

Presentation to the Parliamentary Portfolio Committee 03 February 2023



Building resilience in a time of change



**Status on the Fourth
National Lottery RFP**



**Revised Grant Funding
Model**



**Status on Internal
Investigations**

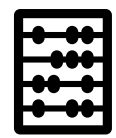


**Status on Key
Vacant Positions**

The NLC's mandate rests on three areas



REGULATE
the National Lottery,
other lotteries, and
sports pools.



**PROMOTE
KNOWLEDGE &
AWARENESS**
by developing &
implementing
educational &
informational measures
to educate the public
about lotteries



DISTRIBUTE
a portion of the revenue
from the National Lottery
and sports
pools to good causes
through the
National Lottery Distribution
Trust
Fund (NLDTF).

The NLC's unique role



Sole regulator

- ✓ Sole regulator for lotteries and sports pools in South Africa



Largest grant funder

- ✓ Over R1,2 billion (2021-22FY) allocated to beneficiaries across the country, the NLC is the largest grant funder in SA.



Catalyst for social upliftment

- ✓ Driven by the vision of social upliftment – anchored in the NDP, UN SDGs and AU Vision.

**Notable
Outcomes
since
October
2022**

- The Board appointed the Commissioner for NLC, who commenced duties on 01 February 2023.
- **Investigations done to date:**
 1. SIU – **in progress**
 2. SkX – investigation on allegations of fraud – **completed**
 3. TSU – forensic investigation into allegations of fraud - **draft report**
 4. Fundudzi – determination report on irregular expenditure - **completed**
 5. Maphosa – assessment of irregular expenditure - **completed**
- Five officials suspended; one resigned; four pending disciplinary hearings.



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STATUS ON THE FOURTH NATIONAL LOTTERY RFP

Status on the Fourth National Lottery RFP

- Section 13 of the Lotteries Act requires that the Minister shall issue the Request for Proposal (RFP) for the National Lottery.
- Following consultation with the Minister, the Board revised the Fourth RFP Strategy.

UPDATE ON OPERATIONS



NATIONAL LOTTERIES COMMISSION

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Update on Operations

Progress as of 31 December 2022:

- Ticket sales = **R4,718 billion** (2021: R4,435 billion)
- NLDTF contributions = **R1,263 billion** (2021: R1,189 billion) **6,2% increase**
- **9 419** applications received
- The Call for Applications was initially suspended (closed) in August 2022; The closure of the Call was extended to 31 March 2023 due to high volume of applications received.

Progress as of 31 January 2023:

- **7 834** applications adjudicated
- **2 584** applications confirmed funding
- **1 585** applications awaiting adjudication



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REVISED GRANT FUNDING MODEL

**Focus on impactful and
sustainable funding**

Revised Grant Funding Model

- The Board placed a moratorium on **pro-active funding**.
- For **application-based funding**, the grant funding model was enhanced to strengthen internal controls through:
 - ✓ physical verification of existence of organisations prior to funding,
 - ✓ Signing of affidavits by directors and management of the organisation prior to funding,
 - ✓ Submission of bank statements to verify project spending, and
 - ✓ Regular monitoring of **all** funded projects.

REVISED RESEARCH-BASED (PRO-ACTIVE) FUNDING

- Minister
- Board
- Commission

Research
commissioned



Approval of the strategic
areas by the board



Expression of interest to
strategic partners



Assessment and probity
of strategic partners

- Funding for strategic projects will be allocated a percentage of the budget approved by the Board.
- Strategic funding areas for the research-based funding will be identified through conducting research.
- Panel of strategic partners will be sourced through a process of **expression of interest** (e.g., Food Security organisations)
 - Brings about transparency in the funding process
- Probity checks to be conducted on strategic partners prior to appointment.

ENHANCED GRANT FUNDING MODEL

Inspectorate – Due Diligence and compliance (**New Function**)

Applications Based Funding (Responsive)
Section 2A(4)

Pre-Screening – Credible Applications (Verification of directors with CIPC)
(New Function)

Monitoring & Evaluation – Focus on capacity building and development for
Grant Holders

Progress Reporting

Risk Division – Fraud risk assessment
(Identify Fraud Trends)

Internal Audit – Testing internal control
and forensic investigations
(Fraud Investigations)

**Interventions
for the
Reviewed
Grant Funding
Model
Medium Term**

- Move to a fully **automated grant funding system.**
- Partnerships - **CIPC, Dept of Home Affairs.**
- Impact assessment to be conducted on small grants.
- Revision of **minimum requirements** for accessing funding (all applicants to submit financial records).
- Enhanced and frequent communication with Stakeholders.



