



## Mid year review



Acronym/Term	Description/Definition
Act	Means the Lotteries Act No.57 of 1997 as amended.
Applicant	Means the juristic person making an application for funding.
Board	Means the National Lotteries Board, established in terms of Section 2 of the Act.
Chairperson	Means the Chairperson of the Board appointed in terms of Section 3(1) (a) of the Act.
Grant Funding Office (GFO)	Means the division of the National Lotteries Board responsible for performing all administrative and associated functions in respect of the distribution of funds.
CEO	Means the Chief Executive Officer of the Board appointed in terms of Section 7(1) (a) of the Act.
Distributing Agency (DA)	Means the agency appointed in terms of Section 27, 28, 29 or 30 of the Act.
DTI	Means the Department of Trade and Industry.
GMS	Means the Grant Management System used by the Board to record and track all applications received.
King Report	Means the current version of Report on Corporate Governance published by the King Committee on Corporate Governance.
Key Performance Indicators (KPIs)	Means qualitative/quantitative statements, measures/observed or parameters that can be used to describe performance and measure change or trends over a time period.
Minister	Means the Minister of Trade and Industry.
M&E	Means the Monitoring and Evaluation.
NLDTF	Means the National Lottery Distribution Trust Fund.
NDP	Means the National Development Plan.

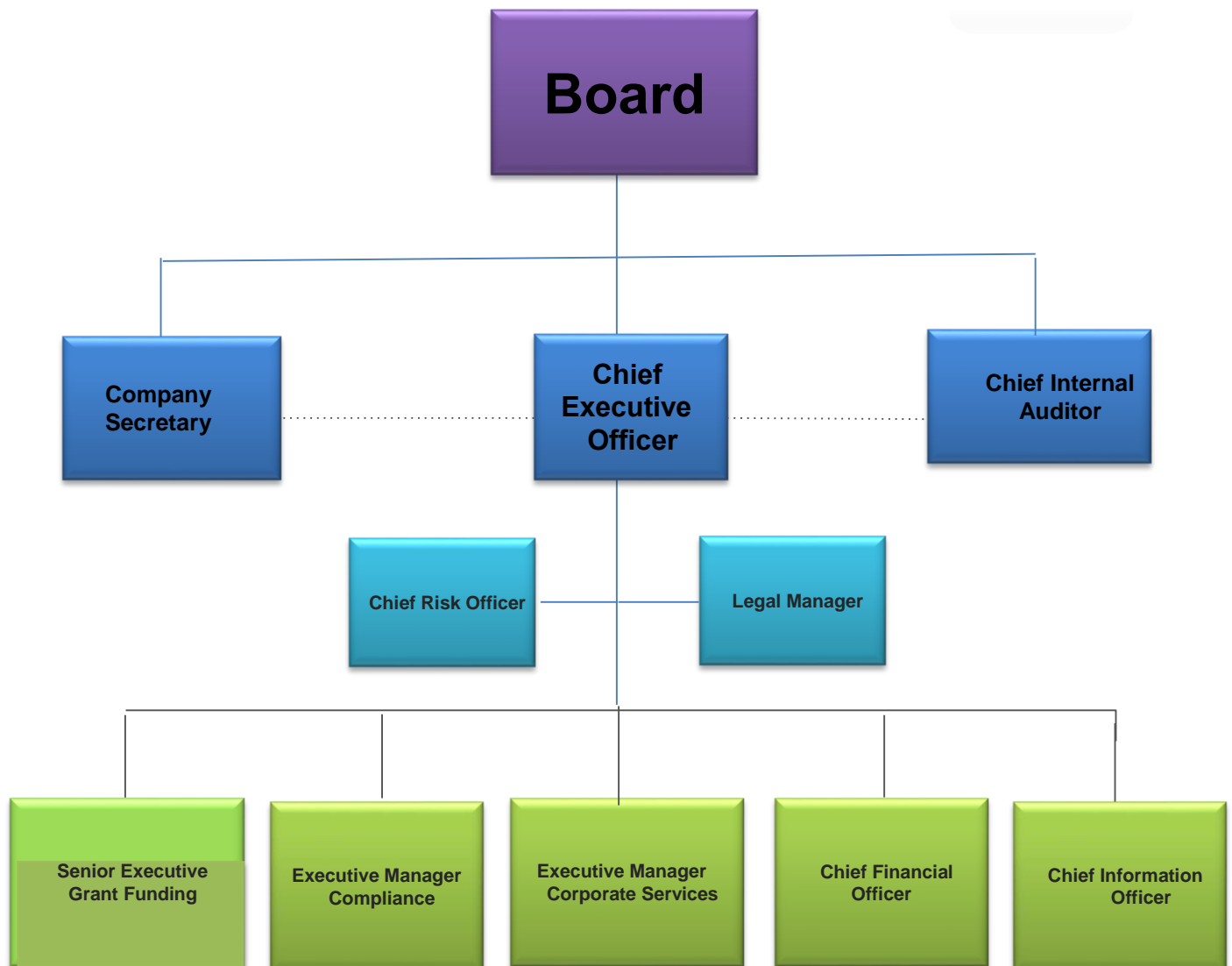
Acronym/Term	Description/Definition
PISE	Means the Post Indaba Stakeholder Engagement.
PFMA	Means the Public Finance Management Act.
Procedure Manual	Means the document that describes the work processes to be followed in the Grant Funding Office.
Programmes	Means a collection of initiatives that together achieve a beneficial change for an organisation.
Projects	Means temporary initiatives designed to achieve specific objectives within allocated budget and pre-determined timeframes.
Policy Directive	Means the directions issued by the Minister to the Distributing Agencies in terms of Section 32 (3) of the Act.
Strategic Initiatives	Means broad actions that an organisation undertakes to achieve its objectives.
Strategic Objectives	Means organisational intentions geared towards responding to the organisational mandate, aspirations and challenges.
Strategic Outcomes	Means organisational results generated through the implementation of programmes, and should correspond to strategic objectives.

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## 1. High Level Organisational Structure

Figure 1: NLB High Level Organisational Structure



## 2. Official Sign-off

It is hereby certified that this Annual Performance Plan was developed by the Management of the National Lotteries Board (NLB) under the guidance of the Board of Directors and was prepared in line with the current Strategic Plan of the NLB. It accurately reflects the performance targets which the National Lotteries Board will endeavour to achieve given the resources indicated in the budget for 2015/16.



**P. Letwaba**  
**Chief Financial Officer**

**Signed:** \_\_\_\_\_



**A. Maharaj-Domun**  
**Official Responsible for Planning**

**Signed:** \_\_\_\_\_



**TCC Mampane**  
**Chief Executive Officer**

**Signed:** \_\_\_\_\_

**Approved by:**



**Prof NA Nevhutanda**  
**Chairman**  
**30 October 2015**

**Signed:** \_\_\_\_\_

### 3. Foreword by the Minister

When the National Lotteries Board (NLB) was established in 1999, government ventured into territory that was new to the South African landscape. For the first time, we embarked on administering a national lottery, and added to that, planned to use part of the proceeds from the sale of tickets to distribute amongst good causes.

Today, we find ourselves heading towards the issuing of the third lottery license to an operator and have just had an amended Act signed into law. Furthermore, we have distributed more than R18 billion to good, deserving causes over the 16 years of the NLB's existence.

Part of the NLB's mandate has been to advise my office on policy matters relating to the National Lottery and other lotteries. The result of that type of engagement is evident in some of the initiatives that you will see coming from the NLB as it evolves into the National Lotteries Commission in line with the amended Lotteries Act.

With one of the strategic objectives of the NLB being "to ensure effective and efficient administration of the NLB and compliance with applicable legislation and policy prescripts", it guides us to making sure that we build a more efficient NLB to service the needs of the community.

Indeed, we aim for a more impactful NLB that addresses immediate, critical needs as addressed by the National Development Plan toward Vision 2030, and an NLB that is continually improving and adapting to the changing needs of society.

One of the focus areas of the dti is to reduce red tape. By this we mean working on a commitment from government and simplifying our processes to get things done with more efficiency.

In the NLB context, the new/amended Lotteries Act will mean that we are able, among other things, to employ Distributing Agencies on a full time basis to ensure that adjudications happen more frequently. In essence, this will mean reducing our red tape.

The National Development Plan (NDP) is a guiding document on how we will achieve the promise of our democracy. But more than anything, for the NLB, the NDP document cements our cause and confirms that social upliftment is such a critical area of our nation's growth.

Ultimately, we hope to build a South Africa that is vibrant and self-sufficient, with a healthy civil society that is not dependent on government for the most basic of needs. We aim for a South Africa that is 'Alive with possibility'. Our work is never-ending, but our goals are attainable.

I once again applaud the Chairperson of the Board, Prof NA Nevhutanda and the CEO, Mrs TCC Mampane for the visionary leadership they have provided to this entity as it continues to grow in impact.

**Dr Rob Davies**

Minister of Trade and Industry

## 4. Overview by the Accounting Authority

October 2014 marked 16 years of the National Lotteries Board's existence. The year 2000 saw the launch of the weekly National Lottery draw and in 2001, the National Lotteries Board (NLB) distributed R222.5 million, from a portion of the proceeds of ticket sales, to 1 240 non-profit organisations. This was uncharted territory for us as a Nation and the first few years presented a number of new challenges for the Board and the lottery operator. In overcoming the challenges, we have grown from strength to strength and have improved our services. To date, almost R18 billion has been distributed to good causes for the purposes of social upliftment.

Guided by the review of the Lotteries Act, the past year was characterised with much reflection and assessment of our organisation. It was an opportunity to take stock of where we were, what we had achieved and where we would like to take the NLB in the future.

Government's National Development Plan (NDP) confirmed that the mandate of the NLB plays a critical role in the plan of action that would help our country achieve Vision 2030 and thereby eliminate poverty and reduce inequality. Philosopher Khalil Gibran said that "poverty is a veil that obscures the face of greatness". The NDP recognises this and the NLB is in a position to address some of the elements that hamper eliminating poverty and reducing inequality.

In celebrating 20 years of democracy in South Africa, we must secure the future of our country by ensuring sustainability of the good work that commenced in 1994.

During the past financial year, we have begun placing the building blocks that will see an evolution of the National Lotteries Board towards proactive funding to address dire social needs and to assist our beneficiaries to grow from being grant recipients to aspire to becoming self-sufficient.

While there will always be a need for funding of good causes, we do not aim to build dependency among those who benefit from NLB funding. Our beneficiaries must be able to develop competencies that will assist them in helping themselves once they have interacted with us.

We recognise that not all citizens who are in need of services such as ours have the resources and know-how to start the application process. Along with sustainability, this will become a key focus area in the future – where the NLB will identify needs and mobilise those communities to apply for funding with the appropriate support. In essence, we need to help those who approach us to develop to be able to fend for themselves, so that we can then assist others who need a boost.

We remain committed to being 'The Catalyst for Social Upliftment', and we do so living up to our values of Integrity, Performance Excellence, Service Excellence and Social Consciousness.



Our fraud detection mechanisms are now solid, and hundreds of millions of rand have already been prevented from landing in the wrong hands for purposes not linked to our ideals of social upliftment.

The good work that we do cannot be accomplished without the contribution of ordinary South Africans who ensure that the socio-economic plight of our people is addressed when they participate in the National Lottery. When it was proposed early in our democracy that the government acknowledges gambling as a 'social reality' and seeks to regulate the industry and ensure that some of the profits from legal gambling be used to support good causes, many would not have comprehended that the impact of a percentage of proceeds from those individual ticket sales would see us distribute approximately R2 billion in the past financial year.

While the Auditor General in their report has cited material findings on the implementation of programmes, which will be resolved in future planning, we are extremely pleased to share that the NLB achieved 100% of set targets in the 2013-14 year to deliver fully on the mandate to serve South Africa and change lives for the better.

It goes without saying that the support of the Department of Trade and Industry has been and continues to be instrumental in us delivering on such an important mandate, and our gratitude to our Honorable Minister, Deputy Minister and the team at the DTI knows no bounds.

It is also due to the cooperation of the National Lottery operator, Gidani, and the continued dedication of the Board, management and staff of the NLB that we stand at this turning point in our history to acknowledge our successes in the past year, filled with optimism for what can still be achieved.

**Prof N A Nevhutanda**  
Chairperson  
National Lotteries Board

# **PART A:**

# **STRATEGIC OVERVIEW**

## 5. Vision

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

The Vision of the NLB is crafted as follows: *“The catalyst for social upliftment”*.

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

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

## 6. Mission

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

The Mission of the NLB is:

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

## 7. Core Values

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

**Table 1: NLB Core Values**

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

## 8. Strategic Goals/Objectives

NLB Strategic Objectives	
<b>SO:1</b>	To enhance administration of the NLB and ensure compliance with applicable legislation and policy prescripts
<b>SO:2</b>	To ensure financial sustainability, control and discipline in line with applicable legislation and policy prescripts
<b>SO:3</b>	To implement relevant initiatives geared towards ensuring compliance with the Lotteries Act
<b>SO:4</b>	To ensure fair and equitable grant allocations

## 9. Recent court rulings

The NLB, the Distributing Agencies and the Minister were cited as respondents in a class action matter which was heard in the Western Cape High Court in May 2010.

The applicants in the matter were the South African Education and Environment Project (SAEP) and the Claremont Methodist Church, Social Impact Ministry Sikhula Sonke (Sikhula Sonke). Between 2003 and 2009 SAEP submitted seven applications to the National Lotteries Board (NLB). Sikhula Sonke submitted two applications, one in 2007 and another in 2008. All the applications were not successful. The applicants sought redress under the Administration Justice Act (PAJA) a reconsideration of their various funding applications. The original application was originally lodged as urgent but the court found no urgency and referred the matter to the normal role. In May 2010 the matter went before Judge Gamble.

