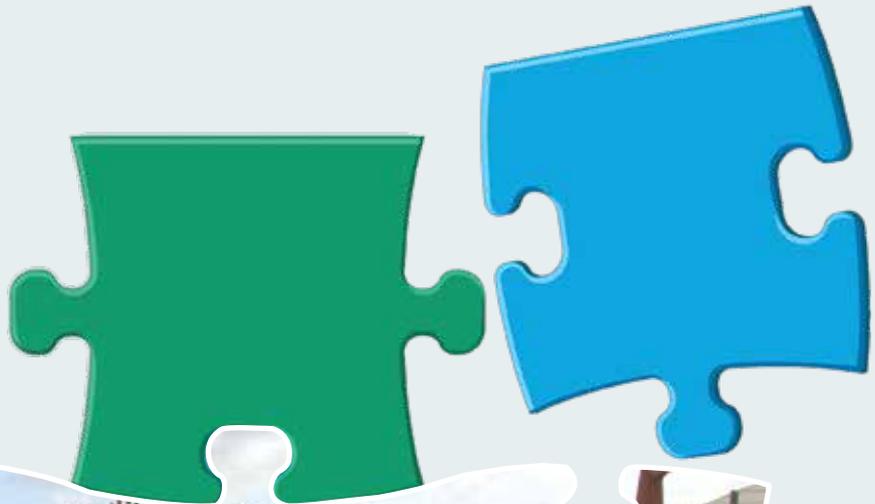


ANNUAL REPORT 2018/19

COMING TOGETHER TO BUILD A SOCIETY





I have the honour of submitting the annual report of the National Development Agency for the period 01 April 2018 to 31 March 2019.

A handwritten signature in black ink that reads "Lindiwe Zulu".

Ms Lindiwe Zulu, MP
Minister of Social Development

30 September 2019
Date of submission

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PART A

GENERAL INFORMATION

1.1 PUBLIC ENTITY'S GENERAL INFORMATION

Registered name of the public entity	National Development Agency
Registration numbers and/or other relevant numbers (e.g. FSP)	Public entity established in terms of Section 2 of the National Development Agency Act, Act No 108 of 1998, as amended
Registered office address	26 Wellington Road, Parktown, 2193 Postal address PO Box 31959, Braamfontein, 2017
Contact details	Tel: (011) 018 5500 E-mail: info@nda.org.za Website: www.nda.org.za
External auditors' information – external auditors' name and address	Auditor General of South Africa 300 Middel Street New Muckleneuk Pretoria 0181
Bankers' information – Name and address of bank	Standard Bank, Nedbank and FNB
Company Secretary – Full name and professional designation	Mr Siyabonga Shozi (Acting)

1.2 LIST OF ABBREVIATIONS

CEO	Chief Executive Officer	MTEF	Medium Term Expenditure Framework
CSO	Civil Society Organisation	NDA	National Development Agency
DSD	Department of Social Development	NGO	Non-Governmental Organisation
DBE	Department of Basic Education	PFMA	Public Finance Management Act
ECD	Early Childhood Development	PMS	Performance Management System
ENE	Estimates of National Expenditure	PMU	Programmes Management Unit
GRAP	Generally Recognised Accounting Practices	SASSA	South African Social Security Agency
ICT	Information Communication Technology	SAECD	South African Congress for Early Childhood Development
KPI	Key Performance Indicator	SLA	Service Level Agreement
MoA	Memorandum of Agreement	UIF	Unemployment Insurance Fund
MoU	Memorandum of Understanding		

1.3 FOREWORD BY THE MINISTER

"Sustainable development is the pathway to the future we want for all. It offers a framework to generate economic growth, achieve social justice, exercise environmental stewardship and strengthen governance". Ban Ki-moon, former UN Secretary

The scourge of poverty continues to ravage our communities. This is exacerbated by retrenchments in the private sector, which in turn makes it difficult for government to reduce its expenditure on poverty alleviation. The battle to reduce poverty is a difficult one but the National Development Agency (NDA) continues to empower civil society organisations (CSOs) that implement community development projects.

During the past financial year, the Agency empowered more than 9 716 CSOs who received capacity building interventions that strengthened their operations and ensured that they complied with the NPO Act. Not only did the Agency stop there, more than R147 million was mobilised from third parties to augment funding received from government to empower targeted CSOs and Cooperatives.

Sustainable livelihoods in our communities can only be achieved if we coordinate poverty eradication efforts across government. I have introduced a portfolio approach between my department, the Department of Social Development, the NDA and the South African Social Security Agency (SASSA). I believe that this approach will improve services and maximise the impact of our interventions and programmes in communities that we serve.

As I present this report, I would like to appeal to the private sector to join hands with government in supporting CSOs that in many cases serve as the mouthpiece of our grassroots communities. As we rebuild our communities and society, there is a need to partner in community development programmes for greater impact. In the words of Tae Yoo "When one person's livelihood changes, it can impact an entire family, then a whole community". The National Development Agency cannot, on its own, even dent the poverty faced by our country, hence the need for collaboration as it has a footprint in communities around the country and a wealth of knowledge in community development.

As we close this financial year, I would like to express my sincere gratitude to the old NDA Board that was appointed



in 2016 whose term of office expired in January 2019 for its stewardship of the NDA. In the same breath, I would like to welcome the new Board that started in April 2019. Their challenge would be to steer the NDA towards a brighter future, one that will bring hope to our marginalised communities.

I would also like to thank NDA Management and staff under the leadership of Mrs Thamo Mzobe, Chief Executive Officer, for continuing to step up their poverty eradication efforts, linking our CSOs and Cooperatives to markets and other partners to ensure their long-term sustainability.

A handwritten signature in black ink, appearing to read 'L. Zulu' with a stylized flourish underneath.

Ms Lindiwe Zulu, MP
Minister of Social Development

1.4 OVERVIEW BY THE CHAIRPERSON

Brief historic overview

I have the honour and privilege to present the 2018/19 NDA Annual Report in a year in which we have noted numerous successes in the Agency. This annual report coincides with the government's twenty-five year review and the end of term of the fifth administration.

The NDA has been in existence and operation for about nineteen years of the twenty-five years of democracy and the NDA has made great strides in the quest for the eradication of poverty by providing various capacity building interventions and grant funding to Civil Society Organisations (CSOs) that provide services to poor communities in line with section 3 of the National Development Agency Act, 1998 (Act No. 108 of 1998 as amended).

Since the start of its full operation in 2000, the Agency set out its agenda to focus on implementing developmental projects that supports CSOs to eradicate poverty and strengthening of their institutional capacity to enable them to provide quality services to the poor, the high-level achievements in this regard are as follows:

The NDA has, for the past five years, managed to capacitate a total of 33 797 members of staff from 23 549 CSOs that were enrolled in this programme in all the nine provinces in the country, which translated to an average rate of compliance to NPO registration of 70%;

Over the years of NDA existence, the Agency has managed to provide direct grant funding support for over R1.3 billion to 2 765 civil society organisations.

Whilst this represents admirably strides in the fight to eradicate poverty, more remains to be done though because poverty levels remain stubbornly high. We are also pleased that the organisation has been consistent in obtaining favourable audit outcomes having received three unqualified audit opinions with findings. Even more effort is going to be put in our work in order for the organisation to eventually achieve an unqualified opinion without findings.

High-level overview of NDA's performance

The Agency has interacted with about 9 137 CSOs to advance their development interventions including mobilisation, formalisation of structures, assisting them with registration, capacity building in civil society organizational management, linkages and grant funding. The organisation has also faced a number of challenges in recent years despite the notable successes that it has achieved.

This board is concerned about the decline in the levels of performance in the current year compared to 2017/18. The Board will be taking measures to address the decline in the levels of performance including but not limited to the analysis of the root causes, therefore ensuring the implementation of corrective measures and the urgent filling of critical vacancies, especially at senior and executive management level.

The situation therefore calls for a different, renewed and innovative thinking in the manner in which the Agency is resourced so as to reduce, where possible, the over reliance on the fiscus. The new measures may include the mobilisation



of resources from private partners without exposing the Agency and government to the risk associated with the private funding of government programmes.

It is opportune that this annual report is tabled when the organisation is about to embark on the planning process to develop the strategic plan for the next five years, i.e. 2020-2024. This will give the Board and management an opportunity to reflect and possibly chart a new strategic direction for the Agency to respond to many prevailing challenges faced by the country, government and the Agency in particular. Successful implementation of the new strategy will only reap rewards if NDA staff and management remain as committed to the cause as they have always been.

Conclusion

I would like to take this opportunity to also thank my colleagues, the previous Board members, who served the NDA with dedication and distinction, often through challenging times. I also want to thank the current Board members who have demonstrated a commitment to excellence and integrity as we serve the country. I look forward to serving with teamwork and good relations with the Executive and the entire staff of the Agency.

Lastly, I convey our gratitude to the Minister of Social Development, Ms Lindiwe Zulu, the Deputy Minister, the Director-General and staff from the Department of Social Development for their constant attention on NDA's programmes. We look forward to the Minister's leadership as we, together with DSD and SASSA, implement her portfolio approach to service delivery. I would also like to thank the NDA staff under the stewardship of the CEO, Mrs Thamo Mzobe for always striving to give their best and for the constant support to the Board.

A handwritten signature in black ink, appearing to read 'Rasebusi Mokgothu'. The signature is written in a cursive, flowing style.

Bishop Rasebusi Sidwell Mokgothu

Chairperson of the Board

31 August 2019

1.5 CHIEF EXECUTIVE OFFICER'S PERFORMANCE SUMMARY

In the course of the year, the NDA repositioned its programmes in order to address the ever-changing programme environmental challenges as well as Civil Society Organisations (CSOs) capacity needs within its sphere of service delivery. The NDA programme realignment remained cognisant to the effects of poverty within communities. The need to carry out programmes reengineering could not be over emphasised as the drive was aimed at effectively addressing the socioeconomic challenges faced by the most vulnerable people within our societies.

The NDA continues to pursue this endeavour through a consultative approach with the aim of designing effective capacity building support interventions for CSOs in addition to the grant funding of programmes/projects undertaken by the same CSOs. The NDA programmes throughout the process of reengineering continue to align to the mandate and community needs as identified through various processes of CSO development model, as well as community consultation sessions. In discharging the NDA mandate, the organisation championed provincial CSOs dialogues that helped to inform policy development in the country.

The organisation, in the last twelve months of 2018/19, pursued an aggressive approach in tackling poverty and its associated causes through a number of interventions. The NDA responded with a multi-pronged approach as an effective measure to address the multifaceted nature of the socioeconomic challenges faced by our communities. The approaches deployed called for the use of a variety of strategic interventions in order to address the identified poverty challenges from the root cause. The following interventions were the core strategic programme the NDA continued to adopt and deploy during the course of the year for the benefit of the targeted communities.

Resource Mobilisation for CSOs

The NDA went all out to secure resources from third parties towards funding of community programmes and projects. The drive was in recognition of the constraints on budget allocation due to the general global as well as national economic slowdown. The NDA Act; the legal instrument that governs the organisation's operations empowers the NDA to have a mechanism that effects this role by engaging third parties (i.e. donor communities) insofar as securing funding for the benefit of community programmes. The institutionalisation of the function within the NDA managed to drive the efforts of resource mobilisation that raised funds to the tune of R147 million from third parties as reported in the latter sections of this report.

Capacity Building of CSOs

The NDA in its programme formulation recognises the importance of having CSOs whose capacities are strong enough to undertake the role of managing and implementing community programmes/projects with greater efficiency and effectiveness. It is worth noting that well capacitated CSOs have over-and-again proven to be a resource in community



development work all-over. The CSOs supported by the NDA are not exceptional thus; the drive to provide capacity-building support continues to be an area of focus as it concerns skills development of the entities.

The details pertaining to the specific interventions undertaken under this programme area have exhaustively been documented in the latter sections of this report.

It will however be of great importance to provide a quick preview of the efforts undertaken relating to the programme area within the course of the financial year 2018/19. The capacity building programmes for CSOs had a countrywide outlook with a focus on the most vulnerable. As at the end of March 2019, 9716 CSOs received an array of Capacity Building support interventions. The objective of this support was to skill individuals with managerial as well as technical competencies in order to increase their overall efficiency and effectiveness in managing as well as implementing sustainable community programmes/projects.

Grant Funding of CSOs

Grant funding of community programmes/projects implemented by the CSOs remained to be a focus area for the NDA grant funding function. The organisation processed 136 proposals from community programmes and projects in the course of the financial year 2018/19. Of those processed, 124 proposals received were successfully funded. The projects that benefited from the NDA grant funding (agricultural funding) will be showcased through the SABC "Living Land" partnership in the 2019/20 financial year. The showcase is aimed at driving interest within rural communities towards agricultural economic activities that would assist in eradicating poverty within the poverty affected communities.

Programme Research

The NDA continued to reengineer its programmes in order to meet community programme needs. The adaptation of the needed changes to the programmes were informed by the review process undertaken in the form of programme evaluation studies as well as research studies throughout the year. A number of studies were commissioned to look into the NDA programmes. The studies provided detailed feedback on areas of improvement. The findings thereof were also shared among key sectorial stakeholders with a view of pervading them into the national policy space.

Governance and Administration

The NDA derives its effectiveness in performance from its strong internal controls that continued to receive support and guidance from its Board and the Executive management team. The organisation continues to strive for excellence and zero-

tolerance to malpractices and inaptness. The NDA staff remain the cornerstone of its success in service delivery to the most vulnerable people in the country.

Conclusion

The NDA endeavours to harness its approach on service delivery based on its experiences, programme knowledge and the space it occupies in delivering on its mandate through the Civil Society Organisations programming and in collaboration with key stakeholders within the sector.



Mrs Thamo Mzobe
Chief Executive Officer
30 September 2019

NDA EXECUTIVE COMMITTEE



Mrs Thamo Mzobe
Chief Executive Officer



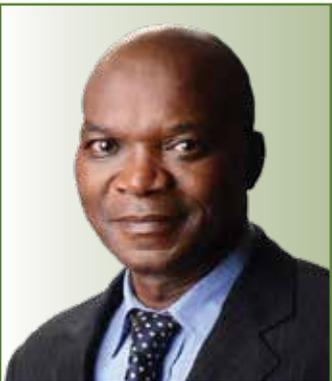
Ms Hajra Mansour
Chief Audit Executive



Ms Susan Khumalo
Chief Operations Officer



Mr Solomon Shingange
Acting Chief Financial Officer



Mr Bongani Magongo
Development Management &
Research Executive



Mr Sugar Ngcobo
Corporate Service
Executive



Mr Siyabonga Shozi
Acting Company
Secretary

NDA PROVINCIAL MANAGERS



Mr Ardiel Soeker
Western Cape



Mr David Potlako Ntlatleng
North West



Ms Gillian Mahange
Limpopo



Mr Itumeleng Kwenane
Free State



Mr Lesedi Piki
Northern Cape



Mr Maxwell Mathebula
Mpumalanga



Ms Mapule Phora
Gauteng



Ms Nokulunga Skeyi
Eastern Cape



Ms Yolisa Ndima
KwaZulu-Natal

1.6 STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor-General. The annual report is complete, accurate and free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The annual financial statements (Part E) have been prepared in accordance with the South African Standards of Generally Recognised Accounting Practices (GRAP) applicable to the public entity.

The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgments made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, performance information, human resources information and financial affairs of the entity for the financial year ended 31 March 2019.



Mrs Thamo Mzobe
Chief Executive Officer
30 September 2019



Bishop Rasebusi Sidwell Mokgothu
Chairperson of the Board

1.7 STRATEGIC OVERVIEW

Vision

A society free from poverty.

Mission

Facilitate sustainable development by strengthening civil society organisations involved in poverty eradication through enhanced capacity building with grant funding and research.

