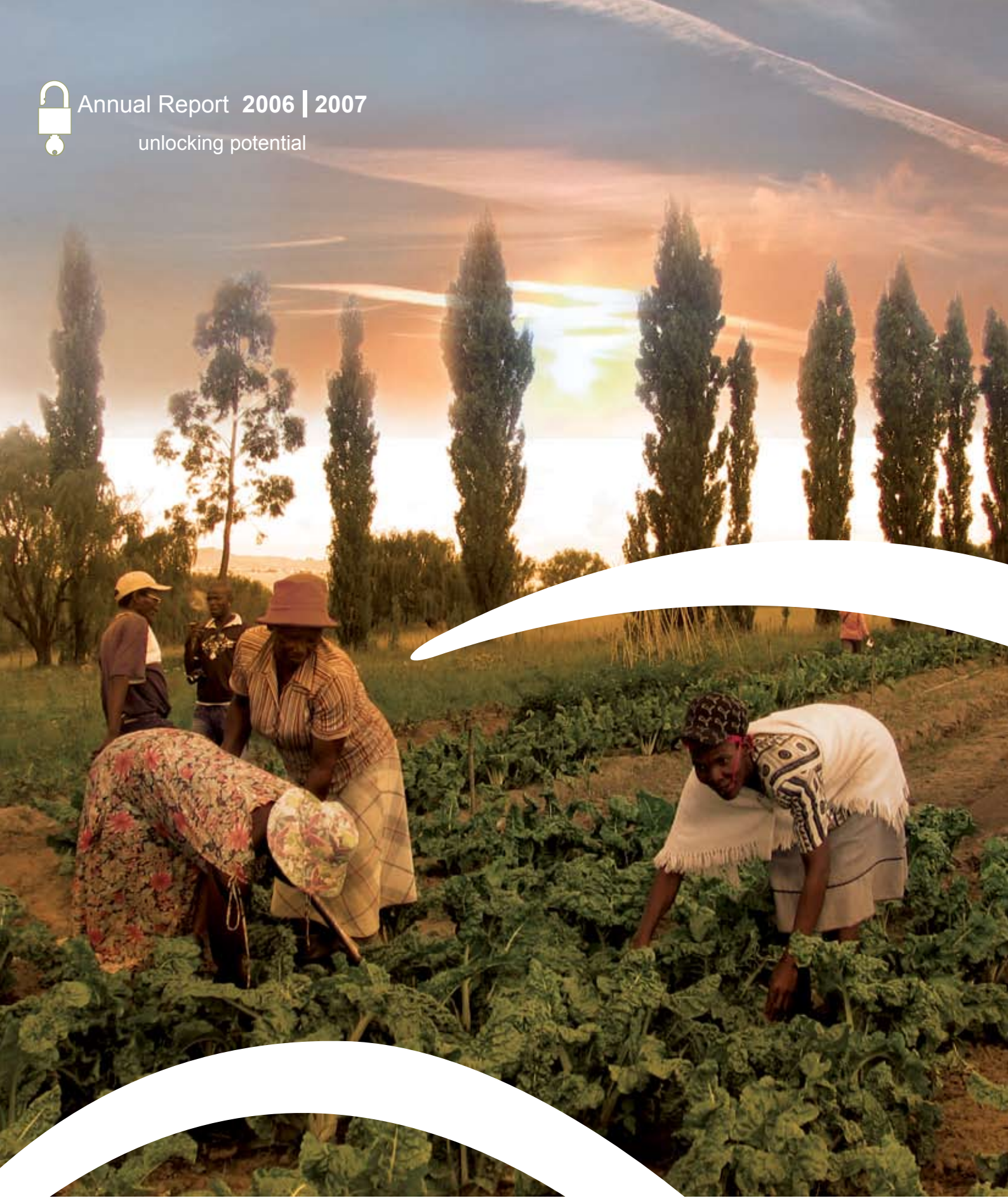




Annual Report 2006 | 2007

unlocking potential



NDA

National  
Development  
Agency

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# INTRODUCTION TO THE NATIONAL DEVELOPMENT AGENCY



**This report is presented by the Chief Executive Officer of the National Development Agency to the Executive Authority and Minister of the Department of Social Development.**

## INTRODUCTION TO THE NATIONAL DEVELOPMENT AGENCY

The National Development Agency is a statutory body and was established in terms of the National Development Agency Act of 1998 to contribute towards the eradication of poverty and the elimination of the causes of poverty.

### NDA PLEDGE

#### UNLOCKING POTENTIAL

### NDA MANDATE

#### PRIMARY MANDATE

To contribute towards the eradication of poverty and its causes by granting funds to civil society organisations for the purpose of

- Implementing development projects for poor communities; and
- Strengthening the institutional capacity of other civil society organisations that provide services to the poor

#### SECONDARY MANDATE

Promote consultation dialogue and sharing of development experience between civil society organisations and relevant organs of state; debate development policy; and to undertake research and publication aimed at providing the basis for development policy.



## NDA MISSION

TO CONTRIBUTE TO THE ERADICATION OF POVERTY AND THE CAUSES OF POVERTY

## NDA VISION

A DEVELOPING SOCIETY FREE FROM POVERTY

## OUR VALUES

The NDA and all its employees subscribe to and live by the following values:

- INTEGRITY
- EXCELLENCE
- DIGNITY
- PARTNERING
- COMMITMENT
- EMPOWERMENT

## THE NDA'S OVERALL STRATEGIC GOALS ARE:

- ORGANISATIONAL TRANSFORMATION
- PARTNERING FOR DEVELOPMENT
- RESOURCE MOBILISATION FOR POVERTY ERADICATION
- COMMUNITY EMPOWERMENT FOR SUSTAINABLE DEVELOPMENT
- COMMUNICATION OF CREDIBLE AND RELEVANT RESEARCHED DEVELOPMENT INFORMATION



# GENERAL OVERVIEW



# GENERAL OVERVIEW

The National Development Agency is a critical engine that can ensure growth and skills development in the South African economy and play an important role in the Accelerated and Shared Growth Initiative of South Africa (ASGI-SA). South Africa is a politically stable and beautiful country with an exceptionally good climate. No child should therefore have to go to bed hungry, or be prevented from attending school. Although our democracy is still very young, it is economically strong.

While the NDA plays a critical role in the distribution of funds to Civil Society Organisations (CSO), it is also tasked to transfer much-needed social, economic, financial and agricultural skills on behalf of government. This is to ensure that the CSOs become sustainable and profitable. Government funding was never meant to be a continuous and constant contribution, but rather a once-off contribution to kick-start CSOs on their way to becoming sustainable. Furthermore the NDA is determined to ensure that, in addition to the funds allocated to CSOs, they will also receive the skills needed to ensure their sustainability and independence. The NDA thus functions as a catalyst to ensure that relevant skills are transferred through intermediaries.

NDA has resolved to use research as a tool to provide strategic guidance and direction in funding projects. Consequently NDA is in a position to intervene in a more efficient way to ensure massification of impact on the poorest of the poor.

Poverty can be broadly described as an economic condition in which people lack sufficient income to obtain acceptable levels of health services, food, housing, clothing and education.

Individuals whose ability to earn income that are below average are likely to be poor. Historically, this group included the elderly, people with disabilities, single mothers and members of certain minority groups. Hence these are the populations targeted by the NDA, using the CSOs as its drivers.

A lack of education, access to markets, funding and skills development are further contributors to many South Africans living in poverty. The social and economic status of Blacks are further exacerbated by the remnants of the apartheid education system.

The NDA recognised these structural limitations in the economy, which is one of the fundamental reasons why the capacity building programme was conceived and implemented through intermediaries.

The NDA pledges to diligently execute its mandate of eradicating poverty through a continued, dedicated application of its efforts towards funding projects focusing on unlocking potential.



## FOREWORD BY THE MINISTER OF SOCIAL DEVELOPMENT



Dr Zola Skweyiya, Minister of Social Development

The year 2006/2007 has been a busy period for the Department of Social Development, and also for the National Development Agency (NDA), who relentlessly continued with their endeavours to eradicate poverty and eliminate the causes of poverty.

The NDA is instrumental in unlocking the potential of poor communities through its activities. As a catalyst in facilitating development, we should see more Civil Society Organisations (CSO) benefiting from Government and donor funding thus contributing to poverty eradication.

The NDA not only strengthens the second economy by providing much-needed grants to Civil Society Organisations (CSO), but also ensures that these organisations are equipped – through the new capacity-building programme that I have mandated to the NDA - with the skills needed to make them sustainable. Despite the high financial cost attached to government's distribution of social grants and assistance, the President has made it quite clear, in his State of the Nation address, that priority must be given to the eradication of poverty in South Africa.

The NDA has submitted monthly and quarterly reports to me and to National Treasury, as stipulated in the regulations. I have also continued to have regular meetings with the Chairperson and the Chief Executive Officer in order to remain well informed on the initiatives and progress within the NDA. Consequently, there is no doubt in my mind that the NDA is making positive progress with the allocation of funds to various projects and with providing individuals in CSOs with vital skills. In the year under review the NDA allocated R110, 987 million to various organisations.

The NDA has allocated funds wisely and has provided valuable assistance to communities. It has become the face of the Government to communities that benefit from these projects and skills transfers. Keeping up with the demand for funding cannot be easy in any country. I am aware of the challenges faced by

the NDA with regard to the implementation and subsequent monitoring and evaluation of projects. I am, however, convinced that the NDA will overcome these challenges in future.

I understand that in the year under review the NDA has placed emphasis on governance and the improvement of systems and procedures. This has paid dividends in that they received a clear, unqualified audit with no emphasis of matter. I am immensely proud of their progress. I furthermore believe that the executive management has become stronger. This year, we are coming to the end of the 3 year term for the current Board. I wish to pay tribute to all of them and congratulate them for the good work they have done in building NDA. As the Minister responsible, I will be working with my Department and other Stakeholders to ensure that the appointment of the new Board is done as smoothly as possible within the legislative time frames and guide lines.

I conclude by commending the Board and The Chief Executive Officer of the NDA for the work performed under their guidance, and for their dedication over the past year. They have made many sacrifices to ensure funding and payments of CSO's occur promptly and projects are maintained. They have also taken on new challenges, like the rolling out of the Capacity-building Programme, which is still being managed smoothly. I commend them and wish them continued success in the year ahead.

Thank you

**Minister Zola Skweyiya**  
**Minister of Social Development**





## MESSAGE BY THE CHAIRPERSON

Bishop M. M. Mpumlwana, Chairperson of the Board

It seems like only yesterday that we, as the Board of the National Development Agency (NDA), were charged with the responsibility of providing leadership to the organisation. More than three years have now passed and our term of office is coming to an end. It is with great pride that I conclude my term as Chairperson of the NDA Board by announcing that the NDA has, in the financial year under review, received a clean audit with no qualification or emphasis from the Auditor General. This is indeed a pleasing achievement.

This commendable performance can largely be attributed to the outstanding and visionary leadership of the Chief Executive Officer, Mr Godfrey Mokate, and his staff. Although this was only the first full year of Mr Mokate's tenure, he was able to bring much-needed stability and focus to an organisation that had been operating without a full-time CEO for some time.

Serving on the NDA Board gave us, as Board members, a bird's eye view of the relentless efforts made by all the key role-players to eradicate poverty in our country. It also afforded us an opportunity, as committed and loyal South Africans, to contribute in whatever way possible to the creation of a better life for all, thereby solidifying the enormous gains that came with our momentous transition to a democratic dispensation 13 years ago.

Our three-year term of office was both fulfilling and challenging. It was particularly so during the year under review, which saw the beginning of the intensification of the fight against poverty when the NDA started to vigorously implement its comprehensive and intensive five-year strategic plan.

This is the seventh Annual Report of the NDA since the organisation's establishment, and the third and final one under the current Board. As stipulated in the NDA Act, the NDA Board comprises of 11 members, five of whom are appointed by the Minister of Social Development, while the rest come from civil society formations. The Board has five committees, four of which are chaired by Board members. The exception is the Audit Committee, which consists of an independent non-Board member as Chairperson, two additional independent directors and an NDA Board member.

The term of office of the Board was scheduled to expire at the end of February 2007. However, the tenure has been extended until such time as a new Board is appointed in October 2007. It is with regret that I have to record that one of the Board members, Ms Annemarie Hendrikz, was not available to continue serving on the Board after 28 February 2007. I would like to take this opportunity to thank her for serving the NDA with such dedication and distinction. Her inputs always added significant value.

The NDAs revision of its strategy led to a restructuring that resulted in 29 staff members taking voluntary severance packages. Despite challenges, significant progress was achieved in many areas, especially with the implementation of the 2006-2011 Strategic Plan, which has positioned the organisation as a key and relevant contributor to the eradication of poverty that supports critical developmental initiatives countrywide. The period under review saw the Strategic Plan implemented and I am pleased to state that significant strides have been made towards realising the NDAs mandate.





To carry out its mandate of grant funding, the NDA once again used the request-for-proposals approach to achieve improved efficiencies and turnaround times. This, along with programme formulation, resulted in R110,97 million being approved by the NDA Board for the funding of 95 projects, and R49,5 million being disbursed during the year under review. In addition, a comprehensive capacity-building programme was introduced, on which R25,7 million will be spent over a two-year period. It will complement the provision of grants, empowering communities to take charge of their own development, their lives and destinies.

As my term of office as Chairperson of the Board is coming to an end, I would like to thank the Minister of Social Development, Dr Zola Skweyiya, for the confidence shown in the members of the Board, and for his unbridled support as we used this great opportunity to serve our country at this critical level of poverty eradication.

I would also like to thank all my colleagues on the Board for the sterling and commendable work they performed during our eventful and challenging three-year term of office.

On behalf of the Board, I would like to pay special tribute to the CEO and all the members of the NDA staff for their unwavering commitment, dedication and fortitude through challenging times. I wish them every success in their quest to eradicate poverty and to contribute positively to the socio-economic development of our country and the strengthening of our communities.

As I hand over the baton, I would like to wish the new Chairperson and all the new Board members all the best in their endeavours to take the NDA to new heights. May their term of office be as fulfilling and fruitful as ours was.

**Bishop MM Mpumlwana**  
**Chairperson of the Board**



## BOARD MATTERS

### CORPORATE GOVERNANCE

The members of the NDA Board recognise the importance of sound corporate governance.

The NDA has appointed external service providers to assist with the development and formulation of the requisite governance architecture and processes and to educate all its staff in Corporate Governance issues. This is intended to align the NDA with the requirements and best practice standards as defined in the NDA Act, the PFMA and related Treasury Regulations, the Protocol and the recommendations of King II.

### GOVERNING BODY

The NDA is governed by a unitary Board, of which the constitution and composition are determined by the Act. As the Accounting Authority (as defined in the PFMA), Board members have a collective responsibility to meet their fiduciary duties to the NDA, with regard to both the PFMA requirements and the principles outlined in King II.

The duties, functions and responsibilities of the Board, as well as its strategic objectives, are defined in the NDA Act and the Board provides strategic direction in accordance with these guidelines.

The Board members bring to the table a wide range of expertise, including but not limited to significant financial and management experience and independent perspectives.

### BOARD CHARTER

A Board Charter, which defines the levels of materiality of the Board and its reserved powers and sets out the role of the Chairperson has been approved and adopted by the Board. However, a revision of the Charter is currently being considered and possible amendments will be given to the new Board for consideration.

