



NATIONAL LOTTERIES COMMISSION

ANNUAL PERFORMANCE PLAN

2016-17

Date of Tabling: February 2016



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 Board of Directors of the National Lotteries Commission, 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 (GF)	Means the division of the National Lotteries Commission responsible for performing all administrative and associated functions in respect of the distribution of funds.
CM	Means the Commissioner 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.
PISE	Means the Post Indaba Stakeholder Engagement.
PFMA	Means the Public Finance Management Act.

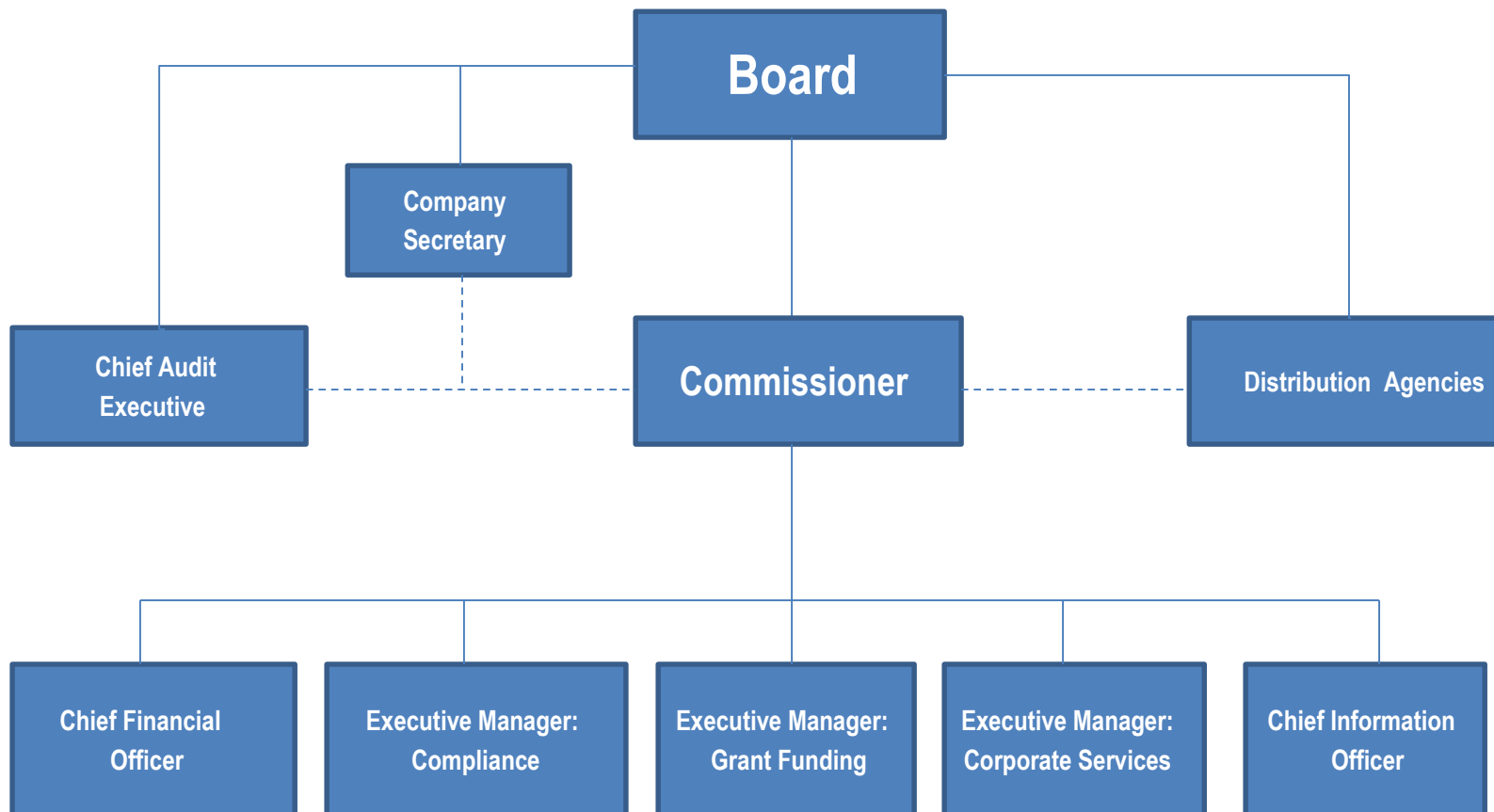
Acronym/Term	Description/Definition
Procedure Manual	Means the document that describes the work processes to be followed in the Grant Funding Office.
Programmes	Means a collection of initiatives that together achieve a beneficial change for an organisation.
Projects	Means temporary initiatives designed 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: NLC 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 Commission (NLC) under the guidance of the Board of Directors and was prepared in line with the current Strategic Plan of the NLC. It accurately reflects the performance targets which the National Lotteries Commission will endeavour to achieve given the resources indicated in the budget for 2016/17.



P. Letwaba
Chief Financial Officer

Signed: _____



A. Maharaj-Domun
Official Responsible for Planning

Signed: _____



TCC Mampane
Commissioner

Signed: _____

Approved by:



Prof NA Nevhutanda
Chairman
Date: 29 January 2016

Signed: _____

3. Foreword by the Minister

Sixteen years after its establishment as the National Lotteries Board, the National Lotteries Commission is ready to venture into the next level of its operation in regulating lotteries and distributing funds to good causes.

The third lottery licence has been issued, the amended Lotteries Act is in place, and the benefits that will come from its implementation will see the organisation maintain its position as a pioneer in the grant funding sector as access to funding increases, and is tailored to suit the needs and resources of the people.

The past few years have been a time of reflection and review. The necessary improvements have been made, and the time to implement is now here.

With an aim at continuous improvement and adapting to the changing needs of society, the NLC's strategic goals and plans are closely aligned to address the nation's critical needs as identified in the National Development Plan's Vision 2030.

Dr Rob Davies, MP

Minister of Trade and Industry

4. Overview by the Accounting Authority

The National Lotteries Commission (NLC) has undergone a period of transformation.

The strategy to enhance service delivery through decentralisation resulted in the organisational expansion that began in 2012. This was followed by the re-launch of the brand and amendment of the Lotteries Act, all the changes to date have been implemented with stakeholders and beneficiaries, current and potential, in mind.

The NLC is revitalised to make increased impact through regulations that will empower its operations. We have not changed what was working, but we have implemented improvements that ensure the relevance of our work, and the sustainability of our outcomes.

Even with the legislated changes, we have retained the strong elements in the previous model, and have realistic expectations of what will come out of the changes. Where we were found lacking, we have listened to our stakeholders in order to better our systems.

The NLC may still not be able to satisfy all the expectations of applicants, and the demand for funding will continue to outstrip availability for the foreseeable future.

For this reason, we will continue to capacitate our beneficiaries in various ways and in line with the resolutions of the previous Indabas to ensure the sustainability of their projects, and to a position where they are empowered enough to access alternative sources of funding. The National Lottery is now a South African staple, and the public, winners, and beneficiaries of grants, continue to derive benefit from the games.

Protection of the public remains one of our pillars, and we will continue to perform this important task through regulation of lotteries, enforcement of laws against fraud and illegal lotteries, and the NLC will continue to protect the basic human rights of vulnerable South Africans through the equitable and expeditious distribution of funds to good causes.

Prof NA Nevhutanda
NLC Chairperson

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 NLC.

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

The NLC 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 NLC 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 NLC 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 NLC 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: NLC 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

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

9. Updated situational analysis

On 14 April 2015, the Lotteries Amendment Act was promulgated. The legislation seeks to amend the Lotteries Act of 1997 in order to provide the following:-

- *the establishment of a National Lotteries Commission;*
- *to provide for the extension of the powers of the Board;*
- *to provide for the licensing of an organ of state to conduct the National Lottery;*
- *to provide for a clear accountability process for the distributing agency;*
- *to provide for the professionalism of the distributing agency;*
- *to eliminate overlapping of functions between the Minister and the Board;*
- *to provide for the removal of the reconstruction and development programme as a category; entitled to be allocated money of the fund;*
- *to provide for matters connected therewith.*

In essence, the amended legislation provides a platform for a better structured organisation, which should respond to the funding needs of society in a credible and expeditious manner.

The salient provisions of the Act (which is a strategic guide in the implementation of the mandate of regulation and distribution) as envisaged in the amendments further includes these provisions:

- The Amended Lotteries Act stipulates that the National Lottery Commission shall be established;
- The Commission shall be a juristic person;
- The Commission is governed by a Board appointed in accordance with the Lotteries Act;
- The Commission shall, applying the principles of openness and transparency, exercise the functions assigned to it in terms of the Act by the Minister;

- The Commission may, upon request by the Minister, board or on its own initiative in consultation with the Board, conduct research on worthy good causes that may be funded without lodging an application in terms of the Act;
- The Commission may upon request by the Minister, board or on its own initiative in consultation with the Board, solicit applications for grants from good causes.