Values

As a development agency, we subscribe to the following values, which are embedded in our performance management system:

Integrity

- We act with integrity and accept responsibility for our actions.
- We conduct our activities in an accountable and transparent manner.

Dignity

- We show respect for self and others.
- We treat other people the way we would like to be treated.

Empowerment

- We seek and realise the potential in all people.
- We encourage performance and embrace a positive outlook.
- We build capacity in our people to improve performance.

Accountability and responsibility

- We make informed decisions collaboratively.
- We honour obligations, expectations and requirements.
- We adhere to processes, systems and policies.
- We assume responsibility for our actions and the consequences thereof.
- We perform duties according to set standards.
- We commit to enhancing personal, team and organisational performance.
- We accept accountability for the outcomes of our actions.

Transparency

- We include all relevant stakeholders when making decisions.
- We share and communicate relevant information openly.
- We conduct our activities in a transparent manner.

Excellence

- We promote, recognise and reward excellent service delivery to all our stakeholders.
- We show competence in what we are doing.
- We continuously implement improvement strategies to provide excellent service.

Partnering

- We recognise our mutual interdependence.
- We promote teamwork and support one another.

1.7 LEGISLATIVE AND OTHER MANDATES

The NDA is a public entity, listed under Schedule 3A of the Public Finance Management Act (PFMA). It was established by the National Development Agency Act, (Act No 108 of 1998), in November 1998 as amended), and reports to the Parliament of the Republic of South Africa through the Minister of Social Development.

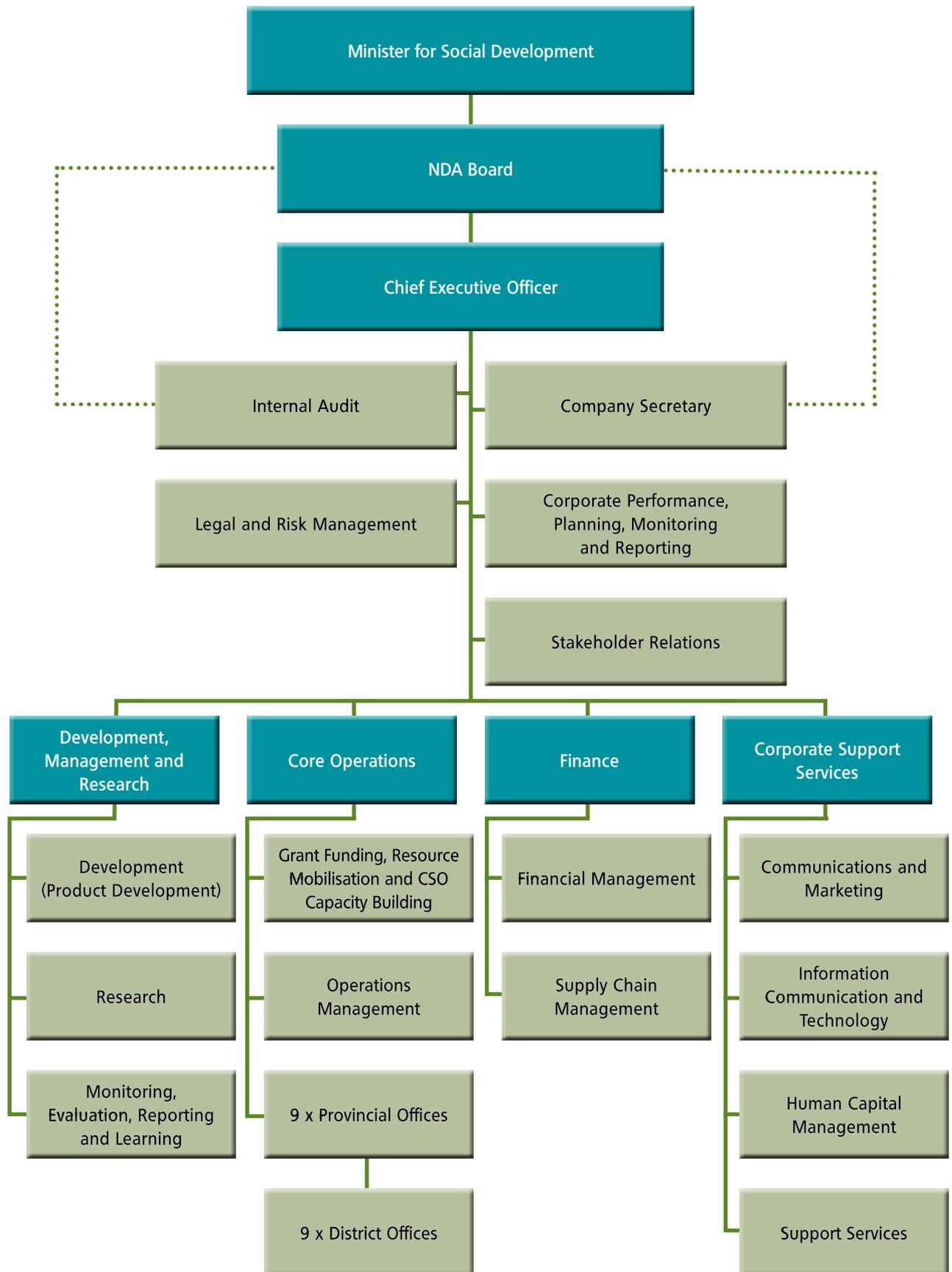
Its primary mandate is to contribute towards the eradication of poverty and its causes by granting funds to civil society organisations (CSOs) to:

- Implement development projects in poor communities.
- Strengthen the institutional capacity of CSOs that provide services to poor communities.

The secondary mandate is to:

- a) promote (i) consultation, dialogue and sharing of development experience between CSOs and relevant organs of state, and (ii) debate on development policy; and
- b) Undertake research and publication aimed at providing the basis for development policy.

1.8 ORGANISATIONAL STRUCTURE





PART B

PERFORMANCE INFORMATION

2.1 Situational Analysis

Service Delivery Environment

The NDA has reached out to a significant number of CSOs in the 2018/19 financial year in extending its services to the broader CSO sector in implementation of the poverty eradication mandate. The NDA implemented a comprehensive package aimed at developing CSOs to their full potential to ensure that CSOs, especially those operating in poor communities, have capabilities to provide quality services to the communities that they serve. The NDA identified CSOs (formal and non-formal) operating in the specific targeted areas, some of these organisations may not have offices in the ward but they have programmes that they are implementing in the ward.

The institutional capacity-building programme of the NDA focused on strengthening institutional capacities of CSOs across all districts and local municipalities in nine provinces. The programme entailed organisational development for the CSOs to ensure that these organisations have sound systems, processes and capabilities to deliver quality services, comply with good governance, accountability and reporting requirements of CSOs. A total number of 5 261 CSOs were provided with thorough training to run their CSOs in line with good governance.

The NDA is mandated to raise financial and non-financial resources for purposes of strengthening the CSOs capabilities, funding levels, increasing CSOs coverage and services. The year under review has been difficult to mobilize enough resources to meet the annual target. The Cooperative programme of the NDA provided cooperatives with an opportunity to access funding and sell products to beneficiaries in poor communities through SRD (Social Relief of Distress and uniform programme of DSD and SASSA).

The NDA went on a concerted drive to mobilise resources from social partners to the value of R147 million, of which R 142 million was raised from the Unemployment Insurance Fund. The NDA has entered into a tripartite agreement with the Unemployment Insurance Fund and Regenesys Business School to implement two programmes (New Venture Creation (NVC) and Higher Certificate in business Management (HCBM) to 3000 beneficiaries. 2 000 beneficiaries will do the NVC whilst cooperative will do the HCBM). Through the Grant Funding programme, the NDA provided grants to all 124 CSOs assessed for development needs and provided links to appropriate sustainable development activities to ensure that they achieve levels of development that can sustain themselves in the medium to long term.

Through the CSO Mobilisation and Formalisation programme, the NDA focused on civil society organisation engagements, assessments and needs analysis for CSOs, prioritisations of interventions required by CSOs, facilitating registration of CSOs that needs support to register with appropriate registration authorities (NPO and Cooperatives). Furthermore, the NDA was also appointed to provide co-ordination for the Provincial Social Sector Dialogues as a build –up to the Presidential Social Sector Summit. The President announced in the State of the Nation Address (SONA) on 16 February 2018 that a Social Sector Summit would be convened during the course of 2018.

This is in recognizing the critical role that civil society plays in tackling poverty, inequality and related social problems, the among other things.

This Summit will seek to improve the interface between the state and civil society and address the challenges that the civil society face in positively contributing in the social and developmental challenges facing the South African population.

This Social Sector Summit will recognise the role that civil society organisations (CSO) have played in the fight against apartheid and the role that they continue to play in society through welfare, economic empowerment, skills development, sports and recreation, advocacy and human rights. Their continued existence is key to the country's development agenda. The summit targets civil society in general and the subset of Civil Society Organisations (CSO) in particular - Non Profit Organisations (NPOs, NPCs, CBOs, FBOs), and Co-Operatives – in areas such as health, Education, Welfare (this will include Early Childhood Development, Older Persons, Disability, families, youth), Development, Environment, Energy, Safety, Co-Operatives, Business Associations etc.

Provincial Dialogues were attended by a total number of 2 425 delegates representing all nine provinces, coming from cooperatives, culture and recreation, development and housing, ECD, education and research, environment, health, international, law advocacy and politics, philanthropy, FBO, social services and business and professional associations. The Provincial Dialogues were held between the period January 2019 and May 2019. This was a first-level engagement with the civil society sector as a build up towards the Presidential Civil Society Sector Summit.

The Dialogues addressed the thematic areas such as the effect, distribution and the access of resources within the sector; capacity building within the sector; role of the regulatory framework within the civil society sector, and transformation in the sector.

The Research Unit, during the year under review focused extensively on Early Childhood Development through collaboration with the University of Fort Hare. The programme conducted a baseline study on Early Childhood Development and the conditions in which this service is provided and what the state needs to invest in to formalise the service and improve the conditions for service delivery. The study in the year under review, designed interventions for the experiment ECD centres to address these areas of policy concern. The baseline also identified some specific areas of comprehensive approach to quality ECD, which are social and emotional learning; and early outcome measure to be included in this research agenda on early childhood development.

In its focus on poverty, inequalities and unemployment, the research programme used the Statistics South Africa data to understand the extent of these problems and how the state can respond effectively to address some of the contributing factors. The study concluded that, the gap between the poor and rich is increasing, even within racial lines. The economy is not recovering at rates that it can meet expectations. The cost of maintaining the poor is growing at a far higher rate for the state to sustain. The private sector seems to be

reluctant to play a major role in the economy recovery. Youth unemployment and lack of economic opportunities remain at very high levels to support the economy. South Africa needs a radical economic recovery plan that speaks to specific sectors of the economy.

The Research Unit as part of its knowledge management responsibility published a series of publications on the success and failures of a number of NDA funded CSOs. The focus of these research activities was on generating knowledge about best practices and lessons for reciprocation in other similar projects.

The Monitoring and Evaluation Unit conduct evaluations on programmes, projects and systems implemented by the NDA to measure outputs, outcomes and impact of the of the NDA work in a holistic manner. In the year under review, the Unit conducted a number of evaluations on the Agency systems and programmatic areas defined in the NDA legislative framework, the NDA Act. These evaluations were used by the NDA to inform programme and project planning, improving of institutional support and strengthening processes to ensure efficiency and effectiveness and measure the contributions of the NDA efforts in contributing to the primary mandate of the NDA.

Table 2: Summary matrix of areas of evaluations conducted in 2018/19

Evaluation thematic area	Evaluation topic	Evaluation type	Purpose of evaluation
CSO Development	Evaluation of the CSO Development Framework	Programme process evaluation	To evaluate the extent to which the NDA programme staff understand the NDA CSO Development framework processes and requirements
Income Generation	Sustainability of Poultry Based Farming as Income Generation Intervention for Impoverished communities	Project outputs and outcomes evaluation	To determine the impact of Poultry Farming on livelihoods of impoverished communities
Project Design	The Role of Resource and Training Organisations (RTOs) in supporting the implementation of the NDA funded projects	Project implementation evaluation	To assess the role played by the RTOs in supporting the implementing the food security programme in the selected NDA funded projects in the provinces namely Gauteng, Mpumalanga and Western Cape Provinces
Income Generation	Sustainability of the Hydroponic Projects: A Case of the NDA Funded Food Security Projects	Project impact evaluation	To assess the sustainability of the selected hydroponic projects as funded by the NDA under the Income Generation Programme
EDC Infrastructure Support	Development of NDA/ DSD ECD Infrastructure to Meet the Required National Norms and Standards for Partial Care Facility with Geographic Focus on North West Province	Project impact evaluation	To assess the extent to which the development of ECD Infrastructure in North West province has brought about anticipated change towards providing conducive environment for teaching and learning
Institutional Efficiency	Review of Quality Standards Of Programme Information Within The NDA	Systems and process evaluation	To assess quality standards of programme information used in preparing performance reports with the National Development Agency
Income generation	Sustainability challenges within the School Uniform Programme	Project impact evaluation	To establish multi-activity enterprise in the form of cooperative, which would enable its members to achieve sustainable economic empowerment through creation of decent jobs
Institutional Policy	NDA Grants Funding Policy Evaluation	Policy impact evaluation	To inform how best the grant funding policy guidelines and processes could be strengthened to ensure compliance and effectiveness of the grant-funding programme

Organisational Environment

The primary focus or goal of Programme 1 is to achieve the efficient and effective utilization of resources through the establishment of prudent corporate governance, sound deployment of information technology and systems, business operating systems, human capital and financial management systems that adhere and uphold the relevant legislative requirements for a public entity funded from the Government fiscus. This programme is the support function that ensures NDA core programmes are planned and executed effectively and efficiently. The aim of this programme is to promote and maintain organizational excellence and sustainability through sound financial management systems and processes, ensuring that employees are adequately skilled and motivated, that NDA products and services are marketed and promoted, and that information technology systems and infrastructure are functional and responsive to the business needs of the NDA.

The NDA had set itself a target of achieving an unqualified audit in line with its strategic objective of strengthening internal systems and implementing financial systems geared towards good governance. Programme 1 put in place the compliance framework which identified 108 compliance areas in various legislations governing the NDA such as the PFMA and its related policies and regulations.

Human Resources Management & Development

During the year under review, the Human Resources function achieved the following key milestones:

- 5-year Integrated Human Resource Management & Development Strategy & Plan to support the NDA goals and objectives.
- Refined and improved policy, tools and processes for performance management and development within NDA.
- Continuous review of HR policies.
- Filling of critical posts, including at service delivery point, i.e. district level.
- Development of a 5-year Employment Equity Plan to facilitate transformation in the workplace.
- Development of a 5-year Employee Health & Wellness Plan which includes plans to ensure Occupational Health & Safety of employees.
- Employees were trained to upskill them and increase their competencies to deliver on NDA mandate.
- A three-year multi-term agreement was entered into with labour ensuring long term stability and labour peace.

Information & Communications Technology

The NDA continues to improve the Information Communication Technology (ICT) environment in order to provide integrated technology solutions to become a strategic partner to ensure service delivery. The ICT Unit continues to implement the approved Master Systems Plan (MSP), through various ICT projects and solutions aimed at improving business efficiencies of the NDA. For the period of reporting, the following were some of the key deliverables by ICT:

- The successful implementation of the telephony solution, Voice over Internet Protocol (VoIP) managed to drop the NDA telephone expenses with at least 35% on call charges compared to using a conventional phone.
- The implementation of firewalls at the NDA Provincial offices as part of the ICT Security Strategy continues to enhance the ICT security to prevent vulnerability against cybercrime.
- The revamp on the NDA Website (<https://www.nda.org.za/>) to have a better communication on what the NDA is all about and what services it offers.
- Continuous review of ICT policies and procedure to strengthen the governance of ICT.
- The finalization of the systems analysis and design to develop the CSO Database & Information Management System.
- User training on Skype for Business to Business resulting in cost effective way of doing business which saw a reduction on traveling expenses as a result of use of technology.

