



National Gambling Board  
*South Africa*

---

a member of **the dti** group



PROVIDING LEADERSHIP IN A DYNAMIC GAMBLING INDUSTRY

Annual Report - 2011/12

## ***Vision***

To position South Africa as the pre-eminent jurisdiction with an exemplary and effectively regulated gambling industry.

## ***Mission***

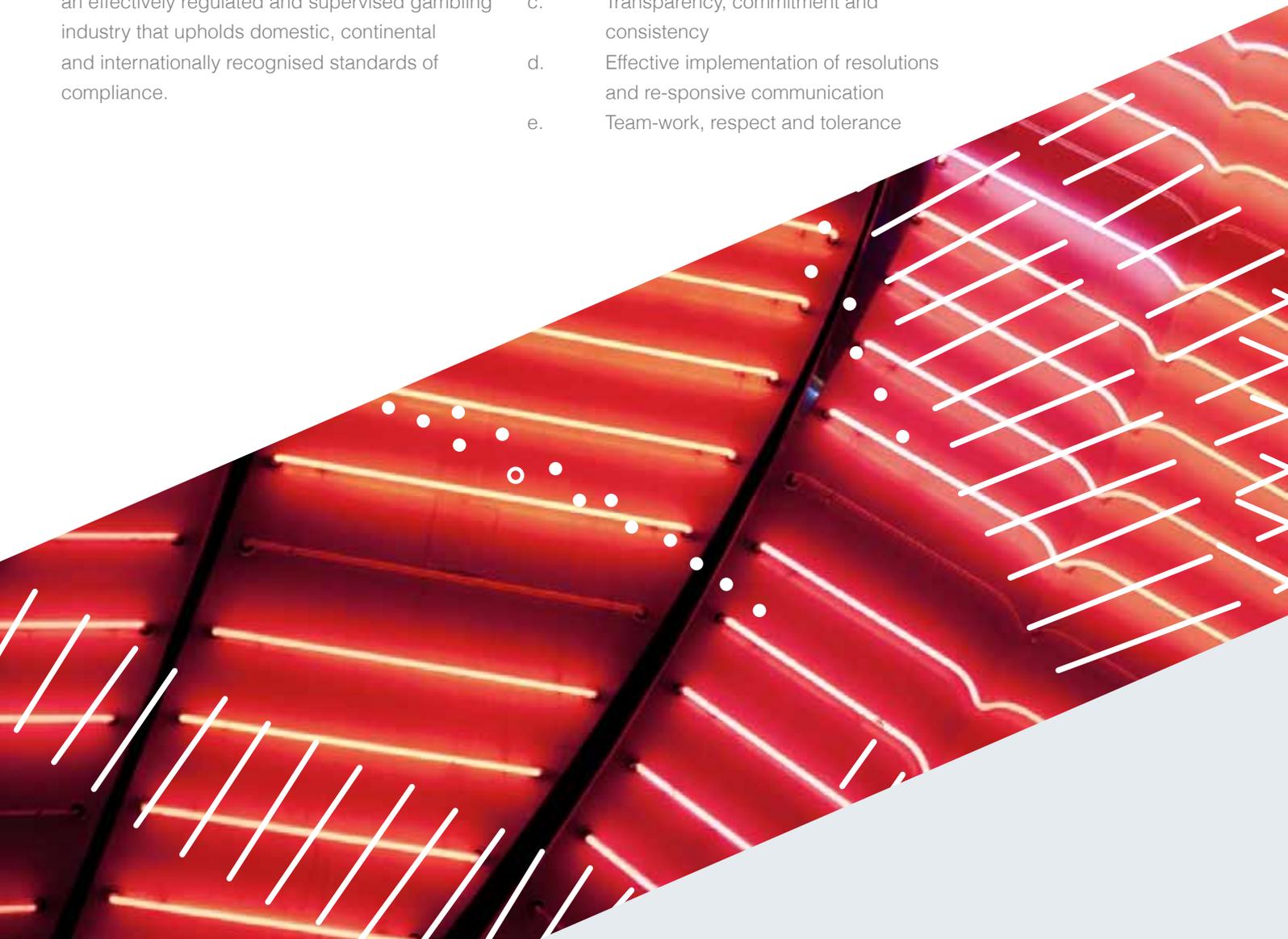
Lead the regulation of the gambling industry in South Africa in the fulfilment of the National Gambling Act, 2004 (Act No. 7 of 2004) through an effectively regulated and supervised gambling industry that upholds domestic, continental and internationally recognised standards of compliance.

## ***Values***

The National Gambling Board consists of a unitary board of executive and non-executive directors who bring in expertise and knowledge into the NGB and provide broader strategic direction to the organisation's activities.

The leadership ethos of the Board is underpinned by:

- a. Professionalism
- b. Moral integrity
- c. Transparency, commitment and consistency
- d. Effective implementation of resolutions and re-sponsive communication
- e. Team-work, respect and tolerance





# Contents

## **Part one**

05	Submission of the Annual Report to the Executive Authority
06	Minister's Statement
08	Chairperson's Report
10	Chief Executive Officer's Report
15	Corporate Governance Report
19	Programme Performance
25	Compliance and Oversight Report
26	Financial Overview
28	HR Management Oversight Report

## **Part two**

38	Report of the Audit and Risk Committee
40	Report of the Auditor-General
44	Statement of Financial Position
45	Statement of Financial Performance
46	Statement of Changes in Net Assets
47	Cash Flow Statement
48	Accounting Policies
56	Notes to the Annual Financial Statements

## **Part three**

69	Gambling Statistics
----	---------------------

## The new NGB Corporate Identity



# National Gambling Board

*South Africa*

a member of **the dti** group

The design abstractly portrays the NGB as first and foremost a transparent regulatory authority which is balanced and dynamic.

The stylisation of the letter “G” in NGB is abstracted into a “rotation effect” which relates directly to the idea of regulation. The impression of motion depicts a dynamic and efficient organisation. The fact that a spinning motion revolves around a central axis demonstrates that the NGB is a focused action-taking leader in its scope of operation. The parts of the “G” are essentially equal to each other and form a mirror image portraying balance and equality.

The entire logo is split diagonally through the middle by a line created by the negative space (i.e. unused space or white space). The fact that the design depicts this without having to literally portray a physical line, represents a brand that is sophisticated, innovative and visionary. The diagonal line rises from bottom left to top-right which is associated with positivity, growth and foresight (as graphs depicting growth rise from bottom left to top right). Because of the diagonal line being so clear and transcending, the full shape of the design is indicative of the NGB’s transparency and fairness.

31 July 2012

Dr. Rob Davies  
Minister of Trade and Industry  
Trade and Industry  
120 Plein Street  
6th Floor  
Cape Town

Dear Minister Davies

**Submission of the National Gambling Board (NGB) Annual  
Report 2011/12**

The NGB Board has pleasure in submitting the Annual Report for the financial year 2011/12. This report is presented in compliance with the Public Finance Management Act, Act no 1 of 1999, as amended.

In this report, the Board reviewed its activities and highlighted business progress over the past financial year; the Board also considered all its challenges and weaknesses with the view to address them. Special insight is given into the vast scope of the mandate, regulatory framework and oversight function of the Board. The Board therefore request your honourable self to proceed to table this report before Parliament.

On behalf of the Board and management we wish to thank you for your continued guidance and support to the NGB as your agency.

Yours sincerely



Prof L de Vries  
Chairperson



Regulating the gambling industry in South Africa has become more complex as new gambling technologies develop. To meet these new challenges the Gambling Review Commission was appointed to assess the implementation of the now repealed National Gambling Act No 33 of 1996 and the National Gambling Act No 7 of 2004 and to provide indicators on the shortcomings of the existing legislative framework.

The commission's Report had been considered by the National Assembly and is now before the National Council of Provinces. Concurrent to these processes, a number of critical matters pertaining to gambling have also been dealt with in the National Gambling Policy Council.

Critical are matters relating to new modes of gambling, and the need to harmonise the regulation of gambling by developing minimum national norms and standards not currently covered by the Act. In this regard, the emergence of online betting has exposed gaps in the existing regulatory framework.

I am pleased that the NGB has produced various research reports that provide evidence based data on the size and shape of gambling as well as the frequency and patterns of gambling in the country.

Continuous research in the incidence of gambling must continue to be a tool to assess the social and economic impact of gambling, in order to maintain a well regulated industry that contributes to the economy of the country while ensuring that gambling takes place in an environment that protects the public at large from overstimulation of latent demand for gambling.

“The importance of a national regulatory framework within the country is essential given the unique challenges of concurrent legislation”

Finally, the importance of a national regulatory framework is essential given the unique challenges of concurrent legislation. A well regulated national industry would not have been possible without a national institution such as the NGB – that ensures that the gambling industry adheres to best regulatory practice entrenched in the Act.

A handwritten signature in black ink, appearing to read 'R. Davies', with a stylized flourish extending to the right.

*Dr Rob Davies, MP*  
*Minister of Trade and Industry*



“All the activities to be implemented and imminent changes in legislation are aimed at creating a balance between the generating of revenue and protecting the public against proliferation of gambling activities.”

Regulating gambling in the 21<sup>st</sup> century remains one of the biggest challenges for South Africa. The existing concurrent legislative mandates between the National Gambling Board (NGB) and the Provincial Gambling Boards (PGBs) reinforce the resultant obstacles. The process of reviewing the National Gambling Act, 2004 (Act No 7 of 2004) is underway and it is anticipated that, once in place, the revised Act will outline improved gambling regulation and compliance principles. The Department of Trade and Industry (the dti), the policy-maker to which the NGB reports, has committed to make resources available to ensure that revised legislation is in place. Consultation with the PGBs has commenced and more engagements with the gambling industry will take place. Consultations will enable the NGB to gain more insight into the complexities of gambling operations and regulations, and to brainstorm on how to formally close the gaps through legislation.

One of the biggest challenges that is facing regulators, is illegal and online gambling. The NGB works with law enforcement agencies that ensure that they confiscate the illegal machines and ensure that the perpetrators are charged accordingly. However, adequate capacity and personnel who understand gambling and legislation within these agencies, also hinder the Board's ability to curb illegal gambling. As part of the strategy to suppress illegal gambling in the country, training of inspectors from law enforcement agencies on the issues of gambling regulation, is one of the key activities to be implemented in order to ensure that arrests are done rightfully. A national task team will implement the illegal gambling strategy and report to the Board on terms as agreed upon.

In terms of online gambling, consultations and discussions with the dti and the Parliamentary Trade and Industry Portfolio Committee will be structured and guided by the outcomes of the public hearings in

the Gambling Review Commission's report and this will be an ongoing process. The Board deems it necessary to embark on extensive desk research during the next financial year (2012/13) and also to identify jurisdictions that have already legalised online gambling to learn from. These jurisdictions will likely be those with similar demographics to those of South Africa and some who have stringent regulations such as ours. The planned training will also form part of NGB's Organisational Training and Development Programme for staff and Board members and it is informed by the organisation reengineering. The aim is also to ensure that specific capacity for online gambling is available to the Board and its staff, in order to take an informed decision on whether this form of gambling should be legalised in South Africa in future and how to best regulate it.

All the activities to be implemented and imminent changes in legislation are aimed at creating a balance between the generating of revenue and protecting the public against proliferation of gambling activities. It is for this reason that Provincial Gambling Boards are also required to assess their licensing processes against their socio-economic environments and not to license for the sake of increasing gambling offerings in order to make profits. There has to be a balance between the government Programme of Action and gambling regulation objectives. The research commissioned by the NGB should be a key resource used to determine the number of licences to be issued for various localities in the provinces.

The Board is now fully appointed. The Minister appointed four new Board members, namely Ms Nana Magomola (Deputy Chairperson), Dr Constance Kganakga, Prof Sipiwe Nzimande and Ms Thezi Mabuza who represents the dti. These members bring with them diverse expertise gained in various areas such as legal, human resources, strategic planning, financial management, policy and research. As a result,

all the Board's subcommittees are in place, namely the Research and Ethics Committee, the Risk and Audit Committee, the Chairpersons Subcommittee, the Legal Committee and the Compliance Committee. Most of these committees have already made significant contributions to the mandate of the NGB and their work is ongoing.

The Board's work and levels of achieving output, as outlined in the strategic plan, were influenced by the GRC report and the organisational reengineering. Work was done and milestones recorded, irrespective of the human resources and financial constraints that the Board experienced.

I would like to thank all the Board members and staff for their contributions during this reporting year and look forward to more vibrant discussions and informed deliberations on the activities outlined in our five-year strategic plan.

Finally, I would like to thank the Ministry of the dti for the continuous support the NGB, as its agency, receives from them.



*Prof Linda de Vries*  
**NGB: Chairperson**



“Our research tracks the prevalence of gambling in the country and also informs our marketing and communication initiatives.”

During the past financial year, the National Gambling Board (NGB) implemented a number of activities in order to realise the output which are outlined in its Strategic Plan for 2010 to 2014.

The key focus of the NGB was the implementation of activities related to the organisational reengineering. Most of the activities were aimed at building our capacity in order to meet the needs of our stakeholder, namely Government, Provincial Gambling Boards (PGBs), the gambling industry and the public. The development of our human resources will ensure that the NGB equips itself with the imminent changes in legislation, thereby maintaining a well-regulated gambling industry as well as provide leadership to the Gaming Regulators Africa Forum (GRAF).

To build capacity on a continental level, the NGB facilitated a symposium on the regulatory processes and the casino and gaming industries of Southern Africa, offered by the Institute for the Study of Gambling and Commercial Gaming of the University of Nevada, Reno. It took place from 28 October 2011 to 1 November 2011 and forty regulators from some GRAF member states participated.

As we are building our knowledge and capacity in order to effectively regulate our gambling industry, we continue to be plagued by the effects of rapid technological developments which affect gambling regulators and the public. As the custodian of gambling regulation in South Africa, the NGB developed a strategy to curb illegal gambling, including online gambling. We continue to strengthen co-operation between the NGB and law enforcement agencies we anticipate that a Memorandum of Understanding that will govern our relationship, will be realised soon.

The NGB participated actively in the Gambling Review Commission (GRC) Parliamentary public consultation as well as its working committee. The main focus was on the presentation of the first draft uniform norms and standards critical to harmonise the regulatory environment. Participants also focused on the presentation to the same committee, on the status of online gambling in the country with measures necessary to address illegal Interactive Gambling (IG) activities. The process of concluding the GRC recommendations which is now with the National Council of Provinces, is likely to influence the implementation of some of the key strategic activities of the NGB. However, it should be noted that work to overhaul the principal act and evolving a national framework will proceed as per **the dti** commitment.

In light of the prevalence of online gambling in other jurisdictions and its illegal status in South Africa, the NGB presented a concept paper on online gambling to the Trade and Industry Parliamentary Committee in order to share the pros and cons of legalising this mode of gambling. The paper provided a platform for debate on how the country can benefit from legalising online gambling.

