ANNUAL REPORT 2019/20

NDA
National Development Agency

UNLOCKING POTENTIAL

CSO LINKAGES TO SUSTAINABILITY

CSO GRANT FUNDING AND RESOURCE MOBILISATION

CSO INSTITUTIONAL CAPACITY BUILDING

CSO MOBILISATION AND FORMALISATION

social development
Department:
Social Development
REPUBLIC OF SOUTH AFRICA

sassa
SOUTH AFRICAN SOCIAL SECURITY AGENCY

I have the honour of submitting the annual report of the National Development Agency for the period 01 April 2019 to 31 March 2020.

Ms Lindiwe Zulu, MP
Minister of Social Development

30 October 2020
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, Investec and FNB
Company Secretary – Full name and professional designation	Mr Siyabonga Shozi Acting Company Secretary

1.2 LIST OF ABBREVIATIONS

AFU	Asset Forfeiture Unit
AG	Auditor General
BEE	Black Economic Empowerment
CEO	Chief Executive Officer
COO	Chief Operations Officer
CFO	Chief Financial Officer
CSO	Civil Society Organisation
COVID-19	Corona Virus Disease
DSD	Department of Social Development
ECD	Early Childhood Development
EXCO	Executive Committee
FNS	Food and Nutrition Security
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
ICT	Information and Communications Technology
IT	Information Technology
KZN	KwaZulu-Natal
MP	Member of Parliament
NDA	National Development Agency
NPO	Non-Profit Organisation
NT	National Treasury
NEDLAC	National Economic Development and Labour Council
PPE	Personal Protective Equipment
PFMA	Public Finance Management Act
PPPFA	Preferential Procurement Policy Framework Act
SASSA	South African Social Security Agency
SDGs	Sustainable Development Goals
UIF	Unemployment Insurance Fund
WHO	World Health Organisation

1.3 FOREWORD BY THE MINISTER

"In an age where community involvement and partnerships with civil society are increasingly being recognised as indispensable, there is clearly a growing potential for cooperative development and renewal worldwide".

Kofi Annan

It gives me great pleasure to present the annual report of the National Development Agency (NDA) for the year under review. Our focus has and still remain on delivering better services to our people and contributing to the implementation of the 6th administration's priorities across the social sector. This is the work that the NDA cannot do on its own without the strategic partnerships and support of civil society organisations. This sector plays a key role in advancing our development agenda as envisaged in the National Development Plan (Vision 2030).

One of the core mandates of the NDA is to strengthen the institutional capacity of civil society organisations. I am pleased to note that over the year the NDA continued to empower this sector through various development interventions. These interventions ensured that many organisations in this sector remain sustainable and continue to serve in communities where the need for our services remain high. Capacity building and grant funding, amongst the interventions that the NDA renders, ensured that the CSOs are institutionally and economically empowered to govern themselves effectively and contribute towards the economic upliftment of the communities they serve.

I appeal to the private sector once more, that through its corporate social investment arm, to work with the NDA, especially in the area of grant funding for struggling CSOs to enable them to implement poverty relief programmes for the vulnerable and those who are not so fortunate in our society.

Fighting poverty requires concerted efforts from both public and private sector organisations. CSOs are the life-blood of our communities and their services are critical in our efforts to address the needs of our communities.

The scourge of gender-based violence and femicide, which has now reached pandemic proportions, continues to ravage families and communities across our country. In line with its mandate of supporting and building the capacity of CSOs, the NDA entered into a partnership with the Department of Social Development and the Interim Steering Committee on Gender-based Violence and Femicide to implement the Victim Empowerment Programmes (VEP) in response to Gender-Based Violence and Femicide. This programme, funded through the Criminal Asset Recovery Account (CARA), will be fully implemented in the next financial year, 2020/21. Over 300 CSOs providing services to victims and survivors of crime and abuse will participate in the programme for a period of one year to help curb this scourge that is destroying our country.

In fulfilment of the secondary mandate, the NDA has conducted a range of research projects in a bid to influence debate on development policy. The poverty, inequalities and social exclusion research produced insights on how policies and strategies would need to be reviewed for the country to effectively address these challenges.

In the coming years I will be keeping a close check on the NDA to ensure that it contributes to shaping development policy of the country through evidence based scientific research. I will also ensure that the NDA continues to be a beacon of hope for our communities through empowering CSOs, who in turn highlight the needs of our people to government to ensure speedy service delivery.

I commend members of the NDA Board for working with me in providing the necessary leadership and impetus for the work that the Agency has accomplished for the period under review. My gratitude also goes to Mrs Thamo Mzobe, the Chief Executive Officer of the NDA and her team, for steering the organisation in the right direction and ensuring that the NDA fulfils its mandate. To all the staff of NDA, thank you for serving our communities with dignity and respect. The war against poverty requires passion and dedication, which is evident in your operations.

Ms Lindiwe Zulu, MP
Minister of Social Development

1.4 OVERVIEW BY CHAIRPERSON

During the 2019/2020 financial year, the NDA forged ahead in the implementation of its legislative objectives; to contribute towards the eradication of poverty and its causes by granting funds to Civil Society Organisations (CSOs) and to promote consultation, dialogue and sharing of development experience between CSOs and relevant organs of State.

The NDA has made significant strides in achieving the targets set for the financial year. Of importance to note is that the NDA remains in touch with the CSOs through the implementation of mobilisation, formalisation, capacity building and grant funding programmes. The Board is pleased to report significant achievements in the area of grant funding where the annual target was surpassed by 70% resulting in 153 organisations being funded to implement development interventions in their immediate communities. The Board recognises the areas of under performance and have resultantly urged NDA Management to put in place systems and processes to turn things around, especially in the area of management of performance information. The completion and implementation of the Integrated Information Management system would go a long way in addressing the reporting challenges experienced by the NDA.

The NDA, through the leadership of the Board, embarked on an exercise of reprioritising the Annual Performance Plan and Budget for the 2019 /2020 financial year. The reprioritisation was to include interventions and a KPI to exclusively address the adverse effect of COVID-19 on poor communities. In doing so, the NDA introduced the Volunteers Programme. The programme has deployed 2000 volunteers through 200 CSOs in 52 districts, to go into communities to deliver food and care packages, disseminate information about COVID-19, collate important information to assist other Departments of government and support SASSA in rolling out the disaster recovery grants.

In addition to the above, the NDA is working on the digitisation of the CSOs development interventions through a simple, accessible and user-friendly platform, which will be integrated into the current processes and controls within the NDA. The outbreak of COVID-19 has forced the public sector into thinking differently and develop innovative measures to ensure service delivery without exposing communities to the risk of contracting the virus. This project is therefore the first step to modernising and digitising the processes and operations of the entity to the benefit of the communities that we serve.

As the Board, we have to put it on record that we have been very disappointed at the slow pace of delivery on some of the most crucial journey charting deliverables that the NDA had committed itself to last year. We recognise that there has been low morale in the organisation, but senior leadership has a different responsibility to general staff. A number of reports have indicated that the institution has a performance problem in its most important programmes, and many of these performance problems have little to do with capacity. Consequence management also remains a key concern for the Board. Though we have seen some improvements which we hope will reflect in the next annual performance reports, we believe far more work is required. We continue to work with management in order to support these changes.

To the Minister of Social Development, I wish to thank you on behalf of the Board for the opportunity to lead the NDA; in always being available to give policy direction and leadership to the portfolio. I would also like to thank the Board of the NDA for the continuous support and commitment in their role of oversight within the NDA. I appreciate and am grateful for also supporting me in leading the Board and assisting me in ensuring that the Board's vision is achieved through various Committees of the Board. To the CEO and the management of the NDA, I would like to thank you for your commitment in implementing the Board's resolutions and directives.

Ms. Zamandlovu Ndlovu
Chairperson
30 October 2020

1.5 CHIEF EXECUTIVE OFFICER'S PERFORMANCE SUMMARY

The 2019/20 financial year marked the end of the Medium Term Strategic Framework (MTSF) period which saw the NDA revamp its programming and delivery model. The NDA has successfully implemented the CSO Development Model which put CSOs at the centre of community development. The CSO development model essentially transformed CSOs from mere non-formalised groupings of people with similar interests, to formal organisations. This turned them into organisations with the requisite capacity to implement development programmes and access local markets at their disposal, thereby generating income for their continued existence and sustainability.

The year under review was notably the culmination of the implementation of the CSO Development Model. The NDA assessed the needs of 9504 CSOs to determine the NDA interventions needed to propel them further. The results of the assessment were used to plot these CSOs on the development continuum which resulted in them being identified for formalisation, capacity building, grant funding and linkage to markets. Consequently, 1008 were assisted to formalise their structures to enhance their legal status and to further enable them to access funding and technical support. The formalisation of these CSOs set them on the path to participate in the mainstream economy and contribute in a structured manner to the economic upliftment of their communities.

A total number of 2272 CSOs across the length and breadth of our country were resultantly linked to economic opportunities in the textile and agricultural industries. These were mainly cooperatives in the sewing and food production businesses which were linked to sustainable resource opportunities through SASSA's Social Relief of Distress (SRD) programme and other developmental programmes elsewhere in government.

In line with the primary object of the NDA Act, the NDA continues to provide institutional capacity building to CSOs in order to strengthen their financial systems, project management capabilities and conflict resolution strategies, amongst others. Furthermore, the CSOs were trained in a range of legislations governing their sector. Year in, year out, a lot of CSOs are being deregistered due to non-compliance with legislative requirements. Non-compliant CSOs are unable to access much needed financial injection for their operations from funders and end up fading away for good. To date, 5263 and 5011 CSOs have been trained in CSO management and legislative compliance, respectively. Legislatively compliant CSOs are able to access all forms of support from NDA and other funders outside government.

Section 4 of the NDA Act instructs the NDA to mobilise resources for development work to be carried out by CSOs. To this end, R55,7 million was raised in the year under review. A large portion of these funds (R45 million) were raised from CARA to mitigate the scourge of GBVF. The partnership with DSD on the VEP is envisaged to turn the tide against this second pandemic, as President Cyril Ramaphosa aptly refers to it.

The work towards strengthening governance mechanisms through monitoring of internal NDA compliance to legislative requirements continued in earnest in the year under review. Besieged by a number of persistent governance challenges, the NDA was only able to achieve 85% compliance. A process has been put in place by management to improve the level of compliance across a range of policy, regulatory and legislative requirements. The 2019/20 financial year has seen the NDA develop a CSO Database in fulfilment of Section 4 (1)(d) of the NDA Act. The development of this CSO Database empowered the NDA to migrate paper based databases to a digital platform which further afforded the NDA the opportunity to share the CSO Database with other organs of state as envisaged by the Act. The full integration of the Information Management System to the financial system will be pursued in the 2020/21 financial year as it could not be delivered in the year under review. The NDA will also, in the 2020/21 financial year, pursue the review and finalisation of its remuneration model in line with the Job Evaluation outcomes.

Through the Research function, the NDA has concluded strategic academic partnerships with the University of Fort Hare, the University of Johannesburg and the Human Sciences Research Council. That collaboration has resulted in 16 research studies and policy briefs being concluded in the 2019/20 financial year. This body of work will go a long way in generating and influencing debate on development policy through structured dialogue sessions in the subsequent financial year and beyond. A total of 10 evaluations were conducted in, amongst others, food security and capacity building. These evaluations will strengthen project and programme implementation as lessons learnt and evaluation recommendations get implemented.

The impactful work of the NDA continues to grow, guided by the Board and the Minister, to whom I am eternally grateful for their strategic direction and continuous support. The challenges faced by the NDA were made surmountable by a dedicated team of management and staff, who on countless occasions, went beyond the call of duty, putting in more hours through early mornings and late nights, for the betterment of South Africa and her people.

Mrs Thamo Mzobe
Chief Executive Officer

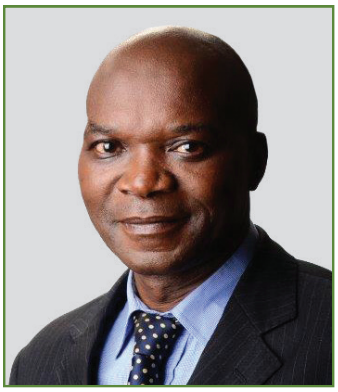
NDA EXECUTIVE COMMITTEE

Mrs Thamo Mzobe
Chief Executive Officer

Ms Hajra Mansour
Chief Audit Executive

Ms Susan Khumalo
Chief Operations Officer

Ms Karen Muthen
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 2020.

Mrs Thamo Mzobe	**Ms Zamandlovu Ndlovu**
Chief Executive Officer	Chairperson of the Board
30 October 2020	30 October 2020

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

1.8 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:

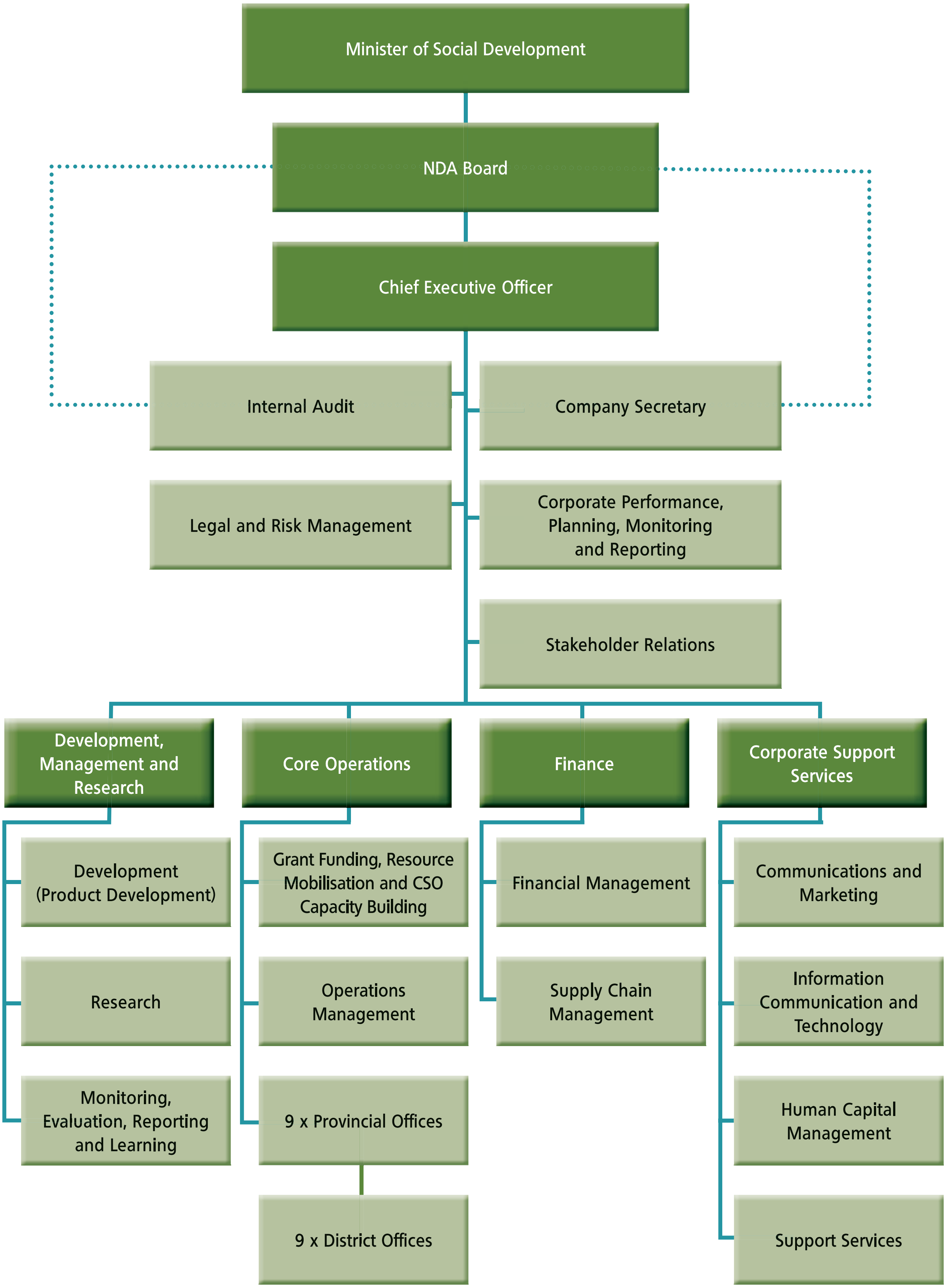
a) promote (i) consultation, dialogue and sharing of development experience between CSOs and relevant organs of state, and (ii) debate on development policy; and
b) Undertake research and publication aimed at providing the basis for development policy.

Further, the agency is required to implement programmes that respond to the following areas of responsibilities:

1) The NDA must:
a) Act as a key conduit for funding from the Government of the Republic, foreign governments and other national and international donors for development work to be carried out by civil society organisations.
b) Develop, conduct and co-ordinate policy relevant to its objects referred to in section 3;
c) Contribute towards building the capacity of CSOs to enable them to carry out development work effectively; and
d) Create and maintain a database on CSOs, including, but not limited to, the scope and subject matter of their work and their geographical distribution, and share the information in that database with relevant organs of State and other stakeholders.

2) The NDA may:
a) Grant money from its funds:
- in accordance with such criteria and procedures as the NDA determines; and
- with due regard to the NDA's primary object referred to in the NDA Act to any CSO for any project or programme that an organisation intends to
b) Make recommendations with regard to legislation and policies directly or indirectly constraining effective development in the Republic.
c) Exercise and power conferred by any other provision of this Act; and
d generally, do everything which is necessary to achieve its objects referred to in Section 3.
3) Any grant in terms of subsection (2) (a) to any civil society organisation may not be distributed to its members or office bearers except as reasonable compensation for services rendered.
4) Any civil society organisation to which a grant is made in terms of subsection (2)(a) must submit to the NDA:
a) audited financial statements regarding the use of that grant at the intervals and in the form prescribed by regulation in terms of section 13; and
b) in respect of each financial year of the organisation, a comprehensive, narrative report containing-
i) an analysis of every project or programme in respect of which that grant is made and a description of all other activities of the organisation; and
ii) an audited financial report not later than the date prescribed by regulation in terms of section 13.
5) Any grant in terms of subsection (2) (n) must be sufficient to defray the expenses which the civil society organisation in question will have to incur in order to comply with subsection (4).

