

NLC corporate governance framework

The NLC's corporate governance framework embodies the Lotteries Act 57 of 1997 as amended, the PFMA, principles contained in the Companies Act and KING IV code, as well as best practice processes and systems that enable the Commission to meet corporate governance expectations, as well as provide direction and control while supporting accountability.

The Minister of Trade and Industry, in his capacity as the Executive Authority of the NLC, exercises oversight in accordance with provisions of the PFMA. The NLC complied with all reporting requirements of the PFMA and Treasury Regulations Compliance Schedule through the submission of quarterly reports, management accounts, income and expenditure statements with projections, the AFS, budget of estimated revenue and expenditure, strategic and annual performance plans, a fraud prevention plan and a risk management plan within the stipulated periods as indicated under the PFMA and Treasury Regulations Compliance Schedule.

Parliament, through the Portfolio Committee on Trade and Industry (Portfolio Committee), exercises oversight of the service delivery performance and commitments made in terms of the NLC's strategy and annual performance plan. As part of stakeholder management, the NLC engaged with the Minister and the Portfolio Committee.

Engagement with the Minister	No engagement between the Minister and the NLC Board during the financial year
Engagement with the Portfolio Committee	<ul style="list-style-type: none"> • 30 October 2019 Dti Portfolio Committee on Trade, Industry and Competition • 1 November 2019 – Sports and Recreation Portfolio Committee • 20 November 2019 Dti Portfolio Committee on Trade, Industry and Competition • 26 November 2019 Dti Portfolio Committee on Trade, Industry and Competition • 5 December 2019 Dti Portfolio Committee on Trade, Industry and Competition

The Board charter was reviewed in March 2020 with an effective date of 1 April 2020. The Board charter guides the Board with respect to their functions, powers and responsibilities. Over and above the responsibility for setting the strategic direction of the NLC, finance and performance objectives, the Board has applied the principles of openness and transparency in fulfilling its statutory duties to:

- Advise the Minister on the issuing of the licence to conduct the National Lottery.
- Advise the Minister on the efficacy of legislation pertaining to lotteries and ancillary matters.

- Ensure that the National Lottery and sports pools are conducted with all due propriety.
- Advise the Minister on establishing and implementing social responsibility programmes in respect of lotteries.
- Ensure that the interests of every participant in the National Lottery are adequately protected.
- Administer and invest the money paid to the NLDTF in accordance with the Lotteries Act.
- Ensure that net proceeds of the National Lottery are as large as possible.
- Perform such additional duties in respect of lotteries as the Minister may assign to the Board.
- Administer the NLDTF and hold it in trust.
- Monitor, regulate and police lotteries incidental to exempt entertainment, private lotteries and society lotteries.
- Make such arrangements as may be specified in the licence for the protection of prize monies and sums for distribution.
- Advise the Minister on any matter relating to the National Lottery and other lotteries or any other topic on which the Minister requires the advice of the Board.
- Advise the Minister on percentages of money to be allocated.

Board appointments

All Non-executive Board members are appointed by the Minister of Trade and Industry, in accordance with section 3 of the Lotteries Act as amended. The Minister appoints a Chairperson, who shall be a person with relevant knowledge or experience with regard to matters connected with the functions of the Board. Furthermore, one member designated by the Minister and not more than five members who have proven business acumen or applicable knowledge or experience with regard to matters connected with the functions of the Board, and of whom at least one should be a legal practitioner admitted to practice in the Republic and at least one a chartered accountant in the Republic. The Lotteries Act further stipulates that at least four members shall be persons who are not in the service of any sphere of government. The Board currently has one vacant position.

The Commissioner is an ex-officio member of the Board and is a member of the Institute of Directors South Africa (IODSA) and does not have other professional commitments. The organisational succession plan was approved during the year under review.

Independence

All Non-executive Board members are considered to be independent as they have no material interest in the NLC, the National Lottery operator, beneficiaries or suppliers. Members are required to complete an annual disclosure of interest and required to disclose interest at every meeting to ensure that circumstances that may give rise to a conflict of interest are managed and monitored effectively.

There were no conflicts of interest identified during the reporting period.

Board induction and continuous development

Board induction sessions were convened during the year to ensure that all Board members are appraised on the functions of the Board and operations of the NLC. The Board established continuous development programmes that would enhance the skill of the collective Board and assist the Board in its strategic focus and that of the NLC.

The Board is satisfied that the arrangements in place for accessing professional corporate governance services are effective as members are subscribed to the Corporate Governance Body of Knowledge® and are full members of the IODSA, the South African Institute of Chartered Accountants (SAICA), Law Society of South Africa and The Public-Sector Committee Forum.

Governance structure

The Board reviewed its approach and arrangements for delegation to promote independent judgement and assist with the balance of power and the effective discharge of duties without abdicating its accountability. Delegation arrangements were in accordance with the Lotteries Act, as amended, which stipulates that the Board may appoint committees to assist it in efficiently and effectively performing its functions and exercising its powers. Committees consist of such members of the Board as the Board may designate, with the Board appointing the Chairperson of every committee. Every committee performs its functions in accordance with the provisions of this Act and such directives of the Board that are not in conflict with such requirements. Any delegated function so performed shall be deemed to have been performed by the Board.