Furthermore the Commission must ensure that:

- The National Lottery and sports pools are conducted with all due propriety and strictly in accordance with the Constitution, the Lotteries Act and all other applicable law and the licence for the National Lottery. (Licence agreements)
- The interests of every participant in the National Lottery are adequately protected.
- The Commission shall promote public knowledge and awareness by:-
 - Development and implementation of measures to educate and inform the public about the lotteries and provisions of this Act.
 - Educate the public on the process, requirements and qualifications relating to the application for grants in terms of the Act.
- Manage the staff, financial, administrative and clerical functions or any duties of the distributing agency as directed by the Minister or the Board, except the function to adjudicate upon applications to the distributing agency for grants in terms of the Act.
- Exercise any other function as delegated or directed by the Minister or the Board.

The NLC has already made significant strides in considering and implementing internal strategic and operational changes in line with the emerging thinking and provisions of the Legislation.

NLC is the largest organisation with a gaming regulatory and funding mandate in Africa. In 2014 the government introduced its strategic agenda for five years until 2019. Thirteen government priorities were identified for that period. These priorities are also outlined in the National Development Plan (NDP) was adopted by cabinet in 2012 to address the issues of socio-economic challenges and growth. In line with its mandate, vision and mission, NLC's formulation of programme activities and targets is aligned to the political, social and economic realities of South Africa.

In particular, the NLC's role and functions as outlined in the amended Lotteries Act, place an obligation on the organisation to support (directly and indirectly) the electoral mandate of Government. From a strategic perspective, the sight of government priorities provides a major opportunity for the NLC within the disciplinary context of social development and social upliftment. These include addressing unemployment and alleviating poverty in alignment with the NDP. The NLC is therefore driven by government policies on economic and social development.

South Africa's economy contracted by 1,3% (seasonally adjusted and annualised) in the second quarter of 2015. South Africa's weak economic growth along with increased debt levels in a low-growth environment would only add to debt-service costs. This outlook will have a negative impact on the revenue generated by the National Lottery operator.

Government's role as a source of counter-cyclical demand is visible in its relative large contributions to overall growth. The NLC through its mandate has also played a role to bring about this growth by ensuring that funds are distributed to qualifying beneficiaries. Sectors funded by the NLC contribute to job creation, rural development, infrastructure development, promoting wellness and social cohesion. This aligns to the objectives of the NDP to eliminate poverty and reduce inequality by 2030 and also bring about economic growth.

There are approximately 100 000 NPO's currently registered with the Department of Social Development that could theoretically access funding. Additional to those are several non-profit companies, public benefit trusts, schools and sport clubs. The NLC, through the NLDTF, is the biggest funder of NPO's in the country across various sectors including the Charities, Sport & Recreation as well as Arts, Culture, Heritage and Environment sectors. Over R20 billion has been distributed to good causes since its inception. However, the reliance on a single source of funds does not make it possible to address the needs of the entire NGO/NPO sector in South Africa.

NLC finds itself in an opportune position to use technology to enhance service delivery. A modern and secure IT infrastructure will provide the organisation with the ability to provide efficient access to funding as well as to expedite funding processes. Investments in technology and more especially in broadband services have a vital role to play in moving the NLC business objectives forward. However, such investments must not be focused only on infrastructure development. They must also provide for advanced online services, and address inequity and delivery of information to all citizens of this country – especially for those in under-served areas. To this end, it will be vital for the organisation to work towards establishing networked information and communication technologies (ICTs) in partnership with establishment and licensed electronic communication network which will play an ever-increasing role to its stakeholders. NLC has set aside necessary investments to enable staff and external stakeholders to participate in and benefit services from a secured infrastructure and enterprise architecture. Innovation remains a tool towards success, especially within an era of increasingly advancing business, social, and economical environments. As such the organisation will continue to create an innovation framework based on legislative requirements and most importantly the stakeholders. We plan to introduce innovative methods of interaction, for example through use of mobile devices to allow stakeholders take on new roles as enabled and empowered participants. In order to capitalise on these opportunities, the NLC

shall ensure that the developed technology roadmap encapsulates principles of a flexible, scalable, cost-effective and risk tolerant infrastructure and enterprise environment. It must however be noted that introducing new services in a network often presents challenges, among them security. In this organisation, this is addressed through the enacted ICT Governance framework.

The organisation is conscious about issues affecting its physical environment. Environmental projects are funded within the Arts, Culture and National Heritage sector in order to preserve South Africa's natural heritage and protect precious resources. Further to that, the NLC considers the environmental impact of its daily business. In an effort to reduce the carbon footprint of operations, the organisation is transitioning to a paperless environment where day-to-day tasks will be facilitated through electronic means. The responsible disposal of waste and electronic equipment is facilitated through the '*reduce, reuse, recycle*' principle. On a larger scale, the Board has approved plans to secure long-term accommodation and premises for the NLC. To this end, issues around energy efficiency and environmental impact will build the basis for construction alongside operational requirements.

Whilst the Lotteries Act, as amended, has emphasized the role of the NLC as a regulator in the national lottery sphere, it would still appear that lack of enforcement powers in relation to illegal lotteries remains a challenge. There is also space and the opportunity to continually and consistently liaise with different provincial Gambling Boards on issues of concurrent interest in the lottery sphere to ensure proper governance and alignment with the aim to protect and maximize revenue generated by the National Lottery for good causes.

Corporate Governance is crucial to business sustainability and growth of the organization. The development and implementation of a proper corporate governance framework is endorsed by the Board. The Board accepts responsibility

for the application and compliance with the principles of ensuring that effective corporate governance is practised consistently throughout the organisation. The Board discharges this role through its charters based on a Corporate Governance Framework which includes amongst others the principles of the Lotteries Act, PFMA, Treasury Regulations and good governance principles. These are further aligned to the organisations top strategic risks and reviewed annually.

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 NLC'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.

9.1 Performance Delivery Environment

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

Regulation

The 3rd National Lottery Operator, Ithuba Holdings, commenced operations on 01 June 2015. It is envisaged that the introduction of new games will positively stimulate and resuscitate the industry within South Africa.

However, the proliferation of other Lotteries in the marketplace continues to be a challenge. 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.

Whilst certain strategic initiatives have been put in place to attempt to halt these illegal lotteries, the lack of enforcement powers remains a debilitating factor for the NLC.

NLDTF Distribution

In an effort to make funding more accessible to all, the NLC has in alignment with the amended legislation:

- (a) embarked on ongoing education and awareness programmes
- (b) improved its accessibility through the opening of provincial offices
- (c) introduced aligned funding model

Full implementation of the amended legislation, with specific reference to service delivery turnaround times, is largely dependent on having the full time DA structure operational. In terms of the amended legislation, the DA's are appointed by the Minister of the dti but are accountable to the Board.

(a) Education and Awareness

As part of the changes to the recently approved amendments to the legislation the organisation must conduct education and awareness initiatives to ensure organisations and communities are well informed about the requirements for accessing funding from the NLDTF. This concept is primarily focussed on conducting capacity building workshops to improve efficiency and accessibility not only during the calls for applications but on a continuous basis. The workshops will cover a vast range of aspects which include how to apply for funding, compiling financial records, completion of reports and project implementation, to name just a few.

(b) Provincial Offices

The NLC has expanded accessibility nationally, through the establishment of provincial offices. It is envisaged that these offices will offer a full spectrum of services including the following:

- Receipt of applications
- Assessment of applications
- Face-to-face enquiries

- Assistance with applications
- Follow-up on the progress of applications
- General Support with Grant Agreements
- Workshops for education and awareness
- Stakeholder engagements
- Monitoring and advise on projects that require oversight

(c) Funding Model

One of the strategies introduced to address the shortcomings in priority areas in general is the introduction of the funding model, by responding to social problems and opportunities through a strategic and evidence-based mixed funding model.

The amended legislation makes provision for proactive funding (research based funding) which can emanate from three sources, the Minister, the Board or the Commission. To this end, the NLC has made provision for the establishment of a research panel through SCM processes.

Subsequent to the promulgation of the amended act, the NLC realized that it required a differentiated identity from that of other National Lottery stakeholder bodies, including the operator. A robust re-branding strategy was implemented with the main objectives seeking to:

- demystify prevalent brand confusion between the institutional brands under the Act
- create a clear brand architecture
- simplify the brand name transition from NLB to NLC
- highlight the rebranding as a turning point that follows rigorous internal restructuring and brand positioning
- 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
- change the negative perceptions of inadequacy and corruption
- promote positive brand attributes and success stories that have not been adequately or successfully promoted

- empower the new brand to improve on efficiency and service delivery to fulfil its mandate
- inspire the staff about the internal change and mobilise them to be agents of change in their individual and team capacities

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.

Aligned to the legislative amendments, it was evident that the technology within the organization required refreshing in order to adapt to the necessary changes and improvements. Related to this, the Business Process Review (BPR) that focused mainly on Grant Funding, formed the basis for the proposed amendments to the Grant Management System. Oracle Corporation South Africa was formally awarded and appointed through an internally approved deviation procurement process as a strategic partner to upgrade and modernise the NLC Enterprise Architecture Platform. Project Dibanisa refers to the creation of an integrated platform that seeks to incorporate all ICT requirements into one dashboard.

Furthermore, the ICT strategy is in the process of undergoing a full review and re-alignment to the Department of Public Service and Administration (DPSA) and COBIT 5 requirements.