Marketing and Communications

In line with promoting NDA brand awareness, the unit facilitated more than 20 media engagements on radio, newspapers and television, which afforded the NDA the opportunity to inform the CSO sector and the public about its programmes. The organisation also participated in over 15 information dissemination platforms whereby information on NDA programmes was shared. These are platforms such as the launch of the King Cetshwayo District Office, the National Presidential Jobs Summit, The National Summit Against Gender-Based Violence & Femicide, Take a Girl Child to Work programmes, to mention a few. The organization exhibited its services at these platforms and enabled two-way communication with members of the CSO sector, government, private sector and the public. As part of improving how it shares information with the CSO sector, the NDA launched a newly redesigned website, aimed at providing useful information and greater insight into NDA programmes.

In keeping internal stakeholders abreast of developments within the organization, the NDA hosted a number of information sharing sessions with staff on organizational performance, fraud and risk in the work place and the corporate umbrella fund in collaboration with the Human Resources Department.

The organization managed to reach over 80 000 digital media users through its social media platforms. These platforms were used to distribute NDA information and to share useful information that could be of benefit to social media visitors who had an interest in NDA operations.

Key Policy Developments and Legislative Changes

There have been no changes to the legislation governing the NDA.

2.2 Strategic Outcome Oriented Goals

Below is the comprehensive list of the Strategic Outcome-Oriented goals of the NDA.

Strategic Outcome/Objective 1	To develop and strengthen internal systems, processes and human capability to deliver efficiently and effectively on the NDA mandate
Goal Statement 1.1	Implement financial management, information technology, human resource and communications systems and process to achieve good governance by 2021/22
Strategic Outcome/Objective 2	To increase the number of CSOs that have access to development interventions aimed at developing their capabilities to efficiently manage, mobilise resources and sustain themselves
Goal Statement 2.1	Conduct engagements, dialogues, assessments and needs analysis for CSOs to identify the type of development interventions required by CSOs including facilitating formalisation of the organisations to ensure increase number of CSOs provided with CSO development interventions including registration by 2021/22
Goal Statement 2.2	Implement institutional capacity building interventions for purposes of improving CSOs organisational management, compliance and reporting through training, mentoring, incubation and continuous support to ensure increased number of CSOs capacitated and developed by 2021/22
Goal Statement 2.3	Conduct resource mobilisation activities aimed at increasing funding streams for CSOs development to ensure increase in the number of CSOs and value of funds available for CSOs funding from government, foreign governments and private sector by 2021/22
Goal Statement 2.4	Implement interventions that ensure sustainability of CSOs through establishing linkages for access to resources and markets by creating local, provincial and national CSOs networks by 2021/22
Strategic Outcome/Objective 3	To provide empirical information from research and evaluation studies to inform national development policy formulation, debates and engagements between the CSO, public and private sectors
Goal Statement 3.1	Increase the number of research and evaluations publications, engagements and debates that informs the formulation of national development policies and programmes focusing on poverty eradication initiatives by 2021/22

2.3 Performance information by Programme

Programme 1 – Governance and Administration: Performance information

This programme focused on promoting and maintaining organisational excellence and sustainability through effective and

efficient administration that includes organisational performance, employee wellbeing, cost containment and brand recognition.

Strategic Objectives, performance indicators, planned targets and actual achievements

Programme 1 – Governance and Administration: Strategic Objectives

Strategic Objective : To develop and strengthen internal systems, processes and human capability to deliver efficiently and effectively on the NDA mandate					
Strategic Statement:	Actual achievement 2017/2018	Planned target 2018/2019	Actual achievement 2018/2019	Deviation from planned target	Reasons for variance
To develop and strengthen internal systems, processes and human capability to deliver efficiently and effectively on the NDA mandate	Unqualified Audit Opinion	Unqualified Audit Opinion with findings	Unqualified Audit Opinion with findings	None	None

Programme 1 – Governance and Administration: Performance Indicators

Strategic Statement: Implement financial management, information technology, human resource and communications systems and processes to achieve good governance by 2017/22.

Performance Indicator	Actual achievement 2015/2016	Actual achievement 2016/2017	Actual achievement 2017/2018	Planned target 2018/2019	Actual achievement 2018/2019	Deviation from planned target	Reasons for variance
Integrated HRM &D System	New	New	New	HRM&D Strategy approved	Integrated HRM&D Strategy was developed, consulted with stakeholders. It was presented to EXCO for recommendation to Board	Integrated HRM&D Strategy was developed, consulted with stakeholders	The HRM&D strategy was not approved before the end of the financial year due to the absence of the approving authority although it had gone through all the management processes
Integrated ICT system	New	New	New	CSO Database & Information management system developed	The only achievement was the appointment of the Service Provider in Quarter 4	Target not achieved. The achievement was the appointment of the Service Provider in Quarter 4	The appointment of the Service Provider to help develop the CSO Database system took longer than planned
% compliance to legislative and regulatory requirements	New	New	New	100%	86.2%	13.8%	The variance was caused by a number of factors; the timing of the Board term, unapproved SCM policies, training of SCM staff which all led to the failure to comply with all the legislative requirements

Programme 2 – CSO Development: Performance information

Description of programme

The Programme provided a comprehensive package aimed at developing CSOs to their full potential so as to ensure that CSOs, especially those operating in poor communities, have capabilities to provide quality services to the communities they

are serving. This programme was implemented through four sub-programmes, namely: CSO mobilisation and formalisation; institutional capacity building, resource mobilisation and grant funding and linkages for sustainability.

Strategic Objectives, performance indicators, planned targets and actual achievements

Programme 2 – CSO Development: Strategic Objectives

Strategic Objective	Actual achievement 2017/2018	Planned target 2018/2019	Actual achievement 2018/2019	Deviation from planned target	Reasons for variance
Increase number of CSOs that have access to development interventions aimed at developing their capabilities to efficiently manage, mobilise resources and sustain themselves for purposes of improving the quality of services provided by the organisations in poor communities	3 050	8 500	9137	637	The target was exceeded due to mobilisation that was conducted in response to partnerships with other stakeholders in the areas which were not initially planned

Programme 2 – CSO Development: Performance Indicators

Performance Indicator	Actual achievement 2015/2016	Actual achievement 2016/2017	Actual achievement 2017/2018	Planned target 2018/2019	Actual achievement 2018/2019	Deviation from planned target	Reasons for variance
CSO Mobilisation and Formalisation							
Number of CSOs that participated in CSO mobilisation including Mikondzo programme per year	New	3 120	5 956	8 500	9137	637	The target was exceeded due to mobilisation that was conducted in response to partnerships with other stakeholders in the areas which were not initially planned
Number of CSOs assisted to formalise their structures per year	New	631	803	940	903	-37	The process of formalization could not be completed within the reporting period for a number of CSOs although it had already started
CSO Institutional Capacity Building							
Number of CSOs trained to comply with registration legislations per year	2 687	3 065	3 953	4000	4455	455	The target was exceeded due to increased access of NDA services by CSOs
Number of civil society organisations capacitated in civil society organisational management per year	2 687	2 880	4 927	5000	5261	261	The target was exceeded due to increased access of NDA services by CSOs
CSO Grant Funding and Resource Mobilisation							
Rand Value of resources (financial and non-financial) raised to fund CSOs per year	R673 million	R80 million	R61.7 million	R50 million	R 147 million	R97 million	The target was exceeded due to the UIF partnership concluded in Quarter 4
Number of CSOs (7% in disability) that receive grant funding per year	-	-	162	250 (18)	124 (7)	-126 (-11)	The target was not achieved due to delays in concluding assessment and review of proposals submitted for grant funding in this financial year
CSO Linkages for Sustainability							
Number of CSOs referred to sustainable resource opportunities per year	New	New	1 328	1500	1460	-40	The target was not achieved due to the delay in the finalisation of referrals by year end.
Number of partnership agreements established per year	19	22	21	23	14	-9	Target not met due to delay in finalisation of partnerships by other stakeholders

Programme 3 – Research: Performance information

During the year under review, the NDA had planned and defined three key performance indicators for the programme and set targets to be achieved by the programme. These performance areas are linked to the secondary mandate

of producing research and evaluation reports that informs debates and sharing of experiences for purposes of informing development policy.

Strategic Objectives, performance indicators, planned targets and actual achievements

Programme 3 – Research: Strategic Objectives

Strategic Statement:	Actual achievement 2017/2018	Planned target 2018/2019	Actual achievement 2018/2019	Deviation from planned target	Reasons for variance
To provide empirical information from research and evaluation studies to inform national development policy formulation, debates and engagements between the CSO, public and private sectors	18 reports	35 reports	36 reports	1	Target met and exceeded by 1 publication. This was due to the interest in compiling best practice on using the model of Umzamo Wethu cooperative which has shown success in sustainability of the cooperative business

Programme 3 – Research: Performance Indicators

Performance Indicator	Actual achievement 2015/2016	Actual achievement 2016/2017	Actual achievement 2017/2018	Planned target 2018/2019	Actual achievement 2018/2019	Deviation from planned target	Reasons for variance
Number of research reports, evaluation reports and policy briefs produced per year	14	16	18	23	23	0	The annual target was met and no deviation
Number of knowledge management publication produces per year	7	10	9	12	13	1	Target met and exceeded by 1 publication. This was due to the interest in compiling best practice on using the model of Umzamo Wethu cooperative which has shown success in sustainability of the cooperative business
Number of development policy dialogues and consultation sessions held per year	3	7	10	10	12	2	Target was met and exceeded by 2 dialogues. The extra dialogues came as part of the social summit dialogues taking place in provinces

Linking performance with budget

Programme name	2018/2019			2017/2018		
	Revised Budget	Actual expenditure	Under/(over) expenditure	Budget	Actual expenditure	Under/(over) expenditure
Administration	110 715	101 704	9 011	108 330	95 660	12 670
CSO Development	126 434	116 817	9 617	144 403	128 600	15 803
Research and Development	10 324	8 096	2 228	7 753	5 830	1 923
	247 473	226 617	20 856	260 486	230 090	30 396

Revenue Collection

	2018/2019			2017/2018		
	Revised Budget	Actual expenditure	Under/(over) expenditure	Budget	Actual expenditure	Under/(over) expenditure
Transfer from National Treasury	202 578	202 578	–	200 913	200 913	–
Other Income	44 895	18 916	(25 980)	59 573	25 849	(33 724)
	247 473	221 494	(25 980)	260 486	226 762	(33 724)



PART C

REPORT ON GOVERNANCE

3.1 Introduction

The NDA Board is the custodian of corporate governance and is responsible for ensuring that the Agency operates along sound corporate governance principles by developing policies, and establishing appropriate governance structures and systems for monitoring and evaluating compliance with legislative prescripts and standards.

The Board subscribes to the King Report on Governance for South Africa and the King Code for Governance Principles (King III and IV) and all Board members were inducted through the Institute of Directors of Southern Africa. All Non-Executive Directors are independent. The old NDA Board was appointed for a period of three years commencing 4 January 2016 to 3 January 2019. The Board takes accountability on the performance of the NDA.

During the fourth quarter of the reporting period there was a vacancy in relation to governance because the process of appointing the new Board took longer than expected. The new Board was only appointed with effect from 1 April 2019.

3.2 Portfolio/Select Committees

The Portfolio Committee exercises oversight over the service delivery performance of public entities and, as such, reviews the non-financial information contained in the annual reports of public entities and is concerned with service delivery and enhancing economic growth.

3.3 Executive Authority

In terms of the PFMA, the NDA has an Accounting Authority, which is its Board. The Accounting Authority reports to the Minister of Social Development, being the Executive Authority. The accountability and performance relationship between the Board and the Minister is regulated by the PFMA which imposes a number of reporting requirements and obligations including submission of strategic plans, annual performance plans, quarterly and annual Reports to the Minister as executive authority. A dashboard report which outlines progress against financial management, governance and compliance with laws and regulations was submitted to the Minister of Social Development to note progress by the NDA in addressing these issues. Both the Auditor-General and the Minister acknowledged a satisfactory improvement by the NDA in addressing these areas of performance.

3.4 Accounting Authority

The NDA Board is the accounting authority as defined in Section 49 of the PFMA. The members of the Board have a collective responsibility to meet fiduciary duties outlined in Section 50 of the PFMA including the Treasury Regulations, and the principles of the King III and IV Code of Governance. The constitution and composition of the Board are governed by the National Development Agency Act 108 of 1998 as amended. The Board composition complies with the requirements of the NDA Act.

In addition, to the provisions on Board accountability within the above governance prescripts and as recorded in the Board Charter, the roles and responsibilities of the Board are as follows:

- It holds absolute responsibility for the performance of the public entity;
- It retains full and effective control over the public entity;
- It has to ensure that the public entity complies with applicable laws, regulations and government policy;
- It has unrestricted access to information of the public entity;
- It formulates, monitors, reviews corporate strategy, major plans of action, risk policy, annual budgets and business plans;
- It ensures that the shareholders' performance objectives are achieved
- It manages potential conflicts of interest;
- It develops a clear definition of levels of materiality;
- The Board must attend annual meetings;
- It ensures financial statements are prepared;
- The Board must appraise the performance of the Chairperson;
- It must ensure effective Board induction; and
- Must maintain integrity, responsibility and accountability.

Board Charter

A Board charter defines the NDA Board's oversight responsibilities. This is to be read in conjunction with the NDA Act, the PFMA, Treasury Regulations and the Board sub-committees' Terms of Reference.

Composition of the Board

In terms of the NDA Act, the NDA acts through a Board consisting of 11 members made up as follows:

Five (5) Members to represent Government appointed by the Minister after consultation with Cabinet; and Six (6) members to represent Civil Society appointed by the Minister after an open and transparent process of considering a short list of candidates presented to the Minister by a panel, comprising of an equal number of representatives from State Departments and of experts in the development field, established by the Minister for that purpose.

The current Board only comprise of 10 members due to a vacancy, which has never been filled since the Board took office. There were neither new appointments nor resignations during the reporting period. The Board meets at least four times a year. The Chairperson, in consultation with the Chief Executive Officer and Company Secretary, is responsible for setting the agenda of each meeting. The Chairperson of each committee reports back to the Board on matters discussed after every meeting. The Board operated through the following four committees namely:

1. Management Committee
2. Audit and Risk Committee
3. Human Resources and Remuneration Committee
4. Projects, Research and Development Committee

Record of Attendance of Board and Committee Meetings and Teleconferences

Board Members	Board	Audit and Risk	Human Resources and Remuneration	Management Committee	Programmes, Research and Development Committee
Ms J Hermans	13			3	
Mr Z Ngcakani	11		3	3	
Mr M Chikane	8		1	3	2
Mr A Hanekom	13	9	5	3	
Ms B Khan	11		3		6
Ms M Manny	13	6	5		1
Ms M Matlala	11	6			6
Ms S Matsebula	12	9	2	3	5
Ms T Shange	7	7			4
Ms F Varachia	12	8		2	6

Record of Attendance of Board Meetings

Meeting dates	Board members									
	Ms J Hermans	Mr Z Ngcakani	Mr M Chikane*	Mr A Hanekom	Ms B Khan	Ms M Manny	Ms M Matlala	Ms S Matsebula	Ms T Shange	Ms F Varachia
26.4.18	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
30.5.18	Y	Y	-	Y	Y	Y	Y	Y	-	Y
31.5.18	Y	Y	-	Y	-	Y	Y	Y	-	Y
30.7.18	Y	Y	Y	Y	Y	Y	Y	Y	-	Y
14.8.18	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
15.8.15	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
11.9.18	Y	Y	Y	Y	Y	Y	Y	Y	-	Y
12.9.18	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
03.10.18	Y	Y	Y	Y	Y	Y	-	Y	Y	Y
09.10.18	Y	-	Y	Y	Y	Y	Y	Y	-	Y
31.10.18	Y	Y		Y	Y	Y	Y	Y	-	Y
29.11.18	Y	Y		Y	-	Y	Y	Y	-	Y
05.12.18	Y	-		Y	Y	Y	Y	Y	Y	Y
Total	13	11	8	13	11	13	11	12	7	13

* Mr Chikane passed away on 18 October 2018.