The NGB also spearheaded the process of ensuring that the entire industry achieves a level 2 B-BBEE status in terms of the Department of Trade and Industry's Code of Good Practice. As a result, the NGB worked with the B-BBEE unit of the Department of Trade and Industry (the dti) to structure the Code of Good Practice and to create a portal that is industry-specific and tracks the implementation of B-BBEE within the gambling industry. To date, manufacturers of gambling machines were given training on the use of the portal as well regulators; the new codes of good practice were shared with the sectors of the industry and the NGB developed an interactive compliance

monitoring system to assess the extent to which the PGBs are complying with the Principal Act.

The NGB also developed comprehensive criteria on the approval of Limited Payout Machines in excess of five. Consultations on the criteria took place with Provincial Gambling Boards and will be signed off by the NGB for implementation.

In light of the lack of a national framework for the regulation of Bingo and the resolution of the National Gambling Policy Council (NGPC) meeting in March 2011, the NGB drafted a national regulation framework with a proposed policy and submitted it to the dti as the department will drive the processes on this matter.

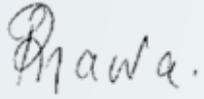
Our research tracks the prevalence of gambling in the country and also informs our marketing and communication initiatives. In order to create a central and reliable information hub, the NGB developed an information dashboard which provides information and statistics on the gambling industry such as ownership, employment, gross gaming revenue and other variables. The dashboard was shared with all PGBs, Chairpersons of Boards as well as the NGPC.

A Corporate Communication strategy for the period was approved by the Board. The implementation of the strategy started in the latter part of the year and some of the activities includes linking approximately 45 community radio stations in order to create public awareness on the mandate of the NGB and gambling-related issues affecting communities, and the redesign and re-launch of the NGB logo and website.

Communication on the illegal online activities was heightened during the past year. The NGB participated in a public participation programme of the dti and CONTRALESA in Gauteng, the Eastern

Cape and Limpopo, a programme led by Deputy Minister Thabethe. The NGB derived much media coverage profiling its work.

I am pleased to report that the NGB has also reviewed its logo which is protected in terms of the Merchandise Marks Act, 1941 (Act 17 of 1941). In line with the reengineering, the design abstractly portrays the NGB as, first and foremost, a transparent regulatory authority which is balanced and dynamic.



*Baby Tyawa*  
*Chief Executive Officer*

# Board Members



**Front:** Seated: Ms T Mabuza (Board Member); Ms N Magomola (Board Deputy Chairperson); Prof L de Vries (Board Chairperson);  
Dr NC Kganakga (Board Member).

**Back:** Mr. AF Keyser (Board Member); Prof V Nzimande (Board Member); Ms Baby Tyawa (CEO & Exofficio Member) Adv TN Aboobaker (Board Member);  
Mr. MC Macebele (Board Member);

**Insert:** Major General JW Meiring (Board Member).



**M Emily Ntsowe**  
Chief Financial Officer



**T Marasha**  
Chief Compliance Officer



**K Kleinbooï**  
Chief Stakeholder Officer



**S Mthombeni**  
Senior Manager: Supply  
Chain Management



**M Burns**  
Snr. Manager: Compliance  
Strategy Management



**E Machabaphala**  
Senior Manager: Racing  
and Betting Compliance



**T Mokoena**  
Senior Manager: Human  
Capital Optimisation



**T Polaki**  
Senior Manager: Board  
Legal Advisor



**E Jonkheid**  
Snr. Manager: Research &  
Information



**M Maponya**  
Compliance Manager:  
Casinos, LPMs and Bingos



**T Mlobedzi**  
Finance: Corporate  
Services Administrator



**M Mangwanatala**  
Corporate Services  
Administrator (HR)



**M Mahawane**  
Compliance  
Administrative Specialist



**P Makamo**  
Administrator: Research  
& Information



**K Makopo**  
Board Secretary: Industry  
Administrator



**T Rabekane**  
Board Secretary



**S Mhlongo**  
IT Systems Support  
Officer



**B Radebe**  
PA to: Chief Financial  
Officer



**M Matlala**  
PA to Chief Executive  
Officer



**T Kgobe**  
PA to: Chief Compliance  
Officer



**B Leola**  
Receptionist



**M Lekala**  
General Office Assistant

The NGB has a fully constituted Board of nine members who all serve for a specified term of three years. It is an effective corporate body which maintains responsible, value-driven management principles and upholds the highest governance standards exercised through good stakeholder relations, effective co-operation between the Board and the dti, transparent reporting and a system of performance information.

The monitoring and assessment of certain governance matters within the Board were allocated to different committees which operate under defined terms of reference and are required to report to the main Board on a regular basis. The Board found it necessary to reconstitute and establish various committees to enable it to achieve its strategy and mandate. The members were all inducted on their roles and responsibilities and strategy of the Board as it existed. The composition of the committees during the financial year 2011/2012 is set out below.

#### **Audit Committee**

Invariably all members of the Audit and Risk Committee Audit and Risk Committee are independent non-executive members. The Committee currently comprises five independent non-executive members (including the chairperson) who all have substantial experience in the fields of accounting, auditing, business, governance and regulatory affairs. The Committee is responsible for monitoring the financial reporting, accounting, risk management and internal control aspects of the Board. It has full access to the Board's internal audit function to hear directly all concerns pertaining to or that may arise during the course of the Board's work. The Committee also has access to the external audit functionary and continuously liaise with the Auditor-General. Its authority and duties are set out in the Audit and Risk Committee Audit and Risk Committee Charter.

“The NGB Board is an effective corporate body which maintains responsible, value-driven management principles and upholds the highest governance standards exercised through good stakeholder relations, effective co-operation between the Board and the dti, transparent reporting and a system of performance information.”

During the year under review, four meetings were held to discuss and review the following matters:

- (a) the Annual Financial Statements (AFS) of the 2010/11 financial year to ensure that related disclosures in the financial statements were complete, accurate and fair and complied with accounting standards and to submit to the Board for approval;
- (b) the principal financial policies adopted by the Board;
- (c) the work executed by the Auditor-General, the relevant fees and terms, results of audits performed and appropriate actions required regarding any significant control weaknesses;
- (d) the Board's report with regard to compliance with applicable laws and regulations, audit plan, work performed and ongoing status reports, the overall adequacy and effectiveness of the internal control and risk management systems, the status of the funded and unfunded defined activities, including the review and amendment of the Audit and Risk Committee Audit and Risk Committee charter.

#### **Human Resource and Remuneration Committee**

The Board reconstituted and convened the Human Resource and Remuneration Committee, which consists of three independent non-executive members (including the chairperson of the Committee). In the opinion of the Board, it is important for the stability of and beneficial to the growth of the organisation that there is, and is seen to be, continuity of leadership in the membership of the committees. Consequently, that the chairperson of the Board also serves as an ordinary member

of the HR and Remuneration committee. The Committee determines the compensation structure of managements and monitors the policies being applied in remunerating senior executives. It also has a responsibility for reviewing and making appropriate recommendations to the Board on management development and succession plans for executive senior management. Its authority and duties are set out in its terms of reference. In view of the fact that the Board has recently undergone a reengineering restructure process, it is still in the process of putting in place systems that will ensure that its performance management system is clearly aligned to interests of the Board, scope of responsibilities, performance and contributions made by staff as a whole. For this reason, it has not declared any performance-based incentives for staff for the year under review.

Two meetings were held during the 2011/12 financial year. The Committee addressed, amongst other issues, a comprehensive training and development plan, HR recruitment strategy, recruitment plans and a skills audit.

#### **Legal and Compliance Committee**

During the financial year, the Committee met on five occasions. The following sets out a summary of work performed by the committee during the year under review:

- (a) Review and consideration of the comprehensive illegal gambling strategy for the country;
- (b) Draft uniform norms and standards for stakeholder consultation; and
- (c) A review and amendments to the national criterion and guidance notes of the national applications for limited payout machines in excess of five, consideration over applications

by provincial licensing authorities ("PLAs") of LPMs in excess of five emanating from various provinces, legislative gap analysis with a view of informing the overhaul of the national legislative framework, conceptualisation of bingo policy and regulatory framework, compliance reviews over PLAs and recommendations to the dti and terms of reference of the Committee.

### **Research and Ethics Committee**

The Committee comprises three members with the CEO sitting as an ex officio member. The Committee is intended to guide staff on conducting research, review and approve research undertaken by the Board within the ethics and research framework, policies, procedures and reports to the main Board on the effectiveness and implementation of outcomes related thereto. It also acts as an administrative mechanism for the Board to ensure the maintenance of standards of ethics within the Board as a whole. During the period under review, the Committee met once following its constitution.

### **Chairperson Committee**

The Committee is constituted of all chairpersons of subcommittees of the Board. It is intended to guide and control the overall direction of the business of the Board and to ensure the health of the organisation as well as reflect on matters of organisational development. The Committee is responsible for making recommendations to the Board on, among other things, strategic priorities in line with the government priorities outlined in the State of the Nation address and the extent to which the NGB meets the service delivery agreement from the dti strategy. The Committee met four times during the period under review.

### **The Board**

The NGB Board The Board comprises nine non-executive members with the CEO sitting as an ex officio member. Its primary function is to undertake and supervise policy matters emanating from management. It exercises leadership and develops and reviews strategy and also supervises implementation. The committee's authority and duties are set out in the Board Charter. The Board held eight full board meetings in 2011/2012 with an average attendance rate of 95%. Details of the attendance of individual members at board meetings and committee meetings are set out in the table on the following page:

**NGB Board and Board Committee meeting attendance-March 2011 To March 2012**

Members	Board meetings	EXCO	Audit Committee	HR & REM Committee	Chairpersons Committee	Research and Ethics Committee
Prof Linda de Vries	8			2	5	1
Major General J W Meiring	7			2	1	
Mr Matimba Macebele	6		3			
Mr August Cornelis Keyser	8		5		3	
Adv Tayob Nazeer Aboobaker SC	8				4	
Dr Constance Kganakga	1				1	1
Prof Victor Nzimande	2					1
Ms Moipone Nana Magomola	2			2	3	
Ms Thezi Mabuza	1			1		
Ms G Taylor			5			
Mr J Hargovan			3			
Ms E Modiadie			4			

**Internal Control and Risk Management**

The Board is responsible for ensuring that a sound and effective system of internal control and risks management is maintained within the NGB and for reviewing its design and operational adequacy and effectiveness through the AC. The internal control and risk management system, which includes a defined management structure, with specified limits of authority and control responsibilities, is designed to (a) help the achievement of business objectives and safeguard the Board's assets; (b) ensure proper maintenance of accounting records and reliability of financial reporting; (c) ensure compliance with relevant legislation and regulations; and (d) identify, manage and mitigate key risks to the Board.

Policies and procedures are established to ensure reasonable assurance against material misstatement or loss and to manage, but not to eliminate, risks of failure in achieving the Board's objectives. Pursuant to a risk-based approach, the Board's management reviews the risks associated with and controls over various operations and activities and evaluates their adequacy, effectiveness and compliance. Audit findings and recommendations are reported to the

Audit and Risk Committee (ARC) by IA . Progress on audit findings are reported to the Audit and Risk Committee on a periodic basis.

With regard to recent changes to King II on corporate governance and related applicable legislations, the Board has updated and/or established various policies and procedures and the committees have updated their terms of reference in compliance thereto. The Legal and Compliance Committee has reviewed the compliance status of the Board with the Act and applicable legislations.

**Stakeholder Management**

The Board utilises various communication channels to account to stakeholders on the performance and activities of the Board. These include the annual report and accounts, the biennial conference held in April 2011, periodic press releases, public awareness campaigns, and publication on relevant corporate and operational information on the NGB website, [www.ngb.org.za](http://www.ngb.org.za) . The NGB prides itself in the manner it provides information, maintains high standards of disclosure and provides financial transparency.

## Programme Performance

Appropriation	Main Appropriation R'000	Adjusted Appropriation R'000	Actual Amount Spent R'000	Over/Under Expenditure R'000
Responsible Minister				
Administering Department				
Accounting Authority	23 605	38 105		12 778

### National Gambling Board's Strategic Objectives

In order to ensure uniformity and harness industry integrity, the NGB executes its mandate under the defined strategic objectives as outlined below:

- Harmonisation in a dynamic legislative environment
- Compliance oversight of the provincial gambling boards and the gambling industry in general
- Integrated strategic information portal
- Leadership of the debate concerning new forms of gambling
- Optimise organisational excellence

### Description of Programmes

**Programme 1:** Stakeholder Liaison and Legal, which constitutes the office of the chief executive, the legal advisory, the stakeholder and communications and the secretariat units.

**Programme 2:** Corporate Services, which constitutes the financial office, the Human Resources and the ICT units.

**Programme 3:** Compliance Monitoring, which constitutes the oversight of managers and the gambling technology manager.

**Programme 4:** The Board, which constitutes members of the NGB Board who have been appointed by the Minister to provide strategic and policy direction to the gambling industry.

### **Purpose of the Programme**

#### **Programme 1: Stakeholder Liaison and Legal**

The objective and thrust of this programme is to provide strategic guidance to the National Gambling Board in its totality and to ensure that the objectives are aligned to its daily activities. The programme co-ordinates the work of the Board as well as ensures implementation of its measurable objectives.

The programme is the key driver of the NGB's five-year communications strategy which has recently been budgeted for. The implementation of the strategy will profile the work of the NGB and execute public education programmes and messages on the risks of gambling. Furthermore, the programme also provides legal advice to the Board on matters of regulation, as well as supporting provincial litigations where the Board is a respondent.

#### **Key achievements of the sub-programme**

The following were achieved:

- Developed the draft national norms and standards that will finally provide coherence in the gambling regulation as well as provide a national framework for the country on matters of gambling;
- Provided input to the parliamentary review of the gambling industry;
- Provided legal input to the criteria that manages approval of limited payout machines in excess of five;
- Developed a policy framework proposal to inform a national framework on the regulation of Bingo for the country;
- Analysed the current National Gambling Act, No 7 of 2004, by identifying gaps and lacuna that

contribute to the misalignment of regulation of gambling; and

- Developed a comprehensive communications and public education strategy with objectives to outline the risks of gambling as well as the role of the NGB in this respect.

#### **Programme 2: Corporate Services**

The objective and purpose of the Corporate Services division is to provide a co-ordinated supportive enabling environment to other divisions and staff enabling optimal performance in executing the mandate of the Board. This is performed through the following functions:

This programme drives the Corporate Human Resources Strategy, which translates into internal skill development, acquisition of human capital, providing favourable conditions of service, training and compliance to human resources best practices.

Further to that the programme drives compliance to PFMA reporting requirements as prescribed by the National Treasury regulations and other reporting communications.

This programme is also responsible for the information communications technology within the organisation. The programme also drives the office relocation move by co-ordinating all facets of the move with the dti.