In accordance with said Charter and the NDA Act, the Board has reserved to itself the following:

- The approval of the strategic plan and the activity-based annual budget
- Reviewing of key risks, especially in respect of projects to be funded and Agency systems
- Recommending to the Minister of Social Development a candidate to be appointed as the Chief Executive Officer
- Monitoring the maintenance of overall policies and processes to ensure the integrity and transparency of the NDA's internal controls
- Monitoring the implementation of strategies and policies through a structured approach to reporting on the basis of agreed performance criteria
- The granting of funding.

The Charter expresses the Board's philosophy in regard to excellence in stakeholders' satisfaction, service delivery, optimisation regarding the use of assets and employee development, and respect for human dignity and national corporate citizenship, which includes good relationships with regulatory authorities.

### BOARD COMMITTEES

To assist it in effectively executing its duties and responsibilities, the Board has established committee structures with defined written Terms of Reference and specific reporting responsibilities particularly to the Board. The structure and mandates of the Committees are included in their Charters and Terms of Reference, which have been approved by the Board.

The committees are:

- Management and Finance Committee
- Audit Committee
- Human Resources and Remuneration Committee



- Projects and Programmes Steering Committee
- Research and Development Committee.

## INTERNAL CONTROLS

The Board is acutely aware of its responsibility to ensure the establishment and maintenance of effective and verifiable internal risk management and control systems and the need to address past and present obstacles in this regard. Internal audits will be undertaken regularly as compliance audits, to determine the compliance of projects with grant agreement conditions, and the Audit Committee is tasked with the responsibility of monitoring this process and reporting to the Board.

## CODE OF CONDUCT

The NDA has a Code of Conduct that governs and guides the Board and all staff members on matters such as conflicts of interest and conduct and confirms the Board's intention to set the standards and values for the NDA. A copy of said Code is available to management and employees on request and any contravention of the Code is viewed as a serious matter.

## REMUNERATION

Certain members of the Board receive fees for their contributions to Board and Committee meetings. Members of the board who are Government employees do not receive remuneration. Such fees are reported fully in the Annual Report.

## NON-FINANCIAL MATTERS

The process of restructuring the organisation was given particular focus during the year and steps have been taken, and will continue to be taken, to fill vacancies.

Steps have also been taken to improve levels of responsibility,

to redefine job descriptions and to link effective performance measures, improving accountability of staff through defined responsibilities and, in particular, the introduction of a performance management system.

The Board will continue to monitor the situation closely to ensure that the NDA's commitment to ethics, delivery and performance is improved and maintained.

## CONCLUSION

The NDA recognises the importance of sound Corporate Governance principles and practices as essential elements for its sustainability. It also sees governance as an ongoing dynamic area that will require continuous assessment and monitoring. The Board is confident that the processes it initiated in this regard will assist in establishing the requisite architecture and structures to enable it to effectively monitor and maintain the requisite standards and values it has set for itself and for the organisation as a whole. No system or process is in itself a guarantee that no failures will occur. However, the structures that are in place and are currently being put in place, will serve to reduce and minimise such occurrences, establish early warning systems and create the foundation on which to assist the NDA in achieving high-class standards in service delivery and maximising its efforts with regard to poverty alleviation.



## BOARD MEMBERS

### BISHOP MALUSI MPUMLWANA (CHAIRPERSON)

Bishop Mpumlwana, who is a Bishop in the Ethiopian Episcopal Church, is currently the Regional Director of Africa Programmes for the WK Kellogg Foundation. He provides leadership and strategic direction for the Foundation's awarding of grants in seven southern African countries and is responsible for the administrative and operations systems of the Foundation's business in Africa. He is also the chief representative of the Foundation in deliberations with the governments of the countries in which the Kellogg Foundation operates.

### MS MARCIA MANONG (DEPUTY CHAIRPERSON)

Ms Manong is the Director of the Association for Community and Rural Advancement, an NGO in the Northern Cape Province and the Chairperson of Sangoco. She is very interested in rural areas and rural development and in assisting communities and farm dwellers in matters relating to land rights and human rights, and resisting illegal evictions.

### MR GEORGE CHAANE

At the time of his untimely resignation from the NDA Board on account of illness in his family, Mr Chaane was employed in a legal capacity in the office of the Secretary General of the African National Congress. He was called as a Barrister in the Middle Temple, England, and is qualified to practise Law in South Africa and several other African countries. He and Minister Skweyiya, the Minister of Social Development, had known each other while in exile, and this influenced his decision to make himself available to serve on the NDA Board.

### MS JOAN DARIES

Ms Daries is now the Director of pastoral care at the Kay Mason Foundation, which is involved in youth development, particularly in economically disadvantaged areas. She was previously employed by SANparks as the Volunteer Programme Manager at the Table Mountain National Park. This organisation seeks to coordinate and facilitate volunteering to ensure that the volunteers also benefit from the work they do. She has a long history of working in the NGO sector, particularly with organisations using volunteers in their service delivery. In addition, she has been a United Nations volunteer programmes consultant.

### MS ANNEMARIE HENDRIKZ

Until December 2006, Ms Hendrikz was involved in a Cape Town Grail project called Aids Response, which mobilises the faith B-bed sector to provide services to people who are affected or infected by HIV and AIDS. She is currently working as an occasional consultant in the NGO sector. Previously, she was a Director of the Social Change Assistance Trust, a development and funding organisation, prior to which she had been the national coordinator of the Black Sash. Her experience includes human rights, social development funding, rural development and HIV and AIDS.

### MS ONICA MAPHAI

Ms Maphai, a Deputy Director in the Department of Health, was appointed to the Board by the Minister following an appropriate and transparent selection process.

### DR TEMBA MASILELA

Dr Masilela, a former advisor to the Minister of Social development, is currently at the HSRC. He was appointed to the Board by the Minister following an appropriate and transparent selection process.

### PROF. TOKOZILE MAYEKISO

Prof. Mayekiso, a clinical psychologist, is currently the Executive Dean of the Faculty of Arts at the Nelson Mandela Metropolitan University in Port Elizabeth. She was formerly the Deputy Dean of the Faculty of Humanities at Witwatersrand University, prior to which she taught at the University of Transkei.





## MS NONTOSBEKO MOLETSANE

Ms Moletsane is currently working in the Refugee Backlog Office of the Department of Home Affairs in Port Elizabeth. She is the former Head of the Initiative for Participatory Development in East London. She served as a Board member of the inaugural NDA Board in the capacity of Chairperson of the Projects and Programmes Screening Committee and still serves in this position. In addition, she has been and continues to be a Board member, trustee and patron of a number of church-related and non-profit organisations.

## DR STEPHEN RULE

Dr Rule is the Director of Outsourced Insight, which is an independent research consultancy. He was previously Director of Research Surveys at the Human Sciences Research Council, where he managed projects to determine public opinion on social, political and economic issues. He has also worked in the Ministry of Social Development and has lectured in Soweto on Political and Urban Geography.

## RECORD OF ATTENDANCE: MEETINGS OF THE BOARD AND COMMITTEES

Board Members	Board	Manco	Audit	Human Resources and Remuneration	Projects and Programmes Screening	Research and Development
Bishop Malusi Mpumlwana	9	1	1	0	0	0
Ms Marcia Manong	9	3	0	5	0	0
Mr George Chaane *	0	0	0	1	0	0
Ms Joan Daries	8	0	0	0	19	4
Ms Annemarie Hendrikz**	9	3	5	0	17	0
Ms Onica Maphai	5	0	0	0	9	1
Dr Temba Masilela	5	0	0	4	0	0
Prof. Tokozile Mayekiso	9	0	0	4	19	0
Ms Nontobeko Moletsane	7	2	0	0	15	0
Dr Stephen Rule	9	2	0	0	19	4
Non Board Members	Board	Manco	Audit	Human Resources and Remuneration	Projects and Programmes Screening	Research and Development
Mr Alan Velcich	0	0	6	0	0	0
Ms Kabelo Malapela	0	0	4	0	0	0
Mr Allan Taylor	0	0	4	0	0	0
Mr S Faku	0	0	0	5	0	0

\* Resigned 20 April 2006

\*\* Resigned 28 February 2007





Godfrey Mokate Chief Executive Officer

## CEO'S OVERVIEW



'At the most basic level, the key to ending extreme poverty is to enable the poorest of the poor to get their foot on the ladder of development' (Sachs, J: *The end of Poverty ...*, 2005, p. 244).

Looking back at the end of the 2006/2007 financial year, our message is that through our interventions we are seeing evidence of an increasing number of poor people getting their foot on the ladder of development. At the core of our legislative mandate: to contribute towards the eradication of poverty and its causes by granting funds to civil society organisations for development and strengthening their institutional capacity, is the desire to empower the poorest of the poor to shape and participate in development. The aim of our strategy and programmes is to unlock the potential of poor people to become agents of change for self-development and poverty eradication.

During the past year we made great progress in the implementation of this strategy, having committed ourselves to achieving the following goals:

- Organisational transformation
- Partnering for development
- Resource mobilisation for poverty eradication
- Community empowerment for sustainable development
- Communication of credible and relevant researched development information.

Given the magnitude of the challenges that the organisation faced in the past, our transformation goal received greater priority and focused on building a performance culture; people competencies; leadership development; improving business processes and systems; good corporate governance; building brand credibility and confidence with our stakeholders. We have successfully done the following:

- Developed and implemented a performance management system
- Restructured the organisation
- Employed high calibre executives and implemented leadership development training programmes
- Conducted competency profiles for executives and senior management for the purpose of development
- Implemented an integrated Enterprise Resource Planning system (ERP)
- Established professional corporate governance systems such as the internal audit, and legal and risk units
- Re-branded the organisation and implemented programmes of communications which improved the organisation's credibility among our stakeholders and the public as a whole
- Established partnership with most of the key Development Finance Institutions (DFI) by actively participating in the DFI forum and its activities



- Signed partnership agreements with the Department of Trade and Industry (the DTI) on poverty alleviation and development projects
- Assisted and facilitated processes that increased or gave access to resources to communities where we fund projects
- The Board has approved funding of 95 projects amounting to R110, 97 million, of these 33 worth R27, 27 million emanated from the Request For Proposal (RFP) process and 42 project worth R57, 96 million emanated from the Programme Formulation (PF) process. We have also approved 20 projects worth R25, 73 million for a 2 year Capacity Building Programme.
- Improved our projects monitoring and records management system
- Funded, organised and participated in a number of key conferences and seminars on poverty and development
- Improved our overall administrative and management system.

The highlight of our work for this year is the achievement of our aim to have an unqualified report from the Auditor General. What this shows is that we are indeed turning the ship in the right direction through our organisational transformation goal. We are gradually and systematically rebuilding the organisation that is properly geared towards meeting its legislative mandate of contributing towards poverty eradication. The impact of this positive change is evidenced by how we performed in the detailed report contained in Projects Unit and the Financials reports respectively.

Our challenges for the coming financial year are in the following areas:

- Having the new Board in time for our revision of the strategy and funding cycle process
- Our institutional capacity
- Organisational and individual performance

- Limited funding sources
- Updated database of civil society organisations
- Up to date researched information on poverty and development trends at macro and micro levels
- Appropriate funding model and delegations.

Going forward, we have a revised the MTEF Strategy, which contains the following goals:

- Organisational transformation
- Partnering for development
- Community empowerment for sustainable development
- Communication of credible and relevant development information.

We have plans in place to address the challenges identified above. Some of these include speeding up organisational transformation for completion by the end of the 2007/2008 financial year; placing greater emphasis on financial resource mobilisation; improving and increasing the output of our researched information; completing the establishment of our Civil Society organisations database; and completing the process of establishing an appropriate funding model and delegations. These plans include the implementation of the Board and the minister's resolution to amend the NDA Act.

In conclusion, it is my pleasure to formally present the Annual Report of the NDA for the period 2006/2007 to the Board, the Minister and all other stakeholders in terms of the relevant applicable legislation.

I wish to express my sincere gratitude to the Board and the Minister for all their strategic guidance and support that they have provided in the achievement of our objectives.

In my capacity as the CEO, I wish to thank the NDA staff for their commitment and hard work, which culminated in an unqualified



report from the Auditor General. This should serve as motivation for all of us to increase the pace and improve our service delivery performance even further in the coming year.

I am hopeful that through our Strategy and commitment, we will 'enable the poorest of the poor to get their foot on the ladder of development' and achieve our mandate of contributing towards the eradication of poverty and its causes.



**Godfrey Mokate**  
**Chief Executive Officer**







## DIRECTORATE'S PERFORMANCE

The funding received by the National Development Agency from the Department of Social Development amounted to R208, 1 million and was allocated to the following Directorates:

**Directorate 1:** Development Management and the nine Provincial offices

**Directorate 2:** Human Resources

**Directorate 3:** Finance

Information Management

Corporate Services

**Directorate 4:** Internal Audit

**Directorate 5:** Research and Development

**Directorate 6:** Marketing and Communications

**Directorate 7:** Office of the Chief Executive Officer

Company Secretary

Legal and Risk

The NDA has nine Provincial Office (Sub-directorates) that all report to the Directorate: Development Management. The fact that the Project managers are located in the provinces to monitor projects and to liaise directly with CSOs, providing much-needed assistance, especially in areas where illiteracy rates are high, has proven to work well.

In total, the NDA had seven directorates. The Sub-directorates of Information Management and Corporate Services are located in the Directorate: Finance. The Sub-directorates Legal and Risk, the Company Secretary and the Chief Operations Officer reside in the Office of the CEOs.

The following table provides a summary of actual expenditure incurred during the 2007 and 2006 financial years vs. budget appropriated for each programme and some sub-programmes:



## DIRECTORATE: DEVELOPMENT MANAGEMENT

The strategic goal of the development management directorate is to deliver capacity building and the grant-making mandate of the NDA. The directorate is responsible for community empowerment to promote self-reliance, and for partnering for development.

The provincial offices are the backbone of the organisation and the main implementing agents of the goals and objectives of the directorate. The role of the NDA is to create a conducive and an enabling environment for the provincial office to implement the organisation's mandate in communities.

The Board has approved funding of 95 projects amounting to R110, 97 million, of these 33 worth R27, 27 million emanated from the Request For Proposal (RFP) process and 42 project worth R57, 96 million emanated from the Programme Formulation (PF) process. We have also approved 20 projects worth R25, 73 million for a 2 year Capacity Building Programme. At the end of the financial year, the value of signed contracts amounted to R89 million. Projects are raised as commitments when the parties, the

projects and the NDA sign the funding agreement. The increase in funds available for grant funding was the result of decommitment of funds for projects approved in previous years.

The projects were approved in the sectors of Food Security and Economic Development. Food security includes support for community gardens and small-scale farming.

Economic development includes SMME development, agro-business initiatives, community tourism enterprises, value-adding activities for the construction industry, such as Brickmaking, and support to Co-operatives involved in economic generation activities.

All projects approved have a strong element of human resource development and job creation. Issues of HIV/Aids, as well as youth and women empowerment have been integrated into programme design as much as possible.

The provincial breakdown of grant commitments is as follows:

Province	Number of Projects Approved	Amount Committed per Province R'000
Limpopo	13	14, 39
Mpumalanga	9	8, 23
Eastern Cape	14	14, 08
Northern Cape	5	6, 55
Western Cape	9	9, 85
KwaZulu Natal	11	16, 65
North West	8	R9, 66



Free State	10	10, 52
Gauteng	13	12, 81
National	3	8, 19
<b>TOTAL</b>	<b>95</b>	<b>R110, 96</b>

## STRENGTHENING THE CAPACITY OF CIVIL SOCIETY ORGANISATIONS

We launched a two-year capacity-building programme for Community-based Organisations (CBOs), Non-governmental Organisations (NGOs), Self-help groups, Co-operatives and Faith-based Organisations (FBOs). The goal of the capacity-building programme is to develop the capability and capacity of grassroots organisations to effectively manage community-based projects and to access and utilise developmental resources for self-reliance.