Record of Attendance of Audit and Risk Committee Meetings

Meeting dates	Board members					
	Ms T Shange	Mr A Hanekom	Ms M Manny *	Ms M Matlala	Ms S Matsebula	Ms F Varachia
19.04.18	Y	Y	Y	Y	Y	-
22.05.18	Y	Y	Y	-	Y	Y
24.07.18	Y	Y	Y	Y	Y	Y
03.10.18	Y	Y	Y	-	Y	Y
26.10.18	Y	Y	Y	Y	Y	-
31.10.18	-	Y	Y	Y	Y	Y
26.11.18	Y	Y	-	-	Y	Y
04.12.18	Y	Y	-	Y	Y	Y
18.12.18	-	Y	-	Y	Y	Y
Total	8	9	6	6	9	8

* Ms Manny removed from Audit and Risk Committee with effect from 1 November 2018.

Record of Attendance of Human Resources and Remuneration Committee Meetings

Meeting dates	Board members					
	Mr A Hanekom	Mr M Chikane *	Ms B Khan	Ms M Manny	Mr Z Ngcakani	Ms S Matsebula**
21.06.18	Y	Y	Y	Y	-	
24.08.18	Y	-	Y	Y	Y	
01.11.18	Y	-	-	Y	-	Y
23.11.18	Y	-	Y	Y	Y	-
03.12.18	Y	-	-	Y	Y	Y
Total	5	1	3	5	3	2

* Mr Chikane passed away on 18 October 2018.

** Ms Matsebula appointed as new HR&R Committee Member in November 2018.

Record of Attendance of Management Committee Meetings

Meeting dates	Board members					
	Ms J Hermans	Mr Z Ngcakani	Mr M Chikane	Mr A Hanekom	Ms S Matsebula	Ms F Varachia
17.04.18	Y	Y	Y	Y	Y	Y
16.08.18	Y	Y	Y	Y	Y	Y
15.10.18	Y	Y	Y	Y	Y	-
Total	3	3	3	3	3	2

Record of Attendance of Projects, Research and Development Committee Meetings

Meeting dates	Board members						
	Ms M Matlala **	Mr M Chikane *	Ms B Khan	Ms S Matsebula	Ms T Shange	Ms F Varachia	Ms M Manny ***
20.04.18	Y	Y	Y	Y	Y	Y	
25.07.18	Y	Y	Y	Y	Y	Y	
13.08.18	Y	–	Y	Y	Y	Y	
30.10.18	Y	–	Y	Y	–	Y	
31.10.18	Y	–	Y	Y	–	Y	
22.11.18	Y	–	Y	–	Y	Y	Y
Total	6	2	6	5	4	6	1

* Mr Chikane passed away on 18 October 2018.

** Ms Matlala was appointed as the Chairperson of the PRD Committee at a Board meeting held on 26 April 2018.

*** Ms Manny appointed as a member of PRD Committee during November 2018 replacing Ms Matsebula.

3.5 Risk Management

NDA Board is accountable for the process of risk management, which is reviewed regularly for effectiveness. The risk management policy and strategy have been in place and implemented throughout the year. Maturity Assessment has been conducted through National Treasury tool and has shown improvement from Level 2 last financial year to Level 3 in the reporting financial year. This is demonstrating that NDA is maturing in implementing risk management processes. Public Sector Risk Management Framework also recommends that 360 degrees evaluation be

performed to evaluate the effectiveness of risk management and it indicated that EXCO through self-assessment rated itself to be satisfactory in dealing with risk management matters. This is evidenced by having risk management as the standing item in EXCO meetings' agenda. Business Continuity plan has also been implemented in the reporting period. The Audit and Risk Committee advised and evaluated the effectiveness of the system of risk management. The Top five (5) risks as per strategic risk register of the NDA is as follows:

Risk	Mitigation Plans	Progress Made
1. Inability to fulfil/deliver the mandate	<ol style="list-style-type: none"> 1. Engagement with National Treasury to request additional funding 2. Review Resource mobilisation plan 3. Review the NDA turnaround strategy and devise a plan with gap analysis 4. Develop and implement strategic human resource plan 5. On-going support reporting (performance management) 6. Improve budget controls to monitor spending 	<ol style="list-style-type: none"> 1. There has been series of meeting between the NDA, DSD and National Treasury to discuss the funding of the NDA. The Management will also secure the meeting with National Treasury to secure the foreign donor funding 2. Resource Mobilisation Plan has been discussed by the EXCO and approved the Board 3. The NDA turnaround strategy has been resuscitated and work stream roles to be incorporated to performance contracts of EXCO Members 4. The final Draft of HRM&D Strategy in place awaiting approval by Board before the end of the financial year 5. Identifying the deficiencies in the report and assist management to rectify reported information and give regular feedback 6. Monthly management accounts are prepared and presented to EXCO to track budget. Quarterly management accounts are presented and tabled to Audit and Risk Committee and Board

Risk	Mitigation Plans	Progress Made
2. Compromised quality performance reports	<ol style="list-style-type: none"> 1. Continuous Improvement in the validation and verification controls of the new system and records 2. Develop and implement Organisational performance management framework 	<ol style="list-style-type: none"> 1. The system controls and validation procedures have been strengthened in the system and all areas relating to POE mismatch have been improved 2. The finalisation of the Organisational Performance Management Framework has been delayed due to the repeal of some of the National Treasury requirements and the subsequent introduction in June 2019 of the new framework from DPME
3. Non Compliance with regulatory requirements and legislations	<ol style="list-style-type: none"> 1. Conduct SCM environmental assessment 2. Enforce consequence management 3. Develop contract management system and monitor it 4. Train Board Members and EXCO to apply the requirement of King iv on governance processes 	<ol style="list-style-type: none"> 1. The TOR to procure service Provider on SCM review were developed and awaiting CEO's approval 2. NDA has written to National Treasury requesting the permission to participate in the database of approved investigation Service Providers. National Treasury has granted NDA to participate in the panel approved investigators. TORs have been developed 3. Contract Management – A consolidated NDA Contract Register has been developed and completed. The IT automated system went live on the 28th September 2018 however the monitoring of the contract is still underdeveloped 4. The term of the Board has expired and would await the new Board to be appointed in order the training to be administered
4. Inadequate Business Continuity Management	<ol style="list-style-type: none"> 1. Develop and test Business Continuity Plan 2. Develop IT Disaster Recovery Plan that is informed by Business Continuity Plan and properly tested 	<ol style="list-style-type: none"> 1. Business Impact Analysis (BIAs), risk assessment and Business Continuity Strategy have been developed and approved at EXCO level. Draft BCP is awaiting for inputs from different Business Units. Testing was conducted to all service delivery points 2. A draft Disaster Recovery Plan is completed, pending the reviews from the BCP for alignment 3. The establishment of the Disaster Recovery Site (DRS) has not started, due to office relocation process that needs to finalised prior to implementing the DRS
5. Inability to decentralise to all the districts	<ol style="list-style-type: none"> 1. Engagement with National Treasury through Department of social Development to bid for Resources 2. Intensify the partnership with other Stakeholders 3. Review Resource Mobilisation Plan 	<ol style="list-style-type: none"> 1. There has been series of meeting between the NDA, DSD and National Treasury to discuss the funding of the NDA. The Management will also secure the meeting with National Treasury to secure the foreign donor funding. 2. NDA is working with different stakeholders including DSD, Department of Labour, Mondi, Regenesys and SABC 3. Resource Mobilisation Plan has been approved by Board

3.6 Internal Audit and Audit Committees

The internal audit activity evaluates the adequacy and effectiveness of the internal controls and recommendations for improvement, which encompass the following:

- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations.
- Safeguarding of assets.
- Compliance with laws, regulations and contracts.

The Internal Audit Unit compiled an annual coverage plan that was designed to manage the prioritised and significant risks in the NDA, and for the year under review, the following audits were undertaken:

- Review of Quarterly Performance reports.
- Review of Quarterly Financial reports (Management Accounts).
- Review of Annual Financial Statements.
- Monitoring and review of performance against Audit Turnaround plan.
- Follow-up Procurement audit.
- Follow-up Review on Project Verification.
- Ad hoc audits and reviews.

The system of internal control applied by the National Development Agency is effective, efficient and transparent and in line with the PFMA and Treasury Regulations requirements. Areas of weaknesses identified during the audits are addressed by management on an ongoing basis.

3.7 Compliance with laws and regulations

The NDA continued to comply with relevant laws and prescripts. The NDA developed a compliance checklist in terms of which the compliance with laws and regulations is monitored. The NDA has also developed an audit turnaround strategy the aim of which is to track and correct compliance breaches which had been raised by the assurance providers such as the Auditor-General South Africa.

3.8 Fraud and Corruption

Fraud Prevention Plan manages the fraud risk and raises the level of fraud awareness among NDA internal and external stakeholders. NDA fraud prevention plan intends to reduce the risk of fraud and provide mitigating measures that will protect the interests of the organisation. The proactive approach consists of the responsibility for prevention, detection, reporting, communication and reaction to fraud. Whistle blowing policy is in place to support fraud prevention plan. NDA has marketed the new Tip-Off Anonymous hotline through posters and flyers in order to reach not only internal staff but also external stakeholders such as Civil Society Organisations (CSOs), project beneficiaries and public at large that visits our service delivery points. Fraud risk assessments and educational awareness were also conducted for some units within the NDA to inculcate fraud risk aware culture.

3.9 Minimising conflict of interest

Annually, declarations of interest forms are distributed to Board Members and NDA staff to facilitate recording of any interest that might impact on the NDA. Further, in every management or Board and Committee meetings, a declaration of interest form on agenda items are completed and signed. Where there is an interest declared, the member would be requested to recuse himself/herself when the item is discussed. There is room for improvement for minimising of conflict of interest through reviewing conflict of interest policy by incorporating initiatives such as NDA employees not doing business with the state and employees seeking permission/approval to perform work outside public service.

3.10 Code of Conduct

The NDA Code of Conduct ('Code') was developed and approved by the Board during the reporting period. The purpose of the Code is to promote exemplary conduct by assisting both employer and employees to know and understand the minimum standards of conduct and the expected behaviour required of employees of the NDA. This code is directly linked to the NDA Values and Ethics which act as a guideline to employees on what is expected of them from an ethical point of view, both in their individual conduct and in their relationships with others. The policy has been workshopped and distributed to all staff members and to ensure that they are aware of the salient clauses on the policy and conforms their conduct to the NDA Values.

3.11 Health, Safety and Environmental Issues

At the NDA, occupational health and safety (OHS) issues are a priority. To this effect, the OHS Committee has been established and its primary mandate is to deal with occupational, health & safety issues in the workplace. Members of this OHS Committee are representative of all workplaces within the NDA. In order to ensure that the OHS Committee performs its mandate in a competent manner, its members have received proper and comprehensive training, in the financial under review, which covers the major areas of OHS in the workplace. Their skills will be up-scaled on a continuous basis in the next financial year.

The NDA also has in place a Policy of Occupational Health & Safety, which pronounces the NDA policy intentions on matters on health & safety in the workplace. This policy will be reviewed in the new financial year. The NDA also complies with the Compensation for Occupational Injuries and Diseases Act, No 130 of 1993, as amended, (COIDA) legislation and is in good standing. This compliance is intended to ensure that in an unlikely event of an NDA employee getting involved in an accident in the workplace, they are able to leverage on those governments benefits provided for in the COIDA.

3.12 Company Secretary

The Company Secretary plays two pivotal roles in providing secretarial and advisory services to the Board and its Committees. Further the Company Secretary is a liaison official between management and the Board and between the Board and the Shareholder, thus giving effect to the governance protocol. The Company Secretary is a custodian of the register of Board and Committee decisions, gift register and policy register.

3.13 Social Responsibility

Mandela Month – July 2018

The National Development Agency, as part of its corporate social investment activities, participated in Mandela Day 2018 activities throughout the country. Provincial Offices identified Cooperatives and Civil Society Organisations that needed serious interventions. Provincial Offices spent the day on activities such as assisting in agricultural projects to plough their fields, painting of structures at disability centres, donation of toys to ECD centres and cooking at identified schools. NDA staff also donated money to buy food and toys for identified beneficiaries. In addition, provincial offices also participated in DSD-organised Mandela Day activities which ranged from painting, cleaning and cooking of meals at identified ECD centres and those centres supporting people living with disabilities.

Staff at NDA national office volunteered their services at the Alexandra Child Care Centre in Johannesburg. The centre cares for children and youth in Alexandra. On a daily basis, the centre feeds 300 children from the ages of 3 to 19 years. NDA staff donated money to buy food for the children; to buy paint and brushes that were used to repaint the centre, play equipment and the surrounding picked fence. Other activities included cooking, gardening, fixing windows and doors, reading and playing with the children at the centre.

Take a Girl-Child to Work Day

Cell C's Take a Girl Child to Work Day was first introduced to the South Africa business community on 08 May 2003. The main objective of the day is to expose girl children to the "world of work", positive role models and give them the opportunity to make informed career decisions based on real work experiences.

During the year under review, the NDA collaborated with the Department of Social Development's national office in hosting over 250 girl learners' from six different schools in the Pretoria area. One of the schools was a school that caters for learners living disability. The NDA presented its services to attendees, branded alongside DSD and SASSA. The NDA also provided all female learners with pencil cases, which included a ruler, pen, pencil, eraser and sharpener. NDA brand awareness materials were also provided to all those who attended.

As part of this campaign presentations were made that covered issues such as HIV prevention, support for learners with disabilities, substance abuse, sexual harassment, victim empowerment programme and information on DSD's Gender Based Violence Command Centre aimed at providing information that could be of benefit to the learners.

3.14 Audit and Risk Committee Report

The purpose of the Audit and Risk Committee of the National Development Agency is to assist the Agency in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of financial reports and statements. These tasks are conducted in line with all applicable legal requirements and accounting standards as prescribed in the Public Finance Management Act No 1 of 1999 as amended (PFMA). The operation of the committee is governed by the Audit and Risk Committee Charter, which provides clear guidelines with regard to membership, authority and responsibilities.

During the year under review, this function was performed by the previous Audit and Risk Committee whose term of office ended in January 2019. The current Committee was only appointed with effect from 01 April 2019 and therefore did not necessarily preside over audit matters for the 2018/19 financial year.

Audit and Risk Committee responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 51 (1) (a) (ii) of the Public Finance Management Act and Treasury Regulation 27.1. The Audit Committee also reports that it has adopted appropriate formal terms of reference, as its Audit Committee Charter has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that the NDA has not reviewed changes in accounting policies and practices.

Evaluation of Internal Controls

The Committee directs, monitors and evaluates the activities of the Internal Audit Function. Through the Internal Audit Function, the Committee is able to report on the effectiveness of the internal control systems and to assess whether the Internal Audit Function is fulfilling its roles effectively and efficiently. In the conduct of its duties, the Committee has, inter alia, reviewed the following:

- The effectiveness of the internal control systems.
- The operational risk areas covered in the scope of internal and external audits.
- The adequacy, reliability and accuracy of financial information provided to Board and stakeholders.
- Any accounting and auditing concerns identified as a result of internal and external audits.
- Compliance with legal, accounting and regulatory frameworks.