The Court found that the Distributing Agency (DA) had no statutory or regulatory power to make binding rules on applicants. The Court was of the view that the guidelines issued by the DA are non-legislative “guiding policies” and therefore cannot override, amend or be in conflict with the relevant legislative provisions. The Court also expressed the view that such guidelines set a useful purpose to enable the DA’s to apply some measure of uniformity when considering applications for funding.

The Court set aside the NLB’s refusal to fund three of the applications made to it and ordered the NLB to reconsider the three applications and make decisions within 60 days of the order and to provide unsuccessful application(s) with reasons for the refusal in the communication of its decision.

The NLB appealed the High Court ruling and in October 2011, the SCA upheld the decision of the High Court.

Regulations published by the Minister in July 2010 have largely addressed the issue of when an application can be lawfully rejected on the basis on non-compliance with requirements. The Distributing Agencies have also agreed that guidelines have to be aligned with the regulations.

## **10. Updated situational analysis**

The 2014/15 APP was subjected to an interim audit performed by the offices of the AGSA. Whilst the audit did not yield any significant matters of concern, it was identified that many of the targets in the APP were not aligned to the prescribed “SMART” (Specific, measurable, achievable, relevant and time-bound) criteria as defined in the National Treasury Framework for Strategic Plans and Annual Performance Plans in that some of the targets were not “Measurable.”

Further to the above finding, the imminent implementation of the Amended Lotteries Act has necessitated a shift in focus in the APP, even though the mandate of the organization remains intact.

### **Amended Lotteries Act & Supporting Regulations**

It stood to reason that the Amended Lotteries Act elevated certain areas pertaining to the service delivery environment of the NLB and it was necessary that they be incorporated.

Name change from National Lotteries Board to National Lotteries Commission:

The NLB Rebranding Strategy seeks to:

- To create a clear brand architecture
- To simplify the brand name transition from NLB to NLC
- To highlight the rebranding as a turning point that follows rigorous internal restructuring and brand positioning
- To use the rebranding exercise as an opportunity to reposition the brand and clarify its role as well as its relationship to the rest of National Lottery institutional brands
- To change the negative perceptions of inadequacy and corruption
- To promote positive brand attributes and success stories that have not been adequately or successfully promoted
- To empower the new brand to improve on efficiency and service delivery to fulfil its mandate
- To inspire the staff about the internal change and mobilise them to be agents of change in their individual and team capacities.

#### Education and Awareness:

- Grant Funding (capacity building of beneficiaries, workshops for the call for applications)
- Regulatory Compliance (increasing awareness of society and other lotteries, enhancing monitoring & evaluation)
- Marketing and Communications (PISE & Indaba)

#### Full time DA's included in NLB Structure:

- In an attempt to improve the efficiency of adjudications and the distribution of funds, it was agreed that the organisation should measure the

percentage of allocated funds of the respective sector budget that has been committed in the financial year.

There has been significant discussion with the Executive Authority regarding the incorporation of the 5% distribution to all provinces in the regulations. (GNR182)

The National Treasury Framework for Strategic Plans and Annual Performance Plans states that: *“Institutions should identify and include indicators that they have a direct interest in tracking. Programme performance indicators that are reliable, well defined, verifiable, cost effective, appropriate and relevant should be sought, with baseline information and targets expressed in terms of actual numbers.”*

It was agreed that the achievability of the indicator has several dependencies outside the control of the NLB (number of compliant applications received from an underperforming province, geographical spread and social needs of the area).

It is further envisaged that the 150 day turnaround time stipulated in the draft regulations for finalization of adjudication of applications by the Distribution Agency from the date of receipt will be incorporated in the future given the dependencies on ICT systems, full-time functional Distributing Agency Committees and fully integrated provincial offices.

It is a given that the implications of the new legislation has a direct impact on the budget. Coupled with this is the integration of the new National Lottery Operator into the market and the resultant ticket sales which ultimately determines NLB's income for the period under review. The Investment Strategy will to an extent assist with the generation of alternate streams of revenue that will in the long run, cover the operational costs of the organization.



### **10.1 Performance Delivery Environment**

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

#### **Regulation**

Sales of the National Lottery appear to have stabilized after the gap in operation in 2007. Although sales are at the same level as achieved in the previous Licence, if one takes into account the ticket price increase and inflation, the current levels are below expectation. From a social responsibility view, it is not advisable to stimulate sales through new games and aggressive marketing and consequently, the focus of the Board in the coming years will be on improving its regulatory practice through the establishment of a regulatory policy that is aligned to the Lottery operation context in South Africa.

The current Licence expires in the fourth quarter of the 2014/2015 financial year. The Board has adjudicated on the tenders received for the 3<sup>rd</sup> Lottery Licence and has made a recommendation to the Minister. The new operator was announced in the third quarter of the 2014/15 financial year.

The proliferation of other Lotteries in the marketplace continues to be a challenge. The most common form being the SMS competition. The Board has been successful in halting some of the more prominent competitions but the sheer number of competitions and the bravado with which they are conducted is a growing concern.

The Board has put in place certain strategic initiatives to confront the challenges including additional capacity for surveillance and enforcement of illegal lotteries.

**NLDTF Distribution**

In an effort to make the National Lottery Distribution Trust Fund (NLDTF) more accessible to all, the Board has embarked on a series of workshops throughout the country. The interaction with applicants and beneficiaries raised many constructive issues. It was agreed that in order to explore these issues further, the Board needed to conduct a series of focused consultations with all stakeholders and to document and communicate the results to the Department so that the legislative framework could be aligned to the needs of the communities that are meant to be served by the NLDTF.

In striving to promote stakeholder engagement with funded beneficiaries and strategic partners, the NLB has hosted the National Indaba in 2012, 2013 and 2014 financial years. This was followed by the provincial Post-Indaba Stakeholder Engagements (PISE). The PISE was also well supported by provincial and municipal leadership. Other roadshows to create awareness of the NLB's programmes also served to highlight the NLB brand. In measuring the success of the engagement, The NLB conducted a perception survey to determine the NLB standing with stakeholders including beneficiaries. The NLB has obtained 60% overall stakeholder relation satisfaction as a baseline in 2013/14 financial year. The NLB has further improved its corporate image through media engagement which has reduced negative publicity. In response to the new National Lotteries Act as amended, The NLB has embarked on a rebranding and repositioning campaign.

Furthermore, the organization has undertaken entering into several partnerships with key stakeholders in order to establish working relationships in pursuit of positive and productive community outcomes and the achievement of common goals.

The Lotteries Amendment Act (32 of 2013) was signed into law by the President of the Republic in October 2013. The amended Act was designed to address some shortcomings in the original 1997 legislation and to improve the functioning of the National Lotteries Board through inter alia clarifying and extending the powers and functions of the Board; as well as providing clear accountability for the Distributing Agencies. The NLB carefully tracked the amendment process since the original public consultations initiated by the dti and had already begun to consider and implement internal strategic and operational changes in line with the emerging thinking and final provisions of the Legislation.

In particular, the Grant Funding Division (GFD) took note of the key provisions impacting on its strategy and operations and developed a response. The following section summarises the key provisions, the GFD's current response and future plans with regard to the amendment and pending regulations.

A Funding Policy and Funding Model has been developed that makes provision for the "pro-active" funding of projects based on research; and for differentiated grants with different processes, requirements and qualifications depending on the size and complexity of the award i.e. smaller awards will require a less onerous process of approval than a large complicated project. Partial implementation of this policy is reflected in the two most recent Calls for Applications, where a more focused and defined approach was taken (i.e. Sports facilities for the Sports Call and ECD "Centres of Excellence" for the Charities Call).

In addition, a policy to govern applications made in partnership has been approved, which will ensure consistency and better oversight of partnership applications made in terms of the provision that only in exceptional cases (where the applicant is able to demonstrate why it is unable to apply on its own) should a conduit be used.

### Establishment of Provincial Offices

Provincial Offices have been established in eight provinces, with full time rollout of services scheduled in 2015/16. This is to ensure that the organisation is more accessible and responsive to its stakeholders and to ensure the equitable distribution of funds across provinces.

### Business Process Review

All of the changes outlined above will have an impact on the GFD's existing business processes, business rules and standard operating procedures. A Business Process Review is underway, which will develop improved and suitable processes to ensure efficient implementation of the new strategies and operational requirements, including work flows, staffing, skills, training and development, as well as ensuring that the development of the new Grant Management System (GMS) is responsive and relevant to user requirements. This includes a strong emphasis on increased automation of key processes, and the systematic generation of data for analysis and planning.

In the 2014/15 financial year, the Indaba included an anti- fraud and corruption round-table discussion. More than 1500 delegates representing all beneficiary groups and interested parties debate on the priorities and operation of the NLDTF. Several resolutions are adopted at the conclusion of the Indaba for implementation as indicated below:

#### **2011 Resolutions:**

- Development of a National Funding Policy that is aligned with National Priorities and delivers maximum impact.
- Redefinition of the function of the Distributing Agencies, NLDTF and the NLB – roles, focus areas and accountability.

- Re-examination and broadening of categories in terms of numbers and distribution.
- Differentiation: match complexity of the process and the task to the complexity and the process inter alia: smaller tasks – a simpler process.
- Capacity building and mentoring of smaller organizations, or form partnerships to access NLDTF funding.
- Reinforce integrity through internal controls. Minister of Trade and Industry: development and formulation of Code of Conduct (to handle these types of conflict – may include Ombudsman).
- Further investigation on the matter of natural persons.

**2013 Resolutions:**

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

**2014 Resolutions:**

- The NLB will align its programmes with the youth employment accord by ensuring continuation and facilitation of a skills development programme through placement of unemployed graduates with its beneficiaries.
- Using its provincial offices, the NLB, will together with its strategic partners support the coordination of efforts towards the utilisation of a multi-purpose centre. Multi-Purpose Centres to focus on:
  - Skills development
  - Entrepreneurship
  - NGO Capacity Building
- The NLB will continue to strengthen partnerships with law enforcement and other agencies that may be key stakeholders in the prevention of fraud, M&E and compliance
- Emphasise roles and responsibilities for NGOs/NPOs, Board of Directors and Management to be accountable for implementing projects.
- The NLB will continue to strengthen partnerships with organisations that enhance capacity building of beneficiaries.
- The NLB will incorporate and implement recommendations from stakeholders on the Norms & Standards Document
- The NLB will develop research capacity to be able to facilitate proactive funding.

Some of the above resolutions required legislative amendments for implementation purposes, many of which have been addressed in the Lotteries Act, as amended. In addition to the above, there were several suggestions for improving internal processes (quick fixes) which the NLB has already begun implementing.

## **10.2 Organisational Delivery Environment**

### **Sustaining Organizational Capacity**

It became clear to the Board that the impediments to optimum service delivery arose from both legislative as well as organizational constraints. In respect of the legislative constraints, the dti published the Lotteries Amendment Act. The Board then decided to focus on its internal structure and operations. To this end, the Board engaged the services of an independent consultant to conduct an organizational diagnosis and to make recommendations to the Board on possible restructuring options.

The Board itself held further consultations with applicants, beneficiaries and other interested parties. It has considered the recommendations made at the National Indaba, the recommendations arising from the organizational diagnostic together with its own research and agreed that realignment of the NLB organizational structure was essential to improved service delivery and effective functioning.

### **Organizational Re-alignment**

The Board agreed on several high-level re-structuring elements. In 2012/13 the board approved a new structure which was implemented in the third quarter of 2012/13 and the following years. To date total staff complement is at 210.

All Executive members and management appointments were made in line with the structure. Organisational Skills and capacity audit was completed. Human Capital Management strategies were developed and implemented. Around 80% of training budget was utilised for closing the gaps as per the NLB skills audit. Learnership and Internship programmes have been implemented in line with the national priorities on job creation and skills development. Learners and interns were placed both internally and externally through the NLB funded beneficiaries in line with NDP priorities.

### **10.3 Alignment to the dti**

NLB Objectives		Department Priorities	
<b>SO:2</b>	To ensure financial sustainability, control and discipline in line with applicable legislation and policy prescripts	1	To facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation
<b>SO:3</b>	To Implement Relevant Initiatives Geared towards Ensuring Compliance with the Lotteries Act	3	To create a fair regulatory environment that enables investment, trade and enterprise development in an equitable and socially responsible manner
<b>SO:2</b>	To ensure financial sustainability, control and discipline in line with applicable legislation and policy prescripts	4	To facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth

## 11. Description of the Planning Process

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

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

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

The proposed draft Performance Matrix, including selected indicators and targets, was discussed with stakeholders (Executive Committee) in the organisation, as a check on the validity of the decisions taken. Key questions directed to stakeholders included:



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

Furthermore, engagement also included detailed sessions to align budgets to the process. Once this internal process was completed, the proposed matrix was incorporated into a draft Plan.

## 12. Financial Plan

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

### 12.1 Projections of revenue, expenditure and borrowings

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

The Net Asset Value of the NLB/NLDTF has decreased from R2.4 billion in 2012/13, to R2.2 billion in 2013/14. Major expenditure relates to the distribution of funds to good causes. Expenditure for the NLB primarily consists of operational costs.

Operational expenditure (Opex) includes general & administration and employee costs are all budgeted for from a zero base. The overall principle applied when

budgeting for Opex is largely linked to the organizational targets and activities. Additional Opex allocations have been budgeted for as a result of the 6 regional offices that will become fully operational in line with the NLB's strategy to increase its regional footprint.

### **12.2 Asset and liability management**

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

The NLB's strategic objectives are detailed in table 8 and detailed financial projections are provided in Table 14.