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 NLC – 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 NLC 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 NLC, 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 NLC 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 NLC will continue to strengthen partnerships with organisations that enhance capacity building of beneficiaries.
- The NLC will incorporate and implement recommendations from stakeholders on the Norms & Standards Document
- The NLC 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.

2015 Resolutions:

- Improve marketing and communication of the National Lotteries Commission, and the link between revenue and the funding of good causes
- Improve monitoring of funded organisations – and measurement of NLC's impact
- Strengthen partnerships with other stakeholders to improve regulation

- Improving service delivery and turn around times through enhancing technology (by allowing for online submission and tracking of applications)
- Extend capacity building efforts for beneficiaries to improve resource use and the impact of programmes (e.g. management, financial and governance skills)
- Ensure processes and procedures are fair, ethical, transparent and professional, and deliver on the NLC's espoused values
- Establish a knowledge hub/website to facilitate connection among beneficiaries, and to enable sharing of services within the 'network'.

Several of the resolutions have been incorporated into the performance plan of the organisation to ensure that the deliverables are met.

9.2 Organisational Delivery Environment

Sustaining Organizational Capacity

The amendment of the National Lotteries Act required that a transition and migration strategy be developed and implemented. This necessitated a new organisational structure in line with the Act. Compliance with the act also required that staff members be migrated to the new NLC entity. This culminated into the deployment of staff from the national head office to various provinces. This deployment is aimed at capacitating provinces to be fully effective and functional in line with the Act.

Organizational Re-alignment

All Executive members and management appointments have been made in line with the structure. The organisational skills and capacity audit has also been completed. Learnership and Internship programmes have been implemented in line with the national priorities on job creation and skills development. Learners and interns are

placed both internally and externally through the NLC funded beneficiaries in line with NDP priorities.

10.3 Alignment to the dti

NLC Objectives		Department Priorities	
SO:2	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
SO:3	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
SO:2	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

10. Description of the Planning Process

The NLC 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 NLC.

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.

11. Financial Plan

The NLC 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.

Major expenditure relates to the distribution of funds to good causes. Expenditure for the NLC 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 8 regional

offices that are fully operational in line with the NLC's strategy to increase its regional footprint.

12.2 Asset and liability management

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

12.3 Cash flow projections

**NATIONAL LOTTERIES COMMISSION
REVENUE AND EXPENDITURE
BUDGET 2016/17
R 000**

	BUDGET 2016/17	BUDGET 2017/18	BUDGET 2018/19
REVENUE	2 660 579	3 323 333	3 666 162
NLDTF	2 379 988	3 027 447	3 355 606
Interest Received	278 031	293 323	307 989
License Signing Fees	2 500	2 500	2 500
Societies & Other Lotteries	60	63	66
Profit on disposal of fixed assets	-	-	-
Sundry Income	-	-	-
EXPENDITURE	2 078 987	3 323 333	3 666 162
Allocations	1 600 000	2 818 002	3 135 564
Advertising & Publicity	14 260	15 044	15 797
Advertising & Publicity - Roadshow	8 565	9 036	9 488
Agency Emoluments	23 302	24 583	25 813
Audit Committee Emoluments	328	346	363
HR Committee Emoluments	108	114	120
Audit Fees	3 050	3 218	3 379
Bank Charges	194	205	215
Board Members Emoluments	3 441	3 630	3 812
Cleaning - Head Office	2 340	2 469	2 592
Computer Expenses	1 180	1 244	1 307
Conferences / Meetings	7 590	8 007	8 408
Consulting Fees	52 234	55 107	57 862
Courier & Postages	5 390	5 686	5 970
Depreciation	6 550	6 911	7 256
Electricity, water, rates & taxes	4 422	4 665	4 898
Facilities & Refreshments	951	1 003	1 053
Gen Expenses	1 495	1 578	1 656
Insurance	600	633	665
Legal Fees	15 500	16 353	17 170
Motor Vehicle Expenses	2 280	2 405	2 526
Outsourcing	5 780	6 098	6 403
Print & Stationery	4 487	4 733	4 970
Rental - Office Equipment	2 844	3 000	3 150
Rent Paid - Property	21 923	23 129	24 285
Repairs & Maintenance	5 810	6 130	6 436
Risk Benefit & Mngmnt Fees	3 109	3 280	3 444
Removals	250	264	277
Salaries & Wages	196 932	207 764	218 152
Staff Recruitment	9 000	9 495	9 970
Staff Training	5 500	5 803	6 093

Staff Welfare	4 917	5 188	5 447
Subscriptions	15 619	16 478	17 302
Security	4 308	4 545	4 772
Telephone & Fax	7 895	8 329	8 745
Temporary Staff	1 398	1 475	1 549
Travel & Accommodation	35 000	36 925	38 771
Workmens Compensation	436	460	483
NET SURPLUS	581 592	-	-
ADJ:			
Depreciation	6 550	6 911	7 256
Rent : non-cash flow content	-	-	-
Profit on disposal of fixed assets	-	-	-
Acquisition of fixed assets	(180 250)	(190 164)	(199 672)
License Signing Fees	(2 500)	(2 500)	(2 500)
NET CASH FLOW	405 393	(185 753)	(194 916)

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

NLC plans to embark on acquiring long term accommodation. It is projected that the project will take approximately 3 years for completion (2016-2019).

12.6 Dividend policies

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

PART B:

PROGRAMME

PERFORMANCE

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	<p>Office of the Commissioner</p> <ul style="list-style-type: none"> • Corporate strategy development and implementation • Corporate performance monitoring and reporting • Governance systems development and implementation • Internal controls implementation and risk management • Sustainability strategy implementation • Legal Services functions • Efficiency improvement and systems development
The office of the Executive is constituted by Strategic planning & reporting; Internal Audit; Risk management; Company Secretary; Legal Services and organisational monitoring and evaluation departments.	
Description	<p>Corporate Services</p> <ul style="list-style-type: none"> • Human Resources Management functions • Administration and Facilities activities • Communication, Education and Awareness, Marketing and Stakeholder Management • Contact Centre functions • Policy and Research
The Corporate Services division is constituted by Human Capital Management & Administration; Auxillary & OHS, Marketing, Communication & Stakeholder Management; Education and Awareness, Knowledge Management and Contact Centre Management departments.	
Description	<p>Finance</p> <ul style="list-style-type: none"> • Financial planning and reporting • Development of financial controls and implementation thereof • Development of procurement strategy and policies in line with PFMA

	<ul style="list-style-type: none"> • Ensure compliance with statutory requirements from a finance perspective
The Finance division is constituted by Financial Accounting (NLC & NLDTF), Supply Chain Management and Management Accounting Departments.	
Description	Information Communication Technology
	<ul style="list-style-type: none"> • To provide vision and leadership for the planning, implementation and management of Information and Communications Technologies (ICT) that support the National Lotteries Commission' business; • Direct and manage Information Communications and Technology strategic plans, develop IT policies and governance framework. • Provide leadership and management of ICT services, network communications, transactional computing processes, information management and security. • Developing and maintaining a responsive, reliable, and secure ICT infrastructure. • Maximise the value of technology investments. • Ensure IT system operation adheres to applicable approved policies and governance framework. • Direct development and execution of an enterprise-wide disaster recovery and ICT service continuity plan. • Knowledge Management
The Information Technology division is constituted by Application and Development; Infrastructure and Network, Business Analyses 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 2015/16	2016/17 Annual Target	2017/18 Annual Target	2018/19 Annual Target
			2012/13	2013/14	2014/15				
Effective and efficient management of the NLC operations	Public Relations (PR) Campaign	1.1 Percentage implementation of the PR Campaign to reposition the NLC as regulator and funder	Stakeholder Strategy	Comprehensive Stakeholder & Marketing Strategies	Development of the re-branding strategy	Implementation of 100% the approved re-branding strategy	Implement 50% of the PR Campaign	Implement 100% of the PR Campaign	Review the PR Campaign
	Education and Awareness	1.2 Number of stakeholder engagements conducted per province	National Consultative Indaba & PISE	National Consultative Indaba & PISE	3 workshops per province	4 workshops per province	6 stakeholder engagements per province	8 stakeholder engagements per province	10 stakeholder engagements per province
	Organisational Sustainability	1.3 Conduct organisational sustainability study	Nil	Nil	Business Sustainability Strategy	Amended Lotteries Act	Produce sustainability report	Implementation of report	Monitor implementation of the report
	E-system (Integrated Enterprise Wide Architecture Platform)	1.4 Develop the E-system /Integrated Enterprise Wide Architecture Platform (Phase 2)		System Scoping	Conduct work-study for business processes and workflows	Develop the E-system / Integrated Enterprise Wide Architecture Platform (Phase 1)	Develop the E-system / Integrated Enterprise Wide Architecture Platform (Phase 2)	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 2015/16	2016/17 Annual Target	2017/18 Annual Target	2018/19 Annual Target
			2012/13	2013/14	2014/15				
Creating a Sustainable and financially efficient NLC	NLDTF Disbursements	2.1 Percentage disbursement of grants as per GNR644, 6(c)(iv)	Nil	Nil	38%	50%	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	At least 95% 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%	6.00%	7%	An annual minimum of 8% ROI on NLDTF funds	An annual minimum of 8% ROI on NLDTF funds	An annual minimum of 8% ROI on NLDTF funds

