IT goals specified in this plan focus on furthering our operational effectiveness by maximizing cost savings, optimizing resource utilization, increasing transparency, and significantly addressing our core mandate : regulatory and grant funding.

STRATEGIC GOALS:

Return on Investment

- Adopt and implement IT Governance Framework
- Standardise processes;
- Reduce technology variance – align operations within the business;
- Improve business operations and standardization to reduce operating costs

IT Systems: Modernise

- Improve data quality and availability
- Increase self service offerings and functions
- Increase number of automated business processes
- Implement green technology
- Automate IT policies

IT Delivery: Secured

- Implement security architecture at all levels of IT
- Adopt and implement identity access management standard
- Develop and implement a test proven disaster recovery solution for all mission critical systems

IT Workshop: Right, Resources and skills

- Right people, right skills strive to improve IT workforce satisfaction and innovation potential to improve/modernise the skills of NLC IT workforce.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

This framework is in response to NLC's risk policy and provides a detailed description of the Enterprise Risk Management processes within NLC.

The Enterprise Risk Management Framework specifically addresses the structures, processes and standards implemented to manage risks on an enterprise-wide basis in a consistent manner. The standards further address the specific responsibilities and accountabilities for the Enterprise Risk Management process and the reporting of risks and incidences at various levels within the NLC. As the field of Enterprise Risk Management is dynamic, this policy and framework document is expected to change from time to time.

Current trends in good corporate governance have given special prominence to the process of Enterprise Risk Management and reputable businesses are required to demonstrate that they comply with expected Enterprise Risk Management standards. This means that NLC must ensure that the process of Enterprise Risk Management receives special attention throughout the organisation and that all levels of management know, understand and comply with the framework document.

The purpose of the Enterprise Risk Management Framework is to:

- Advance the development and implementation of modern management practices and to support innovation throughout NLC;
- Contribute to building a risk-smart workforce and environment that allows for innovation and responsible risk-taking while ensuring legitimate precautions are taken to protect stakeholders, the public interest, maintain public trust, and ensure due diligence;
- Provide a comprehensive approach to better integrated Enterprise Risk Management into strategic decision-making; and
- Provide guidance for the board, management and staff when overseeing or implementing the development of processes, systems and techniques for managing risk, which are appropriate to the context of the organisation.

Definitions

Risk

The Institute of Internal Auditors defines risk as “...*the uncertainty of an event occurring that could have an impact on the achievement of objectives. Risk is measured in terms of consequences and likelihood.*”

Enterprise Risk Management

In reference to the COSO framework (The Committee of Sponsoring Organisations of the Treadway Commission), “*Enterprise Risk Management is a continuous, proactive and systematic process, effected by the Board of Directors, Executive Management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity’s objectives.*”

Other definitions

TERM	DESCRIPTION
Audit and Risk Committee	An independent committee constituted to review the control, governance and Enterprise Risk Management within the organisation.
Board	Means the Board of Directors of the NLC.
Consequence	An outcome of an event/ risk, whether positive or negative.
Contributory (risk) factor	Any threat or event which contributes to the risk materialising, or has the potential to contribute to the risk materialising.
Control effectiveness	A measure of how well management perceives the design and functionality of controls for managing risk.
Employee/s	Permanent employees of the NLC, contract employees of the NLC, and/or programme employees of the NLC.
Enterprise Risk Management	Integrated process of Enterprise Risk Management that allows the organisation to identify, prioritise, and effectively manage its material risks.
Inherent risk	The combined level of risk likelihood and risk impact before the consideration of any effect of controls. <i>Alternatively</i> , the exposure arising from risk factors in the absence of deliberate management intervention(s) to exercise control over such risk factors.
Internal Audit	An independent, objective assurance and consulting activity designed to add value and improve NLC’s operations. It helps NLC to accomplish its

TERM	DESCRIPTION
	objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of Enterprise Risk Management, control, and governance processes.
Key risk indicators	Metrics used by management to provide an early signal of increasing risk exposure or emerging risk.
Residual risk	The level of risk that remains after risk mitigation measures have been implemented.
Risk acceptance	An informed decision by management to accept the likelihood and impact of a particular risk thus not implementing any further risk mitigation measures.
Risk analysis	Systematic use of information to identify sources of risk and to estimate the level of risk.
Risk appetite	The level of risk that the organisation is prepared to accept in pursuit of value.
Risk exposure	Extent to which the organisation is subject to a risk event.
Risk assessment	Overall process of risk identification, risk quantification and risk evaluation in order to identify potential opportunities or minimise loss.
Risk avoidance	Decision not to become involved in, or action to withdraw from a risk situation.
Risk Champion	A person who by virtue of his/her expertise or authority champions a particular aspect of the Enterprise Risk Management process, but who is not necessarily the risk owner.
Risk identification	Process of recognising and describing the risks.
Risk owner	The person with the accountability and authority to manage a particular

TERM	DESCRIPTION
	risk.
Enterprise Risk Management	Enterprise Risk Management is the identification and evaluation of actual and potential risk areas as they pertain to the organisation, followed by a process of, avoiding, sharing/ transferring, accepting and mitigating of each risk, or a response that is a combination.
Enterprise Risk Management policy	Statement of overall intentions and direction of the organisation related to Enterprise Risk Management.
Enterprise Risk Management strategy and plan	A document setting out the planned Enterprise Risk Management activities to be conducted during the year as well as the initiatives aimed at improving the maturity of the Enterprise Risk Management process.
Risk maturity assessment	An assessment of the level of sophistication of the organisation's Enterprise Risk Management process and structures.
Risk mitigation	Management action to reduce the likelihood of a particular risk from materialising, and/or the limitation of the negative consequences of any risk event.
Risk profile	The relevant risks and the applicable priority thereto. This will normally be presented as a listing of risks with relevant prioritisation/ rating.
Risk register	A formal listing of risks identified, together with the results of the risk analysis and evaluation together with details of risk treatment strategies, risk controls in place and risk action plans.
Risk response/ treatment	<p>Process of selection and implementation of measures to manage risk.</p> <p>Risk response measures can include avoidance, sharing/transfer, acceptance and mitigation.</p>
Risk tolerance	The acceptable level of variances arising out of risk relative to the achievement of objectives.

TERM	DESCRIPTION
Risk transfer	Sharing with another party the burden of loss or benefit of gain, for a risk. Risk transfer can be carried out through insurance or other agreements.

Legal mandate for ERM

Section 51(a) (i) of PFMA

Section 51(a) (i) states that “The accounting authority must ensure that the public entity has and maintains effective, efficient and transparent systems of financial, Enterprise Risk Management and internal control...”

Treasury Regulations

Section 27.2.1 of the Treasury regulations states the following:

“The accounting authority must facilitate a risk assessment to determine material risks to which the entity may be exposed and to evaluate the strategy to manage these risks. The strategy must be used to direct the internal audit effort and priority ...”

Corporate Governance Principles

The following recommendations are made in Section 3 of the King III Report on Governance Principles for South Africa and are adjusted for NLC as follows:

1. The Board is responsible for the total process of Enterprise Risk Management, as well as forming its own opinion on the effectiveness of the process.
2. The Audit and Risk Committee should consider the risk strategy and policy, and should monitor the process at operational level and the reporting thereon.
3. Management is accountable to the Board for designing, implementing and monitoring the process of Enterprise Risk Management and integrating it into the day-to-day activities of the department.

4. Enterprise Risk Management constitutes an inherent operational function and responsibility.
5. Risks should be assessed on an on-going basis and control activities should be designed to respond to risks throughout the company. Pertinent information arising from the risk assessment, and relating to control activities should be identified, captured and communicated in a form and timeframe that enables employees to carry out their responsibilities properly. These controls should be monitored by both line management and assurance providers.
6. A systematic, documented assessment of the processes and outcomes surrounding key risks should be undertaken at least annually.
7. The institution should develop a system of Enterprise Risk Management and internal control that builds robust business operations. The systems should demonstrate that the key risks are being managed in a way that enhances shareowners' and relevant stakeholders' interests.

Enterprise Risk Management Standards

The standards constitute the main tasks of the ERM process. These standards are non-negotiable.

The Enterprise Risk Management Standards should be read in conjunction with section 3 - ERM roles and responsibilities.

Ref.	Standard	Responsibility	Frequency
Oversight Responsibilities:			
01	The Board of Directors (Board) will review Enterprise Risk Management progress at least quarterly.	Chairperson: Board	Quarterly
02	The Audit and Risk Committee will review Enterprise Risk Management progress at least quarterly.	Chairperson: ARC	Quarterly
Reporting Responsibilities:			
03	The Audit and Risk Committee will submit high-level Enterprise Risk Management reports to the Board on a quarterly basis.	Chairperson: ARC	Quarterly
04	Exco will submit Enterprise Risk Management reports to the Audit and Risk Committee on a quarterly basis. These reports will focus on the following: <ul style="list-style-type: none"> • The strategic risks; • Progress with implementing corrective actions per risk; • Any new and emerging risks, risk developments, including incidents. 	Chief Audit Executive	Quarterly
05	The AC will submit its independent assessment on the management of risks and the Enterprise Risk Management process to the Board on a quarterly basis.	Chairperson: ARC	Quarterly
Risk Assessment Responsibilities:			
06	The Board of Directors will ensure that a	Chairperson: Board	Annually

Ref.	Standard	Responsibility	Frequency
	complete review of the risks of the NLC is done at least once a year.		
07	All projects shall have a formal Enterprise Risk Management plan which should be informed by a project risk assessment.	All Divisional Heads	On-going
08	Detailed risk assessments will be conducted for all Distribution Agencies (“DAs”) at least annually.	DA Chairpersons	Annually
09	Operational risk assessments will be conducted at business unit level (operational) at least annually.	All Divisional Heads	Annually
10	Fraud risk assessments will be conducted at least annually.	Chief Audit Executive	Annually
11	Detailed technology risk assessments will be conducted at least annually.	Chief Information Officer	Annually
12	Business unit heads will review the operational risk registers and update the registers' contents to reflect any changes without the need for formal reassessment of the risks.	All Divisional Heads	Monthly
Risk Mitigation Responsibilities:			
13	The Audit and Risk Committee will receive and consider management's report concerning the effectiveness of internal controls on a quarterly basis.	Chairperson: ARC	Quarterly
14	The Audit and Risk Committee will consider management reports regarding the performance of internal controls for those risks in the risk register which they are responsible for.	Chairperson: RC	Monthly
15	The risk register will contain action plans for improving risk controls and risk interventions. Progress in implementing these actions should be monitored.	Chief Audit Executive	Monthly

Ref.	Standard	Responsibility	Frequency
Governance Responsibilities:			
16	Each risk will have a nominated owner, who will be responsible for the following: <ul style="list-style-type: none"> • Updating the risk information; • Providing assurance regarding the risk controls; • Coordinate the implementation of action plans for managing the risk; and • Reporting on any developments regarding the risk. 	Chief Audit Executive	Monthly
17	Internal Audit will use the outputs of risk assessments to compile the internal audit plan, and will investigate the effectiveness of risk mitigating controls.	Internal Audit	Annually
18	The Audit and Risk Committee will facilitate a review of the effectiveness of the entity's Enterprise Risk Management processes.	Chairperson: ARC	Annually
19	A Business Continuity Plan will be developed, implemented and tested annually.	Chief Information Officer	Annually
20	A fraud policy and prevention plan should be implemented and monitored.	Chief Audit Executive	Quarterly

ERM roles and responsibilities

Roles, responsibilities and governance

- All employees have some level of responsibility for ERM;
- The Board is ultimately responsible for ERM and should assume overall ownership;
- Exco is responsible for ensuring that ERM is effectively implemented and practiced;
- The Audit and Risk Committee provides important ERM oversight; and
- A number of external stakeholders often provide information useful in effecting ERM, but they are not responsible for the effectiveness of the ERM process.