### **12.3 Cash flow projections**

**NATIONAL LOTTERIES BOARD  
REVENUE AND EXPENDITURE  
BUDGET 2015/16**

R 000	2015	2016	2017	2018
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	1 894 578	1 811 703	1 961 065	2 178 717
NLDTF - 34%	1 606 718	1 517 224	1 654 807	1 860 209
Interest Received	260 000	267 971	278 690	289 837
License Signing Fees	2 800	1 440	1 498	1 558
Societies & Other Lotteries	60	68	71	74
Bid fees	-	-	-	-
Sundry Income	25 000	25 000	26 000	27 040

<b>Grant Funding Allocations</b>	<b>1 633 371</b>	<b>1 606 718</b>	<b>1 517 224</b>	<b>1 654 807</b>
Allocations	1 633 371	1 606 718	1 517 224	1 654 807
Revocations	-	-	-	-

<b>HR Compensation</b>	<b>168 809</b>	<b>202 201</b>	<b>218 377</b>	<b>235 847</b>
Agency Emoluments	17 938	31 111	33 600	36 288
Audit Committee Emoluments	750	554	598	646
HR Committee Emoluments	600	283	306	330
Board Members Emoluments	5 952	2 442	2 637	2 848
Salaries & Wages	141 302	164 678	177 852	192 080
Workmens Compensation	360	396	428	462
Risk Benefit & Mngmnt Fees	1 907	2 737	2 956	3 193

<b>Goods &amp; Services</b>	<b>192 504</b>	<b>179 485</b>	<b>206 407</b>	<b>237 368</b>
Advertising & Publicity	13 520	25 500	29 325	33 724
Advertising & Publicity - Education & Awareness	9 565	14 575	16 761	19 275
Audit Fees	3 100	2 900	3 335	3 835
Bank Charges	181	185	213	245
Computer Expenses	1 398	3 730	4 290	4 933
Conferences	22 476	2 618	3 011	3 463
Consulting Fees	25 153	25 961	29 855	34 333
Courier & Postages	682	1 211	1 393	1 602
Depreciation	5 609	5 955	6 848	7 875
Electricity, water, rates & taxes	1 705	2 112	2 429	2 793
Facilities & Refreshments	2 763	1 170	1 345	1 547
Gen Expenses	532	966	1 110	1 277
Insurance	400	1 920	2 208	2 539
Legal Fees	13 400	8 716	10 023	11 527

Loss on disposal of fixed assets	-	-	-	-
Motor Vehicle Expenses	186	2 846	3 273	3 764
Outsourcing	3 877	3 144	3 615	4 157
Print & Stationery	3 785	4 436	5 102	5 867
Rental - Office Equipment	1 434	6 895	7 929	9 119
Rent Paid - Property	16 718	20 453	23 521	27 049
Repairs & Maintenance	2 087	6 196	7 125	8 194
Removals	180	480	552	635
Staff Recruitment	800	850	978	1 124
Staff Training	5 979	2 930	3 370	3 875
Staff Welfare	1 201	2 512	2 889	3 322
Subscriptions	749	3 738	4 299	4 944
Security	3 050	3 360	3 864	4 444
Systems costs	450	-	-	-
Telephone & Fax	2 329	3 816	4 388	5 047
Temporary Staff	4 531	6 696	7 700	8 855
Third Lottery Licence	30 300	800	920	1 058
Travel & Accommodation	14 364	12 813	14 735	16 945
Net Surplus/(Deficit)	-100 105	-176 701	19 057	50 695

**CAPEX BUDGET**

Vehicles	-	7 200	-	-
Computer Equipment	17 652	11 126	6 676	6 342
Software and Licenses	7 060	797	-	-
Land and Building		90 000	80 000	40 000
Leasehold improvements	5 000	3 200	1 280	1 280
Office Furniture & Equipment	6 825	19 930	7 972	7 573
Project Dibanisa	44 550	38 000	7 590	-
	81 087	170 253	103 518	55 195

In the year 2017/18 the NLB envisages to have developed all documents for full implementation of the strategy. This will therefore see a reduction in the budget for programme 1 as bulk of the activities will be monitoring of developed business systems. The budget for the Compliance and Regulation Unit will increase due to the emphasis that the organisation plans to exert in the Monitoring & Evaluation and the Enforcement functions.

**12.4 Capital expenditure projects (Capex)**

The most prominent capex item is the redesign of the grant management system (e-system) together with the full integration of all other systems. Included here is not only the system design but also the acquisition of the necessary hardware.

### **12.5 Infrastructure plans**

NLB plans to embark on acquiring long term accommodation. It is projected that the project will take approximately 3 years for completion (2015-2018).

### **12.6 Dividend policies**

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

ANNUAL PERFORMANCE  
**PART B:**  
PLAN (AFT)  
2015-16  
**PROGRAMME**  
**PERFORMANCE** Mid year review



## Programme 1

- 13.1 Purpose of the Programme  
13.2 Description of the Programme

Purpose	To provide leadership and support to the entire organisation particularly the core business for effective service delivery.	
Description	Office of the Chief Executive Officer	
	<ul style="list-style-type: none"><li>• Corporate strategy development and implementation</li><li>• Corporate performance monitoring and reporting</li><li>• Governance systems development and implementation</li><li>• Internal controls implementation and risk management</li><li>• Sustainability strategy implementation</li><li>• Legal Services functions</li><li>• Efficiency improvement and systems development</li></ul>	
<div>ANNUAL PERFORMANCE PLAN (APP) 2015-16</div> <div>The office of the Executive is constituted by Strategic planning &amp; reporting; Internal Audit; Risk management; Company Secretary; Legal Services and organisational monitoring and evaluation departments.</div> <div>Mid year review</div>		
Description	Corporate Services	
	<ul style="list-style-type: none"><li>• Human Resources Management functions</li><li>• Administration and Facilities activities</li><li>• Communication, Marketing and Stakeholder Management</li><li>• Contact Centre functions</li><li>• Industry Research and Trends Analysis</li><li>• Knowledge Management</li></ul>	
The Corporate Services division is constituted by Human Resources Management & Administration; Marketing, Communication & Stakeholder Management; Knowledge Management and Contact Centre Management departments.		
Description	Finance	
	<ul style="list-style-type: none"><li>• Financial planning and reporting</li><li>• Development of financial controls and implementation thereof</li><li>• Development of procurement strategy and policies in line with PFMA</li></ul>	

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	<ul style="list-style-type: none"> <li>• Ensure compliance with statutory requirements from a finance perspective</li> </ul>
The Finance division is constituted by Financial Accounting, Supply Chain Management and Revenue Departments.	
Description	Information Communication Technology
	<ul style="list-style-type: none"> <li>• To provide vision and leadership for the planning, implementation and management of Information and Communications Technologies (ICT) that support the National Lotteries Board' business;</li> <li>• Direct and manage Information Communications and Technology strategic plans, develop IT policies and governance framework.</li> <li>• Provide leadership and management of ICT services, network communications, transactional computing processes, information management and security.</li> <li>• Developing and maintaining a responsive, reliable, and secure ICT infrastructure.</li> <li>• Maximise the value of technology investments.</li> <li>• Ensure IT system operation adheres to applicable approved policies and governance framework.</li> <li>• Direct development and execution of an enterprise-wide disaster recovery and ICT service continuity plan.</li> </ul>
The Information Technology division is constituted by Application and Development; Infrastructure and Network and the Support/Solutions Delivery Departments.	



### 13.3 Programme Performance Indicators and Targets (Programme 1)

Strategic Objective [1]: To Enhance Administration, Ensure Compliance with Applicable Legislation and Policy Prescripts									
Strategic Outcome	Strategic Output	Performance Indicator	Audited Actual Performance			Baseline 2014/15	2015/16 Annual Target	2016/17 Annual Target	2017/18 Annual Target
			2011/12	2012/13	2013/14				
Effective and efficient management of the NLB operations	Re-branding strategy	1.1 Percentage implementation of the approved re-branding strategy	Nil	Nil	Nil	Approved re-branding strategy	Implement 100% of the approved re-branding strategy	Implement 100% the approved re-branding strategy	Review the approved re-branding strategy
	Organisational Structure	1.2 Re-design and population of the organisational structure	Skills and capacity audit complete	Organisational design complete	New Organisational structure populated	Aligned Organisational Structure	Re-design and populate the Organisational structure	Populate re-designed organisational structure	Review organisational structure
	E-system (Integrated Enterprise Wide Architecture Platform)	1.3 Develop the E-system /Integrated Enterprise Wide Architecture Platform	Nil	Nil	System Scoping	Conduct work-study for business processes and workflows	Develop Phase 1 of the E-system /Integrated Enterprise Wide Architecture Platform	Implement the E-system / Integrated Enterprise Wide Architecture Platform	Review and Upgrade the E-system / Integrated Enterprise Wide Architecture Platform



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

Strategic Outcome	Strategic Output	Performance Indicator	Audited Actual Performance			Baseline 2014/15	2015/16 Annual Target	2016/17 Annual Target	2017/18 Annual Target
			2011/12	2012/13	2013/14				
<b>Creating a Sustainable and financially efficient NLB</b>	NLDTF Disbursements	2.1 Percentage disbursement of grants as per GNR644, 6(c)(iv)	Nil	Nil	Nil	38%	At least 50% of grants be paid in line with the regulated 60 day timeframe	At least 65% of grants be paid in line with the regulated 60 day timeframe	At least 80% of grants be paid in line with the regulated 60 day timeframe
	NLDTF Investments	2.2 Percentage Return on Investments (ROI) of NLDTF funds	Nil	5.63%	6.10%	6.00%	An annual minimum of 7% ROI on NLDTF funds	An annual minimum of 8% ROI on NLDTF funds	An annual minimum of 9% ROI on NLDTF funds

### 13.4 Quarterly Milestones (Programme 1)

Strategic Outcome	Strategic Output	Performance Indicator	Baseline 2014/15	2015/16 Annual Target	Quarterly Milestones			
					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Strategic Objective [1]: To enhance administration and ensure compliance with applicable legislation and policy prescripts								
	Re-branding strategy	1.1 Percentage implementation of the approved	Approved re-branding strategy	Implement 100% of the approved re-	Implement 50% branding and	Implement 75% branding and	Implement 90% branding and	Implement 100% branding and

Strategic Outcome	Strategic Output	Performance Indicator	Baseline 2014/15	2015/16 Annual Target	Quarterly Milestones			
					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
		re-branding strategy		branding strategy	repositioning campaigns	repositioning campaigns	repositioning campaigns	repositioning campaigns
	Organisational Structure	1.2 Re-design and population of the organisational structure	Populated structure, HR strategies and Talent management frame work	Re-design and populate the Organisational structure	Re-evaluation of job profiles and grading	Review the organisational architecture, perform skills audit and align	Populate the aligned structure	Populate the aligned structure
	E-system (Integrated Enterprise Wide Architecture Platform)	1.3 Develop the E-system (Integrated Enterprise Wide Architecture Platform)	Conduct work study for business processes and workflow	Develop E-system /Integrated Enterprise Wide Architecture Platform	Development of Phase 1 of E-system /Integrated Enterprise Wide Architecture Platform	Development of Phase 1 E-system /Integrated Enterprise Wide Architecture Platform	Pilot Phase 1 of E-system /Integrated Enterprise Wide Architecture Platform	Pilot Phase 1 of E-system /Integrated Enterprise Wide Architecture Platform

Strategic Outcome	Strategic Output	Performance Indicator	Baseline 2014/15	2015/16 Annual Target	Quarterly Milestones
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					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
<b>Strategic Objective [2]: To Ensure Financial Sustainability, Control and Discipline in line with Applicable Legislation and Policy Prescripts</b>								
<b>Creating a Sustainable and financially efficient NLB</b>	NLDTF Disbursements	2.1 Percentage disbursement of grants as per GNR644, 6(c)(iv)	38%	At least 50% of grants be paid in line with the regulated 60 day timeframe	10% disbursement of grants	20% disbursement of grants	30% disbursement of grants	50% disbursement of grants
	NLDTF Investments	2.2 Percentage Return on Investments (ROI) of NLDTF funds	6%	An annual average minimum of 7% ROI on NLDTF funds	7% Return on Investments	7% Return on Investments	7% Return on Investments	7% Return on Investments

### 13.5 Financial Plan (Expenditure Estimates for programme 1)

<b>Strategic Objective [1]: To enhance administration and ensure compliance with applicable legislation and policy prescripts</b>							
<b>Strategic Objective [2]: To Ensure Financial Sustainability, Control and Discipline in line with Applicable Legislation and Policy Prescripts</b>							
Economic Classification	Expenditure Outcome			Adjusted Appropriation	Medium Term Expenditure Estimate		
	2011/12 R'000	2012/13 R'000	2013/14 R'000	2014/15 R'000	2015/16 R'000	2016/17 R'000	2017/18 R'000

<b>Current payment</b>							
Compensation of employees, goods and services	99 611	123 451	139 092	177 633	248 979	279 040	314 098
<b>Payment of capital assets</b>							
Building & other fixed structure	5 952	9 156	11 296	81 087	169 578	103 518	55 195
Machinery & equipment							
<b>Other classifications</b>	-	-	-	-	-	-	-

## Programme 2

### 14.1 Purpose of the Programme

### 14.2 Description of the Programme

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

## ANNUAL PERFORMANCE PLAN (APP) 2015-16

Mid year review



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

Strategic Objective [3]: To Implement Relevant Initiatives Geared towards Ensuring Compliance with the Lotteries Act									
Strategic Outcome	Strategic Output	Performance Indicator	Audited Actual Performance			Baseline 2014/15	2015/16 Annual Target	2016/17 Annual Target	2017/18 Annual Target
			2011/12	2012/13	2013/14				
Compliant and Regulated Lottery Industry receptive to the NLB mandate	Illegal Lotteries	3.1 Percentage investigations on reported and identified illegal lotteries	Nil	Nil	Nil	40%	Conduct investigations on 70% of all identified and reported illegal lotteries	Conduct investigations on 75% all identified and reported illegal lotteries	Conduct investigations on 80% of all identified and reported illegal lotteries
	3 <sup>rd</sup> Lottery Licence	3.2 Develop and implement 3 <sup>rd</sup> National Lottery Licence Monitoring Matrix/ Scorecard	Nil	Nil	Nil	3 <sup>rd</sup> Lottery Operator recommended for appointment	Develop & Implement the 3 <sup>rd</sup> National Lottery Licence Monitoring matrix/ scorecard	Monitor Compliance with the licence conditions	Monitor Compliance with the licence conditions
Mid year review									



