

Accounting Authority Report for the National Lotteries Commission

for the year ended 31 March 2020

The National Lotteries Commission Accounting Authority presents its 12th annual report, which is supplementary to the audited consolidated annual financial statements of the National Lotteries Commission (NLC), National Lottery Distribution Trust Fund (NLDTF) and National Lotteries Participants Trust (NLPT) for the year ended 31 March 2020.

1. Nature of operations

The NLC is a regulator of the National Lottery as well as other lotteries, including society lotteries to raise funds. Ithuba RF (Pty) Ltd is a private company that currently operates the National Lottery and sports pools under a licence from the government which commenced on 1 June 2015. The Operator pays a percentage of the revenue from ticket sales to the NLDTF in terms of the licence agreement. These proceeds are destined for good causes as stipulated in the Lotteries Act No. 57 of 1997 (Lotteries Act), as amended and allocated to eligible and deserving applicants by Distributing Agencies appointed by the Minister of Trade, Industry and Competition (dtic). Furthermore, the NLC may, upon request by the Minister, Board or on its own initiative in consultation with the Board, conduct research on worthy good causes that may be funded without lodging an application as prescribed in terms of the Lotteries Act.

The NLC Board administers the NLDTF and NLDTF transfers the necessary running costs to the NLC. The NLC withdraws the necessary funds required from the NLDTF, based on the overall annual budget approved by the Minister of dtic.

The National Lotteries Participants Trust (NLPT) was founded by Ithuba Holdings RF (Pty) Ltd in terms of the licence agreement between the dtic, NLC and the Lottery Operator. The main objective of the NLPT is to hold monies in the Trust on behalf of Ithuba for prize winners and monies for advanced plays. Independent Trustees are charged with the responsibility to ensure that monies held in the Trust are safeguarded in terms of the Trust Deed.

2. Statement of responsibility for the financial statements

To the best of our knowledge and belief, we confirm the following:

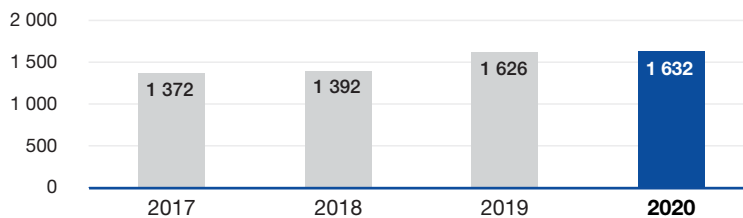
- All information and amounts disclosed in the annual report is consistent with the consolidated annual financial statements audited by the Auditor General. The consolidated annual financial statements are complete, accurate and free from any omissions.
- The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.
- The consolidated and separate annual financial statements have been prepared in accordance with the South African Standards of Generally Recognised Accounting Practice applicable.
- The accounting authority is responsible for the preparation of the consolidated and separate annual financial statements and for the judgements made in the financial statements. The accounting authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance to the integrity and reliability of the performance information, the human capital information and the consolidated and separate annual financial statements. The Auditor General is engaged to express an independent opinion on the consolidated and separate annual financial statements. In our opinion, the consolidated and separate annual financial statements fairly reflect the financial affairs of the NLC, NLDTF and NLPT for the financial year ended 31 March 2020.

3. Operating and financial review

Salient comparative information

SHARE OF TICKET SALES

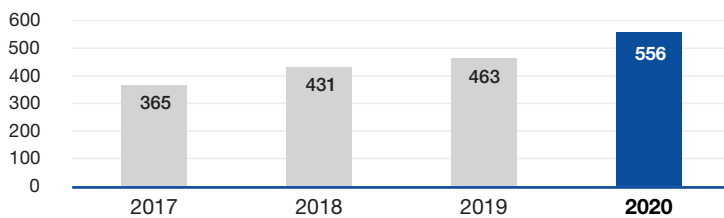
(R'million)



Revenue from share of ticket sales marginally increased by 0.4% to R1.632 billion, attributable mainly to high jackpots on both Powerball and Powerball plus. The lottery operator grossed R7.096 billion (including VAT) from ticket sales.