As such, the Board comprised six committees, which included two statutory committees and five standing committees as depicted below:



Board evaluation and effectiveness

The independent Board and Board Committee effectiveness for the year under review is underway. The outcomes and recommendations from the review will be considered for implementation by the Board.

Company Secretary

The Board reviewed and were satisfied that the skills, competence and experience of the Company Secretary adequately support the performance of the required duties of the Board and that the office of the Company Secretary is empowered, with the position carrying the necessary authority. The Company Secretary is not a member of the Board and has unfettered access to the Board while maintaining an arms-length relationship with the Board and its members.

NLC corporate governance framework (continued)

The NLC Board comprises six members, including the Chairperson. In terms of the Board charter, the Board must meet at least four times a year. During the financial year ended 31 March 2020, the Board met on 26 occasions. The table below shows the attendance at these meetings:

Board member	Role	Quarterly meetings	Special meetings and workshops
Prof NA Nevhutanda	Chairperson	4/4	22/22
Ms A Brown	Member	4/4	17/22
Ms DLT Dondur	Member	4/4	21/22
Prof YN Gordhan	Member	4/4	22/22
Adv WE Huma	Member	4/4	18/22
Dr MA Madzivhandila	Member	4/4	17/22

- Special Board meeting and workshops include:
- Special Board Meeting (AFS approval, National Lottery matters and urgent reports)
- NLC and ITHUBA RF(Pty) Ltd joint Board meetings
- Board strategy sessions
- Board risk workshop

Review Committee

The Review Committee is established in terms of Section 26H of the Lotteries Act. The Committee is chaired by the Chairperson of the NLC Board and reviews decisions of the DA concerning applications for grants, only on application by an aggrieved applicant in the manner prescribed: Provided that such review shall be adjudicated by a Board Committee set up for such purpose without delay.

If the Board overrules the decision of the DA, the Board may either order the DA to re-evaluate the application, taking into consideration matters raised by the Board or set aside the decision of the DA and substitute it with an order the Board deems appropriate.

During the year under review, the Board Review Committee considered a total of 157 review applications.

Total number of applications for 2019/20 financial year	6 218
Total number of applications for review for 2019/20 financial year	157
Total applications for review processed against total application adjudicated	2%
Percentage of review application reviewing and successfully adjudicated	16%
Percentage of review application upheld	84%

The number of review applications upheld demonstrates consistency and fairness in the application of regulations relating to applications for grants, related policies and guidelines by the DAs.

The Board Review Committee comprises six members, including the Chairperson. During the financial year ended 31 March 2020, the Board Review Committee convened on six occasions. The table below shows the attendance at these meetings:

Committee member	Role	Meetings
Prof NA Nevhutanda	Chairperson	5/6
Ms A Brown	Member	6/6
Ms DLT Dondur	Member	6/6
Prof YN Gordhan	Member	5/6
Adv WE Huma	Member	4/6
Dr MA Madzivhandila	Member	6/6

Board and DA Committee

The Lotteries Act, as amended, stipulates that Chairpersons of the DAs are ex-officio members of the Board with no voting rights and may only attend meetings of the Board per invitation or if matters relating to the adjudication of applications for grants or distribution of grants are to be discussed.

In view of provisions stipulated in section 3(1)(d) of the Lotteries Act and the nature of matters for discussions, the Board and DA Committee was constituted to deal with DA matters relating to the adjudication of applications for grants and the operations of the DAs as matters relating to the grant funding mandate of the NLC.

The Committee considered the funding priority areas for the ensuing year. It provided oversight of activities of the operations division, particularly the number of grant applications received, performance against legislated timeframes, monitoring and evaluation methodology and outcomes and funding implemented under section 2A of the Lotteries Act (please see page 89 for more information).

The Committee comprises four members and the Chairpersons of the DA. In terms of Board and DA Charter, the Committee must meet at least four times a year. During the financial year ended 31 March 2020, the Committee convened on seven occasions. The table below shows the attendance at these meetings:

Committee members	Role	Meetings	Special meetings and workshops
Adv WE Huma	Chairperson	6/6	1/1
Ms A Brown	Member	5/6	1/1
Prof YN Gordhan	Member	5/6	1/1
Prof NA Nevhutanda	Member	3/6	0/1
Dr MA Madzivhandila	Board member (By invitation)	0/4	1/1
Ms M Letoaba	Ex-officio member: Chairperson – ACNHDA	3/6	1/1
Mr T Ramagoma	Ex-officio member: Deputy Chairperson – ACNHDA	5/6	1/1
Ms NP Loyilane	Ex-officio member: Chairperson – CDA	4/6	1/1
Mr E Ncula	Ex-officio member: Chairperson – SRDA	5/6	1/1
Dr J Adams	Ex-officio member: Deputy Chairperson – SRDA	2/6	1/1
Mr J Du Preez	Ex-officio member – CDA	1/6	0/1
Ms C Mofet-Mubu	Ex-officio member – CDA	5/6	1/1

During their engagements, the Committee reviewed its charter and policy framework. The Committee’s oversight over the operations division and DAs ensured NLC’s strategic objectives and related outcomes were achieved (please see page 44 for more details). The Committee continues to ensure the efficient and effective performance of the NLC through the operations division, as well as ensure the fair and equitable distribution of funds through independent and objective adjudication.