#### **Key achievements of the programme**

- The programme successfully obtained approval to relocate the NGB offices to Centurion.
- The programme successfully lobbied for additional funds to relocate, conceptualise regulator unit standards, and conduct research and the rolling-out of the communication strategy.
- Developed processes for change management after restructuring of the organisation.

### Programme 3: The Compliance Monitoring – Compliance Oversight Managers and the Gambling Technology Manager

The programme evaluated the compliance monitoring of PLAs in line with the Act. A strategy to suppress the illegal gambling was developed and will be implemented during the next financial year. The programme assessed the level of compliance by licensees on anti-money laundering and financing of terrorism legislation.

#### *Key challenges and proposed solutions*

- The time period in overhauling the current principal NGA Act, No 7 of 2004, presents a major challenge to the effectiveness of the NGB.
- The undue pressure under which the NGB operates due to the inconsistency that is a direct result of the concurrent competency in the regulation of gambling, will continue to impact on the success of the NGB.
- The NGB has to cultivate close working relationships with the dti and the provincial heads of the relevant departments to which the NGB reports in order to address the challenges experienced. In particular, the finalisation of the national norms and standards, is a step that will bring relative synergy in how gambling is regulated in the country.

# PART 1 Programme Performance

## Performance against the Annual Performance Plan

Strategic Objective	Measure/Indicator	Actual Performance against Target		Reason for Variance
		Target	Actual	
Harmonisation in a dynamic legislative environment	Approved National Norms and Standards for the industry	Develop National Norms and Standards for LPMs, Racing and Betting, EBT and Casino industry by 31 March 2012	Draft Norms and Standards developed and approved by the Board	Workshops to train operators on the usage of standards delayed due to concerns raised by provincial regulators (norms and standards elevated to NGPC)
	Progress report on gambling industry's implementation of B-BBEE Codes	Conduct workshops in provinces where needed, to instruct and prepare operators to use such standards	Three Workshops were conducted with provinces (regulators only)	
	Approved gap analysis document (aligned legislative framework document)	Assess the industry's implementation progress of B-BBEE codes	B-BBEE strategy developed and approved by the Board	Achieved and no variance
Compliance Oversight of Provincial Authorities and the Gambling Industry	Approved gap analysis document (aligned legislative framework document)	Gap analysis document showing implementation imperatives developed and approved by the NGB Board (amend NGA to accommodate regulation of animal racing)	Industry's progress on B-BBEE assessment conducted	Achieved and no variance
	Recommendations on sector policy review (conceptualised draft policy document)	Review LPM & Bingo regulations (co-ordinated input to concept policy and legislative framework)	A gap analysis document was developed, approved by the NGB Board and submitted to the dti	Achieved and no variance
	Interactive Compliance Monitoring System developed	Development of Electronic Bingo Policy Review of IG Policy	Submitted recommendations on the NGA to the dti Recommendations on sector policy review submitted to the dti Electronic Bingo Policy developed	No variance No variance The IG policy was not reviewed as interactive gambling legislation is still suspended
	Interactive Compliance Monitoring System developed	Develop an Interactive Compliance Monitoring System by 2012	Compliance monitoring system has been developed and a strategy formulated to inform future compliance monitoring activities	Achieved and no variance

Strategic Objective	Measure/Indicator	Actual Performance against Target	Actual	Reason for Variance
	<p>Strategy for the suppression of illegal gambling approved by the Board and role-players (Suppression of illegal Gambling intervention Strategy document (document approved by the NGB Board; the Minister (in collaboration with other stakeholders) and implemented in the gambling industry)</p> <p>Compliance and deviance reports (inspection) submitted</p> <p>Money Laundering and Financing of Terrorism legislation</p>	<p>Develop Suppression of Illegal Gambling Intervention Strategy and MoUs to govern the relationship with law enforcement agencies and other industry role-players (Reserve Bank etc) by March 2012</p> <p>Identify and report any misconduct to the law enforcement forum</p>	<p>Suppression of illegal gambling intervention strategy was developed</p> <p>PLA compliance reports evaluated</p> <p>Compliance and deviance reports were submitted per inspection conducted</p> <p>FICA inspections were conducted in horse racing industry (tote and bookmakers) and casinos</p>	<p>MoUs not yet developed because of the delay in conducting the workshop. The workshop was only conducted in the current financial year (5 June 2012) and the MoUs were on the agenda</p> <p>Achieved and no variance</p> <p>Achieved and no variance</p>
Integrated Strategic Information Portal	<p>Portal updated with new indicators and new information</p> <p>Approved Research and Marketing Strategy Document</p> <p>Exclusions Education Programme: Programme approved by NGB Board and implementation action</p>	<p>Integrate information on the status of the industry by 31 March 2012</p> <p>Develop an integrated Research and Marketing Strategy</p> <p>Implementation, campaign and evaluate for further planning</p> <p>Conduct social impact research for education</p>	<p>The dashboard has been designed with new indicators, integrated and new information uploaded and approved by the Board</p> <p>The research and marketing strategy was developed</p> <p>Exclusions education campaign not conducted</p> <p>Reports on social impact / patterns of gambling in SA research conducted</p>	<p>Information received from Provinces updated to the third quarter only</p> <p>The fourth quarter information not yet updated pending audited stats from provinces available in July 2012 only</p> <p>Achieved and no variance</p> <p>Funds for education campaigns available after budget revision in March 2012</p> <p>Exclusions register was suspended because it was brought into effect incorrectly and is now being reworked by the dti and will be published shortly thereafter</p> <p>Achieved and no variance</p>

# PART 1

## Programme Performance

Strategic Objective	Measure/Indicator	Actual Performance against Target	Actual	Reason for Variance
Leadership of the debate concerning new forms of gambling	Create platforms for discourse on emerging patterns in gambling	Take leadership of and participate in national and international forums (GRAF, IAGR)	<p>Board Chairperson took chairperson's seat of GRAF</p> <p>A regulator (GRAF) training seminar was conducted</p> <p>A biennial conference was hosted providing debate and intelligence around regulation of emerging forms of gambling in Africa and within South Africa</p> <p>NGB participated in IAGR</p>	Achieved and no variance
Organisational excellence	Vacancy rate reduced by 5% of approved establishment	<p>Implementing the new organisational strategy</p> <p>Recruit required skills for critical vacant positions</p>	<p>Achieved as 98% of positions were filled except those awaiting financial resources</p> <p>Two vacancies could not be filled (manager in CEO's office and the Legal Compliance Manager) due to lack of funds</p>	<p>Achieved</p> <p>Funds for the two positions will only be available in the 2012/13 financial year</p>
	Implementation of the human capital strategy	Develop a skills gap bridging programme	<p>The human capital strategy was developed and implemented</p> <p>The corporate training and organisational development plan was rolled out and training conducted</p> <p>A change management process through corporate coaching was undertaken</p>	Achieved and no variance
	Effective financial systems compliant to PFMA	Implementing the new organisational strategy	The SCM and asset management systems were overhauled to align them to reporting requirements of the PFMA	Achieved and no variance

### Key challenge

Norms and Standards - lack of buy in by the PLAs

Oversight Inspection - lack of co-operation on some PLAs

\* table to be elaborated upon

### Proposed action

The compliance division of the National Gambling Board is central to its work as it is meant to drive the mandate of the NGB, in the year under review the division facilitated key gambling industry development initiatives. These initiatives were premised on the fact that gambling is dynamic and is forever evolving. It thus becomes imperative to ensure that the gambling environment is conducive for operators and all key stakeholders involved.

The compliance division has worked hard to ensure that the processes to develop the norms and standards is initiated in an attempt to address some of disjuncture's found in compliance as well as in the regulation of the gambling industry. . To this end we have facilitated consultative process in respect of the development of norms and standards and further ensure that policy makers play a critical role in this respect. Norms and standards remain integral in ensuring consistency, coherence and uniformity that underpins the gambling regulatory regime. The current regulatory environment is highly fragmented and untenable in that draws its policies from a single constitution. Hence the key performance indicator for the NGB, amongst others is to introduce norms and standards that will play a pivotal role in ensuring that the gambling industry is structured.

Further to this the development of Compliance Monitoring System (CMS) is one of the key successful projects that the board has embarked upon. The CMS is designed to ensure that compliance oversight for provincial licensing authorities is simplified and economical. This system, will allow the board to conduct oversight inspection over PLA's internally. Training on the use of the system has been concluded and will henceforth be phased in to allow for a smooth change over from the manual approach current in practice. .

In addition processes are currently underway to review the robustness of Central Electronic Monitoring

System (CEMS). The board deemed it fit to monitor and evaluate the robustness of CEMS. This would allow the board to have a holistic view of its functionality and further propose innovative ways on how best to enhance this system that connects all Limited pay out machines to a central monitoring system that provides critical data on this sector of gambling.

The NGB has partnered and signed a memorandum of understanding with the B-BBEE unit of the dti. This partnership is mainly designed to ensure collaborative efforts in advancing transformation within the gambling fraternity. Notably, transformation plays a pivotal role in advancing socio-economic well being of our society. B-BBEE registration portal for the gambling industry has been developed. This portal is designed to assist regulators to have an overview of transformational agenda within the gambling industry. Gambling regulators have welcomed the use of the portal and mostly have started using the portal.

Public education and awareness is one of the key fundamental policy imperative for the NGB, to this end public education campaigns have been implemented with the use of Community Radio station programmes covering various topics. We will continue to foster partnerships with key media houses with the view to extend the reach and access of information on responsible gambling. Such public education will continue to complement the work of the National Responsible Gambling Programme.

**Financial Highlights**

	2012 R'000	2011 R'000
Revenue	38 105	22 000
Interest received	248	420
Other Income	1 283	343
Total Revenue	39 636	22 763
Expenditure	(26 924)	(23 055)
Net surplus/ (deficit)	12 712	(292)
Total Assets	18 351	5 849
Total liabilities	4 299	4 510

**Total Revenue**

Revenue increased from R22 million in 2011 to R23,6 million in 2012, representing 7,3 percent of the grant allocated through the MTEF process. The NGB received an additional R 14 million through the adjustment budget tabled in February 2012; this amount was ring-fenced for the roll out of the Communication Strategy, Relocation of the NGB Offices, Research on Socio-economic impact of legalised gambling and conceptualisation of an industry regulator unit standard.

Interest earned on the temporary available funds declined by 41 percent in 2012. This resulted from the impact of reduced lending rates by financial institutions. Miscellaneous income increased from three hundred and forty three thousand rand (include figures in brackets) to one million two hundred and eighty three thousand rand (R343 000 to R1 283 000). This was due to the three conferences hosted by the NGB and registration thereof paid by attendees to defray some of the conference expenses incurred.

**Expenditure**

Expenditure increased from twenty three million and fifty five thousand (R23 050 000) in 2011 to twenty six million and nine hundred and twenty four thousand (26 924 000), in 2012. This represents an increase of 16,8 percent when compared to 2011 expenditure. On the overall the NGB only spent 68 percent of

its budgeted expenditure for the 2012 financial year. Likewise the NGB underspent by 32 percent and the reason being the late receipt of additional grant which was only received in March 2012.

**Materiality Framework**

The NGB has determined a materiality figure of two hundred and thirty six thousand (R 236 005.00) as the maximum error tolerance level for the year under review. The Board is not a capital intensive organisation and has its revenue received in the form of a grant to be a suitable indicator to determine the organisations' materiality framework. Thus a 1% of the approved grant was used in determining the materiality figure for the year.

Quantifiable facts and losses of a material nature are disclosed when the stated materiality figure is exceeded, singularly or cumulatively. Disclosures are also made when losses or material facts arise through criminal conduct, financial misconduct, irregular expenditure and fruitless and wasteful expenditure.

**Events subsequent to financial position date**

There were no material events warranting disclosure to the NGB stakeholders, that took place at the time of preparation of the annual financial statements (31 March 2012) and the date on which the financial statements were signed.

However, the NGB is on the verge of relocating its business offices from the current premises to Centurion in the 2012/13 financial year.

**Changes in Nature of Property, Plant and Equipment**

The change in the value of Property, plant and equipment is attributable to a new vehicle purchased at a cost of R400,000. An amount of R158 000 was spent on the redesign and development of the website,

which was scheduled for completion in the financial year subsequent to the year under review. The revamp of the NGB website was part of the process of rebranding the NGB corporate identity and profile through a new logo and new corporate identity manual.

### **Procurement & Provisioning Processes (SCM)**

During the year under review, the NGB acquired SCM database software to register and record all services providers. This database is accessed whenever goods and services are procured. During the year, 44% of the orders were issued to historically disadvantaged individuals while 35% of orders were issued to women-owned companies.

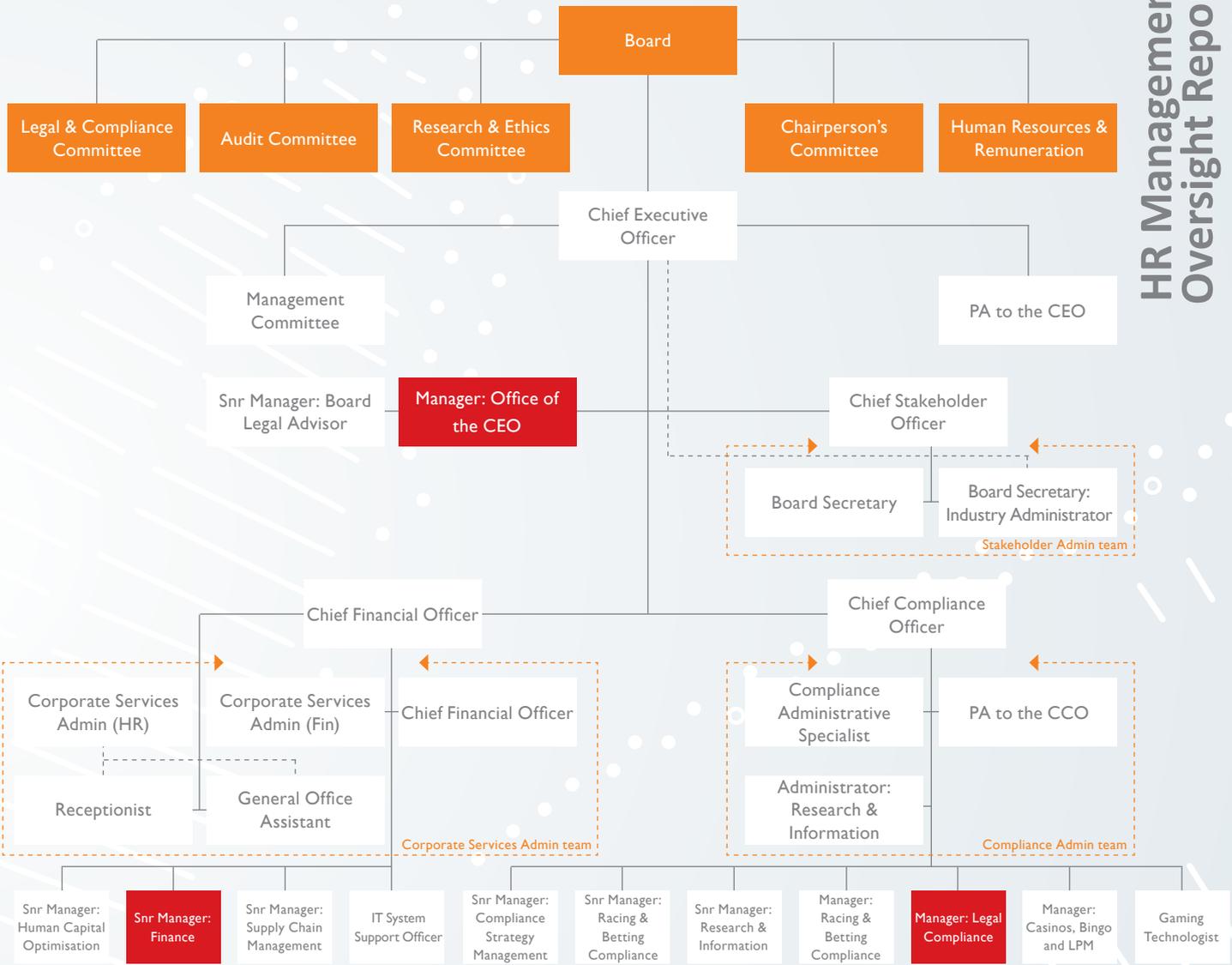
## 1. Introduction

The Board recognises that employees are its most important assets. During the year under review, the Board implemented a number of key elements with a view to expanding its human resources footprint. The Board is keen on attracting, developing and retaining top talent to fulfil its vision of positioning South Africa as the pre-eminent jurisdiction with an exemplary and effectively regulated gambling industry. The Board's human capital strategy is a dynamic one, meeting the skills required to be a regulator that performs efficiently and effectively. To achieve its objective of ensuring organisational excellence, The National Gambling Board (NGB) has, in the period under review, prioritised the following key areas in terms of human capital:

- Organisational reengineering
- Learning and development
- Human resource development for Regulators
- Employment equity and staff complement
- Employee relations
- Human capital strategy
- Employee wellness

## 2. Organisational Reengineering

In accordance with the strategic objective of ensuring organisational excellence, the Board embarked on a major organisational restructuring process that overhauled and reorganised its human capital drastically. The Board moved from a bureaucratic structure to a leaner and flatter structure. This with the objective of streamlining organisational processes including but not limited to ensuring that Managers manage work than managing people. As part of a talent retention strategy, the Board decided not to retrench any of its employees during the reengineering process. This contributed significantly towards encouraging positive employee morale and a low staff turnover. During the restructuring process all vacant positions emanating from the restructuring positions were filled, with the exception of the one additional vacancy created.



Vacant Position

Board & Sub-committees

### 3. Learning and Development

The achievement of the National Gambling Board's mandate is heavily dependent on the skill and knowledge-base of its people. In the period under review, and going forward, the Board vigorously set itself a goal of reinvesting in its human capital through learning and development strategy to reinforce a culture of learning and growth, thus enabling the Board to achieve its strategic mandate. As part of implementing the learning and development strategy, the Board conducted the skills audit in May 2011 to map out skills gaps and competency profiles of each employee so that management can be in a position to understand its skills challenges.

In the light of the skills development challenges facing the organisation and the industry in general, the Board made concerted efforts to expose its employees to have broader industry and specific functional knowledge, through training interventions such as Gambling Conferences (Biennial Gambling Conference, International Association for Gambling Regulators Conference and G2E), Corporate coaching and change management. Through these interventions the Board elevated institutional knowledge to contribute towards the achievement of the Board's mandate.

#### 3.1 Leadership and Management Development Programme

One of the Board's achievements in terms of its learning and development strategy is that the Board has to date exposed two of its executives and one senior manager to an international executive development programme. The course is delivered through the University of Nevada, Las Vegas, and is focused in unlocking the potential and skills of its executive cadet in terms of gambling regulation and operation. In addition to the above executive development programme, the Board has provided further training to one executive to acquire skills and competencies in the Strategic Women

in Leadership Programme so as to further fast-track the skills of its leadership cadet to operate in a dynamic gambling environment.

### 4. Human Resource Development for Regulators

The gambling regulatory regime is a niche environment and requires specific skills to ensure a contribution to the country's economic growth. In South Africa, there is a scarcity of institutions and providers of gambling regulatory training and development to ensure continuity of effective regulation and industry skills. The Board has done a lot of background work to investigate the possibility of ensuring the development of a gambling qualification and/or unit standards including engaging universities such as the University of Johannesburg and the University of Nevada, Las Vegas. In a collaborative effort, and in line with the resolution of the Chief Executive Officer's forum, meetings were held between the NGB and Gauteng Gambling Board with a view to investigating possibilities of more work in this regard. The first training symposium was arranged by the National Gambling Board in collaboration with the University of Nevada and was attended by forty gambling jurisdictions from the African Continent.

### 5. Employment Equity and Staff Complement

The Board has, in the period under review, continued to commit to the objectives of employment equity legislation and in this regard it had successfully submitted its employment equity reports and targets. Over the years the Board ensured that its workforce profile reflects the country's demographic profile. Although the Board submitted its report, it could not attract people with disabilities in the period under review, despite the strategies implemented to ensure that people with disabilities were encouraged to apply

for positions during our talent attraction processes. The Board will continue to find alternative strategies of attracting people with disabilities.

## 6. Employee Relations

The Board is committed to sound employee relations and in the period under review, a number of strategies were embarked upon to engage employees meaningfully. With regard to employee perceptions on working conditions, management conducted a stakeholder survey which not only included external stakeholder involvement, but also included employee participation to increase stakeholder engagement. The outcomes of the survey contributed to conversations between staff, management and the Board about structures around the human capital strategy and corporate training and development plan to build more productive and sustainable relationships with employees. The Board further maintained direct lines of communication with employees through consultations on human capital policies and increased sound relations with staff. The Board will continue to monitor organisational climate to ensure its improvement.

In terms of labour relations in the period under review, two labour relations cases were dealt with. The Board laid off an employee on the basis of incapacity and an incapacity claim was lodged with our insurance and subsequently approved. In the light of this claim, the employee was recommended to be on medical boarding under the rules of the Board's provident fund rules. The Board further experienced a labour relations dispute during a resignation of one employee and the dispute was eventually resolved amicably between the employee and the Board.

## 7. The Human Capital Strategy

One of the significant milestones in the period under review is the formulation of the draft Human Capital

Strategy for the financial year 2012/17 aligned to the Board's strategy. The strategy was premised on a number of key source documents which included, but not limited to, the Internal Skills Audit Report, the Stakeholder Survey Report, and the broader outcomes of the Gaming Review Commission Report. The Human Capital Strategy has been approved by the Human Resources and Remuneration Committee for submission to the Board. It is envisaged that the strategy will ensure optimisation of Human Capital within the organisation, unlock human potential and increase productivity within the Board. The strategy will be implemented in the 2012 to 2017 financial years.

## 8. Employee Wellbeing (Office Relocation project)

Employee wellbeing was an important key priority area for the Board in the year under review. The Board's focus was geared towards improving employee conditions by providing a proper working environment. One of the challenges that faced the Board in the period under review, was the poor state of the current offices which could not provide a conducive work environment and could neither instil a sense of pride, thus impacting negatively on staff morale and productivity. The current offices posed a number of challenges to the Board which included, among others, insufficient office space, hygiene problems, insufficient parking space for NGB stakeholders and problems in terms of rebranding the organisation. As a result of this state of affairs, the Board engaged relevant stakeholders with a view to finding alternative office accommodation. This processes culminated in the dti approving an NGB request to relocate to alternative offices. If all goes well, the Board will be relocating to new offices in Centurion before the end of the 2012 calendar year.

**Table 1: Staff complement as at the end of the period**

The graph below indicates the staff complement of the NGB in the past three financial years, including the year under review:

**Table 2: Reasons for termination of service as at end of period**

The table below indicates the reasons for employee termination at the NGB in the past three financial years, including the year under review:

Termination	Number 2009/10	Total Employment	Number 2010/11	Total Employment	Number 2011/12	Total Employment
Resignation	1	21	5	26	4	26
Non-renewal of contract	0	21	0	26	0	26
Dismissal -operational requirements (retrenchment)	0	21	0	26	0	26
Dismissal - misconduct	0	21	0	26	0	26
Dismissal - incapacity	0	21	0	26	1	26
Retirement	0	21	0	26	0	26
Death	0	21	0	26	0	26
Total	1	21	5	26	5	26

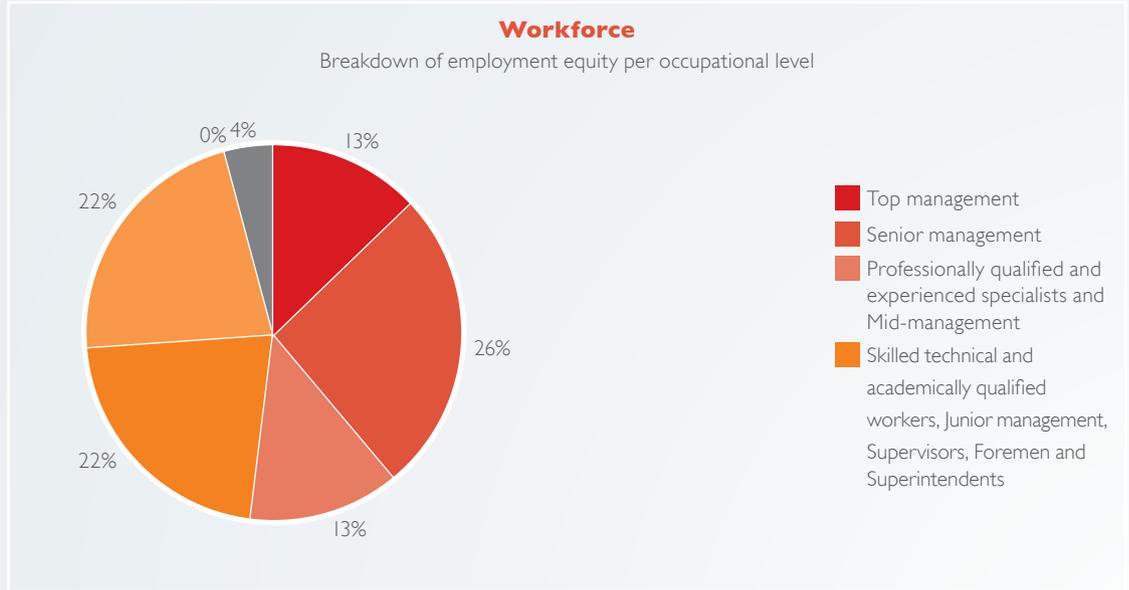
## Workforce Profile

**Table 3: Breakdown of employment equity per occupational level**

(Employment equity notification for 2010 reporting period submitted to the Department of Labour on 15 Jan 2011)

Occupational Levels	Male					Female					Foreign Nationals		Total
	A	C	I	W	Total	A	C	I	W	Total	Male	Female	
Top management	1	0	0	0	1	2	0	0	0	2	0	0	3
Senior management	2	0	1	1	4	0	0	0	1	1	0	1	6
Professionally qualified and experienced specialists and mid-management	1	0	0	0	1	1	0	0	0	1	0	1	3
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	1	0	1	0	2	3	0	0	0	3	0	0	5
Semi-skilled and discretionary decision-making	1	0	0	0	1	3	0	0	1	4	0	0	5
Unskilled and defined decision-making	0	0	0	0	0	0	0	0	0		0	0	0
Total permanent	6	0	2	1	9	9	0	0	2	11	0	2	22
Temporary employees	0	0	0	0	0	0	0	0	1	1	0	0	1
Grand total	6	0	2	1	9	9	0	0	3	12	0	2	23
Percentages	26.09%	0%	8.7%	4.35%	39.13%	39.13%	0	0	13.04%	52.17%	0	8.7%	100%
Employees with disabilities	0	0	0	0	0	0	0	0	0	0	0	0	0

N.B: All numbers are for the period March 2009 to February 2010



**Table 4: Profile of Employees whose position were upgraded due to reengineering**

The table below indicates the profile of employees whose positions were upgraded during reengineering, in the year under review:

Beneficiaries	African	Asian	Indian	White	Total
Male	6	0	1	1	8
Female	2	0	0	1	3
Total	8	0	1	2	11
Employees with a disability	0	0	0	0	0

**Table 5: Disciplinary Action**

The table below indicates the disciplinary actions that were taken in the year under review:

Category	Male Africans	Male Coloured	Male Indian	Male White	Female Africans	Female Coloured	Female Indians	Female Whites	Total
Dismissals	0	0	0	0	0	0	0	0	0
Demotions	0	0	0	0	0	0	0	0	0
Suspension with pay	0	0	0	1	0	0	0	0	1
Final written warning	0	0	0	0	0	0	0	0	0
Written warning	0	0	0	0	0	0	0	0	0
Verbal warning	0	0	0	0	0	0	0	0	0
Counselling	0	0	0	0	0	0	0	0	0
Case dismissed by Chairperson / withdrawn	0	0	0	0	0	0	0	0	0
Total	0	0	0	1	0	0	0	0	1