- The activities of the Internal Audit Function, including its annual work programme, coordination with external auditors, the reports of significant investigations and the response of management to specific recommendations.
- Where relevant, the independence and objectivity of external auditors.

The system of internal control applied by the Agency over financial risk management is effective, efficient and transparent. In line with the PFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the Committee and management with assurance that the internal controls are appropriate and effective.

This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes, reports of the Internal Auditors, the Audit report on the Annual Financial Statements and the management report of the Auditor-General.

Under the guidance of the Committee, Internal Audit conducted adequacy and effectiveness reviews of controls as per an approved plan. The Committee notes the commitment and progress that has been made in improving the systems of internal control around the identified areas and this will continue to form an integral part of the Audit and Risk Committee agenda in the forthcoming financial year. Management has initiated the Audit Turnaround Strategy that monitors progress around audit findings. The NDA has been reporting on a quarterly basis to the Department of Social Development and Treasury, as required by the PFMA.

Evaluation of the Annual Report

The Audit Committee of the Board has:

- Reviewed and discussed with the Auditor-General the audited Annual Financial Statements included in the Annual Report;
- Reviewed the Audit report, management report and management's responses;
- Reviewed the accounting policies and practices;
- Evaluated the audited financial statements included in the Annual Report and, based on the information provided to the Committee, considered that the said statements comply in all material respects with the requirements of the Treasury Regulations, the PFMA requirements as well as South African Standards of Generally Recognised Accounting Practices (SA Standards of GRAP); and
- Reviewed the NDA's Report on Performance Information.

The monitoring of the Agency's performance is a key function of the Executive Authority. The Committee has ensured,

principally through the internal audit function, that the systems of performance measurement and reporting, as well as the systems of internal control that underpin the performance management framework of the Agency, remain robust and are addressed routinely in the audit plans. The Committee confirms that during the year under review a number of weaknesses around performance measurement were identified, and management was directed to ensure that an appropriate corrective action plan was implemented in the 2018/19 financial year.

The Committee has accepted the responsibility to ensure adequate reporting on performance information and the policies and that the procedures are of a standard acceptable to the Agency. The Committee's mandate and charter include this responsibility. The Committee has taken note of the Performance Information Report, which compares the actual performance of the organisation against the approved Business Plan for the financial year, the strategic objectives, key performance indicators and targets set.

Conclusion

The Committee has once again taken note of the concerns of the Auditor-General and accepts that there is further room for improvement in the accounting function and elements of the internal control environment. As in previous years, the Committee will ensure that the internal audit plan addresses these issues and will monitor the implementation of the recommendations of the Auditor-General's Report. The Audit Committee concurs with and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

I would like to thank all members of the Committee for their contribution and the professional way in which meetings were conducted. The Committee wishes to express to the Board, CEO and staff of the NDA, our sincere appreciation for the commitment and progress made this year. We are pleased to present our report for the financial year ended 31 March 2019.



Ms Zamandlovu Ndlovu

Chairperson of the Audit and Risk Committee

31 August 2019





PART D

HUMAN RESOURCES

4.1 Introduction

Human Resource Management & Development, as a function, has evolved from a transaction orientated to a strategic function to enable business to achieve its strategic objectives. In institutionalising this strategic approach, the NDA has developed a 5-year Human Resources Management, Development Strategy & Plan which informs Human Resources contribution to the realisation of NDA's strategic goals and strategic objectives.

In supporting business to achieve its objectives, Human Capital Management has also focused on creating a sustained integrated human resources value proposition for the organisation's strategic goals and objectives through:

- Ensuring that the right skills and capacity is recruited into the organisation, especially at coal face service delivery level.

- Ensuring that employees skills and competencies are sharpened to enable them to delivery on NDA goals and objectives.
- Creating an enabling environment that supports the health and welfare on employees though employee wellness programs and OHS.
- Ensuring that there is labour stability in the NDA over the short, medium to long term through multi term salary and wage agreement.

4.2 Human Resources Oversight Statistics

The NDA has five divisions that implement both the primary and secondary mandates; these are Development Management & Research, Finance, Office of the COO, Office of the CEO, and Corporate Services. As at 31 March 2019, the NDA had 196 employees, which include employees on fixed term contracts, within its total workforce.

Personnel cost by programme

Programme	Total expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel expenditure as a % of total expenditure	No. of employees	Average personnel cost per employee (R'000)
Programme 1	101 704	47 187	20%	61	773
Programme 2	116 817	73 969	32%	128	578
Programme 3	8 096	6 377	4%	7	911
Total	226 617	127,533	56%	196	651

Personnel cost by salary band

Level	Personnel expenditure (R'000)	% of personnel expenditure to total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Top Management	8 927	7%	5	1 785
Senior Management	28,057	22%	20	1 403
Professional qualified	72 694	57%	115	632
Skilled	15 303	12%	37	413
Semi-skilled	1 275	1%	4	319
Unskilled	2 551	2%	15	170
Total	127 533	100%	196	651

Performance Reward

Level	Performance rewards	Personnel expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	–	8,927	–
Senior Management	–	28,057	–
Professional qualified	–	72 694	–
Skilled	–	15 303	–
Semi-skilled	–	1 275	–
Unskilled	–	2 551	–
Total	–	127 533	–

Training Costs

Programme	Personnel expenditure (R 000)	Training expenditure (R 000)	Training expenditure as a % of Personnel Cost	No. of employees trained	Average training cost per employee (R 000)
Programme 1	47 187	145	0,11%	22	6,6
Programme 2	73 969	706	0,55%	107	6,6
Programme 3	6 377	20	0,02%	3	6,6
Total	127 533	871	0,68%	132	6,6

The NDA is committed to creating an environment that promotes continuous learning and development to enhance employees' skills and competencies to reach their full potential and contribute to strategy attainment. The breakdown of the training expenditure includes short courses, seminars, workshops and study assistance.

However, it should be noted that all these employees have attended more than one training intervention. Six bursaries/ study assistance were awarded to employees, at the beginning of the academic year, to pursue long-term studies towards the attainment of a formal qualifications.

A total of R871 436 has been spent on learning and development interventions in 2018/19 and 132 employees took up the opportunity for learning and development.

Employment and Vacancies

Programme	No. of employees 2017/2018	Approved posts 2018/2019	No. of employees 2018/2019	Number of contractors 2018/2019	Vacancies 2018/2019
Programme 1	57	62	57	4	5
Programme 2	128	150	130	11	20
Programme 3	7	10	9	1	1
Total	192	222	196	16	26

Programme	No. of employees 2017/2018	Approved posts 2018/2019	No. of employees 2018/2019	Number of c ontractors 2018/2019	Vacancies 2018/2019
Top Management	5	6	5		1
Senior Management	20	21	20		1
Professional qualified	113	126	115	14	12
Skilled	37	46	37	2	5
Semi-skilled	4	4	4		0
Unskilled	13	19	15		7
Total	192	222	196	16	26

The NDA will continue to work towards the vacancy rate of 10% through filling critical vacancies while achieving employment equity targets. The table below summarises the NDA Employment and vacancies report. The vacancy rate is high this year due to the approval of the new positions at national office and at district office levels because of the restructuring process.

The NDA is operating below the approved staff establishment and this is being addressed through ongoing process of recruitment in vacant and funded posts as per the approved structure. However, where NDA had vacant critical positions internal arrangements were made through appointment of internal staff members on acting and secondments contracts to mitigate negative impact on service delivery.

Employment Changes

Levels	Employment as at 01 April 2018	Appointments	Terminations	Employment as at 31 March 2019
Top Management	5	1	1	5
Senior Management	20	1	1	20
Professional qualified	113	4	3	115
Skilled	37	1	0	37
Semi-skilled	4	0	0	4
Unskilled	13	2	0	15
Total	192	9	5	196

Reasons for staff leaving

Reason	Number of employees	% of total no. of staff leaving
Death	0	0%
Resignation	3	2%
Dismissal	1	1%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	1	1%
Other	0	0%
Total	5	3%

The above table outlines the attrition trends in relation to the number of staff that has left the organisation during the 2018/2019 financial year. Quarterly statistics are reported, and the annual turnover rate is an average of the four quarterly statistics. As at 31 March 2019, there were five (5) employees that left the organisation.

Labour Relations: Misconduct and disciplinary action

Three misconduct and disciplinary cases were finalised and were mostly related to non-compliance with NDA policies and procedures, and/or dereliction of duty.

Nature of disciplinary action	Number
Verbal warning	0
Written warning	1
Final written warning	0
Dismissal	1
Other	1
Total	3

Equity Target and Employment Equity Status

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	2	0	0	1	1	0	0
Senior management	7	8	0	0	0	0	0	0
Professional qualified	66	65	2	2	0	1	0	1
Skilled	28	28	2	2	1	1	1	0
Semi-skilled	3	4	0	0	0	0	0	0
Unskilled	12	13	1	1	0	0	0	0
Total	118	120	5	5	2	3	1	1

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	3	2	0	0	0	0	0	0
Senior management	12	12	2	2	0	0	0	0
Professional qualified	41	48	3	3	0	0	0	0
Skilled	6	12	0	0	0	0	0	0
Semi-skilled	1	6	0	0	0	0	0	0
Unskilled	1	1	0	0	0	0	0	0
Total	64	81	5	5	0	0	0	0

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top management	0	1	0	1
Senior management	0	0	1	0
Professional qualified	0	0	1	1
Skilled	1	0	0	0
Semi-skilled	0	0	1	0
Unskilled	0	0	0	0
Total	1	1	3	2

The NDA's employment profile is mostly represented by females at 64%, of whom 94% are Africans. Although females dominate the organisation's employment statistics, there is still a need to increase women representation at senior management level to achieve the employment equity targets at that level. The targets recorded here are based on Year 1 of the NDA 5 Year Employment Equity Plan (EE plan).

Currently the NDA has four certified employees with disabilities, translating to a 2% target for employment of people with disabilities. This is consistent with government target of 2%. However, it is the intention of the NDA to increase the number of people living with disability in the outer years of the Equity Plan.



PART E

AUDITED ANNUAL FINANCIAL STATEMENTS

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REPORT BY THE BOARD ON THE ANNUAL FINANCIAL STATEMENTS

The Board is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Board acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the Board to meet its responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be

fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Board are of the opinion, based on the information and explanations given by management that the systems of internal control provide reasonable assurance that the financial records may be relied upon for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Board reviewed the entity's cash flow forecast for the year to March 31, 2020 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the Board is primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors. The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and this is supported by their report.

The annual financial statements set out on pages 45 to 71, which have been prepared on the going concern basis, were approved by the Board of members on 31 August 2019 and were signed on its behalf by:



Bishop Sidwell Mokgothu
NDA Board Chairperson

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON NATIONAL DEVELOPMENT AGENCY

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the National Development Agency (NDA) set out on pages 45 to 71, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the NDA as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practise (SA standards on GRAP) and the requirements of the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants and parts 1 and 3 of the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including international independence standards) (IESBA codes) as well as the 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 codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

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

Correction of prior period errors

7. As disclosed in note 29 to the financial statements, the corresponding figures for 31 March 2018 were restated as

a result of an error in the financial statements of the entity at, and for the year ended 31 March 2019.

Contingencies

8. With reference to note 23 to the financial statements, the entity is the defendant in various legal cases. The entity is opposing the claims. The ultimate outcome of these matters could not be determined and no provision for any liability that may result was made in the financial statements.

Responsibilities of the accounting authority for the financial statements

9. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA 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 NDA'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.

Auditor-general's responsibilities 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

Introduction and scope

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I was engaged to perform procedures to raise findings but not to gather evidence to express assurance.
14. I was engaged to evaluate the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the annual performance report of the entity for the year ended 31 March 2019:

Programmes	Pages in the annual performance report
Programme 2 – Civil Society Organisation (CSO) Development	19 – 20

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
16. The material findings in respect of the usefulness and reliability of the selected programme are as follows:

Various indicators

17. The source information and method of calculation of the achievement of the planned indicators were not clearly defined for the indicators listed below. Due to these significant inconsistencies, I was unable to obtain sufficient appropriate audit evidence for the variance between the planned target and the reported achievement in the annual report. Furthermore, the supporting evidence did not agree to the reported achievements in the annual performance report. Consequently, I was unable to determine whether any adjustments were required to the reasons for the variances and whether any adjustments were required to the reported achievements in the annual performance report.

Indicator description	Reported achievement
Number of CSOs that participated in CSO mobilisation including Mikondzo programme per year	9 137
Number of CSOs assisted to formalise their structures per year	903
Number of CSOs referred to sustainable resource opportunities per year	1 460

18. I was unable to obtain sufficient appropriate audit evidence for the variance between the planned target and reported achievement in the annual report for indicators listed below. Furthermore, the supporting evidence did not agree to the reported achievements in the annual performance report. Consequently, I was unable to determine whether any adjustments were required to the reasons for the variances and whether any adjustments were required to the reported achievements in the annual performance report.

Indicator description	Reported achievement
Number of CSOs trained to comply with the registration legislation per year	4 455
Number of civil society organisations capacitated in civil society organisational management per year	5 261

Indicator: Number of CSOs (7% in disability) that receive grant funding per year.

19. The indicator was initially approved in the annual performance plan as 250. However, the indicator was changed without approval and reported in the annual performance report as 250 (18). The source information and method of calculation for the indicator were not clearly defined and the type of disability was not specified. Due to these significant inconsistencies, I was unable to obtain sufficient appropriate audit evidence to support the reported achievement of 124 (7) CSOs (7% in disability) that receive grant funding per year. This was due to inadequate technical indicator descriptions that predetermined how the achievement would be measured, monitored and reported. I was unable to confirm the reported achievement of the indicator by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of 124 (7) as reported in the annual performance report.

Other matters

20. I draw attention to the matter below.

Achievement of planned target

21. Refer to the annual performance report on pages 18 to 21 for information on the achievement of planned targets for the year and explanations provided for the under and over achievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the

reported performance information in paragraphs 17 to 19 of this report.

Report on the audit of compliance with legislation

Introduction and scope

22. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
23. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements

24. Financial statements were not submitted for auditing within two months after the end of financial year, as required by section 55(1)(c)(i) of the PFMA.
25. 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 the cash flow statement, accounting policies and disclosure notes identified by the auditors in the submitted financial statements were corrected and the supporting records were provided, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

26. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R18 082 544 as disclosed in note 28 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. Most of the irregular expenditure was caused by non-compliance with supply chain management processes for both tenders and quotations.

Consequence management

27. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular, fruitless and wasteful expenditure, as required by section 51(1)(e)(iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into irregular expenditure and fruitless and wasteful expenditure.

Other information

28. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

29. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

30. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

31. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, 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

32. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

33. Leadership did not implement effective controls to ensure accurate financial and performance reporting nor did they exercise adequate oversight responsibility over compliance with applicable legislation, which resulted in material adjustments made to the financial statements as well as instances of irregular expenditure not being prevented and lack of consequence management.

34. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

35. Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Auditor-General

Pretoria

01 September 2019



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the public entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of directors, which constitutes the accounting authority;
- conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting

in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NDA's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern; and

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

STATEMENT OF FINANCIAL POSITION

as at March 31, 2019

	Note(s)	2019 R	2018 Restated* R
ASSETS			
Current Assets			
Receivables from exchange transactions	12	901 674	899 712
Receivables from non-exchange transactions	13	56 222	241 591
Cash and cash equivalents	14	60 088 989	80 675 946
		61 046 885	81 817 249
Non-Current Assets			
Property, plant and equipment	9	6 442 498	6 547 917
Intangible assets	10	107 348	121 509
		6 549 846	6 669 426
Total Assets		67 596 731	88 486 675
LIABILITIES			
Current Liabilities			
Payables from exchange transactions	15	6 440 804	8 056 879
Payables from non-exchange transactions	16	6 852	2 769
Provisions		5 890 711	5 890 711
Short term employee benefits	18	9 197 615	5 889 539
Accrual for committed projects	19	3 217 137	2 711 488
Unutilised third party funds	20	10 966 455	28 981 005
Bank overdraft	14	-	1 038
		35 719 574	51 533 429
Total Liabilities		35 719 574	51 533 429
Net Assets		31 877 157	36 953 246
Accumulated surplus		31 877 157	36 953 246
		67 596 731	88 486 675

STATEMENT OF FINANCIAL PERFORMANCE

as at March 31, 2019

	Note(s)	2019 R	2018 Restated* R
Revenue			
Non-exchange revenue			
Transfer Revenue	3	202 578 000	200 913 000
Other grants - Third party funds	4	13 486 902	18 542 321
Total revenue from non-exchange transactions		216 064 902	219 455 321
Exchange revenue			
Other income	5	3 130 159	1 559 098
Finance income		2 298 756	4 959 740
Total revenue from exchange transactions		5 428 915	6 518 838
Total revenue		221 493 817	225 974 159
Expenditure			
Mandate expenses			
Disbursements to NDA grant funded projects		(8 569 411)	(8 181 292)
Disbursements to third party funded projects		(1 410 944)	(578 715)
Third party funded capacity building costs		(2 429 712)	(17 963 605)
CSO development Programme implementation costs		(11 630 130)	(14 995 840)
Research, monitoring and evaluation costs		(2 768 072)	(1 188 806)
NDA funded capacity building costs		(13 056 999)	(21 335 023)
Mandate staff costs		(75 401 162)	(70 187 649)
Third party funded summits		(9 646 244)	-
Total mandate expenses		(124 912 674)	(134 430 930)
Administration expenses			
Accommodation and travel		(10 125 734)	(8 867 132)
Audit fees		(3 018 177)	(2 619 736)
Board fees	6	(1 691 293)	(1 851 627)
Consulting and professional fees		(4 053 693)	(2 468 880)
Depreciation and amortisation		(2 374 479)	(2 821 183)
Operating leases		(12 405 967)	(10 785 980)
Admin staff costs	7	(52 131 979)	(49 461 717)
IT communication costs		(3 979 386)	(2 846 218)
Relocation of offices		(1 664 771)	(327 070)
Increase in allowance for loss*		(54 990)	-
Loss on disposal of assets		(85 754)	(152 500)
General expenses	8	(10 118 313)	(13 458 305)
Total expenditure		(226 617 210)	(230 091 278)
Deficit for the year		(5 123 393)	(4 117 119)

*The increase in allowance for losses relate to long outstanding debtors that were approved to be written off in the current financial year.

STATEMENT OF CHANGES IN NET ASSETS

as at March 31, 2019

	Accumulated surplus R	Total net assets R
Balance at April 1, 2017	71 488 347	71 488 347
Changes in net assets		
Deficit for the year	(4 117 119)	(4 117 119)
Surplus surrendered to National Treasury	(30 417 982)	(30 417 982)
Total changes	(34 535 101)	(34 535 101)
Opening balance as previously reported	(36 953 426)	(36 953 426)
Adjustments		
Prior year adjustments*	(47 304)	(47 304)
Restated* Balance at April 1, 2018 as restated*	37 000 550	37 000 550
Changes in net assets Deficit for the year	(5 123 393)	(5 123 393)
Total changes	(5 123 393)	(5 123 393)
Balance at March 31, 2019	31 877 157	31 877 157

*The prior year adjustment relates to prior year invoices that were not accounted for in the correct accounting period.

CASH FLOW STATEMENT

as at March 31, 2019

	Note(s)	2019 R	2018 Restated* R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Transfer revenue		205 505 567	238 240 052
Interest income		2 280 007	5 005 152
Other receipts		3 229 469	2 201 988
		211 015 043	245 447 192
Payments			
Employee costs		(125 916 356)	(116 767 570)
Suppliers		(86 516 872)	(99 138 732)
Funded projects		(9 474 708)	(10 458 371)
Eastern Cape provincial department of Social Development		-	(5 296 224)
National Treasury: surplus surrender		-	(30 417 982)
KwaZulu Natal provincial department of social development		(7 352 373)	-
		(229 260 309)	(262 078 879)
Net cash flows from operating activities	21	(18 245 266)	(16 631 687)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	(2 340 653)	(3 851 895)
Purchase of other intangible assets	10	-	(16 701)
Net cash flows from investing activities		(2 340 653)	(3 868 596)
Net increase/(decrease) in cash and cash equivalents		(20 585 919)	(20 500 283)
Cash and cash equivalents at the beginning of the year		80 674 908	101 175 191
Cash and cash equivalents at the end of the year	14	60 088 989	80 674 908

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

as at March 31, 2019

Budget on Cash Basis

	Approved budget on cash basis	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Notes
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions				3 130 159 3	1 958 307 1	31.1
Other income	–	171 852	1 171 852	130 159	958 307	
Interest received – investment	2 978 032	(890 000)	2 088 032	2 298 756	210 724	
Total revenue from exchange transactions	2 978 032	281 852	3 259 884	5 428 915	2 169 031	
Revenue from non-exchange transactions						
Transfer Revenue						
Government grants and subsidies	202 578 000	–	202 578 000	202 578 000	–	
Other grants	–	13 486 902	13 486 902	13 486 902	–	
Transfer from accumulated funds	–	28 148 546	28 148 546	–	(28 148 546)	31.2
Total revenue from non-exchange transactions	202 578 000	41 635 448	244 213 448	216 064 902	(28 148 546)	
Total revenue	205 556 032	41 917 300	247 473 332	221 493 817	(25 979 515)	
Expenditure						
Admin staff costs	(48 972 690)	(1 239 318)	(50 212 008)	(52 138 661)	(1 926 653)	31.3
Board meeting fees	(1 959 676)	150 000	(1 809 676)	(1 691 293)	118 383	
Depreciation and amortisation	–	–	–	(2 374 479)	(2 374 479)	31.4
Lease rentals on operating lease	(12 836 351)	(719 691)	(12 116 660)	(12 405 967)	(289 307)	
NDA funded capacity building costs	(7 850 020)	(7 515 996)	(15 366 016)	(13 056 999)	2 309 017	31.5
Research, monitoring and evaluation costs	(4 037 167)	(978 073)	(5 015 240)	(2 768 072)	2 247 168	31.6
Third party managed funds	–	(13 486 900)	(13 486 900)	(13 486 900)	–	
NDA grant funded projects	–	(15 409 717)	(15 409 717)	(8 569 411)	6 840 306	30.7
CSO development programme implementation costs	(7 441 583)	(4 411 427)	(11 853 010)	(11 630 130)	222 880	31.8
Increase in allowance for loss				(54 990)	(54 990)	
Mandate salary costs	(76 847 253)	1 219 882	(75 627 371)	(75 401 162)	226 209	
General Expenses	(19 555 867)	2 729 845	(16 826 022)	(11 776 402)	5 049 620	31.9
IT communications costs	(4 117 200)	–	(4 117 200)	(3 979 386)	137 814	
Audit fees	(2 406 250)	(338 346)	(2 744 596)	(3 018 177)	(273 581)	
Consulting and professional fees	(9 804 501)	(3 524 460)	(13 328 961)	(4 053 693)	9 275 268	30.10
Accommodation and travel	(7 793 178)	(289 492)	(8 082 670)	(10 125 734)	(2 043 064)	30.11
Total expenditure	(203 621 736)	(42 374 311)	(245 996 047)	(226 531 456)	19 464 591	
Operating deficit	1 934 296	(457 011)	1 477 285	(5 037 639)	(6 514 924)	
Loss on disposal of assets	–	–	–	(85 754)	(85 754)	
Deficit before taxation	1 934 296	(457 011)	1 477 285	(5 123 393)	(6 600 678)	
Deficit for the year from continuing operations	1 934 296	(457 011)	1 477 285	(5 123 393)	(6 600 678)	
Capital expenditure	(1 934 296)	(1 271 348)	(3 205 644)	(2 340 653)	864 991	
Actual Amount on Comparable Basis as Presented	–	(1 728 359)	(1 728 359)	(7 464 046)	(5 735 687)	

ACCOUNTING POLICIES

1. Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

The following Standards of GRAP have been issued by the Accounting Standards Board, but were not effective at reporting date and were considered in the development of applicable accounting policies:

- GRAP 34 – Separate Financial Statements
- GRAP 35 – Consolidated Financial Statements
- GRAP 36 – Investments in Associates and Joint Ventures
- GRAP 37 – Joint Arrangements
- GRAP 38 – Disclosure of interest in other entities
- GRAP 104 – Financial Instruments
- GRAP 110 – Living and non-living resources

The following Standards of GRAP were applied by the entity in the current financial year:

- GRAP 1 – Presentation of financial statements
- GRAP 2 – Cash flow statements
- GRAP 3 – Accounting policies, changes in accounting estimates
- GRAP 9 – Revenue from exchange transactions
- GRAP 13 – Leases
- GRAP 17 – Property, plant and equipment
- GRAP 19 – Provisions, contingent liabilities and contingent assets
- GRAP 23 – Revenue from non-exchange transactions
- GRAP 24 – Presentation of budget information
- GRAP 25 – Employee benefits
- GRAP 31 – Intangible assets

The cash flow statement is prepared in accordance with the direct method in accordance with GRAP 1. The amount and nature of any restrictions on cash balances has been disclosed in Note 14.

The items such as the following are presented separately on the statement of financial position in accordance with GRAP 1.

- Receivables from non-exchange transactions, including taxes and transfers.
- Taxes and transfers payable.
- Trade and other payables from exchange transactions; these accounting policies are consistent with the previous period.

The financial statements incorporate the principal accounting policies which are consistent with those adopted in the previous years, are set out below:

1.1 Functional and presentation currency

These financial statements are presented in South African rand, which is the entity's functional currency. All financial information is presented in South African rand has been rounded off to the nearest rand.

1.2 Mandate expenditure

Mandate expenditure represents expenditure that is directly related to carrying out the primary and secondary mandate of the entity as instructed by the founding NDA Act no.108 of 1998. Mandate expenses are recognised in surplus or deficit when expenditure has been incurred and decrease in economic benefits are expected in the form of outflows other than those relating to distribution to owners.

1.2.1 Disbursements to funded projects

Disbursements to funded projects represent cash paid to funded projects in terms of the funding contracts entered into with Non-profit organisations and Civil Society Organisations. Disbursements are recognised when the actual cash is paid to a project or when all requirements for the payment to a project has been met.

1.2.2 Capacity building costs

Capacity building costs represents expenditure incurred by the Agency in carrying out its primary mandate of strengthening the institutional capacity of Civil Society Organisations. The expenditure is recognised when goods have been delivered or services have been rendered at the end of the financial year.

1.3 Committed project funds

Committed project funds represent funds committed in terms of contracted funding to NPOs and CSOs that have not yet been disbursed to these organisations by the end of the financial year. Committed project funds are recognised when a contract is entered into between the agency and a funded Civil Society Organisation, but the conditions for payment of contracted funds have not been met at the end of a financial year.

1.4 Administrative expenses

Administrative expenses represents expenditure incurred by the entity in respect of administration of the business of the entity. Administrative expenses are recognised in surplus or deficit when expenditure has been incurred and decrease in economic benefits are expected in the form of outflows other than those relating to distribution to owners.

1.5 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months. The entity's current assets exceeds its current liabilities by R 25 327 311.

Management believes that the allocation it expects to receive from government through the National Department of Social Development in the next financial year and its cash balances as at the end of the financial year will enable the entity to meet its obligations and fund its operating costs for the next twelve months.

1.6 Property, plant and equipment

Items of property, plant and equipment are tangible non-current assets that are held for use in the provision of services to Civil Society Organisations and for administrative purposes and are expected to be used during more than one period. Items of property, plant and equipment are recognised in the statement of position when it is probable that future economic associated with the asset will flow to the entity and their costs and fair value can be measured reliably.

Items of property, plant and equipment are recognised at historical cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Surplus or deficit arising from the de-recognition of an item of property, plant and equipment is included in the Statement of Performance when the item is derecognised. The surplus or deficit arising from de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds if any and the carrying amount of the item.

Subsequent costs. Subsequent costs are costs incurred to add or replace a significant part of an item of property, plant and equipment. Subsequent costs relating to an item of property, plant and equipment are capitalised when it is probable that future economic benefits from the use of the asset will flow to the entity. All other subsequent costs are recognised as an expense in the period in which they are incurred. If replacement costs are recognised in the carrying amount of item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Depreciation. Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over the estimated useful lives of items of property, plant and equipment. Depreciation charge is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

The useful lives of items of property, plant and equipment have been revised as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	6-15 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	6-15 years
IT equipment	Straight line	3-11 years

The useful lives, depreciation methods and the residual values of items of property, plant and equipment are reviewed on an annual basis, at the end of each financial year.

The cost of day to day servicing of property, plant and equipment are recognised in surplus or deficit when they are incurred.

1.7 Intangible assets

Initial recognition and measurement

Intangible assets are initially recognised at cost. Intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses initially recognised as soon as the acquisition item is available for use by the entity. Intangible assets are recognised when it is probable that future economic benefits specifically attributed to the assets will flow to the entity and the cost of the intangible asset can be measured reliably. Intangible assets that are acquired, which have finite useful lives, are recognised at cost less accumulated amortisation and accumulated impairment losses.

Subsequent costs

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated brands, is recognised in surplus or deficit as incurred.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives. Amortisation is recognised in surplus or deficit over the estimated useful lives of intangible assets from the date that they are available for use. Intangible assets are amortised on the straight-line basis over the estimated useful lives of three (3) to ten (10) years. Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3-11 years
ERP System	12 years

ACCOUNTING POLICIES (continued)

The surplus or deficit arising from the de-recognition of an intangible asset is recognised as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The surplus or deficit from de-recognition of an intangible asset is recognised in the statement of financial performance when the asset is derecognised.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

1.8.1 Non-derivative financial instruments

The entity's non-derivative financial instruments comprise the following:

- Receivables from exchange transactions and Receivables from exchange transaction.
- Cash and cash equivalents.
- Payables from exchange transactions and Payables from non-exchange transactions.
- Provisions and short-term employee benefits.

Financial assets and financial liabilities are recorded on the statement of financial position when the entity becomes a party to the financial instrument. Financial assets are derecognised when the contractual rights to the cash flow from the financial assets expire or when the financial asset, with all risks and rewards of ownership is transferred. Financial liabilities are derecognised when the contractual obligation expires or is discharged or cancelled.

1.8.2. Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and bank balances and other short term highly liquid investments that are readily convertible to a known amount of cash. These are initially and subsequently recorded at amortised cost. Loans, receivables, and financial liabilities measured at amortised cost. In the case of trade and other receivables, cash and cash equivalents, trade and other payables, these non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

1.8.3 Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted to the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in surplus or deficit. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in surplus or deficit.

1.8.4 . Offset

Where a legally enforceable right of offset exists for recognised non-derivative financial instruments, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

1.9.1 Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Impairment of cash-generating assets

Non-cash-generating assets are assets other than those used for the purposes of generating a commercial return. Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation). Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense. Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use. Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

1.11.1 Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

1.11.2 Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

1.12 Provisions and contingencies

1.12.1 Provisions

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;

- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision. Provisions are not recognised for future operating deficits.

1.12.2 Contingent assets

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non- occurrence of one or more uncertain future event not wholly within the control of the entity.

1.12.3 Contingent liabilities

Contingent liabilities are possible obligations that arose from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within control of the entity, or a present obligation that arises from past events but is not recognised because:

- It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- The amount of the obligation cannot be measured with sufficient reliability.