1.9 ORGANISATIONAL STRUCTURE



PART B

PERFORMANCE INFORMATION

2.1 SITUATIONAL ANALYSIS

Service Delivery Environment

The NDA has been able to increase its services to civil society organisations through the implementation of the CSO Development Model, particularly in the areas of mobilisation, formalisation and capacity-building of CSOs. A process of institutional needs assessments, underpinned by consultations and engagements with communities, precede our mobilisation and formalisation efforts. The mobilisation programme provides the NDA with a platform to interface with civil society organisations and community structures at local level. These organisations and structures are comprised of community members who are active in implementation of poverty eradication initiatives. A CSO would be made of 5 – 10 or more members, which means that the mobilisation programme has the potential to reach five to ten times more people within a community.

In the 2019-20 financial year, the NDA assessed a total of 9 504 CSOs to identify their need for support. The needs identified include registration, compliance to registration requirements, capacity on governance, funding and access to markets for goods produced. The NDA, based on the results of the assessment, was successful in supporting CSOs by providing relevant capacity building training, grant funding, linking CSOs to other funders and markets; and assist with registration of unregistered CSOs with relevant authorities.

A total number of 1008 CSOs have been assisted to formalise their structures by way of instituting governance mechanisms and financial processes. There are many CSOs who operate loosely without any structure or governance system, albeit implementing good poverty eradication initiatives in communities. Through the formalisation process, the NDA seeks to assist such organisations to formally organise themselves to be able to qualify for support. The CSOs are assisted to develop constitutions and set up governance structures to be able to meet registration requirements. In many instances, the Development Practitioners have incubated these organisations through processes such as opening of bank accounts, making representations to local municipalities and traditional leaders to obtain land or premises from which to operate, and linking them to funding resources.

Furthermore, NDA has assisted 5 011 CSOs to successfully register with appropriate legislative authorities. The formal registration of these CSOs marked an important step towards access to resources and participation in the economy. CSOs are assisted to comply with registration provisions, either as NPOs or Cooperatives. Statistics show that 58% of NPOs registered with the DSD do not comply with their registration requirements such as submission of annual performance and financial reports.

Subsequent to the mobilisation and formalisation process, the NDA has empowered the CSOs by building their capacity in fulfilment of the primary mandate of the NDA, which requires the NDA to strengthen the institutional capacity of CSOs that provide services to poor communities. More than 5 000 CSOs have since been trained in all aspects of CSO-management related programmes such as governance, financial management, community development practice and conflict management. The interventions ensure acquisition of comprehensive systems and skills to deliver quality services to communities. They are based on the unique needs of each CSO. The CSOs were represented by at least two delegates each. This translated to over 10 000 members of civil society being capacitated, thus increasing the skills base of civil society in the country.

In fulfilling the mandate of mobilising resources and acting as a conduit for disbursement of the same funds to CSOs in the pursuance of their developmental aspirations, the NDA raised R55,7 million worth of financial and non-financial resources in the 2019-20 financial year. These resources have benefited CSOs in strengthening their ability to manage their organisations better and to comply with legislative authorities.

The NDA has furthermore grant-funded 153 CSOs enabling them to implement poverty relief programmes targeting the vulnerable and poor in our society. They have ensured that the NDA makes inroads in ridding society of the dire effects of poverty, especially in areas where these CSOs operate. The grant-funding focuses on assisting CSOs with seed funding that enables them to provide services to communities. The funding specifically targets CSOs that do not meet funding requirements of most funding institutions. The NDA aims to unlock their potential for more funding and increase their sustainability.

As a result of the funding:

- Children within the ECD Centres were able to access ECD services which meet the norms and standards of the sector. This increased their development prospects and provides an opportunity for caregivers to be involved in economic activities;
- Household food security has been improved through support to communal food gardens and small-holder farmers; and
- Household income from the funded CSOs and Cooperatives involved in economic activities has been increased thereby increasing the asset base in their respective communities.

Through on-going monitoring, the NDA supports CSOs that were funded from previous financial years. The NDA "walks" with these funded projects until they reach sustainability.

The National Development Agency's initial role in the fight against the COVID-19 pandemic, involved implementation of the Volunteer Programme, in partnership with 52 national Civil Society Organisations (CSOs) who provided poverty eradication interventions within their local communities. Through a grant funding intervention, each of the 52 CSOs enlisted ten (10) volunteers to reach almost all districts within the country, to facilitate various programmes during the lockdown period. This is a total of 520 volunteers.

At a basic level, the CSOs assisted communities with distribution of food parcels, support of elderly and disabled persons and dissemination of COVID-19 information at hot spots as well as door-to-door within communities. At an advanced level, and based on their competence, others are assisted with community screening interventions, counselling for Gender Based Violence cases and assisting people who need access to chronic medication to visit the health care facilities. In addition to that, they assisted communities with the various registrations to access government relief funds such as the SASSA special relief of distress funds and the Department of Agriculture Disaster Relief Fund for small scale farmers. The volunteers reached and interacted with over 76 679 households.

The country is experiencing a second pandemic of Gender-based violence and Femicide. Most of the reported cases are taking place within communities and the organisations that are supporting victims are mostly emerging organisations based in these communities. Most of the organisations at the forefront of supporting gender-based violence victims are at level 1 and 2 which needs NDA support and coordinated mentoring.

In fulfilment of the NDA mandate of being a key conduit for funding from the Government of the Republic, foreign governments and other national and international donors for development work to be carried out by CSOs, the NDA has entered into a partnership with the Department of Social Development (DSD) and the Interim Steering Committee on Gender-based Violence and Femicide (IGBVF-SC) to implement the Victim Empowerment Programmes (VEP) in response to Gender-Based Violence and Femicide. The programme is funded through the Criminal Asset Recovery Account (CARA). The overall purpose of the programme is to identify; partner and empower, through grant funding, CSOs in the nine (9) Provinces. Over 300 CSOs that provide services to victims of crime and abuse through the following services have been identified for funding to implement programmes involved in:

- Family strengthening to increase family strengths, enhance child development, and reduce the likelihood of child abuse and neglect;
- Social crime prevention focusing on the structural drivers of gender based violence;
- Social behaviour changes programs focusing on boys and men; and
- Welfare services focusing on social protection, maximisation of human potential and on fostering self-reliance and participation in decision-making.

The NDA is responsible for providing support and coordination of newly established Gender-based District structures; lead dialogues in local structures and ensure involvement and participation of CSOs; and facilitate information sharing platforms for different CSOs in the sector and communities. Capacity building of the CSOs in the gender-based violence space on relevant new laws and policies passed by the state (establishment of GBV courts and the role of various stakeholders & communities and their support) is also undertaken. The NDA's participation gives voice to the work of the CSOs and clout to their work when they interact with other organs of the state.

Research

During the year under review, the NDA undertook research and wrote policy briefs on 16 areas linked to the secondary mandate. The research reports and policy briefs covered the early childhood development sector due to the introduction of the new national policy for ECD in South Africa. The research work was to establish the environmental issues that may affect the implementation of the policy. The Agency collaborated with the University of Fort Hare in the Eastern Cape and Network Action Group in KwaZulu-Natal to conduct studies on Early Childhood Development. The Agency partnered with the Human Sciences Research Council (HSRC) on food and nutrition policy studies. Studies on poverty, inequalities and social exclusion were conducted in collaboration with the University of Johannesburg.

The Early Childhood Development (ECD) studies revealed some of the following observations on the delivery of ECD services in poorly resourced areas:

- ***Infrastructure –*** the current state of infrastructure provided by civil society organisations in the most deprived areas is not suitable for learning and teaching, in some areas they are a health hazard and danger for children and ECD practitioners;
- ***Teaching and learning –*** the quality of teachers and materials used for teaching and learning does not meet the standards of stimulating children to learn both conceptually and with understanding;
- ***Parent's participation –*** parent's involvement at ECD centres is poor or non-existent, making it difficult for teachers and children to learn the basics required by children to acquire new skills in these centres; and
- ***Health and nutrition –*** children from 0-4 years are at their critical developmental stage and require balanced diet to develop their conceptual and cognitive thinking. In most of these centres, the food provided for children is not compliant with the nutrition guidelines because they only depend on money collected from parents to feed the children, where some children are provided with a grant, they have to share with other children whose parents cannot afford to pay regularly.

The poverty, inequalities and social exclusion research produced insights on how policies and strategies would need to be reviewed for the country to effectively address poverty, inequalities and social exclusion. Amongst others, the study revealed that there is a lot of variation in the frequency and quality of engagement with poverty, inequality and social exclusion across legislative, policy and strategic documents and that the engagement with poverty, inequality and social exclusion is lower in legislative documents than in policy documents. It points to the need for further investigation as to whether there are particular reasons for this variance which may represent a barrier to poverty and inequality reduction.

The research studies on food and nutrition security raised recommendations that need engagements with multidisciplinary stakeholders in government, civil society and the private sector. The study recommended that the constitutional commitment to food rights be translated into an overarching food and nutrition security law based on the latest advances in social and natural sciences, beginning with an immediate update of the National Policy on Food and Nutrition Security (FNS) to clearly reflect relevant SDGs. Furthermore, there is a need to actualise the longstanding proposals for setting up multilevel and multi-sectoral FNS structures responsible for implementing the coordination of FNS policy and initiatives, drawing on the relative successes of efforts such as Operation Sukuma Sakhe in KwaZulu-Natal province ,as well as establishing national and sub-national forums that unite diverse but complementary expertise in metrics, monitoring and evaluation to optimise benefits for people afflicted by inadequate food access, poor dietary intake and malnutrition crises.

A total number of 15 knowledge management publications on best practice and lessons from the projects were carried out in the year under review. As part of the requirement from the NDA Act, the secondary mandate requires the Agency to create platforms for dialogue and sharing of development experience between civil society organisations and relevant organs of state. In the year under review, the Agency had planned to conduct 12 dissemination sessions informed by research reports it had produced in collaboration with relevant stakeholders. The target could not be met due to the declaration of the state of disaster by the President on 15 March 2020. The state of disaster was due to the COVID-19 pandemic which prohibited meetings of groups of people as part of containment of the spread of the virus.

Monitoring and Evaluation

This research programme is responsible for the evaluation and measurement of the effectiveness and outcome of the NDA's funded projects and programmes. A total of 9 evaluations were planned for the year and surpassed by one target due to an additional project evaluation undertaken on bakery funded projects in the North West province. The evaluations conducted in the year under review focused on food security, capacity building, income generation projects, ECD projects, grant funding processes and resource mobilisation strategies of the NDA.

The evaluation study revealed that income generation projects funding model must prioritise creation of jobs for community members to respond to high unemployment and local job creation opportunities. Most projects funded for income generation have not succeeded in creating sustainable jobs for the youth. Very few youth participate in these projects despite their need in many areas of development. The NDA grant-funding model for income generation projects must build technical training with funded cooperatives and provide mentoring and support to these projects to improve the quality of their products. The NDA must also intensify the linkages to markets and business opportunities to assist most projects that are struggling with accessing the markets. Most projects are not growing and creating acceptable employment and improved livelihood opportunities for the members.

The NDA funds a number of innovative food and nutrition security projects. The projects are implemented in small holding farms and some in households' food gardens. The evaluation of these funded projects found amongst others that the lack of commitment from project members has led to the collapse of projects. In most household food garden projects, younger participants withdraw from the project as they do not make income that is line with to their expectations. Other reasons leading to the collapse of food security projects such as household gardens is the lack of technical training and shortage of water.

An impact evaluation of the capacity building programme was conducted in the year under review following the implementation of the programme since the 2013/14 financial year. The key findings were the recognition that the capacity-building programme has reached all districts in South Africa, however, there is a need to ensure the widespread implementation of all the capacity building interventions. The study also stressed the need to review the reporting system to reflect the qualitative aspects of programme implementation and to capture financial information in greater depth.

Organisational Environment

Human Resources Management & Development

The NDA must have a Human Resources Management and Development Plan, which must be developed and implemented over a sustained period, linked to its goals and objectives to realise its value proposition. The strategic intent of the human resources function in the National Development Agency is underpinned by the principles of:

- Integrating all human resource processes and systems to the NDA strategic objectives to ensure the creation of a centre of excellence for all employees;
- The realisation of a high performance organisation;
- Creating and maintaining strategic partnerships with critical stakeholders;
- Ensuring that the right skills and capacity is recruited into the organisation, especially at coal face of service delivery level;
- The Organisation provides a safe environment for its employees; and
- Ensuring that employees are competent, skilled, engaged, motivated and satisfied.

For the reporting period, the Human Resources Unit achieved the following key milestones amongst others:

- Implementation of the key projects in the 5-year Integrated Human Resource Management & Development Strategy & Plan to support the NDA goals and objectives;
- Refined and improved policies, tools and processes for performance management and development within the NDA. The policy frameworks on labour relations were also reviewed and implemented;
- Regular review of HR policies will continue in the next financial year as HR continues in its goal of making NDA an employer of choice;
- Filling of critical posts, such as Chief Financial Officer, amongst others;
- Implementation of the 5-year Employment Equity Plan to facilitate transformation in the workplace;
- Implementation of the Employee Health & Wellness Plan, which includes plans to ensure occupational health & safety of employees, which also reduces the spread of COVID-19 in the workplace. An external service provider for Employee Assistance Programme was also appointed to render psycho-social support to NDA staff;
- Employees were trained to increase their competencies to deliver on the NDA mandate; and
- The last year of the 3-year multi-term agreement was also implemented and a new multi-term agreement will be negotiated in the new financial year.

Challenges that affected HR:

- Budgetary constraints to implement the District Model for the NDA and organisational structure;
- Salary disparities informed by legacy issues continue, as the revised Remuneration Model has not yet been finalised; and
- Delays in the implementation of the job evaluation process following the review of the organisational structure.

Information & Communications Technology

The primary objective of the Information & Communications Technology (ICT) function is to ensure a secured and stable ICT environment, with systems that enable the efficient and effective utilisation of technology, as a strategic resource within the NDA. The NDA continues to improve the ICT environment in order to provide integrated technology solutions 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.

In the reporting year, ICT was able to implement the following technologies and systems:

- Implementation of the Master Systems Plan, through the development of a CSO Database & IMS Systems, aimed at automating Programme 2 processes, including the following:
  - CSO Mobilisation & Formalisation;
  - CSO Institutional Capacity Building;
  - Resource Mobilisation and Grant Funding & integration with the financial system;
  - Business Intelligence and reporting;
  - Upgrade of both the Human Resource and the financial systems to enable integrated systems was completed successfully;
  - The ICT unit despatched over 26 printers to all NDA offices as part of providing the tools of trade; and
  - Over and above this, the ICT unit has reviewed its policies and IT Governance framework, which will be presented for approval in the corporate governance structures.

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 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 an increase in the 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 evaluation 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
Description of programme
Corporate Services

The role of the Governance and Administration programme is to render integrated institutional support services within the framework of the Annual Performance Plan (APP) and the Annual Budget of the NDA, to enable the organisation to pursue the goals and objectives as articulated in the Strategic Plan of the organisation. The Human Resources function provides an integrated human capital management and administration. Human Resource Management & Development, as a function, has evolved from a transaction orientated to a strategic function that enables business to achieve its strategic objectives. In institutionalising this strategic approach, the NDA has taken a long-term view in terms of strategy and planning.

The role of Information and Communication Technology (ICT) is to enable the NDA to achieve strategic objective by providing technology platforms for efficient handling of information and communication within the NDA. It reduces reliance on inadequate systems and allows for more effective work processes.

Strategic Objectives, performance indicators, planned targets and actual achievements

Programme 1 – Governance and Administration: Strategic Objectives

Strategic Objective	Actual achievement 2018/2019	Planned target 2019/2020	Actual achievement 2019/2020	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 with findings	Unqualified Audit Opinion without findings	Unqualified Audit Opinion with findings	Unqualified Audit Opinion with findings	There were significant findings on compliance with procurement regulations

Programme 1 – Governance and Administration: Performance Indicators

Performance Indicator	Actual achieve-ment 20162017	Actual achieve-ment 2017/018	Actual achieve-ment 2018/2019	Planned target 2019/2020	Actual achievement 2019/2020	Devia-tion from planned target	Reasons for variance
Integrated HRM&D System	New	New	Integrated HRM&D Strategy was developed and con-sulted but it was yet to be approved by the Board	Approval and Implemen-tation of the Key Salary Scale/Notch System for the NDA	The Salary Key Scale has been devel-oped but it has not been approved for implementa-tion	Key salary scale not approved	The approval of the Salary Key Scale depend-ed on the finalisation of the Job Evalua-tion which took longer than anticipated due to procurement challenges

Programme 1 – Governance and Administration: Performance Indicators (continued)

Performance Indicator	Actual achievement 20162017	Actual achievement 2017/018	Actual achievement 2018/2019	Planned target 2019/2020	Actual achievement 2019/2020	Deviation from planned target	Reasons for variance
Integrated ICT system	New	60%	Service Provider appointed to develop the IMS system	CSO Database & Information Management System developed	All modules of the system were developed, tested and deployed to the live environment, with the exception of the integration of Grant funding and the Financial system. The integration of the automated payment process could not be developed and finalised on time	Grant Funding module not integrated with the financial system	The lengthy development, testing and deployment of other IMS modules delayed the full development and integration of the Grant Funding module to the financial system
% compliance to legislative and regulatory requirements	New	99%	86.2%	100%	85%	15%	Capacity constraints and governance challenges in Quarters 2 and 3 led to the non-achievement of this KPI.