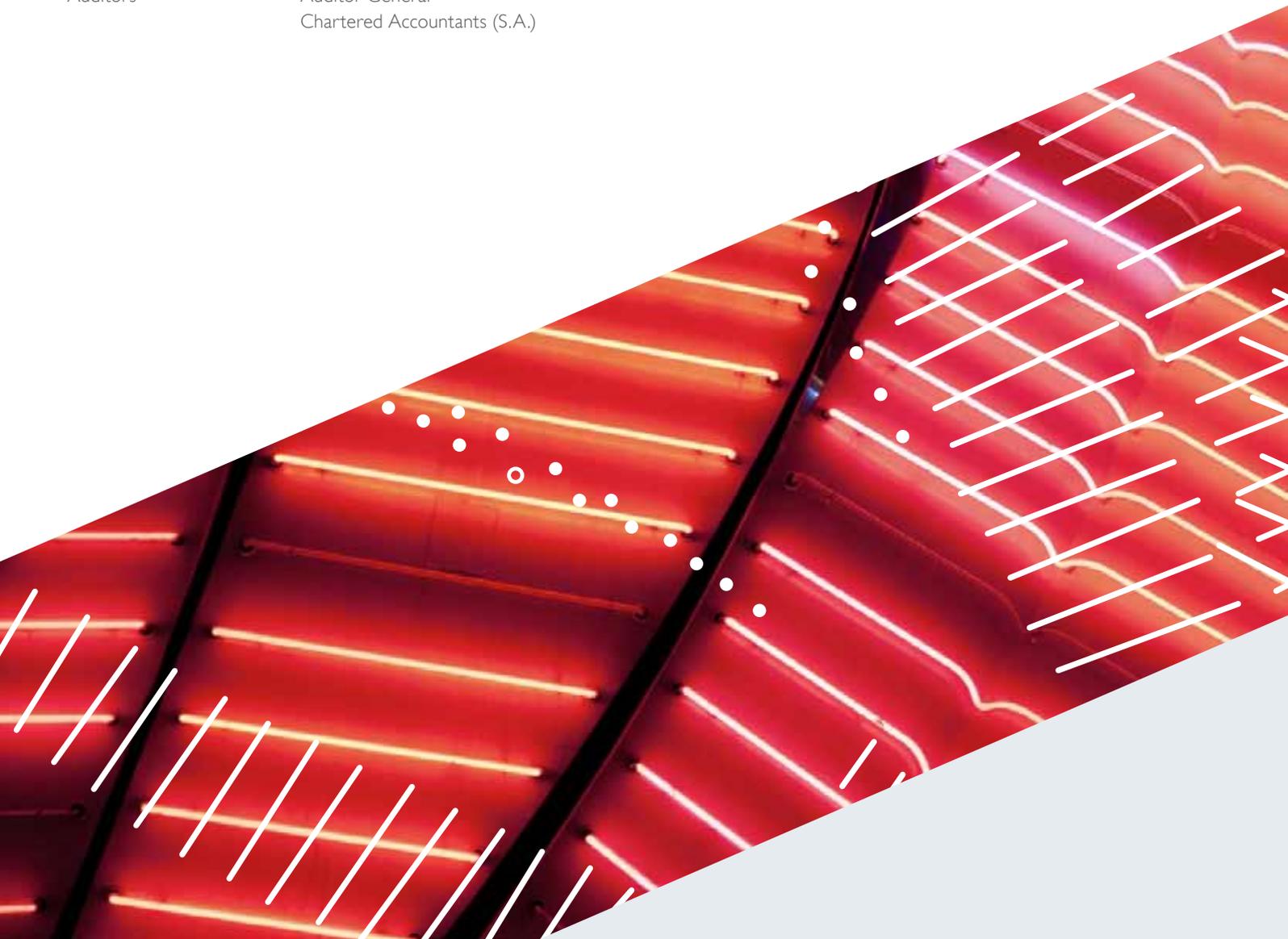
**Table 6: Skills Development**

The table below indicates the training that was undertaken in the period under review:

Occupational Categories	Male Africans	Male Coloured	Male Indian	Male White	Female Africans	Female Coloured	Female Indians	Female Whites	Total
Top management	3	0	0	0	7	0	0	0	10
Senior management	8	0	2	3	11	0	0	2	26
Professionally qualified and experienced specialists and mid-management	2	0	0	1	3	0	0	0	6
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	2	0	0	0	10	0	0	0	12
Semi-skilled and discretionary decision-making	2	0	0	0	9	0	0	0	11
Unskilled and defined decision-making	0	0	0	0	0	0	0	0	0
Grand Total	17	0	2	4	40	0	0	2	65

## General Information

Legal form of entity	SCHEDULE 3A PUBLIC ENTITY
Registered office	Private Bag x27 Hatfield 0028
Business address	77 Meintjies Street Sunnyside 0002
Auditors	Auditor General Chartered Accountants (S.A.)





# Annual Financial Statements

## Table of Contents

The reports and statements set out below comprise the annual financial statements presented to the parliament:

Index	Page
Audit Committee Report	39
Report of the Auditor-General	40
Statement of Financial Position	44
Statement of Financial Performance	45
Statement of Changes in Net Assets	46
Cash Flow Statement	47
Accounting Policies	48
Notes to the Annual Financial Statements	56

“With our tight and delivery-driven strategy we are confident that this year has been used to plant the seeds that will ensure that the NGB makes a greater contribution to strategy with respect to the direction gambling takes in South Africa.”

We are pleased to present our report for the year ended 31 March 2012.

### **Audit and Risk Committee members and attendance**

The Audit and Risk Committee consists of the members listed below. The committee should meet at least two times per annum as per its approved terms of reference. During the current year, five meetings were held and attendance was as tabled.

Name of Member	Number of Meetings Attended
Ms G Taylor, Independent Chairperson	5 of 5
Ms E Modiadie, Independent member	4 of 5
Mr A Keyser, Board Member	5 of 5
Mr M Macebele, Board Member	3 of 5
Mr J Hargovan, Independent member	3 of 5
Mr K Naidoo (from the dti, appointed Jan 2012)	1 of 2

### **Responsibility of the Audit and Risk Committee**

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of Section 55(1)(a) of the PFMA and Treasury Regulation 27.1. We further report that we have conducted our affairs in compliance with this charter.

### **The Effectiveness of Internal Control**

The system of internal control employed by the entity to control financial and risk management, is effective, efficient and transparent. In line with the PFMA and the recommendations by the King III Report on Corporate Governance requirements, Internal Audit provides the Audit and Risk Committee Audit and Risk Committee and management with assurance that the internal controls are appropriate and effective. This is achieved

by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the Internal Auditors, the Audit Report on the annual financial statements and the management letter of the Auditor-General of South Africa, it was noted that there were no material deficiencies in the system of internal controls or deviations there from. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

We reviewed the in-year quarterly reports submitted together with internal audit comments thereon. We noted improvement in the content and quality of reports prepared and submitted by management.

### **Evaluation of Annual Financial Statements**

We have:

- Reviewed and discussed the audited annual financial statements to be included in the annual report with the Auditor-General of South Africa, internal auditors and the Chief Executive Officer;
- Reviewed the Auditor-General of South Africa's management letter and management's response thereto;
- Reviewed changes in accounting policies and practices;
- Reviewed the entity's compliance with legal and regulatory provisions;
- Reviewed significant adjustments and noted none resulting provisions.

We concur with and accept the Auditor-General of South Africa's report on the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

### **Internal Audit**

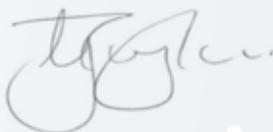
The NGB awarded a tender for internal audit services to ORCA in November 2010. This followed a tendering process after the contract previously awarded to SEMAIRS, expired. The Internal Audit completed their 2011/12 annual plan as approved by the Audit and Risk Committee.

We have met with Internal Audit during the year to ensure that the function is executed effectively and objectively (from management).

We are satisfied with the content and quality of quarterly reports prepared and issued by the internal auditors of the entity during the year under review.

### **Auditor-General of South Africa**

We have met with the Auditor-General of South Africa to ensure that there are no unresolved issues.



**G Taylor**

**Chairperson of the Audit and Risk Committee**

**Date: 31 July 2012**

“With our tight and delivery-driven strategy we are confident that this year has been used to plant the seeds that will ensure that the NGB makes a greater contribution to strategy with respect to the direction gambling takes in South Africa.”

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON NATIONAL GAMBLING BOARD

### REPORT ON THE FINANCIAL STATEMENTS

#### Introduction

1. I have audited the financial statements of the National Gambling Board set out on pages 44 to 68 which comprise the statement of financial position as at 31 March 2012, statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies.

#### Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA) and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical

requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Gambling Board as at 31 March 2012 and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the PFMA.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

7. In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

#### Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the information in the report on predetermined objectives as set out on pages 19 to 24 of the annual report.
9. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

10. The material findings are as follows:

**Usefulness of information****Reported indicators and targets not consistent with planned indicators and targets**

11. Treasury Regulation 30.1.3(g) requires that the strategic plan should form the basis for the annual report, therefore requiring the consistency of objectives, indicators and targets between planning and reporting documents. A total of 33% of the reported targets and indicators are not consistent with the targets and indicators as per the approved strategic plan. This is due to the entity not having sufficient controls in place to ensure that changes are approved by the Executive.

**Additional matters**

12.1 draw attention to the following matter below. This matter does not have an impact on the predetermined objectives audit findings reported above.

**Achievement of planned targets**

13. Of the total number of planned targets, only 10 were achieved during the year under review. This represents 33% of total planned targets that were not achieved during the year under review. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process.

**Compliance with laws and regulations**

14.1 did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA.

**Internal control**

15.1 considered internal control relevant to my audit of the financial statements, report on

predetermined objectives and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on the report on predetermined objectives included in this report.

**Leadership**

16. The Accounting Authority did not ensure that sufficient monitoring controls have been developed and implemented to ensure consistent reporting between the strategic plan and annual performance report.

*Auditor - General*

*Pretoria*

*31 July 2012*



**AUDITOR - GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*

## Accounting Authority's Responsibilities and Approval

The members are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The members acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the accounting authority sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in

ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The members have reviewed the entity's cash flow forecast for the year to 31 March 2012 and, in the light of this review and the current financial position, they are satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is wholly dependent on the Department of Trade and Industry ("the dti") for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the National Treasury has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the accounting authority is primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 40.

The annual financial statements, which have been prepared on the going concern basis, were approved by the accounting authority on 25 May 2012 and were signed on its behalf by:

*Prof Linda de Vries  
Brooklyn, Pretoria  
31 July 2012*

## Statement of Financial Position

PART 2  
Annual Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2012

	Note(s)	2012 '000	2011 '000
<b>Assets</b>			
<b>Current Assets</b>			
Accounts receivable: Exchange transactions	14	14 092	378
Consumer debtors	15	-	9
Inventory	16	17	59
Cash and cash equivalents	17	2 281	4 191
		<u>16 390</u>	<u>4 637</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	18	949	546
Intangible assets	19	1 012	666
		<u>1 961</u>	<u>1 212</u>
Non-Current Assets		1 961	1 212
Current Assets		16 390	4 637
Non-current assets held for sale (and) (assets of disposal groups)		-	-
<b>Total Assets</b>		<u>18 351</u>	<u>5 849</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	20	3 806	3 143
Provisions	21	493	1 367
		<u>4 299</u>	<u>4 510</u>
<b>Non-Current Liabilities</b>			
Current Liabilities		4 299	4 510
Liabilities of disposal groups		-	-
<b>Total Liabilities</b>		<u>4 299</u>	<u>4 510</u>
Assets		18 351	5 849
Liabilities		(4 299)	(4 510)
<b>Net Assets</b>		<u>14 052</u>	<u>1 339</u>
Net Assets		14 052	1 339
Accumulated surplus		14 052	1 339
<b>Total Liabilities and Reserves</b>		<u>18 351</u>	<u>5 849</u>

## Statement of Financial Performance

	Note(s)	2012 '000	2011 '000
Revenue			
Government Grants	2	38 105	22 000
Interest Received	3	248	420
Other Income	4	1 283	343
		<u>39 636</u>	<u>22 763</u>
Operating expenses			
Depreciation and Amortisation	5	(349)	(398)
Auditors Remuneration	6	(804)	(761)
Board & Executive Members' Remuneration	7	(4 142)	(3 656)
Consulting and Professional Fees	8	(2 802)	(1 880)
Personnel Costs	10	(10 798)	(10 025)
Travel and Subsistence	11	(2 658)	(2 094)
Other Operating Expenses	12	(3 654)	(2 498)
Operating Leases	13	(1 717)	(1 743)
		<u>(26 924)</u>	<u>(23 055)</u>
Surplus/deficit before taxation		12 712	(292)
Taxation		-	-
Surplus/deficit for the year		<u>12 712</u>	<u>(292)</u>

## Statement of Changes in Net Assets

	Accumulated surplus '000	Total net assets '000
Balance at 01 April 2010	1 631	1 631
Changes in net assets		
Net surplus for the period as restated	(292)	(292)
Total changes	<u>(292)</u>	<u>(292)</u>
Balance at 01 April 2011	1 340	1 340
Changes in net assets		
Surplus for the period	12 712	12 712
Total changes	<u>12 712</u>	<u>12 712</u>
Balance at 31 March 2012	<u>14 052</u>	<u>14 052</u>

## Cash Flow Statement

	Note(s)	2012 '000	2011 '000
Cash flows from operating activities			
Receipts			
Government grants		24 105	22 000
Interest income		248	420
Other receipts		1 277	355
		<u>25 630</u>	<u>22 775</u>
Payments			
Employee costs		(13 616)	(12 702)
Suppliers		(12 793)	(9 654)
		<u>(26 409)</u>	<u>(22 356)</u>
Total receipts		25 630	22 775
Total payments		(26 409)	(22 356)
Net cash flows from operating activities	23	<u>(779)</u>	<u>419</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	18	(623)	(115)
Property, plant and equipment disposed	18	18	-
Purchase of other intangible assets	19	(526)	(155)
		<u>(1 131)</u>	<u>(270)</u>
Net cash flows from investing activities			
Cash flows from financing activities			
Finance lease payments		-	(17)
		<u>-</u>	<u>(17)</u>
Net increase/(decrease) in cash and cash equivalents		(1 910)	132
Cash and cash equivalents at the beginning of the year		4 191	4 059
Cash and cash equivalents at the end of the year	17	<u>2 281</u>	<u>4 191</u>

## Accounting Policies

### I. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

Significant accounting policies, which have been consistently applied, are disclosed below. Details of any changes in accounting policies are explained in the relevant policy.

#### I.1 Significant Accounting Judgements and Estimates

In preparing the financial statements, management makes estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include : provision for doubtful debts, bonus provision, leave provision, useful lives and depreciation methods and asset impairment. Notes relating to the subject are included under the affected areas of the financial statements.

#### I.2 Presentation currency

These financial statements are presented in South African Rands since that is the currency in which the majority of the National Gambling Board's transactions are denominated.

#### I.3 Rounding

Unless otherwise stated all financial figures have been rounded off to the nearest one thousand rand (R'000).

#### I.4 Revenue recognition

Revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the National Gambling Board and can be reliably measured.

Government grants are recognised when there is reasonable assurance that such grant will be received and all related conditions are complied with. Interest is recognised on a time proportion basis that takes into account the effective yield on assets.

Revenue from non-exchange transactions is distinguished from revenue from exchange transactions. The corresponding trade and other receivables are split between trade and other receivables from exchange transactions and trade and other receivables from non-exchange transactions.

#### I.5 Unauthorised, Irregular, Fruitless and Wasteful expenditure

In terms of section 55(2)(b)(i) of the Public Finance Management Act, 1999 the financial statements must include particulars of any irregular and fruitless and wasteful expenditure.

Fruitless and Wasteful expenditure is expenditure made in vain and would have been avoided had reasonable care been exercised. All unauthorised, irregular, fruitless and wasteful expenditure is charged against income in the period in which they are incurred.

#### I.6 Inventory

Inventory is stated at the lower of cost or net realisable value while cost is determined on a first-in-first-out basis. Net realisable value represents the estimated selling price in the ordinary course of business less any

costs incurred in selling and distribution. Inventory comprise of stationery that shall be consumed within a short-term period in the normal business of the entity and not held for sale.