The Committee noted negative media reports as a result of the identified risk of conflicting beneficiaries, as well as misunderstandings surrounding the proactive funding model. The NLC’s funding model ensures that the NLC attains its mandate of equitable distribution and also addresses identified priorities in our communities (please see page 89 and 190 for more details).

The Committee was satisfied that it had performed all the functions required by its mandate and approved work plan.

Regulatory Compliance and Legal Committee

The Regulatory Compliance and Legal Committee is charged with the duty to ensure that the Board advises the Minister on issuing licences to conduct the National Lottery and sports pools, as well as ensure that the National Lottery and sports pools are conducted with all due propriety and strictly in accordance with the Constitution, the Lotteries Act, all other applicable law and the licences for the National Lottery, together with any agreement pertaining to those licences. The Committee is also expected to provide assurance to the Board that the NLC is fulfilling its primary regulatory mandate, that is to ensure that the interests of every participant in the National Lottery and sports pools are adequately protected.

The Committee considered applications for the National Lottery and sports pools game design, ensuring that all proposed games were supported by research with emphasis placed on the protection of participants against under-age excessive play. All legal risks were monitored, and the Committee was encouraged by the reduced litigation register, which demonstrates a conciliatory approach adopted by the NLC to the resolution of legal disputes that arise in the course of the NLC’s business.

Compliance with laws and regulations

The Board recognises the role that compliance with applicable regulatory requirements plays in the governance and sustainability of the Commission and undertakes to subscribe to fundamental principles to ensure compliance with relevant legislation. In discharging its duties of ensuring that the Commission complies with legislation, the Board has committed that the Commission shall conduct its business in accordance with applicable regulatory requirements and ensure that appropriate policies and frameworks are committed to, promoting a culture of compliance within the NLC. The Board Regulatory Compliance and Legal Committee is charged with a duty to ensure organisational compliance is maintained at an acceptable level and ensure that all instances of non-compliance are adequately followed up and resolved with sound and practical business recommendations.

Organisational compliance monitoring was conducted, whereby Act owners (divisional liaisons where the Act is applicable) provided controls and processes with which the NLC ensures compliance with the requirements of relevant Acts. These controls and procedures were assessed for correctness and validity through corroboration of supporting documents such as reports, policies, matrices, etc., and through enquiry with the relevant Act owners.

NLC corporate governance framework (continued)

Continuous monitoring of organisational compliance takes place every quarter and as determined by the compliance office to ensure that the NLC maintains acceptable levels of compliance with these critical pieces of legislation.

Policies developed internally were also subjected to alignment by oversight committees, including the Board, to ensure that they do not conflict with laws and regulations relevant to the NLC. Organisational processes and operations were carried out in such a way as to ensure compliance with applicable legislation in the areas of grant funding, lotteries compliance and enforcement, human resources management, financial management, as well as information and communication technology.

There were no material or repeat regulatory penalties, sanctions or fines for non-compliance with statutory obligations, and there were no environmental regulator inspections conducted during the period.

The Committee was satisfied that the NLC has complied with primary legislation governing the public entity, which are the Lotteries Act, as amended, and the PFMA. Other applicable laws and regulations were complied with during the year under review.

The Committee comprises six members. In terms of the Board Regulatory Compliance and Legal charter, the Committee must meet at least four times a year. During the financial year ended 31 March 2020, the Committee convened on six occasions. The table below shows the attendance at these meetings:

Committee member	Role	Meetings	Special meetings and workshops
Prof NA Nevhutanda	Chairperson	5/5	1/1
Ms A Brown	Member	5/5	0/1
Ms DLT Dondur	Member	5/5	1/1
Prof YN Gordhan	Member	5/5	1/1
Dr MA Madzivhandila	Member	4/5	1/1
Ms TS Kekana	Member	5/5	1/1
*Adv WE Huma	Member	5/5	0/1

Human Capital, Social and Ethics Committee

The Human Capital, Social and Ethics Committee is constituted to ensure that the NLC has a clearly articulated recruitment and remuneration philosophy. The Committee ensures that the design and implementation of remuneration structures are market-related, consistent, fair, legally compliant and equitable and that the Board fulfills functions relating to its social and ethical environment, transformation objectives and employment equity, as contemplated in relevant legislation and best practice (please see page 94 for more details).