The board approved a commitment of R25.7 million to 20 non-governmental organisations working in partnership with universities and accredited service providers throughout the country to strengthen the institutional capacity of grassroots organisations to deliver quality services and programmes to alleviate poverty in communities.

This programme has developed the competency and capability of community-based organisations in project management, financial management, effective corporate governance, resource mobilisation, community organisation, understanding legislation, governing co-operatives and other non-governmental organisations, advocacy and lobbying for policy and legislative change.

## DISBURSEMENTS TO FUNDED PROJECTS:

We made payments to the amount of R49 million in first and second tranches/cash flow. This amount is less than the previous financial year's disbursements of R62 million owing to the following factors:

- Ongoing forensic investigations conducted following the discovery of fraud resulting in some project files being withheld for extended periods
- Payment of lower amounts to projects as first tranches/cash flow to cover capacity building;
- Late submission of projects to the NDA Board for funding;
- More stringent tranching/cash flow and risk management as a result of identified projects' institutional capacity challenges;
- Delays in meeting board conditions.

## MONITORING AND EVALUATION OF FUNDED PROJECTS

Monitoring of projects was not conducted in accordance with project timelines as per funding agreement. This resulted in the writeback policy being imposed for projects. However, submissions with clear monitoring plans were submitted for the majority of affected projects. Another reason cited for the delay in



the monitoring of projects was a lack of critical human resources in provinces such as Northern Cape and North West due to long-standing vacancies.

#### CAPACITY BUILDING FOR FUNDED PROJECTS

Capacity-building interventions were conducted for funded projects in five provinces, namely the Eastern Cape, Limpopo, North West, the Northern Cape and Mpumalanga. The areas of capacity building included Organisational Development and Governance, Strategic and Business Planning and Financial Management. 350 beneficiaries were involved in the training.

#### PROJECT CYCLE MANAGEMENT (PCM) TOOLS

The PCM tools manual was developed during the last year under review. The manual is intended to be a 'how to' reference manual that guides new and old employees on how to manage the project cycle management (PCM) to improve service delivery. It presents policies, guidelines, procedures, tools and templates for delivering on the grant-making and capacity-building mandates of the agency.

#### IMPROVEMENT OF BUSINESS PROCESS

We have engaged in the following projects towards improvement of internal business processes:

- *Implementation of the ERP:* The directorate has participated in phase 1 of the implementation of the ERP system that has included development of the project registration module onto the Great Plains business portal. Phase 2 of the implementation is under way and will include monitoring, evaluation and project contracting.
- *Scanning of project files:* In response to the adverse finding of the Auditor General on document management, all 393 current project files have been scanned and was transferred to the business portal for ease of reference.





## DIRECTORATE: HUMAN RESOURCES



In this directorate the milestones achieved included the deployment and cascading of the balanced scoreboard. Organisational unit scorecards and the Balance Scoreboards' was published. The operational planning process for the new financial year has been completed.

A values project has been deployed and values workshops are being held. Values have been developed, approved and published in order to enhance awareness, and communication materials have been prepared.

A performance management system has been implemented to establish a performance base line for employees. Reporting templates and formats at the organisational and individual levels were developed and approved, and a Performance Management (PM) handbook was published. Interim assessments were also conducted and a trends report was published, which resulted in the enhancement of performance systems and processes. In addition, the PM manual was published.

Although performance assessments are being undertaken, they have not been completed as compliance is problematic. To address this, it was decided to have only one assessment and three informal but documented one-on-one performance discussions per year.

During the period under review, organisational restructuring was aligned with organisational goals and objectives. The absorption of staff into the new structure was completed, right sizing and deployment was completed, and the transition plan was published. This resulted in an appropriate and strategically aligned structure now being in place.

Job and Competency profiling for all positions including job families was undertaken and completed and positional grades were published. Assessment Profiles were created and gaps were closed by deploying The Workplace Skills Plan (WSP) for

employees. Furthermore a Competency readiness dashboard was set up and readiness was established for 2006/2007. WSP implementation is continuing and organisational competence has been established and improved.

The Employment Equity targets set in the NDA Employment Equity Plan were met and recruitment policies and procedures were approved and appropriately implemented.

Finding individuals with suitable skills in respect of our current vacancies has been difficult, which explains why variances have occurred. Contact has been made with appropriate NGOs to increase our chances of securing the services of such individuals.

During the period under review, relevant interventions to close gaps have been developed. Ongoing leadership training was implemented, which led to continuous improvements in respect of leadership competency and performance. However, training, and in particular the implementation of training remains a problem as both staff and management have extremely busy schedules.

The provision of employee and labour management support has been an important aspect of the work. Quality of Work Life (QWL) policies were published, which contributed to an improved organisational environment.

Effective payroll administration has resulted in an accurate payroll. Remuneration practises have been improved as a result of the new remuneration strategy. Remuneration and remuneration practices are now competitive and market related. The new remuneration strategy has been distributed to Exco with the Human Resource and Remuneration Committee (HR & R) having given input into the draft. The new draft will be submitted to the HR & R Committee and the Board for approval shortly.



HR Business processes, including Loans and advances, EAP, Garnishee, Induction, Leave management, Performance management, Recruitment and selection, and Study assistance have been mapped to improve service delivery and enhance productivity and efficiency.

All staff performance contracts were drafted and signed, which led to improved directorate and individual performances. This suggest that the organisation goal on transformation is succeeding in entrenching a performance based culture.

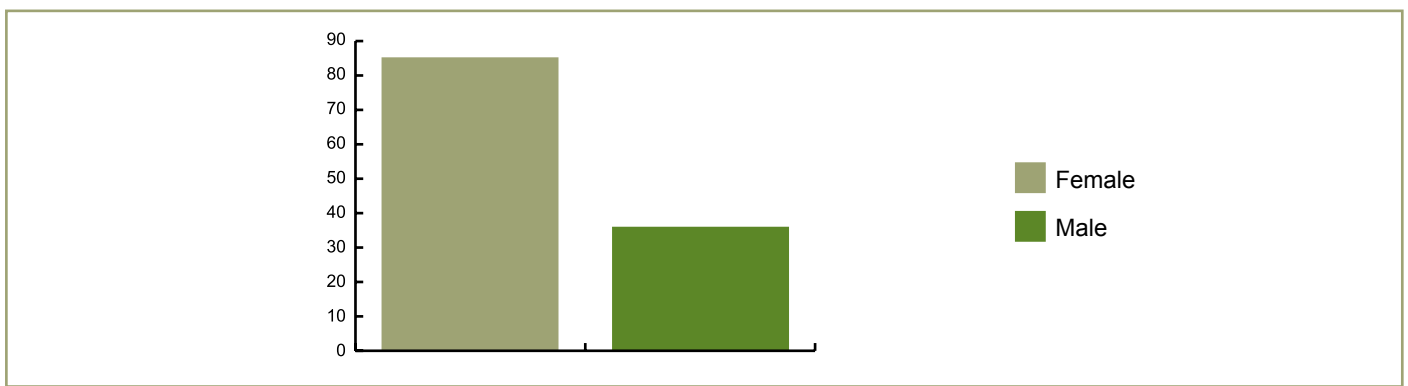




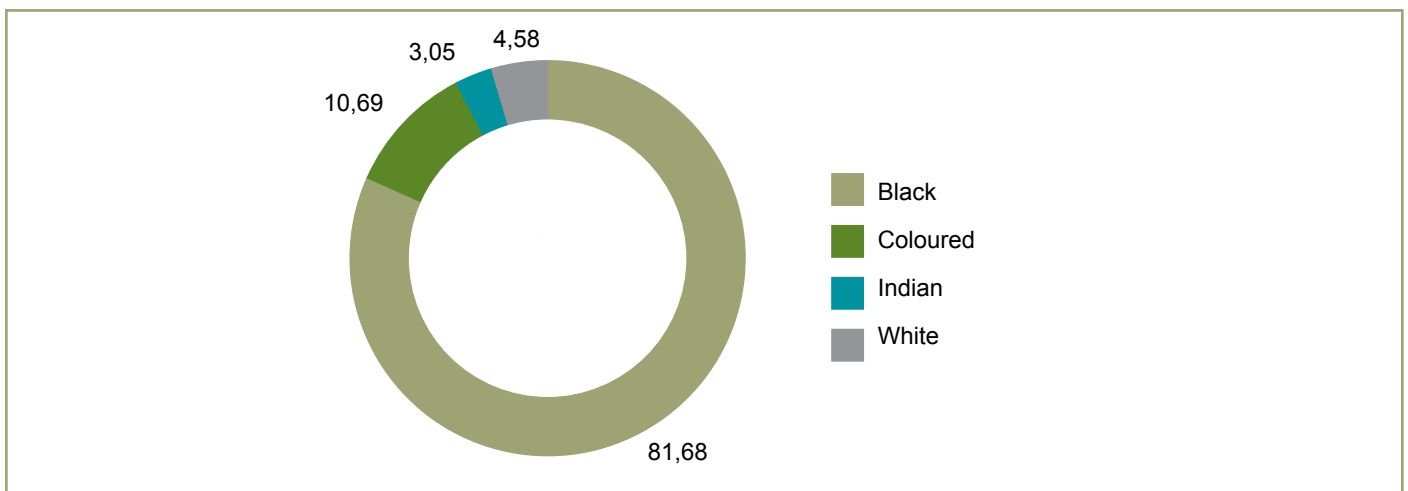
The year under review has seen significant enhancement in the organisational transformation and restructuring of the organisation. Weaknesses and challenges were identified, and the organisation's management undertook proactive steps in investing in compliance and Human Capital.

This can be seen from the following statistics:

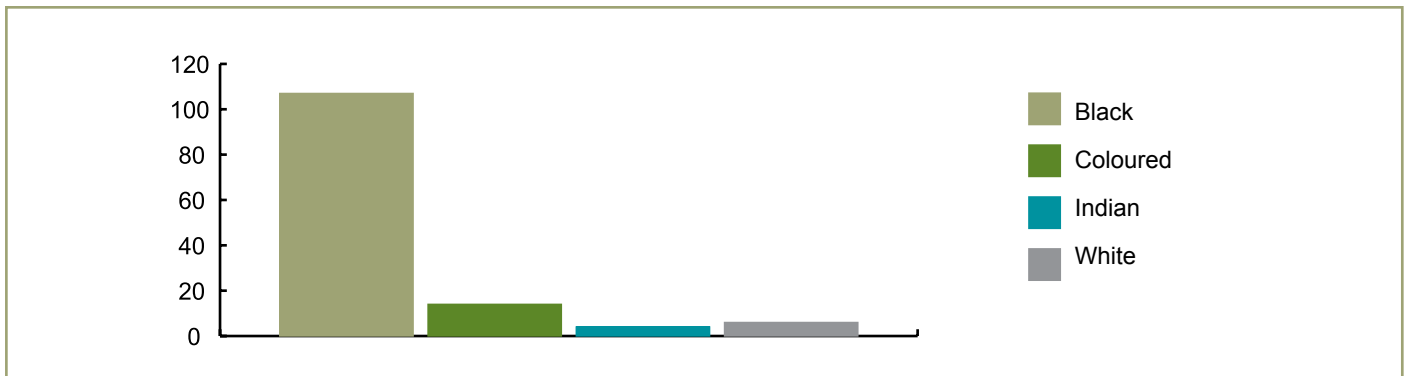
### EMPLOYEES BY GENDER



### PERCENTAGE REPRESENTATION BY EQUITY



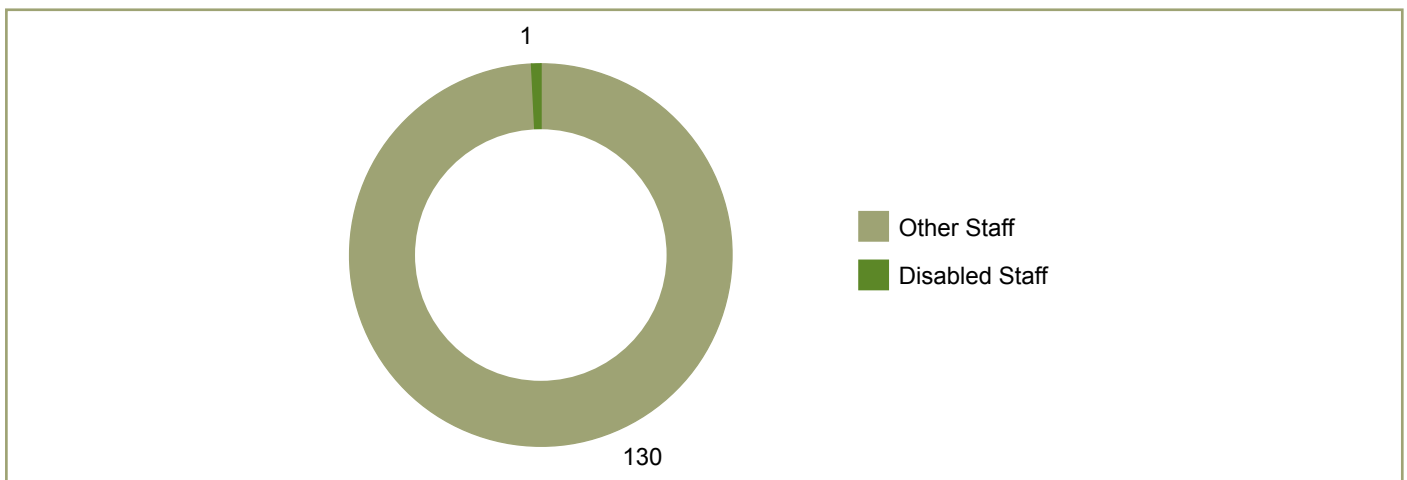
### NUMBER OF EMPLOYEES BY EQUITY



### NUMBER OF EMPLOYEES WITH DISABILITIES

Disabled persons	Male				Female				Total
	White	Black	Coloured	Asian	White	Black	Coloured	Asian	
Number	0	0	0	0	0	1	0	0	1