### 1.7 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where property, plant and equipment is acquired through a non-exchange transaction, its costs shall be measured at its fair value at the date of acquisition. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The carrying values of property, plant and equipment are reviewed for impairment when events or circumstances indicate that the carrying values may not be recoverable. If any such indicators are present and where the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is written down to its recoverable amount through the statement of financial performance.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Item	Average useful life
Leased assets	over the period of lease
Furniture and office equipment	10 to 13 years
Motor vehicles	5 to 6 years
Computer equipment	5 to 12 years

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.8 Intangible assets

Costs associated with research or maintenance of software programs are recognised as an expense and are charged to the statement of financial performance when incurred. Identifiable development costs are recognised as an asset when it is probable that it will give rise to an asset that will generate future economic benefits for the organisation.

Development costs are only recognised as assets if they meet the following conditions:

- An asset is created that can be identified;
- It is probable that the asset created will generate future economic benefits; and
- The development costs of the asset can be measured reliably.

Expenditure that enhances or extends the performance of computer software programs beyond their original specifications is recognised as a new acquisition.

#### *Internally Generated Software*

Internally generated software programs are initially recognised at cost. Intangible assets with indefinite useful lives, if any, are not amortised but tested for impairment annually and impaired if necessary.

National databases with a finite useful life are amortised over their useful lives using a straight line basis and tested for impairment at each reporting date. A database is amortised only once it is complete.

#### *Purchased Software*

Software licenses are carried at cost less accumulated amortisation and impairment. Software is amortised over its useful life on a straight- line basis.

Item	Useful life
National databases	4 to 5 years
Computer software	5 to 10 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### 1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### *Finance leases*

Assets held under finance leases are recognised as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statement of financial performance.

#### *Finance leases - lessee*

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rent is expensed in the period in which they are incurred.

#### *Operating leases*

Leases under which the lessor effectively retains the risks and benefits of ownership are classified as operating leases. Obligations incurred under operating leases are charged against income in equal installments over the period of the lease.

### 1.10 Financial instruments

#### *Classification*

Financial instruments are recognised on the statement of financial position when the entity becomes party to the contractual provisions of the instrument. Financial instruments include cash and bank balances, receivables and trade payables. These financial instruments are generally carried at their estimated fair value, which is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction

#### *Financial Assets*

The entity's principle financial instruments are cash at bank and cash on hand, trade receivables and other receivables.

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is

recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the entity has the positive intention and ability to hold to maturity are classified as held to maturity.

#### *Financial Liabilities*

The entity's principle financial liabilities are trade and other payables.

#### *Initial recognition and measurement*

Financial instruments are initially recognised using the trade date accounting method. The entity classifies the financial instruments on their component parts on initial recognition in accordance with the substance of the contractual arrangement.

Financial instruments are initially measured at fair value costs when the entity is a party to contractual arrangement. Subsequent to initial recognition these instruments are measured as set out below.

#### *Trade and other payables*

Trade and other payable are stated at their nominal value. The carrying amount of these payables approximates fair value due to the short period to maturity of these instruments.

#### *Cash and cash equivalents*

Cash and cash equivalents are measured at fair value. The carrying amount approximates fair value due to the short period to maturity. Cash and cash equivalents comprise cash at bank, cash on hand and short- term investments (32 days) held to maturity.

#### *Trade and other receivables*

Trade and other receivables are stated at the nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. The carrying amount of these receivables approximate fair value due to the short period to maturity of these instruments. Trade and other receivables from exchange transactions are disclosed separately from trade and other receivables from non-exchange transactions. Trade and other receivables in exchange for which the entity gives approximately equal value to another entity are recognised as trade and other receivables from exchange transactions. Trade and receivables received without directly giving approximately equal value in exchange are recognised as trade and other receivables from non-exchange transactions.

#### *Gains and losses*

Gains and losses arising from a change in the fair value of financial instruments are included in net surplus or deficit in the period in which they arise.

#### *Offsetting*

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the entity has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### *Subsequent measurement*

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

#### **Impairment of financial assets**

At the end of the reporting period the entity assesses all financial assets, other than those at fair value, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised as a reduction to the surplus. Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in the surplus.

#### **Derecognition of financial instruments**

A financial asset is derecognised when:

- the right to receive cash flows from the asset has expired;

- the entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without delay to a third party under a "pass through" arrangement; or
- the entity has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control thereof.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same customer on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability, and the difference in the respective carrying amounts is derecognised in the Statement of Financial Performance.

#### **Financial Risk Management**

In running its operations the organisation is exposed to interest rate, liquidity, credit and market risks. NGB has developed a comprehensive risk management process which monitors and controls the impact of such risks on the organisation's daily operations. The risk management process relating to each of these risks is discussed under the headings below.

#### **Credit Risk and Market Risk**

Credit risk consist mainly of accounts receivable and cash and cash equivalents. This is the risk of the entity being exposed to counter party failures. Although this risk is unlikely to occur in the short term, it is mitigated as follows:

- Cash and short-term deposits are placed with well established financial institutions of high quality and credit standing and also approved by National Treasury;
- Transactions are entered into with reputable financial institutions which are approved by National Treasury;

- Funds are invested in short-term facilities; and
- The organisation does not raise debtors in its ordinary course of business.

Credit risk with respect to accounts receivable is limited due to the nature of the entity's business and its reliance on government grant as the main source of funding.

Market risk is the risk that the value of an investment will decrease due to changes in market factors. The above stated mitigating factors apply to market risk as well.

#### **Interest Rate Risk Management**

This is the risk that adverse changes in interest rates will have a negative impact on the net income of the entity. The inherent interest rate risk is concentrated in short term investments and deposits which are highly liquid. This risk is managed by:

- investing in short term deposit accounts;
- transacting with well established financial institutions of high quality credit standing and the accounts bearing interest at prevailing market rates; and
- the entity does not hold significant finance leases with fluctuating interest rates.

#### **Liquidity Risk**

This is the risk that the entity may encounter difficulties in raising funds to meet its statutory commitments. Liquidity risk is managed by:

- investing in short term deposit facilities with a maturity period between 14 and 32 days;
- timeous request and release of funds by the dti to the NGB; and
- the nature of the entity's business is on a 30 days cash cycle basis.

#### **Fair Value**

The entity's financial instruments consist mainly of cash and cash equivalents, receivables and trade payables. No financial asset was carried at an amount in excess of

its fair value and fair values could be reliably measured for all financial assets. The carrying amounts of financial assets and liabilities approximate their fair values due to their short- term maturity period.

#### **1.11 Foreign currency transactions**

Transactions in foreign currencies are recorded at the rate of exchange ruling at the transaction date. Gains and losses arising on translation are credited to or charged against income in the statement of financial performance

#### **1.12 Provisions**

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

Employees entitlement to annual leave is recognised when it accrues. A provision is made on the estimated liability for annual leave as a result of services rendered by employees up to the amount of the obligation.

Employees entitlement to performance bonus is recognised when the Board has approved a percentage of the annual package as bonus for the year. The provision becomes actual after being qualified by the results of the performance measurement tool applied. Payment of performance bonuses is the sole discretion of the Board. The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

### **I.13 Employee benefits**

#### **Short-term employee benefits**

The cost of all short term employee benefits is recognised during the period in which the employee renders the related service.

The provisions for employee entitlements to salaries and annual leave represent the amount which the organisation has a present obligation to pay as a result of employees' services provided for at the reporting date. The provisions have been calculated at undiscounted amounts based on current salary rates.

#### **Retirement benefits**

Provident Fund: Both the entity and employees contribute to a defined contribution fund. Benefits are provided to all eligible employees. Contributions to the Provident fund operated for employees are charged against income as incurred. The funds are externally managed.

### **I.14 Comparative figures**

Prior period comparative information has been presented in the current financial year. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

### **I.15 Taxation**

The entity's income is exempt from taxation in terms of Section 10(1)(cA) of the Income Tax Act.

### **I.16 Contingent Liabilities**

Contingent liabilities are possible obligations that arose from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within control of the entity; or a present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

### **I.17 Capital Commitments**

Capital commitments are disclosed in respect of contracted amounts for which delivery by the contractor is outstanding at the accounting date, and for amounts which the Board's approval has been obtained but not yet contracted for.

### **I.18 Related Parties**

Parties are considered to be related to the entity if they have the ability to control or exercise significant influence over the the entity (or vice versa) in making financial and operational decisions or if both parties are subject to common control. Related party relationships where control exists are disclosed irrespective of whether there have been transactions between the related parties. Related party disclosures for transactions that took place on terms and conditions considered to be "at arms length" and "in the ordinary course of business" are not disclosed. All other transactions with related parties not considered to be "in the ordinary course of business" are disclosed in accordance with IPSAS 20: "Related Party Disclosures".

## Notes to the Annual Financial Statements

	2012 '000	2011 '000
<b>2. Grants</b>		
Government grants	23 605	22 000
Assistance for IAGR Conference	500	-
Additional Grant	14 000	-
	<b>38 105</b>	<b>22 000</b>
<b>3. Interest income</b>		
Interest revenue	248	420
Bank Deposits	-	-
	<b>248</b>	<b>420</b>
<b>4. Other income</b>		
Zonke - LPM License fees	151	122
RFP Sales	36	37
Profit on Disposal of Assets	5	45
Miscellaneous Income	1 087	138
Bad debt recovered	4	1
	<b>1 283</b>	<b>343</b>

Miscellaneous income includes conference registration fees for the GRAF and Biennial conferences hosted by the NGB.

**5. Depreciation and Amortisation**

Amortisation		
Computer software - Licensed	66	49
Internally generated software	114	159
	<b>180</b>	<b>208</b>
Depreciation		
Furniture and Office Equipment	21	23
Computer Equipment	142	139
Vehicles	-	21
Leased Cellular Phones	6	7
	<b>169</b>	<b>190</b>
<b>6. Auditors' remuneration</b>		
External Audit fee	804	761

## Notes to the Annual Financial Statements

### 7. Members' emoluments

Board members' and senior management's remuneration during the year:

#### Executive

2012	Basic	Pension	Medical	Total
	Salary		Aid	
Chief Executive Officer : BP Tyawa	1 199	167	33	1 399
Chief Compliance Officer: DT Marasha	784	114	58	956
Chief Financial Officer : ME Ntsowe	797	114	45	956
	<b>2 780</b>	<b>395</b>	<b>136</b>	<b>3 311</b>

2011	Basic	Pension	Medical	Total
	Salary		Aid	
Acting Chief Executive Officer : Ms. T. Moja (term ended 30 June 2010)	326	-	-	326
Chief Executive Officer : B.P. Tyawa	835	116	21	972
Chief Financial Officer : E. Ntsowe	738	106	41	885
Chief Compliance Officer : T. Marasha	726	106	53	885
	<b>2 625</b>	<b>328</b>	<b>115</b>	<b>3 068</b>

#### Non-executive

2012	Board	Kilometer	Infra-	Total
	Allowance		claims	
Prof. L. de Vries (Board Chairperson)	363	-	-	363
Adv. T. Aboobaker (Board member)	149	-	-	149
Mr A. Keyser (Board Member)	176	-	-	176
Ms G. Taylor (ARC Member)	37	-	-	37
Mr Hargovan (ARC member)	22	-	-	22
Ms M. Magomola (Board Member)	57	-	-	57
Prof. Nzimande (Board member)	28	-	-	28
	<b>832</b>	<b>-</b>	<b>-</b>	<b>832</b>

## Notes to the Annual Financial Statements

2011	Board Allowance	Kilometer claims	Infra-structure	Total
Prof. L. de Vries (Chairperson)	312	-	-	312
Ms. T. Moja	21	-	-	21
Adv. T.N. Aboobaker	74	-	-	74
Mr. A.C. Keyser (Board & AC Member)	144	-	-	144
Ms. G. Taylor (Chairperson: Audit Committee)	32	-	-	32
Mr. Hargovan (Audit Committee Member)	5	-	-	5
	<b>588</b>	<b>-</b>	<b>-</b>	<b>588</b>

During the year, the CEO received a bonus payment of R116,640, the CCO received R53,086 while the CFO received R79,629. These payments were included in the provisions for performance bonuses for the 2010/11 financial year and disclosed as part of Employee Costs.

	2012 '000	2011 '000
<b>8. Professional and Consulting Fees</b>		
Research	1 662	666
Other Consulting Fees	662	916
Internal Auditors' Fees	478	298
	<b>2 802</b>	<b>1 880</b>

Other consulting fees includes the remuneration to the Chairperson of the Soth African Responsible Gambling Foundation, consultant fees for the work process flow re-engineering and the skills audit conducted during the year.

## 9. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net surplus (deficit) per the statement of financial performance	12 712	(292)
Adjusted for:		
Profit/Loss on the sale of assets	(30)	45
Overspent/underspent budget for the year	(12 582)	279
Net surplus per approved budget	<b>100</b>	<b>32</b>

## Notes to the Annual Financial Statements

	2012 '000	2011 '000
<b>10. Personnel costs</b>		
Salaries, Bonuses and Overtime - excl CEO, CFO & CCO	8 852	9 050
Contract and temporary staff	377	101
Payment in Lieu of Leave	9	50
UIF and Workmens' Compensation	88	83
Insurance & Administration of the Provident Fund	371	325
Other Salary Related Costs	1 101	416
	<b>10 798</b>	<b>10 025</b>
<b>11. Travel and subsistence</b>		
Local	1 695	1 014
Overseas	963	1 080
	<b>2 658</b>	<b>2 094</b>
<b>12. Other Operating Expenses</b>		
Communication costs	357	481
Conference, Forum and Workshop expenses	1 792	809
Administrative expenses	508	328
Maintenance, Repairs and Running costs	55	67
Other	907	813
Loss on disposal of asset	35	-
	<b>3 654</b>	<b>2 498</b>

## Notes to the Annual Financial Statements

	2012 '000	2011 '000
--	--------------	--------------

### 13. Operating lease

Current year		
Premises	1 547	1 547
Other rent and accomodation costs	170	196
	<b>1 717</b>	<b>1 743</b>

The future minimum lease payments under non-cancelable operating leases for the Board's offices are as follows:

Within 1 year	1 400	1 315
2 to 5 years	6 571	6 170
Thereafter	8 454	10 255
	<b>16 425</b>	<b>17 740</b>

The National Gambling Board leases a building from Parkdev SA (Pty) Ltd for a period of 15 years, effective from 1 April 2006. The lease payment is R128,906 per month with an annual escalation clause of 6.5%. No contingent rent is payable. The lease agreement is not renewable at the end of the lease term. The NGB is, however, involved in a process of negotiating a lease cession agreement with the landlord and the dti. A new building has been identified for occupation in the event the cession agreement is reached. A lease agreement has not yet been entered into with the owners of the newly identified office premises.