The Human Capital, Social and Ethics Committee comprises four members, including the Chairperson. In terms of the Committee charter, the Committee must meet at least four a year. During the financial year ended 31 March 2020, the Committee convened on six occasions. The table below shows the attendance at these meetings:

Board member	Role	Quarterly	Special meetings and workshops
Dr MA Madzivhandila	Chairperson	6/6	0
Ms DLT Dondur	Member	6/6	0
Prof YN Gordhan	Member	6/6	0
Adv WE Huma	Member	4/6	0

Board Human Capital, Social and Ethics Committee meetings include quarterly meetings and a Committee policy review session

Remuneration report

The strategy is built on establishing demanding key performance measures, including financial and non-financial measures, to drive a high-performance culture throughout the business. The strategic plan seeks to position the NLC as an employer of choice. To attract and retain high-calibre employees and deliver on its mandate, the NLC offers employees a diverse, challenging and rewarding professional experience by means of competitive conditions of employment, as well as opportunities to achieve career goals and develop their full potential.

The strategy intends to:

- Provide market competitive levels of remuneration to the NLC staff and executives having regard to the level of work and the impact the NLC employees can potentially have on the performance of the organisation.
- Attract, motivate, reward and retain executives capable of delivering the business plan and substantially growing the organisation.
- Align performance incentives for both executives and staff with stakeholder interests.

Overview of the remuneration policy

The NLC is a home for those employees who find fulfilment in contributing towards the socio-economic development of South Africa's people through poverty alleviation. The NLC will recognise employees that excel in this environment through a holistic and competitive total reward offering, attractive benefits as well as career development opportunities.

Reward philosophy

A reward philosophy consists of a set of beliefs that underpin the reward strategy of the organisation, govern reward policy and provide the foundation for the guiding principles, which determine how the reward processes operate. While the reward strategy and programmes can change, the philosophy, like any organisational value system, is more enduring in nature.

Reward principles

The core reward principles are permanent and play a crucial role in guiding reward decisions, policies, processes and practices.

L5 Internal equity

The NLC endeavours to reward its people according to their role, contribution and worth as required by the Labour Relations Amendment Act, 2014 (Act No 6 of 2014) aligned with the principle of equal pay for equal work.

L5 External competitiveness

The NLC will continuously benchmark with the market to strategically position itself to ensure competitive total guaranteed packages for employees within the parameters of affordability. Where the organisation attracts their skills from and where it can potentially lose its skills to, can be used as an indication of the labour market against which it can benchmark its salaries.

The NLC's relative market position will always ensure that it is possible to retain and attract the core competencies required for organisational strategy achievement. To this extent, the organisation's pay scales are aligned to the market **median/50th percentile** benchmarked against the National All Industries sector for Executive, Management and staff.

Annual remuneration adjustments

Consumer price index, labour market trends, market movements and affordability will be considered to determine the overall salary increase percentage for the organisation. The distribution of the increases will, however, be based on the proficiency, value and performance of the individual, as determined by their contribution.

Reward for performance

The NLC endeavours to communicate and translate strategic objectives into earning opportunities for each employee or group of employees (teams) through the implementation of reward schemes, i.e. incentives and recognition schemes. This supports linking reward to contracted outputs and results, in line with the business's strategy.

The NLC believes that its remuneration policy plays a vital role in realising business strategy and therefore should be competitive in the markets in which it operates.

Elements of remuneration for Executive Management

The NLC operates on a total cost-to-company (CTC) philosophy whereby cash remuneration, benefits (including a provident retirement fund, medical aid and other insured benefits) form part of employees' fixed total CTC remuneration. Senior Management and Executive Directors also participate in short-term incentives in the form of a performance bonus plan.

The different components of remuneration, their objectives, the policy that governs it and their link to the business strategy are stated in the remuneration strategy.

NLC corporate governance framework (continued)

Total guaranteed package approach

The total value of reward is expressed as the full benefit to the individual as well as a cost to the NLC. All elements of the remuneration package are added up, and the total constitutes the total package. In this way, the individual can comprehend the total benefit received from the organisation. Furthermore, this approach supports a comprehensive picture for the organisation from a cost perspective. It is the only genuinely equitable way of managing reward, with apples being compared with apples, and performance impacting on the total package rather than parts thereof, for example, the employee's salary.

Element	Types	Components	Objectives
<ul style="list-style-type: none"> Fixed pay (guaranteed) 	<ul style="list-style-type: none"> Fixed Structured on CTC basis Benchmarked bi-annually against independent market data 	<ul style="list-style-type: none"> Basic salary, retirement and medical aid benefits 	<ul style="list-style-type: none"> Reflects scope and depth of role, experience required and level of responsibility

Board responsibility

The Board carries ultimate responsibility for the remuneration policy. The Remuneration Committee operates in terms of a Board-approved mandate. The Board approves all remuneration-related matters, including new and amended salary structures and short-term incentive schemes and their design.

Role of benchmarking

To ensure that the NLC reward programme remains competitive in the markets in which it operates, all elements of remuneration are subject to regular reviews against relevant market and peer data. Reviews are performed when required to benchmark the NLC's remuneration against the national South African market.

The policy aims at positioning the NLC as a preferred employer within the regulatory services. To retain flexibility and ensure fairness when directing human capital to those areas of the Group requiring focused attention, subjective performance assessments are necessary when evaluating employee contributions.