### NUMBER OF EMPLOYEES WITH DISABILITIES



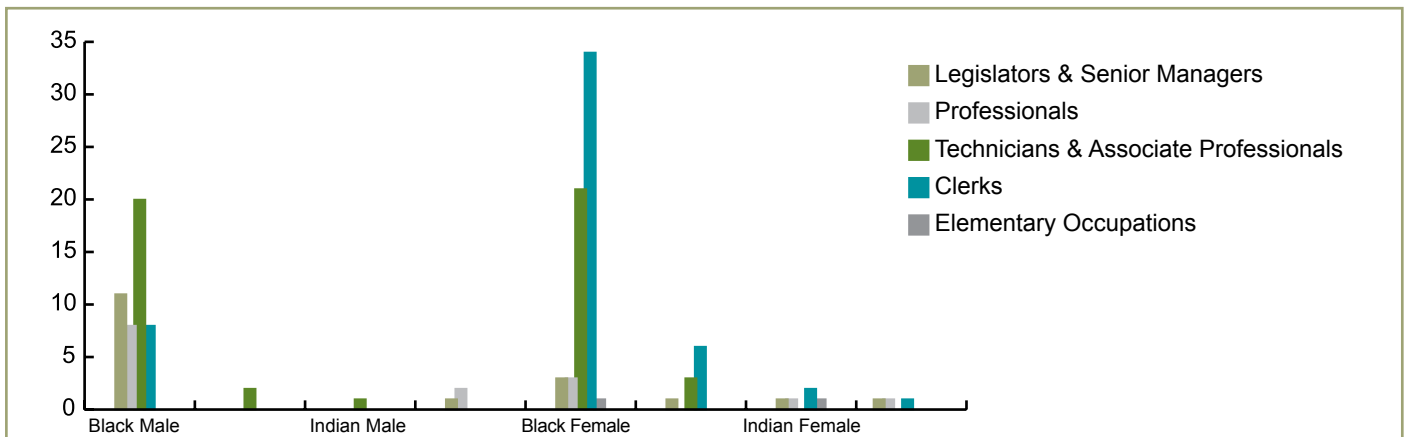
### NUMBER OF EMPLOYEES PER OCCUPATIONAL CATEGORY

Occupational Categories	Male				Female				Total
	White	Black	Coloured	Indian	White	Black	Coloured	Indian	
Legislators, senior officials and managers	1	10	1		1	2	2	1	18
Professionals	2	7	1		1	6		1	18
Technicians and associate professions		16	1	0		25	3		45
Clerks		6			1	34	6	2	49
Elementary occupations									
<b>Total</b>	<b>3</b>	<b>39</b>	<b>3</b>	<b>0</b>	<b>3</b>	<b>67</b>	<b>11</b>	<b>4</b>	<b>130</b>





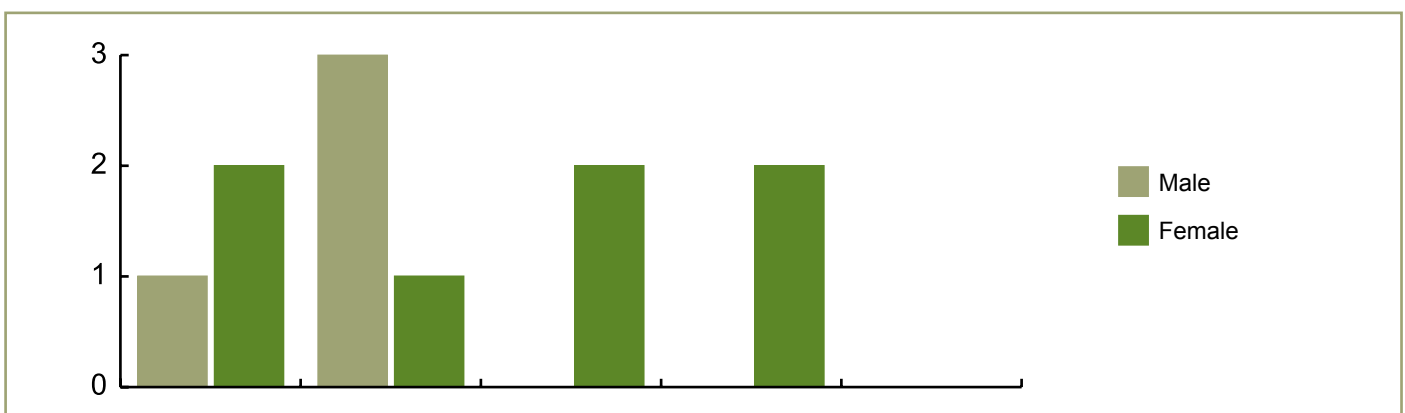
## NUMBER OF EMPLOYEES PER OCCUPATIONAL CATEGORY



## RECRUITMENT BY OCCUPATIONAL CATEGORIES

Occupational Bands	Male				Female				Total
	White	Black	Coloured	Indian	White	Black	Coloured	Indian	
Legislators, senior officials and managers		2	1			0	1	0	4
Professionals	0	2				2			4
Technicians and associate professions			1			2	0		3
Clerks						6	0		6
Elementary occupations									
<b>Total</b>	0	4	2	0		10	1	0	17

## RECRUITMENT CLASSIFIED BY OCCUPATIONAL CATEGORY AND GENDER



PROMOTIONS PROFILE (PERMANENT)

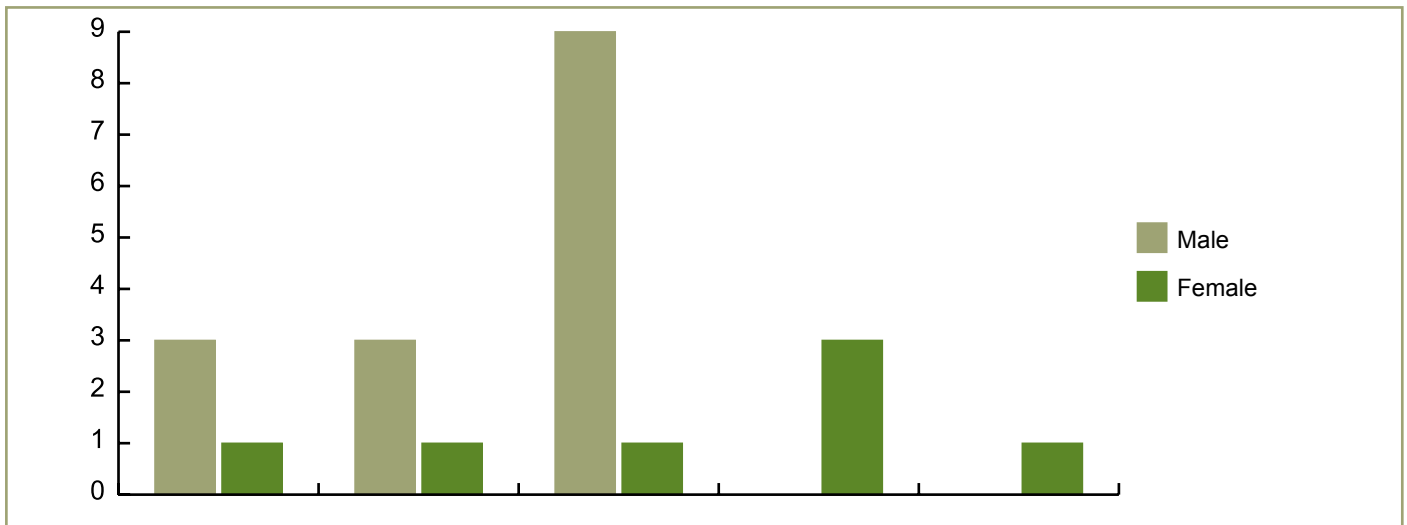
No promotions other than grade reviews have taken place during the period under review.

TERMINATION PROFILE (PERMANENT)

Occupational Bands	Male				Female				Total
	White	Black	Coloured	Indian	White	Black	Coloured	Indian	
Legislators, senior officials and managers		1				1			2
Professionals	1	2				3		1	7
Technicians and associate professions		4		0		10	1		15
Clerks		3				15	2	1	21
Elementary occupations						0			0
<b>Total</b>	<b>1</b>	<b>10</b>		<b>0</b>		<b>29</b>	<b>3</b>	<b>2</b>	<b>45</b>

TERMINATION CLASSIFIED BY OCCUPATIONAL CATEGORY AND GENDER

Termination includes 4 temporary contractors





## DIRECTORATE: FINANCE

This Directorate strive to continuously improve business processes, systems and policies

An important milestone achieved during the period under review was the construction of a Productivity, Efficiency and Financial model. A suitable selection of software was recommended and approved, including soft ware for Enterprise Resource Planning. Procurement committees were appointed and their roles and responsibilities were clearly defined. The various departments will implement recommendations aimed at improving the business process.

Research was conducted to identify and evaluate technologies that will improve service delivery. Business process changes and improvements were reviewed and effected/implemented and recommendations for the improvement of business performance were aligned. Workflow diagrams were also published and standards and norms were drawn up for three departments. This resulted in improved business processes.

On review of this goal, it appears that finance would need data set policy/protocol that will ensure that standards and norms set by the NDA are verifiable. The work relating to this output should commence once the ERP system has been fully implemented.

We also practise good corporate governance in that during the period under review, regulatory compliance was achieved. The budget was submitted within the regulated timeframe and the final budget was approved.

## DIRECTORATE: INTERNAL AUDIT

Final performance reviews for staff were carried out, approved and signed by all in the internal Audit Directorate.

Effective controls were put in place and audit reports indicated improved control.

An adequately resourced Internal Audit Department was set up and an Internal Audit was conducted with a full complement of skilled staff at all levels. This led to the employment of a permanent Internal Audit staff.

In the Internal Audit Unit, the Audit plan was approved and Audits completed accordingly. Being a new directorate in the Organisation the Audit Charter was next approved by the Audit Committee however it was produced by management.



## DIRECTORATE: RESEARCH AND DEVELOPMENT

The following objectives were achieved in this Directorate:

- Development and implementation of Policy dialogue Frameworks and Strategy.
- The database on the National Volunteer sector was updated and feedback was obtained from stakeholders who had utilised it. A successful conference, the German Loccum Conference, was also held.
- With regard to the ASGI-SA Strategy, a Social Facilitation and Capacity Building Cluster strategy was developed and the document was completed and approved. At a NEDLAC National Workshop, national policy dialogue was conducted in conjunction with NEDLAC and a report was published. The Department of Social Development (DSD) – International Rural Women’s Congress was attended.
- A subcommittee on finance and fundraising was appointed and a working budget was approved.

In positioning the NDA as a credible partner in poverty eradication the following activities during the period under review include the development and approval of policy on the funding of grants for Faith-based Organisations, the drafting of a strategy framework for Volunteer policy, a Provincial Road show on strengthening Volunteer structures on the ground, and provincial poverty mapping dialogues held in KwaZulu Natal, Western Cape, Northern Cape, Mpumalanga, Limpopo Northwest, Free State and Gauteng. The provincial poverty mapping plans were approved and poverty eradication forums were established.

Highlights during the year under review were the development and subsequent approval of a results-based Management Framework and an NDA Monitoring and Evaluation (M&E) strategy. The

implementation plan for the M&E strategy was approved and implementation started (information needs analysis, audience analysis, M&E training of NDA staff and funded partners).

Dialogue sessions with CSOs were useful in compiling a framework as guideline for M&E in the civil society sector.

### R&D STRATEGIC OBJECTIVES ENTAILS:

- A) Conduct research on development and poverty data and information to gain understanding of the nature and magnitude of poverty at micro level.

A priority list of poverty areas to be targeted by NDA was published and assisted in improving targeted interventions.

The Research report on National Poverty Eradication Strategies was updated and poverty maps per district and province were published. This assisted an improved understanding of the status quo regarding poverty.

- B) Identify funding opportunities through analysis of all available funding for development

Research recommendations for funding opportunities for the NDA for 2007/2008 were updated and a corporate social investment handbook was compiled. This has led to increased information on, and knowledge of sources of poverty funding.

- C) NDA participation and influence on government policy:

A Fourth Policy Dialogue was conducted in conjunction with DSD, focusing on the impact on development policy.



## DIRECTORATE: RESEARCH AND DEVELOPMENT

In the development sector, and articles on development policy issues were published in accredited journals.

The National Volunteer Policy Forum was established and a National policy on volunteerism report was submitted.

A National Policy Dialogue was conducted in conjunction with NEDLAC and a report was published, resulting in improved stakeholder relations and partnerships. Successful policy dialogues were held and Annual Policy Dialogue reports were published, as well as a National Policy Review on the eradication of poverty.

D) The NDA has official status on Provincial Legislature's Social and Economic clusters and is a member of the provincial Social and Economic clusters. Provincial Poverty Stakeholder forums that are linked to the Premier's office and provincial poverty strategy have been set-up in all provinces.

E) A report has been published on the CSO's capacity and NDA grading, as well as an analytical research report on the capability and capacity of CSOs.

A seamless database of CBOs, NGOs and FBOs has been incorporated into the National Information Platform of the Development Sector. This has contributed to Improved knowledge and understanding of the governance, capacity and funding status of CSOs.

F) Articles, including benchmark reports on best practise for modelling, were published in accredited development journals and other relevant media.

A database of sectoral economic opportunities was also

published and was included in the NDA comprehensive database, resulting in improved credibility and the enhancement of the organisational profile.

We are currently awaiting the appointment of Socio-economist personnel to implement all activities in this unit.

G) A strategy was developed for the implementation of knowledge and information management.

All internal data and information management systems and databases were revised and upgraded and an effective user-friendly information management service system was developed.

H) The revamping of a fully functioning hybrid learning and knowledge network Resource Centre was facilitated. Other activities included the completion of a feasibility study on the establishment of a National Poverty Data Centre, the coordinating and monitoring of records and document management processes, and the development of an effective, user-friendly information service.





## DIRECTORATE: MARKETING AND COMMUNICATIONS

The main deliverable for Marketing and Communications during this financial year has been to rebrand the organisation. The exercise was necessitated by the fact that the NDA never had a Corporate Identity manual and the perceptions of the NDA did not position the NDA brand in a positive manner.

The Marketing & Communications department has since successfully rebranded most of its buildings and Projects that have been supported financially. The perceptions of the internal stakeholders have slightly improved as a result of this exercise.

The focus during the next financial year will be on ensuring that the external Stakeholders perceptions are swayed towards being positive. Brand awareness has commenced during this financial year and can only improve with time.

Central to Marketing and Communication is also the communication of development through different communication platforms. This include but not limited to capturing success stories, lessons learned and challenges faced by funded projects.





## DIRECTORATE: OFFICE OF THE CHIEF EXECUTIVE OFFICER

### SUB DIRECTORATE: COMPANY SECRETARY

A compliant, effective and efficient Company Secretariat is essential. Progress maps and progress reports have to be drawn up, as well as a Schedule of Agreements clearly indicating obligations. Of particular relevance to contract management is the circulation of monthly and quarterly lists of contracts received and signed. A review of all contracts was undertaken to ascertain which contracts had lapsed or had been terminated.

A Policy Register was being compiled and policies are being reviewed on an ongoing basis.

A Schedule of agreements showing obligations has been drafted. It is proposed that an agreement be entered into with a service provider who has a software system that will enable more effective and efficient management and monitoring of NDA agreements. It is hoped that the system will be fully operational by the end of the second quarter.

The effective and efficient management of information and records remains a priority and is the responsibility of the Company Secretariat.

Regulations regarding the delegation of authority have been developed, but have not yet been approved, and procurement policies that are compliant with PFMA and other relevant legislation have been completed and will be used for staff training.

Currently Board packs including minutes, are not being distributed 10 days prior to meetings, as required. Measures

should therefore be implemented to ensure compliance by all directorates. In future special effort will be made to ensure that minutes are circulated within 3 days after meetings, and that decisions made by Board and its Committees, SMT and Exco are communicated to all relevant parties and followed up to ensure implementation.

In most instances the NDA has been successful in meeting legal obligations. To ensure that agreements are standardised and legally sound, agreements are being reviewed on an ongoing basis.

The purchase and implementation of the contracts management system has been delayed as a result of the current ERP Vendor Evaluation.

Corporate Governance issues are being identified and attended to on an ongoing basis. The Charter and Terms of Reference for the Board and all its Committees, as well as the Exco and the SMT, have been finalised, but are being reviewed.