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 the following sub-programmes:

Sub-programme 2.1. CSO mobilisation and formalisation – focused on civil society organisation engagements, assessments and needs analyses for CSOs, prioritisations of interventions required by CSOs, facilitating registration of CSOs that need support with registration with appropriate registration authorities (NPOs and Cooperatives).

Sub-programme 2.2. Civil society organisation's institutional capacity-building – focused on strengthening institutional capacities of CSOs across all districts and local municipalities in nine provinces. The sub-programme entailed organisational development for CSOs to ensure that they have sound systems, processes and capabilities to deliver quality services, and comply with good governance, accountability and reporting requirements of their sector. The capacity-building interventions were provided through training, mentoring and incubation of all CSOs assessed and requiring institutional capacity-building development.

Sub-programme 2.3. CSO resource mobilisation (financial and non-financial resources) – the sub-programme focused on all resources (government, foreign governments, international agencies, and private sector) mobilised for purposes of strengthening CSO capabilities, funding levels, increasing CSO coverage and services.

Sub-programme 2.4. CSOs Grant-funding and sustainability – the sub-programme provided grants to all 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.

Strategic Objectives, performance indicators, planned targets and actual achievements

Programme 2 – CSO Development: Strategic Objectives

Strategic Objective	Actual achievement 2018/2019	Planned target 2019/2020	Actual achievement 2019/2020	Deviation from planned target	Reasons for variance
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	9 137	9 500	9504	4	The targeted CSOs were mobilised as planned largely due to a succinct implementation of the mobilisation programme

Programme 2 – CSO Development: Performance Indicators

Performance Indicator	Actual achievement 2016/2017	Actual achievement 2017/2018	Actual achievement 2018/2019	Planned target 2019/2020	Actual achievement 2019/2020	Deviation from planned target	Reasons for variance
CSO Mobilisation and Formalisation							
Number of CSOs that participated in CSO mobilisation programmes per year	3 120	5 956	9 137	9 500	9504	4	The targeted CSOs were mobilised as planned largely due to a succinct implementation of the mobilisation programme
Number of CSOs assisted to formalise their structures per year	631	803	903	1 000	1008	8	The targeted CSOs were formalised as planned largely due to a succinct implementation of the formalisation programme
CSO Institutional Capacity Building							
Number of CSOs capacitated to comply with registration legislations per year	3 065	3 953	4 455	5 000	5011	11	The targeted CSOs were trained as planned largely due to a succinct implementation of the capacity building programme

Programme 2 – CSO Development: Performance Indicators (continued)

Performance Indicator	Actual achievement 2016/2017	Actual achievement 2017/2018	Actual achievement 2018/2019	Planned target 2019/2020	Actual achievement 2019/2020	Deviation from planned target	Reasons for variance
Number of CSOs capacitated in civil society organisational management per year	2 880	4 927	5 261	5 500	5263	(-237)	The target was not met due to capacity constraints experienced by some provinces
CSO Grant Funding and Resource Mobilisation							
Number of CSOs that received grant funding per year	–	162	124	90	153	63	The target was met and exceeded due to the NDA funding in response to COVID-19 through the Volunteer Programme
Rand value of resources raised per year	R80 million	R61.7 million	R147 million	R55 million	R 55,7 million	R0.7million	The target was met and exceeded due to the funding raised from the Criminal Asset Recovery Account (CARA) for Emergency Response Action Plan (ERAP) on gender-based violence
CSO Linkages for Sustainability							
Number of CSOs referred to sustainable resource opportunities per year	New	1 328	1 460	2 000	2272	272	The target was exceeded due to higher awareness of NDA services by CSOs

Programme 3 – Research: Performance information

Description of programme

The Research programme of the NDA derives its functions from the Section 2 (a) and (b) of the National Development Agency Act, No. 108 of 1998, (as amended) which states as follows: The secondary objects of the NDA are:

a:) to promote:

i) consultation, dialogue and sharing of development experience between civil society organisations and relevant organs of state; and

ii) debate on development policy; and

b) to undertake research and publications aimed at promoting the basis for development policy.

These requirements of the NDA by the State, classify this function as the secondary mandate of the NDA. In order to fulfil this mandate, the NDA structured the delivery of this mandate into two programmatic areas, viz the research function and monitoring and evaluation function. The research function, its primary focus is conducting research that informs development policy and create platforms for debate and sharing of experience. Whilst the monitoring and evaluation serves dual purposes, first producing evaluative experiences that can be shared with the civil society sector and organs of state on effective implementation of development programmes by CSOs funded by the NDA, and second, providing functional and sound monitoring and evaluation systems to ensure accurate, reliable and valid reporting.

Strategic Objectives, performance indicators, planned targets and actual achievements

Programme 3 – Research: Strategic Objectives

Strategic Objective	Actual achievement 2018/2019	Planned target 2019/2020	Actual achievement 2019/2020	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	36 reports	40 reports	41 reports	1 report due to an additional evaluation	There was an additional evaluation conducted on an NDA funded bakery project implemented in the North West

Programme 3 – Research: Performance Indicators

Performance Indicator	Actual achievement 2016/2017	Actual achievement 2017/2018	Actual achievement 2018/2019	Planned target 2019/2020	Actual achievement 2019/2020	Deviation from planned target	Reasons for variance
Number of research reports and policy briefs produced per year	16	18	15	16	16	0	None
Number of evaluation reports produced per year	New	New	8	9	10	1	There was an additional evaluation conducted on an NDA funded bakery project in the North West
Number of knowledge management publications produced per year	10	9	13	15	15	0	None

Programme 3 – Research: Strategic Objectives (continued)

Performance Indicator	Actual achievement 2016/2017	Actual achievement 2017/2018	Actual achievement 2018/2019	Planned target 2019/2020	Actual achievement 2019/2020	Deviation from planned target	Reasons for variance
Number of development policy dialogues and consultation sessions held per year	7	10	12	12	6	-6	All the dialogue sessions were planned to be held between 18th – 27th March 2020 in Eastern Cape, KZN and Gauteng. These were all postponed due to the state of Disaster announced by the President on the 15th March 2020

Changes to planned targets

There were no changes to the planned targets.

Linking performance with budgets

Programme Name	2019/2020			2018/2019		
	Final Budget	Actual Expenditure	Under/(Over) spending	Final Budget	Actual Expenditure	Under/(Over) spending
Governance and Administration	114 990	113 799	1 191	110 715	101 704	9 011
CSO Development	128 120	123 740	4 380	126 434	116 817	9 617
Research and Development	10 030	7 978	2 052	10 324	8 096	2 228
	253 140	**245 517**	**7 623**	**247 473**	**226 617**	**20 856**

2.4 REVENUE COLLECTION

Revenue item	2019/2020			2018/2019		
	Final Budget	Actual Receipt	Under/(Over) receipt	Final Budget	Actual Receipt	Under/(Over) receipt
Transfer from National Treasury	212 354	212 355	1	202 578	202 578	–
Other Income	40 786	28 510	(12 276)	44 895	18 916	(25 979)
	253 140	**240 865**	**(12 275)**	**247 473**	**221 494**	**(25 979)**

2.5 Capital Investment

A financial management system is in place to ensure that a thorough needs analysis precedes requests for capital investment, and that all requests are properly evaluated prior to a final decision being taken on capital purchases. The NDA does not invest in major capital investment projects such as land and buildings, which are procured mainly through operating leases signed over a maximum term of five years.

The assets of the NDA comprise mainly of furniture, office equipment and computer hardware and software, which are held for administrative purposes and used over a longer term period, to deliver the services required of the NDA. These assets are located at decentralised office sites across the country, and although security measures are in place to ensure assets are safe-guarded, additional compliance and accountability controls will be implemented in the new financial year, to increase the frequency of asset verification counts, and to control the allocation and movement of assets, in an effort to curb asset losses.

During the year under review, the NDA invested R 4,7 million towards the development of an integrated database of Community Service Organisations (CSOs), and an information management system to more effectively manage its grant funding, capacity building, mobilisation and formalisation programmes, through integrated workflows and reporting tools.

The NDA uses a computerised Asset Management System on the Microsoft Dynamics Great Plains financial management system, to maintain adequate records of its assets. The asset register is updated on a monthly basis for new asset purchases, replacements, and asset write-offs of lost or stolen assets. Assets are verified on a bi-annual basis, and counts are reconciled to the asset register, and to the general ledger.

At the end of each financial year an impairment assessment is carried out based on asset condition and depreciated replacement costs, and useful lives of assets are re-evaluated based on asset condition. Accumulated depreciation and carrying values are adjusted for changes in estimates, in accordance with GRAP accounting standards, and write-offs required are also processed accordingly.

PART C

REPORT ON GOVERNANCE

3.1 INTRODUCTION

The NDA is a national public entity, established in terms of section 2 of the National Development Act 1998, as amended. It is classified as a Schedule 3A entity in terms of the Public Finance Management Act, 1999 as amended, and reports to the Department of Social Development as its Executive Authority. Furthermore, the entity aligns itself to the recommendations entrenched in the King IV Report on Corporate Governance.

The NDA is led by a Board that is appointed by the Minister of the Department of Social Development in terms of section 5 of the Act. The Board is responsible for the strategic leadership, financial management and oversight of the NDA as the Accounting Authority. 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.

The NDA Board consisted of the prescribed 11 members between April and June 2019 and eventually decreased to six members during the period under review. The reduction was due to resignation of members within the Board. The DSD was duly informed of the deficiency in the number of members of the Board as required by the NDA Act and the shortage of members will be corrected during the 2020/2021 financial year.

Notwithstanding the above, the Board continued to operate effectively and managed to carry out its legislative mandate and met all the prescribed timeframes for reporting in the 2019/2020 financial year.

3.2 PORTFOLIO/SELECT COMMITTEES

As a National Public Entity of the Department of Social Development, the NDA accounts to the Parliamentary Portfolio Committee on Social Development (PPC) and is required to present its Strategic Plan, Budget and Annual Report. During the period under review, the NDA has presented the Annual Report (2018/19), Annual Performance Plan (2019/20) and the report on the implementation of the Budgetary Review Recommendations Report.

3.3 EXECUTIVE AUTHORITY

The Minister of Social Development is the Executive Authority of the NDA, as defined by the PFMA. The Board accounts to the Executive Authority and is required to submit a budget of estimated value and expenditure every financial year for approval. The Board further submits quarterly performance and management accounts.

3.4 ACCOUNTING AUTHORITY

The Board is the Accounting Authority of the NDA. It is appointed by the Minister of the Department of Social Development in terms of section 5 of the National Development Act, 1998 as amended. The Board adheres to the provisions of the PFMA and has fiduciary duties towards the NDA. Furthermore, the Board adheres to the Principles on Good Corporate Governance as outlined in the King IV Report and is therefore responsible for:

- Steering and setting strategic direction of the NDA
- Approving policy and planning that gives effect to strategy
- Ensuring accountability for organisational performance
- Overseeing and monitoring implementation and execution by management

The role of the Board/Accounting Authority is as follows:

In addition to the above, the Board of the NDA is responsible for the following:

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

Board Charter

The Board is governed by a Charter, which is developed and approved by the Board. The Charter is drafted with consideration of the PFMA, the National Development Act, 1998 as amended and the King IV Report on Good Corporate Governance. The Charter outlines the Board's roles and responsibilities within the NDA, the different Board Committees and their functions. The Charter is reviewed annually by the Board, to ensure the alignment to existing governance frameworks.

Composition of the Board

The Board of the NDA should consist of 11 members, as stipulated by section 5 of the NDA Act, 1998 as amended. In terms of the Act, five (5) members must represent government while six (6) members to represent civil society. During the period under review, the Board comprised of eight (8) members of the prescribed eleven (11), this was due to resignations and deployments of some members of the Board. The Minister of Social Development, as the Executive Authority has commenced with the process of appointing a new Board as stipulated in section 5 of the NDA Act. The process will be completed during the 2020/2021 financial year.

Committees

The Board has established four (4) Committees; namely:

1. Management and Programmes Committee;
2. Audit and Risk Committee;
3. Human Resources and Remuneration Committee; and
4. Social and Ethics Committee.

3.4.1 Schedule of Board and Committee Meetings for the 2019/20 Financial Year

Meeting Type	Date	S. Mokgothu	Z. Ndlovu	CJ. Abrahams	S. Choane	A. Hanekom	J. Hermans	T. Mopeloa	M. Samuels	R. September	O. Sipuka	Z. Sokopo
Board	06.06.19	Yes	Apology	Yes	Apology	Yes	Yes	Yes	Yes	Apology	Yes	Yes
	07.05.19	Yes	Apology	Yes	Apology	Yes	Apology	Yes	Yes	Apology	Yes	Apology
	13.05.19	Yes	Apology	Yes	Apology	Yes	Apology	Apology	Yes	Yes	Apology	Apology
	15.05.19	Apology		Yes	Apology	Yes	Yes	Yes	Yes	Yes	Apology	Apology
	30.05.19	Yes	Apology	Yes	Apology	Yes	Yes	Yes	Apology	Yes	Yes	Yes
	01.07.19	Yes	Apology	Apology	Apology	Yes	Resigned	Yes	Yes	Yes	Yes	Apology
	25.07.19	Yes		Yes	Apology	Yes	–	Yes	Apology	Apology	Apology	Apology
	29.07.19	Yes	Apology	Yes	Apology	Yes	–	Yes	Yes	Yes	Apology	Yes
	17.09.19	Yes	Yes	Apology	Apology	Yes	–	Yes	Yes	Yes		Yes
	01.10.19	Yes	Yes	Apology	Apology	Yes	–	Apology	Yes	Yes	Apology	Yes
	03.10.19	Yes	Yes	Yes	Apology	Yes	–	Apology	Yes	Yes	Yes	Apology
	14.10.19	Yes	Yes	Yes	Apology	Yes	–	Yes	Yes	Yes	Yes	Yes
	16.10.19	Resigned	Apology	Apology	Apology	Yes	–	Apology	Yes	Yes	Yes	Yes
	16.11.19	–	Yes	Apology	Apology	Yes	–	Yes	Yes	Yes	Yes	Yes
	25.02.20	–	Yes		Apology	Yes	–	Yes	Resigned	Yes	Yes	Yes
	28.02.20	–	Yes		Apology	Yes	–	Yes	–	Yes	Yes	Yes
	13.03.20	–	Yes	Apology		Yes	–	Apology	–	Yes	Yes	Yes
Committee Chairs	26.03.20	–	Yes	–	–	Yes	–	–	–	Yes	Yes	–
Audit & Risk	27.05.19	–	Yes	–	–	Yes	Yes	Apology	–	–	–	–
	25.07.19	–	Yes	Yes	Apology	–	–	Yes	Yes	–	–	–
	12.09.19	–	Yes	Yes	Apology	–	–	Apology	Yes	–	–	–
	28.10.19	–	Yes	Yes	Apology	–	–	Apology	Yes	–	–	–
Social & Ethics	30.08.19	Yes	–	–	Apology	–	–	–	Yes	–	Yes	–
	25.09.19	Yes	–	–	Apology	–	–	–	Yes	–	Yes	Apology
Labour Task Team	13.08.19	–	–	–	–	–	–	Yes	–	–	Yes	–
	14.08.19	–	–	–	–	–	–	Yes	–	–	Yes	–
HR &R Comm	05.09.19	–	–	–	–	Yes	–	Apology	–	Yes	Yes	–
	18.09.19	–	–	–	–	Yes	–	Apology	–	Yes	Yes	–
	16.10.19	–	–	–	–	Yes	–	Yes	–	Yes	Yes	–
	02.12.19	–	–	–	–	Yes	–	Apology	–	Yes	Yes	–
	21.02.19	–	–	–	–	Yes	–	Apology	–	Yes	Yes	–
MPC	31.07.19	Yes	Apology	Yes	–	Yes	–	–	–	Yes	–	–
	23.09.19	Yes	Apology	Yes	–	Yes	–	–	–	Yes	–	Yes
	24.10.19	Resigned	Apology	Apology	–	Yes	–	–	–	Yes	–	Yes

Legend (Yes = Member attended the meeting; – Not a member of the committee; Apology = Member of the committee but did not attend meeting)

Remuneration of the Board Members

Name of Member	Board fees	Other Expenses (claims/ allowances/reimbursements)	Total
Bishop R.S. Mokgothu	R 132 109	–	R 132 109
Ms Z.S. Ndlovu	R 114 923	–	R 114 923
Mr O Sipuka	R 138 786	–	R 138 786
Mr T.F. Mopeloa	R 93 304	–	R 93 304
Ms J. Hermans	R 12 879	–	R 12 879
Mr A. Hanekom	R 192 435	–	R 192 435
Total	**R 684 436**	**–**	**R 684 436**

3.5 RISK MANAGEMENT

The Management of the NDA develops a risk register to ensure effective control and management of risks associated with the entity and its strategic objectives. Management assesses, rates and mitigates the strategic and operational risks of the NDA into a risk register. The register is reviewed by Management and periodically reported to the Board's Audit and Risk Committee, which is responsible for the oversight and assurance of the risk management process. The Committee reports to the Board. The Board of the NDA has the overall responsibility to ensure an effective, efficient and transparent systems of risk management and internal controls. The risk management policy and strategy have been in place and implemented throughout the year. 15 Senior Managers have been trained on risk management with an aim to embed and inculcate risk culture within an organisation. The Audit and Risk Committee advised and evaluated the effectiveness of the system of risk management.

3.6 INTERNAL CONTROL UNIT

The Accounting Officer of the NDA is responsible for the implementation of effective systems of financial management and internal controls that ensure the efficient, economical and transparent use of the NDA's financial resources. The Accounting Officer is supported in fulfilling this responsibility by the finance function, which ensures effective budgetary control through sound and transparent budget processes, and ongoing system and process controls over the collection of revenue and expenditure management. Additionally, all NDA officials are responsible for ensuring that the financial controls within their immediate areas of responsibility are maintained. These internal controls consolidate into a sound financial system that ensures adequate record keeping, and that is capable of generating the necessary information required for management oversight, and for meeting the reporting requirements in terms of financial management legislation. Additional internal controls such as approval sign-offs in terms of the authorised delegations of authority, segregation of functions, and management review processes, have been implemented to ensure the quality and integrity of financial information and reporting. These controls further ensure that financial targets and budgets are fully aligned and consistent with the strategic plans of the NDA, and provide reasonable assurance that the strategic goals and commitments made by the NDA will be achieved.