13.4 Quarterly Milestones (Programme 1)

Strategic Outcome	Strategic Output	Performance Indicator	Baseline 2015/16	2016/17 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									
Effective and efficient management of the NLC operations	Public Relations (PR) Campaign	1.1 Percentage implementation of the PR Campaign to reposition the NLC as regulator and funder	Implementation of 100% the approved re-branding strategy	Implement 50% of the PR Campaign	Planning of the PR campaign	Implement 20% branding and repositioning campaigns	Implement 40% branding and repositioning campaigns	Implement 50% branding and repositioning campaign	

Strategic Outcome	Strategic Output	Performance Indicator	Baseline 2015/16	2016/17 Annual Target	Quarterly Milestones			
					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	Education and Awareness	1.2 Number of stakeholder engagements conducted per province	4 workshops per province	6 stakeholder engagements per province	Planning of stakeholder engagements	Conduct stakeholder engagements in 3 provinces	Conduct stakeholder engagements in 3 provinces	Conduct stakeholder engagements in 3 provinces
	Organisational Sustainability	1.3 Conduct organisational sustainability study	Amended Lotteries Act	Produce sustainability report for Board approval	Publish tender for service provider and award tender	Conduct study	Conduct study	Finalise report for Board approval
	E-system (Integrated Enterprise Wide Architecture Platform)	1.4 Develop the E-system (Integrated Enterprise Wide Architecture Platform) (Phase 2)	Develop E-system /Integrated Enterprise Wide Architecture Platform (Phase 1)	Develop the E-system / Integrated Enterprise Wide Architecture Platform (Phase 2)	System Scoping for TO-BE processes	Obtain sign off and implement TO-BE	User acceptance and testing	Go-live processes

Strategic Outcome	Strategic Output	Performance Indicator	Baseline 2015/16	2016/17 Annual Target	Quarterly Milestones			
					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Strategic Objective [2]: To Ensure Financial Sustainability, Control and Discipline in line with Applicable Legislation and Policy Prescripts								

Creating a Sustainable and financially efficient NLC	NLDTF Disbursements	2.1 Percentage disbursement of grants as per GNR644, 6(c)(iv)	50%	At least 65% of grants be paid in line with the regulated 60 day timeframe	20% disbursement of grants	40% disbursement of grants	55% disbursement of grants	65% disbursement of grants
	NLDTF Investments	2.2 Percentage Return on Investments (ROI) of NLDTF funds	7%	An annual average minimum of 8% ROI on NLDTF funds	8% Return on Investments	8% Return on Investments	8% Return on Investments	8% Return on Investments

13.5 Financial Plan (Expenditure Estimates for programme 1)

Strategic Objective [1]: To enhance administration and ensure compliance with applicable legislation and policy prescripts Strategic Objective [2]: To Ensure Financial Sustainability, Control and Discipline in line with Applicable Legislation and Policy Prescripts							
Economic Classification	Expenditure Outcome			Adjusted Appropriation	Medium Term Expenditure Estimate		
	2012/13 R'000	2013/14 R'000	2014/15 R'000	2015/16 R'000	2016/17 R'000	2017/18 R'000	2018/19 R'000
Current payment Compensation of employees, goods and services	123 451	139 092	177 633	359 870	464 525	490 074	514 578
Payment of capital assets Building & other fixed structure Machinery & equipment	9 156	11 296	81 087	70 253	180 527	190 456	199 979
Other classifications	-	-	-	-	-	-	-

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
Description	<div>Compliance</div> <ul style="list-style-type: none">• Ensuring that mechanisms are instituted to ensure compliance with applicable laws and regulations as they relate to the lotteries environment• Monitor, Regulate and Police society & other lotteries• Develop and Implement of Enforcement strategy• Develop and implement Compliance strategy• Develop, implement and monitor Service Standards• Education and awareness for voluntary compliance• Monitor and Evaluate the implementation of funded projects
The Compliance Division is constituted by Lotteries Compliance and the Compliance Enforcement Departments.	

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 2015/16	2016/17 Annual Target	2017/18 Annual Target	2018/19 Annual Target
			2012/13	2013/14	2014/15				
Compliant and Regulated Lottery Industry receptive to the NLC mandate	Illegal Lotteries	3.1 Percentage investigations on reported and identified illegal lotteries	Nil	Nil	Nil	70% of investigations conducted	Conduct investigations on 75% all identified and reported illegal lotteries	Conduct investigations on 80% of all identified and reported illegal lotteries	Conduct investigations on 90% of all identified and reported illegal lotteries
	3 rd Lottery Licence	3.2 Implement and monitor 3 rd National Lottery Licence Monitoring Matrix/ Scorecard	Nil	Nil	Licence transition plan & resources in place	Develop & Implement the 3 rd National Lottery Licence Monitoring matrix/ scorecard	Implement and Monitor Compliance with the licence conditions	Implement and Monitor Compliance with the licence conditions	Review the 3 rd National Lottery Licence Monitoring Matrix/Scorecard

14.4 Quarterly milestones (Programme 2)

Strategic Outcome	Strategic Output	Performance Indicator	Baseline 2015/16	2016/17 Annual Target	Quarterly Milestones			
					1st Quarter	2nd Quarter	3rd Quarter	4 th Quarter
Strategic Objective [3]:To implement relevant initiatives geared towards ensuring compliance with the Lotteries Act								
Compliant and Regulated Lottery Industry receptive to the NLC mandate	Illegal Lotteries	3.1 Percentage investigations on reported and identified illegal lotteries	70%	Conduct investigations on 75% 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 75% of identified and reported illegal lotteries
	3rd Lottery Licence	3.2 Implement and monitor 3 rd National Lottery Licence Monitoring Matrix/ Scorecard	3 rd Lottery Operator recommended for appointment	Implement and monitor the 3 rd National Lottery Performance Monitoring matrix/ Scorecard	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	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		
	2012/13 R'000	2013/14 R'000	2014/15 R'000	2015/16 R'000	2016/17 R'000	2017/18 R'000	2018/19 R'000
Current payment							

Compensation of employees, goods and services	10 717	11 001	25 195	21 815	25 632	27 042	28 394
Payment of capital assets							
Building & other fixed structure	-	-	-	-	-	-	-
Machinery & equipment							
Other classifications							
	-	-	-	-	-	-	-

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"> • Develop and implement an integrated Grant Funding strategy • Develop and implement Grant Funding policies • To ensure funding is distributed efficiently and effectively to deserving causes in line with the national legislation and NLC policies. • Provincial office support
Description	Service Delivery & Support <ul style="list-style-type: none"> • Overall management of the grant making processes in support to the Distributing Agencies and determine the effectiveness of the grant making process • Provide clearly defined functions of Provincial Offices aligned to grant funding processes • Develop functional strategies • Ensure implementation of streamlined grant funding processes • Develop and implement service improvement plan
The Grant Funding and Service Delivery programme is constituted by GF operational support, the 9 Provincial Offices and the Monitoring and Evaluation Departments.	

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 2015/16	2016/17 Annual Target	2017/18 Annual Target	2018/19 Annual Target
			2012/13	2013/14	2014/15				
Fair and Equitable allocation of Grant Funding	Funding Model	4.1 Percentage implementation of the grant funding model	Nil	Environmental scan completed & results incorporated into procedure on an interim basis	Developed grant funding model	Implement 50% of the grant funding model	Implement 100% of the Grant Funding Model	Review the Grant Funding Model	Implement the reviewed Grant Funding Model
	Regulation 3A(1)(a)	4.2 Percentage of applications adjudicated within 150 days	Nil	Nil	Nil	Nil	50% of applications adjudicated within 150 days	70% of applications adjudicated within 150 days	95% of applications adjudicated within 150 days
	Lotteries Act- 5% per province (GNR182)	4.3 Percentage allocation of grant funding to provinces	EC-8% FS-15% GP-24% KZN-8% LP-14% MP-4.6% NW-7% NC-2.9% WC-12%	EC-9% FS-8% GP-24% KZN-10% LP-9% MP-5% NW-9% NC-5% WC-12%	EC- 7.57% FS – 2.63% GP- 38.51% KZN- 11.9% LIMP-15.41% MP- 1.45% NW- 3.74% NC- 3.33% WC- 15.43%	EC-9% FS-5% GP-36% KZN-14% LP-10% MP-5% NW-8% NC-4% WC-9%	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	Developed monitoring and evaluation	Conduct 1000 monitoring and evaluation site visits	Conduct 1500 monitoring and evaluation site visits	Conduct 2000 monitoring and	Conduct 2500 monitoring and evaluation

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

Strategic Outcome	Strategic Output	Performance Indicator	Audited Actual Performance			Baseline 2015/16	2016/17 Annual Target	2017/18 Annual Target	2018/19 Annual Target
			2012/13	2013/14	2014/15				
	Funding				framework and piloted the framework			evaluation site visits	site visits