The Human Capital, Social and Ethics Committee evaluates and monitors the remuneration philosophy and practices to ensure consistency with governance principles and corporate strategy. The human capital division implements the NLC Board-approved remuneration policies to ensure:

- Salary structures and policies, cash as well as short-term incentives (STI), motivate superior performance and are linked to realistic performance objectives that support sustainable long-term business objectives.
- Stakeholders can make an informed assessment of reward practices and governance processes.
- Compliance with all applicable laws and regulatory codes.

Performance bonus

The Board has reviewed and approved the performance management policy, which details the elements of the NLC's performance bonuses. Bonus payments are based on the combined value of the employee's individual performance score and achievements of the NLC as an organisation against its own targets.

Permanent employees qualify, along with employees on a fixed-term contract (five-year contract) in the employ of the NLC for the financial year for at least four months who remained on the same level for the period.

Ethics management

At the NLC, we aim to grow and preserve relationships of trust with our stakeholders by conducting our business ethically and protecting the public funds (received from the operator and distributed to NPOs for good causes) against fraud and corruption. We believe that leadership based on ethical foundations results in a culture of ethical and moral behaviour and compliance with laws, rules, codes and standards. The Board exercised its responsibility to establish and maintain a culture of honesty, transparency, fairness, responsibility and accountability to position the NLC as regulator and funder of choice. Our internal stakeholders are guided by policies that facilitate ethical decision making during the ordinary course of business. The offering of favours to gain unfair commercial advantages is strictly prohibited.

The composition of the Human Capital, Social and Ethics Committee is included in page 64 of the same report. The Committee meets quarterly and during the current financial year met as outlined in page 64 of the same report.

During the current financial year, the Committee focused on and monitored NLC's activities with respect to several matters including workplace, employee wellness, environment, preferential procurement and B-BBEE.

The NLC employees are guided by the ethics and conduct policy and gift and donations policy (code). An abridged version of this is included in all supplier's contract, grant agreements and the National Lottery operator licence. These stakeholders are expected to abide by the same level of ethics. The NLC code is available on the NLC intranet for all employees to access.

The ethics office rolled out quarterly organisational ethics interventions and subsequently considered findings or outcomes of these initiatives. The code was reviewed and approved by the Board during March 2019. In the coming financial year, the NLC will continue implementing its ethics strategy, which will be aligned with the NLC sustainable business strategy. The NLC did not incur any fines during the year.

All divisions and business units attended organisation-wide interventions, and interventions utilised the themes indicated below.

In the case that a DA member being an employee or serving on the Board or equivalent governing body of an applicant for NLDTF, the application from that applicant will be referred to another DA for adjudication. The table of interests declared by the respective DA members is indicated on page 150 of the report.

In the period under review, all Board members and employees lodged their disclosures of interest, and no material conflicts of interest were identified.

Gift declarations

In terms of the donations policy, employees are required to electronically disclose all gifts received from suppliers, from any person who received a grant or intends to apply or has applied in terms of section 13, for a licence to conduct the National Lottery. The ethics office recorded a total of **73 gifts** during the period, broken down as follows:

Category	Total donated	Percentage
Beneficiaries	R18 063.99	37
Service Provider	R11 362.18	24
Operator	R18 775.00	39
TOTAL	R48 201.17	100

The ethics office reviewed its operational risk register quarterly to ensure that the internal controls in place are adequate to mitigate inherent ethical risk. The ethics office further initiated a comprehensive Ethics Risk Assessment (ERA), which was conducted by an independent service provider and comprised of five elements, namely:

- A qualitative assessment
- A document analysis
- A policy document analysis
- A quantitative assessment
- A media exposure analysis

The objectives of the assessment were to quantify the NLC's internal ethical status based on employees' experiences, views and perceptions and to gauge the perceptions of stakeholders

regarding the NLC's ethics reputation via its media exposure reputation. This information will provide the basis for a revision of the ethics strategy for 2020-2025.

Findings of the ERA

Qualitative assessment

This assessment was conducted via one-on-one interviews with internal and external stakeholders (where external stakeholders was a noteworthy inclusion). The interviews aimed to surface the critical ethical issues, encompassing ethical strengths, challenges and risks specific to the NLC and its operating environment. These issues were used to customise the NLC's quantitative assessment to ensure that all key ethical issues were assessed. The qualitative evaluation was successful in that it surfaced 16 customised questions for inclusion in the quantitative assessment.

Document analysis

A document analysis was conducted using the meeting agendas of the Board, Exco, Manco and other management meetings, as well as the findings of recent investigations and disciplinary hearings. This served to establish the extent of leaders' ethical focus and to review the degree of current ethical breaches, both of which were aimed at surfacing organisation-specific ethical issues to customise the NLC's quantitative assessment further.

Policy document analysis

A comprehensive review was conducted on 13 ethics and ethics-related policies relative to ethics best practice. Overall, the policies were found to be sound. Some amendments were recommended, but most policies only required minor edits or changes. The finding is therefore that the NLC's ethics-related policies fulfill their role of providing clarity regarding what conduct is deemed unacceptable and is not permitted within the NLC workplace.