Board of Directors

The Board is ultimately accountable for the total process and success of Enterprise Risk Management. It may elect to fulfil some of its functions through delegation to committees including the COMMISSIONER and Management.

Responsibilities for Enterprise Risk Management

The Board is responsible for:

- the **total process of Enterprise Risk Management**, which includes a **related system of internal control**;
- for forming its **own opinion on the effectiveness of the process**;
- providing **monitoring, guidance and direction** in respect of Enterprise Risk Management;
- ascertaining the status of Enterprise Risk Management within the organisation by discussion with senior management and providing **oversight** with regard to Enterprise Risk Management;
- identifying and **fully appreciating the risk issues** affecting the ability of the organisation to achieve its strategic purpose and objectives;
- ensuring that **appropriate systems are implemented to manage the identified risks**, by measuring the risks in terms of impact and probability, together with proactively managing the mitigating actions to ensure that the organisation's assets and reputation are suitably protected;
- ensuring that the organisation's Enterprise Risk Management mechanisms provide it with an **assessment of the most significant risks** relative to strategy and objectives;
- considering input from the Audit and Risk Committee, Exco, Internal Auditors, External Auditors and subject matter advisors regarding Enterprise Risk Management;

- utilising resources as needed to conduct special investigations and having open and unrestricted communications with internal auditors, external auditors and legal counsel; and
- for **disclosures in the annual report** regarding Enterprise Risk Management (ERM).

Each member of the Board must understand his/her accountability for Enterprise Risk Management within the NLC. Although the Board may choose to delegate or nominate one member of the Board as the coordinator of Enterprise Risk Management reporting requirements, it is clear that all members have accountability for Enterprise Risk Management.

Providing stakeholder assurance

In providing stakeholders with assurance that key risks are properly identified, assessed, mitigated and monitored the Board must:

- receive credible and accurate information regarding the Enterprise Risk Management processes of NLC in order to give the necessary assurance to stakeholders. The reports must provide an evaluation of the performance of Enterprise Risk Management and internal control;
- ensure that the various processes of Enterprise Risk Management cover the entire spectrum of risks faced by NLC; and
- provide stakeholders with the assurance that management has formal, effective and pro-active Enterprise Risk Management processes.

Maintenance of the ERM policy

It is appreciated that stakeholders need to understand the Board' standpoint on risk. The Board will therefore maintain the formal Enterprise Risk Management policy, which decrees NLC's approach to risk. The policy can be used as a reference point in matters of dispute and uncertainty.

Defining risk appetite and tolerance levels (as applicable)

The Board will define the formal risk appetite and risk tolerance levels. Risk appetite and tolerance limits are vital, because they determine and influence the decision making processes. Risk appetite and tolerance levels are defined by the Board and are set in relation to stakeholder expectations. Limits may be expressed in a number of ways according to category of risk concerned. The establishment of risk appetite and tolerance limits shapes the exception reporting processes. Risk tolerance limits will be determined in accordance with the risk-taking propensity of the organisation and the organisational culture of risk acceptability. The outcomes of risk assessment processes often assist the Board in determining the risk appetite and tolerance limits.

Evaluation of the effectiveness of the Enterprise Risk Management process

The Board will assess the effectiveness of the NLC's Enterprise Risk Management processes on an annual basis. The Board' evaluations will be **formally recorded in the minutes of meetings**. The Board' evaluation of Enterprise Risk Management can be supplemented by an **independent review** to be performed by the Internal Auditors or other such nominated assurance provider.

Management must ensure that sufficient independence is maintained in conducting the annual review and that clear criteria for the evaluation have been established. Assurance of the processes surrounding key risks must be given.

Confirmation that the Enterprise Risk Management process is accurately aligned to the strategy and performance objectives

The Board will ensure that the Enterprise Risk Management processes address risk in a balanced way, giving due attention to all types of risk. The Board will evaluate whether appropriate resources are being applied to the management of the various categories of risk. The Board will evaluate whether Enterprise Risk Management processes are aligned to the strategic and performance objectives of NLC. A balanced perspective of risk and Enterprise Risk Management is required in proportion to the weighting of potential risk impact across NLC. The Board must ensure that a future-looking orientation is included in the consideration of risk.

Audit and Risk Committee

Responsibilities for Enterprise Risk Management

The Committee is an integral component of the Enterprise Risk Management process and specifically the Committee must **review**:

- the nature, role, responsibility and authority of the Enterprise Risk Management function within the organisation and outline the scope of Enterprise Risk Management work;
- the development and annual review of a policy and plan for Enterprise Risk Management;
- the implementation of the policy and framework for Enterprise Risk Management;
- recommendations to the Board concerning the levels of tolerance and appetite and monitor that risks are managed within the levels of tolerance and appetite as approved by the Board;
- that the Enterprise Risk Management framework is widely disseminated throughout the organisation and integrated in the day-to-day activities of the organisation;
- that risk assessments are performed on a continuous basis;
- that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;
- that management considers and implements appropriate risk responses;
- that continuous risk monitoring by management takes place;

- the monitoring of external developments relating to the practice of corporate accountability and the reporting of specifically associated risk, including emerging risks and prospective impacts thereof;
- that the Exco together with the organisation’s Legal Advisor review any legal matters that could have a significant risk and impact on the organisation’s business; and
- the insurance coverage arrangements to ensure these are adequate.

Each member of the Audit and Risk Committee must understand his/her accountability for Enterprise Risk Management within the organisation. Although the Audit and Risk Committee may choose to nominate one member of the committee as the coordinator of Enterprise Risk Management reporting requirements, it is clear that all members have accountability for Enterprise Risk Management in the organisation.

The Commissioner

The Commissioner’s responsibilities include ensuring that all components of Enterprise Risk Management are in place. The Commissioner fulfils this duty by:

- Providing leadership and direction to management and staff. The Commissioner shapes the values, principles and major operating policies that form the foundation of NLC’s Enterprise Risk Management processes; and
- Meeting periodically with HODs and Managers responsible for major business units and functional areas to review their responsibilities, including how they manage risk. The Commissioner must gain knowledge of risks inherent to the operations, risk responses and control improvements required and the status of efforts underway. To discharge this responsibility, the COMMISSIONER must clearly define the information he/she needs.

The Commissioner is required to assess the organisation’s Enterprise Risk Management capabilities and practices. One of the most important aspects of this responsibility is ensuring the presence of a positive internal environment for Enterprise Risk Management. The COMMISSIONER sets the tone at the top that influences internal environmental factors of ERM.

Business Unit Heads (HODs)

Business unit heads are accountable to Exco through the Commissioner for designing, implementing and monitoring the process of Enterprise Risk Management and integrating it into the day-to-day activities of NLC.

More specifically HODs are responsible for:

- Deciding on the manner in which risk mitigation will be embedded into management processes;
- Creating a culture of Enterprise Risk Management within NLC;
- Updating risk registers and providing Enterprise Risk Management reports to the Chief Audit Executive pertaining to risk and control;

- Identifying positive aspects of risk that could evolve into potential opportunities for NLC by viewing risk as an opportunity, by applying the risk/ reward principle in all decisions impacting on NLC;
- Taking responsibility for appropriate mitigation action and determining action dates;
- Utilising available resources to compile, develop and implement plans, procedures and controls within the framework of the Risk Policy of NLC to effectively manage the risks within the organisation;
- Ensuring that adequate and cost effective Enterprise Risk Management structures are in place;
- Identifying, evaluating and measuring risks and where possible quantifying and linking each identified risk to key risk indicators;
- Developing and implementing Enterprise Risk Management plans including:
 - actions to optimise risk/ reward profile, maximise reward with risk contained within the approved risk appetite and tolerance limits;
 - implementation of cost effective preventative and contingent control measures; and
 - implementation of procedures to ensure adherence to legal and regulatory requirements.
- Monitoring of the Enterprise Risk Management processes on both a detailed and macro basis by evaluating changes, or potential changes to risk profiles;
- Implementing and maintaining adequate internal controls and monitoring the continued effectiveness thereof;
- Implementing those measures as recommended by the internal and external auditors, which, in their opinion, will enhance control at a reasonable cost; and
- Providing policies, frameworks, methodologies and tools to the business units and key functional areas for identification, assessment and management of risks.

Risk Champions

The Risk Champions are responsible for:

- Updating risk registers on behalf of the risk owner and liaising with Enterprise Risk Management Unit on risk related matters;
- Escalating instances where the Enterprise Risk Management efforts are stifled, such as when individuals try to block ERM initiatives;
- Providing guidance and support to manage “problematic” risks and risks of a transversal nature;
- Acts as a change agent in the ERM process by acting as trouble shooters that facilitate resolution of risk related problems; and
- In order to be an effective and efficient risk champion, should:
 - Have a good understanding of risk concepts, principles and processes;
 - Have good analytical skills to assist with the analysis of root causes to risk problems;

- Have leadership and motivational qualities; and
- Have good communication skills.