The Accounting Officer is additionally responsible for the implementation of an appropriate procurement and provisioning system, which is fair, equitable, competitive and cost-effective. The Supply Chain Management function falls under the responsibility of the Finance department. The internal controls over provisioning and procurement are revised and continuously aligned with procurement legislation to ensure that they are adequate and are implemented effectively. Training of staff on revised controls occurs at regular intervals. In the new financial year, additional resourcing of the SCM compliance monitoring function will improve governance controls and assist in curbing the incurrence of irregular and fruitless and wasteful expenditure. Probity audits are carried out on all significant procurement of goods and services.

3.7 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; and
- 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 planned for the financial year:

- Review of Performance Information;
- Review of Management Accounts;
- Review of Annual Financial Statements;
- Follow up on Audit Findings;
- Procurement audit;
- Review of the CSO (Civil Society Organisation) Development Model Implementation;
- Review of the Development Management and Research Processes;
- Asset Management;
- Review of the Marketing and Communications Processes
- IT Audit;
- Finance Audit; and
- Ad hoc audits.

The Asset Management audit was deferred to the 2020/2021 financial year. 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.

The table below discloses relevant information on the Audit and Risk Committee members

Name of member	Qualifications	External or internal	Position in the NDA	Date appointed	Date resigned	Number of meetings attended
Ms Zamandlovu Ndlovu	B.Comm Econometrics, Honours in Public Policy and Management	Internal	Chairperson of Committee	1 April 2019	30 October 2019	4
Mr T. Mopeloa	BA (Public Administration) Post Graduate Diploma (Public Administration) Master of Arts (Public Management)	Internal	Chairperson of Committee	1 April 2019 – Member of Committee 01 November 2019 – Chairperson of Committee	Still a member	1
Ms C. Abrahams	B.Comm, B.Comm Hons, Masters Degree (Internal Business and Economics & Finance)	Internal	Member of Committee	1 April 2019	Still a member	3
Mr. A. Hanekom	Post graduate diploma in Humanitarian aid	Internal	Member of Committee	1 April 2019	30 May 2019	1
Ms J. Hermans	BA Degree	Internal	Member of Committee	1 April 2019	01 July 2019	1
Ms. M. Samuels	BA (Social Sciences)	Internal	Member of Committee	1 April 2019	20 December 20019	3

3.8 COMPLIANCE WITH LAWS AND REGULATIONS

The NDA continued to comply with relevant laws and prescripts. It also developed a compliance checklist in terms of which the compliance with laws and regulations is monitored. The checklist is periodically reviewed and monitored.

3.9 FRAUD AND CORRUPTION

The NDA's Fraud Prevention Plan manages the fraud risk and raises the level of fraud awareness among NDA internal and external stakeholders. Furthermore, the NDA's whistle blowing policy is in place to support the Fraud Prevention Plan; and the tip-offs anonymous hotline has been provided to the internal and external stakeholders.

3.10 MINIMISING CONFLICT OF INTEREST

The Public Services Act and its Regulations of 2016 requires employees of the NDA to disclose their financial interests to the employer. Employees completed and submitted their financial disclosures in the period under review.

Furthermore, the Board is required to declare any conflict of interest they might have at the start of every meeting in order for Board Members and NDA staff to facilitate recording of any interest that might impact on the NDA. In addition, 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. Company Secretary keeps a register of all declared conflict of interests on behalf of the Board.

3.11 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 conform their conduct to the NDA Values.

3.12 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. During the year under review, the OHS Committee members received proper and comprehensive training which covered the major areas of OHS in the workplace to enable them to perform their duties in line with its mandate in a competent manner. Their skills will be up-scaled on a continuous basis in the next financial year.

The NDA also has in place a Policy on Occupational Health & Safety, which pronounces the NDA policy intentions on matters of 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.

3.13 COMPANY SECRETARY

The Company Secretary coordinates the following on behalf of the Board:

- Annual schedule and compliance calendar;
- Overall administrative support and record keeping of all proceedings of meetings;
- Advice and guidance on corporate governance matters;
- Continuance, training on corporate governance principles;
- Custodian of the register of Board and Committee minutes, resolutions, declarations and policy registers; and
- Communication and liaison between the Board and management of the NDA.

The above function is carried out with consideration to the provisions of the PFMA, NDA Act, King Report IV on Principles of Governance and the Board Charter of the NDA.

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.

Audit and Risk Committee responsibility

The Audit and Risk Committee (the 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 Committee also reports that it has adopted appropriate formal terms of reference and 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; and
- 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 Auditor-General's 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 2019/20 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 2020.

Mr Tebogo Mopeloa
Chairperson of the Audit and Risk Committee
Date: 30 October 2020

PART D

HUMAN RESOURCES

4.1 INTRODUCTION

As a function, Human Resource Management & Development has evolved from a transaction orientated to a strategic function to enable business to achieve its strategic objectives. Consistent with the NDA's posture to continue to institutionalise this strategic approach, the NDA is implementing the 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 consciously 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 of service delivery level;
- Ensuring that employees skills and competencies are sharpened to enable them to deliver on NDA goals and objectives;
- Creating an enabling environment that supports the health and welfare on employees through 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; and
- As the business requirements and labour laws change, the Human Resources & Development policies are continuously reviewed to ensure proper and strategic alignment.

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 Support. As at 31 March 2020, the NDA had 186 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 exp. as a % of total exp.	No. of employees	Average personnel cost per employee (R'000)
Programme 1	113 799	46 168	19	65	710
Programme 2	123 740	71 518	29	130	550
Programme 3	7 978	5 653	2	7	808
Total	**245 517**	**123 339**	**50**	**202**	**611**

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Top Management	9 561	8%	6	1594
Senior Management	24 544	20%	20	1227
Professional qualified	70 233	57%	115	611
Skilled	15 619	13%	39	400
Semi-skilled	1 208	1%	6	201
Unskilled	2 174	2%	16	136
Total	**123 339**	**100%**	**202**	**611**

Performance Rewards

Level	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	–	9 561	–
Senior Management	–	24 544	–
Professional qualified	–	70 233	–
Skilled	–	15 619	–
Semi-skilled	–	1 208	–
Unskilled	–	2 174	–
Total	–	**123 339**	–

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	46 168	255	0.21%	36	7.1
Programme 2	71 518	941	0.76%	122	7.7
Programme 3	5 653	69	0.06%	4	17.3
Total	**123 339**	**1 265**	**1.03%**	**162**	**7.8**

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 the realisation of NDA strategic objectives. The breakdown of the training expenditure includes short courses, seminars, workshops and study assistance.

A total R1.2 million has been spent on learning and development interventions in 2019/20 and 162 employees took up the opportunity for learning and development. However, it should be noted that some of these employees have attended more than one training intervention. 4 (four) 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 qualification.

Employment and Vacancies

Programme	2018/2019 Number of Employees	2019/2020 Approved Posts	2019/2020 No. of Employees as at 31 March 2020	2019/2020 Number of Contractors	2019/2020 Vacancies
Programme 1	57	62	61	5	1
Programme 2	130	150	118	0	32
Programme 3	9	7	7	1	
Total	**196**	**219**	**186**	**6**	**33**

Levels	2018/2019 No. of Employees	2019/2020 Approved Posts	2019/2020 No. of Employees as @ 31 March 2020	2019/2020 Number of Contractors	2019/2020 Vacancies
Top Management	5	6	6	0	0
Senior Management	20	21	20	0	1
Professional qualified	115	123	102	2	21
Skilled	37	46	38	3	8
Semi-skilled	4	4	4		
Unskilled	15	19	16	1	3
Total	**196**	**219**	**186**	**6**	**33**

The NDA will continue to work towards the vacancy rate of 10% through filling critical vacancies while achieving employment equity targets. The table on the next page summarises the NDA employment and vacancies report. The vacancy rate is high this year due to the reprioritisation and employee exits wherein recruitment is still underway.

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

Reasons for staff leaving

Reason	Number of Employees	% of total no. of staff leaving
Death	1	0.5%
Resignation	2	1.0%
Dismissal	0	0.0%
Retirement	2	1.0%
Ill health	0	0.0%
Expiry of contract	10	5.0%
Other	0	0.0%
Total	**15**	**7.5%**

The above table outlines the attrition trends in relation to the number of staff that left the organisation during the 2019/2020 financial year. Quarterly statistics are reported, and the annual turnover rate is an average of the four quarterly statistics. As at 31 March 2020, fifteen (15) employees left the organisation, the majority of which were due to the expiry of the fixed term contracts.

Labour Relations: Misconduct and disciplinary action

Two progressive disciplinary matters were finalised and were related to non-compliance with NDA policies and procedures, and/or insubordination.

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	1
Final Written warning	1
Dismissal	0
Other	0
Total	**2**

Equity Target and Employment Equity Status

	Female							
	African		Coloured		Indian		White	
Levels	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	2	0	0	2	1	0	0
Senior management	6	8	0	0	0	0	0	0
Professional qualified	61	65	1	2	0	1	0	1
Skilled	29	28	2	2	1	1	0	0
Semi-skilled	3	4	0	0	0	0	0	0
Unskilled	14	13	1	1	0	0	0	0
Total	**115**	**120**	**4**	**5**	**3**	**3**	**0**	**1**

	Male							
	African		Coloured		Indian		White	
Levels	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	2	0	0	0	0	0	0
Senior management	12	12	2	2	0	0	0	0
Professional qualified	37	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	**59**	**81**	**5**	**5**	**0**	**0**	**0**	**0**

The NDA's employment profile is mostly represented by females at 65%, of whom 95% 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 2 of the NDA 5-year Employment Equity Plan.

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**

PART E

AUDITED ANNUAL FINANCIAL STATEMENTS

The reports and statements set out below comprise the annual financial statements presented to parliament

CONTENTS

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. I have audited the financial statements of the National Development Agency set out on pages 44 to 77, which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information 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 National Development Agency as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and 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 public entity in accordance with sections 290 and 291 of the Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (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 matters

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

Impact of COVID-19 on the operations of the public entity

7. I draw attention to note 29 to the financial statements, which deals with subsequent events, and specifically the possible effects of the future implications of COVID-19 on the public entity's future prospects, performance and cash flows. Management has also described how it plans to deal with these events and circumstances.

Contingencies

8. With reference to note 23 to the financial statements, the public entity is the defendant in various legal cases. The public entity is opposing the claims. The ultimate outcome of the 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 board, which constitutes 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 public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public 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 identify 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 public entity for the year ended 31 March 2020:

Programme	Pages in the annual performance report
Programme 2 – CSO development	20-21

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. I was unable to obtain sufficient appropriate audit evidence for the reported achievements of four of the seven material indicators relating to this programme. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report for the indicators listed below:

Indicator description	Reported achievement
KPI 05 – Number of CSOs assisted to formalise their structures	1 008
KPI 06 – Number of CSOs capacitated to comply with registration legislation	5 011
KPI 07 – Number of CSOs capacitated in civil society organisational management per year	5 263
KPI 10 – Number of CSOs referred to suitable resource opportunities per year	2 272

Other matter

18. I draw attention to the matters below.

Achievement of planned targets

19. Refer to the annual performance report on pages 18 to 23 for information on the achievement of planned targets for the year and explanations provided for the under/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 paragraph 17 of this report.

Report on the audit of compliance with legislation

Introduction and scope

20. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

21. The material findings on compliance with specific matters in key legislation are as follows:

Expenditure management

22. Effective and appropriate steps were not taken to prevent irregular expenditure of R39,21 million as disclosed in note 27 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with supply chain management legislation.

Strategic planning and performance management

23. Quarterly reports were not submitted to the executive authority as required by treasury regulation 30.2.1.

Procurement and contract management

24. Some goods and services with a transaction value above R500 000 were procured without inviting competitive bids, as required by treasury regulations 16A6.1. This non-compliance was identified in the procurement processes for training programmes.

Consequence management

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

Other information

26. 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.

27. 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.

28. 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.

29. 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

30. 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.

31. Leadership did not implement effective monitoring controls to ensure reliable performance reporting, nor did they exercise adequate oversight over compliance with applicable legislation.

32. Management did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information. Furthermore, management did not review and monitor compliance with legislation.

Auditor-General

Pretoria
30 September 2020

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 board of directors, which constitutes 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 relating to events or conditions that may cast significant doubt on the ability of the National Development Agency 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 my 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 operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine 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, actions taken to eliminate threats or safeguards applied.

REPORT BY THE BOARD ON THE ANNUAL FINANCIAL STATEMENTS

The NDA Board is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of members of the Board to ensure that the annual financial statements fairly present the state of affairs of the NDA 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 members of the NDA Board acknowledge that they are ultimately responsible for the system of internal financial control established by the NDA and place considerable importance on maintaining a strong control environment. To enable the fulfilment of these 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 NDA and all employees are required to maintain the highest ethical standards in ensuring the NDA's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the NDA is on identifying, assessing, managing and monitoring all known forms of risk across the NDA. While operating risk cannot be fully eliminated, the NDA endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The members of the Board are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on 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 members of the Board have reviewed the NDA's cash flow forecast for the year to 31 March 2021 and, in the light of this review and the current financial position, they are satisfied that the NDA has access to adequate resources to continue in operational existence for the foreseeable future. The NDA is financially dependent on a transfer payment from nationally appropriated funds. On the basis that the transfer payment has been listed in the Estimates of National Expenditure, the NDA believes that it will have sufficient funds to continue operations in the year ahead. As a result, the NDA has prepared the annual financial statements on a going concern basis.

The members of the Board are accountable for the fiduciary governance and oversight of the NDA. The CEO, as the Accounting Officer of the NDA, is responsible for the financial affairs of the NDA. 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 44-77, which have been prepared on the going concern basis, were approved by the members of the Board on 29 September 2020 and were signed on its behalf by:

Ms. Zamandlovu Ndlovu
Chairperson of the Board

STATEMENT OF FINANCIAL POSITION
as at March 31, 2020

	Note(s)	2020 R	2019 Restated* R
ASSETS			
Current Assets			
Cash and cash equivalents	3	51 624 407	60 088 989
Receivables from exchange transactions	4	1 861 451	901 674
Receivables from non-exchange transactions	5	449 574	56 222
		53 935 432	**61 046 885**
Non-Current Assets			
Property, plant and equipment	6	5 400 712	6 442 498
Intangible assets	7	3 881 176	107 348
		9 281 888	**6 549 846**
Total Assets		**63 217 320**	**67 596 731**
LIABILITIES			
Current Liabilities			
Payables from exchange transactions	9	6 575 121	6 440 805
Payables from non-exchange transactions	10	299 926	6 852
Provisions	11	5 890 711	5 890 711
Short- term employee benefits	12	10 506 358	9 197 615
Accrual for committed projects	13	9 498 532	3 217 137
Unutilised third party funds (deferred liabilities)	14	12 627 707	10 966 453
		45 398 355	**35 719 573**
Total Liabilities		**45 398 355**	**35 719 573**
Net Assets		**17 818 965**	**31 877 158**
Accumulated surplus		17 818 965	31 877 158

STATEMENT OF FINANCIAL PERFORMANCE
as at March 31, 2020

	Note(s)	2020 R	2019 Restated* R
Revenue			
Non-exchange revenue			
Transfer Revenue	15	212 355 000	202 578 000
Other grants – Third party funds	16	24 975 999	13 486 902
Total revenue from non-exchange transactions		**237 330 999**	**216 064 902**
Exchange revenue			
Other income	17	2 694 179	3 130 159
Finance income		839 892	2 298 756
Total revenue from exchange transactions		**3 534 071**	**5 428 915**
Total revenue		**240 865 070**	**221 493 817**
Expenditure			
Mandate expenses			
Disbursements to NDA funded projects		(10 087 647)	(8 569 411)
Disbursements to third party funded projects		–	(1 410 944)
Third party funded capacity building costs	20.3	(24 918 479)	(2 429 712)
CSO development programme implementation costs	20.1	(8 738 567)	(11 630 130)
Research, monitoring and evaluation costs		(2 650 504)	(2 768 072)
NDA funded capacity building costs	20.2	(8 151 862)	(13 056 999)
Mandate staff costs		(77 171 020)	(75 401 162)
Third party funded summits		–	(9 646 244)
Total mandate expenses		**(131 718 079)**	**(124 912 674)**
Administration expenses			
Accommodation and travel	20.4	(17 206 962)	(10 125 734)
Audit fees		(4 498 981)	(3 018 177)
Board fees	18	(684 436)	(1 691 293)
Consulting and professional fees	20.5	(3 942 107)	(4 053 693)
Depreciation and amortisation		(2 904 309)	(2 374 479)
Operating leases	20.6	(13 352 385)	(12 405 967)
Admin staff costs	19	(50 454 853)	(52 131 979)
IT communication costs		(3 985 627)	(3 979 386)
Relocation of offices		(1 399 977)	(1 664 771)
Impairment losses		(3 981)	–
Increase in allowance for loss		–	(54 990)
Loss on disposal of assets		(207 873)	(85 754)
General expenses	20.7	(15 157 156)	(10 118 313)
Total administration expenses		**(113 798 647)**	**(101 704 536)**
Total expenditure		**(245 516 726)**	**(226 617 210)**
Deficit		**(4 651 656)**	**(5 123 393)**

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

STATEMENT OF CHANGES IN NET ASSETS
as at March 31, 2020

	Note(s)	Accumulated surplus R	Total net assets R
Balance at April 1, 2018		**37 000 551**	**37 000 551**
Changes in net assets			
Deficit for the year		(5 123 393)	(5 123 393)
Total changes		(5 123 393)	(5 123 393)
Opening balance as previously reported		31 877 131	31 877 131
Adjustments			
Surplus surrendered to National Treasury		(10 485 399)	(10 485 399)
Prior year adjustments		1 078 889	1 078 889
Balance at April 1, 2019 as restated*		**22 470 621**	**22 470 621**
Changes in net assets			
Surplus for the year		(4 651 656)	(4 651 656)
Total changes		(4 651 656)	(4 651 656)
Balance at March 31, 2020		**17 818 965**	**17 818 965**

