



**FINANCIAL STATEMENTS FOR THE NATIONAL  
LOTTERY DISTRIBUTION TRUST FUND**

**FOR THE YEAR ENDED 31 MARCH 2023**

# Report of the Auditor-General

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON NATIONAL LOTTERY DISTRIBUTION TRUST FUND

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### QUALIFIED OPINION

1. I have audited the financial statements of the National Lottery Distribution Trust Fund set out on pages 157 to 181, which comprise the statement of financial position as at 31 March 2023, the statement of financial performance, statement of changes in net assets, and statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matter described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the National Lottery Distribution Trust Fund as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

#### BASIS FOR QUALIFIED OPINION

##### ALLOCATION OF GRANTS

3. I was unable to obtain sufficient appropriate audit evidence of whether all approved allocation of grants were recorded, due to the status of the accounting records. I was unable to confirm whether all approved allocation of grants were recorded by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to allocation of grants stated at R972 354 000 in the financial statements

#### CONTEXT FOR OPINION

4. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.

5. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### OTHER MATTERS

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

##### *NATIONAL TREASURY INSTRUCTION NO. 4 OF 2022-23: PFMA COMPLIANCE AND REPORTING FRAMEWORK*

8. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 22 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of National Lottery Distribution Trust Fund. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now included as part of other information in the annual report of the auditees. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

#### RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

9. The accounting authority is responsible for the preparation and fair presentation of the separate financial statements in accordance with the Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
10. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

#### RESPONSIBILITIES OF THE AUDITOR-GENERAL FOR THE AUDIT OF THE FINANCIAL STATEMENTS

11. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
12. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

#### REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

13. The entity's performance information was reported in the annual performance report of the National Lotteries Commission. I audited the reported performance information as part of the audit of National Lotteries Commission and any audit findings are included in the auditor's report.

#### REPORT ON COMPLIANCE WITH LEGISLATION

14. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the entity's compliance with legislation.
15. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
16. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
17. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

#### ANNUAL FINANCIAL STATEMENTS, PERFORMANCE AND ANNUAL REPORT

18. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA.

Material misstatements of receivables revenue and expenditure identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified opinion.

#### EXPENDITURE MANAGEMENT

19. Resources of the National Lottery Distribution Trust Fund were not utilised economically, as required by section 57(b) of the PFMA. The non-compliance resulted in a material irregularity as reported in the section on the material irregularities.

#### **OTHER INFORMATION IN THE ANNUAL REPORT**

20. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the financial statements and auditor's report.
21. My opinion on the financial statements and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
22. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
23. The other information I obtained prior to the date of this auditor's report is the accounting authority's report, reconciliation of irregular, fruitless and wasteful expenditure and the Foreword by Minister and Chairperson of the Board, Commissioner's Overview, Corporate Governance report and Human Resource Management Report expected to be made available to us after 31 July 2023.
24. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.
25. Particulars of fruitless and wasteful expenditure included in the annual report is materially inconsistent with audit evidence obtained during the audit. Fruitless and wasteful expenditure was not recorded in the registers of the entity.
26. When I do receive and read the Foreword by Minister and Chairperson of the Board, Commissioner's Overview, Corporate Governance report and Human Resource Management Report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

#### **INTERNAL CONTROL DEFICIENCIES**

27. I considered internal control relevant to my audit of the financial statements and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
28. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on compliance with legislation included in this report.
29. Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information as misstatements were identified.
30. Management did not implement controls over daily and monthly processing and reconciling of transactions as misstatements were identified.
31. Management did not review and monitor compliance with applicable legislation as instances of noncompliance were identified.

#### **MATERIAL IRREGULARITIES**

32. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit.

#### **MATERIAL IRREGULARITIES IN PROGRESS**

33. I identified a material irregularity during the audit and notified the accounting authority, as required by material irregularity regulation 3(2). By the date of this auditor's report, the response of the accounting authority was not yet due. This material irregularity will be included in next year's auditor's report.

#### **OTHER REPORTS**

34. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
35. On 6 November 2020 Proclamation No. R.32 of 2020 (Proclamation) was signed by the president. Pursuant to the proclamation the Special Investigating Unit (SIU) conducted a search and seizure at National Lotteries Commission premises on 8 December 2020 during which many of the auditee's copies of items and information, including various files concerning funding,

were seized. This was in light of an investigation being conducted on the National Lottery Distribution Trust Fund, which covers the period 1 January 2014 to 6 November 2020. The investigation was in progress at the date of this auditor's report.

36. Two investigations are currently in progress which are being performed by the SIU and Hawks, relating to grant funding allegations levelled against beneficiaries, management and former board members.

Auditor General

Pretoria

31 July 2023



AUDITOR - GENERAL  
SOUTH AFRICA

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