Chief Audit Executive

The Chief Audit Executive is responsible for:

- Deciding on a methodology and framework for Enterprise Risk Management;
- Performing reviews of the Enterprise Risk Management process to improve the existing process;
- Facilitating risk assessments;
- Developing systems to facilitate risk monitoring and risk improvement;
- Aligning the risk identification process with NLC's business objectives;
- Identifying relevant legal and regulatory compliance requirements;
- Compiling a consolidated risk register on an annual basis;
- Costing and quantifying actual non-compliance incidences and losses incurred and formally reporting thereon;
- Formally reviewing the occupational health, safety and environmental policies and practices;
- Consolidating all information pertaining to all risk related functions, processes and activities;
- Transferring the knowledge in respect of an effective and sustainable process of risk identification, quantification and monitoring to management;
- Recording the decisions regarding mitigation for every key risk facing NLC in the risk register;
- Deciding upon central solutions for common risks and for risks where central facilities are available;
- Implementing a formalised risk information system (as applicable);
- Ensuring that Enterprise Risk Management training is conducted at appropriate levels within the entity to inculcate an Enterprise Risk Management culture;
- Communicating the risk framework and methodology to all management levels and to employees;
- Ensuring that the necessary Enterprise Risk Management documentation is developed in respect of the Enterprise Risk Management process;
- Enabling Exco and the Audit and Risk Committee to fulfil their responsibilities with regards to Enterprise Risk Management; and
- Working with management to ensure business plans and budgets include risk identification and management.

Internal Audit

The role of Internal Audit in corporate governance is defined by the South African Institute of Chartered Accountants as follows: “To support the Board and Management in identifying and managing risks and thereby enabling them to manage the organisation effectively”. This is achieved by:

- Enhancing their understanding of Enterprise Risk Management and the underlying concepts;
- Assisting them to implement an effective Enterprise Risk Management process, and
- Providing objective feedback on the quality of organisational controls and performance.”

Internal Audit is responsible for:

- Providing assurance that management processes are adequate to identify and monitor significant risks;
- Using the outputs of risk assessments to direct internal audit plans;
- Providing on-going evaluation of the Enterprise Risk Management processes;
- Providing objective confirmations that the Board and Committees receive the right quality of assurance and reliable information from management regarding risk;
- Providing assurance regarding ERM processes from both a design and functional perspective;
- providing assurance regarding the effectiveness and efficiency of risk responses and related control activities;
and
- Further providing assurance as to the completeness and accuracy of ERM reporting.

Components of the Enterprise Risk Management Process

A holistic approach to Enterprise Risk Management is required. This entails a coordinated enterprise-wide approach in which all risks are considered for the entire organisation and its departments. This approach includes all role players, policies, protocols, methodologies, reporting requirements and deliverables interacting within the Enterprise Risk Management processes.

The implementation of Enterprise Risk Management is guided by the methodology outlined in this document. The methodology is aligned to the **COSO** best practice as well as the King III report on corporate governance. The methodology allows for a consistent approach to be applied throughout NLC and facilitates the interaction, on Enterprise Risk Management matters.

Control Environment: Values, ethics, integrity and culture. (These are normally captured and re-affirmed in the Enterprise Risk Management policy).	
Objective Setting	Specific, Measurable, Attainable, Relevant and Time-bound.
Risk Identification	Identification of events that could affect achievement of objectives.
Risk Assessment	Rating identified risks to determine order of significance on likelihood and impact.
Control Strategy	Manage or avoid? How will risks be managed? By whom? What structures?
Risk Reporting	Build awareness and regular risk reporting upwards and downwards.
Control Activities	Assurance on risks to be given by management and the Board. Consider combined assurance.
Monitoring	Set and monitor key risk indicators to embed proactive risk response.
Enterprise Risk Management Strategy: To drive Enterprise Risk Management, a formal Enterprise Risk Management strategy should be formulated. Set objectives and consider risk improvement strategies.	

Component 1 – Control Environment

NLC's control environment is the foundation of Enterprise Risk Management, providing discipline and structure. The control environment influences how strategy and objectives are established, NLC activities are structured, and risks are identified, assessed and acted upon. It influences the design and functioning of control activities, information and communication systems, and monitoring activities.

The control environment comprises many elements, including NLC's ethical values, competence and development of personnel, management's operating style and how it assigns authority and responsibility.

The Board is a critical part of the control environment and significantly influences other control environment elements. As part of the control environment, management establishes an Enterprise Risk Management philosophy, establishes NLC's risk tolerance levels, inculcates a risk culture and integrates Enterprise Risk Management with related initiatives.

The control environment consists of ten different layers that should all be present and functioning. The ten layers are as follows:

- Enterprise Risk Management Philosophy;
- Risk tolerance;
- Risk culture;
- Board oversight;
- Integrity and values;
- Commitment to competence;
- Management's philosophy and operating Style;
- Organisational structure;
- Authority and responsibility; and
- HR policies and procedures.

The existing controls in place for identified risks must be documented. The term "control" should not be construed only as a financial term. It is now the commonly accepted term to describe any mitigating measure for any particular type of risk. Controls may take the form of financial mitigations such as hedges, insurance or securities. They may be managerial in nature such as compliance procedures, policies and levels of authority. Controls may be strategic in nature such as diversification and investment related. Controls may be legal such as contracts and indemnities.

Component 2 – Objective Setting

Objectives must exist before management can identify events potentially affecting their achievement. Enterprise Risk Management ensures that management has a process in place to both set objectives and align the objectives with NLC's mission and vision and is consistent with NLC's risk tolerance. The setting of these objectives is usually completed during the, "Strategic planning and Budgetary process."

Having confirmed and clearly documented NLC objectives, it is necessary to identify all the potential risks and threats relating to processes, assets and strategy. These are the possible problems and situations that may hinder the achievement of the objectives of the operation.

Component 3 – Risk Identification

During the phase of risk identification, management considers external and internal, as well as financial and non-financial factors that influence the entity's policy and management agenda. Identifying major trends and their variation over time is particularly relevant in providing early warnings.

Some external factors to be considered for potential risks include:

- Political: the influence of international governments and other governing bodies;
- Economic: international, national markets and globalizations;
- Social: major demographic and social trends; and
- Technological.

Events potentially either have a negative impact, a positive impact or both. Events that have a potentially negative impact represent risks, which require management's assessment and response. Accordingly, risk is defined as the possibility that an event will occur and adversely affect the achievement of objectives.

Events with a potentially positive impact represent opportunities or offset the negative impact of risks. Those representing opportunities are channeled back to management's strategy or objective-setting processes, so that actions can be formulated to seize the opportunities, whereas events potentially offsetting the negative impact of risks are considered in management's risk assessment and response.

NLC's Methodology

NLC's simple 5-step methodology for risk assessments is depicted as follows:

Objectives

Step 1:

Identify Objectives / Level of Objective

Risks

Step 2:

Identify Risks preventing achievement of Objectives including root causes.

Step 3:

Rate Risk.

Action Plans / Controls

Step 4:

- Identify and Capture Controls;
- Link Control to root causes; and
- Determine control adequacy and re-rate residual risk.

Step 5:

- Capture Action Plans; and
- Assign Owner / Identify Implementation or due date.

Identifying the potential root causes of risk events

Root causes are components of operational risk. Root causes are factors that contribute or increase the likelihood that risks could occur. In other words risks are the potential negative consequence of a contributory factor. Root causes can be divided into the following major categories:

1. People;
2. Internal Environment;
3. Processes;
4. External Environment; and
5. Systems.

Root causes have a many-to-one relationship with risk. Often more than one contributory factor could contribute to the same risk. Root causes also have a one-to-many relationship to risk meaning that one contributory factor could contribute to or increase the likelihood of more than one risk.

To identify root causes once the risk is identified, one has to ask the question "The risk is due to..? Or why would the risk occur?"

Component 4 – Risk Assessment

Risk assessment allows an entity to consider how potential events might affect the achievement of objectives. Management assesses risk events by analysing their impact and likelihood using the scales below.

Impact Parameters:

Impact	Descriptive statements
5	Significant impact on organisational sustainability Audit qualification Extensive and prolonged negative press coverage Extensive and wide-spread stakeholder fallout Criminal conviction probable Financial impact of >20% of gross revenue
4	Moderate impact on organisational performance Significant negative press coverage Moderate and localised stakeholder fallout Civil fines and/or penalties in excess of R100 000 probable. <ul style="list-style-type: none"> Financial impact of 10%-20% of gross revenue
3	No significant impact on performance but an operational disruption requiring (spending) resources to manage Little negative coverage at national scale. Civil fines and/or penalties up to R100 000 probable. <ul style="list-style-type: none"> Financial impact of between 5%-10% of gross revenue
2	No impact on performance Localised negative coverage at community level No significant stakeholder fall-out No civil fines and/or penalties <ul style="list-style-type: none"> Financial impact of less than 5% of gross revenue
1	<ul style="list-style-type: none"> Little financial impact No impact on performance

Likelihood Parameters

Probability Factor	Qualification Criteria	Rating
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Almost Certain	<ul style="list-style-type: none"> ▪ The organisation has been impacted by this risk within the preceding 12 months. ▪ The risk is almost certain to occur more than once within the next 12 months. 	5
Likely	<ul style="list-style-type: none"> ▪ The risk has not been experienced by the organisation in the preceding 12 months. ▪ The risk is almost certain to occur once within the next 12 months. 	4
Possible	<ul style="list-style-type: none"> ▪ The risk has not been experienced before by the organisation ▪ The risk could occur at least once in the next 1 –5 years. 	3
Unlikely	<ul style="list-style-type: none"> ▪ The risk is very unlikely to occur and if it does, is only expected to do so at least once in the next 5 -10 years. 	2
Rare	<ul style="list-style-type: none"> ▪ The risk is very unlikely to occur and if it does, is only expected to do so at least once in the next 10 -15 years. 	1

Inherent risk rating = impact X likelihood

Residual Risk

Residual risk, is determined by re-rating both impact and likelihood after taking into account the effect of controls in place.

Based on the relative score of the residual risk exposure, **management will need to decide whether or not they are willing to accept the identified level of residual risk exposure.** If the residual risk is considered to be too high, then an action plan will then need to be developed outlining the identified action/s to reduce the risk to a level that is more acceptable to management and other stakeholders.