15.4 Quarterly milestones (Programme 3)

Strategic Outcome	Strategic Output	Performance Indicator	Baseline 2015/16	2016/17 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	Implement 50% of the grant funding model	Implement 100% of the Grant Funding Model	Conduct research	Align processes to approved proactive funding manual	Adjudicate applications	Adjudicate applications
	Regulation 3A(1)(a)	4.2 Percentage of applications adjudicated within 150 days	Nil	50% of applications adjudicated within 150 days	20% of applications adjudicated within 150 days	30% of applications adjudicated within 150 days	40% of applications adjudicated within 150 days	50% of applications adjudicated within 150 days
	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%	A minimum of 5% grant funding allocated to	A minimum of 1% grant funding allocated to	A minimum of 2% grant funding allocated to	A minimum of 3% grant funding allocated to	A minimum of 5% grant funding allocated to

			LIMP-15.41% MP- 1.45% NW- 3.74% NC- 3.33% WC- 15.43%	each Province	each province	each province	each province	each province
	Monitoring and Evaluation of NLDTF Funding	4.4 Number of site visits conducted	Conduct 1000 monitoring and evaluation site visits	Conduct 1500 monitoring and evaluation site visits	Conduct 375 monitoring and evaluation site visits	Conduct 750 monitoring and evaluation site visits	Conduct 1125 monitoring and evaluation site visits	Conduct 1500 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		
	2012/13 R'000	2013/14 R'000	2014/15 R'000	2015/16 R'000	2016/17 R'000	2017/18 R'000	2018/19 R'000
Current payment Compensation of employees, goods and services	2 344 459	1 889 926	1 633 371	1 559 298	1 600 000	2 806 217	3 123 190
Payment of capital assets Building & other fixed structure Machinery & equipment	-	-	-	-	-	-	-
Other classifications	-	-	-	-	-	-	-

PART C:

LINK TO OTHER PLANS

NATIONAL LOTTERIES COMMISSION

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)
Section 50 Fiduciary duties of accounting authorities		
(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 , all material facts , 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.
Section 55 Annual Report and financial statements		
(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) any material losses 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.		
Section 66 (1)		
Restrictions on borrowing , guarantees and other commitments	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))
Section 54		
Information to be submitted by Accounting Authorities		
(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 significant 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 significant shareholding in a company;	Not applicable	Any acquisition or disposal , outside of the approved strategic plan and budget
(d) acquisition or disposal of a significant 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 significant 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 Commission 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 and Communications Technology (ICT) Plan

The ICT Strategic Plan is a visionary approach that helps make measurable advances to progress the NLC towards our key initiatives and strategic goals over a five-year time frame.

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

As we embark on the future, the ICT division is task with the annual refresh of the divisional five-year IT Strategic Plan. This evaluation and refresh process began by reviewing NLC business needs, technology progress, architecture advancement, and the progress of strategic projects. The review also included a comprehensive view of the NLC 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 NLC. 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). NLC 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 Commission 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 NLC IT workforce.

INFORMATION TECHNOLOGY					
Strategic Output	Performance Indicator	Baseline 2015/16	2016/17 Annual Target	2017/18 Annual Target	2018/19 Annual Target
Enterprise Wide Architecture	Established and developed Enterprise Wide Architecture	Implement Phase 1 (core Fusion)	Implement Phase 2 (GMS)	Monitor and improve	Upgrade
Technology Refresh Plan	Developed and implemented Technology refresh plan	Technology Refresh Plan document	Upgrade Technology platforms and systems	Monitor	Review the approved plan
IT Service Continuity Strategy and Plan	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
Disaster Recovery Strategy and Plan	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
IT Governance Framework	Developed and implemented IT Governance Framework	Developed IT Governance Framework	Automation of Developed IT Policies	Review	Realign to new business principles
Compliance and Monitoring Strategy	Developed and implemented Technical compliance and monitoring strategy	Developed and implemented tools	Review	Upgrade	Realign to new business principles
Content Management Strategy	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 NLC's risk policy and provides a detailed description of the risk management processes within NLC.

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 NLC. 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 NLC 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 NLC;
- 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
Audit Committee	An independent committee constituted to review the control, governance and risk management within the organisation.
Board	Means the Board of Directors of the NLC.
Consequence	An outcome of an event/ risk, whether positive or negative.
Contributory (risk) factor	Any threat or event which contributes to the risk materialising, or has the potential to contribute to the risk materialising.
Control effectiveness	A measure of how well management perceives the design and functionality of controls for managing risk.
Employee/s	Permanent employees of the NLC, contract employees of the NLC, and/or programme employees of the NLC.
Enterprise risk management	Integrated process of risk management that allows the organisation to identify, prioritise, and effectively manage its material risks.
Inherent risk	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.

TERM	DESCRIPTION
Internal Audit	An independent, objective assurance and consulting activity designed to add value and improve NLC's operations. It helps NLC to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes.
Key risk indicators	Metrics used by management to provide an early signal of increasing risk exposure or emerging risk.
Residual risk	The level of risk that remains after risk mitigation measures have been implemented.
Risk acceptance	An informed decision by management to accept the likelihood and impact of a particular risk thus not implementing any further risk mitigation measures.
Risk analysis	Systematic use of information to identify sources of risk and to estimate the level of risk.
Risk & ICT Committee	A committee constituted to facilitate and review the internal control, governance, technology and risk management process within the organisation.
Risk appetite	The level of risk that the organisation is prepared to accept in pursuit of value.
Risk exposure	Extent to which the organisation is subject to a risk event.
Risk assessment	Overall process of risk identification, risk quantification and risk evaluation in order to identify potential opportunities or minimise loss.
Risk avoidance	Decision not to become involved in, or action to withdraw from a risk situation.
Risk Champion	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.
Risk identification	Process of recognising and describing the risks.
Risk owner	The person with the accountability and authority to manage a particular risk.
Risk management	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.

TERM	DESCRIPTION
Risk management policy	Statement of overall intentions and direction of the organisation related to risk management.
Risk management strategy and plan	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.
Risk maturity assessment	An assessment of the level of sophistication of the organisation's risk management process and structures.
Risk mitigation	Management action to reduce the likelihood of a particular risk from materialising, and/or the limitation of the negative consequences of any risk event.
Risk profile	The relevant risks and the applicable priority thereto. This will normally be presented as a listing of risks with relevant prioritisation/ rating.
Risk register	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.
Risk response/ treatment	Process of selection and implementation of measures to manage risk. Risk response measures can include avoidance, sharing/transfer, acceptance and mitigation.
Risk tolerance	The acceptable level of variances arising out of risk relative to the achievement of objectives.
Risk transfer	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 NLC 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
Oversight Responsibilities:			
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
Reporting Responsibilities:			
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"> • The strategic risks; • Progress with implementing corrective actions per risk; • Any new and emerging risks, risk developments, including incidents. 	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
Risk Assessment Responsibilities:			
07	The Board of Directors will ensure that a	Chairperson: Board	Annually

Ref.	Standard	Responsibility	Frequency
	complete review of the risks of the NLC is 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
Risk Mitigation Responsibilities:			
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	Chief Risk Officer	Monthly

Ref.	Standard	Responsibility	Frequency
	be monitored.		
Governance Responsibilities:			
17	Each risk will have a nominated owner, who will be responsible for the following: <ul style="list-style-type: none"> • Updating the risk information; • Providing assurance regarding the risk controls; • Coordinate the implementation of action plans for managing the risk; and • Reporting on any developments regarding the risk. 	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 CM 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 NLC. 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 NLC 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 NLC; 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 NLC'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 NLC'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 NLC. A balanced perspective of risk and risk management is required in proportion to the weighting of potential risk impact across NLC. The Board must ensure that a future-looking orientation is included in the consideration of risk.

3.1.3 Audit & Risk 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.

- 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 CM 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.

3.1.4 The Commissioner (CM)

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

- Providing leadership and direction to management and staff. The CM shapes the values, principles and major operating policies that form the foundation of NLC'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 CM 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 CM must clearly define the information he/she needs.

The CM 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 CM sets the tone at the top that influences internal environmental factors of ERM.

3.1.5 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 NLC.

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 NLC;
- 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 NLC by viewing risk as an opportunity, by applying the risk/ reward principle in all decisions impacting on NLC;
- 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 NLC 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.

3.1.6 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.

3.1.7 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 NLC'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 NLC 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 Audit & Risk 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.

3.1.8 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 NLC and facilitates the interaction, on risk management matters.

Control Environment: Values, ethics, integrity and culture. (These are normally captured and re-affirmed in the risk management policy).	
Objective Setting	Specific, Measurable, Attainable, Relevant and Time-bound.
Risk Identification	Identification of events that could affect achievement of objectives.
Risk Assessment	Rating identified risks to determine order of significance on likelihood and impact.
Control Strategy	Manage or avoid? How will risks be managed? By whom? What structures?
Risk Reporting	Build awareness and regular risk reporting upwards and downwards.
Control Activities	Assurance on risks to be given by management and the Board. Consider combined assurance.
Monitoring	Set and monitor key risk indicators to embed proactive risk response.
Risk Management Strategy: 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

NLC's control environment is the foundation of risk management, providing discipline and structure. The control environment influences how strategy and objectives are established, NLC 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 NLC'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 NLC'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 NLC's mission and vision and is consistent with NLC's risk tolerance. The setting of these objectives is usually completed during the, "Strategic planning and Budgetary process."