CASH FLOW STATEMENT
as at March 31, 2020

	Note(s)	2020 R	2019 Restated* R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Transfer revenue		238 992 253	205 505 567
Interest income		945 770	2 280 007
Other receipts		1 235 173	3 229 469
		241 173 196	211 015 043
Payments			
Employee costs		(127 001 566)	(125 916 356)
Suppliers		(103 143 277)	(86 516 872)
Funded projects		(3 159 307)	(9 474 708)
National Treasury: surplus surrender		(10 485 399)	–
KwaZulu-Natal Department of Social Development		–	(7 352 373)
		(243 789 549)	(229 260 309)
Net cash flows from operating activities	**21**	**(2 616 353)**	**(18 245 266)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	(1 869 236)	(2 340 653)
Purchase of other intangible assets	7	(3 978 993)	–
Net cash flows from investing activities		**(5 848 229)**	**(2 340 653)**
Net increase/(decrease) in cash and cash equivalents		**(8 464 582)**	**(20 585 919)**
Cash and cash equivalents at the beginning of the year		60 088 989	80 674 908
Cash and cash equivalents at the end of the year	**3**	**51 624 407**	**60 088 989**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
as at March 31, 2020

Budget on Cash Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on a comparable basis R	Difference between final budget and actual R	Reference
REVENUE						
REVENUE FROM EXCHANGE TRANSACTIONS						
Other income	–	1 890 000	1 890 000	2 694 179	804 179	28.1
Interest received – investment	3 112 043	(2 098 114)	1 013 929	839 892	(174 037)	28.2
Total revenue from exchange transactions	**3 112 043**	**(208 114)**	**2 903 929**	**3 534 071**	**630 142**	
REVENUE FROM NON-EXCHANGE TRANSACTIONS						
TRANSFER REVENUE						
Government grants & subsidies	212 354 000	–	212 354 000	212 355 000	1 000	
Other grants third party funds	1 749 818	24 921 345	26 671 163	24 975 999	(1 695 164)	
Transfer from accumulated funds	–	11 210 425	11 210 425	–	(11 210 425)	28.3
Total revenue from non-exchange transactions	**214 103 818**	**36 131 770**	**250 235 588**	**237 330 999**	**(12 904 589)**	
Total revenue	**217 215 861**	**35 923 656**	**253 139 517**	**240 865 070**	**(12 274 447)**	
EXPENDITURE						
Admin staff costs	(57 494 853)	7 720 912	(49 773 941)	(50 454 853)	(680 912)	
Board meeting fees	(1 807 611)	1 164 672	(642 939)	(684 436)	(41 497)	
Depreciation and amortisation	–	–	–	(2 904 309)	(2 904 309)	28.4
Impairment losses	–	–	–	(3 981)	(3 981)	
Loss on disposal of assets	–	–	–	(207 873)	(207 873)	
Lease rentals on operating lease	(12 275 791)	(1 097 050)	(13 372 841)	(13 352 385)	20 456	
Third party funded projects	–	(1 636 845)	(1 636 845)	–	1 636 845	28.5
NDA funded capacity building costs	(5 599 734)	(3 443 603)	(9 043 337)	(8 151 862)	891 475	
Research, monitoring and evaluation costs	(3 861 995)	(527 871	(4 389 866)	(2 650 504)	1 739 362	

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on a comparable basis R	Difference between final budget and actual R	Reference
Third party funded capacity building	(1 749 818)	(23 284 500)	(25 034 318)	(24 918 479)	115 839	28.6
NDA grant funded projects	(11 000 000)	(1 551 712)	(12 551 712)	(10 087 647)	2 464 065	28.7
CSO development programme implementation costs	(6 924 906)	(647 368)	(7 572 274)	(8 738 567)	(1 166 293)	
Mandate staff costs	(80 171 732)	2 250 251	(77 921 481)	(77 171 020)	750 461	28.8
General Expenses	(15 355 499)	(1 051 992)	(16 407 491)	(16 557 133)	(149 642)	
Capital expenditure	(580 013)	(1 720 000)	(2 300 013)	–	2 300 013	28.9
IT communications costs	(4 117 198)	379 725	(3 737 473)	(3 985 627)	(248 154)	
Audit fees	(2 526 563)	(809 063)	(3 335 626)	(4 498 981)	(1 163 355)	28.10
Consulting and professional fees	(6 033 250)	(2 386 110)	(8 419 360)	(3 942 107)	4 477 253	28.11
Accommodation and travel	(7 716 898)	(9 283 102)	(17 000 000)	(17 206 962)	(206 962)	
Total expenditure	**(217 215 861)**	**(35 923 656)**	**(253 139 517)**	**(245 516 726)**	**7 622 791**	
Deficit before taxation	**–**	**–**	**–**	**(4 651 656)**	**(4 651 656)**	

Budget on Cash Basis

Actual amount on comparable basis as presented in the budget and actual comparative statement	–	–	–	(4 651 656)	(4 651 656)	

The actual expenditure relating to the budgeted capital expenditure is reported in the statement of financial position, hence the zero actual expense and the variance.

ACCOUNTING POLICIES

1. STATEMENT OF COMPLIANCE

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).

The following Standards of GRAP were issued by the Accounting Standards Board, but were not effective at reporting date. The NDA did not early adopt any of these standards:

- 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 14 – Events after the reporting date
- GRAP 17 – Property, plant and equipment
- GRAP 19 – Provisions, contingent liabilities and contingent assets
- GRAP 20 – Related party transactions
- GRAP 21 – Impairment of non-cash generating assets
- GRAP 23 – Revenue from non-exchange transactions
- GRAP 24 – Presentation of budget information
- GRAP 25 – Employee benefits
- GRAP 31 – Intangible assets
- GRAP 104 – Financial instruments

The financial statements incorporate the following principal accounting policies that are consistent with those adopted in the previous years except where stated, are set out below:

1.1 Measurement basis

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost accounting convention, unless otherwise specified. The NDA's functional currency is the South African Rand and the annual financial statements are presented in South African Rand. Assets, liabilities, revenue and expenses have not been offset, except where offsetting is required, or permitted by a Standard of GRAP.

1.2 Significant judgements and sources of estimation

In preparing the annual financial statements, management makes use of estimates and assumptions that affect amounts presented in the annual financial statements and related disclosures. The use of reasonable estimates is an essential part of the preparation of the financial statements, and does not undermine its reliability. Use of available information and the application of judgement is inherent in the assumptions and estimates. These judgements have been applied in such a way so as to ensure that information is reliable, relevant, faithfully represents the information in the financial statements, and reflects the economic substance of transactions and not merely their legal form. Actual results in the future may differ from these estimates, which may be material to the annual financial statements, due to changed circumstances, new information or more experience. Significant judgements have been applied in determining the impairment assessment of receivables, provisions, bonus provision, useful lives of depreciable assets, depreciation methods and impairment assessment of assets.

Notes relating to the items identified are included under the relevant areas of the financial statements.

1.3 Going concern assumption

These annual financial statements are prepared on the assumption that the entity will continue in operation for the foreseeable future, and will be able to meet its obligations for at least the next twelve months. The entity's current ratio of approximately 1.2:1, shows that the NDA has sufficient current assets to cover its short-term liabilities. The NDA is financially dependent on a transfer payment from nationally appropriated funds. On the basis that the transfer payment has been listed in the Estimates of National Expenditure, and based on the cash holdings at the end of 2019/2020 financial year, the NDA believes that it will have sufficient funds to continue operations in the year ahead. As a result, the NDA has prepared the annual financial statements on a going concern basis.

1.4 Comparative information

Where 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 amended presentation or classification are disclosed. Where material accounting errors related to recognition, measurement, presentation, disclosure, have been identified in the current year, the correction is made retrospectively by correcting the comparative amounts in the prior period presented, or by restating the opening balance of assets, liabilities and net assets for the earliest prior period presented, as far as is practicable to determine the period specific and cumulative effects of the error. 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, and the opening balance of affected components of net assets for the earliest prior period presented are adjusted accordingly.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the provision of services and for administrative purposes, and are expected to be used during more than one reporting period.

1.5.1 Initial measurement and recognition of property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

a) It is probable that future economic benefits or service potential associated with the item will flow to the entity, and
b) The cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured on recognition at cost. The cost of an item of property, plant and equipment is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction. It comprises of the purchase price after deducting trade discounts and rebates, and including other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, such as delivery, installation and testing costs.

Where an asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at date of acquisition. When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

1.5.2 Subsequent recognition of property, plant and equipment

After recognition as an asset, an item of property, plant and equipment is carried at its cost less accumulated depreciation, and accumulated impairment losses. This is referred to as the carrying value of the asset. Subsequent costs which are costs incurred to add or replace a part of the same 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, and the cost or fair value of the item can be measured reliably. The carrying amount of those parts that have been replaced is derecognised. If it is not practicable to determine the carrying amount of the replaced part, the cost of the replacement is used as an indication of what the cost of the replaced part was at the time it was acquired. All other subsequent costs are recognised as an expense in the period in which they are incurred. The costs of day to day servicing of property, plant and equipment are recognised in surplus or deficit when they are incurred as repairs and maintenance.

1.5.3 Depreciation and impairment of property, plant and equipment

Depreciation is the systematic allocation (write-off) of the depreciable amount of an asset over its useful life, where the depreciable amount is the cost of the asset less its residual value. The residual value of the asset is the estimated amount that an entity would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. In practice, the residual value of assets in the NDA are insignificant, and therefore immaterial in the calculation of the depreciable amount, as assets are usually donated at the end of useful life. The useful life is the period over which the asset is expected to be available for use.

The depreciation method applied by the NDA is the straight-line method, which results in a constant charge over the useful life of the asset. The depreciation charge for each period is recognised in surplus or deficit, unless it is included in the carrying amount of another asset. Depreciation of an asset begins when it is available for use, and ceases at the date when the asset is derecognised.

The depreciation method applied to an asset is reviewed at each reporting date, and if there is a significant change in the expected pattern of use of the asset, the method is changed to reflect that pattern, and accounted for as a change is estimate. The NDA assesses at each reporting date whether there is an indication that expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If such an indication exists, the NDA revises the expected useful life and /or the residual value, and accounts for such revision as a change in accounting estimates. In assessing whether there is any indication that the expected useful life of an asset has changed, the indicators listed in paragraph 57 of GRAP 17 are considered by management.

At each reporting date, all items of property, plant and equipment are assessed for any indication that they may be impaired. The NDA designates its assets as non-cash generating assets at initial recognition, as assets are used for delivering services, and not for the purpose of generating a commercial return. The NDA accordingly applies the requirements of the GRAP 21 Standard. An 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, and reflects a decline in the utility of the asset. Impairment exists when an asset's carrying amount is greater its recoverable service amount. The recoverable service amount of an asset is the higher of its fair value less costs to sell, and its value in use. The value in use of a non-cash generating asset, is the present value of the asset's remaining service potential. If there is an indication of impairment, the recoverable service amount of the asset is estimated.

In assessing whether there is any indication that an asset may be impaired, management considers the indicators listed in paragraph 23 of GRAP 21. The assets of the NDA comprise mainly items of property, plant and equipment used for administrative purposes, to end of useful life, after which the assets are donated. As a result, an active trading market for these assets does not exist, and the fair value of the assets is difficult to estimate. The value in use is therefore used to estimate the recoverable service amount. The NDA applies the depreciated replacement cost approach in determining value in use. The replacement cost of the asset to replace the assets gross service potential is assessed, and is then depreciated to reflect the asset in used condition. If the recoverable service amount of the asset, being its depreciated replacement cost, is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised in surplus or deficit in the current period and the depreciation charge relating to the asset is adjusted in future periods, to allocate the asset's revised carrying amount, on a systematic basis over its remaining useful life.

The useful lives of items of property, plant and equipment for the current and comparative period is as indicated below:

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
Computer equipment	Straight line	3-11 years

1.5.4 Derecognition of property, plant and equipment.

The carrying amount of an item of property, plant and equipment is derecognised:

a) On disposal, including disposal through a non-exchange transaction; or
b) When no future economic benefits or service potential are expected from its use.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised, and is determined by calculating the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance, that are controlled by the NDA because of past events and from which future economic benefits or service potential are expected to flow.

An asset is identifiable if it either:

- Is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- Arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

1.6.1 Initial recognition

An intangible asset is recognised if:

- It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the NDA; and
- The cost or fair value of the asset can be measured reliably.

The future economic benefits or service potential flowing from an intangible asset may include revenue, cost savings or other benefits resulting from the use of the asset by the entity. The NDA assesses the probability of expected future economic benefits or service potential using reasonable and supporting assumptions that represent management's best estimate of the set of conditions that will exist over the useful life of the asset.

Intangible assets are initially recognised at the cost of acquiring the assets in an exchange transaction, or at the costs to internally generate the asset, or at fair value if it is acquired through a non-exchange transaction. The cost of an intangible asset acquired for no consideration or for a nominal consideration is its fair value as at the date of acquisition.

No intangible asset arising from research (or from the research phase of an internal project) is recognised by the NDA. Expenditure on research is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if the NDA can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits or service potential (the usefulness of the intangible asset);
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

1.6.2 Subsequent measurement of intangible assets

Intangible assets with a finite useful life are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

1.6.3 Amortisation and impairment

The depreciable amount of an intangible asset with a finite useful life is allocated on a straight-line basis over its useful life, as amortisation. Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation ceases at the date that the asset is derecognised. The residual value of an intangible asset with a finite useful life is assumed to be zero. The amortisation charge for each period is recognised in surplus or deficit. Intangible assets are amortised on the straight-line basis over the estimated useful lives between 3-12 years.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each reporting date. If the expected useful life of the asset is different from the previous estimates, the amortisation period is changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortisation method is changed to reflect the changed pattern. Each change is accounted for as a change in accounting estimates.

At each reporting date, all items of intangible assets are reviewed for any indication that they may be impaired. Impairment exists when an asset's carrying amount is greater than its recoverable amount. The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. If there is an indication of impairment, the asset's recoverable amount is calculated. An impairment loss is recognised in surplus or deficit if the carrying amount is greater than the recoverable amount and the amortisation charge relating to the asset is adjusted for future periods, based on the revised carrying amount.

Amortisation is provided to write down the depreciable amount of intangible assets, on a straight line basis, as follows:

Item	Useful life
Computer software, other	3-11 years
Internally generated intangible asset	12 years
ERP system	12 years

1.6.4 Derecognition of intangible assets

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is recognised in surplus or deficit, as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

1.7 Leases

A finance lease transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease as it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

The NDA has entered into several operating leases for office space and office equipment. Operating lease payments are recognised as an expense in surplus or deficit 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 in the statement of financial position.

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. A financial asset is cash, or a contractual right to receive cash or another financial asset from another entity, or exchange financial assets or financial liabilities with another entity under potentially favourable conditions. A financial liability represents a contractual obligation to deliver cash or another financial asset to another entity, or exchange financial assets or financial liabilities with another entity under potentially unfavourable conditions to the entity.

Non-derivative financial instruments

The entity's financial instruments are made up of non-derivative financial assets and liabilities that have fixed or determinable payments, and these comprise the following:

a) Cash and cash equivalents
b) Receivables from exchange transactions
c) Receivables from non-exchange transactions
d) Payables from exchange transactions
e) Payables from non-exchange transactions

Recognition and de-recognition

Financial assets or financial liabilities are recorded on the statement of financial position when the entity becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially recognised at fair value (transaction price) and subsequently measured at amortised cost, using the effective interest method. Financial assets are subject to an impairment review on an annual basis. For financial assets and liabilities measured at amortised cost, a gain or a loss is recognised in surplus or deficit when the financial asset is derecognised or impaired or through the amortisation process.

Financial assets are derecognised when the contractual rights to the cash flow from the financial assets expire, are settled or waived or when substantially all the risks and rewards are transferred. On derecognition, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

A financial liability is removed only when it is extinguished, that is, when the obligation specified in the contract is discharged, cancelled, expires or is waived. The difference between the carrying amount of the financial liability extinguished and the consideration paid is recognised in surplus or deficit.

On initial recognition, an instrument is classified as either a financial asset or a financial liability and recorded at fair value (transaction price) plus any directly attributable transaction costs of acquisition or issue. After initial recognition, financial assets and financial liabilities are measured at amortised cost.

a) Cash and cash equivalents

Cash and cash equivalents comprises of; cash on hand, bank balances and other short-term highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are recognised at fair value. The carrying value of cash and cash equivalents closely approximates fair value due to the short period to maturity.

Cash held by the entity includes cash balances held on behalf of third parties in terms of agreements entered with them.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are measured at fair value, and subsequently carried at amortised cost, using the effective interest rate method, less any allowance for impairment. Gains and losses are recognised in surplus or deficit when the receivables are derecognised or impaired, through the amortisation process.

b) Receivables from exchange transactions

Receivables from exchange transactions are amounts receivable by the entity flowing from transactions in which the entity receives an approximate value in exchange for goods and services. Receivables from exchange transactions are measured initially at fair value and subsequently at amortised cost using the effective interest method, less any impairment losses.

Receivables from exchange transactions are recognised when the NDA becomes party to the contractual provisions of the instrument that gives rise to the receivable.

Receivables are derecognised when the contractual obligation expires or is discharged or cancelled. Impairment losses on receivables are recognised in surplus or deficit when there is objective evidence of impairment of the receivables.

c) Receivables from non-exchange transactions
Receivables from non- exchange transactions are amounts receivable by the entity flowing from transactions in which the entity receives an approximate value without giving an approximate value in exchange.