### 14. Accounts receivable: Exchange transactions

Payments in Advance - Conferences	-	241
Other Receivables	14 092	137
	<b>14 092</b>	<b>378</b>

#### Trade and other receivables

The grant receivable from the dti was transferred to the NGB's account on 31 March 2012 but only received on 02 April 2012.

### 15. Accounts receivable: Non-exchange transactions

SARS for PAYE	-	9
---------------	---	---

## Notes to the Annual Financial Statements

	2012 '000	2011 '000
Stationery on Hand and Consumables	17	59

### 16. Inventory

No discounts or rebate were received from the purchase of inventory during the year.

### 17. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash at Bank	2 279	4 188
Cash on hand	2	3
<b>Total</b>	<b>2 281</b>	<b>4 191</b>

### 18. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Furniture and Office Equipment	175	(50)	125	260	(132)	128
Motor vehicles	400	-	400	-	-	-
IT equipment	928	(504)	424	923	(515)	408
Cellular Phones (Leased)	-	-	-	68	(58)	10
<b>Total</b>	<b>1 503</b>	<b>(554)</b>	<b>949</b>	<b>1 251</b>	<b>(705)</b>	<b>546</b>

#### Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and Office Equipment	128	30	(12)	(21)	125
Motor vehicles	-	400	-	-	400
IT equipment	408	193	(35)	(142)	424
Cellular Phones (Leased)	10	-	(4)	(6)	-
<b>Total</b>	<b>546</b>	<b>623</b>	<b>(51)</b>	<b>(169)</b>	<b>949</b>

## Notes to the Annual Financial Statements

### Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and Office Equipment	150	1	-	(23)	128
Motor vehicles	73	-	(52)	(21)	-
IT equipment	433	114	-	(139)	408
Cellular Phones (Leased)	17	-	-	(7)	10
	<b>673</b>	<b>115</b>	<b>(52)</b>	<b>(190)</b>	<b>546</b>

### 19. Intangible assets

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software, internally generated	1 244	(495)	749	795	(381)	414
Computer software, other	533	(270)	263	509	(257)	252
<b>Total</b>	<b>1 777</b>	<b>(765)</b>	<b>1 012</b>	<b>1 304</b>	<b>(638)</b>	<b>666</b>

### Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	414	449	(114)	749
Computer software, other	252	77	(66)	263
	<b>666</b>	<b>526</b>	<b>(180)</b>	<b>1 012</b>

### Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	573	-	(159)	414
Computer software, other	146	155	(49)	252
	<b>719</b>	<b>155</b>	<b>(208)</b>	<b>666</b>

## Notes to the Annual Financial Statements

	2012 '000	2011 '000
<b>20. Trade and other payables</b>		
Trade Creditors and Accruals	1 302	872
Other payables	2 504	2 271
	<b>3 806</b>	<b>3 143</b>

NGB did not discount trade creditors since these are paid within 30 days, thus their fair value approximates their actual cost .

## 21. Provisions

### Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonuses	1 000	-	(708)	(292)	-
Leave Pay	367	471	(396)	-	442
Provision for Compensation Commision	-	51	-	-	51
	<b>1 367</b>	<b>522</b>	<b>(1 104)</b>	<b>(292)</b>	<b>493</b>

### Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance Bonuses	1 139	1 000	(915)	(224)	1 000
Leave Pay	184	367	(184)	-	367
Provision for pay progression	-	44	(44)	-	-
	<b>1 323</b>	<b>1 411</b>	<b>(1 143)</b>	<b>(224)</b>	<b>1 367</b>

Provision for leave is calculated at current salary rate multiplied by number of available leave credits. There are no uncertainties envisaged that may affect the above provisions.

## Notes to the Annual Financial Statements

	2012 '000	2011 '000
--	--------------	--------------

### 22. Commitments

Contracted Services	60	180
---------------------	----	-----

Commitments relate to a contract between the NGB and Vodacom for the hosting of the National Databases at a monthly fee of R10,006. The current year's figure of R60,034 represents a commitment of six months which expires on 30 September 2012.

### 23. Reconciliation of Net Surplus for the year to Net Cash From Operating Activities

Surplus (deficit)	12 712	(292)
Adjusted for:		
Depreciation and amortisation	349	398
Movements in provisions relating to employee costs	(874)	-
Disposal of Fixed Assets	35	52
Changes in working capital:		
Inventory	42	35
Accounts receivable: Exchange transactions	(13 714)	(336)
Accounts receivable: Non-exchange transactions	9	53
Trade and other payables	662	509
	<b>(779)</b>	<b>419</b>

### 24. Related parties

#### Relationships

The Department of Trade and Industry

SA Revenue Services

National Responsible Programme

NGB Trust

National department in National Sphere

Public Entity in National Sphere

Private Entity

Trust established in terms of Section 16(3) of NGA

The National Gambling Board registered a Trust to administer unlawful winnings in anticipation of Section 14 of the the National Gambling act No. 7 of 2004 coming into effect soon. The detailed unaudited financial statements of the NGB Trust do not form an integral part of these financial statements.

There were no related party transactions during the year under review.

## Notes to the Annual Financial Statements

	2012 '000	2011 '000
--	--------------	--------------

### 25. Losses

Other Losses Written Off

2	5
---	---

Unavoidable operating losses relating to travel alterations totalling R2,214 were incurred during the year.

### 26. Fruitless and Wasteful Expenditure

#### Irregular Expenditure

No irregular expenditure realised during the year under review.

#### Unauthorised Expenditure

There was no unauthorised expenditure during the year under review.

### 27. Change of Accounting Estimate

Management assessed the remaining useful lives of the entity's non-current assets. The results of the assessment was a change in accounting estimate for the year which led to an increase in the current year's surplus by R45,106. The effect of the change in accounting estimate for future financial years will be an increase in the net surplus by R45,134 for 2012/2013 and a decrease of R45,328 for 2013/2014.

### 28. Contingent Liabilities

The NGB is currently involved in the following litigious matters:

Legal fees : R450 000: Derivco vs NGB & KZNGB NGB is cited as first respondent in the matter between Derivco (Pty) Ltd and others. The action involves whether or not an online gambling software developer should be licensed in terms of applicable legislation. Parties are currently exchanging pleadings and the matter is yet to be set down for hearing.

Casino enterprise vs GGB and NGB  
Derivco vs NGB and KZNGB

-	350
450	450
<b>450</b>	<b>800</b>

## Notes to the Annual Financial Statements

### 29. Events after the reporting date

At the reporting date, management was preparing to relocate NGB offices to new premises in Centurion. The process is well advanced and the move is expected to occur at the end of September 2012.

### 30. Statements Issued but not Effective

#### **New Standards issued but not yet effective**

The following standards has been issued but is not yet effective for the reporting period:

- GRAP 18 - Segment reporting
- GRAP 20 - Related party disclosure
- GRAP 21 - Impairment of non-cash generating assets
- GRAP 23 - Revenue from non-exchange transactions
- GRAP 24 - Presentation of budget information in financial statements
- GRAP 25 - Employee benefits
- GRAP 26 - Impairment of cash generating assets
- GRAP 103 - Heritage assets
- GRAP 104 - Financial instruments
- GRAP 105 - Transfer of functions between entities under common control
- GRAP 106 - Transfer of functions between entities not under common control
- GRAP 107 - Mergers

It is unlikely that the standards will have a material impact on the entity's annual financial statements.

### 31. Risk management

#### **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, entity treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

## Notes to the Annual Financial Statements

	2012 '000	2011 '000
--	--------------	--------------

The table below illustrates the entity's exposure to liquidity risk from financial liabilities.

Other financial liabilities	4 234	4 510
-----------------------------	-------	-------

### Sensitivity Analysis

A change in the market interest rate at the reporting date would have increased/(decreased) the surplus for the year by amounts below:

Cash and Cash Equivalents (increase in interest rate by 1 %)	23	42
Cash and Cash Equivalents (decrease in interest rate)	(23)	(42)

### Interest rate risk

The organisation is exposed to interest rate risk in respect of returns on investments with financial institutions and interest payable on finance leases contracted with outside parties.

Interest rate risk is a risk that adverse changes in interest rates will negatively impact on the net income of the organisation. This exposure to interest rate risk is mitigated by investing on short term basis in fixed deposits. The other factor is that NGB does not hold significant finance leases with fluctuating interest rates.

### Credit Risk and Market Risk

Credit risk arise mainly from receivables and cash and cash equivalents. The Board's exposure to credit risk arises because of default of counterparties with the maximum exposure equal to the carrying amount of these instruments. Market risk refers to the risk that the value of an investment will decrease due to moves in market factors. These risks are mitigated as follows:

- a) Cash and Cash equivalents are placed with high credit quality financial institutions thus rendering the credit risk with regard to cash and cash equivalents limited.
- b) Transactions are entered into with reputable institutions approved by National Treasury.
- c) With regard to accounts receivables credit risk is limited by the fact that the organisation does not issue loans to staff or raise debtors in its day to day operations.
- d) Funds are invested in short term facilities which are highly liquid.
- e) The entity does not offer credit facilities either to employees or any other person except where a debtor may be raised due to advance on travel and subsistence.

## Notes to the Annual Financial Statements

	2012 '000	2011 '000
--	--------------	--------------

### Exposure to Credit Risk

Maximum exposure to credit and market risk at the reporting date from financial assets was:

Cash and Cash Equivalents	2 281	4 191
Other Receivables	14 102	137
	<b>16 383</b>	<b>4 328</b>

### Concentration of credit risk

The maximum exposure to credit risk for financial assets at the reporting date by credit rating category was as follows:

Cash and Cash equivalents	2 279	4 188
Other receivables	14 102	102
	<b>16 381</b>	<b>4 290</b>

The following table provides information regarding the credit quality of assets which may expose the Board to credit risk.

### Financial Instruments

The following table shows the classification on the entity's principle instruments together with their carrying values:

Cash & Cash Equivalents	2 279	4 188
Receivables	14 102	102
Trade Payables	4 234	3 326

The following table presents the total net gains or losses for each category of financial liabilities.

Finance Charges	-	(14)
Total net gains recognised in the statement of financial performance	-	(14)

## Research and Information Input for Annual Report: 2011-2012 (FY12)

### I. Research

The findings of two commissioned research projects have been distributed and presented to internal and external stakeholders in government, as well as the South African gambling industry. Action plans have been drafted and strategic and business plans revised to implement some of the findings.

#### I.1 Stakeholder satisfaction audit

In order to fulfil its mandate, the NGB interacts and liaises with internal, as well as a variety of external stakeholders in government, the gambling (regulatory) industry and other institutions or agencies with a direct or indirect interest in the NGB. The NGB has commissioned a stakeholder satisfaction audit to determine the service requirements of stakeholders and perceived levels of satisfaction with services delivered and/or interaction. The findings of this survey have been used to further improve the quality of services rendered to the NGB stakeholders and to amend organisational strategic and business plans.

#### I.2 Mapping of the South African gambling industry and the establishment of an interactive information dashboard, as well as an integrated strategic information portal

One of the strategic responsibilities of the board is to monitor market share in the South African gambling industry to give effect to the legislative policy that guards against monopoly within the gambling industry. This necessitates the gathering of information about the geographical scope of the gambling market, the physical products/services delivered and information on recent developments and investments in the industry.

“With our tight and delivery-driven strategy we are confident that this year has been used to plant the seeds that will ensure that the NGB makes a greater contribution to strategy with respect to the direction gambling takes in South Africa.”

A research project was outsourced and a report submitted mapping the SA gambling space in terms of parameters such as the physical infrastructure, market share of industry players, economic contribution of the industry in terms of the Gross Domestic Product, taxes, capital and corporate social investment expenditure, employment profile of the industry, broad-based black economic empowerment transformation status of the industry, as well as the major players and shareholding structures and inter-mode linkages. This information has been populated on an interactive information dashboard. Annual and quarterly templates have been designed to collect information from provincial gambling boards and keep the dashboard updated. The board has also investigated the possibility to upload this information, amongst other information, onto an integrated information portal that will be accessible by selected stakeholders.

### 1.3 Future research

The NGB envisages to commission two research projects in the next financial year, (a) determine the socio-economic impact of gambling, as well as (b) to investigate the best way forward in terms of the regulation of interactive gambling, including the review of regulating horseracing in South Africa.

## 2. Responsible gambling

The South African Responsible Gambling Foundation (SARGF) is the entity which supervises the National Responsible Gambling Programme (NRGP) in co-operation with all the gambling industry operators and governmental regulators. The NRGP is a public-private sector initiative. It was founded in June 2000 and is acknowledged internationally to be exceptionally cost-effective and among the most comprehensive in the world. The NRGP integrates education, research and treatment into one programme. It is studied by legislators, regulators and academics from international jurisdictions

as an example of successful practice. This high degree of national and international recognition reflects well on a country which is leading the way in addressing the critical social issues which have arisen as a result of legalising gambling in 1996.

The NRGP has various operational components e.g. public awareness and prevention, a toll-free problem gambling counselling line, a countrywide treatment network for outpatient counselling and therapy, research and monitoring initiatives, training for regulators and industry employees, a crisis line service available to gambling industry employees and management, as well as a life skills programme called Taking Risks Wisely – a teaching resource for Grades 7 to 12.

Key highlights of the NRGP's activities during the financial year (2012) included:

- 1) Problem gambling numbers have remained stable over the past three years at between 3% and 4,7% with 0,5% experiencing severe problems, in line with international trends.
- 2) Available evidence suggests that regular gambling at casinos constitutes no greater risk than other forms of regulated gambling, but that illegal gambling on games such as Fafi, dice and cards does significantly increase the risk of problem gambling. Internet gambling, although not yet legal, constitutes a serious potential threat.
- 3) From inception to December 2011, the NRGP's toll-free counselling line (0800 006 008), operating 24 hours a day and seven days a week, has received more than 316 148 calls; 13 661 callers were referred for free treatment to a medical professional (or about 100 per month on average); and more than 3 830 have received assistance telephonically.