#### 14.4 Quarterly milestones (Programme 2)

Strategic Outcome	Strategic Output	Performance Indicator	Baseline 2014/15	2015/16 Annual Target	Quarterly Milestones			
					1st Quarter	2nd Quarter	3rd Quarter	4 <sup>th</sup> Quarter
Strategic Objective [3]:To implement relevant initiatives geared towards ensuring compliance with the Lotteries Act								
Compliant and Regulated Lottery Industry receptive to the NLB mandate	Illegal Lotteries	3.1 Percentage investigations on reported and identified illegal lotteries	40%	Conduct investigations on 70% of all identified and reported illegal lotteries	Conduct investigations on 25% of identified and reported illegal lotteries	Conduct investigations on 50% of identified and reported illegal lotteries	Conduct investigations on 60% of identified and reported illegal lotteries	Conduct investigations on 70% of identified and reported illegal lotteries
	3rd Lottery Licence	3.2 Develop and implement 3 <sup>rd</sup> National Lottery Licence Monitoring Matrix/ Scorecard	3 <sup>rd</sup> Lottery Operator recommended for appointment	Develop & implement the 3 <sup>rd</sup> National Lottery Performance Monitoring matrix/ Scorecard	Develop the matrix/scorecard to monitor the performance of the operator	Implement the matrix/scorecard to monitor the performance of the operator	Implement the matrix/scorecard to monitor the performance of the operator	Implement the matrix/scorecard to monitor the performance of the operator



### 14.5 Financial Plan (Expenditure Estimates for programme 2)

Strategic Objective [3]: To implement relevant initiatives geared towards ensuring compliance with the Lotteries Act							
Economic Classification	Expenditure Outcome			Adjusted Appropriation	Medium Term Expenditure Estimate		
	2011/12 R'000	2012/13 R'000	2013/14 R'000	2014/15 R'000	2015/16 R'000	2016/17 R'000	2017/18 R'000
<b>Current payment</b> Compensation of employees, goods and services	8 931	10 717	11 001	25 195	27 113	29 282	30 555
<b>Payment of capital assets</b> Building & other fixed structure Machinery & equipment	-	-	-	-	-	-	-
<b>Other classifications</b>	-	-	-	-	-	-	-

## Programme 3

### 15.1 Purpose of the Programme

### 15.2 Description of the Programme

Purpose	To provide support to the Distributing Agencies and to ensure that the grants are distributed according to the legislated mandate.
Description	Grant Funding <ul style="list-style-type: none"> <li>• Develop and implement an integrated Grant Funding strategy</li> <li>• Develop and implement Grant Funding policies</li> <li>• To ensure funding is distributed efficiently and effectively to deserving causes in line with national legislation and NLB policies</li> <li>• Education and Awareness on Grant Funding programme</li> </ul>
Description	Service Delivery & Support <ul style="list-style-type: none"> <li>• Overall management of the grant making processes in support to the Distributing Agencies and determine the effectiveness of the grant making process</li> <li>• Provide clearly defined functions of Provincial Offices aligned to grant funding processes</li> <li>• Develop functional strategies</li> <li>• Ensure implementation of streamlined grant funding processes</li> <li>• Develop and implement service improvement plan</li> </ul>
The Grant Funding and Service Delivery programme is constituted by the 9 Provincial Offices and the sectors the NLB funds i.e. Charities; Arts, Culture & National Heritage and Sport and Recreation.	

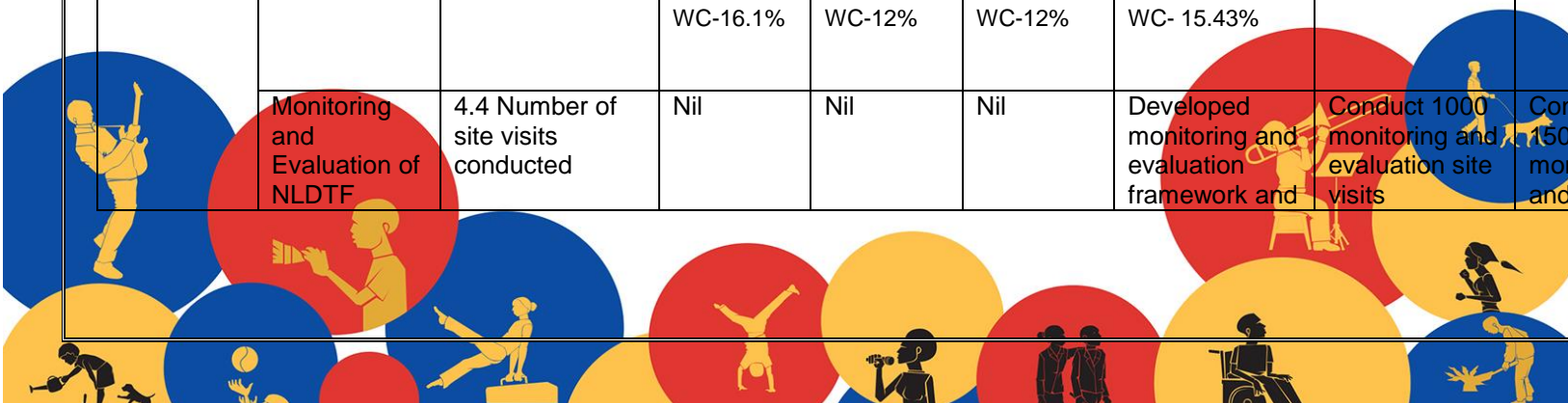
**ANNUAL PERFORMANCE  
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### 15.3 Performance indicators and performance targets per programme (Programme 3)

Strategic Objective [4]: To Ensure Fair and Equitable Grant Allocations									
Strategic Outcome	Strategic Output	Performance Indicator	Audited Actual Performance			Baseline 2014/15	2015/16 Annual Target	2016/17 Annual Target	2017/18 Annual Target
			2011/12	2012/13	2013/14				
Fair and Equitable allocation of Grant Funding	Funding Model	4.1 Percentage implementation of the grant funding model	Nil	Nil	Environmental scan completed & results incorporated into procedure on an interim basis	Develop grant funding model	Implement 50% of the grant funding model	Implement 100% of the grant funding model	Review the Grant Funding Model
	<b>ANNUAL PERFORMANCE PLAN (APP) 2015-16</b>								
	Education & Awareness	4.2 Number of workshops conducted per province	Nil	Nil	Nil	3 workshops per province for each call	4 workshops per province	6 workshops per province	8 workshops per province
	Lotteries Act- 5% per province (GNR182)	4.3 Percentage allocation of grant funding to provinces	EC-6.7% FS-3.5% GP-39% KZN-15% LP-7%	EC-8% FS-15% GP-24% KZN-8% LP-14%	EC-9% FS-8% GP-24% KZN-10% LP-9%	EC- 7.57% FS – 2.63% GP- 38.51% KZN- 11.9% LIMP-15.41%	A minimum of 5% grant funding allocated to each Province	A minimum of 5% grant funding allocated to each Province	A minimum of 5% grant funding allocated to each Province
	Monitoring and Evaluation of NLDTF	4.4 Number of site visits conducted	Nil	Nil	Nil	Developed monitoring and evaluation framework and	Conduct 1000 monitoring and evaluation site visits	Conduct 1500 monitoring and	Conduct 2000 monitoring and evaluation



**Strategic Objective [4]: To Ensure Fair and Equitable Grant Allocations**

Strategic Outcome	Strategic Output	Performance Indicator	Audited Actual Performance			Baseline 2014/15	2015/16 Annual Target	2016/17 Annual Target	2017/18 Annual Target
			2011/12	2012/13	2013/14				
	Funding					piloted the framework		evaluation site visits	site visits

**15.4 Quarterly milestones (Programme 3)**

Strategic Outcome	Strategic Output	Performance Indicator	Baseline 2014/15	2015/16 Annual Target	Quarterly Milestones			
					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Strategic Objective [4]: To ensure fair and equitable grant allocations								
Fair and Equitable distribution of Grant Funding	Funding Model	4.1 Percentage implementation of the grant funding model	Develop grant funding model	Implement 50% of the grant funding model	Alignment of business processes to model	Engagement of stakeholders	Implement model	Implement model
	Education and Awareness	4.2 Number of workshops conducted	3 workshops per province for each call	4 workshops per province	Planning of the workshops	Conduct 1 workshop per province	Conduct 2 workshops per province	Conduct 1 workshop per province
	Lotteries Act- 5% per province (GNR182)	4.3 Percentage allocation of grant funding to provinces	EC- 7.57% FS – 2.63% GP- 38.51% KZN- 11.9% LIMP-15.41% MP- 1.45% NW- 3.74%	A minimum of 5% grant funding allocated to each Province	A minimum of 1% grant funding allocated to each province	A minimum of 2% grant funding allocated to each province	A minimum of 3% grant funding allocated to each province	A minimum of 5% grant funding allocated to each province

			NC- 3.33% WC- 15.43%					
	Monitoring and Evaluation of NLDTF Funding	4.4 Number of site visits conducted	Developed monitoring and evaluation framework and piloted the framework	Conduct 1000 monitoring and evaluation site visits	Conduct 250 monitoring and evaluation site visits	Conduct 500 monitoring and evaluation site visits	Conduct 750 monitoring and evaluation site visits	Conduct 1000 monitoring and evaluation site visits

### 15.5 Financial Plan (Expenditure Estimates for programme 3)

#### Strategic Objective [4]: To ensure fair and equitable grant allocations

Economic Classification	Expenditure Outcome			Adjusted Appropriation	Medium Term Expenditure Estimate		
	2011/12 R'000	2012/13 R'000	2013/14 R'000	2014/15 R'000	2015/16 R'000	2016/17 R'000	2017/18 R'000
<b>Current payment</b> Compensation of employees, goods and services	1 583 220	2 344 459	1 889 926	1 633 371	1 712 311	1 633 686	1 783 370
<b>Payment of capital assets</b> Building & other fixed structure Machinery & equipment	-	-	-	-	-	-	-
<b>Other classifications</b>	-	-	-	-	-	-	-

# **PART C: LINK TO OTHER PLANS**

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

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

PFMA Section	Quantitative (Amount)	Qualitative (Nature)
<b>Section 50</b> <b>Fiduciary duties of accounting authorities</b>		
(1) The Accounting Authority for a public entity must : (c) on request , disclose to the Executive Authority responsible for that public entity or the legislature to which the public entity or the legislature to which the public entity is accountable , <b>all material facts</b> , including those reasonably discoverable , which in any way may influence the decisions or actions of the Executive Authority or that legislature ; and	Any fact discovered of which the amount exceeds the planning materiality figure used by the external auditors after consultation with the Audit Committee for the year under review.	1. Any item or event of which specific disclosure is required by legislation/law or GRAP. 2. Any fact discovered of which its omission or misstatement, in the Board's opinion, could influence the decisions or actions of the Executive Authority or legislature.
<b>Section 55</b> <b>Annual Report and financial statements</b>		
(2)The annual report and financial statements referred to in subsection (1)(d) must- (a) fairly present the state of affairs of the public entity , its business ,its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned; (b) include particulars of- (i) <b>any material losses</b> through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year:	Total assets: 1% of audited annual financial statements. Total revenue: 0.05% of audited annual financial statements.  1. Losses through criminal conduct -any loss identified. 2. Losses through any expenditure - if the combined total exceeds the planning materiality figure used by the external auditors after consultation with the Audit Committee for the year under review. 3.Any irregular , fruitless and wasteful expenditure as defined by the PFMA will be reported	Any identified loss through criminal, reckless or negligent conduct.
(ii) any criminal or disciplinary steps taken as a consequence of such losses or irregular expenditure or fruitless and wasteful expenditure;		
(iii)any losses recovered or written off ;		
(iv) any financial assistance received from the state and		

commitments made by the state on its behalf; and		
(v) any other matters that may be prescribed.		
<b>Section 66 (1)</b>		
<b>Restrictions on borrowing , guarantees and other commitments</b>	R 0 (NIL)	This Public entity may not borrow money, nor issue a guarantee, indemnity or security, nor enter into any other transaction that binds or may bind the institution to any future financial commitment unless acting through the relevant Executive Authority.(PFMA section 66(3)(c))
<b>Section 54</b>		
<b>Information to be submitted by Accounting Authorities</b>		
(2) Before a public entity concludes any of the following transactions ,the Accounting Authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its Executive Authority for approval of the transaction:		
(b) participation in a <b>significant</b> partnership , trust, unincorporated joint venture or similar arrangement;	Not applicable	Any participation, outside of the approved strategic plan and budget.
(c) acquisition or disposal of a <b>significant</b> shareholding in a company;	Not applicable	Any acquisition or disposal , outside of the approved strategic plan and budget
(d) acquisition or disposal of a <b>significant</b> asset;	Acquisition: More than R1 000 000 Disposal: More than R100 000	1.Any asset that would increase or decrease the overall operational functions of the Board , outside of the approved strategic plan and budget 2.Disposal of the major part of the assets of the Board
(e)commencement or cessation of a <b>significant</b> business activity	Not applicable	Any business activity that would increase or decrease the overall operational functions of the Board, outside of the approved strategic plan and budget.



## **1. Asset management Plan**

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

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

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

## **2. Information Technology Plan**

The IT Strategic Plan is a visionary approach that helps make measurable advances to progress the National Lotteries Board (NLB) towards our key initiatives and strategic goals over a five-year time frame.