Receivables are recognised when the entity becomes party to the financial instrument contract. Receivables from non-exchange transactions are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Receivables are derecognised when the contractual obligation expires or is discharged or cancelled. Impairment losses on receivables are recognised in surplus or deficit when there is objective evidence of impairment of the receivable.

d) Payables from exchange transactions
Payables from exchange transactions are financial obligations that arise from transactions where the entity receives value from another entity and gives approximate equal value in exchange.

Payables are recognised when the entity becomes party to the financial instrument contract. Payables from exchange transactions are initially measured at fair value and subsequently at amortised cost using effective interest method.

Payables are derecognised when the obligation under the liability has been extinguished.

e) Payables from non-exchange transactions
Non-exchange transactions are transactions where an entity receives value from another entity without directly giving approximately equal either value in exchange, or gives value to another entity without directly receiving approximately equal in exchange.

Payables are recognised when the entity becomes party to the financial instrument contract. Payables from non-exchange transactions are initially measured at fair value and subsequently at amortised cost using the effective interest rate method.

Payables are derecognised when the obligation under the liability has been extinguished.

Impairment of financial instruments
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 over the expected life of the instrument, discounted at 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.

Offsetting
A financial asset and a financial liability are offset and the net amounts presented in the statement of financial position, when the entity has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

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

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 (such as medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

Measurement and recognition
When an employee has rendered service to the entity during a reporting period, the NDA recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the NDA recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in another GRAP standard, for example property, plant and equipment (GRAP 17) and intangible assets (GRAP 31).

The expected cost of short-term employee benefits in the form of compensated absences is recognised as follows:

In the case of accumulating compensated absences, when employees render services that increase their entitlement to future compensated absence;

In the case of non-accumulating absences, when the absences occur.

The NDA measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

Bonus, incentives and performance related payments

The expected cost of performance related payments is recognised 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. The NDA evaluates performance of individual employees against key performance indicators agreed to in the performance agreements. Performance ratings are moderated by a performance committee and thereafter recommended for Board approval. A legal obligation arises upon Board approval, whilst a constructive obligation arises upon completion of individual ratings and moderation. Irrespective of whether a constructive obligation exists at reporting date, the expected cost of performance related payments is recognised in surplus or deficit only if there are sufficient cash holdings to support the present obligation.

Termination benefits

The NDA 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.

The NDA is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented. Implementation shall begin as soon as possible and the period of time to complete implementation shall be such that material changes to the plan are not likely.

1.10 Provisions and contingencies provisions

A provision is a liability of uncertain timing or amount.

Provisions are recognised when:

- the NDA has a present obligation (legal or constructive) 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 amount of the obligation.

A past event that leads to a present obligation is an obligating event, where NDA has no realistic alternatives to settling the obligation created by the event

A constructive obligation is an obligation that derives from the NDA's actions where:

- by an established pattern of past practice, published policies or a sufficiently specific current statement, the NDA has indicated to other parties that it will accept certain responsibilities; and
- as a result, the NDA has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Measurement

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at reporting date. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Provisions are not recognised for future operating deficits, or for costs that need to be incurred to continue an entity's on-going activities in the future.

Leave provision

A provision is raised for the estimated liability for accumulating compensated absences (annual pay-out), accumulated at reporting date. The NDA measures accumulating compensated absences as the additional amount that the NDA expects to pay as a result of the unused entitlement that has accumulated at reporting date, limited to a maximum of 30 days per employee as per the leave pay-out provision in the leave policy.

Performance bonus

A provision is raised for the present obligation related to the estimated cost of performance related payments when the NDA 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. The NDA evaluates performance of individual employees against key performance indicators agreed to in the performance agreements. Performance ratings are moderated by a performance committee and thereafter recommended for Board approval. A legal obligation arises upon Board approval, whilst a constructive obligation arises upon completion of individual ratings and moderation. Irrespective of whether a constructive obligation exists at reporting date, a bonus provision is only raised if there are sufficient cash holdings to support the present obligation.

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. The NDA does not recognise a contingent asset. Contingent assets have not yet met the requirements for recognition in the statement of financial position and statement of financial performance and are therefore disclosed in the notes to the annual financial statements.

Contingent liabilities

Contingent liabilities are possible obligations that arise 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.

The NDA does not recognise a contingent liability. Contingent liabilities are possible financial obligations that have not yet met the criteria for recognition in the statements of financial performance and position and are therefore disclosed in the notes to the financial statements, note 23.

1.11 Commitments

Items are classified as commitments where the NDA has committed itself to future transactions that will normally result in the outflow of resources. Commitments are disclosed in respect of contracted amounts, where stipulated conditions have not yet been met as at the reporting date, and for amounts approved by the Board as at the reporting date, but not yet contracted for.

Committed project funds

Committed project funds represent funds approved by the Board and/or contracted in terms of grant funding agreements with NPOs and CSOs, that have not yet been disbursed at the end of the reporting period, as the conditions for payment in terms of the agreements have not yet been met.

Committed project funds are recognised when a contract is entered into between the NDA 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 or when the Board has approved the project amount. Committed projects funds are not recognised in the statement of performance nor in the statement of position, but are disclosed in the notes to the annual financial statements.

1.12 Accrual for committed projects

Accrual for committed projects represents funds due to projects that have met the conditions for payment in terms of the funding agreements, but had not yet been disbursed to the projects at the end of the reporting period. Accruals for committed projects are recognised in surplus or deficit as an expense, and as a liability in the statement of financial position.

1.13 Unutilised third party project funds (deferred liabilities)

Unutilised third party funds are transferred assets held by the entity on behalf of third parties, that have not yet met the conditions for recognition in surplus or deficit at the end of the reporting period. Conditions on transferred assets require the NDA to consume the future economic benefits or service potential embodied in the assets as specified, or return the future economic benefits or service potential to the transferor in the event the conditions are breached. When the NDA initially recognises an asset that is subject to conditions, it also recognises a liability. Funds that remain unconsumed because conditions as specified in the funding agreements are not yet met, are classified as a present obligation of the NDA, where an outflow of resources will be probable, and performance against the conditions is required and able to be assessed. As the NDA satisfies a present obligation recognised as a liability, it reduces the amount of the liability and recognises an amount of revenue equal to this reduction. The timing of the recognition is determined by the nature of the contractual conditions and their discharge as per contract.

1.14 Revenue from exchange transactions

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, taking into account the amount of any trade discounts and volume rebates allowed.

An exchange transaction is one in which the entity receives assets, or services or has liabilities extinguished, and directly gives approximate equal value to the other party in exchange. Revenue from exchange transactions is recognised in surplus or deficit at the fair value of the consideration received or receivable. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the NDA and these benefits can be measured reliably.

The following are regarded as exchange transactions:

a) Rendering of services
b) Sale of goods
c) The use by others of the entity's assets yielding interest, royalties, dividends or similar distributions Finance income.

Finance income

Finance income comprises revenue in the form of interest 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.

Other Income

Other income comprises of various sources as described below:

a) Sundry Income

Sundry income includes funds recovered from employees in respect of study expenses incurred in the previous financial years, recoveries for damages to assets caused by employee negligence, and recoveries from insurance claims. This income is recognised in surplus or deficit in the period in which it is received.

b) Recoveries from projects

Recoveries from projects include funds refunded to NDA from projects that have previously received grant funding, but which have since been discontinued and for which funding agreements have been cancelled. These funds are recognised as revenue when funds are received into NDA bank accounts.

c) Management fees

Management fees comprise fees earned for administrative services rendered in managing and implementing programmes and conditional grants on behalf of other government entities and/or private partners. Management fees are measured at the fair value of the agreed upon consideration received or receivable as per contractual agreement between the NDA and the relevant counterparty.

Recognition of management fees

When the outcome of the transaction involving the implementation for which management fees are earned can be estimated reliably, then management fees are recognised in surplus or deficit in the reporting period in which services are rendered, by reference to the stage of completion of the transaction at the reporting date (also known as the percentage of completion method), or as contractually determined. The method adopted to determine the stage of completion is the proportion that costs incurred to date bear to the estimated total costs of the transaction, or by reference to the costs of specific milestones achieved and associated management fees as per contractually stipulated terms, over the term of the contract. Management fees are applied to administrative and mandate costs of the NDA in a generalised manner.

The outcome of a transaction can be measured reliably when all the following conditions are satisfied:

a) The amount of revenue can be measured reliably;
b) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
c) The stage of completion of the transaction at the reporting date can be measured reliably; and
d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of service cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

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 the entity directly giving any approximate equal value in exchange. Non-exchange transactions are transactions that are not exchange transactions. The NDA receives transfers from National Treasury and other government entities, which are inflows of economic benefits or service potential from non-exchange transactions other than taxes.

Recognition and measurement

The NDA recognises an asset in respect of transfers received when the transfer meets the definition of an asset and satisfies the criteria for recognition as an asset. Assets are resources controlled by the entity as a result of past events (the estimate of national expenditure, the transfer payment and funding contracts), from which the entity expects to receive economic benefits or service potential, it is probable that the inflow of resources to the entity will occur, and the fair value of the assets can be reliably measured.

An inflow of resources from a non-exchange transaction recognised as an asset, is recognised as revenue, except to the extent that a liability is recognised in respect of the same inflow. Liabilities are recognised on transferred assets to the extent of contractual conditions that require the NDA to either consume the future economic benefits or service potential of the assets as specified, or return the future economic benefits or service potential to the grantor in the event the conditions are breached. The NDA therefore incurs a present obligation to transfer the future economic benefits or service potential to third parties, when it gains control of the asset. As the NDA 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, and recognises an amount of revenue equal to the reduction. Revenue from non-exchange transactions is therefore measured at the amount of the increase in net assets recognised by the NDA. The transfer allocation received from National Treasury is not subject to contractual conditions, but statutory conditions as to the utilisation thereof, and is therefore recognised in full as revenue, when received.

Transfer revenue

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

Other grants

Other grants represent conditional grants received, with conditions attached as stipulated as per the grant funding contract. Other grants are recognised as revenue in surplus or deficit when the NDA has met the stipulations and conditions imposed by the grantor of such funds.

1.16 Mandate expenditure

Mandate expenditure represents expenditure that is directly related to carrying out the primary and secondary mandate of the NDA as directed by the founding NDA Act no. 108 of 1998. Mandate expenses are recognised in surplus or deficit when expenditure has been incurred.

Disbursements to funded projects

Disbursements to funded projects are recognised when cash payments are made to funded projects and payments are accrued for projects that have met the requirements for payment at the end of the reporting period, in terms of funding agreements entered into with Civil Society Organisations and Non-Profit Organisations.

Capacity building costs

Capacity building costs represents expenditure incurred by the entity in carrying out its primary mandate of strengthening the institutional capacity of Civil Society Organisations through scheduled skills development and training programmes. The expenditure is recognised in surplus or deficit when goods have been delivered or services rendered by the end of the reporting period.

1.17 Administration expenditure

Administration expenses represent expenditure incurred by the entity in respect of administrative functions of the NDA or expenditure other than mandate expenses. Administration expenses are recognised in surplus or deficit when expenditure has been incurred.

1.18 Related parties

Related party relationships exist throughout public sector because government entities are subject to the overall direction of an executive government, and ultimately Parliament, and operate together to achieve the policies of government. A related party is a person or entity with the ability to control, jointly control or exercise significant influence over the other party, or vice versa, or an entity that is subject to common or joint control. The existence of related party relationship provides an opportunity for transactions to occur on a basis that may give one party an advantage at the expense of another. A related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

A person is related to the reporting entity if that person has:

a) Control or joint control over the reporting entity;
b) Has significant influence over the reporting entity (power to participate in the financial and operating policy decisions); or
c) Is a member of management of the entity or its controlling entity.

An entity is related to the reporting entity if the entity is a member of the same economic entity, whereby each controlling entity, controlled entity and fellow controlled entity is related to the other.

Management are those persons responsible for planning, directing and controlling the activities of the entity, and include 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 related to the entity, are those family members who may be expected to influence, or be influenced by that person, 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. Disclosure of the related party transactions, outstanding balances, commitments and the relationship underlying the transaction, is required for accountability and transparency, and for a complete assessment of the risks and opportunities faced by the entity. Related party transactions that are normal supplier or client relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted in dealing with that individual entity or person in the same circumstances, and on terms and conditions within the normal operating parameters established by the entity's legal mandate, are exempt from disclosure.

1.19 Fruitless and wasteful expenditure

In terms of section 51(1)(b)(ii) of the PFMA, accounting officers and accounting authorities must take effective and appropriate steps to prevent fruitless and wasteful expenditure.

Fruitless expenditure means expenditure which was made in vain, no value was derived from the expenditure and such expenditure would have been avoided had reasonable care been exercised.

National Treasury Instruction No.3 of 2019/20 issued on 1 November 2019, regulates the assessment, determination, investigation, recovery and reporting of fruitless and wasteful expenditure for PFMA listed public entities, in accordance with the Fruitless and Wasteful Expenditure Framework. The framework provides procedures to be followed when dealing with fruitless and wasteful expenditure.

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 when recovered, it is subsequently accounted for as revenue in the statement of financial performance.

In terms of section 55(2)(b) of the PFMA, the annual report and financial statements of the public entity must include the following related to fruitless and wasteful expenditure for that financial year:

a) Any material losses through criminal conduct and any fruitless and wasteful expenditure that occurred during the financial year;
b) Any criminal or disciplinary steps taken as a consequence of fruitless and wasteful expenditure; and
c) Any losses recovered or written off.

Treasury Regulations 9.1.5 and 28.2.1 requires accounting officers and accounting authorities to disclose all fruitless and wasteful expenditure incurred by their respective institutions as a note to the annual financial statements.

1.20 Irregular expenditure

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

a) This Act; or
b) The State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
c) Any provincial legislation providing for procurement procedures in that provincial government.

National Treasury instruction note No.2 of 2019/2020 which took effect on 17 May 2019, and was issued in terms of sections 76(2)(e) and 76(4)(a) of the PFMA further regulates irregular expenditure for institutions subject to the PFMA, through the Irregular Expenditure Framework. The Framework provides procedures that accounting authorities of Schedule 3A public entities are required to follow when dealing with irregular expenditure, as well as the format for reporting on cases of irregular expenditure in the annual financial statements.

Irregular expenditure is incurred when a financial transaction is recognised as an expenditure in the financial records of a public entity. In terms of section 55(2)(b) of the PFMA, the annual report and financial statements of the public entity must include the following related to losses and irregular expenditure for that financial year:

a) Any material losses through criminal conduct and any irregular expenditure that occurred during the financial year;
b) Any criminal or disciplinary step taken as a consequence of such losses or irregular expenditure; and
c) Any losses recovered or written off.

In terms of the Framework, accounting authorities are required to maintain a checklist and a lead schedule, which is a summary of irregular expenditure to be disclosed in the notes to the annual financial statements and the progress related thereto. The checklist and lead schedule must be updated with information related to the process taken as per the recommendations of the relevant function that conducted the determination test or a functionary that conducted the investigation in relation to:

a) Irregular expenditure referred to the human resources function for disciplinary processes and financial misconduct;
b) Irregular expenditure referred to the loss control or other relevant function for recovery processes, if the results of the determination or investigation conducted revealed that a loss was incurred;
c) Irregular expenditure referred to South African Police Service (if there were fraudulent, corrupt, or other criminal conduct and losses identified) for criminal charges;
d) Irregular expenditure referred to the relevant authority for condonation, which is National Treasury in the case of a public entity, if disciplinary processes were instituted against the responsible employee(s) and no losses were suffered or;
e) Irregular expenditure referred to the accounting officer or accounting authority for removal, if the irregular expenditure was not condoned by the relevant authority.

Section 78 of the Framework provides the process to be followed in relation to the disclosure of irregular expenditure identified in the current and previous financial year(s).

1.21 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable that occur between reporting date and the date when the financial statements are authorised for issue.

Adjusting events after reporting date are those that provide evidence of conditions that existed at reporting date. An entity is required to adjust amounts recognised in the financial statements that reflect adjusting events after the reporting date.

Non-adjusting events after reporting date are those that are indicative of conditions that arose after the reporting date. An entity is not required to adjust amounts recognised in its financial statements to reflect non-adjusting events after the reporting date. If non-adjusting events are material, the entity must disclose the following for each material category of non-adjusting event:

a) Nature of the event; and
b) An estimate of its financial effect, or a statement that such an estimate could not be made.

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. CASH AND CASH EQUIVALENTS

	2020 R	2019 R
Cash and cash equivalents consist of:		
Cash on hand	29 333	26 104
Call and current accounts	48 850 446	30 202 478
Money market accounts	2 744 628	29 860 407
	51 624 407	**60 088 989**
Included in cash and cash equivalents at the end of the financial year are the following: a) Funds committed to projects to the value of R5 384 560 (2019: R1 122 373) b) Cash balances held on behalf of third parties to the value of R12 627 707 (2019: R 10 966 453) c) Funds committed to operational expenditure to the value of R9 818 661 (2019: R13 719 539)		

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Rental deposits	1 839 962	774 307
Interest receivables	21 489	127 367
	1 861 451	**901 674**

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Other receivables (sundry staff debtors)*	449 574	56 222
Movement in provision for impairment of trade receivables		
Opening balance	–	(466 679)
Release of provision for impairment	–	466 679

**Sundry staff debtors relate to study expenses*

6. PROPERTY, PLANT AND EQUIPMENT

	2020			2019		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	4 668 779	(3 230 746)	1 438 033	4 705 998	(2 856 681)	1 849 317
Motor vehicles	302 708	(166 489)	136 219	302 708	(105 948)	196 760
Office equipment	2 275 450	(1 270 256)	1 005 194	2 362 564	(1 039 792)	1 322 772
Computer equipment	8 780 691	(5 959 425)	2 821 266	8 423 341	(5 349 692)	3 073 649
Total	**16 027 628**	**(10 626 916)**	**5 400 712**	**15 794 611**	**(9 352 113)**	**6 442 498**

Reconciliation of property, plant and equipment – 2020

	Opening balance	Additions	Disposals	Other changes move-ments	Deprecia-tion	Change in estimate	Impair-ment loss	Total
Furniture and fixtures	1 849 317	279 286	(65 021)	–	(651 002)	26 574	(1 121)	1 438 033
Motor vehicles	196 760	–	–	–	(60 541)	–	–	136 219
Office equipment	1 322 772	93 881	(31 165)	(25)	(385 786)	5 517	–	1 005 194
Computer equipment	3 073 649	1 496 069	(111 687)	–	(1 964 997)	331 092	(2 860)	2 821 266
	6 442 498	1 869 236	(207 873)	(25)	(3 062 326)	363 183	(3 981)	5 400 712

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

Pledged as security

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

Restricted title

Carrying value of property, plant and equipment does not include any assets whose title is restricted.