Management actions may include the re-examination of the control design and / or the business / quality objective identified earlier in the Enterprise Risk Management process. The action plans must clearly identify:

- The required action;
- The person responsible for implementing the action; and
- The expected date of implementation.

Residual Risk Acceptability

In order to assist in determining risk acceptability, the following thresholds will be used as guidelines;

Thresholds Where the result is:	Threshold Interpretation	Suggested Action	Escalation requirements (if any)	Suggested Timing
between 15 and 25	RED – Unacceptable High Risk	Management should take immediate action to reduce risk exposure to an acceptable level.	<ul style="list-style-type: none"> • Board • AC • RC 	Immediate action required
between 9 and 14	YELLOW – Cautionary Medium Risk	Management should constantly monitor the risk exposure and related control adequacy.	<ul style="list-style-type: none"> • Board • AC • RC 	Medium term action - within three months

between 1 and 8		GREEN – Acceptable Low Risk	Management should monitor risks and may consider reducing the cost of control.	<ul style="list-style-type: none"> • AC • RC 	Monitor ¹ – no immediate action required
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Before making the determination on the basis of the above, the following risk quadrant must be considered and risks should be plotted on a heat-map in order to determine what final rating code they are allocated.

The usage of both methods together ensures that the business directs its efforts at not only its highest risk exposures but also at those risks which are highly pervasive or which have the ability to cripple the organisation, should they occur.

The following is an illustration of the risk heat map used by the organisation.

Risk Impact Score	5	-	-	-	-	-
	4	-	-	-	-	-
	3	-	-	-	-	-
	2	-	-	-	-	-
	1	-	-	-	-	-
		1	2	3	4	5
Risk Likelihood Score						

Component 5 – Risk Response Strategy

Management identifies risk response strategy options hereafter referred to more specifically as risk responses, and consider their effect on event likelihood and impact, in relation to risk tolerances, costs versus benefits, and thereafter design and implement response options.

¹ Please note that some risks may score low numerically but may plot on the quadrant chart as needing action.

The consideration of risk responses is integral to Enterprise Risk Management and requires that management select a response that is expected to bring risk likelihood and impact within NLC's risk tolerance level.

After the risks have been identified and the contributing factors or root causes have been established, the control strategy should be identified for the various risk exposures. Risk responses fall within the categories of risk avoidance, active management and acceptance. The following should be used to identify the control strategies considered by management:

- Transfer e.g. through insurance cover;
- Tolerate;
- Treat/ mitigate through rigorous management practices; or
- Terminate the risk by eliminating a process, a product, or a geographical zone.

After the control strategy decision, the current controls to manage the risk in question are identified. It is necessary to assess the adequacy of these controls. This is a measure of how well management perceives the identified controls to be designed to manage the risks. Management does this by determining the respective impact of the controls on either the inherent impact or likelihood of the specific risk.

The scales used to rate control effectiveness are as follows:

Rating	General Impact Description
Good 90% +	Controls are effective and reliable at all times. There may be a degree of over-controlling the risk.
Fair 70%	Controls are in place and being practiced in normal business processes. Some more work to be done to improve operating effectiveness
Room for Improvement 50%	Controls are fairly effective but there is large room for improvement in the implementation and enforcement of existing controls.
Weak 30%	Controls do not operate at all effectively. Controls, if they exist are mostly not practiced in the organisation.
Unacceptable 10%	Management lacks confidence that any degree of control is being achieved due to very limited operational effectiveness

Management should recognize that some level of residual risk will always exist, not only because resources are limited, but also because of inherent future uncertainty and limitations inherent in all activities.

Pertinent information – both from internal and external sources, financial or non-financial – must be identified, captured and communicated in a form and timeframe that enable personnel to carry out their responsibilities. Effective communication also occurs in a broader sense, flowing down, across and up the organisation, as well as the exchange of relevant information with external parties, such as customers, suppliers, regulators and shareholders.

Information is needed at all levels of an entity to identify, assess and respond to risks, and to otherwise run the entity and achieve its objectives. An array of information is used, relevant to one or more objectives categories. Information comes from many sources – internal and external, and in quantitative and qualitative forms – and allows Enterprise Risk Management responses to changing conditions in real time.

Component 7 – Control Activities

Control activities are the policies and procedures that help ensure Enterprise Risk Management strategies are properly executed. They occur throughout the entity, at all levels and in all functions. Internal control is an integral part of Enterprise Risk Management.

Control procedures relate to the actual policies and procedures in addition to the control environment that management has established to achieve NLC's objectives. Policies and procedures help create boundaries and parameters to authority and responsibility, and also provide some scope of organisational precedent for action.

Component 8 – Monitoring

Enterprise Risk Management should be regularly monitored – a process that assesses both the presence and functioning of its components and the quality of their performance over time. Monitoring can be done in two ways: through on-going activities or separate evaluations. This will ensure that Enterprise Risk Management continues to be applied at all levels and across the entity.

Key risk indicators

Key risk indicators are intended to assist management to monitor risks. Key risk indicators have two focal points i.e. the inherent risk itself as well as losses, incidents and variances. Each key risk should have a key risk indicator to serve as a risk warning mechanism.

Each business unit is responsible for defining, monitoring and reporting on key risk indicators for all key risks identified.

Risk tolerance limits

Risk tolerances are the acceptable levels of variation relative to the achievement of objectives. Risk tolerances can be measured, and often are best measured in the same units as the related objectives. Performance measures are aligned to help ensure that actual results will be within the acceptable risk tolerances. In setting risk tolerances, management considers the relative importance of the related objectives and aligns risk tolerances with risk appetite. Operating within risk tolerances provides management greater assurance that the entity remains within its risk appetite and, in turn, provides a higher degree of comfort that the entity will achieve its objectives.

The risk appetite and tolerance thresholds are defined in a separate risk appetite statement.

Incident reporting

This is an internal management function and will form part of the Enterprise Risk Management process. Incident reports should incorporate:

- Incidents of non-compliance to approved standards (whether losses were incurred or not); and
- Losses arising from particular incidents.

The destination of incident reports will be determined by the nature of the potential or actual loss. Incidents and losses that originate from risks contained in the key risk registers must always be elevated to higher levels of management with risk-related variance reports being incorporated into routine management reporting processes.

Performance measurement

Management's performance with regards to Enterprise Risk Management will be measured and monitored through the following performance management activities:

- Monitoring of progress made by management with the implementation of the Enterprise Risk Management methodology;
- Monitoring of key risk indicators;
- Monitoring of loss and incident data;
- Management's progress made with risk mitigation action plans; and
- An annual quality assurance review of Enterprise Risk Management performance.

Additional Emphasis: Project Risk Management

It must be noted that this ERM framework applies across a broad range of risk categories that would include project risks. However, the purpose of this section is to provide additional guidance on the manner in which the ERM framework is to be applied in project efforts. The absolute requirement is that all project efforts include a formal Enterprise Risk Management plan.

Introduction

Risk refers to any factor (or threat) that may adversely affect the successful completion of the project in terms of achievement of its outcomes, delivery of its outputs, or adverse effects upon resourcing, time, cost and quality. Successful projects try to resolve risks before they impact the project, and alternatively have sufficient plans to address the impact of risk when it occurs.

It should be noted that sometimes risks may also be associated with opportunities, such as the use of a new technology, and acceptance of the risk needs to be based upon the costs of rectifying the potential consequences versus the opportunities afforded by taking the risk.

Project risk management describes the processes concerned with identifying, analysing and responding to project risk. It consists of risk identification, risk analysis, risk evaluation and risk treatment including issues management. The processes are on-going throughout the life of the project and should be built into the project management activities.

Project risk management is conducted initially as part of the assessment of the project's viability and is conducted throughout the project to ensure that changing circumstances are tracked and managed.

All projects require a degree of Risk Management, but the effort expended will depend on the size and scope, including outcomes, customers, outputs, work and resources. Larger projects involving significant investment and/or major outcomes will receive formal and detailed Enterprise Risk Management activities on an on-going basis.

Issues management and project risk management are closely linked, as some issues may become risks. This is why it is recommended that major issues are also identified and managed as part of the same holistic risk framework.

A proposed framework for effective Enterprise Risk Management requires that issues management be combined with normal Enterprise Risk Management initiatives.

Project Risk Management interventions

In order to simplify the application of the risk framework and to maintain focus on the project risk management and issues management processes through-out the life of the project, the following 3-pillar process to Enterprise Risk Management shows practically how the Enterprise Risk Management process will be executed during the various phases of any project.



Suggested 3-pillar Enterprise Risk Management process in project phases

Initial stages (Concept and Initiation) – Risk checklist

At the initial stages of a confirmed (or yet to be confirmed) project and as part of input into the business decision to adopt a project, a high level risk checklist is completed. This checklist is a list of pre-listed questions, each answered with a simple “yes” or “no” answer. These answers typically then drive a risk rating for the project under specific pre-listed categories.

In the first stage, this checklist will assess relative project risk levels by looking at broad areas that include the following:

- Socio-economic impact/ significance (business case)
- External dependencies
- Organisational alignment
- High-level planning assessment
- Technical considerations

Project commencement and implementation stages – Risk assessment and management

Before risks can be managed, they need to be identified. At the onset of a project, a facilitated risk assessment will be conducted. This risk assessment will focus on the specific objectives of the project and the relative risks linked to each of these objectives. Risk identification will involve key project stakeholders.

The specific additional requirements with regard to project risk assessments are as follows:

- Project risks must be formally recorded;
- Risk mitigations must be considered and assessed;
- Required risk mitigations and enhancements thereto must be included as milestones in the relevant project plans;
- Responsibilities for risks and mitigation thereof must be formally recorded in the project plan and project risk management plan;
- On-going monitoring and re-assessment of risks on projects is essential and is the responsibility of project implementation managers;
- Project risk assessments and management must be integrated with the process of issues management; and
- Project risk rating criteria are defined in the broad ERM framework of the organisation.

Before conducting the project risk assessment, it is important to have clearly defined the scope of the project so that the identification of risks can remain focused on what potentially threatens the achievement of outcomes, delivery of outputs, level of resourcing, time, cost and quality. Risks can also be categorised, for example in terms of type (i.e. Corporate Risks, Business Risks, Project Risks, and System Risks).

Implementation and final stages – Issues management

An issue can be defined as a concern that may impede the progress of the project if not resolved. If issues are not addressed they may become a risk to the project. Issues must be resolved quickly and effectively.