A draft shareholder compact between the Department of Social Development (DSD) and the NDA was prepared, but requires amendments. We are waiting for the shareholder compacts that are currently being drafted by the DSD and the Department of Public Enterprises (DPE) so that the NDA's compact can be aligned with these.

A manual for publication in the Government Gazette has been approved and registered with the relevant authorities. All returns in accordance with sections 32 and 15 of the Act have been completed.



All relevant legal requirements and amendments are circulated in order to ensure that full compliance with Corporate Governance is achieved at all times.

## SUB DIRECTORATE: LEGAL AND RISK

Risk Assessment workshops were held in all the provinces and was presented to Directorates at Head Office. An updated Risk Assessment was submitted to Audit Committee and Board for recommendation and approval. It was envisaged that Risk Assessment form part of the Internal Audit coverage Plan. Risks issues that need immediate attention in the day-to-day running of the organisation was addressed with relevant directorates.

The dates and times for the updating and review of internal policies will be done in consultation with relevant directorates.

To ensure effective contract management, all agreements were collated and reviewed in consultation with the Company secretariat.

With regard to the Risk Management Strategy, deadlines are set for the implementation of risk controls. Once the updated Risk Register has been completed and approved, the Risk Management strategy will be drafted. Benchmarks will be set with other state entities and the NDA will become a full-time member of the Institute of Risk Management.

The Delegation of Authority document has been completed and approval by the Board is being awaited. This document will be updated regularly.

Legal advice and representation is an ongoing process. All current legal matters, both internal and external, are being attended to. General legal and Risk management advice is ongoing and is executed as when required by both Provinces and Head office directorates.

The finalisation of the Risk Assessment Register update has been delayed due to clashes with Directorates' schedules. NDA recognise that Risk Management should be part of Management's Performance Contracts.

## CONCLUSION

The organisation has achieved many of its set objectives and is making steady progress towards even greater achievements. Challenges around building organisational climate and staff morale remain. In fact, the last year has been exceptionally challenging owing to the current changes being implemented within the organisation. However, under the circumstances, the NDA has had some exciting and significantly productive times and it is on course to regain its status as one of our country's leading development facilitators. We look forward to the next year of continued effort and hard work as we implement our new strategic direction.

# EXAMPLES OF NDA FUNDED PROJECTS



## PROJECTS PROFILES

During the financial year ending 31 March 2007, the Board of Directors of the National Development Agency (NDA) approved the disbursement of R110,97 million to 95 poverty alleviation projects throughout the country. Approved NDA funding is channelled through two distinct categories: food security and economic development.

The following are short profiles of some of the poverty alleviation projects that received funding from the NDA during the period under review:

### TSWELANG PELE BOMME, FREE STATE

Established in September 2001, this agricultural development project almost collapsed during its embryonic stages when some of its original members left in droves as soon as they realised they would not be able to reap immediate material benefits for their efforts.

The R414 585 funding it received from the NDA did not only rescue it from the brink of extinction, but it also helped it to boost capacity and become an important income-generating initiative making a positive difference to the lives of scores of families in Free State's impoverished Xhariep District Municipality.

Specialising in the growing of vegetables such as potatoes, carrots, spinach, mealies, beetroot and tomatoes, the project counts among its major clients a group of local business people, who regularly buy its produce in bulk. The success of Tswelang Pele Bomme, Sesotho for "get ahead, ladies", has also attracted interest from Potato SA, which is seeking to build a partnership with the women with a view to using the project to pilot an innovative potato planting programme in the area and other parts of South Africa.

### BOTSHABELO CREATIONS COMMUNITY DEVELOPMENT, FREE STATE



Botshabelo Creations Community Development (BCCD) has been offering skills training in areas such as garment-making, embroidery, upholstery, curtain-making and fabric-painting in Botshabelo – one of the disadvantaged areas in the Free State – for more than a decade.

Although it has been conducting its courses professionally right from the start, its lack of a financial viability and coherent sustainability plan almost forced it to close its doors. A cash injection in the form of a R620 440 donation from the NDA rescued the project from the throes of collapse and enabled it to continue providing training interventions mainly aimed at women and the youth, two of the most vulnerable groups in the region. This helped BCCD, formerly known as Foundation for Entrepreneurial Development (FED), to, among other things, secure two major contracts from the Small Enterprise Development Agency (seda) and the Department of Labour.





## KHOMANANI PROJECT IN VHEMBE DISTRICT, LIMPOPO

The project creatively recycles discarded paper to make valuable products such as conference folders, notebooks, photo albums and photo frames, sold mainly to tourists visiting exotic destinations in the district.

The project and its innovative members, who honed their skills at the University of Johannesburg, also almost disappeared from the face of the earth when they could not keep up with the payment of their electricity accounts, telephone, rent and other bills.

The NDA's funding of R683 859, which it shared with five other like-minded poverty alleviation projects in the impoverished district, went a long way towards making the project come alive again.

Project members believe the funding has created a solid platform from which they can build their unique business into a sustainable enterprise with access to lucrative international markets.

## KODUMELA AREA DEVELOPMENT PROJECT, LIMPOPO

The Kodumela Area Development Project (ADP), a World Vision-funded project operating in six villages in the 65 000-strong Sekoro community, where it implements development activities aimed at alleviating poverty and improving socio-economic development, had its hand strengthened when the NDA made a donation of R603 900 recently.

The project consists of established beadwork groups that sell their wares internationally. Other groups of women work in communal vegetable gardens.

The donation from the NDA was used to help the beneficiaries grow their businesses by providing buildings for beadwork groups, supplying its garden project with seeds and making money available for training.

The food garden project already has markets in faraway places such as Gauteng, Africa's economic powerhouse.

The project is also involved in raising HIV/AIDS awareness, imparting farming and life skills, improving education and upgrading community infrastructure.

## SISTER LOVE INCORPORATED OF SOUTH AFRICA IN WITBANK, MPUMALANGA

Sister Love Incorporated of South Africa (SLISA) is a Section 21 organisation established in 2002 to enhance the ability of non-governmental and community-based organisations in the delivery of quality HIV/AIDS prevention services in Mpumalanga.

In March 2007 the organisation received a R769 128 donation from the NDA to help it bolster its income-generation initiatives, such as milk production, poultry and vegetable-growing on a 249-hectare farm, on behalf of three of its partners – Reach For Life, and Sifunokuhle and Nomakhaya home-based care centres. The three NGOs look after the interests of people infected with or affected by the disease.

Working in partnership with the Department of Land Affairs, which made R2,2 million available for the purposes of purchasing the farm, livestock and equipment; the Department of Agriculture, which provided training on farming; and the Department of Labour, which provided the training needs of 56 beneficiaries, SLISA is seen as a breath of fresh air in the fight against the pandemic in the province.



## PHAPHAMANI HOME-BASED CARE CENTRE, MPUMALANGA

Registered in 1999, Phaphamani Home-Based Care Centre is the brainchild of a retired nursing sister, who was moved into action after the effects of HIV/AIDS began to have a telling effect on her community.

The organisation – which has 70 home-based care-givers, half of whom are trained counsellors – is involved in HIV/AIDS education, prevention and counselling.

The R603 748 funding it received from the NDA will be used to, among other things, establish sustainable income-generating projects and purchase equipment such as sewing machines in its quest to ensure an improved quality of life of the people.

## TSOMO VALLEY AGRICULTURAL COOPERATIVE, EASTERN CAPE

It has always been emphasised that partnerships are a key to the success of poverty alleviation and economic development projects in South Africa.

The Tsomo Valley Agricultural Cooperative, a project that seeks to improve the productivity of local farms and give support to the beneficiaries of the government's Land Redistribution and Agricultural Development (LRAD) Programme, is an example of such success.

Established with the assistance of the NDA, which injected R761 238 into the initiative; Department of Agriculture; National Cooperative Association of South Africa and Sakhizwe District Municipality; the project has capacitated 12 local emerging who acquired land through the LRAD programme with access to farming expertise, farming inputs and mechanisation and mentoring services.

As a result of these partners' intervention, the farms are now being managed professionally, 20 farmers have been trained in farm management and technological skills, and production has improved by 20%.

## DELINDLALA FARMERS' COOPERATIVE, EASTERN CAPE

Delindlala Farmers' Cooperative was established in December 2001 when 40 people – 23 women and 17 men – acquired a 2 029-hectare commercial farm through the Land Redistribution for Agricultural Development (LRAD) programme. The association, in the Emalahleni Local Municipality in the Eastern Cape, was assisted by the NDA to register as a cooperative in 2006.

The cooperative also acquired a used tractor, an old irrigation system and a small dairy with antiquated machines when it acquired the farm. The farm supplies local shops with fresh produce and neighbouring villages with vegetables and milk. But it was unable to cope with the increasing demand because of capacity constraints.

The NDA funding of R752 450, of which R677 205 has already been paid, was aimed at assisting the group to expand its activities. These included training of members on farm management, financial management, governance, technical skills, sustainable agricultural methods, improvement of a dairy, utilisation of 100 hectares, purchasing of a new tractor, improvement of livestock quality and development of a business plan.

Through the funding all 40 members of the cooperative have already been trained on various skills. A bankable business plan has been developed, livestock quality has improved, and the dairy has been rehabilitated and is now fully operational dairy. Twenty dairy cows and a bull have also been purchased.



## COMMUNITY PLOUGH BACK MOVEMENT, WESTERN CAPE



The aim of the Community Plough Back Movement (CPBM) is to, as the name suggests, plough back into disadvantaged communities whatever skills their members acquire in life's journey.

The project was started in 2002 by a university professor who has a passion for community development when she brought together a group of professionals from Gugulethu, Langa and Nyanga in an effort to use their skills and spare time to empower the communities they grew up in.

CPBM is involved in HIV/AIDS education, school enrichment programmes, and food security and beading initiatives.

## SURPLUS PEOPLE PROJECT, WESTERN CAPE

The Surplus People Project (SPP) works in the area of pro-poor agrarian reform – including land, water and agricultural reform – to address challenges brought about by rural poverty and to stimulate local economies.

Under the auspices of the initiative, a group of women have proactively pooled their resources to start a piggery and a poultry initiative to generate much-needed income for its members.

Another group of women has developed tunnels for vegetable production while another, consisting mainly of elderly women, regularly makes its fresh produce available to the local hospital. SPP has forged a number of partnerships, which are seen as critical to the success and sustainability of the project. One such venture is a guest farm that integrates elements of conversation and tourism into an existing project.



To enable SPP to sustain its activities and turn them into successful ventures, the NDA recently made a donation of R940 000. The funding will be used to disseminate relevant information to members, facilitate the identification of land and support capacity initiatives, among other things.

## VENUS SISTERS, NORTHERN CAPE

With the Southern African Large Telescope (SALT) in the small Northern Cape town of Sutherland attracting huge interest from around the world, the local tourism industry is growing in leaps and bounds.

A number of guesthouses and restaurants have sprung up in the area over the past couple of years. Unfortunately, all of these are owned by “outside investors”, at a great disadvantage to local economic development.

When the South African Astronomical Observatory (SAAO)



introduced night tours to the facility as interest continued to soar, a group of local women decided to enter the fray.

The women approached the Karoo Hoogland Council with a proposal to buy an old farmhouse with a view to turning it into a bed-and-breakfast establishment. The council, which was optimistic about the idea, agreed to the proposal provided the women acquired funding for the guesthouse.

Situated 3km from the SAAO, the farmhouse is an ideal overnight facility for tourists wanting to visit the Observatory.

Because of its potential to eradicate poverty and contribute to local economic development, the NDA approved funding to the tune of R538 385, of which R484 546 has already been paid.

### GAUTA E SEDILWENG, NORTHERN CAPE

The fast diminishing subsistence diamond mining and the resultant growing unemployment in the Northern Cape have effectively turned small towns such as Ritchie and Windsorton in the Sol Plaatje Municipality into welfare neighbourhoods, with many depending on state grants for survival.

But a group of resilient residents refused to wallow in self-pity. They put their thinking caps on and came up with a skills development project called Gauta e Sedwileng, a Sesotho term for “refined gold”, to enable locals to improve their socio-economic status.

The initiative is aimed at creating employment for beneficiaries by establishing hydroponics and compost-manufacturing projects. It also intends establishing three cooperatives.

The NDA has agreed to fund the project for R2,5 million.

### IKUSASALETHU TRUST, KWAZULU-NATAL

Ikusasaletu Trust received a R772 218 funding from the NDA to help it establish a distillation plant in Inkandla, one of the most impoverished areas in the northern region of KwaZulu-Natal.

The plant will provide processing facilities for existing and future herb farmers within a 15km radius of the town of Inkandla. Leading South African pharmaceutical companies have shown great interest in the Rose Geranium oils, which they want to use in the manufacture of skin and hair products. This is expected to contribute immensely to its bottom line as well as its future sustainability. The trust also seeks to venture into the perfume producing industry. It has already sent some of its essential oils overseas for component evaluation to see what other essential ingredients its products contain.

Part of the money the trust received from the NDA will be used to strengthen its corporate governance processes.

Regarded as one of the key civil society organisations fighting poverty in Northern KwaZulu-Natal, the trust has also received funding from Gijima KwaZulu-Natal to acquire more land and provide training.

### JIKELELE INGWAVUMA, KWAZULU-NATAL

Jikelele Ingwavuma assists poverty-stricken women, orphans and vulnerable children as well small, medium and micro enterprises (SMMEs) in Ingwavuma, a 2 100km<sup>2</sup> impoverished area bordering Mozambique to the north, Swaziland to the west and Pongola River to the south and east.

The area is part of the Jozini Municipality in Umkhanyakude District, a presidential node, meaning that the area's poverty levels are such that the more resources are needed to achieve maximum impact.



The funding requested from the NDA was expected to assist the project to turn around the dire circumstances of women, orphans and vulnerable children. Already they are an estimated 3 000 HIV/AIDS orphans in the area.

The project trains women in arts and crafts and buys their designs to create, brand and market the products. It also creates healthy and safe environments for orphans and vulnerable children by, among other things, providing support, completing and maintaining cluster homes for those who cannot be placed with a family and creating food gardens.

It also assists SMMEs, particularly those owned by women, with capacity building.

## GREENHOUSE PROJECT, GAUTENG

The GreenHouse Project is a non-governmental organisation based in the Johannesburg inner city that seeks to, according to its mission, “contribute to transforming Johannesburg into a green city by empowering the people of Johannesburg to create and recreate the city in ecologically, socially and economically sustainable ways”.

With the City of Johannesburg as its key partner, the project was the result of the realisation that communities and decision-makers that had the potential to transform Johannesburg into a “green” city did not have easy access to practical solutions. To this end, the City of Johannesburg provided the project with a “home” in Joubert Park. The Green House People’s Environmental Centre, as it is called, was officially opened in September 2002 to coincide with the World Summit on Sustainable Development. The project provides information and practical demonstrations on “green” building and design, sustainable energy, sustainable water and sanitation management, zero-waste culture and organic food, medicinal plants and landscaping.

A portion of the funding it received from the NDA was used to organise 22 participants of the Wesbank Barrel gardening project into a cooperative selling organic fresh produce and seedlings to generate income for themselves and their families.

## THE EESTERUST CARE AND TRAINING CENTRE, GAUTENG

The mission of the Eesterust Care and Training Centre, established in 1985, is to improve the quality of life of people with physical and mental disabilities to enable them to reach their potential.