Having confirmed and clearly documented NLC 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.

NLC's Methodology

NLC'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"> Financial impact of 10%-20% of gross revenue
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"> Financial impact of between 5%-10% of gross revenue
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"> Financial impact of less than 5% of gross revenue
1	<ul style="list-style-type: none"> Little financial impact No impact on performance

Likelihood Parameters

Probability	Qualification Criteria	Rating
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Factor		
Almost Certain	<ul style="list-style-type: none"> ▪ The organisation has been impacted by this risk within the preceding 12 months. ▪ The risk is almost certain to occur more than once within the next 12 months. 	5
Likely	<ul style="list-style-type: none"> ▪ The risk has not been experienced by the organisation in the preceding 12 months. ▪ The risk is almost certain to occur once within the next 12 months. 	4
Possible	<ul style="list-style-type: none"> ▪ The risk has not been experienced before by the organisation ▪ The risk could occur at least once in the next 1 –5 years. 	3
Unlikely	<ul style="list-style-type: none"> ▪ 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. 	2
Rare	<ul style="list-style-type: none"> ▪ 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. 	1

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	RED – Unacceptable High Risk	Management should take immediate action to reduce risk exposure to an acceptable level.	<ul style="list-style-type: none"> • Board • AC • RC 	Immediate action required

between 9 and 14		YELLOW – Cautio nary Mediu m Risk	Management should constantly monitor the risk exposure and related control adequacy.	<ul style="list-style-type: none"> • Board • AC • RC 	Medium term action - within three months
between 1 and 8		GREEN – Accep table Low Risk	Management should monitor risks and may consider reducing the cost of control.	<ul style="list-style-type: none"> • AC • RC 	Monitor ¹ – 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.

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

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

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 NLC'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 NLC'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 NLC'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 NLC'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 NLC'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 NLC 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

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

5.8 Project Risk Management

NLC 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 NLC 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 NLC, the controls in place to minimise the risks and an assessment of the residual risk.

3.2 Risk Strategy (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
						Likelihood	Impact	Inherent Risk							
SR 1	Technology	SO1	Inappropriate ICT systems to enable the organisation to achieve business objectives	<ul style="list-style-type: none"> - Insufficient/ineffective implementation of ICT strategy - Lack of integration of systems - Non compliance to ICT governance - Insufficient contingency management - Non compliance to ICT security policies and procedures - Insufficient information systems ("IS") planning and management - Obsolete hardware resources/ infrastructure at all levels - Lack of alignment between ICT strategy and new legislation - Budget 	<ul style="list-style-type: none"> - Impaired organisational performance (inefficiencies) - Fraud and corruption - Business coming to stands-till - Compromised service delivery 	4	5	20	Unacceptable	<ul style="list-style-type: none"> - Daily backups of the server - IT governance oversight - Access-controlled server room - Physical controls (raised floor, alarms, fire protection etc.) - Uninterruptible power supply ("UPS") - Approved disaster recovery policy - Approved ICT governance framework - Approved ICT policies and technology strategies - Approved budget for the ICT 	<ul style="list-style-type: none"> - Disaster recovery plan formulation and implementation - Implementation of ICT strategy and policy framework - Adequate SLA with key stakeholders - Upgraded Enterprise Architecture System (Integrated platform - align ICT strategy and new legislation) - Implement provincial-wide area network (MPLS) 	31-Mar-17	50%	10	Chief Information Officer ("CIO")

				constrain to implement projects						projects					
SR 2	Reputation	S01 & 2	Conflict of interest	<ul style="list-style-type: none">- Lack of proper mechanisms to manage conflict of interest- Lack of proper monitoring of the effectiveness of the current declaration of interest process- Lack of defined framework for management of conflict of interest- Greed- Culture of impunity	<ul style="list-style-type: none">- Harm to reputation- Inconsistencies in dealing with issues- Litigations- Financial loss	5	3	15	Unacceptable	<ul style="list-style-type: none">- Declaration of interest process- Declaration narrative- Alternative approval of cases that are under potential conflict- Stakeholder engagement- Reputation management (perception survey)- Pro-active communication of organisational impact to stakeholders (spreading the good news)- Whistleblowing hotline	<ul style="list-style-type: none">- Annual disclosures by Board members, employees, DA's, beneficiaries (grant recipients), suppliers and other stakeholders- Implementation of new legislation and relevant policies (corrective actions against those who fail to disclose or give incorrect declaration)- Training and awareness to all stakeholders	31-Mar-17	50%	8	Company Secretary (Board and DA)/ Corporate Services(staff)

SR 3	Governance risk and compliance	S01 & 2	Fraud and corruption	<ul style="list-style-type: none"> - Poor ethics and morals ("greed") - Ineffective controls (Opportunity) - Conflict of interest - Low staff morale - Lack of training and supervision at all levels - Non-compliance with legislation, license conditions, and organisational policies, and procedures, . - Inadequate internal capacity (poor segregation of compatible duties) - Inadequate preventative and early detection (early warning systems) controls - Inadequate verification process (lack of adequate skills) - Ineffective technology environment - Inadequate monitoring and evaluation processes - Misrepresentations by 	<ul style="list-style-type: none"> - Financial and resource wastage/ losses - Poor service delivery - Harm to reputation - Potential litigation - Impaired personal security of officials 	4	5	20	Unacceptable	<ul style="list-style-type: none"> - Approved whistleblowing policy - Approved anti-fraud and corruption policy - Approved fraud prevention plan - Code of ethics - Corporate values - Human resource ("HR") ethics and social responsibility committee - Disciplinary processes - Segregation of duties - Supervision and account reconciliation processes - Independent whistleblowing hot-line - Pre and post-adjudication site visits - Declaration of interest - Delegation of Authority 	<ul style="list-style-type: none"> - Fraud risk assessment - Integrated communication strategy (to include fraud issues) - Risk profiling of beneficiaries - Assess the effectiveness of the hotline - Screening of employees prior employment - Periodical screening of employees who works in critical divisions - Investigation of all reported cases of alleged fraud and corruption 	31-Mar-17	30%	14	Chief Risk Officer
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SR 5	Reputation	SO1, 2, 3, 4	Inadequate stakeholder relationships	<ul style="list-style-type: none"> - Insufficient implementation of stakeholder management framework - Inconsistent servicing of stakeholders - Ineffective communication - Change in legislation - Lack of understanding of the mandate by the public - Ineffective business processes - Limited product knowledge by staff - Lack of understanding of our stakeholders 	<ul style="list-style-type: none"> - Harm to reputation - Poor service delivery - Negative impact on the integrity of the lottery - Litigation 	3	4	12	Unacceptable	<ul style="list-style-type: none"> - Identified stakeholder matrix in annual performance plan - Communication strategy in place - Stakeholder programme - Stakeholder relations and engagement strategy - Stakeholders indaba - Stakeholder survey - Signed MOU with strategic partners - Provincial offices established 	<ul style="list-style-type: none"> - Implementation of marketing and communication strategy - Ongoing stakeholder engagement - Implementation of BPR - Implementation of approved marketing and communication policies and procedures - Develop and implement service standards with stakeholders 	31-Mar-17	50%	6	Executive: Corporate Services
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SR 6	Service Delivery	SO4	Inappropriate grant allocation and management	<ul style="list-style-type: none"> - Lack of integrated operational GF policy - Inadequate quality assurance ("QA") process - Insufficient ICT systems and management information systems ("MIS") - Over/under funding - Inadequate post-grant monitoring and evaluation - Lack of alignment with key national priorities - High volume of applications received in comparison with available resources - Inability to reach rural and disadvantaged communities (declining small NGO applications) - Inadequate understanding of purpose and focus of funded entities 	<ul style="list-style-type: none"> - Harm to reputation - Failure to meet mandate - Re-assigning of mandate 	4	5	20	Unacceptable	<ul style="list-style-type: none"> - Directives contained in the Act and Regulations e.g. mandatory requirements , priority areas for funding etc. - Grant application procedure - Verification process - Monitoring and evaluation - Provincial offices established 	<ul style="list-style-type: none"> - Development of integrated grant funding operational policy - Approval and Implementation of Business Process review results - Revising checklist to include regulatory requirements - Standards and norms for applications and application types - Establishment of a research function - Proactive funding in terms of the amended Act - Capacity building and awareness initiatives - Strengthening of assessment and verification process - Strengthening/ enhancement of monitoring and evaluations functions - Establishment of the remainder of provincial offices - Creation of adjudication matrix 	31-Mar-17	25%	15	Senior Executive: Grant Funding
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SR 7	Service Delivery	SO4	Inaccessibility of the organisation to targeted communities	<ul style="list-style-type: none"> - Current positioning of organisational infrastructure - Inadequate communication channels - Inadequate ICT systems to provide relevant insight - Limited understanding of the organisation by target communities - Language barrier - Limited transacting channels (applications, progress reports etc.) - Lack of understanding of processes by applicants and beneficiaries 	<ul style="list-style-type: none"> - Poor service delivery - Misdirected funding - Collapse of organisation - Failure to deliver on the mandate - Litigation 	4	4	16	Unacceptable	<ul style="list-style-type: none"> - Public education / awareness during calls - Provincial offices established - Partnerships and MOU's with relevant structures 	<ul style="list-style-type: none"> - Strengthening of 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 - Capacity building as per the amended act 	31-Mar-17	30%	11	Senior Executive: Grant Funding
SR 8	Sustainability	SO1,2,3,4	Continuity and sustainability	<ul style="list-style-type: none"> - State of the economy - Dependency on single revenue source - Poor performance of national lottery operator (revenue generation) - Contestation (litigation) of the license process - Transition process (changeover) - Increased 	<ul style="list-style-type: none"> - Financial loss - Negative impact on communities - Reputational damage 	4	5	20	Unacceptable	<ul style="list-style-type: none"> - Performance management of the license operator - Transition steering committee established to manage transition process - Protection afforded by the Act (sustainability) - Approved Disaster 	<ul style="list-style-type: none"> - Implementation of financial sustainability strategy - Implement Business Continuity Plan 	31-Mar-17	50%	10	Office of the Commissioner