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

As we embark on the future, the IT division is task with the annual refresh of the divisional five-year IT Strategic Plan. This evaluation and refresh process began in 2014 by reviewing NLB business needs, technology progress, architecture advancement, and the progress of strategic projects. The review also included a comprehensive view of the NLB as a whole and division's funding, resources, and capabilities in addition to leveraging a business problem analysis for each system

of work (e.g, grant funding, human resources, document management, audit, risks, finance and supply chain). This analysis assisted with identifying realistic challenges and opportunities that lie ahead for IT. Key focus was on internal organizational improvement, and enhanced services for the NLB. Our IT is continuing to: establish consistent and repeatable processes; provide improved IT governance framework; and better manage the IT resources from an enterprise and infrastructure perspective.

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

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

## **STRATEGIC GOALS:**

### Return on Investment

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

### IT Systems: Modernise

- Improve data quality and availability
- Increase self service offerings and functions

- Increase number of automated business processes
- Implement green technology
- Automate IT policies

#### IT Delivery: Secured

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

#### IT Workshop: Right, Resources and skills

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

INFORMATION TECHNOLOGY					
Strategic Output	Performance Indicator	Baseline 2014/15	2015/16 Annual Target	2016/17 Annual Target	2017/18 Annual Target
<b>Enterprise Wide Architecture</b>	Established and developed Enterprise Wide Architecture	Enterprise Wide Architecture strategy	Implement	Monitor and improve	Upgrade
<b>Technology Refresh Plan</b>	Developed and implemented Technology refresh plan	Technology Refresh Plan document	Upgrade Technology platforms and systems	Monitor	Review the approved plan
<b>IT Service Continuity Strategy and Plan</b>	Reviewed and implemented IT Service Continuity strategy and plan	IT Service Continuity Plan implemented	Automation of the IT Service plan	Review the IT Service Continuity Plan	Improve and upgrade
<b>Disaster Recovery Strategy and Plan</b>	Developed and implemented Disaster Recovery strategy and plan	Developed and Implemented Disaster Recovery (DR) Strategy and Plan	Implementation DR	Automation of DR plan	Review and Monitor DR
<b>IT Governance Framework</b>	Developed and implemented IT Governance Framework	Developed IT Governance Framework	Automation of Developed IT Policies	Review	Realign to new business principles
<b>Compliance and Monitoring Strategy</b>	Developed and implemented Technical compliance and monitoring strategy	Developed and implemented tools	Review	Upgrade	Realign to new business principles
<b>Content Management Strategy</b>	Developed and implemented Content Management strategy and plan	Developed Content Management plan	Review	Upgrade	Realign to new business principles

### 3. Risk Management & Fraud Prevention Plan

#### 3.1 Risk Management Process

##### 1.1 Background

This framework is in response to NLB's risk policy and provides a detailed description of the risk management processes within NLB.

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

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

The purpose of the Risk Management Framework is to:

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

## 1.2 Definitions

### 1.2.1 Risk

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

### 1.2.2 Enterprise Risk Management

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

### 1.2.3 Other definitions

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

TERM	DESCRIPTION
	designed to add value and improve NLB's operations. It helps NLB to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes.
<b>Key risk indicators</b>	Metrics used by management to provide an early signal of increasing risk exposure or emerging risk.
<b>Residual risk</b>	The level of risk that remains after risk mitigation measures have been implemented.
<b>Risk acceptance</b>	An informed decision by management to accept the likelihood and impact of a particular risk thus not implementing any further risk mitigation measures.
<b>Risk analysis</b>	Systematic use of information to identify sources of risk and to estimate the level of risk.
<b>Risk &amp; ICT Committee</b>	A committee constituted to facilitate and review the internal control, governance, technology and risk management process within the organisation.
<b>Risk appetite</b>	The level of risk that the organisation is prepared to accept in pursuit of value.
<b>Risk exposure</b>	Extent to which the organisation is subject to a risk event.
<b>Risk assessment</b>	Overall process of risk identification, risk quantification and risk evaluation in order to identify potential opportunities or minimise loss.
<b>Risk avoidance</b>	Decision not to become involved in, or action to withdraw from a risk situation.
<b>Risk Champion</b>	A person who by virtue of his/her expertise or authority champions a particular aspect of the risk management process, but who is not necessarily the risk owner.
<b>Risk identification</b>	Process of recognising and describing the risks.
<b>Risk owner</b>	The person with the accountability and authority to manage a particular risk.
<b>Risk management</b>	Risk management is the identification and evaluation of actual and potential risk areas as they pertain to the organisation, followed by a process of, avoiding, sharing/ transferring, accepting and mitigating of each risk, or a response that is a combination.
<b>Risk management</b>	Statement of overall intentions and direction of the organisation

TERM	DESCRIPTION
<b>policy</b>	related to risk management.
<b>Risk management strategy and plan</b>	A document setting out the planned risk management activities to be conducted during the year as well as the initiatives aimed at improving the maturity of the risk management process.
<b>Risk maturity assessment</b>	An assessment of the level of sophistication of the organisation's risk management process and structures.
<b>Risk mitigation</b>	Management action to reduce the likelihood of a particular risk from materialising, and/or the limitation of the negative consequences of any risk event.
<b>Risk profile</b>	The relevant risks and the applicable priority thereto. This will normally be presented as a listing of risks with relevant prioritisation/ rating.
<b>Risk register</b>	A formal listing of risks identified, together with the results of the risk analysis and evaluation together with details of risk treatment strategies, risk controls in place and risk action plans.
<b>Risk response/ treatment</b>	Process of selection and implementation of measures to manage risk. Risk response measures can include avoidance, sharing/transfer, acceptance and mitigation.
<b>Risk tolerance</b>	The acceptable level of variances arising out of risk relative to the achievement of objectives.
<b>Risk transfer</b>	Sharing with another party the burden of loss or benefit of gain, for a risk. Risk transfer can be carried out through insurance or other agreements.

### 1.3 Legal mandate for ERM

#### Section 51(a) (i) of PFMA

Section 51(a) (i) states that "The accounting authority must ensure that the public entity has and maintains effective, efficient and transparent systems of financial, risk management and internal control..."



## **Treasury Regulations**

Section 27.2.1 of the Treasury regulations states the following:

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

### **1.4 Corporate Governance Principles**

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

1. The Board is responsible for the total process of risk management, as well as forming its own opinion on the effectiveness of the process.
2. The Audit Committee as well as the Risk and ICT Committee should consider the risk strategy and policy, and should monitor the process at operational level and the reporting thereon.
3. Management is accountable to the Board for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of the department.
4. Risk Management constitutes an inherent operational function and responsibility.
5. Risks should be assessed on an on-going basis and control activities should be designed to respond to risks throughout the company. Pertinent information arising from the risk assessment, and relating to control activities should be identified, captured and communicated in a form and timeframe that enables employees to carry out their responsibilities properly. These controls should be monitored by both line management and assurance providers.
6. A systematic, documented assessment of the processes and outcomes surrounding key risks should be undertaken at least annually.
7. The institution should develop a system of risk management and internal control that builds robust business operations. The systems should demonstrate that the key risks are being managed in a way that enhance shareowners' and relevant stakeholders' interests.

## 2 Enterprise Risk Management Standards

The standards constitute the main tasks of the ERM process. These standards are non-negotiable. The Enterprise Risk Management Standards should be read in conjunction with section 3 - ERM roles and responsibilities.

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

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

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

### 3 ERM roles and responsibilities

#### 3.1 Roles, responsibilities and governance

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

##### 3.1.1 Board of Directors

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

##### 3.1.2 Responsibilities for enterprise risk management

The Board is responsible for:

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

- for **disclosures in the annual report** regarding Enterprise Risk Management (ERM).

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

### 3.1.2.1 Providing stakeholder assurance

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

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

### 3.1.2.2 Maintenance of the ERM policy

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

### 3.1.2.3 Defining risk appetite and tolerance levels (as applicable)

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

### 3.1.2.4 Evaluation of the effectiveness of the risk management process

The Board will assess the effectiveness of the NLB's Enterprise Risk Management processes on an annual basis. The Board' evaluations will be **formally recorded in the minutes of meetings**. The Board' evaluation of risk management can be supplemented by an **independent review** to be

performed by the Internal Auditors or other such nominated assurance provider.

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

### **3.1.2.5 Confirmation that the enterprise risk management process is accurately aligned to the strategy and performance objectives**

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

### **3.1.3 Audit Committee**

#### **3.1.3.1 Responsibilities for enterprise risk management**

The Committee is an integral component of the risk management process and specifically the Committee must **review**:

- the nature, role, responsibility and authority of the risk management function within the organisation and outline the scope of risk management work as recommended by the Risk & ICT Committee;
- the development and annual review of a policy and plan for risk management;
- the implementation of the policy and framework for risk management;
- recommendations to the Board concerning the levels of tolerance and appetite and monitor that risks are managed within the levels of tolerance and appetite as approved by the Board;
- that the risk management framework is widely disseminated throughout the organisation and integrated in the day-to-day activities of the organisation;
- that risk assessments are performed on a continuous basis;
- that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;
- that management considers and implements appropriate risk responses;
- that continuous risk monitoring by management takes place;
- the monitoring of external developments relating to the practice of corporate accountability and the reporting of specifically associated risk, including emerging risks and prospective impacts thereof;

- that the Exco together with the organisation's Legal Advisor review any legal matters that could have a significant risk and impact on the organisation's business; and
- the insurance coverage arrangements to ensure these are adequate.

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

### **3.1.4 Risk & ICT Committee**

#### **3.1.4.1 Responsibilities for enterprise risk management**

The Committee will perform all the functions as is necessary to fulfil its role as stated afore including inter alia the following:

- The Committee shall set out the nature, role, responsibility and authority of the risk management function within the organisation and outline the scope of risk management work;
- Develop and implement a formal risk policy for the organisation for approval by the Board;
- Develop and implement a formal 3-year strategy for risk management;
- Develop and implement a formal risk framework for the organisation, which must include the risk management approach for operations and projects;
- Develop and implement a fraud policy and prevention plan for the organisation;
- Develop and implement a comprehensive business continuity plan for the organisation;
- Ensure that the organisation puts in place an adequate safety and health policy;
- Make recommendations to the Board concerning the levels of risk tolerance and appetite for the organisation;
- To continuously monitor the implementation of risk management and ensure that risks are managed within the levels of tolerance and appetite;
- Disseminate the risk management policy and framework throughout the organisation and facilitate integration in the day-to-day activities of the organisation;
- Perform risk assessments on a continuous basis as well as monitor and consider emerging risks by considering the operating environment of the organisation;
- Ensure that the organisation formally reviews its fraud risks;
- Ensure that the organisation formally reviews its information and communications technology ("ICT") risks;
- Consider and implement appropriate risk responses;
- Ensure continuous risk monitoring;



- Liaise closely with the Audit Committee to exchange information relevant to risk and the risk management process;
- Express the Committee's formal opinion to the Audit Committee and ultimately to the Board through the Chief Executive Officer on the effectiveness of the systems of risk management as well as progress in implementation of risk management;
- Review any risks relating to legal matters that could have a significant impact on the business.
- Ensure that adequate insurance coverage is in place for the organisation; and
- Formulate and propose relevant risk disclosures/ statements in the Annual Financial Statements.

### **3.1.5 The Chief Executive Officer ("CEO")**

The CEO's responsibilities include ensuring that all components of enterprise risk management are in place. The CEO fulfils this duty by:

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

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

### **3.1.6 Business Unit Heads (HODs)**

Business unit heads are accountable to Exco through the Chief Executive Officer for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of NLB.

More specifically HODs are responsible for:

- Deciding on the manner in which risk mitigation will be embedded into management processes;
- Creating a culture of risk management within NLB;
- Updating risk registers and providing risk management reports to the Chief Risk Officer pertaining to risk and control;
- Identifying positive aspects of risk that could evolve into potential opportunities for NLB by viewing risk as an opportunity, by applying the risk/ reward principle in all decisions impacting on NLB;

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

### **3.1.7 Risk Champions**

The Risk Champions are responsible for:

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

### **3.1.8 Chief Risk Officer**

The Chief Risk Officer is responsible for:

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

### **3.1.9 Internal Audit**

The role of Internal Audit in corporate governance is defined by the South African Institute of Chartered

Accountants as follows: “To support the Board and Management in identifying and managing risks and thereby enabling them to manage the organisation effectively”. This is achieved by:

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

Internal Audit is responsible for:

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

### 3.2 Components of the Enterprise Risk Management Process

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

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

<b>Control Environment:</b> Values, ethics, integrity and culture. (These are normally captured and re-affirmed in the risk management policy).	
<b>Objective Setting</b>	Specific, Measurable, Attainable, Relevant and Time-bound.

<b>Risk Identification</b>	Identification of events that could affect achievement of objectives.
<b>Risk Assessment</b>	Rating identified risks to determine order of significance on likelihood and impact.
<b>Control Strategy</b>	Manage or avoid? How will risks be managed? By whom? What structures?
<b>Risk Reporting</b>	Build awareness and regular risk reporting upwards and downwards.
<b>Control Activities</b>	Assurance on risks to be given by management and the Board. Consider combined assurance.
<b>Monitoring</b>	Set and monitor key risk indicators to embed proactive risk response.
<b>Risk Management Strategy:</b> To drive risk management, a formal risk management strategy should be formulated. Set objectives and consider risk improvement strategies.	

### 3.2.1 Component 1 – Control Environment

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

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

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

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

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

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

### **3.2.2 Component 2 – Objective Setting**

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

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

### **3.2.3 Component 3 – Risk Identification**

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

Some external factors to be considered for potential risks include:

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

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

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

### ***NLB's Methodology***

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

#### **Objectives**

##### Step 1:

Identify Objectives / Level of Objective

#### **Risks**

##### Step 2:

Identify Risks preventing achievement of Objectives including root causes.

##### Step 3:

Rate Risk.