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STATUS ON INFRASTRUCTURE PROJECTS

PROACTIVELY FUNDED INFRASTRUCTURE PROJECTS

- Fourteen (14) project tracked
 - Eight (8) projects complete
 - Four (4) projects in progress
 - Two (2) projects on hold
- Partnership with Department of Social Development (DSD)
 - Social workers
 - Operational costs

Province	Project Type	Name of Organisation Funded	Status of the Project	Expected Completion date	Comments
GP	Arts Centre R15,1 million	Caiphus Semanya Foundation	Complete	N/A	Collaboration of funding
MP	GBV and Disability Centre R13 million	Hlayisani Centre of Hope	Complete	NA	Handed over by DSD to beneficiary and is in use
MP	Old Age Home R38,3 million	Matieni Community Centre	Complete	N/A	New implementation organisation – Local Catholic church
GP	Drug Rehabilitation Centre R40,6 million	Zibsilor	Complete	N/A	New implementation organisation – Life Changing Projects NPO

PROACTIVELY FUNDED INFRASTRUCTURE PROJECTS

Province	Project Type	Name of Organisation Funded	Status of the Project	Expected Completion date	Comments
EC	Multipurpose Hall R36,3 million	Nunnovation	Complete	N/A	Request from Municipality to have right of use of the facility granted.
FS	Old Age Home R30,6 million	Southern African Youth Movement	Complete	N/A	Awaiting DSD Handover
MP	Drug Rehabilitation Centre R22 million		Complete	N/A	Awaiting DSD Handover
NC	Drug Rehabilitation Centre R43,8 million	Abrina	Complete	N/A	Governance issues of funded organisation. DSD engaged to identify an NPO to take over the project.

PROACTIVELY FUNDED INFRASTRUCTURE PROJECTS

Province	Project Type	Name of Organisation Funded	Status of the Project	Comments
NW	Old Age Home R40,3 million	WAR RNA	Incomplete	Structure remains incomplete.
KZN	Old Age Home R39,8 million	Ubusu NPC	Incomplete	Structure remains incomplete.
MP	Arts Centre R15 million	Big Fish Arts	Incomplete	Structure remains incomplete.
GP	Sports Combo Court R9 million	Motheo Foundation	Incomplete	Structure remains incomplete.

PROACTIVELY FUNDED INFRASTRUCTURE PROJECTS

Province	Project Type	Name of Organisation Funded	Status of the Project	Expected Completion date	Comments
LP	Old Age Home R30,4 million	Mushumo Ushavha Zwanda	Incomplete	On hold	SIU indicated no further payments to be made to the project
NC	Old Age Home R41,1 million	Lethabong Old Age Home	Incomplete	On hold	Community and the implementing agent disagree over the project



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REPORTED ALLEGATIONS FROM THE ANTI-FRAUD HOTLINE

**Reported
allegations
from the dtic
Anti-Fraud
Hotline**

Month	# Cases Reported	# Prelim assessment completed	Status
October 2022	2	2	Two matters relate to recruitment process of NLC officials. Under consideration by management for further action.
November 2022	4	4	Three cases referred for forensic investigation. One case for control improvement on SCM processes.
December 2022	2	2	Two case referred for forensic investigation. These relate to procurement related fraud.

Allegations of Fraud reported with NLC

	Q1	Q2	Q3
Reported	43	52	56
Investigated	43	44	32
In-progress	0	8	24
Reported to SAPS	11	33	7



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PROGRESS ON FILLING KEY VACANCIES

Chief Financial Officer

- Interviews conducted
- Preferred candidate recommended to Board for consideration
- **Expected appointment 01 March**

Chief Audit Executive

- Interviews conducted
- Preferred candidates sent for competency assessment
- To be recommended to Board for consideration
- **Expected appointment 15 March**

Chief Operations Officer

- Headhunting commenced
- **Expected appointment on 1 April**

Executive Legal Services

- Advertisement to be placed by 05 February
- **Expected appointment on 1 April**

Progress on
Filling Key
Vacancies



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DISCUSSION



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THANK YOU