				operational expenditure - Increasing number of applications						Recover Policy - Off site back up system - Financial sustainability strategy					
SR 9	Governance , risk and compliance	SO1,2,3	Inappropriate organisational governance	- Inadequate regulation of National Lottery Operator - Lack of alignment between legislation and organisational policies - Inconsistencies between the DA's	- Poor service delivery - Harm to reputation - Reduced revenue generation	4	4	16	Unacceptable	- Governance structures - Shareholder compact - Policies and procedure manual - Delegation of authority - Operator performance monitoring matrix	- Formulation and implementation of governance framework - Agreed service level agreements ("SLAs") between the Board and DAs - Ongoing implementation of policy framework within the organisation - Implementation of amended act - Develop and implement integrated operational GF policy	31-Mar-17	30%	11	Company Secretary

SR 10	Governance, risk and compliance	SO1,2,3	Inability to implement or delays in implementing the transition plan	<ul style="list-style-type: none"> - Misunderstanding and misinterpretation of the amended act -Dependency on other stakeholders e.g. the DTI (appointment of DAs) in implementing the act - Resistance to change from various stakeholders - Resources constraints and lack of required skills - Failure to align operational model with legislation 	<ul style="list-style-type: none"> - Non compliance with legislation - Harm to reputation -Negative impact on service delivery 	4	4	16	Unacceptable	<ul style="list-style-type: none"> - Transition Steering Committee established to manage transition process - Regular engagements with shareholder, and lottery operators, staff and other stakeholders - Workshops to foster understanding and alignment - Change management plan/strategy 	<ul style="list-style-type: none"> - Close monitoring of transition plan - On-going implementation of change management plan/strategy - Ongoing communication with all stakeholders 	31-Mar-17	40%	10	Office of the Commissioner
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4. Any subsidiary or statutory body reporting to the entity

Not applicable.

5. Service Delivery Improvement Plan

The National Lotteries Commission 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.

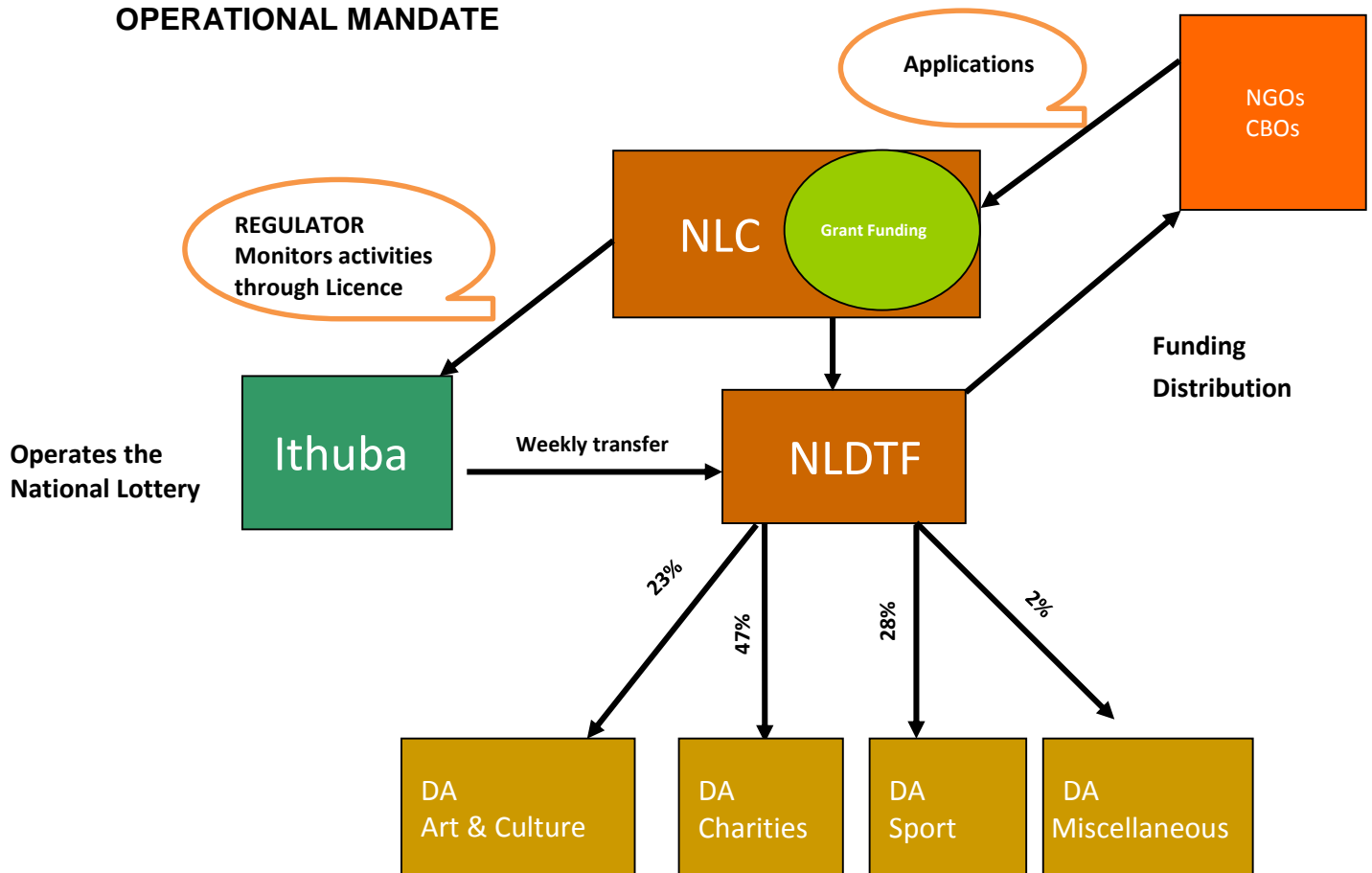
The Functions of the Board are set out in the Lotteries Act as follows:

- 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 Commission has also been tasked with the responsibility of providing administrative, managerial and technical support to the Distributing Agencies.

OPERATIONAL MANDATE



The NLC has a dual mandate, to regulate the lottery industry and to distribute funding for good causes. The NLC has appointed Ithuba to operate the 3rd 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.

ORGANISATIONAL ENVIRONMENT

Governance Structure

The Minister of the Department of Trade and Industry (dti) is the Executive authority for the NLC and has appointed a Board of six members with diverse credentials as the accounting authority of the NLC. The Minister has further appointed the Distributing Agencies in the specific sectors (Sports, Arts and Charities) to support the NLC 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 Commissioner to manage the operations of the organisation.

5.2 Management Structure

Management is under the leadership of the Commissioner supported by five Executive Managers, The Chief Audit Executive 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 NLC 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 NLC 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 NLC 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 NLC 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 rd 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 NLC and NLDTF.	Grant Funding – Provincial Offices Communication and Marketing	NLC 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 NLC 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 NLC 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 NLC	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 NLC	Progress report process takes long and requires a lot of information that is not even verified by NLC officials. To improve on this item, NLC 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 NLC	The process is long and done manually.	Decentralisation of services. Provincial offices to assist in facilitating the signing of GA's within 30 working	GA's signed within 15 working days	GA's signed within 5 working days

					days		
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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 Public Relations (PR) Campaign to reposition the NLC as regulator and funder.
Short definition	<p>In the 2015/16 year, the NLC embarked on a vigorous re-branding campaign. The PR campaign emanates from one of the resolutions taken at the 2015 National Consultative Indaba, which states that the NLC must endeavour to “<i>Improve marketing and communication of the National Lotteries Commission, and the link between revenue and the funding of good causes</i>”</p> <p>This process will entail:</p> <ul style="list-style-type: none"> - advertising on both print and electronic media - printing of educational material - use of stakeholder platforms
Purpose/importance	Repositioning of the NLC’s dual mandate
Source/collection of data	Print and electronic published information
Method of calculation	Count of number of publications
Data limitations	Nil
Type of indicator	Outcomes
Calculation type	Cumulative
New indicator	Yes
Reporting cycle	Annual
Desired performance	Increased awareness of the function of the NLC
Indicator responsibility	EMCS