1.13 Accrual for committed projects

Accrual for committed projects represents funds due to projects that have met the conditions for payment, but have not been paid to the projects at the end of the financial year. Accruals are recognised in surplus or deficit when the project has met conditions for payment.

1.13.1 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash. Disclosures are required in respect of unrecognised contractual commitments. Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

ACCOUNTING POLICIES (continued)

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.14 Exchange revenue

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners. Revenue is measured at fair value of the consideration received or receivable net of discounts and rebates. Exchange revenue represents transactions in which the entity receives assets or services and directly gives approximate equal value to another in exchange.

1.14.1 Finance income

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in surplus or deficit, using the effective interest rate method, taking account of the principal outstanding and the effective rate over the period to maturity.

1.14.2 Other Income

Other income comprises of various sources as described below:

1.14.3 Sundry Income

Sundry income includes funds recovered from other governments in respect of expenses incurred in the previous on their behalf. This income is recognised in surplus or deficits in the period in which it is received.

1.14.4 Recoveries from projects

Recoveries from projects include funds refunded to NDA by projects that are discontinued or funding agreements cancelled. These funds are recognised when received into NDA bank accounts.

1.14.5 Management fee

Management fee comprises fees raised for managing and implementing programmes on behalf of other government departments and partners. Management fee are recognised in surplus or deficit in accordance with the percentage of completion method.

1.15 Revenue from non-exchange transactions

Non-exchange revenue represents gross inflows of economic benefits or service potential received and receivable by the entity without directly giving any approximate equal value in exchange.

1.15.1 Transfer revenue

Transfer Revenue is an unconditional grant received by the entity from government for its operations and is measured at fair value of the consideration received. The transfer is recognised in surplus and or deficit when it is received and none of the revenue is deferred.

1.15.2 Other Grants

Other grants represent conditional grants received with conditions attached to them. Other grants are recognised in surplus or deficit when the entity has met the stipulations and conditions imposed by the grantor of such funds. As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

1.16 Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a Standard of GRAP does not require the restatement of comparative information. The nature and reason for the classification are disclosed. Where material accounting error have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior period comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as practicable, and the prior period comparatives are restated accordingly.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

- this Act; or
- the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008): Irregular expenditure that was incurred and identified during the current financial and which was condoned before year-end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year-end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable

in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.19 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions. Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity. Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.20 Events after reporting date

The term of office of the entity's Board of directors ended on the 4th of January 2019 resulting in the entity not having a Board in place for the remainder of the financial year. A replacement Board was subsequently appointed by the Minister of Social Development with effect from the 1st of April 2019.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2019 R	2018 R
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2. LEGAL FORM AND REGISTERED OFFICE OF THE NDA

The NDA is a schedule 3A public entity in terms of the PFMA that was established in term of the National Development Agency Act, Act No. 108 of 1998 as amended. The NDA grants funds to CSOs that implement development projects in poor communities and strengthen the institutional capacity building of these organisations as mandated by the National Development Agency Act.

The Entity's registered offices are as follows: 26 Wellington Road

Parktown Johannesburg 2193

3. NON EXCHANGE REVENUE

Operating grants

Transfer revenue	202 578 000	200 913 000
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4. NON EXCHANGE REVENUE

Other grants

Utilised portion of conditional grant (DSD: Free State ECD)	–	484 306
Utilised portion of conditional grant (DSD: KZN)	7 876 238	–
Utilised portion of conditional grant (Gautrain management)	95 000	–
Utilised portion of conditional grant (SASSA School uniforms)	–	18 257
Utilised portion of conditional grant (DSD: Limpopo)	1 959 078	–
Utilised portion of conditional grant (Rand Water Foundation)	–	76 153
Utilised portion of conditional grant (DSD: Northern Cape)	2 066 834	–
Provincial NPO capacity building project	318 600	17 963 605
Utilised portion of conditional grant (DSD: Mpumalanga)	1 171 152	–
	13 486 902	18 542 321

5. OTHER INCOME

Management fees	584 793	1 364 000
Insurance refunds	123 270	178 829
Sundry Income	1 997 049	16 269
Recoveries from projects	425 047	–
	3 130 159	1 559 098

6. EXECUTIVE AND NON-EXECUTIVE MANAGEMENT REMUNERATION

Executive remuneration 2019

	Designation	Appoint- ment date	Termina- tion date	Basic salary	Employer benefit con- tribution	Total
Ms CTH Mzobe	Chief Executive Officer	November 1, 2016		1 894 913	256 913	2 151 826
Ms H Masour	Chief Audit Executive	November 24, 2005		1 351 955	345 963	1 697 918
Mr B Magongo	Research and Development Executive	September 1, 2012		1 380 845	301 646	1 682 491
Mr SSL Ngcobo	Corporate Services Executive	September 1, 2017		1 423 272	189 899	1 613 171
Ms CN Yeni	Chief Financial Officer	October 3, 2017	December 14, 2018	954 746	156 354	1 111 100
Ms VL Mahaye	Company Secretary	September 1, 2018	February 28, 2019	668 434	115 319	783 753
Ms S Khumalo	Chief Operations Officer	December 1, 2018		420 982	68 599	489 581
Mr NGM Mthembu	Acting: Chief Operations Officer	January 1, 2018	November 30, 2018	102 691	–	102 691
Ms SS Shoji	Acting Company Secretary	March 1, 2019		40 301	–	40 301
Mr S Shingange	Acting Chief Financial Officer	January 1, 2019		40 242	–	40 242
				8 278 381	1 434 693	9 713 074

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

6. EXECUTIVE AND NON-EXECUTIVE MANAGEMENT REMUNERATION

Executive remuneration 2019

	Designation	Appoint-ment Date	Termina-tion Date	Basic Salary	Employer benefit contribution	Perfor-mance Bonus	Total
Ms C.T.H Mzobe	Chief Executive Officer	November 1, 2016		1 803 917	247 210	234 365	2 285 492
Mr B Magongo	Research Executive	September 1, 2012		1 315 787	287 818	133 587	1 737 192
Ms H. Mansour	Chief Audit Executive	November 24, 2005		1 267 495	350 785	74 906	1 693 186
Dr AV Bouwer	Acting Chief Operations Officer	November 1, 2014	January 15, 2018	1 134 521	139 349	70 692	1 344 562
Mr B Makgae	Company Secretary	April 1, 2016	December 31, 2017	791 966	134 086	56 869	982 921
Mr. S.S.L Ngcobo	Corporate Services Executive	September 1, 2017		773 603	109 555	-	883 158
Ms N.C Yeni	Chief Financial Officer	October 3, 2017		604 979	101 001		705 980
Mr S. Shingange	Acting Chief Financial Officer	November 1, 2015	November 30, 2017	513 823	103 277	56 845	673 945
Mr T.L Ngwenya	Acting Executive: Corporate Services	December 1, 2015	August 31, 2017	424 711	52 226	55 943	532 880
Mr S.S Shozi	Acting Company Secretary	January 8, 2018		279 322	59 765	-	339 087
Rev N.G. Mthembi	Acting Chief Operations Officer	January 16, 2018		165 087	40 859		205 946
				9 075 211	1 625 931	683 207	11 384 349

Non-executive remuneration 2019

	Appointment date	Termination date	Members' fees	Total
Ms TA Shange	January 4, 2016	January 3, 2019	106 488	106 488
Ms B Khan	January 4, 2016	January 3, 2019	132 294	132 294
Mr MM Chikane	January 4, 2016	January 3, 2019	85 568	85 568
Ms J Hermans	January 4, 2016	January 3, 2019	326 939	326 939
Ms BM Mannya	January 4, 2016	January 3, 2019	163 725	163 725
Ms FS Varachia	January 4, 2016	January 3, 2019	187 343	187 343
Mr A Hanekom	January 4, 2016	January 3, 2019	232 737	232 737
Mr Z Ngcakani	January 4, 2016	January 3, 2019	141 269	141 269
Ms JSP Matsebula	January 4, 2016	January 3, 2019	165 303	165 303
Ms MJ Matlala	January 4, 2016	January 3, 2019	149 627	149 627
			1 691 293	1 691 293

6. EXECUTIVE AND NON-EXECUTIVE MANAGEMENT REMUNERATION

Non-executive remuneration 2018

	Appointment date	Members' fees
Ms. T Shange	January 4, 2016	151 543
Ms. B Khan	January 4, 2016	158 077
Mr. Z Ngcakani	January 4, 2016	138 534
Mr. MM Chikane	January 4, 2016	131 871
Ms. BM Manya	January 4, 2016	214 833
Ms. MJ Matlala	January 4, 2016	221 081
Ms. JSP Matsebula	January 4, 2016	177 223
Mr. A Hanekom	January 4, 2016	211 962
Ms. FS Varachia	January 4, 2016	221 880
Ms. J Hermans	January 4, 2016	224 623
		1 851 627

7. STAFF COSTS

Department	2019	Percentage split	2018	Percentage split
Mandate staff costs				
Direct mandate salaries	75 401 162	59%	70 187 649	58%
Administration and Governance staff costs				
Corporate services	16 535 852	13%	15 085 279	13%
Office of the COO	901 129	1%	328 613	-%
Research and development	3 096 022	2%	2 930 400	2%
Internal audit	6 201 397	5%	5 923 657	5%
Office of the CEO	9 177 498	7%	7 496 281	6%
Finance and supply chain	9 086 669	7%	8 077 931	7%
Other employment related cost				
Staff training costs	871 436	1%	752 680	1%
Performance bonus	--	-%	5 838 198	5%
Other staff costs related costs	6 261 976	5%	3 028 678	3%
	52 131 979	41%	49 461 717	42%
	127 533 141	100%	119 649 366	100%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

8. GENERAL EXPENSES

	2019 R	2018 R
Bank charges	99 303	87 901
Security services	3 000	–
Consumables	38 695	140 510
Offsite storage	119 172	197 597
Transport costs	3 600	19 400
Insurance	269 846	254 841
Postage and courier	130 043	228 475
Printing and stationery	1 073 988	1 461 808
Municipal charges- leased buildings	2 427 163	2 394 841
Repairs and maintenance	312 071	418 590
Software license and renewal	1 524 337	2 745 489
Staff welfare	177 873	186 142
Subscriptions and membership fees	20 752	15 066
Telephone and fax	815 527	960 013
Catering	386 008	492 968
Donations and sponsorships	104 431	169 200
Marketing and promotions	713 881	1 094 990
Advisory and districts running costs	659 230	1 575 534
Travel management charges / fees	1 110 033	841 106
Seminars, workshops and conferences	129 360	173 834
	10 118 313	13 458 305

	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	4 705 998	(2 856 681)	1 849 317	4 447 740	(2 646 644)	1 801 096
Motor vehicles	302 708	(105 948)	196 760	302 708	(45 406)	257 302
Office equipment	2 362 564	(1 039 792)	1 322 772	2 097 118	(724 298)	1 372 820
Computer equipment	8 423 341	(5 349 692)	3 073 649	7 299 456	(4 182 757)	3 116 699
Total	15 794 611	(9 352 113)	6 442 498	14 147 022	(7 599 105)	6 547 917

9. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment – 2019

	Opening balance	Additions	Disposals	Depreciation	Change in estimate	Total
Furniture and fixtures	1 801 096	452 851	(20 014)	(616 507)	231 891	1 849 317
Motor vehicles	257 302	–	–	(60 542)	–	196 760
Office equipment	1 372 820	316 430	(14 012)	(373 351)	20 885	1 322 772
Computer equipment	3 116 699	1 571 372	(51 727)	(2 149 713)	587 018	3 073 649
	6 547 917	2 340 653	(85 753)	(3 200 113)	839 794	6 442 498

Reconciliation of property, plant and equipment – 2018

	Opening balance	Additions	Disposals	Depreciation	Change in estimate	Total
Furniture and fixtures	1 477 799	893 395	(15 147)	(585 473)	30 522	1 801 096
Motor vehicles	–	302 708	–	(45 406)	–	257 302
Office equipment	721 624	1 006 444	(37 335)	(324 980)	7 067	1 372 820
IT equipment	3 454 133	1 649 348	(99 556)	(1 931 563)	44 337	3 116 699
	5 653 556	3 851 895	(152 038)	(2 887 422)	81 926	6 547 917

Pledged as security

Carrying value of property, plant and equipment does not include any assets pledged as security:

10. INTANGIBLE ASSETS

	2019			2018		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Other software	68 525	(44 851)	23 674	216 749	(186 521)	30 228
ERP system	1 721 302	(1 637 628)	83 674	1 721 302	(1 630 021)	91 281
Total	1 789 827	(1 682 479)	107 348	1 938 051	(1 816 542)	121 509

Reconciliation of intangible assets – 2019

	Opening balance	Amortisation	Change in estimate	Total
Other software	30 228	(20 950)	14 396	23 674
ERP system	91 281	(143 442)	135 835	83 674
	121 509	(164 392)	150 231	107 348

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

10. INTANGIBLE ASSETS (continued)

Reconciliation of intangible assets – 2018

	Opening balance	Additions	Disposals	Amortisation	Change in estimate	Total
Other software	20 551	16 701	(462)	(32 510)	25 948	30 228
ERP system	100 409	–	–	(156 482)	147 354	91 281
	120 960	16 701	(462)	(188 992)	173 302	121 509

Pledged as security

Carrying value of intangible assets does not include any assets pledged as security.

Restricted title

Carrying value of intangible assets does not include any assets whose title is restricted.

Contractual commitments

Included in Note 22 is an amount of R 5 718 145 in respect of contractual commitment for the construction of an intangible asset in the next financial year.

11. CHANGES IN ESTIMATES

Property, plant and equipment

In terms of GRAP 17 – Property, plant and equipment, the useful lives of all assets were reviewed by management at year-end. The remaining useful life expectations of some assets differed from previous estimates.

The effect of the change in estimates is as follows:

Asset Category	Depreciation before adjustment	Depreciation after adjustment	Total change prior period	Effect on current period	Effect on future period
Computer equipment	2 149 712	(1 562 694)	587 018	–	–
Office equipment	373 351	(352 466)	20 885	–	–
Furniture	616 507	(384 616)	231 891	–	–
	3 139 570	(2 299 776)	839 794	–	–

The useful lives assessment of items of property, plant and equipment resulted in an increase in carrying values of items of property, plant and equipment and an equivalent reduction in depreciation expense of R839 794.

Intangible assets

In terms of GRAP 31 – Intangibles, the useful lives of all assets were reviewed by management at year-end. The effect of change is as follows:

Asset category	Depreciation before adjustment	Amortisation after adjustment	Total prior period effect	Current year effect	Effect on future periods
Other software	43 187	(28 791)	–	–	14 396
ERP system	1 630 021	(1 494 185)	–	–	135 836
	1 673 208	(1 522 976)	–	–	150 232

The useful lives assessment of intangible assets resulted in an increase in carrying values of the intangibles and an equivalent reduction in amortisation expense of R150 231.

12. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2019 R	2018 R
Rental deposits	774 307	791 093
Interest receivables	127 367	108 619
	901 674	899 712

13. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2019 R	2018 R
Employee related advances	–	19 033
Other receivables	56 222	689 237
Allowances for credit losses	–	(466 679)
	56 222	241 591
Movement in provision for impairment of trade receivables		
Opening balance	(466 679)	(466 679)
Release of provision for impairment	466 679	–
	–	(466 679)

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:		
Cash on hand	26 104	13 875
Call and current accounts	30 202 478	54 695 952
Money markets accounts	29 860 407	25 965 081
	60 088 989	80 674 908
Current assets	60 088 989	80 675 946
Bank overdraft	–	(1 038)
	60 088 989	80 674 908

Included in cash and cash equivalents at the end of the financial year are the following:

Funds committed to projects to the value of R 1 122 373 (2018: R 16 949 352) (refer to Note 22).