#### **Action Plans / Controls**

##### Step 4:

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

##### Step 5:

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

**Identifying the potential root causes of risk events**

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

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

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

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



### 3.2.4 Component 4 – Risk Assessment

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

#### Impact Parameters:

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

#### Likelihood Parameters

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

*Inherent risk rating = impact X likelihood*

### Residual Risk

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

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

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

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

### Residual Risk Acceptability

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

Thresholds Where the result is:	Threshold Interpretation	Suggested Action	Escalation requirements (if any)	Suggested Timing
between 15 and 25	<b>RED</b> – <b>Unacceptable</b> High Risk	Management should take immediate action to reduce risk exposure to an acceptable level.	<ul style="list-style-type: none"> <li>• Board</li> <li>• AC</li> <li>• RC</li> </ul>	Immediate action required
between 9 and 14	<b>YELLOW</b> – <b>Cautio</b> <b>nary</b> Mediu m Risk	Management should constantly monitor the risk exposure and related control adequacy.	<ul style="list-style-type: none"> <li>• Board</li> <li>• AC</li> <li>• RC</li> </ul>	Medium term action - within three months
between 1 and 8	<b>GREEN</b> – <b>Accep</b> <b>table</b> Low Risk	Management should monitor risks and may consider reducing the cost of control.	<ul style="list-style-type: none"> <li>• AC</li> <li>• RC</li> </ul>	Monitor <sup>1</sup> – no immediate action required

Before making the determination on the basis of the above, the following risk quadrant must be considered and risks should be plotted on a heat-map in order to determine what final rating code they are allocated.

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

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

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

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

### 3.2.5 Component 5 – Risk Response Strategy

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

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

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

- Transfer e.g. through insurance cover;
- Tolerate;

- Treat/ mitigate through rigorous management practices; or
- Terminate the risk by eliminating a process, a product, or a geographical zone.

After the control strategy decision, the current controls to manage the risk in question are identified.

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

The scales used to rate control effectiveness are as follows:

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

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

### 3.2.6 Component 6 – Information and Communication

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

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

### **3.2.7 Component 7 – Control Activities**

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

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

### **3.2.8 Component 8 – Monitoring**

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

#### **Key risk indicators**

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

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

#### **Risk tolerance limits**

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

management greater assurance that the entity remains within its risk appetite and, in turn, provides a higher degree of comfort that the entity will achieve its objectives.

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

### **Incident reporting**

This is an internal management function and will form part of the Enterprise Risk Management process.

Incident reports should incorporate:

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

The destination of incident reports will be determined by the nature of the potential or actual loss.

Incidents and losses that originate from risks contained in the key risk registers must always be elevated to higher levels of management with risk-related variance reports being incorporated into routine management reporting processes.

### **Performance measurement**

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

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

## **4 Additional Emphasis: Project Risk Management**

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

### **4.1 Introduction**

Risk refers to any factor (or threat) that may adversely affect the successful completion of the project in terms of achievement of its outcomes, delivery of its outputs, or adverse effects upon resourcing, time, cost and quality.

Successful projects try to resolve risks before they impact the project, and alternatively have sufficient plans to address the impact of risk when it occurs.

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

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

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

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

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

A proposed framework for effective risk management requires that issues management be combined with normal risk management initiatives.

### **4.2 Project risk management interventions**

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





*Suggested 3-pillar risk management process in project phases*

#### 4.2.1 Initial stages (Concept and Initiation) – Risk checklist

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

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

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

#### 4.2.2 Project commencement and implementation stages – Risk assessment and management

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

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

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

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

#### **4.2.3 Implementation and final stages – Issues management**

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

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

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

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

- a unique number;
- a description;
- who raised the issue;

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

Commonly adopted principles in issues management are as follows:

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

## **5 ERM enhancement & entrenchment plan**

### **5.1 Establish an organisational framework of assurance for key risks and controls**

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

### **5.2 Internal audit provides assurance on risk management processes**

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

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

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

### **5.4 Internal audit provides assurance on quality and reliability of risk information**

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

### **5.5 Safety, health and environment**

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

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

#### **5.6 Business Continuity Management**

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

#### **5.7 Fraud Prevention Plan**

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

#### **5.8 Project Risk Management**

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

#### **5.9 Governance committees**

The terms of reference of the various Committees will be formally reviewed on a regular basis to ensure that they remain relevant and clearly define functions, roles and governance processes for the various committees.

For operational integration, risk management champions will be nominated to focus on the holistic management of risk and these risk champions will provide support to their business units on a day to day basis on risk matters.

#### **5.10 Integration of ERM with Planning Processes**

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

A periodic risk report will be provided and presented to the Risk & ICT Committee. This report will detail significant risks facing the NLB, the controls in place to minimise the risks and an assessment of the residual risk.

## 3.2 Risk Strategy (risk register)

## NLB STRATEGIC RISK REGISTER

no	Category	Strategic objective(s)	Risk	Root cause(s)	Consequence(s)	Inherent Risk Rating			Risk Appetite	Current Controls	Future Controls	Due dates	Control Adequacy	Residual Rating	Risk Owner
		Strategic objectives listed above	High level definition	Source(s) of Risk	Risk effect(s)	Likelihood	Impact	Inherent Risk	Per risk appetite statement	Existing controls	Initiatives or planned strategies to enhance control adequacy	All items tracked quarterly	Control Adequacy	Remaining risk before future controls	Executive Manager/ Manager
SR 1	Technology	1; 3; 4	Inadequate information and communications technology ("ICT") infrastructure and resources	<ul style="list-style-type: none"> <li>- Inadequate implementation of ICT strategy</li> <li>- Lack of integration of systems</li> <li>- Inadequate ICT governance</li> <li>- Insufficient ICT support</li> <li>- Inadequate contingency management</li> <li>- Inadequate ICT security</li> <li>- Inadequate information systems ("IS") planning and management</li> <li>- Inadequate hardware resources/ infrastructure at all levels</li> </ul>	<ul style="list-style-type: none"> <li>- Impaired organisational performance (inefficiencies)</li> <li>- Fraud and corruption</li> </ul>	4	5	20	Unacceptable	<ul style="list-style-type: none"> <li>- Daily backups of the server</li> <li>- IT governance oversight</li> <li>- Access-controlled server room</li> <li>- Physical controls (raised floor, alarms, fire protection etc.)</li> <li>- Uninterruptible power supply ("UPS")</li> <li>- Disaster recovery policy</li> <li>- ICT governance framework</li> <li>- ICT policies and strategy</li> </ul>	<ul style="list-style-type: none"> <li>- Disaster recovery plan formulation and implementation</li> <li>- Monitoring of status of implementation of ICT strategy and policy framework</li> </ul>	31-Mar-14	50%	10	Chief Information Officer ("CIO")

SR 2	Reputationa I	2; 4	Perceived conflict of interest	<ul style="list-style-type: none"> <li>- Current structure of Distribution Agencies ("DA's")</li> <li>- Lack of proper mechanisms to manage conflict of interest</li> <li>- Lack of proper monitoring of the effectiveness of the current declaration of interest process</li> <li>- Lack of defined framework for management of conflict of interest</li> </ul>	- Harm to reputation	5	5	25	Unacceptable	<ul style="list-style-type: none"> <li>- Declaration of interest process</li> <li>- Declaration narrative</li> <li>- Alternative approval of cases that are under potential conflict</li> <li>- Stakeholder engagement</li> <li>- Reputation management</li> <li>- Proactive communication of organisational impact to stakeholders (spreading the good news)</li> </ul>	<ul style="list-style-type: none"> <li>- Annual disclosures by employees, DA's, beneficiaries (grant recipients), suppliers and other stakeholders</li> <li>- Implementation of new legislation</li> </ul>	31-Mar-14	70%	8	Company Secretary
SR 3	Governance, risk and compliance	1; 2; 3; 4	Fraud and corruption	<ul style="list-style-type: none"> <li>- Poor ethics and morals ("Greed")- Ineffective controls (Opportunity)</li> <li>- Conflict of interest- Low staff morale- Non-compliance with organisational policies and procedures- Inadequate internal capacity (poor segregation and employee</li> </ul>	<ul style="list-style-type: none"> <li>- Financial and resource wastage/ losses- Poor service delivery- Harm to reputation- Potential litigation- Impaired personal security of officials</li> </ul>	4	5	20	Unacceptable	<ul style="list-style-type: none"> <li>- Fraud prevention plan and policy- Code of ethics- Corporate values- Human resource ("HR") ethics and social responsibility committee- Disciplinary processes - Segregation of duties- Supervision and account reconciliation processes- Independent whistle blowing line- Pre and post-</li> </ul>	<ul style="list-style-type: none"> <li>- Fraud risk assessment- Integrated communication strategy (to include fraud issues)- Risk profiling of beneficiaries- Assess the effectiveness of the hotline</li> </ul>	31-Mar-14	50%	10	Chief Risk Officer

				burn-out)- Inadequate monitoring and evaluation (adjudication and distribution)						adjudication site visits- Declaration of interest					
SR 4	Service Delivery/ Mandate	3	Illegal lotteries	<ul style="list-style-type: none"> <li>- Poor ethics and morals</li> <li>- Social and lifestyle pressure</li> <li>- Lack of clarification in legislation (Act is silent on enforcement)</li> <li>- Lack of enforcement</li> <li>- Poverty and unemployment</li> <li>- Lack of mechanism to prevent/detect illegal lotteries</li> <li>- Lack of enforcement tools</li> <li>- Inadequate capability and capacity for enforcement</li> <li>- Inadequate monitoring</li> </ul>	<ul style="list-style-type: none"> <li>- Loss or reduction in funding available to communities (for good causes)</li> <li>- Harm to reputation</li> <li>- Adverse public harm</li> </ul>	5	4	20	Unacceptable	<ul style="list-style-type: none"> <li>- Civil litigation and recovery from illegal lotteries</li> <li>- Media monitoring to identify illegal lottery activities</li> <li>- Ongoing benchmarking with similar jurisdictions in order to proactively regulate illegal lotteries</li> </ul>	<ul style="list-style-type: none"> <li>- Joint enforcement between NLB and National Gambling Board ("NGB")</li> </ul>	31-Mar-14	30%	14	Executive: Compliance



SR 5	Governance, risk and compliance	1; 2; 3; 4	Change in legislation (readiness for implementation)	<ul style="list-style-type: none"> <li>- Lack of readiness</li> <li>- Lack of resources and skills</li> <li>- Lack of capacity</li> <li>- Lack of compliance monitoring</li> <li>- Inadequate understanding and interpretation of legislation</li> <li>- Failure to align operational model with legislation</li> </ul>	- Non-compliance with legislation	3	3	9	Unacceptable	<ul style="list-style-type: none"> <li>- Task team for implementation of legislative framework</li> <li>- Workshops to foster understanding and alignment</li> </ul>	<ul style="list-style-type: none"> <li>- Drafting of regulations in line with the Act</li> <li>- To put in place and execute implementation plan</li> <li>- Change management plan</li> <li>- Ongoing communication</li> </ul>	31-Mar-14	10%	8	Chief Executive Officer ("CEO")
SR 6	Stakeholder	1; 2; 3; 4	Inadequate stakeholder relationships	<ul style="list-style-type: none"> <li>- Inadequate implementation of stakeholder management framework</li> <li>- Inconsistent servicing of stakeholders</li> <li>- Ineffective communication</li> </ul>	- Harm to reputation- Poor service delivery- Loss of revenue- Litigation	3	4	12	Unacceptable	<ul style="list-style-type: none"> <li>- Identified stakeholder matrix in annual performance plan</li> <li>- Communication strategy in place</li> <li>- Stakeholder programme</li> <li>- Stakeholder relations and engagement strategy</li> <li>- Stakeholders indaba</li> <li>- Stakeholder survey</li> </ul>	<ul style="list-style-type: none"> <li>- Implementation of communication strategy</li> <li>- Ongoing stakeholder engagement</li> </ul>	31-Mar-14	50%	6	Executive: Corporate Services

SR 7	Service Delivery/ Mandate	4	Inappropriate grant allocation and management	<ul style="list-style-type: none"> <li>- Lack of a clear methodology for assessing applications</li> <li>- Inadequate quality assurance ("QA") process</li> <li>- Inadequate ICT systems and management information systems ("MIS")</li> <li>- Over / under funding</li> <li>- Inadequate post-grant monitoring</li> <li>- Lack of alignment with key national priorities</li> <li>- Inadequate grant policy framework</li> <li>- High volume of applications received in comparison with available resources</li> <li>- Lack of differentiation between established and emerging applicants</li> <li>- Restrictive legislation (minimum standards,</li> </ul>	<ul style="list-style-type: none"> <li>- Harm to reputation</li> <li>- Failure to meet mandate</li> </ul>	4	5	20	Unacceptable	<ul style="list-style-type: none"> <li>- Grant application procedure</li> <li>- Verification process</li> <li>- Monitoring and evaluation</li> </ul>	<ul style="list-style-type: none"> <li>- Creation of adjudication matrix</li> <li>- Revising checklist to include regulatory requirements</li> <li>- Standards and norms for applications and application types</li> <li>- Establishment of a research function</li> <li>- Proactive funding in terms of the Act</li> <li>- Strengthening of assessment and verification process</li> <li>- Funding policy</li> <li>- Strengthening/enhancement of monitoring and evaluations functions.</li> </ul>	31-Mar-14	30%	14	Senior Executive: Grant Funding
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[illegible]

SR 8	Service Delivery/Mandate	4	Inaccessibility of the organisation to targeted communities	<ul style="list-style-type: none"> <li>- Centralised operating model- Current positioning of organisational infrastructure</li> <li>- Inadequate communication channels- Inadequate ICT systems to provide relevant insight- Limited understanding of the organisation by target communities</li> <li>- Language barrier- Inadequate reach into communities</li> <li>- Limited transacting channels (applications, progress reports etc.)</li> </ul>	- Poor service delivery	4	4	16	Unacceptable	<ul style="list-style-type: none"> <li>- Public education / awareness - Provincial offices (2)</li> </ul>	<ul style="list-style-type: none"> <li>- Developing partnerships with provincial and local structures- Increasing footprint of provincial offices- Development and increase in transacting channels- Simplification of documents and application forms- Develop and implement language policy</li> </ul>	31-Mar-14	30%	11	Senior Executive: Grant Funding
SR 9	Sustainability	1; 2; 3; 4	Continuity and sustainability	<ul style="list-style-type: none"> <li>- Dependency on national lottery operator</li> <li>- Economic downturn</li> <li>- Dependency on single revenue source</li> <li>- Poor performance of national lottery operator</li> </ul>	- Financial loss/ impact on communities	4	5	20	Unacceptable	<ul style="list-style-type: none"> <li>- Contract in place with the license operator</li> <li>- Compliance programme</li> <li>- Performance management of the license operator</li> <li>- Project office to oversee licence process</li> <li>- Protection afforded by the Act (sustainability)</li> </ul>	- Implementation of sustainability strategy	31-Mar-14	50%	10	CEO

				- Contestation (litigation) of the licence process											
SR 10	Governance, risk and compliance	1; 2; 3; 4	Ineffective organisational governance	<ul style="list-style-type: none"> <li>- Lack of frameworks to govern the activities of the National Lottery and distributing agencies</li> <li>- Lack of coordination with the National Lottery operator and distributing agencies</li> <li>- Lack of alignment between legislation and organisational policies</li> </ul>	<ul style="list-style-type: none"> <li>- Poor service delivery</li> <li>- Harm to reputation</li> </ul>	4	4	16	Unacceptable	<ul style="list-style-type: none"> <li>- Governance structures</li> <li>- Shareholder compact</li> <li>- Procedure manual</li> <li>- Delegation of authority</li> </ul>	<ul style="list-style-type: none"> <li>- Formulation and implementation of governance framework</li> <li>- Agreed service level agreements ("SLAs") between the Board and DAs</li> <li>- Ongoing implementation of policy framework within organisation</li> </ul>	31-Mar-14	50%	8	Company Secretary

#### 4. Any subsidiary or statutory body reporting to the entity

Not applicable.