Expenditure incurred to repair and maintain property, plant and equipment

There were no major repairs and maintenance in respect of items of property, plant and equipment during the year.

7. INTANGIBLE ASSETS

	2020 R			2019 R		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets under development	3 978 993	(138 159)	3 840 834	–	–	–
Other software	68 525	(59 056)	9 469	68 525	(44 851)	23 674
ERP system	1 721 302	(1 690 429)	30 873	1 721 302	(1 637 628)	83 674
Total	**5 768 820**	**(1 887 644)**	**3 881 176**	**1 789 827**	**(1 682 479)**	**107 348**

Reconciliation of intangible assets – 2020

	Opening balance	Additions	Amortisation	Change in estimate	Total
Intangible assets under development	–	3 978 993	(138 159)	–	3 840 834
Other software	23 674	–	(14 205)	–	9 469
ERP system	83 674	–	(83 674)	30 873	30 873
	107 348	**3 978 993**	**(236 038)**	**30 873**	**3 881 176**

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**

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.

8. 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 expected remaining useful lives of some assets differed from previous estimates and were revised accordingly.

The effect of the change in estimates is as follows:

Asset Category	Depreciation before adjustment	Depreciation after adjustment	Effect on current year	Effect in the next 12 months	Effect on future periods
Computer equipment	1 964 997	(1 633 905)	331 092	836 071	709 264
Office equipment	385 786	(380 269)	5 517	2 335	3 220
Furniture	651 002	(624 428)	26 574	19 695	5 248
	3 001 785	**(2 638 602)**	**363 183**	**858 101**	**717 732**

The useful lives revision of identified 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 R363 183.

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

Asset category	Amortisation before adjustment	Amortisation after adjustment	Effect on current year	Effect in the next 12 months	Effect on future periods
ERP system	83,674	(52,801)	30,873	19,499	11,374

The useful lives revision of intangible assets resulted in an increase in carrying values of the intangibles and an equivalent reduction in amortisation expense of R30 873.

9. PAYABLES FROM EXCHANGE TRANSACTIONS

	2020 R	2019 R
Trade payables	5 873 231	6 183 963
Operating lease liabilities	701 890	256 842
	6 575 121	**6 440 805**

Trade payables represent accruals for goods and serviced rendered, but not yet paid at the of the financial year. Operating lease liability relates to the difference between operating lease expenses recognised in the statement of financial performance on a straight-line basis over the lease term, and the contractual operating lease payments incurred.

10. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

	2020 R	2019 R
Other creditors	91 976	6 852
Staff creditors	207 950	–
	299 926	**6 852**

11. PROVISIONS

Provision for performance bonus

Opening balance	5 890 711	5 890 711

The provision for performance bonus represents a probable payment for a performance bonus related to the 2017/2018 financial year based on the performance management policy of the NDA. This provision has been reviewed at the reporting date and has been assessed to reflect the current best estimate of the payment probable. Provisions have not been raised for the 2018/2019 and 2019/2020 financial years as sufficient cash resources do not exist against which these provisions may be raised and the performance assessment process for these financial years have not yet concluded.

The quantum and timing of the performance bonus is dependent on the declaration of a bonus by the Board.

12. SHORT-TERM EMPLOYEE BENEFITS

Leave provision		
Opening balance	8 327 665	5 084 836
Provision raised in the current year	2 288 745	4 053 038
Leave payout	(890 525)	(810 209)
	9 725 885	8 327 665
Accrual for 13th cheque		
Opening balance	869 950	804 703
Provision raised in the current year	3 447 914	3 355 308
Payout	(3 537 391)	(3 290 061)
	780 473	**869 950**
	10 506 358	**9 197 615**

13 ACCRUAL FOR COMMITTED PROJECTS

Opening balance	3 217 137	2 711 488
Approved for payments to NDA funded projects	10 087 647	7 268 868
Cash disbursed to NDA funded projects during the year	(2 686 763)	(5 352 275)
Cash disbursed to third party funded projects during the year	–	(1 410 944)
Closed projects during the year – part of opening balance	(831 649)	–
Balances moved from accruals to commitments – part of opening balance	(287 840)	–
	9 498 532	3 217 137

The accrual for committed projects represents payments approved to be disbursed to funded projects at the end of the financial year for contractual payment conditions met, but not yet paid to these organisations by the end of the financial year.

14. UNUTILISED THIRD PARTY FUNDS 2020 (DEFERRED LIABILITIES)

Name of Funder	Opening balance during the year	Received received during the year	Interest fee	Management	Expenditure	Balance
DSD: Limpopo	1 935 226	3 000 000	99 171	(181 553)	(1 633 979)	3 218 865
DSD: Eastern Cape	470	–	–	–	–	470
DSD: North West	66 350	–	–	–	–	66 350
DSD: Northern Cape	3 610 826	–	174 820	–	–	3 785 646
DSD: Mpumalanga	136 670	–	–	–	–	136 670
DSD: KwaZulu-Natal	714 084	–	29 417	–	–	743 501
DSD: Free State	545 402	–	33 028	–	–	578 430
South African Social Security Agency (SASSA)	1 614 447	–	–	–	–	1 614 447
Adopt an ECD Campaign funds	32 352	–	–	–	–	32 352
Rand Water Foundation	1 721 297	–	82 914	–	–	1 804 211
Gautrain Management	37 000	–	–	–	(21 750)	15 250
Anglo American (Kolomela mine)	552 329	–	–	–	–	552 329
Nelson Mandela Children's Fund	–	136 706	–	–	(57 520)	79 186
Unemployment Insurance Fund	–	23 703 750	–	(441 000)	(23 262 750)	–
	10 966 453	**26 840 456**	**419 350**	**(622 553)**	**(24 975 999)**	**12 627 707**

Unutilised third party funds represent a portion of funds received that remain unspent at the end of the financial year as conditions stipulated in terms of the agreements entered into with funders have not yet been met.

Unutilised third party funds – 2019

Name of funder	Opening balance	Received during the year	Interest received during the year	Management fee	Expenditure and Funds returned	Balance
DSD: Limpopo	1 481 376	2 560 712	58 854	(206 638)	(1 959 078)	1 935 226
DSD: Eastern Cape	289	–	181	–	–	470
DSD: North West	66 350	–	–	–	–	66 350
DSD: Northern Cape	5 618 156	–	286 302	(226 799)	(2 066 833)	3 610 826
DSD: Mpumalanga	224 400	–	7 470	–	(95 200)	136 670
DSD: KwaZulu-Natal	15 608 310	–	334 385	–	(15 228 611)	714 084
DSD: Free state	519 797	–	25 605	–	–	545 402
South African Social Security Agency (SASSA)	1 552 028	–	62 419	–	–	1 614 447
Adopt an ECD campaign funds	32 352	–	–	–	–	32 352
Rand Water Foundation	1 647 729	–	73 568	–	–	1 721 297
Gautrain Management	132 000	–	–	–	(95 000)	37 000
Anglo American (Kolomela mine)	798 051	–	–	(22 322)	(223 400)	552 329
Mpumalanga Infrastructure	1 300 167	–	–	(129 016)	(1 171 151)	–
	28 981 005	**2 560 712**	**848 784**	**(584 775)**	**(20 839 273)**	**10 966 453**

Unutilised third party funds represent a portion of funds received that remain unspent at the end of the financial year as conditions stipulated in terms of the agreement entered into with funders have not yet been met.

The amount reported under expenditure in DSD: KwaZulu-Natal includes an amount of R7 352 373 that was returned to the funder during the year.

15. NON EXCHANGE REVENUE

	2020 R	2019 R
Operating grants		
Transfer revenue	212 355 000	202 578 000

16. NON EXCHANGE REVENUE

Other grants		
Utilised portion of conditional grant (UIF) – third party funded capacity building	23 262 750	–
Utilised portion of conditional grant (DSD:KZN)	–	7 876 238
Utilised portion of conditional grant (Gautrain management) – third party funded capacity building	21 750	95 000
Utilised portion of conditional grant (DSD: Limpopo) – third party funded capacity building	1 633 979	1 959 078
Utilised portion of conditional grant (Nelson Mandela Fund) – third party funded research study	57 520	–
Utilised portion of conditional grant (DSD: Northern Cape)	–	2 066 834
Provincial NPO capacity building project	–	318 600
Utilised portion of conditional grant (DSD: Mpumalanga)	–	1 171 152
	24 975 999	**13 486 902**

17. OTHER INCOME

Management fees	622 553	584 793
Insurance refunds	154 757	123 270
Sundry income	742 833	1 997 049
Recoveries from projects	1 174 036	425 047
	2 694 179	**3 130 159**

Recoveries from projects relate to funds recovered on grant funded CSO projects that have been cancelled due to inactivity or to contractual obligations remaining unfulfilled.

18. EXECUTIVE AND NON-EXECUTIVE MANAGEMENT REMUNERATION

Executive Remuneration – 2020

	Designation	Appointment date	Termination date	Basic salary	Employer benefits contribution	Total
Ms CTH Mzobe	Chief Executive Officer	November 1, 2016		1 801 691	459 917	2 261 608
Mr B Magongo	Research and Development Executive	September 1, 2012		1 314 208	454 284	1 768 492
Mr SSL Ngcobo	Corporate Services Executive	September 1, 2017		1 443 409	226 092	1 669 501
Ms S Khumalo	Chief Operations Officer	December 1, 2018		1 218 601	338 204	1 556 805
Ms H Mansour	Chief Audit Executive	November 24, 2005		1 472 615	312 106	1 784 721

18. EXECUTIVE AND NON-EXECUTIVE MANAGEMENT REMUNERATION (continued)

Executive Remuneration – 2020 (continued)

	Designation	Appointment date	Termination date	Basic salary	Employer benefits contribution	Total
Mr SS Shozi	Acting Company Secretary	March 1, 2019		144 129	–	144 129
Mr S Shingange	Acting Chief Financial Officer	January 1, 2019	November 30, 2019	102 078	–	102 078
Ms K Muthen	Chief Financial Officer	December 1, 2019		447 188	71 796	518 984
				7 943 919	**1 862 399**	**9 806 318**

Executive remuneration – 2019

	Designation	Appointment date	Termination date	Basic salary	Company benefits contribution	Total
Ms CTH Mzobe	Chief Executive Officer	November 1, 2016		1 894 913	256 913	2 151 826
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 S Khumalo	Chief Operations Officer			420 982	68 599	489 581
Ms H Mansour	Chief Audit Executive	November 24, 2005		1 351 955	345 963	1 697 918
Ms VL Mahaye	Company Secretary	September 1, 2018	February 28, 2019	668 434	115 319	783 753
Mr SS Shozi	Acting Company Secretary'	March 1, 2019		40 301	–	40 301
Mr S Shingange	Acting Chief Financial Officer	January 1, 2019		40 242	–	40 242
Mr NGM Mthembi	Acting: Chief Operations Officer	January 1, 2018	November 30, 2018	102 691	–	102 691
				8 278 381	**1 434 693**	**9 713 074**

Non-executive

2020	Appointment date	Termination date	Members' fees	Total
Mr RS Mokgothu	1/4/2019	16/10/2019	132 109	132 109
Mr O Sipuka	1/4/2019	–	138 786	138 786
Mr TF Mopeloa	1/4/2019	–	93 304	93 304
Ms ZS Ndlovu	1/4/2019	–	114 923	114 923
Ms J Hermans	1/4/2019	01/07/2019	12 879	12 879
Mr A Hanekom	1/4/2019	–	192 435	192 435
			684 436	**684 436**

18. EXECUTIVE AND NON-EXECUTIVE MANAGEMENT REMUNERATION (continued)

2019	Appointment date	Termination date	Members' fees
Ms T Shange	January 4, 2016	January 3, 2019	106 488
Ms B Khan	January 4, 2016	January 3, 2019	132 294
Mr MM Chikane	January 4, 2016	January 3, 2019	85 568
Ms J Hermans	January 4, 2016	January 3, 2019	326 939
Ms BM Mannya	January 4, 2016	January 3, 2019	163 725
Ms FS Varachia	January 4, 2016	January 3, 2019	187 343
Mr A Hanekom	January 4, 2016	January 3, 2019	232 737
Mr Z Ngcakani	January 4, 2016	January 3, 2019	141 269
Ms MJ Matlala	January 4, 2016	January 3, 2019	149 627
Ms JSP Matsebula	January 4, 2016	January 3, 2019	165 303
	–	–	**1 691 293**

19. STAFF COSTS

Department	2020	Percentage split	2019	Percentage split
Mandate staff costs				
Direct mandate salaries	77 171 020	60 %	75 401 162	59 %
Administration and Governance staff costs				
Corporate services	18 326 501	14 %	16 535 852	13 %
Office of the COO	1 994 833	2 %	901 129	1 %
Research and development	3 006 268	2 %	3 096 022	2 %
Internal audit	6 623 406	5 %	6 201 397	5 %
Office of the CEO	7 530 277	6 %	9 177 498	7 %
Finance and supply chain	8 686 345	7 %	9 086 669	7 %
Other staff administrative costs				
Staff training costs	1 265 211	1 %	871 436	1 %
Other staff costs related costs	3 022 011	3 %	6 261 976	5 %
	50 454 852	**40 %**	**52 131 979**	**41 %**
	127 625 872	**100 %**	**127 533 141**	**100 %**

20. ADDITIONAL DISCLOSURE NOTES ON EXPENDITURE

	2020 R	2019 R
20.1 CSO development programme implementation costs		
Travel related costs	5 560 022	6 271 471
Ministerial events (educational toys)	1 546 844	786 149
CSO summit	446 255	434 115
ECD awards	50 590	2 609 071
Venue hire and catering	155 537	446 208
Stakeholder engagements	783 704	–
Other	195 615	1 083 116
	8 738 567	**11 630 130**
20.2 NDA funded capacity building costs		
Travel related costs	2 447 154	2 846 027
Facilitator fees	83 400	1 612 742
Venue hire and catering	4 402 333	5 745 549
Training manuals	926 033	2 191 931
Participant transport costs	292 942	660 750
	8 151 862	**13 056 999**
20.3 Third party funded capacity building		
UIF training programme- New Venture Creation	23 262 750	–
Venue hire and catering	1 610 500	2 217 998
Other (transport, training, stipends)	45 229	211 714
	24 918 479	**2 429 712**
20.4 Accommodation and travel		
Subsistence and travel claims	1 388 741	1 212 334
Staff accommodation	5 530 099	2 904 127
Airfares	6 937 306	3 142 736
Car rental	2 865 057	1 779 135
Board travel expenses	485 759	1 087 402
	17 206 962	**10 125 734**
20.5 Consulting and professional fees		
Legal fees	1 450 445	2 727 743
IT security fees	308 025	50 595
Internal audit	636 306	–
Great plains support	240 580	254 874
Other	1 306 751	1 020 481
	3 942 107	**4 053 693**
20.6 Operating leases		
Head office rental	5 741 815	5 446 178
Copiers and printers	981 855	1 456 376
Other office rentals (13 sites)	6 628 715	5 503 413
	13 352 385	**12 405 967**

20. ADDITIONAL DISCLOSURE NOTES ON EXPENDITURE (continued)

	2020 R	2019 R
20.7 General expenses		
Bank charges	70 830	99 303
Security services	173 200	3 000
Interest paid	122 277	–
Consumables	74 960	38 695
Offsite storage	171 276	119 172
Flowers	–	3 600
Insurance	424 086	269 846
Postage and courier	153 481	130 043
Printing and stationery	1 026 592	1 073 988
Municipal charges- leased buildings	3 018 829	2 427 163
Repairs and maintenance	321 487	312 071
Software license and renewal	3 027 727	1 524 337
Staff welfare	225 601	177 873
Subscriptions and membership fees	24 456	20 752
Telephone and fax	302 964	815 527
Catering	534 723	386 008
Donations and sponsorships	4 550	104 431
Marketing and promotions	1 894 175	713 881
District offices set-up costs	1 259 395	659 230
Travel management charges	1 451 628	1 110 033
Seminars, workshops and conferences	874 919	129 360
	15 157 156	**10 118 313**

21. CASH USED IN OPERATIONS

Deficit	(4 651 656)	(5 123 393)
Adjustments for:		
Depreciation and amortisation	2 904 309	2 374 479
Gain on sale of assets and liabilities	207 873	85 754
Impairment deficit	3 981	–
Adjustment to prior year earnings	1 078 889	47 304
Surplus surrendered to National Treasury	(10 485 399)	–
Changes in working capital:		
Receivables from exchange transactions	(959 777)	(1 962)
Other receivables from non-exchange transactions	(393 352)	185 369
Payables from exchange transactions	134 313	(1 616 071)
Payables from non-exchange	293 074	4 083
Unutilised third party funds (deferred liabilities)	1 661 254	(18 014 554)
Short- term employee benefits	1 308 743	3 308 076
Accrual for committed projects	6 281 395	505 649
	(2 616 353)	**(18 245 266)**

22. COMMITMENTS

	2020 R	2019 R
Authorised operational expenditure		
Authorised operational expenditure (open purchase orders and contracts)		
Within one year	8 203 849	11 210 425
In the second to the fifth year	1 614 812	2 509 114
	9 818 661	13 719 539
Total operational commitments		
Already contracted for but not provided for	9 818 661	13 719 539
Committed project funds		
At the end of the financial year, the entity had committed funds in terms of contracted funding to NPOs and CSOs, and these funds had not yet been disbursed to these organisations by the end of the financial year.		
Funds committed to projects	5 384 560	1 122 373
Operating leases commitment		
The operating lease commitments relate to the rental of office premises occupied by the NDA and are payable as follows:		
Minimum lease payments due		
– within one year	11 166 397	7 918 962
– in second to fifth year inclusive	31 714 786	8 613 675
	42 881 183	16 532 637

23. CONTINGENCIES

23.1 Contingent liabilities

The NDA is currently defending the following legal claims:

Uhuru Publishers

This matter is a claim for damages to the value of R3 507 000 for alleged breach of contract, for the production of a magazine that was irregularly awarded after expiry of the bid validity period, and was subsequently cancelled. On 12 February 2020, the NDA's application to review and set aside the decision to award the tender to Uhuru was granted by the High Court. On 16 March 2020, the NDA received a rescission application to have the order granted by the High Court rescinded. The NDA is in a process of opposing the application for rescission, and if successful this matter will be disposed of. The outcome of this action is still to be determined.