Issues management involves monitoring, reviewing and addressing issues or concerns as they arise through the life of a project. Issues can be raised by anyone involved with the project including Customers/ Clients, Business Owners, Steering Committee members, Reference or Working Group members, the Project Manager, Project Team members and other key stakeholders.

An Issues Register should be established as part of the on-going project management activities. The Project Manager and team need to have a process for capturing issues as they arise, updating and reviewing them so that they can be managed and resolved as the project moves forward. Once a resolution is agreed on, the appropriate activities are added to the project plan to ensure the issue is resolved and to the project budget, if appropriate.

An Issues Register is basically a systematic record of issues. It will include the following for each issue:

- a unique number;
- a description;
- who raised the issue;
- date reported;
- severity/ priority rating;
- the person or group who is responsible for resolving the issue;
- how resolved;
- status, usually open or closed; and
- date resolved.

Commonly adopted principles in issues management are as follows:

- Solve the root cause of the issue;
- Resolve issues quickly to proceed as quickly as possible;
- It is good practice to encourage people to help identify solutions along with the Issues;
- Engage the Project Sponsor/Steering Committee in the resolution of issues from very early in the project;
- If a large issue looks too difficult to be resolved in a timely manner, break it down into logical sub-issues;
- Inter-related issues should be resolved simultaneously; and
- Resolve major issues before the **point of no return**.

ERM enhancement & entrenchment plan

Establish an organisational framework of assurance for key risks and controls

A framework of assurance must be developed for NLC's risks. Key players in the organisation will combine to provide assurance that risks are being appropriately managed. This combined approach to assurance normally involves management, Enterprise Risk Management, compliance and internal and external auditors working together through an integration process coordinated by the Audit and Risk Committee. Other experts must be chosen to provide assurance regarding specialised categories of risk, such as environmental management and capital market risks. The assurance framework must be formalised and must incorporate appropriate reporting processes.

Internal audit provides assurance on Enterprise Risk Management processes

Internal audit must examine the techniques used to identify risk. The categories and the scope of risk assessments should be considered. The methodologies used to extract risk information must be reviewed. Monitoring processes should be wholly aligned with the results of risk assessments. The internal audit function should particularly seek evidence that the processes of risk identification are dynamic and continuous, rather than attempt to comply with governance expectations. The effectiveness of Enterprise Risk Management processes should be subjected to an audit on an annual basis.

The outputs of risk assessments are used to direct internal audit plans

Internal audit plans depend greatly on the outputs of risk assessments. Risks identified during risk assessments must be incorporated into internal audit plans, in addition to management and Audit and Risk Committee priorities. The risk assessment process is useful for internal audit staff because it provides the necessary priorities regarding risk as opposed to using standardised audit sheets. The audit activities will focus on adherence to controls for the key risks that have been identified. In addition, internal audit staff may direct management towards the need for better controls around key risks.

Internal audit provides assurance on quality and reliability of risk information

The internal audit function plays a key role in coordinating the key players in the Enterprise Risk Management process to provide assurance to stakeholders. Internal audit is not normally the only provider of assurance. The function does, however, have an important role in evaluating the effectiveness of control systems. The process of assurance must also involve management, the external auditors, regulators and subject specialists.

Safety, health and environment

A formal safety management programme is essential for NLC's business. The risks will vary according to the entity, but the principles of Enterprise Risk Management will always apply, i.e. risk identification, risk

assessment, formal action plans for mitigation, monitoring, reporting and assurance. The scope of NLC's safety management programme should include administrative aspects, safety awareness and training, health, hygiene, electrical safety, physical safety, micro-environmental exposures and legislative requirements.

Business Continuity Management

It is expected that NLC will have a Business Continuity Management Plan in place, which will be revised and tested annually. The results of such testing and simulations should be reported to the Audit and Risk Committee.

Fraud Prevention Plan

NLC is responsible for developing and implementing its own fraud policy and prevention plan.

Project Risk Management

NLC will ensure that each project engagement has and maintains a formal Enterprise Risk Management plan, a risk register as well as an incident register which should be reported on in line with project reporting frequencies. The assessment of project risk is performed in line with the same principles of this framework. At a minimum, a quarterly report on project risks and management thereof will be formulated and presented to the Board.

Governance committees

The terms of reference of the various Committees will be formally reviewed on a regular basis to ensure that they remain relevant and clearly define functions, roles and governance processes for the various committees. For operational integration, Enterprise Risk Management champions will be nominated to focus on the holistic management of risk and these risk champions will provide support to their business units on a day to day basis on risk matters.

Integration of ERM with Planning Processes

The NLC will identify, record, evaluate and establish links between objectives and risks and will regularly monitor these.

A periodic risk report will be provided and presented to the Audit and Risk Committee. This report will detail significant risks facing the NLC, the controls in place to minimise the risks and an assessment of the residual risk. Major changes in risk will be discussed and reported therein also.

3.2 Risk Strategy (risk register)

Seq Num.	Unique Ref #	Category	Risk	Contributory Factor (s)		Consequence(s)	Inherent Risk Rating			Existing Controls		Control Adequacy	Residual Risk	Control Improvements	Due dates	Risk Owner
			High level definition	Ref	Source(s) of Risk	Effect(s) or impact	Impact	Likelihood	Inherent Risk	Ref	Control description			Initiatives or planned strategies to enhance control adequacy	All items tracked quarterly	Person responsible for assurance on the holistic risk
1	SR2	Governance, Risk and Compliance	Conflict of interest	1	Inadequate implementation of policies.	- Harm to reputation - Litigation - Financial losses	3	5	15	1	- Ethics and gift policies - Declaration of interest process - Declaration narrative - Alternative approval of cases that are under potential conflict - Annual disclosures by board members, employees, DAs, beneficiaries (grant recipients), suppliers and other stakeholders.	60%	6	- Enforcement of relevant policies such as ethics and gift policies - Automated process for disclosure of interest.	31-Mar-19	Executive: Company Secretary & Human Capital
				2	Greed, poor ethics and morals		2	- Whistleblowing policy - Independent whistleblowing hot-line - Code of ethics - Corporate values - Human resource ethics and social responsibility committee - Disciplinary processes - Proactive communication of organisational impact to stakeholders (spreading good news). - Reputation management (perception survey).		- Training and awareness of all stakeholders	31-Mar-19					
2	SR3	Governance, Risk and Compliance	Fraud Risk	1	Poor ethics and morals	- Financial losses - Poor service delivery - Harm to reputation - Litigation - Impaired personal security of officials	5	4	20	1	- Whistleblowing policy - Independent whistleblowing hot-line - Code of ethics - Corporate values - Human resource ethics and social responsibility committee - Disciplinary processes	50%	10	- Assessment of effectiveness of hotline - Screening of employees prior to employment - Periodic screening of employees who work in critical divisions	31-Mar-19	Chief Audit Executive & Executive Manager: Legal Services
				2	Ineffective monitoring and controls		2	- Fraud prevention plan - Segregation of duties - Account reconciliation		- Ongoing fraud risk assessment - Ongoing investigation of all reported cases of alleged fraud and corruption	31-Mar-19					
				3	Misrepresentation by applicants		3	- Pre and post-adjudication site visits - Verification process		- Risk profiling of beneficiaries - Strengthening of verification	31-Mar-19					
				4	Non-compliance with legislation and policies		4	Supervision and supervisory reviews		None proposed	31-Mar-19					
				5	Lack of training at all levels		5	Anti-fraud and corruption policy		Integrated communications strategy to include fraud issues	31-Mar-19					
3	SR4	Sustainability	Illegal lotteries	1	Lack of enforcement powers	- Loss or reduction in funding for good causes - Harm to reputation - Failure to protect National Lottery (market-share)	5	5	25	1	- Civil litigation and recovery from illegal lotteries - Ongoing benchmarking with similar jurisdictions in order to proactively regulate illegal lotteries. - Criminal prosecution of illegal lottery operators	50%	13	- Policy review to enhance enforcement	31-Mar-19	Executive Manager - Regulatory Compliance & Executive Manager: Legal Services
				2	Lack of mechanism to prevent and/or detect illegal lotteries	- Failure to protect lottery participants		2	- Research to identify different forms of illegal lotteries conducted to ascertain possibility of regulating these illegal lotteries - Media monitoring to identify illegal lottery activities - Collaboration with other regulators such as gambling boards		Analyse the findings of the research and implement appropriate recommendations.	31-Mar-19				
				3	Poverty and unemployment						31-Mar-19					

3	SR4	Sustainability	Illegal lotteries	1	Lack of enforcement powers	- Loss or reduction in funding for good causes - Harm to reputation - Failure to protect National Lottery (market-share) - Failure to protect lottery participants	5	5	25	1	- Civil litigation and recovery from illegal lotteries - Ongoing benchmarking w with similar jurisdictions in order to proactively regulate illegal lotteries. - Criminal prosecution of illegal lottery	50%	13	Policy review to enhance enforcement	31-Mar-19	Executive Manager - Regulatory Compliance & Executive Manager: Legal Services
				2	Lack of mechanism to prevent and/or detect illegal lotteries	2				- Research to identify different forms of illegal lotteries conducted to ascertain possibility of regulating these illegal lotteries - Media monitoring to identify illegal lottery activities - Collaboration w with other regulators such as gambling boards	Analyse the findings of the research and implement appropriate recommendations.			31-Mar-19		
				3	Poverty and unemployment						31-Mar-19					
4	SR5	Reputation	Inadequate stakeholder relationships	1	Active and diversified stakeholder base	- Harm to reputation - Impaired service delivery	4	3	12	1	- Identified stakeholder matrix in annual performance plan - Communication strategy in place - Stakeholder programmes - Stakeholder relations and engagement strategy - Stakeholders Indaba - Stakeholder survey - Signed MoU with strategic partners - Provincial offices established - Implementation of marketing and communications strategy - Implementation of approved marketing and communications policies and procedures - Customer relationship management	70%	4	- Ongoing stakeholder engagement - Implementation of Public Affairs policies, strategy - Customer focussed strategy (to respond to public perception) - Communications strategy focussed on closing the gap between public expectations and actual available	31-Mar-19	Executive Manager - Human Capital
				2	Dual mandate positioning						31-Mar-19					
				3	Limited understanding of the mandate by the public	- Negative impact on the integrity of the lottery								31-Mar-19		
				4	Dissatisfied beneficiaries	- Litigation								31-Mar-19		
5	SR6	Products & Services	Misaligned grant allocation processes	1	Lack of alignment with key national priorities High volume of applications received in comparison with available resources	- Harm to reputation - Failure to meet mandate	5	4	20	1	- Directives contained in the Act and Regulations e.g. mandatory requirements, priority areas for funding etc. - Monitoring and evaluation - Grant application procedure - Revised checklist that includes regulatory requirements - Grant funding policy	50%	10	- Develop adjudication matrix that will factor in weighing of projects/application s against key policy imperatives such as NDP, 9 Points Plan etc. - Development of budget management framework that will ensure that the	31-Mar-19	Chief Operations Officer
6	SR8	Sustainability	Continuity & sustainability	1	Increasing number of applications vs. limited financial resources	- Adverse impact on communities - Impaired organisational sustainability - Harm to reputation	5	4	20	1	Grant application procedure	60%	8	None proposed	31-Mar-19	Office of the Commissioner and Chief Operations Officer
				2	State of the economy	2				Protection afforded by the Act (sustainability)	- Organisational sustainability study - Table recommendations of the organisational sustainability study to the Board			31-Mar-19		
				3	Dependence on single revenue source	3				Protection afforded by the Act (sustainability)				31-Mar-19		
				4	Poor financial performance of national lottery operator (revenue generation)	4				Performance management of the license operator	None proposed			31-Mar-19		
				5	Ineffective monitoring of national lottery operator	5				Performance management of the license operator	None proposed			31-Mar-19		
				6	Increased operational expenditure	6				Financial sustainability strategy	Full implementation of the financial sustainability strategy			31-Mar-19		
				7	Material business interruptions/ disruptions	7				- Disaster recovery policy - Off-site backup system - Business continuity plan	Full implementation of the business continuity plan			31-Mar-19		