## 5. Service Delivery Improvement Plan

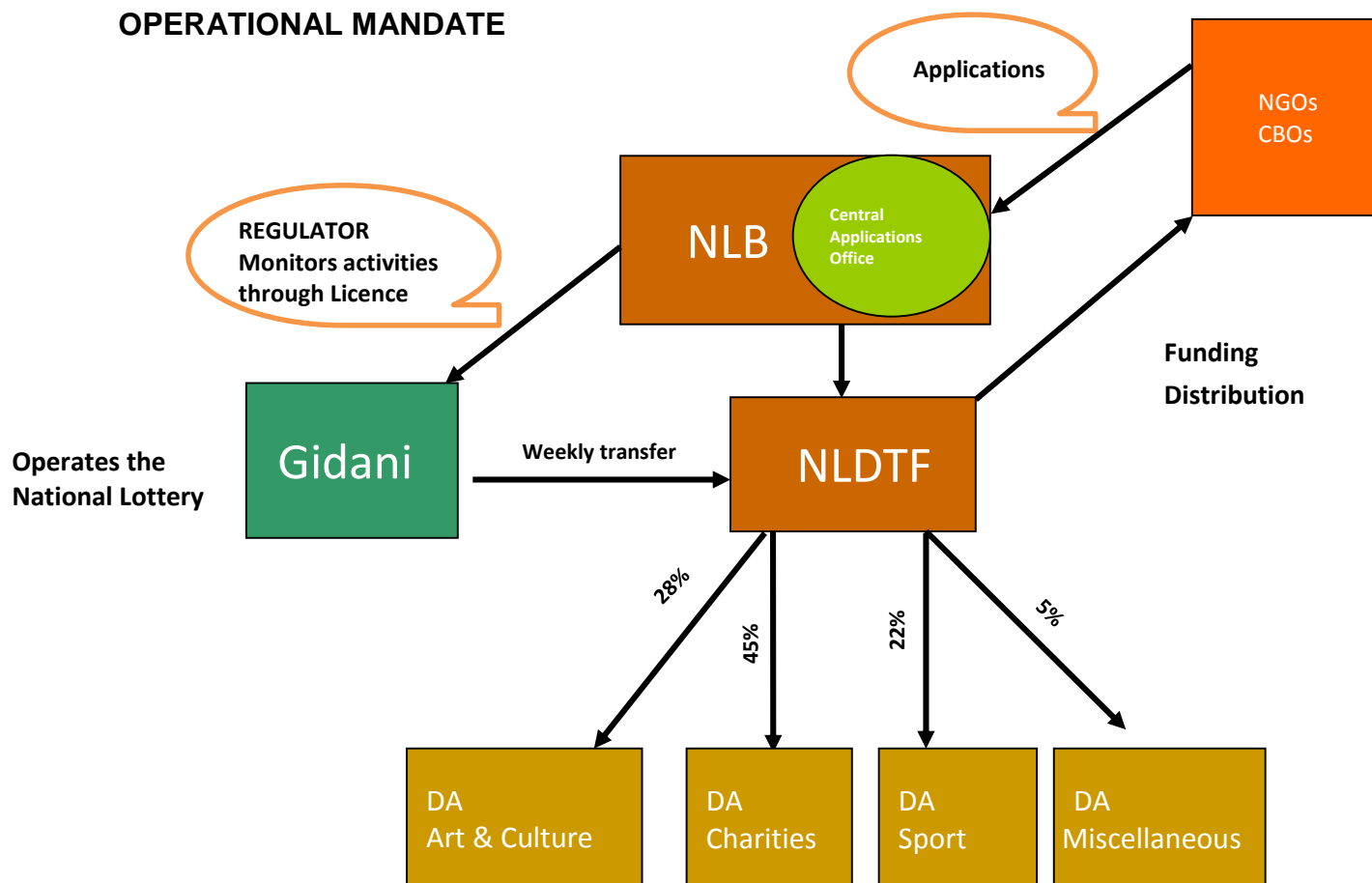
The National Lotteries Board has been established through the Lotteries Act (No. 57, 1997, as amended). The Board consists of a Chairperson, one member designated by the Minister and five other members.

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

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

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

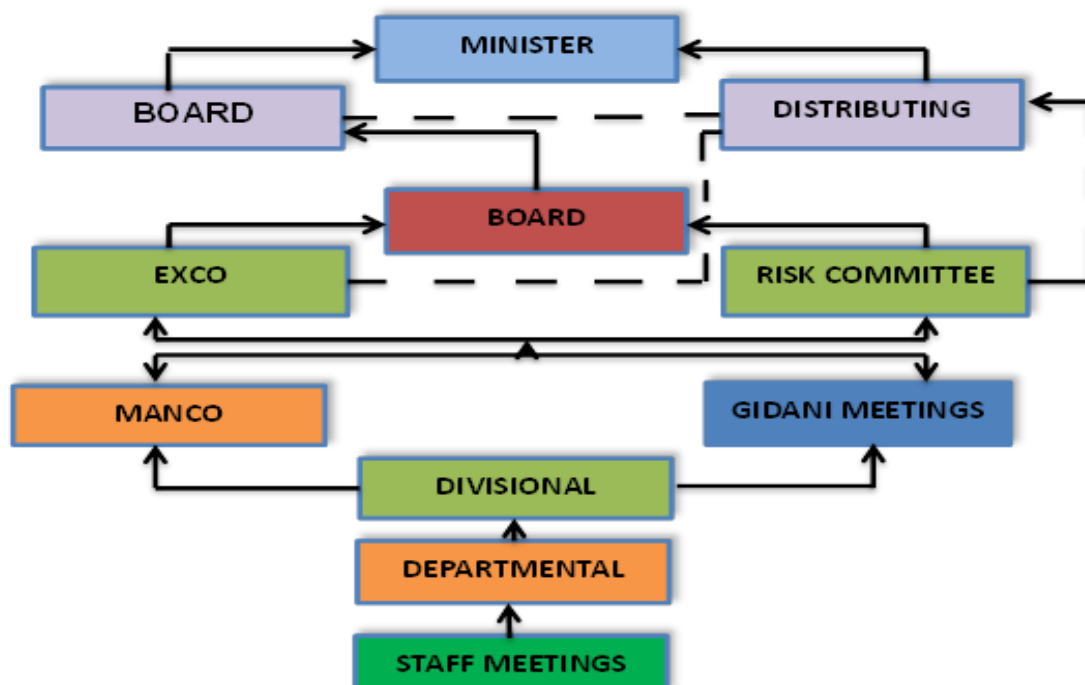
## OPERATIONAL MANDATE



The NLB has a dual mandate, to regulate the lottery industry and to distribute funding for good causes. The NLB has appointed **Gidani** to operate the National Lottery and the Minister appointed the **Distributing Agencies** to adjudicate the applications from various **NGO's** and **CBO's** for effective distribution of the funds for good causes across the sectors depicted in the figure above. The Board provides the oversight of the dual mandate and the members re the trustees of the **NLDTF**. The Board members also constitute one of the distributing agencies, the **Miscellaneous DA** as approved by the Executive Authority.

## ORGANISATIONAL ENVIRONMENT

### Governance Structure



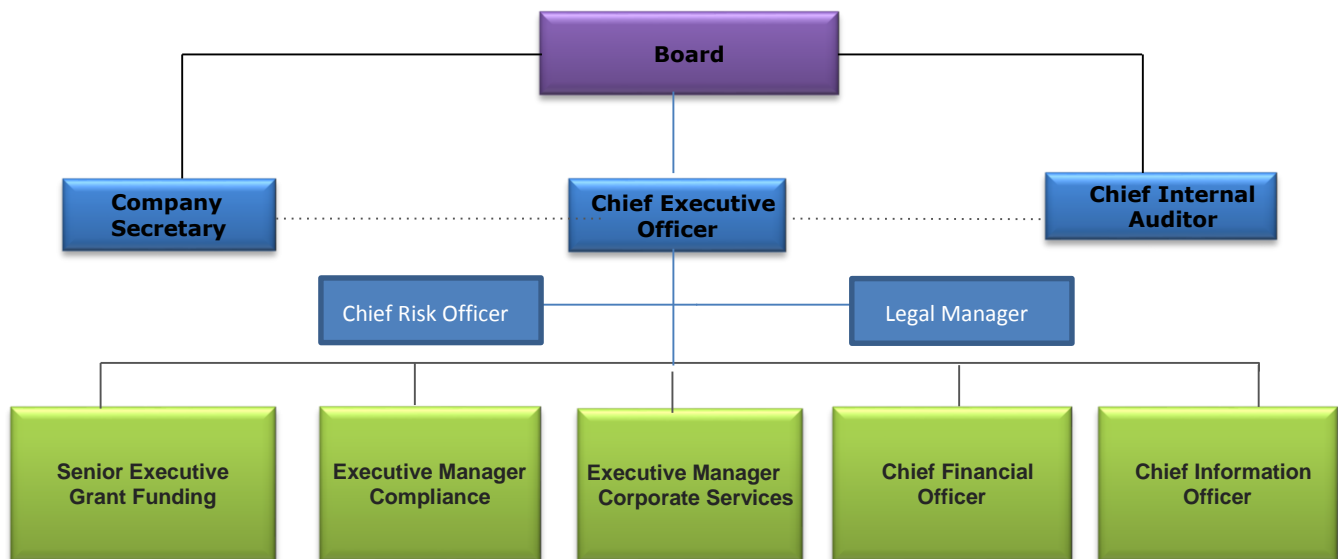
The figure 2 above depicts the governance structure of the National Lotteries Board. The Minister of the Department of Trade and Industry (dti) is the Executive authority for the NLB and has appointed a Board of six members with diverse credentials as the accounting authority of the NLB. The Minister has further appointed the Distributing Agencies in the specific sectors (Sports, Arts and Charities) to support the NLB achieve its mandate by performing the adjudication functions for all applications received for good causes. The Board further appointed the Executive Committee led by the Chief Executive Officer to manage the operations of the organisation.

### 5.2 Management Structure

The figure 3 below reflects the current management structure of the National Lotteries Board as set up by the Board. Management is under the leadership of the Chief Executive Officer supported by five Executive Managers, Chief Internal Auditor, Chief Risk Officer, Senior Legal Manager and the Company Secretary. Executive Managers are accountable at Divisional



Levels. The Executive Management has cascaded the delegation of authority down to Senior Management level which is responsible for Departmental activities.