NLC OPERATING COSTS

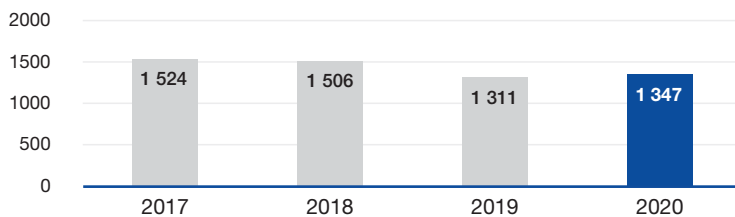
(R'million)



NLC Operating Costs increased by 20% to R556 million. In this financial year the NLC communication strategy focused on creating education and awareness and media coverage on the regulatory mandate and the 20-year NLC campaign. Furthermore, the NLC conducted research in various areas, including matters that relate to the NLC Regulatory function and impact study of NLC funding.

ALLOCATION OF GRANTS

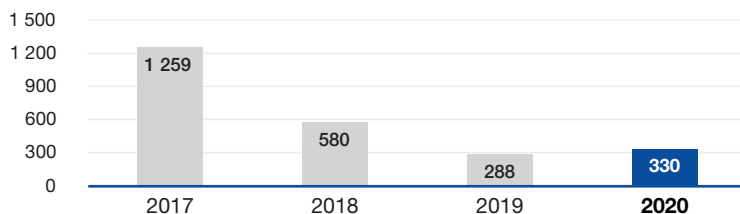
(R'million)



The grants allocation marginally increased by 3% to R1.347 million as at 31 March 2020 due to the increase in revenue.

PROVISION FOR ALLOCATION BY DISTRIBUTING AGENCIES

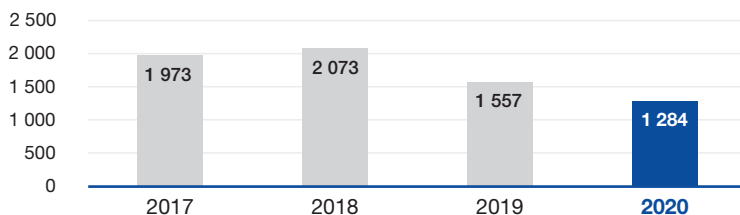
(R'million)



The liability is currently R330 million as at 31 March 2020, an increase of 15% from the previous financial year, due to outstanding second tranche payments which are as a result of outstanding progress reports at year-end.

CASH DISBURSED

(R'million)



Cash disbursed amounts to R1.284 billion. NLC continues to fast-track payments to beneficiaries. As at 31 March 2020 91% of all first tranche payments were paid within the regulated 60 days. On average first tranches were paid within 33 days of receipt of a compliant grant agreement. The nationwide lockdown also resulted in payments being temporarily halted towards the end of the financial year.

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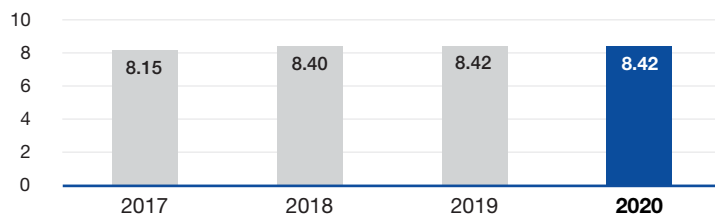
for the year ended 31 March 2020

3. Operating and financial review (continued)

Salient comparative information

WEIGHTED AVERAGE RETURN ON INVESTMENTS

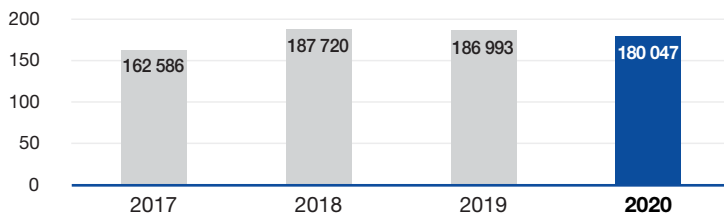
(Percentage)



The weighted average return on investments exceeded the APP target of 8% and the actual return was 8.42%. The RoI was maintained from the prior year.