The centre serves historically disadvantaged areas such as Eersterust, East Lynne, Mamelodi and Nellmapius by providing basic job skills and social services to children, youth, elderly and terminally ill, abused, disabled and uneducated people. Job training and creation will ultimately provide education, self-sustainability and community upliftment.



Its main activities include caring for profoundly and severely handicapped children, providing pre-school training, delivering interventions for Down Syndrome, autistic and cerebral palsy children, offering protective work centre for young adults, and providing life and job skills, as well as support and counselling services.

In 2001 it established a vegetable garden project to provide young people with disabilities with food and income.





## TSWARANANG BAROLONG, NORTH-WEST

The brainchild of a highly experienced seamstress who acquired her skills in Johannesburg, Tswaranang Barolong empowers disadvantaged women in North West with skills such as sewing, knitting, chemicals and juice production, and ice cream-making to help them throw off the yoke of poverty.

The multi-discipline project started from humble beginnings, with each member contributing R2 a month towards the buying of sewing material.

Because of its potential to deal a blow to poverty and its effects, the NDA pumped R833 380 to transform it from being a hand-to-mouth operation into a comprehensive and sustainable business.

Besides enabling them to access much-needed resources such as a van, sewing machines, screen-printing equipment and a fridge, the donation will also empower them with skills such as financial management, financial planning, sales and marketing.

## MADIKWE SISAL PROJECT, NORTH WEST

Launched to much fanfare recently, the NDA-funded Madikwe Sisal Project in the Moses Kotane Local Municipality, about 120km north-west of Rustenburg, has created 100 jobs for communities around Madikwe. An additional 300 job opportunities are expected to be created within the next two years.

First established in 1967, the project, which has now become a joint venture between the North West provincial departments of Economic Development and Tourism, Agriculture and Social Development, and the Moses Kotane Local Municipality, specialises in fibre-production.

The project entails growing and harvesting sisal and turning it into long fibres.

The project will also put to use some of the portions of Steenbokgat and Duikerbout farms to further benefit the Madikwe community. There is a potential for high-quality fibre to be processed into interior car components, with medium quality fibre used in items such as lampshades, mats, bags and other products for the tourism market.

Besides cotton, sisal is the only commercially viable plant in the country that can produce items such as paper, envelopes and gift bags.





## PROJECTS FUNDING CRITERIA

Adjudication Criteria for Funding of projects used by the Projects and Programmes Steering Committee, include to:

Promote eradication of poverty and its causes, a project should

- Serve the population of a targeted poverty pocket area
- Address economic and social inequalities, including gender inequalities
- Promote tangible quality of life improvements by facilitating the satisfaction of basic needs for the targeted population and/or
- Generate opportunities for employment and income earning

Promote community ownership of the development process, a project should

- Ensure self-initiative and participation during project planning, management and implementation phases
- Promote balanced gender involvement including active participation of women in decision making structures
- Present opportunities for the community/beneficiaries to voice poverty related issues
- Facilitate a high level of awareness of the project within the local community
- Facilitate adoption/acceptance by the community of project proposals
- Promote community ownership of the project benefits
- Demonstrate project accountability to beneficiaries and governing structures
- Provide opportunities for capacity building, skills transfer and other measures to address obstacles that prevent or limit community participation and self initiative

Adopt a broad based approach in addressing poverty and its causes, a project should

- Consider a multiplicity of community needs
- Provide an opportunity for other development initiatives within the community
- Where appropriate, make reference to existing Government and/or other relevant development initiatives

Optimise the effective use of resources / skills through a partnership approach, by

- Indicating opportunities for cooperation with other relevant parties
- Proposing relevant partnerships with other parties on the basis of clearly defined competencies and roles

Build sustainability and quality development into the project, a project should

- Demonstrate appropriateness of project solutions and results in relation to problems identified
- Provide objective and project purpose indicators reflecting the social and economic impact of the project on the community
- Demonstrate the project's suitability in terms of the social, cultural and environmental characteristics of the area
- Demonstrate long term feasibility in technical, financial and organisational terms



# REPORT OF THE AUDIT COMMITTEE





# REPORT OF THE AUDIT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2007

We are pleased to present our report for the financial year ended 31 March 2007, as follows:

## 1. GENERAL

The National Development Agency (NDA) Audit Committee's function is primarily to assist the Accounting Officer in discharging his responsibilities relative to the Public Finance Management Act (PFMA), Act Number 1 of 1999, as amended. The Audit Committee Charter provides clear terms of reference for the Audit Committee and sets out specific responsibilities of the Audit Committee.

During the year under review the Audit Committee consisted of four members. The Committee is obliged to meet at least four times per annum. In the year under review the Committee met six times and the following table shows the number of meetings attended by each Committee member.

Name of member	Number of meetings
Mr A Velcich (Appointed Chairperson on 28 February 2004)	6
Ms A Hendrikz (Appointed 28 February 2004)	5
Mr A Taylor (Appointed 28 February 2004)	4
Ms K Malapela (Appointed 17 May 2004)	4

The Charter and Terms of Reference under which the Audit Committee operates require the approval of the NDA Board and such approval will be sought from the incoming Board.

## 2. AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has complied with its responsibilities arising from section 38 (1)(a) of the PFMA and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

## 3. EFFECTIVENESS OF INTERNAL CONTROL

The Audit Committee coordinates and monitors the activities of the Internal Audit function. Through this, the Committee is able to report on the effectiveness of the internal control systems and to assess whether the Internal Audit Directorate is fulfilling its roles effectively and efficiently.

In the conduct of its duties, the Audit Committee has, inter alia, reviewed the following:

- The effectiveness of the internal control system
- The effectiveness of the Internal Audit Directorate
- The risk areas of the NDA's operations to be covered in the scope of internal and external audits
- The adequacy, reliability and accuracy of financial information provided to management and other users of such information
- Any accounting and auditing concerns identified as a result of internal and external audits
- The NDA's compliance with legal, accounting and regulatory frameworks
- The activities of the Internal Audit function, including





its annual work programme, coordination with external auditors, the reports of significant investigations and the response of management to specific recommendations

- Where relevant, the independence and objectivity of external auditors.

The Internal Audit function currently has an in-house Director, Ms Hajra Mansour, who was appointed with effect from November 2005, and who has been ably assisted by her own staff complement and by staff from Deloitte. The Internal Audit Directorate undertook a risk assessment exercise during the 2005/2006 financial year, the outcome of which indicated, inter alia, that it was essential to appoint a Risk Manager to assist with and oversee the quality, integrity and reliability of the organisation's corporate accountability and associated risk management. A Legal and Risk Manager was appointed during the year under review, which, inter alia, has resulted in an updated risk assessment being carried out and risks throughout the organisation being identified.

The Committee is pleased to report that the NDA received an unqualified audit report from the Auditor-General for the year under review. There were no qualifications, nor any emphases of matter. This is a very significant and most welcome improvement over the past few years and the NDA staff who are responsible for the improvements in record keeping are warmly congratulated for this achievement.

The system of the internal control is in place as required by the PFMA. Reports emanating from the Internal Audit Directorate have drawn the attention of the Audit Committee to control weaknesses and areas of non-compliance in respect of policies and procedures, and also to areas where policies and procedures require further attention. The Audit Committee has further noted with concern the deficiencies highlighted in the Auditor-General's management letter. Management has been tasked to conduct a follow-up exercise on matters raised in the Auditor-General's management letter to ensure that these are rectified without delay.

The Audit Committee became aware in June 2006 of an alleged fraud involving a material amount, and which appeared to have been perpetrated over several financial years. Forensic auditors from the Office of the Auditor-General carried out an investigation which revealed that fraud of an amount of R8,7 million had been perpetrated. As a result thereof, an accounts clerk at the NDA was charged and convicted of committing fraud in an amount of R8,7 million. She is currently serving a 15 year jail sentence and the Asset Forfeiture Unit is involved with recovering as much of the misappropriated funds as possible.

Also subsequent to the Forensic Auditors submitting a report, a decision was taken by the NDA to initiate disciplinary action against two senior executives and a senior manager. Charges laid against two of the three employees were withdrawn before their hearings, and the presiding officer found the senior executive who was subjected to a disciplinary hearing not guilty of any negligence or wrongdoing in relation to the fraud.

Management, on its side, continues to review measures to prevent further breaches of controls. Other than the breaches of controls mentioned, nothing has come to the attention of the Audit Committee, to indicate that a material breakdown in the functioning of the internal controls, procedures and systems has occurred during the year under review. The Audit Committee recognises that Corporate Governance is a dynamic area and, as such, its systems of corporate governance are reassessed on an ongoing basis to ensure that they comply with best practices and continue to be relevant to the business of the NDA as it evolves. The Audit Committee acknowledges that the Agency's going concern status is dependent on the continued support of the Department of Social Development. The Audit Committee concurs that the adoption of the going concern premise in framing the Annual Financial Statements is appropriate.





#### 4. EVALUATION OF THE ANNUAL FINANCIAL STATEMENTS

##### THE AUDIT COMMITTEE HAS:

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

The Audit Committee has noted and accepts the conclusions of the Auditor-General on the Annual Financial Statements of the National Development Agency for the year ended 31 March 2007.

#### 5. STAFF CHANGES

A Legal and Risk Manager and a Financial Accountant were appointed during the year under review and, subsequent to year end, a new Chief Operations Officer and a new Human Resources Director were appointed to replace those that had resigned.

#### 6. CONCLUSIONS

I would like to thank my colleagues for making themselves available to serve on this Committee and for the significant contribution that they have made during their term of office. Their experience and collective wisdom along with their professionalism, fairness,

ethical rigour and not least, their attention to detail, have greatly enhanced the effectiveness of the Committee.

It should be noted that the term of office of the current Audit Committee will come to an end when the term of office of the current Board comes to an end. It is anticipated that this will happen in October 2007.

As an Audit Committee, we rely heavily on the Company Secretary and his staff and we are indebted to them for their friendly and efficient service. We are also grateful to the Chief Financial Officer, the Director: Internal Audit and to staff in the Finance and Internal Audit Directorates for their support and assistance and, in particular, for the role they continue to play in improving the accounting systems and controls at the NDA.

**A R Velcich**

**Chairperson of the NDA Audit Committee**

**Date: 18 July 2007**



# ANNUAL FINANCIAL STATEMENTS



## NATIONAL DEVELOPMENT AGENCY

(A public entity established in terms of The NDA Act No 108 of 1998, as amended)

### ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007



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# REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE NATIONAL DEVELOPMENT AGENCY (NDA) FOR THE YEAR ENDED 31 MARCH 2007

## REPORT ON THE FINANCIAL STATEMENTS

### INTRODUCTION

1. I have audited the accompanying financial statements of the National Development Agency which comprise the statement of financial position as at 31 March 2007, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 67 to 91.

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

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice and Generally Recognised Accounting Practise and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and the National Development Agency Act, 1998 (Act No. 108 of 1998). This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

### RESPONSIBILITY OF THE AUDITOR-GENERAL

3. As required by section 188 of the Constitution of the Republic

of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 11 of the National Development Agency Act, 1998 (Act No. 108 of 1998), my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with the International Standards on Auditing and General Notice 647 of 2007, issued in Government Gazette No. 29919 of 25 May 2007. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control.

6. An audit also includes evaluating the:

- appropriateness of accounting policies used
- reasonableness of accounting estimates made by management
- overall presentation of the financial statements.

7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



## REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE NATIONAL DEVELOPMENT AGENCY (NDA) FOR THE YEAR ENDED 31 MARCH 2007

### BASIS OF ACCOUNTING

8. The entity's policy is to prepare financial statements in terms of South African Statements of Generally Accepted Accounting Practice and Generally Recognised Accounting Practice, as set out in accounting policy note 1.

### OPINION

9. In my opinion the financial statements present fairly, in all material respects, the financial position of the National Development Agency as at 31 March 2007 and its financial performance and cash flows for the year then ended, in accordance with the identified basis of accounting as described in accounting policy note 1 and in the manner required by the PFMA and the National Development Agency Act, 1998.

### OTHER MATTERS

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

#### 10. Material non-compliance with applicable legislation

10.1 The audit committee's terms of reference have neither been approved by the board, nor is it reviewed annually as required by Treasury Regulation 3.1.8. In addition, no disclosure has been made in the National Development Agency's annual report on whether or not the audit committee has adopted formal terms of reference and if so, whether the committee satisfied its responsibilities for the year, in compliance with its terms of reference, as required by Treasury Regulation 3.1.9.

#### 11. Material corrections made to the financial statements submitted for audit

11.1 Accrued expenses were increased by R2 834 984.

11.2 Operating lease expenses were increased by R663 321 to

comply with International Accounting Standard IAS 17.

11.3 Impairment of an accounts receivable of R495 456.

11.4 Increase of R2 455 595 to Committed Projects, being accounts that were fraudulently manipulated in the prior year.

11.5 Reinstatement of projects to the value of R4 149 196 that were previously written off.

#### 12. Matters of governance

12.1 The following policies and procedures appear on the Policy Register of the National Development Agency but the policies were not approved by the Board:

- Information Technology Security
- Disaster Recovery and Backup Plan
- Information Technology Standard, Policies and Procedures
- Funding system description
- Grant making policy framework and criteria
- National Development Fund policy

#### 13. General controls in the information technology environment

13.1 An information systems (IS) audit of the general controls surrounding the financial and human resources applications was completed in June 2007.

The most significant findings identified were the following:

- Certain user security settings regarding access to the network and application were not adequately set to protect the information against unauthorised access.
- The access activities of users were not adequately monitored and managed to ensure accountability.



## REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE NATIONAL DEVELOPMENT AGENCY (NDA) FOR THE YEAR ENDED 31 MARCH 2007

### OTHER REPORTING RESPONSIBILITIES REPORTING ON PERFORMANCE INFORMATION

14. I have audited the performance information as set out on pages 51 to 76.

### RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY

15. The accounting authority has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

### RESPONSIBILITY OF THE AUDITOR-GENERAL

16. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with General Notice 646 of 2007, issued in Government Gazette No. 29919 of 25 May 2007.

17. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

18. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

### AUDIT FINDINGS

19. No audit findings came to the fore.

### APPRECIATION

20. The assistance rendered by the staff of the National Development Agency during the audit is sincerely appreciated.



**G J Lourens for Auditor-General**

**Pretoria**

**29 July 2007**



AUDITOR-GENERAL





## REPORT BY THE BOARD ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

This report is presented in terms of Treasury Regulation 28.1.1. and the Public Finance Management Act, Act No. 1 of 1999, as amended, and is focused on the financial results and financial position of the National Development Agency. Information pertaining to the National Development Agency's state of affairs, its business and performance against pre-determined objectives are disclosed elsewhere in the annual report.

The Board acknowledges that it is responsible for the preparation and integrity of the annual financial statements and related information included in the annual report. In order for the Board to discharge these responsibilities, as well as those bestowed on it in terms of the Public Finance Management Act and other applicable legislation, it has developed, and maintains a system of internal controls.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions executed and recorded in accordance with generally accepted business practices, as well as the Board's policies and procedures. Monitoring of these

controls includes a regular review of their operations by the Board and independent oversight by an Audit Committee.

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and incorporate disclosure in line with the accounting philosophy of the Board and the requirements of the Public Finance Management Act. The Financial Statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Board believes that the National Development Agency, as an extension of Government that is dependent on continued Government funding, will be a going concern in the year ahead and has, for this reason, adopted the going concern basis in preparing the annual financial statements.