## KEY SERVICES & STANDARDS

### Regulatory Services

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

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

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

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

**Support Function Services**

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

# Annexure E

## Technical Indicator Descriptions

INDICATOR PROFILE	Objective 1 : Indicator 1.1
Indicator title	Percentage implementation of the approved re-branding strategy
Short definition	<p>The primary objectives of the re-branding strategy include: To demystify prevalent brand confusion between the institutional brands under the Act - NLB, NLDTF, the NL operator and the DA's, etc</p> <ul style="list-style-type: none"> <li>• To create a clear brand architecture</li> <li>• To simplify the brand name transition from NLB to NLC</li> <li>• To highlight the rebranding as a turning point that follows rigorous internal restructuring and brand positioning</li> <li>• To use the rebranding exercise as an opportunity to reposition the brand and clarify its role as well as its relationship to the rest of NL institutional brands</li> <li>• To change the negative perceptions of inadequacy and corruption</li> <li>• To promote positive brand attributes and success stories that have not been adequately or successfully promoted</li> <li>• To empower the new brand to improve on efficiency and service delivery to fulfil its mandate</li> <li>• To inspire the staff about the internal change and mobilise them to be agents of change in their individual and team capacities</li> </ul> <p>The implementation will entail: Project plan development for the re-branding activities Rollout of various activities as per the re-branding strategy</p> <p>The activities may vary year on year but in 2015/16 will include: Logo redesign Brand Launch Name Change Corporate image review Provincial consultation sessions (road-shows) Print &amp; Electronic media communication</p> <p style="text-align: right;">*NL = National Lottery</p>
Purpose/importance	Repositioning of the NLB-creating a differentiated identity from other Lottery Stakeholders
Source/collection of data	Marketing and Communications will be responsible for the implementation of the Approved re-branding strategy which incorporates the above activities

<b>Method of calculation</b>	<p>Documentation of the various activities defined as part of the implementation done in stages aligned to quarterly percentages:</p> <ul style="list-style-type: none"> <li>• Logo redesign</li> <li>• Brand launch</li> <li>• Name Change</li> <li>• Corporate image review</li> <li>• Provincial consultation sessions (road-shows)</li> <li>• Print &amp; Electronic media communication</li> </ul> <p>Quarter 1 – Logo re-design, name change, brand launch, provincial consultations, print &amp; media communication  Quarter 2 - application of logo, provincial consultations, print &amp; media Communication  Quarter 3 - provincial consultations  Quarter 4 - provincial consultations</p>
<b>Data limitations</b>	Nil
<b>Type of indicator</b>	Activities
<b>Calculation type</b>	Cumulative
<b>New indicator</b>	No
<b>Reporting cycle</b>	Annually
<b>Desired performance</b>	Positive image
<b>Indicator responsibility</b>	EMCS



<b>INDICATOR PROFILE</b>	<b>Objective 1 : Indicator 1.2</b>
<b>Indicator title</b>	Redesign and population of the organisational structure
<b>Short definition</b>	<p>In the year 2015/16, the organisation will re-design their structure to align with NLB needs. The process is inclusive of:</p> <ul style="list-style-type: none"> <li>• Re-evaluation of job profiles, grading, contracting and performance management.</li> <li>• Reviewing the organisational architecture, performing skills audit and alignment.</li> <li>• Populating the aligned structure</li> <li>• Contracting and performance management.</li> </ul>
<b>Purpose/importance</b>	Alignment of organisation to meet growth and the requirements of the Lotteries Act, as amended
<b>Source/collection of data</b>	HR Department and Board approval of profiles and grading report
<b>Method of calculation</b>	Board approval of organisational structure, employee contracts
<b>Data limitations</b>	Nil
<b>Type of indicator</b>	Efficiency
<b>Calculation type</b>	Non-cumulative
<b>New indicator</b>	Yes
<b>Reporting cycle</b>	Annual
<b>Desired performance</b>	Motivated workforce developed according to organisational needs
<b>Indicator responsibility</b>	EMCS

INDICATOR PROFILE	Objective 1 : Indicator 1.3
Indicator title	Develop Phase 1 of the E-system (Integrated Enterprise Wide Architecture Platform)
Short definition	<p>E-System/Integrated Enterprise Wide Architecture</p> <p>In the 2015/16 year, NLB will have a platform for the development of an integrated system. In this year, Phase 1 will be developed and tested.</p> <p>Phase 1 consists of the HR (Payroll), Finance (Pastel) and SCM (Pastel) modules. These modules will be developed as follows:            Stage 1 – User gathering and confirmation (specifications)            Stage 2 – Integration of requirements, including migration of legacy data into the new platform (, Pastel and Payday)            Stage 3 – Piloting (Testing and bug fixing)            Stage 4 – Piloting (Testing and bug fixing)            The process will entail piloting of stages before full implementation            The IT Integrated Plan has defined the phases of the process.</p>
Purpose/importance	Holistic incorporation of all business processes and workflow into one electronic, automated system
Source/collection of data	Documents indicating implementation of phases Existing databases of relevant divisions (, HR, Finance, SCM)
Method of calculation	Board approval for development. Measurement of implementation of each of the phases
Data limitations	Nil
Type of indicator	Efficiency
Calculation type	Non-cumulative
New indicator	No
Reporting cycle	Annually
Desired performance	Efficient and effective ICT System
Indicator responsibility	CIO

<b>INDICATOR PROFILE</b>	<b>Objective 2 : Indicator 2.1</b>
<b>Indicator title</b>	Percentage disbursement of grants as per GNR644, 6(c)(iv)
<b>Short definition</b>	<p>This is the percentage of allocations that must be disbursed (paid) as per the regulation (GNR644)</p> <p>Payment must be effected within 60 days of receipt of compliant grant agreements.</p> <p>A grant agreement is deemed compliant if all stipulated conditions have been fulfilled, including the submission of banking details.</p>
<b>Purpose/importance</b>	Improve efficiency in the disbursement of grants
<b>Source/collection of data</b>	Finance Payment Records
<b>Method of calculation</b>	50% of compliant grant agreements paid within 60 days of receipt. Days are calculated from the date of receipt of the grant agreement which is date stamped on the day it is received. Date of payment is reflected on finance records (usually EFT summary or online banking summary)
<b>Data limitations</b>	Number of complete and compliant Grant Agreements received
<b>Type of indicator</b>	Outputs & Efficiency
<b>Calculation type</b>	Cumulative
<b>New indicator</b>	Yes
<b>Reporting cycle</b>	Annually
<b>Desired performance</b>	Efficient disbursements
<b>Indicator responsibility</b>	CFO

<b>INDICATOR PROFILE</b>	<b>Objective 2 : Indicator 2.2</b>
<b>Indicator title</b>	Percentage Return on Investments (ROI) of NLDTF Funds
<b>Short definition</b>	This is the percentage of average return on investments on NLDTF funds in an effort to ensure sustainability of the organisation and to maximise funding available to good causes by generating alternate streams of revenue for NLB operating costs.
<b>Purpose/importance</b>	Enhanced sustainability of the organisation
<b>Source/collection of data</b>	Financial records and statements
<b>Method of calculation</b>	Weighted average of interest rates across the period
<b>Data limitations</b>	Dependent on market interest rates
<b>Type of indicator</b>	Economy
<b>Calculation type</b>	Cumulative (Average over period)
<b>New indicator</b>	Yes
<b>Reporting cycle</b>	Annually
<b>Desired performance</b>	Maximise returns on investments
<b>Indicator responsibility</b>	CFO

INDICATOR PROFILE	Objective 3 : Indicator 3.1
Indicator title	Percentage investigations on reported and identified illegal lotteries
Short definition	<p>Illegal lotteries contravene the provisions of the Act and its applicable regulations and related statutes. The matter of illegal lotteries has a direct bearing on an enabling environment for the National Lottery in that it affects the revenue generated from ticket sales. Illegal schemes continue to create significant competition for the National Lottery and further create confusion to lottery players.</p> <p>Illegal lotteries are identified through:</p> <ol style="list-style-type: none"> <li>1. Scanning of print and electronic media</li> <li>2. Reported cases by members of the public</li> </ol>
Purpose/importance	To implement relevant initiatives in order to ensure compliance to the Lotteries Act
Source/collection of data	The identified illegal lottery schemes will be documented by the Compliance Division and reports presented at monthly Exco meetings. The division will also compile records of the investigated illegal lotteries.
Method of calculation	70% of the total number of reported schemes (reported and identified cases) to be investigated
Data limitations	Limitations in Legislation in that NLB does not have enforcement powers
Type of indicator	Impact & Outcomes
Calculation type	Cumulative
New indicator	No
Reporting cycle	Annually
Desired performance	Compliance with Lotteries Act
Indicator responsibility	EMC

<b>INDICATOR PROFILE</b>	<b>Objective 3: Indicator 3.2</b>
<b>Indicator title</b>	Develop and implement the 3 <sup>rd</sup> National Lottery licence monitoring matrix/scorecard
<b>Short definition</b>	3 <sup>RD</sup> Lottery Licence  In the financial year 2015/16 NLB will develop and implement a performance matrix/scorecard in order to monitor the performance as well as compliance aspects pertaining to the appointed National Lottery operator.
<b>Purpose/importance</b>	Continuity of the National Lottery for citizens of RSA in order to raise funds for distribution to good causes
<b>Source/collection of data</b>	Compliance division – reports on the performance of the operator
<b>Method of calculation</b>	Performance matrix/scorecard
<b>Data limitations</b>	Nil
<b>Type of indicator</b>	Activities and Effectiveness
<b>Calculation type</b>	Cumulative
<b>New indicator</b>	No
<b>Reporting cycle</b>	Annually
<b>Desired performance</b>	Optimum performance of the National Lottery operator
<b>Indicator responsibility</b>	EMC

INDICATOR PROFILE	Objective 4 : Indicator 4.1
Indicator title	Percentage implementation of the grant funding model
Short definition	<p>The Grant Funding Model emanates from the Lotteries Act, as amended. It specifies different forms of funding that the organisation must consider as well as the traditional application based funding.</p> <p>The implementation of the grant funding model, will address the differentiated funding and accompanying process as prescribed in the amendment bill, namely:</p> <ul style="list-style-type: none"> <li>• Proactive funding</li> <li>• Differentiated funding (Application based)</li> </ul> <p>In the 2015/16 year, NLB will implement 50% of the model by only calling (advertising) for applications that fall under the category of differentiated funding. Applications are assessed against strategically formulated guidelines which constitute the key point of reference for success and impact. Sectors may announce a single annual Call for Proposals (CFP) or a number of targeted Calls per year, each focusing on a different set of strategic issues.</p> <p>To reduce barriers to access, NLB will introduce different categories of grants with differentiated requirements per category i.e. small grants will have less stringent requirements than large grants.</p>
Purpose/importance	Ensuring fair and equitable distribution of funds
Source/collection of data	Grant Funding Call for Applications (adverts)
Method of calculation	Categories of funding allocations (differentiated funding)
Data limitations	Nil
Type of indicator	Outputs & Activities
Calculation type	Cumulative
New indicator	No
Reporting cycle	Annual
Desired performance	Effective distribution of funds to good causes
Indicator responsibility	SEGF

<b>INDICATOR PROFILE</b>	<b>Objective 4 : Indicator 4.2</b>
<b>Indicator title</b>	Number of workshops conducted per province
<b>Short definition</b>	<p>The workshops relate to the area of education and awareness as a key area as stipulated in the Lotteries Act, as amended and supporting regulations. Education and awareness workshops relate to the following areas:</p> <ul style="list-style-type: none"> <li>• Grant Funding (capacity building of beneficiaries, call for applications)</li> <li>• Regulatory Compliance (increasing awareness of society and other lotteries, enhancing monitoring &amp; evaluation)</li> <li>• Marketing and Communications (PISE &amp; Indaba)</li> </ul>
<b>Purpose/importance</b>	Establishment of a platform for interaction with stakeholders on educating and creating awareness on NLB's dual mandate
<b>Source/collection of data</b>	Marketing and Communications and workshop reports Attendance registers at workshops
<b>Method of calculation</b>	Count of number of workshops conducted per province
<b>Data limitations</b>	Nil
<b>Type of indicator</b>	Outcomes
<b>Calculation type</b>	Cumulative
<b>New indicator</b>	Yes
<b>Reporting cycle</b>	Annual
<b>Desired performance</b>	Enhanced compliance with the Lotteries Act
<b>Indicator responsibility</b>	EMC



<b>INDICATOR PROFILE</b>	<b>Objective 4 : Indicator 4.3</b>
<b>Indicator title</b>	Percentage allocation of grant funding to provinces
<b>Short definition</b>	<p>GNR 182-Minimum of 5% grant funding allocated to each province</p> <p>The regulation states:</p> <p><i>“Any agency shall for the purposes of Section 32(1)(b) of the Act in considering grant applications ensure that not less than five percent of the total amount at the disposal of the agency for grants, shall in any financial year of the board be allocated for distribution in respect of every province o the Republic.”</i></p>
<b>Purpose/importance</b>	Fair and equitable distribution of funds in line with GNR182
<b>Source/collection of data</b>	GMS/grant statistics report
<b>Method of calculation</b>	<p>In line with prescribed minimum 5% per province based on hard and soft allocations. Calculation is as follows:</p> <p>Total grants made to a province from all 4 sectors (Charities, Arts, Sports &amp; Miscellaneous) divided by the total amount available for distribution for the same corresponding period. The grants figure accounts for all allocations made in the financial year.</p> <p>An Example: Eastern Cape  Total NLDTF budget: R2 030m (denominator)  Allocations: Charities – R115m  Arts - R15m  Sports - R61m  Misc - R1m  Total R192m (numerator)</p> $\frac{\text{Total allocation}}{\text{Total budget}} \times 100$ $\frac{(192/2030)}{100} = 0.09 \times 100 = 9\%$
<b>Data limitations</b>	Dependency on the number of compliant applications received from each of the provinces
<b>Type of indicator</b>	Impact
<b>Calculation type</b>	Cumulative
<b>New indicator</b>	No
<b>Reporting cycle</b>	Annually
<b>Desired performance</b>	Compliance with GNR182
<b>Indicator responsibility</b>	SEGF

<b>INDICATOR PROFILE</b>	<b>Objective 4 : Indicator 4.4</b>
<b>Indicator title</b>	Number of site visits conducted
<b>Short definition</b>	<p>NLB is in the process of strengthening the monitoring evaluation systems that will enable the organization to better measure the impact done by beneficiaries in their respective work.</p> <p>The M&amp;E division will in the 2015/16 year implement their Monitoring and Evaluation plan by conducting 1000 site visits to beneficiaries as per the framework.</p> <p>The site visits will be conducted on a sample from all 4 sectors (Charities, Arts, Sports &amp; Misc) consisting of paid projects. Samples drawn will also take into consideration the sub-sectors for each of the sectors.</p>
<b>Purpose/importance</b>	It ensures that there is proper monitoring and evaluation for funded organisations to maximise impact of funding granted for good causes
<b>Source/collection of data</b>	M & E site visit reports
<b>Method of calculation</b>	Count of the number of beneficiary site visits
<b>Data limitations</b>	Number of beneficiaries that comply with M&E requirements
<b>Type of indicator</b>	Impact and Outcomes
<b>Calculation type</b>	Cumulative
<b>New indicator</b>	No
<b>Reporting cycle</b>	Annual
<b>Desired performance</b>	Measurability of impact of NLDTF funding
<b>Indicator responsibility</b>	EMC