

# Corporate Governance Report

The Board has ushered in a formal Code of Ethics ("Code") which is in line with good corporate governance. The Board believes that the Code prescribes the minimum framework for governance of the organisation and institutionalises the spirit it entails. The Board recognises that transparency, disclosure, financial controls and accountability remain the pillars of a good system of corporate governance.

## 1. Board Members

In terms of section 67 of the National Gambling Act, No. 7 of 2004, the composition of the Board shall not be less than five non-executive board members, and four other members representing different government departments.

### 1.1 Constitution of the Board

The National Gambling Board (NGB) is a public entity within the meaning of section 1 of the Public Finance Management Act (PFMA) No. 1 of 1999. Members are governed by the Code and terms of reference, which have been enhanced to ensure that the entity operates efficiently and effectively.

### 1.2 Composition of the Board

As at 31 March 2010, the Board comprised of nine board members, three of which have been nominated by the government departments as independent non-executive members. The CEO of the entity is an *ex officio* member of the Board. The Deputy Chairperson continued to execute executive functions acting as CEO of the entity for the year under review. However, these were not performed as in a dual role. The responsibilities of the Deputy Chairperson were shared among non-executive board members. The Board members bring to the Board a wide range of experience and skills. The composition of the Board also meets the requirements of the Code.

### 1.3 Responsibilities

The primary role of the Board is that of being an accounting authority and trusteeship to protect and enhance service delivery as espoused in the business plan. The Board ensures that the entity has clear goals and policies. The Board oversees the entity's strategic direction and reviews its performance, authorises and monitors implementation of strategic decisions, ensures legislative compliance and safeguards the entity's resources. The Board ensures that the entity is managed in a manner that fulfills stakeholders' aspirations and expectations. The board members also ensure that as independent members, their other responsibilities do not impinge on their responsibilities as board members of the NGB.

The Board held six (6) meetings during the period under review.

### 1.4 Compliance

The Board ensures adherence to applicable legislation, provisions of the law, rules and regulations, National Treasury prescribed guidelines, etc. It further ensures compliance to all applicable provisions of the relevant Acts and statutory requirements whenever necessary. With the release of King III on governance on 1 September 2009, and the promulgation of the overhauled Companies Act, the Board strives to embrace its principles by implementing and applying them in all spheres. The Board engages the recommendations of the King Report on Governance 2009 by applying the general practices of corporate governance as espoused therein and ensuring conformity and compliance thereto.

## 2. Committees of the Board

The Board has established the following Committees:

### (i) Board Committee

The full Board convenes at least once a quarter to deal and address strategic issues relevant to the business of the Board in pursuit of its mandate. The Chairperson leads the Board, while ensuring that each member is able to make an effective contribution. She monitors, with assistance from the Secretariat, the information distributed to the Board to ensure that it is sufficient, accurate, timely and clear. The CEO maintains day-to-day management responsibilities for the organisation's operations, implementing strategies and policies agreed by the Board as a whole.

### The role of non-executive members

All non-executive members are independent of management and free from any business or other relationship which could materially influence their objectivity and good governance and judgment while executing the mandate of the entity.

### Assessment of Board's performance

The Board has conducted a formal evaluation of its performance and the performance of its committees and that of individual members. At year end, the Secretariat facilitated a self evaluation exercise for all members. The questionnaire focuses on the operation of the Board and its committees and on individual members' contributions. A summary of the responses is prepared by the Secretariat and discussed at each board meeting.

### Board and Staff Skills Development

One critical area covered by the Board evaluation questionnaire relates to the training needs of the staff and non-executive members. Regular business trips (i.e. international conferences) assist staff and board members in familiarising themselves with a balanced overview of the business of the board, the environment within which it operates together with its relationships with stakeholders, and builds a rapport and link with the organisation's employees.

Skills development is important in helping the board members and staff to continually develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. Account is taken of environmental, social and governance matters in the training of members.