7	SR11	Products & Services	Non-compliance with prescribed timeframes	1	Call based applications (high-volume of applications received towards the closing date of the call).	- Harm to reputation - Non-compliance with the Act	4	5	20	1	- Open call system approved by the Board - Strategy and plan for open call system implementation	45%	11	Implementation of the strategy and plan for the implementation of open call system	31-Mar-19	Chief Operations Officer	
				2	Delays in appointment of fulltime DAs.					2	Pre-screening by CLO				Continuous follow-ups with the dti on the appointment of full-time DA's		31-Mar-19
				3	Delays in responding to non-compliant applications (all non-compliant applications including those without mandatory documents still have to go through the entire grant					3	Board resolution on how to deal with applications without mandatory documents				Implement Board resolution on how to deal with non compliant applications.		31-Mar-19
8	SR12	Governance, Risk and Compliance	Information management and security	1	Inadequate implementation of information security policies	- Impaired Organisational reputation - Public misconception of information	4	4	16	1	- Minimum information security standards - Information classification policy - PAIA - Weekly check of fire walls	30%	11	- Communicate information classification policy to all staff Enforce information classification policy the policy	31-Mar-19	Chief Information Officer	
				2	Unauthorised disclosure of sensitive information					2	- Disciplinary process for known breaches of information confidentiality - Information security policy - Deactivation of USB ports on staff laptops - Communications policy - Awareness and culture building workshops for staff - Code of ethics with confidentiality clauses to be signed by staff - Annual renewal of declarations by				- Employees and key stakeholders to formally acknowledge organisational information security standards - Use of technology systems to prevent and detect breach of security		31-Mar-19
9	SR1	Governance, Risk and Compliance	ICT infrastructure and systems	1	- Project Dibanisa implementation is in phases (work in progress) - Fluctuations in FOREX when procuring ICT equipment - Change of business model impacting significantly on ICT systems	- Impaired organisational performance (inefficiencies) - Fraud and corruption - Compromised service delivery	4	4	16	1	- Approved ICT Strategy - Daily backups of the server - IT governance oversight - Access-controlled server room - Physical controls (raised floor, alarms, fire protection etc.) - Uninterruptible power supply ("UPS") - Approved disaster recovery policy - Approved ICT governance framework - Approved ICT policies and technology strategies - Approved budget for the ICT projects. Adequate	50%	8	- Upgraded Enterprise Architecture System (Integrated platform - align ICT strategy with new legislation and business process review)	31-Mar-19	Chief Operations Officer	
					- Disaster recovery plan not yet implemented										- Business to identify required services for activation in the		31-Mar-19
10	SR13	Governance, Risk and Compliance	Non-compliance with regulatory requirements by National Lottery Operator	13	- Inadequate monitoring of the operator	- Breach of Licence and - Legislative requirements - Non-achievement of set goals, including revenue generation - Tarnished integrity of the National Lottery	4	4	16	13	- License monitoring matrix developed and monitored	50%	8	- Continuous engagement and guidance with the new operator.	31-Mar-19	Executive Manager - Regulatory Compliance	
					- Non-compliance										- Independent systems audit (Independent Verification System). Weekly, monthly and quarterly reviews conducted. - IVS system continuously inspected for independent verification of ticket sales.		

3. Any subsidiary or statutory body reporting to the entity

Not applicable

4. Service Delivery Improvement Plan

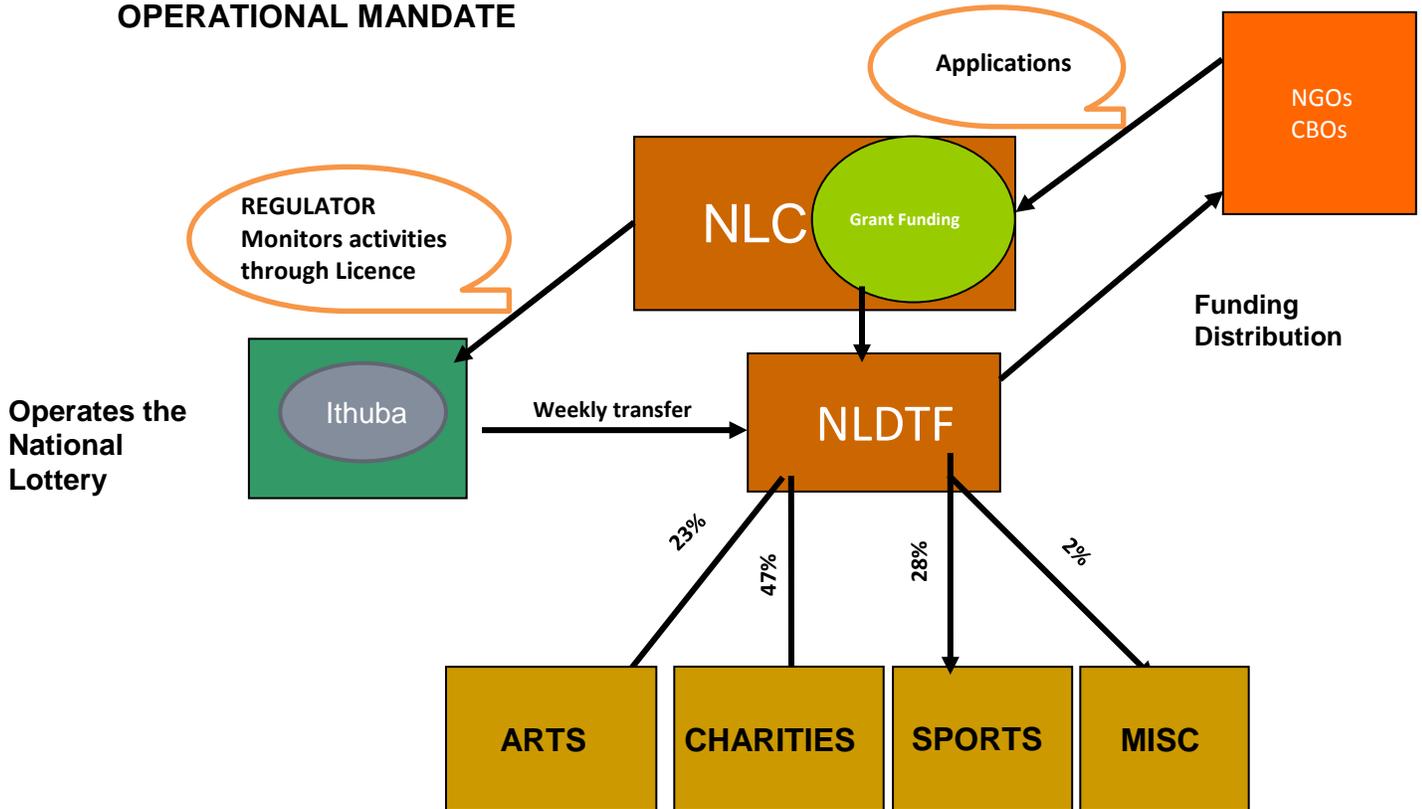
The National Lotteries Commission has been established through the Lotteries Act (No. 57, 1997, as amended). The Board consists of a Chairperson, one member designated by the Minister and five other members.

The Functions of the Board are set out in the Lotteries Act as follows:

- Advise the Minister on the issuing of the licence to conduct the National Lottery.
- Ensure that the National Lottery and Sports Pools are conducted with all due propriety.
- Ensure that the interests of every participant in the National Lottery are adequately protected.
- Ensure that the net proceeds of the National Lottery are as large as possible.
- Administer the National Lottery Distribution Trust Fund (NLDTF) and hold it in trust.
- Monitor, regulate and police lotteries incidental to exempt entertainment, private lotteries, society lotteries and any competition contemplated in Section 54.
- Advise the Minister on percentages of money to be allocated in terms of Section 26(3).
- Advise the Minister on the efficacy of legislation pertaining to lotteries and ancillary matters.
- Advise the Minister on establishing and implementing a social responsibility programme in respect of lotteries.
- Administer and invest the money paid to the board in accordance with the Act.
- Perform such additional duties in respect of lotteries as the Minister may assign to the board.
- Make such arrangements as may be specified in the licence for the protection of prize monies and sums for distribution.
- Advise the Minister on any matter relating to the National Lottery and other lotteries or any other matter on which the Minister requires the advice of the board.

In addition to the above, the National Lotteries Commission has also been tasked with the responsibility of providing administrative, managerial and technical support to the Distributing Agencies.

OPERATIONAL MANDATE



The NLC has a dual mandate, to regulate the lottery industry and to distribute funding for good causes. The NLC has appointed Ithuba to operate the 3rd National Lottery and the Minister appointed the Distributing Agencies to adjudicate the applications from various NGO's and CBO's for effective distribution of the funds for good causes across the sectors depicted in the figure above. The Board provides the oversight of the dual mandate and the members re the trustees of the NLDTF.