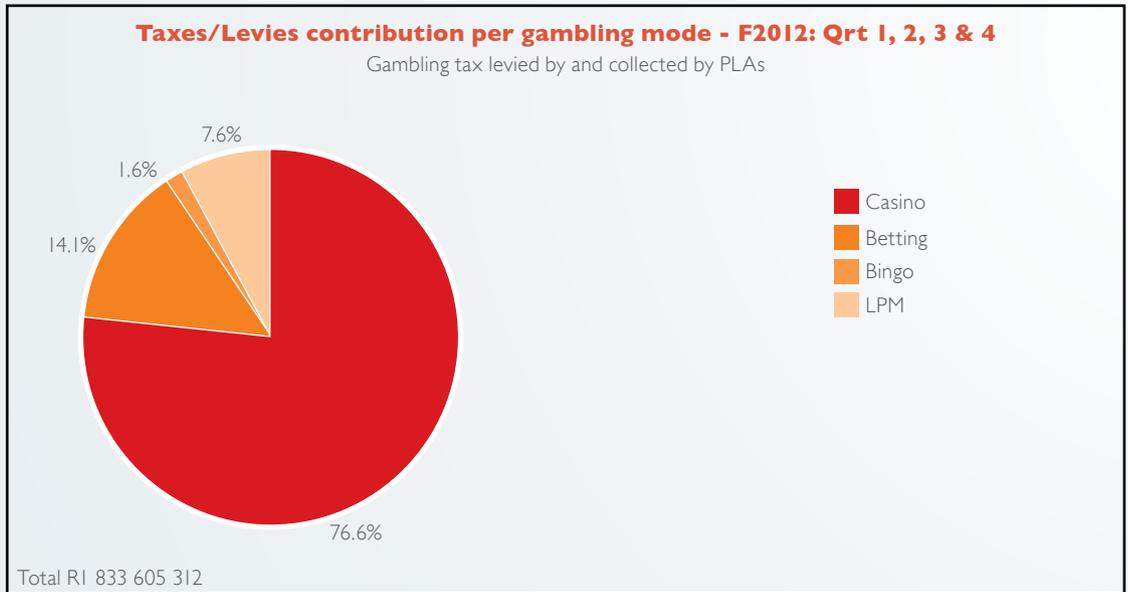
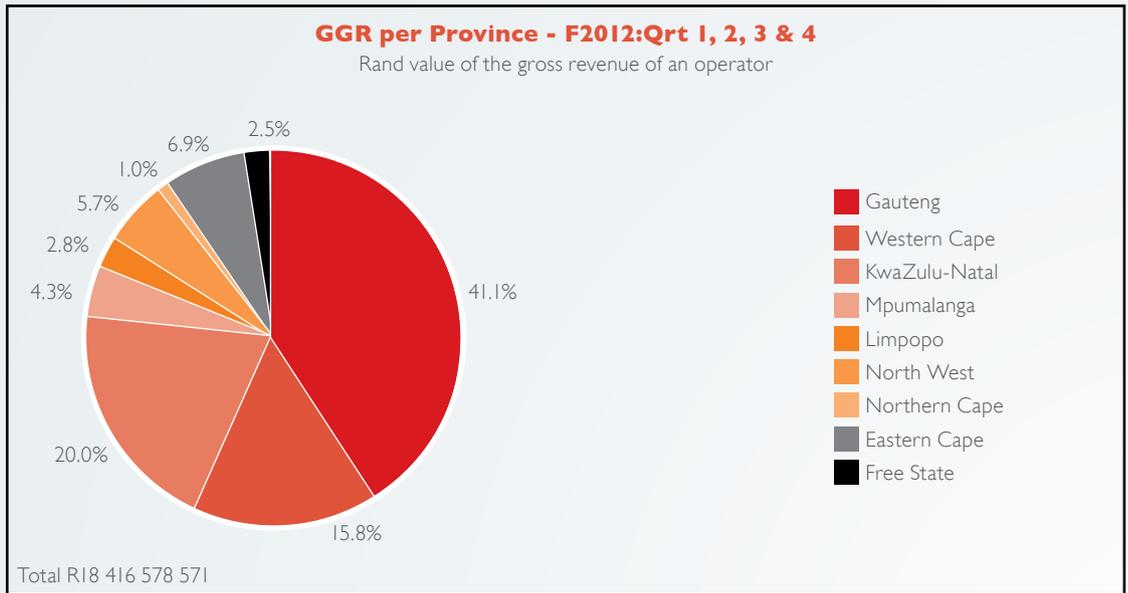
- 4) The multilingual treatment network has more than 70 treatment professionals and has been extended to over 50 towns and cities in Southern Africa.
- 5) Over 27 000 gambling industry workers, along with staff from government regulatory authorities, have received formal training on the subject of compulsive and problem gambling.
- 6) The website [www.responsiblegambling.co.za](http://www.responsiblegambling.co.za) enjoys up to 1 000 hits monthly.
- 7) The NRGP's services are advertised widely in the media and through collateral displayed in all gambling venues.

The NRGP is funded by voluntary contributions from the private sector which includes the casino, horse racing, Bingo and Limited Payout Machines (LPM) industries. This comprises 0,1% of the industry's Gross Gambling Revenue (GGR) or company winnings. Some R123 million has been invested in the programme by the private sector up to February 2012.

### 3. National gambling statistics

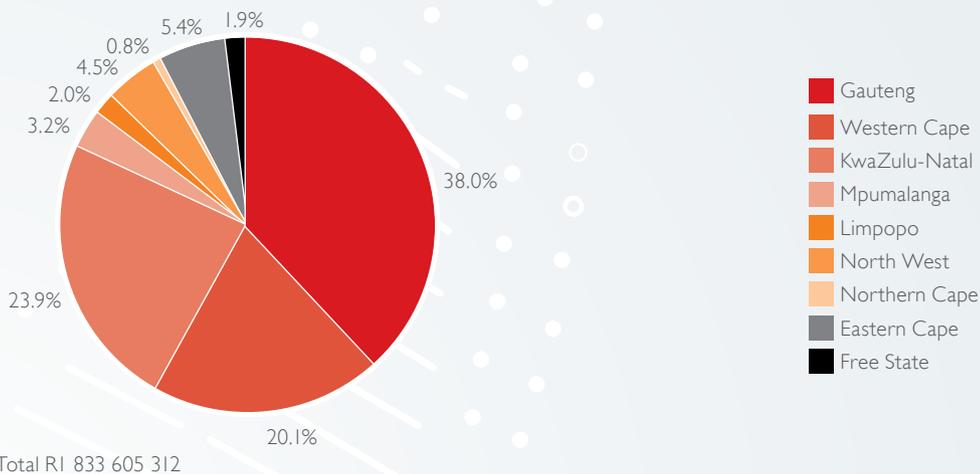
The NGB maintains a national gambling database that contains information on national gambling statistics such as turnover, gross gambling revenue (GGR), gambling taxes and levies, as well as return to player/punter. Provincial Licensing Authorities (PLAs) are required to submit statistics to NGB on a quarterly basis for consolidation and reporting on the national status. The data presented below is based on annual audited data. The results for 2011/2012 continued to show an increase in GGR and the collection of taxes. In current prices, the GGR increased by 7.5% from R17 140 million to R18 417 million, whereas taxes/levies paid increased by 9.8% from R1 670 million to R1 834 million. In constant (2008/09 financial year) prices, GGR increased with 2,6% and taxes/levies with 4,9%.





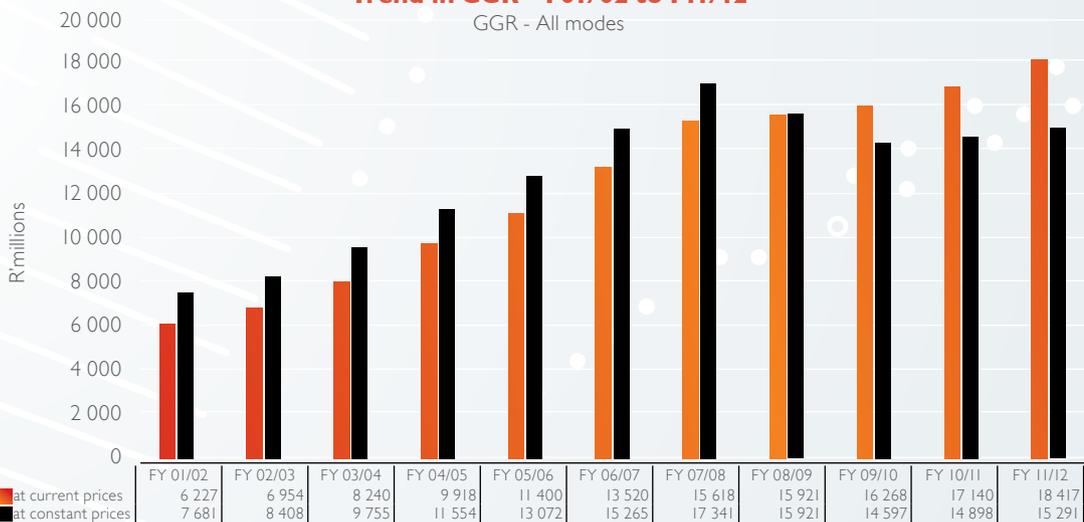
**Taxes/Levies contribution per Province - F2012: Qrt 1, 2, 3 & 4**

Gambling tax levied by and collected by PLAs

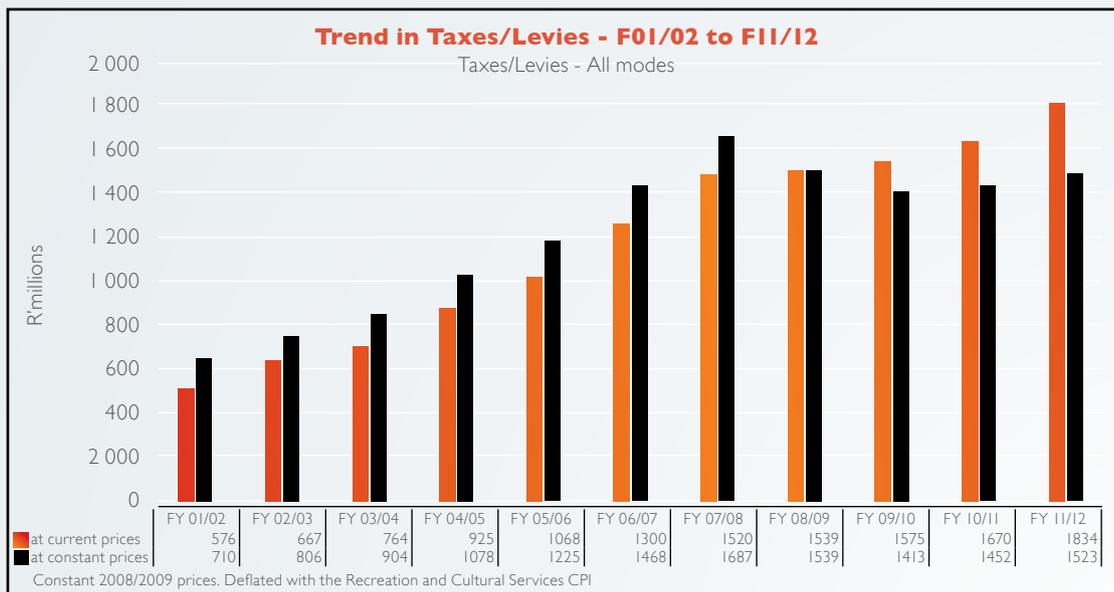


**Trend in GGR - F01/02 to F11/12**

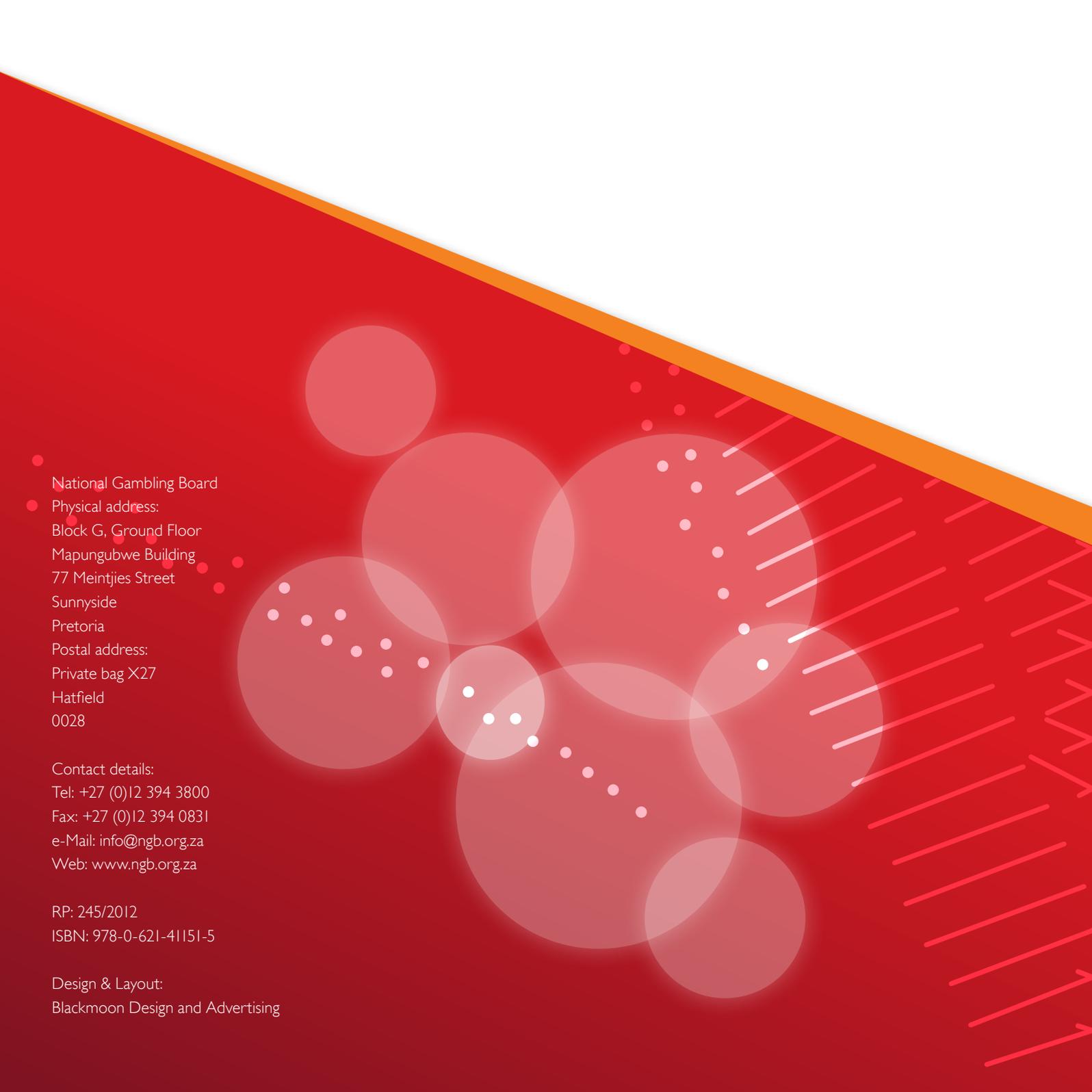
GGR - All modes



Constant 2008/2009 prices. Deflated with the Recreation and Cultural Services CPI







National Gambling Board

Physical address:

Block G, Ground Floor  
Mapungubwe Building  
77 Meintjies Street  
Sunnyside

Pretoria

Postal address:

Private bag X27  
Hatfield  
0028

Contact details:

Tel: +27 (0)12 394 3800

Fax: +27 (0)12 394 0831

e-Mail: [info@ngb.org.za](mailto:info@ngb.org.za)

Web: [www.ngb.org.za](http://www.ngb.org.za)

RP: 245/2012

ISBN: 978-0-621-41151-5

Design & Layout:

Blackmoon Design and Advertising