1. Fraud Response Plan (Annexure A)
2. Whistleblowing Policy 2020-21
3. Fraud Risk Policy 2020-21
4. Organisational Compliance Policy Final 2020-21
5. Information Classification and Handling Policy 2020
6. Disciplinary Policy 202 Final 2020-21
7. Ethics and Conduct Policy
8. Health, Safety, Environment and Quality Policy Final 2020-21
9. Sexual Harassment Policy Final 2020-21
10. Conflict of Interest Framework Final 202-21
11. Grant Funding Final 2020-21
12. Irregular, Fruitless & Wasteful Expenditure Policy Final 2020-21
13. Enterprise Risk Management Policy Final 2020-21

Quantitative assessment

An independent service provider conducted a quantitative ethics assessment among 320 internal stakeholders (including

NLC corporate governance framework (continued)

executives, managers and employees) using the Ethics Monitor – a confidential, web-based, mobi-friendly survey. In pursuit of producing detailed, meaningful results, the survey was customised according to the NLC’s critical ethical issues in the form of tailored survey questions regarding the NLC’s values, stakeholders and structure, including branches, departments and work levels.

The response rate for the Ethics Monitor survey relative to a benchmark average of 65% was 69.7%. This is especially noteworthy given that the survey took place during the lockdown, reflecting a sound level of ethical engagement among employees. The NLC scored an overall AA ethics rating on a scale from D to AAA, where AAA is the best result and D is the worst. The assessment of ethical performance and ethical behaviour was based on:

- Behaviour, ranging from very ethical to extremely unethical.
- Ethical boundary, which measures the degree of ethical inclusiveness or exclusiveness relative to internal and external stakeholders and the triple bottom line or corporate citizenship, thus echoing the King IV concept of stakeholder inclusivity.

The NLC’s AA rating is based on a score of 6.78 on the ethical boundary axis and 4.76 on the behaviour axis, reflecting strong stakeholder inclusion and sound ethical behaviour.

Key results are included below. However, in all cases, there were variances, especially at branch level, which warrants attention.

Findings

- There is good confidence in leadership, especially the extent to which they are seen to live the organisation’s values.
- Values are taken into account in the organisation.
- The factors that should promote ethics are effective, notably internal ethics awareness initiatives and organisational values.
- The factors that should minimise unethical conduct are effective.
- The extent of specific incidences of unethical conduct is satisfactory. However, several factors warrant further attention.
- The organisation’s commitment to service delivery is very good.
- The extent to which employees feel valued is good.
- The extent to which ethical values apply to stakeholders is good.
- The NLC is considered a sound corporate citizen (as contained in King IV), with a strong commitment to society and the environment.

Media exposure analysis

This is a noteworthy addition to the standard elements of an ERA, adding an external perspective to the internal views derived from the qualitative and quantitative assessments. This entailed a comprehensive review and analysis of the NLC’s

media coverage for the period 1 January 2019 to 31 January 2020 to establish the quantity and quality of media coverage – encompassing print, broadcast and online media, to assess whether these reports enhanced or undermined the NLC’s ethics reputation.

At an overall level, media stories that portrayed the NLC as ethical accounted for 52% of the total media share, while media coverage that portrayed the NLC as unethical accounted for 48% of the total media share.

In terms of the critical ethical trends/issues that emerged from the analysis, unethical coverage dominated in areas such as fraud, corruption and bribery; scandals; and investigations, while ethical coverage dominated in the area of sponsorships. Key findings included the fact that most coverage was dominated by one publication and driven by one journalist from the same online media outlet.

Other services provided by the ethics office included support in the form of evidence and interpretation of three NLC cases where employees contravened NLC policies. The ethics office was satisfied with the level of compliance with the ethics and conduct policy and gift and donations policy.

The NLC whistleblowing policy outlines the procedure for reporting suspected instances of corruption and ensures that employees are not victimised for coming forward. The NLC also subscribes to a KPMG managed hotline for anonymous tip-offs. The CAE report provides further details in this regard.

Employees have the freedom to belong to recognised bargaining councils, in accordance with the Labour Relations Act of South Africa. Human rights at the NLC are dealt with in line with its internal policies and relevant legislation.

Information pertaining to the NLC’s standing in terms of B-BBEE, transformation and skills development is published on our website.

Health, safety and environmental issues

The NLC places the utmost importance on the health and safety of its employees and the public. The Committee was satisfied with the assurance of the compliance division and internal audit that the Commission complied with all the applicable health, safety and environmental laws and regulations. A building condition survey, which included fire rationale and detection, electrical networks reticulation, ceiling condition, internal and external air quality testing, air-conditioning/HVAC condition and hydrocarbon testing, as well as water quality sampling was undertaken to evaluate the compliance of NLC head office.

To comply with the provisions of the Occupational Health and Safety (OHS) Act to provide for the health and safety of personnel, visitors, consultants and contractors, the NLC has an approved OHS policy and OHS implementation plan. An OHS Committee was appointed in line with the Act to monitor and foster compliance on health and safety issues and recommend appropriate steps to be taken to address risks and threats. Adherence to the Act has been monitored through a compliance register and risk register, which are presented to the Board periodically.