ORGANISATIONAL ENVIRONMENT

Governance Structure

The Minister of the Department of Trade and Industry (dti) is the Executive authority for the NLC and has appointed a Board of six members with diverse credentials as the accounting authority of the NLC. The Minister has further appointed the Distributing Agencies in the specific sectors (Sports, Arts and Charities) to support the NLC achieve its mandate by performing the adjudication functions for all applications received for good causes. The Board further appointed the Executive Committee led by the Commissioner to manage the operations of the organisation.

Management Structure

Management is under the leadership of the Commissioner supported by five Executive Managers and the Company Secretary. Executive Managers are accountable at Divisional Levels. The Executive Management has cascaded the delegation of authority down to Senior Management level which is responsible for Departmental activities.

KEY SERVICES & STANDARDS

Key Services	Description of Service	Area where Service is performed	Intended Beneficiary	Current Standard	Desired Standard		
					2016/17	2017/18	2018/19
1. Impact Assessments	Monitoring and Evaluation site visits conducted by M&E Unit in Compliance Division to ensure that beneficiaries comply with the grant agreement stipulations for NLC to be able to process follow up tranche payments. The visits will also ensure that development objective targets of beneficiaries are met and documented.	Beneficiary operational sites	Speeds up the follow up tranche payments and provides beneficiaries with the necessary support for compliance Benefits NLC improves accountability	Sampling methodology implemented as such not all beneficiary sites visited. Not set as yet Visits are more in the form of policing than developmental.	70% of planned visits (Provincial Offices play integral role)	85% of planned visits achieved	100% site visits conducted
2. Regulatory enforcement	Involves Lottery environment scanning for illegal lotteries and society lotteries that are not registered with the NLC as the only lottery regulator in the country Also supports the Lottery operator eliminate illegal competition	South African Lottery industry	Lottery Operator	Regulatory Compliance Strategy and Policy only approved in 2014/15. Implementation due to occur in 2015/16	Implementation of controls to create awareness around illegal lotteries	Improve NLC SOL revenue by 10% on previous year's standard	100% compliance in the lottery industry
3. Compliance enforcement	Monitoring the activities of the Operator in accordance with the licence conditions	Lottery Players and Operator	Lottery players	3 rd Operator announced	Scorecard developed for measurability against licence agreement	75% compliance against Licence conditions	100% compliance with the lottery licence conditions

Key Services	Description of Service	Area where Service is performed	Intended Beneficiary	Current Standard 2014/15	Desired Standard		
					2015/16	2016/17	2017/18
1. Open Call for Application	Ensure clarity of guideline in line with regulations. Determination of development focuses areas. Ensure proper planning for the entire grant funding process	Grant funding	NLDTF beneficiaries and South African people	No standard set as yet Calls for applications are not focussed on and open to all. Guidelines not covering all important aspects of the funding. Call for applications not well coordinated across sectors	Implementation of the Grant Funding Model	80% compliance with Amended Bill and supporting regulations	100% compliance with Amended Bill and supporting regulations
2. Capacity Building	Enable beneficiary organisations to manage the grant and their organisations. Create ongoing awareness for beneficiaries about operations the NLC and NLDTF.	Grant Funding – Provincial Offices Communication and Marketing	NLC funded beneficiaries. General Public	No structured Capacity Building strategy. Education and Awareness is only done when there is a call for application and for a short period of time and covers only a small portion of what should be covered.	Focus on overall education and awareness campaigns, inclusive of Regulatory Compliance and transition of the organisation	Increased awareness and accessibility	Increased awareness and accessibility
3. Application Process	Ensure that applications are processed in the shortest possible time	Grant Funding	Applicants	Process takes too long and full of inconsistencies. The	Commencement of the 150 day recommended	80% adherence	100% adherence

	with strict adherence to the guidelines and regulations in a more consistent manner. The process must also be improved to detect fraud without compromising turnaround times.			process does not have efficient systems to deal with fraud detection.	regulation		
4. Application Adjudication	Consistent adjudication that observes regulations and guidelines. Adjudication that is cautious of financial risk when taking funding decisions. Adjudication that is quick and efficient.	Grant Funding	Beneficiaries and NLC reputation	Adjudication sometimes does not adhere to regulations, including PFMA. Adjudication takes longer than it should. Some allocated funding is not in line with what beneficiaries can manage, this exposes the organisation to misuse of funding and wasteful expenditure.	Implement verification framework. Ensure efficient workflow to full time DA's	3 day turnaround time for verification of applications	1 day turnaround time for verification of applications
5. Appeals Process	Process that relates to address declined grants for beneficiaries to be given a platform to clarify why decision should be revoked	Grant Funding & Board	Beneficiaries and NLC reputation	No standard set yet	Creation of acceptable standards	Implement timeframes for appeal	100% adherence to meeting timeframes

6. Deviations	Process to adjust expenditure items on the Grant Agreement	Grant Funding	Beneficiaries and NLC	No standard set yet	Creation of fully automated electronic GA's	Create deviation framework	Implement systems
7. Progress Report Process	Progress Report processing to be streamlined and supported by independent audit and Monitoring of project implementation. This will ensure quicker turnaround time in processing of reports.	Grant Funding and Compliance	Beneficiaries and NLC	Progress report process takes long and requires a lot of information that is not even verified by NLC officials. To improve on this item, NLC must appoint a panel of Auditors to audit all project funded, monitoring of project implementation must be a norm. The Focussed approach to funding will reduce volumes of applications and thereby create space for manageable workload.	BPR process recommendations to be taken into consideration	Implement strict timeframes for review of progress report – turnaround of 30 days	Review report within 14 working days
8. Signing of Grant Agreement	Grant Agreement Process duration must be shortened. The process must be automated.	Grant Funding	Beneficiaries and NLC	The process is long and done manually.	Decentralisation of services. Provincial offices to assist in facilitating the signing of GA's within 30 working days	GA's signed within 15 working days	GA's signed within 5 working days

Support Function Services

Key Services	Description of Service	Area where Service is performed	Intended Beneficiary	Current Standard 2014/15	Desired Standard		
					2015/16	2016/17	2017/18
1. Enquiry response time	Telephone enquiries	Contact Centre	External Stakeholders	74% achievement against industry standards	80%	85%	90%
	Letter enquiries	Contact Centre	External Stakeholders	Letters written within 3 working days	-	-	-
	Walk in enquiries	Contact Centre	External Stakeholders	Immediate attendance	-	-	-
2. Recruitment & Selection	Advertisement	Talent Management	Public	No standard Yet	Develop and Implementation	Review and Monitor	Review and Monitor
	Interviews	Talent Management	Public	No standard Yet	Develop and Implement implementation	Review and Monitor	Review and Monitor
	Selection	Talent Management	Public	No standards	Develop and Implement	Review and Monitor	Review and Monitor

Annexure E

Technical Indicator Descriptions

INDICATOR PROFILE	Objective 1 : Indicator 1.1
Indicator title	Number of collaborative partnerships established
Short definition	<p>Resolution 6 that emanates from the Indaba 2017 specified the need to “ensure that we strengthen NLC funded infrastructure projects through ensuring that subsequent operational delivery is supported by properly defined standards, established through consultation with the relevant government department/stakeholders”</p> <p>NLC will be entering into these partnerships through the establishment of Memorandum of Understandings (MOU's).</p> <p>It is envisaged that 4 MOU's will materialise in the financial year.</p>
Purpose/importance	To collectively ensure that communities are indeed uplifted through collaborative efforts
Source/collection of data	Number of signed MOU's
Method of calculation	Simple Count
Data limitations	Nil
Type of indicator	Outcomes
Calculation type	Cumulative
New indicator	Yes
Reporting cycle	Annual
Desired performance	Impactful funding
Indicator responsibility	COO

INDICATOR PROFILE	Objective 1 : Indicator 1.2
Indicator title	Number of stakeholder engagements conducted across the provinces
Short definition	<p>The stakeholder engagements relate to the area of education and awareness, capacity building as well as stakeholder management. Education and Awareness is a key area in the amended Lotteries Act. The engagements will cover several pertinent issues which includes will span over 10 workshops/engagements across provinces and will further seek to address the following:</p> <ul style="list-style-type: none"> • Regulatory Compliance (increasing awareness of society and other lotteries, enhancing monitoring & evaluation) • Capacity Building • Governance • Post Indaba Stakeholder Engagements (PISE) • Applying for Funding • Monitoring & Evaluation/Completing Progress Reports
Purpose/importance	Establishment of a platform for interaction with stakeholders on educating and creating awareness on NLC's dual mandate
Source/collection of data	Marketing and Communications and workshop reports Attendance registers at workshops
Method of calculation	Count of number of workshops conducted
Data limitations	Nil
Type of indicator	Outcomes
Calculation type	Cumulative
New indicator	Yes
Reporting cycle	Annual
Desired performance	Enhanced compliance with the Lotteries Act and promoting better access to funding
Indicator responsibility	COO

INDICATOR PROFILE	Objective 1 : Indicator 1.3
Indicator title	Develop Online Portal on the E-system Enterprise Wide Architecture Platform
Short definition	This target is a follow on from Phases 1 (Core Fusion) and 2 (GMS) of Project Dibanisa. It entails the development on an online portal to enable applicants to lodge their funding request online.
Purpose/importance	Easier Access. Beneficiary-centrism and taking NLC services to the people
Source/collection of data	Delivery of a functional online portal
Method of calculation	Online Platform
Data limitations	nil
Type of indicator	Outcomes
Calculation type	Non-cumulative
New indicator	No
Reporting cycle	Annually
Desired performance	Efficient and effective ICT System
Indicator responsibility	CIO

INDICATOR PROFILE	Objective 1 : Indicator 1.4
Indicator title	Number of organisation-wide ethical behaviour interventions
Short definition	This relates to the roll-out of ethical training and awareness interventions that may take the form of workshops/information sessions and electronic communication. The content of the sessions is aimed at creating awareness and a culture of ethical behaviour at the NLC. Three (3) workshops/information sessions will be conducted per quarter.
Purpose/importance	Establishment and sustainability of an ethical culture
Source/collection of data	Attendance registers, Workshop content
Method of calculation	Simple Count of the number of interventions that took place
Data limitations	Nil
Type of indicator	Activities
Calculation type	Non-cumulative
New indicator	Yes
Reporting cycle	Quarterly
Desired performance	High ethical culture established
Indicator responsibility	CS