Board member	Number of meetings	Attended meetings
Mr C.L. Fismer (Chairperson)**	6	4
Ms M.A.F. Moja (Deputy Chairperson)*	6	6
Adv T.N. Aboobaker	6	5
Prof L. de Vries***	6	5
Ms Z. Nhlapo	6	4
Ms N. Maseti	6	5
Mr M. Macebele	6	5
Mr A. Keyser	6	6
J.W. Meiring	6	6
B.P. Tyawa (CEO appointed 1 <sup>st</sup> July 2010)	0	0

\*\*Term of office ended on 31 December 2009

\*\*\*Appointed Acting Chairperson effective 02 February 2010

\*Acting CEO since September 2007 until 30 June 2010

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(continued)

## ii) Human Resource Committee(HRCO)

The HRCO has been established to assist the Board in establishing policies and programmes to attract, retain and motivate staff necessary for the organisations' current and long-term success. The Committee reports directly to the main Board. The Acting Chairperson of the Board chairs the Committee and two other board members serve on the Committee.

During the year under review, the Committee held two (2) meetings and attendance at the meeting was as follows:

HRCO member	Number of meetings held	Number of attended meetings
Prof de Vries (Acting Chairperson)	2	2
Ms Z Nhlapo	2	1
JW Meiring	2	2

The senior executives, CEO, COO and CFO are *ex officio* members of the committee.

## iii) Audit Committee

The Audit Committee plays a pivotal role in overseeing, monitoring and advising the Board and management internal auditors in conducting audits and the preparation of financial statements, subject to the ultimate approval/authority of the Board. It further ensures accountability by management and internal and external auditors and ensures that each of the parties involved understand their roles clearly. It is constituted in terms of the PFMA, National Treasury regulations and sound corporate governance practices within the relevant national framework. The Audit Committee meets quarterly and is chaired by Ms Gerdileen Taylor. (Refer Audit Committee report for Committee members).

The committee's activities are governed by an Audit Charter and reports to the Board.

The appointed internal auditors' term of office of three (3) years will be coming to an end at the end of September 2010.

## (iv) Investment Committee

The primary object of the committee is to assist the Board in fulfilling its responsibilities relating to the performance of surplus funds. It serves as an independent and objective body to review the investment policy and its implementation while managing related issues.

The Committee is constituted of the same members as the HRCO and it reports to the Board.

## (v) Risk Committee

This Committee's role is to assess and monitor all risks relating to the organisation and act on audit recommendations relating to risk management and reports to the Audit Committee. It is comprised of management of different levels (risk owners).

#### **(iv) Tender Committee**

The Tender Committee, established in terms of the Public Finance Management Act, No. 1 of 1999 and the Preferential Procurement Policy Framework (PPPF) Act, No. 5 of 2000 is chaired by the Chief Financial Officer and assists the Board with evaluating and approving tenders above R200, 000 for all services and products procured by the Board. The entity appointed the Supply Chain Management officer who is responsible for the procurement functions in terms of the National Treasury Framework.

#### **(v) Special Committee on detection and suppression of illegal gambling**

The Special Committee ("SpeCom") was constituted to be the sounding board for the Board on critical issues relating to the intelligence on the detection and suppression of illegal gambling activities in South Africa. It aims to provide policy guidance and advice while maintaining the highest degree of confidentiality at all material times. The SpeCom shall facilitate the sharing of information amongst its members and make recommendations to the Board and relevant law enforcement agencies for consideration and adoption.

### **4. Disclosures**

The Board entered into a number of transactions with other parties which contain (i) payment to companies with agreements to render services for which the organisation has to deliver on; and (ii) remuneration to key management personnel.

The Board further follows a formal management policy and system of legal compliance and reporting to facilitate periodic reviews by the Board of compliance status of laws applicable to the entity and steps taken to rectify non compliance issues if any. There were no instances of material non compliance and no penalties were imposed on the entity by other statutory authorities i.e. SARS on any related matter during the year under review.

#### **CEO'S Position**

The Board embarked on a process of appointing a permanent CEO to the Board in consultation with the Minister. The appointed CEO assumed office as of the 1<sup>st</sup> of July 2010.

### **5. Means of Communication**

The organisation has a communication strategy which it upholds to ensure transparency between the Board and all relevant stakeholders.