Energy-saving, light switching systems were successfully installed. The Board approved the acquisition of provincial office accommodation, and the Committee is looking forward to the green initiatives that will emanate from these acquisitions. During the period under review, there were no fatalities and 8 minor injuries were recorded. The NLC has appointed Safety, Health and Environment (SHE) representatives, of which 100% attended SHE representative functions training.

Social responsibility

The NLC's core objectives speak to the promotion of social upliftment. Social responsibility is therefore an inherent part of the NLC's daily activities. Furthermore, in support of being catalysts for social upliftment, employees voluntarily donated and participated in several initiatives driven by the office of the Commissioner.

Nominations Committee

The Nominations Committee was established to ensure that the Board comprises the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibility objectively and independently.

The Committee developed the Board's code of conduct as well as code of ethics policies to enhance ethical leadership within the organisation. An independent Board skills review was commissioned, and the process of enhancement of the Board's skills and capacity initiated.

The Nominations Committee comprises six members, including the Chairperson. In terms of Committee charter, the Committee must meet at least twice a year. During the financial year ended 31 March 2020, the Committee convened on four occasions. The table below shows the attendance at these meetings.

Committee member	Role	Quarterly meetings	Special meetings and workshops
Prof NA Nevhutanda	Chairperson	4/4	0
Ms A Brown	Member	3/4	0
Ms DLT Dondur	Member	4/4	0
Prof YN Gordhan	Member	4/4	0
Adv WE Huma	Member	4/4	0
Dr MA Madzivhandila	Member	4/4	0

Board Nominations Committee meetings include quarterly meetings and a Committee policy review session.

Audit And Risk Committee Report

The Audit and Risk Committee herewith presents its report for the financial year ended 31 March 2020, as required by section 77 of the PFMA, 1999 (Act No. 1 of 1999, as amended by Act No. 29 of 1999) read with Treasury Regulation 27.1.10.

Members and attendance

The Committee was established in accordance with sections 51(1)(a)(ii) and 77 of the PFMA. The Committee charter requires that the Committee comprises a minimum of three members, the majority of whom should be from outside the public service or the majority of whom should be Non-executive members. However, Committee members need not all be members of the NLC Board. Members qualifications are detailed on page 70.

NLC corporate governance framework (continued)

The Committee comprises four members, including the Chairperson, Ms Doris Dondur. In terms of section 77(b) of the PFMA, the Committee must meet at least twice a year. The Committee charter makes provision for a minimum of four meetings per year. During the financial year ended 31 March 2020, the Committee met on 17 occasions. The table below shows the attendance at these meetings:

Committee member	Role	Date of appointment Qualifications	Quarterly meetings	Workshops and special meetings
Ms DLT Dondur	Chairperson	See page 58	9/9	8/8
Prof YN Gordhan	Member	See page 58	9/9	7/8
Adv WE Huma	Member	See page 59	9/9	7/8
Dr MA Madzivhandila	Member	See page 58	9/9	8/8
Ms K Singh	Representative from the dtic	B.Comt (Hons), CTA (Certificate of theory in Accounting), CIA (Certified Internal Auditor – through IIA Global), Post-graduate Diploma in Executive Development Appointment date : 17 December 2019	0/8	0/8
Mr D Kekana	Representative from the dtic	Bcom degree Certified Information Systems auditor (CISA) Certified Ethical Hacker (CEH) Computer Hacking Forensics Investigator (CHFI) Appointment date: January 2019	4/8	1/8
Prof NA Nevhutanda	Board Member (By invitation)	See page 58	0/8	4/8
Ms A Brown	Board Member (By invitation)	See page 59	0/8	3/8
Adv T Nevondwe	NLPT Chairperson (By invitation)	See page 86	0/8	1/8
Nedbank Trust Administrators	Trust Administrators (By invitation)	See page 86	0/8	1/8

Special Board meeting and workshops include:

- Special Meeting (AFS approval, National Lottery Participant Trust workshop)
- Board policy review session
- Investigation reports
- Mainly 2019/20 external audit matters

The members of the Committee held meetings with the Board, Senior Management, internal audit function and the external auditors, collectively and individually, on matters related to governance, internal control and risk throughout the reporting period. The Committee Chairperson also participated in the annual Committee Chairpersons' Forum with the Minister of Trade and Industry to report on governance, internal control, risk, performance and financial information, as well as other relevant matters concerning the Commission.

Committee's responsibility

The Committee has complied with its responsibilities arising from the PFMA and reports that it operated in terms of the Committee charter, read in conjunction with the internal audit charter.

Effectiveness of internal control

The Committee acknowledges management's efforts to strengthen internal controls in the Commission. The Committee is satisfied with the current technical support, monitoring and evaluation by the internal audit function.

The Committee is comfortable that matters reported by the external auditors and the internal audit function in prior years have been fully and satisfactorily addressed. Management has provided assurance that effective corrective action has been implemented and that the Committee will monitor these going forward.