INDICATOR PROFILE	Objective 2 : Indicator 2.1
Indicator title	Percentage disbursement of grants as per GNR644, 6(c)(iv)
Short definition	<p>This is the percentage of allocations that must be disbursed (paid) as per the regulation (GNR644)</p> <p>Payment must be effected within 60 days of receipt of compliant grant agreements.</p> <p>A grant agreement is deemed compliant if all stipulated conditions have been fulfilled, including the submission of banking details.</p>
Purpose/importance	Improve efficiency in the disbursement of grants
Source/collection of data	Finance Payment Records
Method of calculation	<p>75% of compliant grant agreements paid within 60 days of receipt. Days are calculated from the date of receipt of the grant agreement which is the date as stamped on the day it is received. Date of payment is reflected on finance records (usually EFT summary or online banking summary)</p>
Data limitations	Number of complete and compliant Grant Agreements received
Type of indicator	Outputs & Efficiency
Calculation type	Cumulative
New indicator	Yes
Reporting cycle	Annually
Desired performance	Efficient disbursements
Indicator responsibility	CFO

INDICATOR PROFILE	Objective 2 : Indicator 2.2
Indicator title	Percentage Return on Investments (ROI) of NLDTF Funds
Short definition	<p>This is the percentage of average return on investments on NLDTF funds in an effort to ensure sustainability of the organisation and to maximise funding available to good causes by generating alternate streams of revenue for NLC operating costs.</p> <p>The NLDTF Investment Strategy is key to understanding the indicator.</p>
Purpose/importance	Enhanced sustainability of the organisation
Source/collection of data	Financial records and statements
Method of calculation	$ROI = \text{Average Return} / \text{Average Capital Invested} \times 100$
Data limitations	Dependent on performance of fund
Type of indicator	Economy
Calculation type	Cumulative (Average over period)
New indicator	No
Reporting cycle	Annually
Desired performance	Maximise returns on investments
Indicator responsibility	CFO

INDICATOR PROFILE	Objective 2 : Indicator 2.3
Indicator title	Average Percentage of localised procurement
Short definition	This measures the percentage of goods and services procured by NLC provincial offices in order to stimulate growth of local businesses of the region in which the provincial offices operate.
Purpose/importance	Compliance with government priorities e.g The Broad Based Black Economic Empowerment Act, 2003 (No. 53 of 2003) (BBBEE), Local Procurement & Skills Transfer
Source/collection of data	SCM reports
Method of calculation	<p>SCM reports will provide base information of all procurement in the provinces. The calculation is based on an average percentage as follows:</p> <p><i>Total number of local transactions per province ÷ Total number of transactions for the province.</i></p> <p>Eg: Northern Cape had a total of 10 expenditure line items. Of the 10, 8 were procured from local suppliers. So: 8/10 = 80%. The same is applied for all provinces, excluding GP as it is located at Head Office.</p> <p>The final result is the average sum of the localised procurement of the 8 provinces.</p>
Data limitations	Lack of established suppliers in the regions
Type of indicator	Economy
Calculation type	Cumulative
New indicator	Yes
Reporting cycle	Quarterly
Desired performance	Compliance with government priorities
Indicator responsibility	CFO

INDICATOR PROFILE	Objective 3 : Indicator 3.1
Indicator title	Percentage investigations on reported and identified illegal lotteries
Short definition	<p>Illegal lotteries contravene the provisions of the Act and its applicable regulations and related statutes. The matter of illegal lotteries has a direct bearing on an enabling environment for the National Lottery in that it affects the revenue generated from ticket sales. Illegal schemes continue to create significant competition for the National Lottery and further create confusion to lottery players.</p> <p>Illegal lotteries are identified through:</p> <ol style="list-style-type: none"> 1. Scanning of print and electronic media 2. Reported cases by members of the public
Purpose/importance	To implement relevant initiatives in order to ensure compliance to the Lotteries Act
Source/collection of data	The identified illegal lottery schemes will be documented by the Compliance Division and reports presented at monthly Exco meetings. The division will also compile records of the investigated illegal lotteries.
Method of calculation	95% of the total number of reported schemes (reported and identified cases) to be investigated
Data limitations	Limitations in Legislation in that NLC does not have enforcement powers
Type of indicator	Impact & Outcomes
Calculation type	Cumulative
New indicator	No
Reporting cycle	Annually
Desired performance	Compliance with Lotteries Act
Indicator responsibility	EMRC

INDICATOR PROFILE	Objective 3: Indicator 3.2
Indicator title	Implement the 3 rd National Lottery licence monitoring matrix/scorecard
Short definition	3rd Lottery Licence In the financial year NLC will implement a performance matrix/scorecard in order to monitor the performance as well as compliance aspects pertaining to the appointed National Lottery operator.
Purpose/importance	Continuity of the National Lottery in order to raise funds for distribution to good causes
Source/collection of data	Compliance division – reports on the performance of the operator
Method of calculation	Performance matrix/scorecard
Data limitations	Nil
Type of indicator	Activities and Effectiveness
Calculation type	Non-cumulative
New indicator	No
Reporting cycle	Annually
Desired performance	Optimum compliance of the National Lottery operator
Indicator responsibility	EMRC

INDICATOR PROFILE	Objective 3: Indicator 3.3
Indicator title	Develop a model for society lotteries
Short definition	<p>A society lottery is run by organisations that are registered to raise funds from the public. They are typically advertised in the media or promoted in public spaces. Societies conducting these lotteries need to register with the NLC and meet certain conditions.</p> <p>The 2017 Stakeholder Indaba alluded to the need for the extension of the current beneficiary capacity initiatives to include society lotteries. This is intended to create awareness of society lotteries and to limit the dependency of NPO's on purely NLC funding. It is also aimed at ensuring sustainability of NPO's by generating alternate revenue streams.</p> <p>In developing a model, the division will ensure that it is aligned to best practices in order to fully equip beneficiaries in raising alternate funds through society lotteries.</p>
Purpose/importance	Sustainability
Source/collection of data	Production of the Society Lotteries Model Report
Method of calculation	Board Approval of Society Lotteries Model Report
Data limitations	Nil
Type of indicator	Output
Calculation type	Cumulative
New indicator	Yes
Reporting cycle	Annually
Desired performance	Increase in the uptake of society lotteries
Indicator responsibility	EMRC

INDICATOR PROFILE	Objective 4 : Indicator 4.1
Indicator title	Percentage of applications adjudicated within 150 days [Regulation 3A(1)(a)]
Short definition	<p>Regulation 3A. (1) reads as follows:</p> <p><i>In assessing an application for a grant in accordance with Regulation (3)(b), a Distribution Agency must: -</i></p> <p><i>(a) finalise its adjudication within hundred and fifty (150) calendar days from the date of receipt of the application;</i></p> <p>In essence, the regulation grants the NLC a period of 150 calendar days to finalise adjudication of an application. The time of measurement commences on the date of submission of the application for funding.</p> <p>The calculation does not take into consideration applications that may warrant additional information such as those where the Distributing Agency may request additional information.</p>
Purpose/importance	Improved turnaround times and service delivery
Source/collection of data	Application statistics derived from the GMS
Method of calculation	98% of applications adjudicated within the 150 days turnaround time
Data limitations	Dependency on full time DA's
Type of indicator	Efficiency
Calculation type	Cumulative
New indicator	Yes
Reporting cycle	Annual
Desired performance	Effective and timeous distribution of funds to good causes
Indicator responsibility	COO

INDICATOR PROFILE	Objective 4 : Indicator 4.2
Indicator title	Percentage allocation of grant funding to provinces
Short definition	<p>GNR 182-Minimum of 5% grant funding allocated to each province</p> <p>The regulation states:</p> <p><i>“Any agency shall for the purposes of Section 32(1)(b) of the Act in considering grant applications ensure that not less than five percent of the total amount at the disposal of the agency for grants, shall in any financial year of the board be allocated for distribution in respect of every province o the Republic.”</i></p>
Purpose/importance	Fair and equitable distribution of funds in line with GNR182
Source/collection of data	GMS/grant statistics report
Method of calculation	<p>In line with prescribed minimum 5% per province based on hard and soft allocations (where relevant).</p> <p>Calculation is as follows: 5% of the overall NLDTF budget for the financial period is the minimum that must be allocated to the province.</p> <p>E.g. Total NLDTF budget for the year = R1.6billion 5% of R1.6b = R80million</p>
Data limitations	Dependency on the number of applications that fall within the funding scope
Type of indicator	Impact
Calculation type	Cumulative
New indicator	No
Reporting cycle	Annually
Desired performance	Compliance with GNR182
Indicator responsibility	COO

INDICATOR PROFILE	Objective 4 : Indicator 4.3
Indicator title	Number of monitoring and evaluation site visits conducted
Short definition	<p>NLC has strengthened its monitoring and evaluation systems to enable the organization to better measure the impact of funding.</p> <p>The M&E division will in the year implement their Monitoring and Evaluation plan by conducting 2500 impact assessments to beneficiaries as per the framework.</p> <p>The assessments will be conducted on a sample from all 4 sectors (Charities, Arts, Sports & Misc) and includes pre and post grant site visits.</p>
Purpose/importance	It ensures that there is proper monitoring and evaluation for funded organisations to maximise impact of funding granted for good causes
Source/collection of data	M & E reports
Method of calculation	Count of the number of site visits
Data limitations	Number of beneficiaries that comply with M&E requirements
Type of indicator	Impact and Outcomes
Calculation type	Cumulative
New indicator	No
Reporting cycle	Annual
Desired performance	Measurability of impact of NLDTF funding
Indicator responsibility	COO

INDICATOR PROFILE	Objective 4 : Indicator 4.4
Indicator title	Number of provincial Impact evaluation study
Short definition	M&E will undertake an impact evaluation study in 4 provinces in order to assess the impact of NLC funding. This will be presented in a consolidated report that will be tabled at a Board meeting for approval.
Purpose/importance	Assess the effectiveness of NLC funding
Source/collection of data	M & E evaluation report
Method of calculation	Count of the number of provinces
Data limitations	nil
Type of indicator	Impact and Outcomes
Calculation type	Cumulative
New indicator	No
Reporting cycle	Annual
Desired performance	Measurability of impact of NLDTF funding
Indicator responsibility	COO