Unutilised portion of conditional grants received from partners to the value of R 10 966 453 (2018: R 28 981 005).

Lease guarantee in respect of blend property to the value of R 1 065 655.

15. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	6 183 962	7 702 967
Operating lease liabilities	256 842	353 912
	6 440 804	8 056 879

Trade payables represent accruals for goods and services rendered, but not yet paid at the end of the financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

16. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

	2019 R	2018 R
Other creditors	6 852	–
Staff creditors	–	2 769
	6 852	2 769

17. PROVISIONS

Provision for performance bonus		
Opening balance	5 890 711	5 283 999
Over provision from previous year	–	(52 513)
Payout	–	(5 231 486)
Provision raised in the current year	–	5 890 711
	5 890 711	5 890 711

The provisions for performance bonus represent a probable payment for a performance bonus based on the performance management policy of the entity. The performance bonus will be payable to staff within the next twelve (12) months based on the overall performance of the entity and individual assessments. The provision is based on historical individual performance, including half-yearly performance assessments.

The quantum and timing of the performance bonus is dependent on final assessment of individual performance and declaration of the bonus by the Board.

18. SHORT TERM EMPLOYEE BENEFITS

Accrual for leave		
Opening balance	5 084 836	3 981 001
Provision raised in the current year	4 053 038	1 250 560
Leave payout	(810 209)	(146 725)
	8 327 665	5 084 836
Accrual for 13th cheque	804,703	623 631
Opening balance	3 355 308	3 308 532
Provision raised in the current year	(3 290 061)	(3 127 460)
Payout	(3 290 061)	(3 127 460)
	869 950	804 703
Total short-term employee benefits	9 197 615	5 889 539

19. ACCRUAL FOR COMMITTED PROJECTS

Opening balance	2 711 488	4 401 462
Approved for payments to NDA funded projects	7 268 868	8 181 292
Approved for payments to third party managed projects	–	578 715
Cash disbursed to NDA funded projects	(5 352 275)	(9 871 266)
Cash disbursed to third party managed projects	(1 410 944)	(578 715)
	3 217 137	2 711 488

The accrual for committed projects represent payments approved to be disbursed to funded projects at the end of the financial year, disbursed to projects post the end of the financial year.

20. UNUTILISED THIRD PARTY FUNDS

	2019 R	2018 R
Opening balance	28 981 005	14 833 981
Funds received from partners	2 824 723	40 008 152
Funds disbursed and committed	(13 486 902)	(25 861 128)
Refund to DSD: KZN	(7 352 373)	–
	10 966 453	28 981 005

Unutilised third party funds represents the portion of funds received that remain unspent as at the end of the financial year in terms of agreements entered into with funders.

21. CASH USED IN OPERATIONS

Deficit	(5 123 393)	(4 117 119)
Adjustments for:		
Depreciation and amortisation	2 374 479	2 821 183
Loss on sale of assets	85 754	152 500
Movements in provisions	–	606 712
Adjustment to prior year earnings	47 304	(30 154 169)
Changes in working capital:		
Receivables from exchange transactions	(1 962)	(201 769)
Other receivables from non-exchange transactions	185 369	(29 103)
Payables from exchange transactions	(1 616 071)	546 092
Payables from non-exchange	4 083	2 029
Short term employee benefits	3 308 076	1 284 907
Accrual for committed projects	505 649	(1 689 974)
Unutilised third party funds	(18 014 554)	14 147 024
	(18 245 266)	(16 631 687)

22. COMMITMENTS

Authorised operational expenditure		
Authorised operational expenditure (Open Purchase orders and contracts) payable		
Within One Year	11 210 425	9 632 773
In the second to fifth year	2 509 114	236 164
	13 719 539	9 868 937
Total operational commitments		
Already contracted for but not provided for	13 719 539	9 868 937
Committed project funds		
At the end of the financial year, the entity had committed funds in terms of contracted funding to NPOs and CSOs that had not yet been disbursed to these organisations by the end of the financial year:		
Funds committed to projects	1 122 373	16 949 352
Operating leases commitment		
The operating lease commitments relates to the rental of office premises occupied by the NDA and are payable as follows:		
Minimum lease payments due		
– within one year	7 918 962	6 902 007
– in second to fifth year inclusive	8 613 675	3 721 038
	16 532 637	10 623 045

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

23. CONTINGENCIES

23.1 Contingent liabilities

The NDA is currently defending the legal claims below. These are cases which are still before the courts and the outcomes of these cases are yet to be determined.

23.1.1 Uhuru Publishers

The plaintiff is claiming damages to the value of R3 507 000 for a contract that management cancelled because it was awarded irregularly.

23.1.2 Fair deal Poultry Farmers CC

The complainant is claiming damages to the value of R199 940 for a contract that management cancelled due to failure by the complainant to deliver services to the required standard.

23.1.3 Pannar Seeds

The plaintiff is claiming an amount of R761 230 for goods allegedly delivered to funded projects in the Eastern Cape and Free State.

23.1 Contingent assets

During the criminal case against the accounts clerk who misappropriated NDA funds, assets to the value of R3 100 000 were recovered by the Asset Forfeiture Unit (AFU). The AFU will pay the balance of the liquidated assets less their expenses over to the NDA. At the reporting date, the AFU was still to apply for a realisation order prior to paying over the recovered assets less a portion of their administrative costs to the NDA.

24. RELATED PARTIES

24.1 Department of Social Development

A related party relationship exists between the NDA and the National Department of Social Development. The Minister of Social Development is the Executive Authority of the entity. The two parties did not enter into any transactions except for the transfer of funding to the value of R202 578 000 (2018: R 200 913 000) received by the entity as disclosed in Note 3.

24.2 South African Social Security Agency

The agency and SASSA are national public entities under common control of the national department of Social Development.

The South African Social Security Agency transferred funds to the agency for the purposes of providing grants and training to school uniform producing co-operatives on their behalf. The co-operatives were funded and trained in the 2015/2016 financial year. The outstanding balance represents funds set aside to conduct evaluations and monitoring of these co-operatives by the agency.

24.3 Rand Water Foundation

Rand Water Foundation and NDA are national public entities as defined in the PFMA, are thus related parties.

Rand Water Foundation transferred funds to the value of R1 700 000 in the 2017/2018 financial year for the purposes of providing an early childhood development centre (ECD) to an identified community in the Mpumalanga province on their behalf. The balance outstanding represents funds not yet spent by the entity at the end of the financial year.

24.4 Board members and key management personnel

A related party relationship exists between the entity, its key management personnel and the Board. The Board and management did not enter into any transactions that require disclosure except for the Board fees and remuneration payable for services rendered as disclosed in Note 6.

24. RELATED PARTIES (continued)

Related party transactions and balances

Nature of transactions

		Opening balance	Current Year Transactions	Closing Balance
South African Social Security Agency	Funding of co-operatives	1 552 028	62 419	1 614 447
Rand Water Foundation	Construction of ECD centre	1 647 727	73 553	1 721 282
		3 199 755	135 972	3 335 729

25. FINANCIAL RISK MANAGEMENT

The entity has exposure to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk

This note presents information about the entity's exposure to each of the above risks, the entity's objectives, policies and processes for measuring and managing risk, and the entity's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board has the overall responsibility for the establishment and oversight of the entity's risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring the entity's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The entity's risk management policies are established to identify and analyse the risks faced by the entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the entity's activities. The entity, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk that the counter-party to a financial asset will default on its obligation, in part or in total, thereby causing loss to the entity. This risk is being managed by the entity only investing funds at large, reputable financial institutions in the Republic of South Africa.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit risk exposure of the entity. The maximum exposure to credit risk at the reporting date was:

	2019	2018
Cash and cash equivalents	60 088 989	80 674 908
Receivables from exchange transactions	901 674	899 712
Receivables from non-exchange transactions	56 222	241 591
	61 046 885	81 816 211

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

Private institutions	–	1 122 270
Employee advances	55 496	19 033
	55 496	1 141 303

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

25. FINANCIAL RISK MANAGEMENT (continued)

	2019	2018
Impairment losses	466 679	466 679
Impairment provision at the beginning of the year		
Impairment during the year	(466 679)	–
	–	466 679

Liquidity risk

Liquidity risk is the risk that the NDA could default on its obligation, in part or in total, due to not having cash flows to settle an obligation when it falls due. This risk is being managed by the entity only investing funds at large, reputable financial institutions in the Republic of South Africa.

31 March 2019	Carrying amount	Contractual cashflows	6 months or less	6–12 months
Trade and other payables	6 447 659	6 447 266	6 447 266	–
Accrual for committed projects	3 217 137	3 217 137	3 217 137	–
Unutilised third party funds	10 966 453	10 966 453	–	10 966 453
	20 631 249	20 631 249	9 664 403	10 966 453

31 March 2018	Carrying amount	Contractual cashflows	6 months or less	6–12 months
Trade and other payables	8 059 648	8 059 648	8 059 648	–
Accrual for committed projects	2 711 488	2 711 488	2 711 488	–
Unutilised third party funds	28 981 005	28 981 005	28 981 005	–
	39 752 141	39 752 141	10 771 136	28 981 005

Interest rate risk

Interest rate risk is the risk that the value of a financial asset will fluctuate due to movements in market interest rates. The entity is exposed to interest rate risk as certain investments are held in money market unit trusts.

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown on the balance sheet, are as follows:

	2019 R	2018 R
Fair values		
Cash and cash equivalents	60 088 989	80 674 908
Receivables from exchange transactions	901 674	899 712
Receivables from non-exchange transactions	56 222	241 591
Payables from exchange transactions	6 440 807	8 056 878
Accrual for committed projects	(3 217 137)	(2 711 488)
Unutilised third party funds	(10 966 453)	(28 981 005)
	53 304 102	57 039 293

26. EVENTS AFTER THE REPORTING DATE

The Minister of Social Development appointed a Board for the entity with effect from 1 April 2019, following the end of term of office of the previous Board on the 3rd of January 2019.

27. FRUITLESS AND WASTEFUL EXPENDITURE

Section 51(e) of the PFMA requires the Accounting Authority of a public entity to take effective and appropriate disciplinary steps against any employee of the public entity who:

- contravenes or fails to comply with a provision of this Act;
- commits an act that undermines the financial management and internal control system of the public entity; or
- makes or permits an irregular, fruitless and wasteful expenditure.

	2019 R	2018 R
Opening balance	1 042 326	–
Fruitless and wasteful expenditure current year	6 254	1 042 326
	1 048 580	1 042 326

28. IRREGULAR EXPENDITURE

Section 51(e) of the PFMA requires the Accounting Authority of a public entity to take effective and appropriate disciplinary steps against any employee of the public entity who:

- contravenes or fails to comply with a provision of this Act;
- commits an act that undermines the financial management and internal control system of the public entity; or
- makes or permits an irregular, fruitless and wasteful expenditure.

Opening balance	88 650 186	84 351 777
Add: Irregular Expenditure - current year	18 082 544	16 506 194
Less: Expenditure condoned	–	(12 207 785)
	106 732 730	88 650 186
Analysis of expenditure awaiting condonation per age classification		
Current year	18 082 544	16 506 194
Prior years	88 650 196	72 143 992
	106 732 740	88 650 186
Details of irregular expenditure – current year		
Public bidding process not followed	12 241 595	
Three quotations not obtained	1 988 265	
Deviation by BAC from recommendation of BEC not reported to National Treasury	960 000	
Bid not approved by delegated official	2 442 684	
Extension of contract not approved by National Treasury	450 000	
	18 082 544	

29. CORRECTION OF PRIOR PERIOD ERRORS

During the 2019 financial year, the entity discovered that management fees charged for implementing projects and programmes on behalf of funders were accounted for on the completed contract basis and not the percentage of completion method as required by Standards of GRAP. The error resulted in overstatement of management fee income and understatement of the related liability.

During the 2019 financial year, the entity also discovered that financial instruments were not disclosed in line with GRAP standards. The Disclosure Note was restated to exclude employee benefits and Performance bonus provisions because they do not meet the definition of a financial instrument.

During the 2019 financial year the entity discovered that a cash on hand control account with a credit balances was previously netted off against bank and cash balances and not disclosed as a current liability. The disclosure of both back and cash equivalent and current liabilities were restated. The errors were corrected by restating the affected financial statements line items for the previous year and the effect thereof is disclosed below.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

29. CORRECTION OF PRIOR PERIOD ERRORS (continued)

The effect of the error in prior periods is disclosed below:

	Amounts as previously stated	Adjustment	Amounts as restated
Statement of financial position			
Unutilised third party funds	28 322 455	658 550	28 981 005
Net Assets	37 611 796	(658 550)	36 953 246
Cash and cash equivalents	80 674 908	1 038	80 675 946
Petty cash control	–	(1 038)	(1 038)
Statement of Financial performance			
Other Income	2 217 648	(658 550)	1 559 098
Deficit	(3 458 569)	658 550	(4 117 119)
Correction of Financial Instruments			
Carrying amount of Financial liabilities	50 873 841	(11 780 250)	39 752 141
Fair values of financial assets and liabilities	30 942 370	11 780 250	42 722 620

30. BUDGET DIFFERENCES

Material differences between budget and actual amounts.

The budget is prepared and approved on the cash basis. The approved budget covers the financial period from the 1st of April 2018 up to the 31st of March 2019. Variances between the final budget and actual expenditure in excess of 10% are considered material and are explained below:

30.1 Other Income (+ R 1 958 306)

The higher than budgeted other income is due to higher management fees received on programmes implemented on behalf of other funders and a refund from the Provincial Department of Social Development in the Eastern Cape.

30.2 Transfer from Accumulated Funds (+R 28 148 546)

The transfer from accumulated funds represents funds that the entity was allowed by National Treasury to roll over from the previous financial year, these represents funds committed in the previous financial year but incurred in the 2018/19 financial year. This income is not recognised in the actual Statement of Performance for the year, since it has already been recognised in the Statement of performance in the previous year.

30.3 Administration staff costs (- R1 926 653)

The overspending is attributable to implementation of the new leave policy which resulted in a higher than budgeted leave pay provision.

30.4 Depreciation and Amortisation (-R 2 374 479)

The variance is due to depreciation and amortisation that is not budgeted for since it is non-cash item.

30.5 NDA funded Capacity building (R 2 309 017)

The underspending is attributable to efficiency savings in the implementation of the programme. The entity implemented the programme with partners such as municipalities, government departments and local communities who contributed resources such as venues and transport which contributed to the programme being implemented at lower cost than was planned.

30. BUDGET DIFFERENCES (continued)

30.6 Research, Monitoring and Evaluation costs (+ R2 247 168)

The underspending is partly attributable to a planned evaluation of the capacity-building programme that was to be implemented and co-funded in collaboration with the other partners. The evaluation did not materialise due to the partners not making the financial contribution as planned to conduct the study. Two other planned research projects commenced only in the fourth quarter of the financial year, the research studies will be incurred in the 2019/2020 financial year.

30.7 Disbursements to NDA funded Projects (R6 840 306).

The underspending is attributable to grants not approved in the fourth quarter of 2019 due to the end of term of the Board in January 2019.

30.8 Consulting and professional fees (+ R9 278 568)

The underspending is attributable to the planned and budgeted implementation of the ICT system than had not been completed by the end of the financial year. The delayed implementation is attributed to delays in securing experts to assist the entity to develop technical specifications for the project, the projects commenced in March 2019 and is expected to be finalised by the end of the third quarter of 2019/2020 financial year.

30.9 Travel and Accommodation (- R2 043 064)

The overspending on travel and accommodation is due to higher than expected travel costs due to unplanned travel by provincial offices to plan and conduct provincial social sector dialogues that will culminate into the National Social Sector Summit announced by the President of the Republic in the state of the nation address in 2018. The NDA was tasked by the Summit task team with the task of secretariat for all provincial and national dialogues.

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