EXPIRED AND UNCLAIMED PRIZES

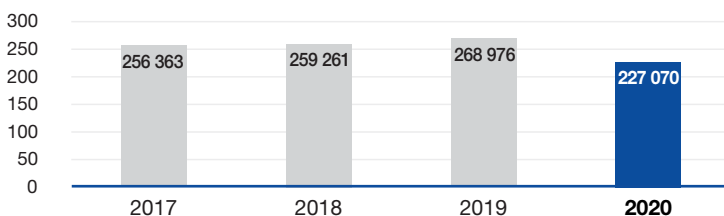
(R'million)



The expired and unclaimed prizes decreased by 4% over the past year as a result of the continuous campaign by the Operator communicating to participants when prizes are won and when prizes are about to expire.

UNCLAIMED PRIZES – WINNERS

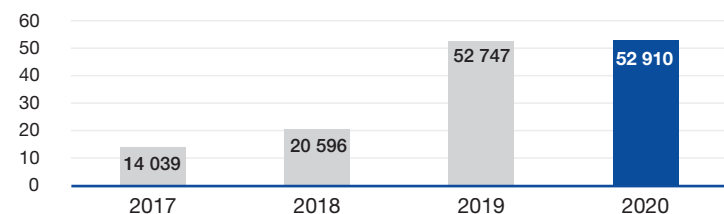
(R'000)



The unclaimed prizes have decreased by 16% over the past year as a result of the continuous campaign by the Operator communicating to participants through various platforms when prizes are won and when prizes are about to expire.

REVENUE RAISED THROUGH SOCIETY LOTTERIES

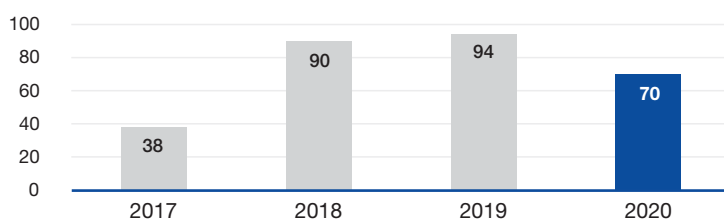
(R'000)



The revenue from fundraising activities by organisations increased by 0,3% due to less schemes conducted in 2019 – 2020 by registered societies as they struggled to raise the projected funds from the schemes.

REGISTRATION OF SOCIETY LOTTERIES

(R'000)



The revenue from society lotteries has decreased by 25% over the past year due to decrease in number of events held by the schemes.

4. Materiality framework in terms of Treasury Regulation 28.1.5

“For purposes of ‘material’ (sections 50(1), 55(2) and 66(1) of the Public Finance Management Act) and ‘significant’ (section 54 (2) of the Public Finance Management Act), the Accounting Authority developed and agreed on a framework of acceptable levels of materiality and significance. Overall materiality for the year under review for consolidated annual financial statements is 1% of the budgeted expenditure and for financial statements for NLC, NLDTF and NLTP is 1% of budgeted operational expenditure, 1% of budgeted grants allocations and 1% of total assets respectively.”

5. Approval of annual financial statements

The annual financial statements set out on pages 114 to 150 for the NLC, pages 154 to 175 for the NLDTF were approved by the Accounting Authority on 29 September 2020 and are signed on their behalf.



Prof. N A Nevhutanda
Chairperson of the Board
30 September 2020