Fair deal Poultry Farmers CC

This matter is a claim for damages in the amount of R199 940 for alleged breach of contract, where the NDA procured the services of the plaintiff to train the members of CSOs, and whereby the plaintiff failed to deliver the services, or deliver them satisfactorily. The contract was subsequently cancelled by the NDA. This is a long outstanding matter, where the plaintiff has failed to set the matter down for trial, and the prospect of further action is assessed as minimal.

Pannar Seeds

This matter is a claim in the amount of R761 230 for the payment of a consignment of sunflower seeds allegedly purchased and delivered to funded NDA projects in the Eastern Cape and Free State provinces. Rule 35 notices for exchange of legal documents were filed by the NDA in June 2016, which have since not been replied to by the plaintiff. This is a long outstanding matter and the prospects of further action are minimal.

23.2 Contingent assets

The Department of Social Development (DSD) as the lead coordinating department for the Victim Empowerment Programme, was allocated R100 million from the Criminal Assets Recovery Account (CARA) in December 2019, for the funding of CSOs and NPOs involved in rendering services to victims of gender based violence and femicide. On 25 March 2020, DSD appointed the NDA as the implementing partner for two CARA projects, at a total contract value of R95 million, to be implemented over a twenty-four months' period. R45 million of funds is expected to be paid upon signing of the contract at the beginning of the 2020-2021 financial year, whilst the remaining R50 million is expected to be paid upon completion of contractual deliverables, namely:

- Establishment of a Grant Evaluation Committee;
- Setting criteria for funding and requesting for proposals;
- Evaluation of short-listed proposals;
- Conducting due diligence on recommended proposals;
- Appointing CSOs and contracting.

Additionally, DSD has agreed to pay the NDA an administrative fee of R5.7 million for implementation of the contract over a period of 24 months, and monitoring of CSOs that have received grant funding, and this fee is expected to be received upon signing of the contract.

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, Ms. Lindiwe Zulu, MP, is the Executive Authority of the entity. The two parties did not enter into any transactions except for the transfer of the 2019/2020 budget allocation to the value of R212 355 000 (2019: R202 578 000) received by the entity as disclosed in Note 14.

24.2 South African Social Security Agency (SASSA)

The NDA 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 NDA for the purposes of providing grants and training to co-operatives producing school uniforms on their behalf. The co-operatives were funded and trained in the 2015/2016 financial year. The outstanding balance as also disclosed under note 14- Third Party Unutilised Funds, represents funds set aside and retained to conduct evaluations and monitoring of these co-operatives by the agency.

24.3 Rand Water Foundation

Rand Water and NDA are PFMA listed Schedule 3A national public entities as defined in the PFMA.

Rand Water Foundation, established to implement Rand Water's corporate social investment, transferred funds to the NDA 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 as also disclosed under 14- Third Party Unutilised Funds, represents funds not yet spent by the entity at the end of the financial year due to contractual conditions not being met.

24.4 Unemployment Insurance Fund (UIF)

The Unemployment Insurance Fund is a fund managed by the Department of Labour that contributes to the alleviation of poverty by providing short-term unemployment insurance to all workers who qualify for unemployment benefits. As such it serves a common mandate with the NDA on the alleviation of poverty in South African communities. In 2018, the NDA applied for funding from the UIF for the implementation of two learnership qualifications for 3000 learners (New Venture Creation for 2 000 learners over a period of 12 months, and a Postgraduate Diploma in Business Management for Cooperatives for 1 000 learners). 70% of the learners were required to be UIF beneficiaries. The total cost of the funding amounts to R132 300 000, and a management fee of 7.5% amounting to R9 922 500 is also payable, of which 5.5% is payable to the implementing agent.

The NDA received a transfer of R23 703 750 in the 2019-2020 financial year, as a first payment tranche for 3 months, towards implementing a New Venture Creation training programme for 2000 learners. The outstanding commitment from the UIF on the contract is an amount of R118 518 750.

24.5 Board members and key management personnel

A related party relationship exists between the entity, its key management personnel and members of 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 18.

Related party movement during the year

Related party	Opening balance	Receipts during the year	Expenditure	Balance	Commitment
South African Social Security Agency	1 614 447	–	–	1 614 447	–
Rand Water Foundation	1 721 297	82 914	–	1 804 211	–
UIF	–	23 703 750	(23 703 750)	–	118 518 750
	3 335 744	**23 786 664**	**(23 703 750)**	**3 418 658**	**118 518 750**

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 NDA's exposure to each of the above risks, the NDA's objectives, policies and processes for measuring and managing risk, and the NDA'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 NDA's risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring the NDA's risk management policies. The committee reports regularly to the Board of Directors on its activities. The NDA's risk management policies are established to identify and analyse the risks faced by the NDA, 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 NDA's activities. The NDA, through its training, policies and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations as they relate to the management of risks within their areas of responsibility.

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 managed by the NDA only investing funds at large, reputable financial institutions in the Republic of South Africa. The credit risk emanating from receivables, which are of sundry in nature, is immaterial to the NDA's operations.

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:

	2020 R	2019 R
Cash and cash equivalents	51 624 407	60 088 989
Receivables from exchange transactions	1 861 451	901 674
Receivables from non-exchange transactions	449 574	56 222
	53 935 432	**61 046 885**
The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:		
Employee advances	–	55 496
Impairment losses		
Impairment provision at the beginning of the year	–	466 679
Impairments during the year	–	(466 679)
	–	–

Liquidity risk

Liquidity risk is the risk that the NDA could default on its financial obligations, in part or in total, due to not having sufficient cash holdings, cash flows or other financial assets to settle an obligation when it falls due. This risk is managed by the NDA holding sufficient cash reserves, and only investing funds at large, reputable financial institutions in the Republic of South Africa. Considering the NDA's current funding structure, and available cash resources, this risk is considered to be low.

The following are contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 March 2020	Carrying amount	Contractual cashflows	6 months or less	6–12 months	12 months
Trade and other payables	6 875 048	6 875 048	6 875 048	–	–
Accrual for committed projects	9 498 532	9 498 532	9 498 532	–	–
Unutilised third party funds	12 627 707	12 627 707	–	–	12 627 707
	29 001 287	**29 001 287**	**16 373 580**	**–**	**12 627 707**

31 March 2019	Carrying amount	Contractual cash flows	6 months or less	6–12 months	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	**20 630 856**	**9 664 403**		**10 966 453**

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to movements in market interest rates. The NDA is exposed to interest rate risk as cash and cash equivalents are invested with financial institutions, and certain investments are held in money market unit trusts. This risk is managed in accordance with the finance policy which requires surplus funds to be invested with reputable financial institutions that guarantee capital and maximise returns. The carrying value of receivables and payables approximate their fair value, due to the short-term to maturity of these assets and liabilities.

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:

	2020 R	2019 R
Fair values		
Cash and cash equivalents	51 624 407	60 088 989
Receivables from exchange transactions	1 861 451	901 674
Receivables from non-exchange transactions	449 574	56 222
Payables from exchange transactions	6 575 120	6 440 807
Accrual for committed projects	(9 498 532)	(3 217 137)
Unutilised third party funds	(12 627 707)	(10 966 453)
	38 384 313	**53 304 102**

26. 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.

26. FRUITLESS AND WASTEFUL EXPENDITURE (continued)

	2020 R	2019 R
Opening balance	1 048 580	1 042 326
Add: Fruitless and wasteful expenditure confirmed in the current year	182 276	6 254
	1 230 856	**1 048 580**
Analysis of fruitless and wasteful expenditure		
Fruitless and wasteful expenditure under determination- current year	182 276	6 254
Fruitless and wasteful expenditure under determination- prior year	1 048 580	1 042 326
	1 230 856	**1 048 580**
Details of fruitless and wasteful expenditure- current year		
Interest on late payments	144 853	–
Travel cancellations	37 423	–
Catering for meeting cancelled late	–	6 254
	182 276	**6 254**

27. 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.

	2020 R	2019 R
Opening balance	106 732 730	88 650 186
Add: Irregular expenditure confirmed in current year	38 889 254	18 082 544
Add: Prior year irregular expenditure confirmed in current year	316 166	–
	145 938 150	**106 732 730**
Analysis of irregular expenditure		
Irregular expenditure under determination – current year	38 889 254	18 082 544
Irregular expenditure under determination – prior years	107 048 896	88 650 196
	145 938 150	**106 732 740**

Details of transgressions – current year		
Competitive bid process not followed for UIF learnership programme	23 262 750	
Competitive bid process not followed for office space for national office	5 909 290	
Competitive bid process not followed for legal services	1 352 487	
Competitive bid process not followed for broadcasting of living land programme	876 300	
Competitive bid not followed for office space for Western Cape office	821 995	
Competitive bid process not followed for office space for Gauteng office	735 246	
Competitive bid process not followed for research services	550 000	
Competitive bid process not followed for insurance services	424 086	
Competitive bid process not followed for parking in KZN	374 389	
Competitive bid process not followed for office space for Northern Cape	205 373	

27. IRREGULAR EXPENDITURE (continued)

	2020 R	2019 R
Competitive bid process not followed for storage and records management services	171 592	
Competitive bid process not followed for copiers and printing services	78 793	
Competitive bid process not followed for telephone lines	46 079	
Approval of tender not in accordance with approved delegations of authority for data lines	2 167 432	
Approval of tender not in accordance with approved delegations of authority for copiers and printers	679 506	
Contravention of PPPFA – Price and BEE evaluations not undertaken for legal panel	521 860	
Competitive bidding process not followed for training of employees	945 777	
Awards made to restricted suppliers	82 465	
	39 205 420	

28. BUDGET DIFFERENCES

Material differences between budget and actual amounts

The budget is prepared and approved by the Board on the cash basis of accounting, which means that expected cash inflows and outflows are budgeted for, without taking into account the matching of expenses to income for the period as is required by the accrual basis of accounting. Non-cash expense items such as losses, depreciation, amortisation and leave provision are not budgeted for, whilst capital expense items are budgeted for. The approved budget covers the financial period from 1st of April 2019 to the 31st of March 2020. Variances in excess of 10% between the final adjusted budget and actual expenditure are considered material in amount, and are explained below.

28.1 Other Income (+ R 804 179)

The NDA does not budget for sundry income due to uncertainty in the timing and amount of receipts that comprise sundry income. The actual sundry income that is reported, relates to unplanned income that the entity received during the year, comprised mainly of refunds received from inactive or cancelled projects which were previously grant funded by the NDA, management fees on funding partnerships, insurance refunds and recoveries from staff members for studies funded by the NDA that have not been satisfactory completed.

28.2 Interest income (- R174 037)

The under receipt in interest income is due to the late receipt of the first tranche of the transfer allocation from the Department of Social Development which resulted in low cash holdings in the first quarter of the financial year, therefore resulting in the entity earning lower interest income than budgeted for.

28.3. Transfer from Accumulated Funds (+ R11 201 425)

The transfer from Accumulated funds to budget available for the 2019-20 financial year, represents cash surplus funds that the entity was allowed by National Treasury to roll over from 2018-19 financial year, to settle various accruals, payables, provisions and committed expenditure incurred in that financial year. The expenditure related to these funds was disbursed in the 2019-20 financial year. The revenue related to these funds is not recognised in the actual Statement of Financial Performance for the 2019-20 financial year, since it was received and recognised in the Statement of Financial Performance in the previous year.

28.4 Depreciation and amortisation (- R2 904 309)

The NDA's budget is prepared on a cash basis of accounting and as a result depreciation and amortisation which are non-cash items, are not budgeted for.

28.5. Third party funded projects (+R1 636 845)

A grant funding project amounting to R1,6 million was approved by the NDA Board for funding from third party managed funds, however the conditions stipulated in the agreement with the funder were not met, as a result the approved project was transferred to NDA funded projects.

28.6 Research, monitoring and evaluation (+ R1 739 362)

The underspending on these costs is attributed to planned research and evaluation studies which were contracted but only commenced in the fourth quarter of the financial year, resulting in the funds being committed rather than actually spent. The research studies will be completed in the 2020/21 financial year.

28.7 NDA funded projects (+ R2 464 065)
Although R13.4 million worth of projects were approved by the Board for grant funding in the 2019/2020 financial year, only R10.1 million worth of projects were disbursed or accrued for payments in the 2019/2020 financial year. This resulted in the underspending on NDA funded projects of R2.4 million for expenditure that did not meet the contractual criteria to be expensed in the current year, but which were raised as commitments for future disbursement as per note 22 Commitments in the annual financial statements.

28.8 CSO development implementation costs (- R1 166 293)
The overspending is mainly attributable to the NEDLAC summit that the entity facilitated and funded during the year, as well as mobilisation and formalisation costs due to higher rates of performance in these development activities. The budget to partially fund the summit was sourced from savings on the implementation of third party funds, which was not required to be refunded as per contract. However as at the end of the financial year, the budget was not yet transferred from third party funds into NDA funds.

28.9 Capital expenditure (+ R2 300 013)
The budget is prepared on a cash basis of accounting; whereby capital expenditure is budgeted for as an outflow of cash. The actual capital expenditure amounting to R1.8 million is reported as addition in the statement of financial position under property, plant and equipment, and therefore reflects as a positive variance in the statement of Comparison of Budget and Actual Amount.

28.10 Audit fees (- R1 163 355)
The overspending on audit fees is attributable to higher than budgeted hours spent on the 2018/2019 year-end audit, as well as the early start of the year end audit for the 2019/2020 financial year, which commenced in February 2020 by the office of the Auditor General.

Consulting and professional fees (+ R4 477 253)
The under spending is attributable to withdrawal of an invoice for the final payment of the CSO database development that was budgeted for in the current year, due to non-completion of agreed upon deliverables as per the service level agreement and the transfer of R3.9 million actual expenditure from Statement of Financial Performance to Intangible assets in the Statement of Financial Position as an asset under development.

29. EVENTS AFTER THE REPORTING DATE

Non-adjusting events after reporting date
COVID-19 pandemic and its impact on the NDA's operations in the 2020-2021 financial year.

At the end of the 2019/2020 financial year there was an outbreak and worldwide spread of the corona virus disease (COVID-19), which was declared a global pandemic by the World Health Organisation (WHO) in March 2020. The President of the Republic, in response pronounced a national lockdown on 27 March 2020, and committed funds of R500 billion to respond to curbing the spread of the disease in South Africa and mitigating the negative impact of the pandemic on citizens and the economy. Subsequent to this announcement, the National Treasury conducted an exercise across government, whereby the budgets of all departments and state owned entities were assessed to determine the funds that could be reclaimed from 2020-2021 budget allocations to fund COVID-19 projects and the R500 billion fund committed to by government.

As part of this exercise, the NDA was requested to surrender R29,5 million from its 2020-2021 budget back to National Treasury. The NDA's executive management deliberated on the request to surrender the budget, considering that a surrender of budget of this magnitude would mean that the mandated core operations of the NDA of CSO development and Research and evaluation studies in the new financial year would be severely impacted by such a surrender. Management then considered the allocation of the 2020-2021 budget between function and operational expenses, in order to identify areas of possible rationalisation. A motivation was presented to National Treasury, and the outcome was that the 2020-2021 budget cut was not implemented. However, the NDA was required to rationalise its budget and activities across all programmes, in order to avail funds to implement COVID-19 specific interventions in the communities it serves.

A budget reprioritisation exercise was conducted, and subsequently approved by the NDA Board. The implications of the reprioritisation are that R39 million has been reprioritised from internal programmes to avail budget to fund the following COVID-19 interventions:

COVID-19 focused sub-programmes	2020–21 Budget
Extended volunteer programme	32 000 000
Digitisation of CSO development activities	2 000 000
PPE and COVID-19 interventions for NDA staff	5 000 000
	39 000 000

The impact of the reprioritisation on NDA's mandated and administrative activities in the 2020-2021 financial year are as follows:

	Amount reduced
CSO mobilisation and formalisation activities	(4 570 415)
CSO capacity building activities	(5 868 521)
Project monitoring and support	(1 863 851)
Grant funding to CSOs	(4 503 317)
Research studies	(1 911 683)
Monitoring and evaluation	(704 983)
Employee costs (appointments delayed and/or deferred to next year)	(9 367 602)
Goods and services (administration costs)	(9 381 128)
Capital expenditure	(828 500)
	(39 000 000)

29. EVENTS AFTER THE REPORTING DATE

Operational leases for office space, IT costs, travel costs, and consulting and professional fees, were some of the administration costs line items that were identified for rationalisation. An operational decision was taken at EXCO to allow leases for office space that were nearing contractual end, to terminate, and to close such offices. The offices impacted are the Gauteng provincial office, Northern Cape provincial office, Western Cape provincial office, Hazyview district office, Queenstown district office and Rand West district office.

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RP142/2020
ISBN: 978-0-621-48332-1
Title of Publication: National Development Agency 2019/2020 Annual Report