Vacancies will be filled prudently with suitably qualified, skilled and experienced personnel and have not impaired the effective functioning of the system of internal control.

The NLC has adopted anti-corruption measures to curb potential fraud and corruption. The Committee is satisfied with the prevention of fraud. The fraud risks have been tabled to the Committee at each quarterly meeting of the Committee.

Due to the strategic importance of, and investment in, the modernisation of ICT, the Committee has monitored the risk register, and progress reports on the respective action plans during the year under review. The Committee is comfortable that ICT risks are being addressed or mitigated in implementing the new systems.

The quality of monthly and quarterly reports submitted in terms of the PFMA

The Committee is satisfied with the content and quality of quarterly reports prepared and issued during the year under review in compliance with the statutory framework.

The Committee has reviewed and commented on the NLC's AFS and report on performance information and their timely submission to the external auditors by 31 July 2020.

The Committee has reviewed the reports issued to National Treasury and is comfortable that the Commission is meeting its obligations and have recognised revenue to the extent that conditions have been met.

The Committee is comfortable that the Minister of Trade and Industry is exercising oversight responsibilities in terms of PFMA and ensuring that the funds are utilised for the purpose as described in the PFMA, Lotteries Act and Annual Performance Plan.

Internal audit function

The Committee is obliged, in terms of the PFMA, to ensure that the entity has a system of internal audit under the control and direction of the Committee. The Committee is satisfied that the internal audit function has adequately discharged its roles and responsibilities during the year under review.

The capacity of the internal audit function has been enhanced through the investment in an electronic system. The Committee expects these initiatives to contribute to the internal audit function becoming more efficient, more responsive to challenges and better able to provide audit reports of a high quality to management and the Committee on a timely basis. The Committee supports the direction that the internal audit function is adopting in providing the necessary skills and agility required for the function to respond quickly and effectively to the demands for internal audit across the Commission's different locations. The internal audit capacity was enhanced through co-sourcing parts of the internal audit function. The recent appointment of an IT Audit Specialist is a welcome development considering the need for expertise in the auditing of automated systems and the development and maintenance of a system of continuous auditing.

The Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the Commission

The Committee is satisfied that the internal audit function maintains an effective internal quality assurance and

NLC corporate governance framework (continued)

programme that covers all aspects of the internal audit activity. Internal audit underwent an external quality assessment review during 2019/20 FY, and the report was issued during August 2019. All identified areas of partial conformance have been rectified as at year-end.

Risk management function

The Committee is responsible for the oversight of the risk management function. The Committee is satisfied that the risk function has delivered on its mandate. The Committee has reviewed the risk register and the quarterly reports and is generally satisfied with the maturity of the risk management process.

Evaluation of the finance function

Overall, the Committee is satisfied with the Commission's finance function during the year under review.

Performance management

The Committee's responsibilities include the review of performance management. The Committee has, in terms of the performance of the Commission, performed the following functions:

- Reviewed and commented on compliance with statutory requirements and performance management best practices and standards.
- Reviewed and commented on the alignment of the annual performance plan, budget, strategic plan, corporate plan and performance agreements.
- Reviewed and commented on the relevance of indicators to ensure that they are measurable and relate to services performed by the department public entity.
- Reviewed reported instances of non-compliance with legislation.
- Reviewed compliance with reporting requirements.
- Reviewed the quarterly performance reports submitted by management.
- Reviewed and commented on the Commission's performance management system and made recommendations for its improvement.

The Committee is satisfied that the performance report has been prepared in terms of the PFMA, the Treasury Regulations and any other related regulatory requirements for reporting performance.

Evaluation of the AFS

The Committee's review of the AFS focused on the following:

- Significant financial reporting judgements and estimates contained in the AFS.
- Clarity and completeness of disclosures and whether disclosures made have been appropriately set in context.
- Quality and acceptability of, and any changes in, accounting policies and practices.
- Compliance with accounting standards and legal requirements.

- Significant adjustments and/or unadjusted differences resulting from the audit.
- Reflection of unusual circumstances or events and management's explanation for the accounting treatment adopted.
- Reasons for major year-on-year fluctuations.
- Asset valuations and revaluations.
- Calculation and levels of general and specific provisions.
- Write-offs and reserve transfers.
- The basis for the going concern assumption, including any financial sustainability risks and issues.

The Committee is comfortable that the AFS have been prepared in terms of GRAP and the PFMA.

External auditor's report

The Committee concurs with and accepts the conclusion and audit opinion of the external auditors on the AFS.

The Committee is of the view that the audited financial statements be accepted and read together with the report of the external auditors. The Committee confirms that it has been actively involved throughout the audit process and has been thoroughly appraised of the issues giving rise to the audit opinion. The Committee concurs with the findings on the reported performance information and compliance with legislation.

The external audit function, performed by the Auditor-General South Africa, is independent of the entity. The Committee has met with the external auditors to ensure that there are no unresolved issues and acknowledges the diligence and cooperation of the external audit team.

On behalf of the Audit and Risk Committee:



Ms D Dondur
Audit and Risk Committee Chairperson

3 December 2020