INDICATOR PROFILE	Objective 1 : Indicator 1.2
Indicator title	Number of stakeholder engagements conducted per province
Short definition	<p>The stakeholder engagements relate to the area of education and awareness, capacity building as well as stakeholder management. Education and Awareness is a key area in the amended Lotteries Act. The engagements will cover several pertinent issues which includes will span over 6 workshops/engagements per province and will further seek to address the following:</p> <ul style="list-style-type: none"> • Regulatory Compliance (increasing awareness of society and other lotteries, enhancing monitoring & evaluation) • Capacity Building • Governance • Post Indaba Stakeholder Engagements (PISE) • Applying for Funding • Monitoring & Evaluation/Completing Progress Reports
Purpose/importance	Establishment of a platform for interaction with stakeholders on educating and creating awareness on NLC's dual mandate
Source/collection of data	Marketing and Communications and workshop reports Attendance registers at workshops
Method of calculation	Count of number of workshops conducted per province
Data limitations	Nil
Type of indicator	Outcomes
Calculation type	Cumulative
New indicator	Yes
Reporting cycle	Annual
Desired performance	Enhanced compliance with the Lotteries Act and promoting better access to funding
Indicator responsibility	EMCS

INDICATOR PROFILE	Objective 1 : Indicator 1.3
Indicator title	Conduct Organisational Sustainability Study
Short definition	<p>The Amended Act has brought about significant changes in the South African Lottery Industry. In implementing the legislative changes, the NLC has realised that the GF model may not be entirely suited to promote these changes. Added to this challenge is the situation of supply versus demand in terms of being able to meet the majority of the funding requests. The most recent statistics indicate that funding requests range in the area of R40billion whilst the fund, on average, only amounts to approximately R2billion per annum.</p> <p>This in turn has raised questions about the effectiveness of the term of appointment of the Lottery Operator and the impact and optimisation on sales revenue.</p> <p>This study is aimed at ensuring that the NLC is indeed “conducting business” in the best manner possible in order to fulfil its mandate.</p> <p>The focus is largely on the funding needs of the country, including aspects such as identifying funding gaps and the need for collaborative partnerships with other funding institutions.</p>
Purpose/importance	Ensuring organisational sustainability
Source/collection of data	Report presented to the Board for Approval
Method of calculation	Research & Benchmarking with other countries
Data limitations	Nil
Type of indicator	Efficiency
Calculation type	Non-cumulative
New indicator	Yes
Reporting cycle	Annual
Desired performance	Revolutionise the current GF model to ensure improved impact
Indicator responsibility	CM

INDICATOR PROFILE	Objective 1 : Indicator 1.4
Indicator title	Develop the E-system (Integrated Enterprise Wide Architecture Platform)
Short definition	<p>Subsequent to the completion of Stage 1 wherein the NLC sought to integrate HR, SCM and Finance into one platform, the focus of Stage 2 is predominantly on GMS TO BE processes.</p> <p>The enhancements will incorporate the TO BE processes that emanated from the Business process Review.</p> <p>Phase 1 – User gathering and confirmation (specifications)</p> <p>Phase 2 – Integration of requirements into the new platform</p> <p>Phase 3 – Piloting (Testing and bug fixing)</p> <p>Phase 4 – Piloting (Testing and bug fixing)</p>
Purpose/importance	Holistic incorporation of all business processes and workflow into one electronic, automated system. GMS that will fully align to the amended legislation and the decentralisation of operations to provinces
Source/collection of data	System Interface and sign off of each phase
Method of calculation	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

INDICATOR PROFILE	Objective 2 : Indicator 2.1
Indicator title	Percentage disbursement of grants as per GNR644, 6(c)(iv)
Short definition	<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>
Purpose/importance	Improve efficiency in the disbursement of grants
Source/collection of data	Finance Payment Records
Method of calculation	65% of compliant grant agreements paid within 60 days of receipt. Days are calculated from the date of receipt of the grant agreement which is the date stamped on the day it is received. Date of payment is reflected on finance records (usually EFT summary or online banking summary)
Data limitations	Number of complete and compliant Grant Agreements received
Type of indicator	Outputs & Efficiency
Calculation type	Cumulative
New indicator	Yes
Reporting cycle	Annually
Desired performance	Efficient disbursements
Indicator responsibility	CFO

INDICATOR PROFILE	Objective 2 : Indicator 2.2
Indicator title	Percentage Return on Investments (ROI) of NLDTF Funds
Short definition	<p>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 NLC operating costs.</p> <p>The NLDTF Investment Strategy is key to understanding the indicator.</p>
Purpose/importance	Enhanced sustainability of the organisation
Source/collection of data	Financial records and statements
Method of calculation	$\text{ROI} = \text{Average Return} / \text{Average Capital Invested} \times 100$
Data limitations	Dependent of performance of fund
Type of indicator	Economy
Calculation type	Cumulative (Average over period)
New indicator	Yes
Reporting cycle	Annually
Desired performance	Maximise returns on investments
Indicator responsibility	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"> 1. Scanning of print and electronic media 2. Reported cases by members of the public
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	75% of the total number of reported schemes (reported and identified cases) to be investigated
Data limitations	Limitations in Legislation in that NLC 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

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

INDICATOR PROFILE	Objective 4 : Indicator 4.1
Indicator title	Percentage implementation of the grant funding model
Short definition	<p>Since its inception, the National Lotteries Commission has based its' funding on an application basis, in terms of which, potential beneficiaries respond to a formal call for applications. This funding mechanism has ensured that the Distribution Agencies (DA's) are able to distribute funds in accordance with the Lotteries Act No. 57 of 1997 and the Regulations attendant thereto, in a manner consistent to the objectives of the Commission specifically, and the government's national priorities, broadly.</p> <p>The recent passage of the Lotteries Amendment Act No.32 of 2013 (the amended Act) represents a critical legislative moment in that it sets out to fundamentally alter the framework within which the Commission undertakes its work. The amended Act Introduces pro-active grant funding (to complement application based funding)</p> <p>Pro-Active Funding must be supported by research and this process will be guided by the Proactive Funding Framework and procedure manual.</p> <p>In the 2015/16 year, the NLC implemented 50% of the model by advertising the traditional Call for Applications as indicated in our opening definition. In the current year, the organisation will implement proactive (research based funding) thereby fulfilling the target of 100% implementation.</p>
Purpose/importance	Ensuring fair and equitable distribution of funds
Source/collection of data	Research reports
Method of calculation	Applications adjudicated
Data limitations	Possible budget constraints
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

INDICATOR PROFILE	Objective 4 : Indicator 4.2
Indicator title	Percentage of applications adjudicated within 150 days [Regulation 3A(1)(a)]
Short definition	<p>Regulation 3A. (1) reads as follows:</p> <p><i>In assessing an application for a grant in accordance with Regulation (3)(b), a Distribution Agency must: -</i></p> <p><i>(a) finalise its adjudication within hundred and fifty (150) calendar days from the date of receipt of the application;</i></p> <p>This is applicable for all targeted and proactive based applications that were made in the 2016/17 Financial Year.</p> <p>In essence, the regulation grants the NLC a period of 150 calendar days to finalise adjudication of an application. The time of measurement commences on the date of submission of the application for funding.</p>
Purpose/importance	Improved turnaround times and service delivery
Source/collection of data	Application statistics derived from the GMS
Method of calculation	50% of applications adjudicated within the 150 days turnaround time
Data limitations	Dependency on full time DA's
Type of indicator	Effectiveness
Calculation type	Cumulative
New indicator	Yes
Reporting cycle	Annual
Desired performance	Effective and timeous distribution of funds to good causes
Indicator responsibility	SEGF

INDICATOR PROFILE	Objective 4 : Indicator 4.3
Indicator title	Percentage allocation of grant funding to provinces
Short definition	<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>
Purpose/importance	Fair and equitable distribution of funds in line with GNR182
Source/collection of data	GMS/grant statistics report
Method of calculation	<p>In line with prescribed minimum 5% per province based on hard and soft allocations (where relevant). Calculation is as follows:</p> <p>Total grants made to a province from all 4 sectors (Charities, Arts, Sports & 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> $\frac{\text{Total allocation}}{\text{Total budget}} \times 100$ $(192/2030) = 0.09 \times 100 = 9\%$
Data limitations	Dependency on the number of compliant applications received from each of the provinces
Type of indicator	Impact
Calculation type	Cumulative
New indicator	No
Reporting cycle	Annually
Desired performance	Compliance with GNR182
Indicator responsibility	SEGF

INDICATOR PROFILE	Objective 4 : Indicator 4.4
Indicator title	Number of site visits conducted
Short definition	<p>NLC 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&E division will in the year implement their Monitoring and Evaluation plan by conducting 1500 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 & Misc) consisting of paid projects. Samples drawn will also take into consideration the sub-sectors for each of the sectors.</p>
Purpose/importance	It ensures that there is proper monitoring and evaluation for funded organisations to maximise impact of funding granted for good causes
Source/collection of data	M & E site visit reports
Method of calculation	Count of the number of beneficiary site visits
Data limitations	Number of beneficiaries that comply with M&E requirements
Type of indicator	Impact and Outcomes
Calculation type	Cumulative
New indicator	No
Reporting cycle	Annual
Desired performance	Measurability of impact of NLDTF funding
Indicator responsibility	SEGF