The annual financial statements, as set out on pages 51 to 76, were approved by the Board on 17 July 2007 and are signed on its behalf by:

**Chairperson of the Board**

**Chief Executive Officer**



## STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2007

	Note	2007 R	2006 R
<b>Revenue</b>			
Grants received	4	123 012 000	121 482 000
Other operating revenue	5	7 938 146	35 415 061
Interest received	5	19 750 976	15 816 471
<b>Total revenue</b>		<b>150 701 122</b>	<b>172 713 532</b>
<b>Expenses</b>			
Accommodation and travel		1 210 482	1 122 652
Audit fees		1 104 122	949 840
Board fees	10.1 & 10.3	499 552	376 672
Committed poverty eradication projects	6	92 376 440	55 668 925
Project support costs	6	4 708 840	3 685 324
Consulting and professional fees		12 381 831	11 810 553
Depreciation	8	608 444	1 047 880
Impairment of debtor	14	1 538 860	3 668 236
Impairment of asset		495 456	-
Marketing and communication costs		4 231 252	2 593 904
Operating leases - offices	21	3 895 594	2 658 386
Operating leases - equipment	21	879 640	1 163 364
Repairs and maintenance		175 523	814 530
Printing and stationery		897 971	641 641
Seminars, workshops and conferences		1 521 911	662 625
Software support		3 347	46 994
Staff costs		33 327 581	33 364 952
Telephone and faxes		1 834 159	1 842 651
Miscellaneous	9	1 516 579	1 943 686
<b>Total expenses</b>		<b>163 207 584</b>	<b>124 062 814</b>
<b>Net (deficit)/surplus for the period</b>		<b>(12 506 462)</b>	<b>48 650 717</b>



## STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 2007

	Note	2007 R	2006 R
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	12	266 904 677	249 217 694
Cash and cash equivalents – European Community	13	12 974 667	12 239 987
		<b>279 879 344</b>	<b>261 457 681</b>
Accounts receivable	14	2 418 018	3 285 167
		<b>282 297 362</b>	<b>264 742 848</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	2 846 570	2 496 332
		<b>285 143 932</b>	<b>267 239 180</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	15	4 922 484	2 950 044
Committed projects	16	141 719 780	110 333 935
Interest payable – European Community	17	5 907 507	5 175 863
		<b>152 549 771</b>	<b>118 459 842</b>
		<b>152 549 771</b>	<b>118 459 842</b>
<b>Net Assets</b>			
		<b>132 594 161</b>	<b>148 779 338</b>
Represented by:			
European Union Fund		703 108	703 108
Projects Fund		86 496 256	103 769 473
	25	87 199 364	104 472 581
Development Fund		46 562 054	46 562 054
Accumulated surpluses / (deficits)		(1 167 257)	(2 255 297)
		<b>132 594 161</b>	<b>148 779 338</b>



## STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2007

	Note	EU Projects fund	Development fund	Projects fund	Administration fund	Total
		(See note 3.1)	(See note 3.1)	(See note 3.2)	(See note 3.3)	
		R	R	R	R	R
<b>Balance at 1 April 2005</b>		-	46 562 054	49 842 188	4 499 297	100 903 539
Net surplus (deficit) for the year					48 650 717	48 650 717
Funding for poverty eradication projects – Government	4	-	-	78 685 324	(78 685 324)	-
Funding for poverty eradication projects – European Union		-	-	-	-	-
Committed poverty eradication projects		-	-	(59 354 249)	59 354 249	-
Move from committed to uncommitted projects		-	-	1 802 838	-	1 802 838
Refund from Government funded projects		703 108	-	-	(703 108)	-
Write backs – Government funded projects		-	-	32 793 372	(32 793 372)	-
Adjustments to retained earnings		-	-	-	(2 577 756)	(2 577 756)
<b>Balance at 31 March 2006</b>		<b>703 108</b>	<b>46 562 054</b>	<b>103 769 473</b>	<b>(2 255 297)</b>	<b>148 779 338</b>

	Note	EU Projects fund	Development fund	Projects fund	Administration fund	Total
		(See note 3.1)	(See note 3.1)	(See note 3.2)	(See note 3.3)	
		R	R	R	R	R
Net surplus (deficit) for the year		-	-	-	(12 506 462)	(12 506 462)
Funding for poverty eradication projects – Government	4	-	-	79 957 800	(79 957 800)	-
Funding for poverty eradication projects – European Union		-	-	-	-	-
Committed poverty eradication projects	6	-	-	(97 085 280)	97 085 280	-
Write back – Government funded projects	25	-	-	6 882 581	(6 882 581)	-
Repayment of GIDU funds	25	-	-	(7 028 318)	-	(7 028 318)
Adjustments to retained earnings		-	-	-	3 349 603	3 349 603
<b>Balance at 31 March 2007</b>		<b>703 108</b>	<b>46 562 054</b>	<b>86 496 256</b>	<b>(1 167 257)</b>	<b>132 594 161</b>



## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2007

	Note	2007 R	2006 R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Government grant	4	123 012 000	121 482 000
Interest received	5	19 750 976	15 816 471
Receipts from debtors	18	(671 710)	(3 472 757)
Other receipts	5	7 938 146	35 415 061
<b>Payments</b>			
Employee costs		(33 327 581)	(33 364 952)
Cash paid to projects and suppliers		(90 316 936)	(129 701 405)
Net cash flows from operating activities		26 384 895	6 174 418
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(975 321)	(1 160 954)
Proceeds from the disposal of property, plant and equip	5	40 407	30 248
<b>Net cash flows from investing activities</b>		<b>(934 914)</b>	<b>(1 130 706)</b>
<b>Cash flows from financing activities</b>			
Repayment of GIDU funds	25	(7 028 318)	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>18 421 663</b>	<b>5 043 712</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>261 457 681</b>	<b>256 413 969</b>
<b>Cash and cash equivalents at end of year</b>		<b>279 879 344</b>	<b>261 457 681</b>





# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

## 1. ACCOUNTING POLICIES

### 1.1 PRINCIPAL ACCOUNTING POLICIES

The financial statements incorporate the principal accounting policies set out below, which are consistent with those adopted in the previous financial year, except as referred to in note 1.2.

### 1.2 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

<b>Standard of GRAP</b>	<b>Replaced Statement of GAAP</b>
GRAP 1: Presentation of financial statements	AC101: Presentation of financial statements
GRAP 2: Cash flow statements	AC118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC103: Accounting policies, changes in accounting estimates and errors

The recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 & 3 has resulted in the following significant changes in the presentation of the financial statements:

#### 1. Terminology differences:

<b>Standard of GRAP</b>	<b>Replaced Statement of GAAP</b>
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus/deficit for the period	Profit/loss for the period
Accumulated surplus/deficit	Retained earnings
Contributions from owners	Share capital
Distributions to owners	Dividends
Reporting date	Balance sheet date

#### 2. The cash flow statement can only be prepared in accordance with the direct method.

#### 3. Specific information such as:



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2007

- (a) receivables from non-exchange transactions, including taxes and transfers;
  - (b) taxes and transfers payable;
  - (c) trade and other payables from non-exchange transactions;
- must be presented separately on the statement of financial position.

4. The amount and nature of any restrictions on cash balances is required to be disclosed.

Paragraph 11 – 15 of GRAP 1 has not been implemented as the budget reporting standard is in the process of being developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect fair presentation.

### 1.3 COMMITTED PROJECTS

Committed project funds represent funds committed and allocated to specific projects for which contracts have been entered into and which await cash payments in terms of payment cycles per agreed contracts.

### 1.4 PROJECT WITHDRAWAL

A project will be withdrawn from committed projects funds when the project does no longer meet the requirements of a liability, i.e. there is no present obligation arising from past events and it is not probable that settlement of the liability will result in outflow of economic benefits.

### 1.5 PROPERTY, PLANT AND EQUIPMENT

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

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment, comprising of computer equipment, office equipment and furniture and motor vehicles, is stated at cost less accumulated depreciation and any accumulated impairment losses. Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2007

Depreciation is charged on the straight-line basis over the estimated useful lives of assets. The estimated maximum useful lives of property, plant and equipment are as follows:

Computer equipment	33,33% p.a
Equipment	16,67% p.a
Furniture	16,67% p.a
Motor Vehicles	20,00% p.a

Maintenance and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are charged against income. Leasehold improvements, software and minor asset items are also expensed directly against income.

The surplus or deficit on the disposal of property, plant and equipment is the difference between the net disposal proceeds and the carrying amount of the asset. Surpluses and deficits are recognised in the income statement.

#### 1.6 IMPAIRMENT

The carrying amounts of all assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated as the higher of net selling price and value in use.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in the income statement whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment been recognised in prior years.

#### 1.7 LEASES

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

##### **Operating leases**

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2007

Payments made under operating leases are charged against income on a straight-line basis over the period of the lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

### 1.8 FINANCIAL INSTRUMENTS

#### Initial recognition

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes party to the contractual provisions of the instrument

#### Measurement

- Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other receivables are carried at amortised cost less any accumulated impairment.

- Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Trade and other payables are carried at amortised cost.

- Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value .



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2007

- *Financial assets for which fair value approximates carrying value*

Fair values of financial assets carried at cost, including cash, deposits with banks, short-term receivables and accrued interest are considered to approximate their respective carrying values due to their short-term nature.

- *Financial assets where fair value differs from cost*

Money market unit trusts are carried at their estimated fair value. Quoted market prices, where available, are used to determine the fair value of trading instruments. If quoted prices are not available, fair values are estimated by using pricing models, quoted prices of assets with similar characteristics or discounted cash flows.

- *Financial liabilities for which fair value approximates carrying value*

Fair values of accounts payable and accrued liabilities are considered to approximate their respective carrying values due to their short-term nature.

#### **Impairment of financial instruments**

In the event of the values of any financial instruments being permanently impaired, the carrying value of the instrument will be adjusted to reflect the realisable value of the investments as determined.

Impairments of financial instruments are reviewed on an annual basis, and an impairment charge is included in the net income or loss in the period in which the impairment has arisen. In instances where previous impairment losses are reversed, changes previously recognised as expenses are included as income in net income or loss in the period in which the required reversals are identified.

#### **Offset**

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

#### **1.9 REVENUE**

Revenue consists of grants and other operating income, and is recognised when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably.

#### **1.10 INTEREST**

Interest is recognised, in profit or loss, using the effective interest rate method, taking account of the principal outstanding and the effective rate over the period to maturity.





## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2007

#### 1.11 PROVISIONS

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If the Agency has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

#### 1.12 EMPLOYEE BENEFITS

##### **Post-employment benefits**

- *Retirement*

The entity contributes to a defined contribution plan. Contributions to defined contribution funds are charged against income as incurred.

- *Medical*

No contributions are made by the entity to the medical aid of retired employees.

##### **Short and long-term benefits**

The cost of all short-term employee benefits, such as salaries, bonuses, medical and other contributions, is recognised during the period in which the employee renders the related service.

##### **Termination benefits**

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The entity recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2007

#### 1.13 FOREIGN CURRENCY TRANSACTIONS

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

#### 1.14 COMPARATIVES

Comparative figures have been restated, where necessary, to conform with changes in presentation in the current year.

#### 1.15 STATEMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IFRS 7, Financial Instruments: Disclosure (effective first annual period commencing on or after 1/1/2007)

The implementation of this standard will not have a material impact on the numbers disclosed in these financial statements. The standard is a disclosure standard and will result in additional disclosures being made once implemented in the 31 March 2008 financial statements.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

### 2. PUBLIC SECTOR PRACTICES AND POLICIES

#### 2.1 INTER-RELATIONSHIP WITH NATIONAL GOVERNMENT

The National Development Agency operates as a public entity within the influence sphere of the National Department of Social Development. In line with prevailing South African Government practices the National Development Agency is not obliged to reimburse the national department for time spent by its officials on matters pertaining to the National Development Agency. The extent of this involvement is not quantifiable and has, consequently, not been disclosed in the financial statements.

#### 2.2 FRUITLESS AND WASTEFUL EXPENDITURE

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

### 3. FUNDS UNDER ADMINISTRATION

#### 3.1 DEVELOPMENT FUND

It represents funds provided by the Independent Development Trust to assist the National Development Agency in meeting its objectives. The funds can only be utilised in terms of the conditions of the original grant.

#### 3.2 PROJECTS FUND

It represents funds not yet committed to specific development projects at year-end. The fund is built up from annual grants received from Government, excluding a portion set aside for administrative expenditure. The capital can only be utilised for projects, which have been pre-approved by the Board of the National Development Agency.

#### 3.3 ADMINISTRATION FUND

It represents funds available for future administrative expenditure in order to meet the National Development Agency's objectives. The fund is built up by allocating a portion of the annual grant received from National Government to it, as well as net income earned on cash and cash equivalents.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

### 4 REVENUE

	2007 R	2006 R
<b>Grants received to fund poverty eradication projects</b>		
National Department of Social Development (65% of R123, 012,000 Grant)	79 957 800	78 658 752
	79 957 800	78 658 752
<b>Grant received to fund administration expenditure</b>		
National Department of Social Development (35% of R123, 012, 000 Grant)	43 054 200	42 823 248
	123 012 000	121 482 000

### 5 OTHER INCOME

Write back of previously committed projects		
- Correction of GL balance to government projects' listing	(200 200)	21 816 943
- Correction of GL balance to EU projects' listing	-	(1 750 406)
- Write back / withdrawal of government projects as per policy	6 882 580	12 726 835
	6 682 380	32 793 372
Write back of incorrect trade creditor balances	-	1 888 333
(Loss) on retirement of property, plant and equipment	(16 636)	(30 248)
Vat refund from SARS	1 231 861	-
Refunds from projects previously funded	-	703 108
Proceeds from disposal of PPE & insurance claims	40 541	-
	7 938 146	35 415 061
Interest received	19 750 976	15 816 471
	27 689 122	51 231 532



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

### 6 COMMITTED POVERTY ERADICATION PROJECTS

	2007 R	2006 R
Projects committed to in current year	92 376 440	55 668 925
	92 376 440	55 668 925
Programme support expenditure	4 708 840	3 685 324
- Accommodation	1 367 959	960 532
- Car hire	680 868	1 401 234
- Air travel	1 724 705	628 986
- Subsistence and travel	935 308	694 572
	97 085 280	59 354 249

### 7 FRUITLESS AND WASTEFUL EXPENDITURE

Interest – SARS	-	209 053
Penalties – SARS	-	112 678
	-	321 731

### 8 DEPRECIATION

Computer equipment	167 652	587 036
Equipment	108 272	104 055
Furniture	279 736	316 337
Motor Vehicles	52 784	40 452
	608 444	1 047 880

### 9 MISCELLANEOUS

Bank charges	403 273	797 926
Board meetings admin costs	120 327	111 093
Catering	116 871	125 729
Cleaning services	285 929	125 534
Insurance	220 500	198 904
Postage and courier	282 075	506 783
Security services	68 703	46 363
Subscriptions and licences	18 901	31 353
	1 516 579	1 943 686





NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

10 SALARIES AND ALLOWANCES PAID TO MEMBERS OF THE BOARD AND EXECUTIVE MANAGEMENT

10.1 31 March 2007 – Board members		Appointment date	Termination date	Fees for services as Board member	Basic salary	Performance bonus	Contributions to Retirement, Medical and Life Cover Benefits	Total
				R	R	R	R	R
<b>Members of the Board</b>								
	Ms N Moletsane	05/12/2003	-	22 500	-	-	-	22 500
	Bishop M Mpumlwana	05/12/2003	-	39 000	-	-	-	39 000
	Mr G Chaane	05/12/2003	20/04/2006	2 000	-	-	-	2 000
	Ms J Daries	05/12/2003	-	70 500	-	-	-	70 500
	Ms A Hendrikz	05/12/2003	28/02/2007	69 000	-	-	-	69 000
	Prof T Mayekiso	05/12/2003	-	79 500	-	-	-	79 500
	Dr S Rule	05/12/2003	-	83 500	-	-	-	83 500
	Ms M Manong	05/12/2003	-	55 000	-	-	-	55 000
	Mr M Faku	27/01/2006	-	10 000	-	-	-	10 000
	Dr T Masilela	03/12/2003	-	14 500	-	-	-	14 500
<b>Audit Committee – Independent members</b>								
	Mr A Velcich & Velcich)	30/10/2002	-	50 052	-	-	-	50 052
	Ms K Malapela (Ernst & Young)	17/05/2004	-	4 000	-	-	-	4 000
	<b>Total</b>			<b>499 552</b>				<b>499 552</b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

10.2 31 March 2007 – Executive management			Appointment date	Termination date	Basic salary	Performance bonus	Contributions to Retirement, Medical and Life Cover Benefits	Total
Name	Designation				R	R	R	R
Mr G Mokate	Chief Executive Officer		01/06/2005	-	698 694	-	160 652	859 346
Mr M Mofokeng	Chief Financial Officer		01/12/2004	-	524 951	-	133 369	658 320
Mr DD Willcox	Company Secretary		01/07/2002	-	431 538	-	125 530	557 068
Dr PL Makhubela	Director Research and Development		30/09/2003	30/06/2006	131 862	-	31 778	163 640
Ms N Antonis	Director Human Resources		01/07/2003	-	485 208	-	129 860	615 068
Mr MR Mogano	Director Projects		05/05/2003	-	541 251	-	115 756	657 007
Ms LC Mangcu	Director Marketing and Communication		23/02/2006	-	499 709	-	100 391	600 100
Ms H Mansour	Director Internal Auditing		24/11/2005	-	548 939	19 017	89 444	657 400
Prof P Ewing	Director Research and Development		01/01/2007	-	115 509	-	26 240	141 749
Ms Laurie Less	Chief Operating Officer		10/01/2007	01/03/2007	74 148	-	20 544	94 692
<b>Total</b>					<b>4 051 809</b>	<b>19 017</b>	<b>933 564</b>	<b>5 004 390</b>



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

10.3 31 March 2006 – Board members	Appointment date	Termination date	Fees for services as Board member		Basic salary		Performance bonus		Contributions to Retirement, Medical and Life Cover		Total
			R	R	R	R	R	R			
<b>Members of the Board</b>											
Ms N Moletsane	05/12/2003	-	56 500	-	-	-	-	-	-	-	56 500
Bishop M Mpumlwana	05/12/2003	-	23 000	-	-	-	-	-	-	-	23 000
Mr G Chaane	05/12/2003	-	11 000	-	-	-	-	-	-	-	11 000
Ms J Daries	05/12/2003	-	49 000	-	-	-	-	-	-	-	49 000
Ms A Hendrikz	05/12/2003	-	62 500	-	-	-	-	-	-	-	62 500
Ms M Manong	05/12/2003	-	32 000	-	-	-	-	-	-	-	32 000
Prof T Mayekiso	05/12/2003	-	57 000	-	-	-	-	-	-	-	57 000
Dr S Rule	05/12/2003	-	53 500	-	-	-	-	-	-	-	53 500
<b>Audit Committee – Independent members</b>											
Mr A Velcich (Douglas & Velcich)	30/10/2002	-	31 672	-	-	-	-	-	-	-	31 672
Ms K Malapela (Ngubane & Co)	17/05/2004	-	-	-	-	-	-	-	-	-	-
<b>Total</b>			<b>376 672</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>376 672</b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

10.4 31 March 2006 – Executive management			Appointment date	Termination date	Contributions to Retirement, Medical and Life Cover Benefits					Total
Name	Designation				Basic salary	Performance bonus				R
Mr DP Zwane	Chief Operating Officer	-	31/08/2005		559 111	-		50 542		609 653
MsB Masango	Director Marketing and Communications	-	29/07/2005		159 761	-		30 741		190 502
Mr MR Ntshingila	Acting Director Internal Audit	01/09/2003	30/04/2005		28 055	-		6 297		34 352
Mr S Plaatjie	Senior Manager Strategy and Policy	08/07/2003	31/10/2005		500 726	-		64 348		565 074
Mr G Mokate	Chief Executive Officer	01/06/2005	-		758 385	-		118 723		877 108
Mr M Mofokeng	Chief Financial Officer	01/12/2004	-		541 635	39 790		121 532		702 957
Mr DD Willcox	Company Secretary	01/07/2002	-		448 760	22 517		114 155		585 432
Dr PL Makhubela	Director Research and Development	30/09/2003	-		545 743	26 527		117 693		689 693
Ms N Antonis	Director Human Resources	01/07/2003	-		439 702	45 033		123 213		607 948
Mr MR Mogano	Director Projects	05/05/2003	-		560 110	39 790		103 057		702 957
Ms LC Mangcu	Director Marketing and Communication	23/02/2006	-		38 810	-		8 100		46 910
Ms H Mansour	Director Internal Audit	24/11/2005	-		221 056	-		29 452		250 508
<b>Total</b>					<b>4 801 854</b>	<b>173 657</b>		<b>887 853</b>		<b>5 863 364</b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

### 11 PROPERTY, PLANT AND EQUIPMENT

	Depreciation rate	Cost	Accumulated depreciation	Carrying amount
	%	R	R	R
<b>31 March 2006</b>				
Computer equipment	33,33	653 742	(281 902)	371 840
Equipment	16.67	556 374	(43 440)	512 934
Furniture	16.67	1 503 547	(115 455)	1 388 092
Motor Vehicles	20.00	263 918	(40 452)	223 466
		2 977 581	(481 249)	2 496 332

#### Reconciliation of carrying amounts:

	Computer equipment	Equipment	Furniture	Motor Vehicles	Total
	R	R	R	R	R
Carrying amount 1 April 2005	1 082 327	191 663	789 040	-	2 063 030
Additions during the year	197 331	481 613	482 010	263 918	1 424 872
Disposals / revaluations during the year	(320 782)	(56 287)	433 379	-	56 310
Depreciation during the year	(587 036)	(104 055)	(316 337)	(40 452)	(1 047 880)
Carrying amount 31 March 2006	371 840	512 934	1 388 092	223 466	2 496 332

	Depreciation rate	Cost	Accumulated depreciation	Carrying amount
	%	R	R	R
<b>31 March 2007</b>				
Computer equipment	33,33	868 267	213 184	655 083
Equipment	16.67	765 900	151 671	614 229
Furniture	16.67	1 800 835	394 260	1 406 575
Motor Vehicles	20.00	263 918	93 235	170 683
		3 698 920	852 350	2 846 570

#### Reconciliation of carrying amounts:

	Computer equipment	Equipment	Furniture	Motor Vehicles	Total
	R	R	R	R	R
Carrying amount 1 April 2006	371 840	512 934	1 388 092	223 466	2 496 332
Additions during the year	459 178	209 798	306 344	-	975 320
Retirements during the year	(8 282)	(230)	(8 126)	-	(16 638)
Depreciation during the year	(167 652)	(108 272)	(279 736)	(52 784)	(608 444)
Carrying amount 31 March 2007	655 084	614 230	1 406 574	170 682	2 846 570



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

### 12 CASH AND CASH EQUIVALENTS

	2007 R	2006 R
Cash on hand	20 923	6 000
Call and current accounts	205 453 898	211 062 870
Money market unit trusts	61 429 856	38 148 824
	266 904 677	249 217 694

### 13 CASH AND CASH EQUIVALENTS – EUROPEAN COMMUNITY

In terms of the financing agreement between the European Community and the Government of the Republic of South Africa, the National Development Agency must keep separate financial records on the utilisation of the grant.

The remainder of the grant is invested as follows:

Call and current accounts	12 974 667	12 239 987
	12 974 667	12 239 987

### 14 ACCOUNTS RECEIVABLE

Employee related advances	16 474	9 361
SARS - VAT	-	2 058 120
SARS - Other	138 526	138 526
Interest accrued	2 158 556	1 079 160
Other receivables (warranties & goods in transit)	104 462	-
	2 418 018	3 285 167
Employee debtor	3 994 455	3 668 236
Impairment of employee debtor	(3 994 455)	(3 668 236)
	2 418 018	3 285 167

The employee debtor and its impairment relate to the misappropriation of funds by an accounts clerk. The criminal process was concluded in February 2007 and this former employee was convicted and is currently serving a 15-year jail term. The possible recovery of the misappropriated funds is dealt with under note 23. The impairment on the face of the Statement of Financial Performance was adjusted down for fraudulent payments that went through income in the previous financial year. The total adjustment is R2 455 595.





## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

### 15 ACCOUNTS PAYABLE

	2007 R	2006 R
Provision for leave		
- Opening balance	1 253 542	1 605 009
- Movement	(280 555)	(351 467)
- Closing balance	972 987	1 253 542
Provision for bonuses		
- Opening balance	428 453	425 067
- Bonus savings	2 007 348	1 942 185
- Bonus pay-outs	(1 996 014)	(1 938 799)
- Closing balance	439 787	428 453
<b>Total provisions</b>	<b>1 412 774</b>	<b>1 681 995</b>
Other payables	3 509 710	1 268 049
	<b>4 922 484</b>	<b>2 950 044</b>

### 16 COMMITTED PROJECTS

It represents funds allocated and committed to specific projects and programmes for which contracts have been entered into and which await cash payments in terms of agreed upon payment cycles.

Opening balance	110 333 935	150 824 400
Committed poverty eradication projects (see note 6)	92 376 440	55 668 925
Cash disbursements in terms of committed projects	(49 549 192)	(62 009 582)
Write backs / projects withdrawal	(6 882 581)	(32 793 372)
Correction of entries in Committed Projects account	1 239 353	(1 356 436)
Reduction of those committed projects control balances affected by fraudulent payments	(5 798 175)	-
	<b>141 719 780</b>	<b>110 333 935</b>

The fair value of the committed projects amounted to R 129,469,818 at 31 March 2007 (2006: R109 092 507).



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

### 17 INTEREST PAYABLE – EUROPEAN COMMUNITY

In terms of the financing agreement between the European Community and the Government of South Africa, the grant given by the former is to be held in an interest-bearing account. Interest accruing on such funds can only be used with the prior written approval of the European Community and until such approval has been obtained against a workplan, such interest is not at the disposal of the National Development Agency.

	2007 R	2006 R
Opening balance	5 175 863	4 575 974
Interest accrued in current year	731 644	599 889
	5 907 507	5 175 863

### 18 NOTE TO THE CASH FLOW STATEMENT

<b>Surplus (Deficit) from operations</b>	<b>(12 506 462)</b>	<b>48 650 717</b>
Adjusted for non-cash flow items:		
Depreciation of property, plant and equipment	608 444	1 047 880
Profit / (Loss) on retirement of property, plant and equipment	16 636	(30 248)
Provision for doubtful debts	1 538 860	3 668 236
Adjustment of current assets and liability to admin funds	3 349 603	(1 180 838)
Non operating income	(40 407)	85 694
<b>Operating deficit before changes in working capital</b>	<b>(7 033 325)</b>	<b>52 241 441</b>
(Increase)/decrease in accounts receivable	(671 710)	(3 472 757)
Increase/(decrease) in accounts payable	1 972 441	(2 703 690)
(Decrease)/increase in interest payable to European Community	731 644	599 889
(Decrease)/increase in committed projects	31 385 846	(40 490 465)
<b>Cash (utilised)/generated by operations</b>	<b>26 384 894</b>	<b>6 174 418</b>

Included in the movement for accounts receivable of (R671 710), is the employee debtor of R3 994 455 (refer note 14), which was fully impaired, and is therefore reflected at a nil balance.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

### 19 FINANCIAL RISK MANAGEMENT

#### Interest rate risk

Interest rate risk is the risk that the value of a financial asset will fluctuate due to movements in market interest rates. The entity is exposed to interest rate risk as certain investments are held in money market unit trusts. The risk of any negative fluctuations in fair value is not actively being managed by the entity.

#### Credit risk

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

#### Currency risk

Currency risk is the risk that the value of a financial asset or liability will fluctuate due to changes in foreign exchange rates. The entity is exposed to currency risk as a foreign currency denominated grant is receivable from the European Community. This risk is not actively being managed by the entity.

### 20 TAXATION

No provision has been made for taxation as the National Development Agency is exempt from tax in terms of Section 30 of the Income Tax Act 1962 as amended.

### 21 COMMITTED OPERATING LEASES

	R	R	R
	Not later than	Between	Later than
	1 year	2 and 5 years	5 years
<b>31 March 2006</b>			
Total future minimum lease payments under non-cancellable operating leases.	3 759 201	4 356 425	-
<b>31 March 2007</b>			
Total future minimum lease payments under non-cancellable operating leases.	1 999 024	919 045	-



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

### 22 CONTINGENT LIABILITIES

#### 22.1 GUARANTEE

A bank guarantee for an amount of R229 000 (2006: R235 000) has been issued by the Standard Bank of South Africa as a continuing covering security for the payment of monies due by the National Development Agency, in respect of the lease of premises at Erf 2537, 122 De Korte Street, Braamfontein.

#### 22.2 EUROPEAN UNION

The financing agreement between the European Union (EU) and the NDA stipulates that EU funded projects will be liable to the EU for any ineligible expenditures as defined by the EU. Should the projects fail to repay any of these ineligible expenditures the NDA will be liable for such expenditures.

As at 31 March 2007, the NDA and the consultants working on behalf of the NDA, had not agreed on the exact amount payable by the NDA.

#### 22.3 EMPLOYEE DISPUTES

A former employee was dismissed after a disciplinary hearing. He took the NDA to the CCMA for unfair dismissal and was awarded a re-instatement. The NDA is currently negotiating with his legal representatives regarding a possible settlement.

Another former employee has taken the NDA to the CCMA, for an alleged constructive dismissal. She is claiming re-instatement to an alternative regional office or alternatively 12 months remuneration. The matter will be heard on 25 - 27 July 2007.

#### 22.4 CONSULTANT'S CLAIM

A consulting firm has instituted a court case against the Agency and a court date has been set for 12 June 2007. The consulting firm alleges that the Agency failed to settle an invoice of R891,118, for services they rendered some time in 2002. In addition, claims are being lodged for interest at 15% and legal costs.

### 23 CONTINGENT ASSET

#### Employee debtor

During the criminal investigation of the accounts clerk who misappropriated NDA funds, assets to the value of R2 700 000 were recovered by the National Prosecuting Authority (NPA). The NPA will pay over the balance of the liquidated assets less their expenses, over to the NDA. The NDA has applied to recover the employee's provident fund in terms of S37D of the Pension Funds Act.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

### 24 RELATED PARTY TRANSACTIONS

#### 24.1 DEPARTMENT OF SOCIAL DEVELOPMENT

A related party relationship exists between the NDA and the Department of Social Development. The two parties did not enter into any transactions with each other, save for the transfer of the annual grant by the Department of Social Development to the NDA.

#### 24.2 DIRECTORS AND KEY MANAGEMENT PERSONNEL

A related party relationship exists between the NDA, its directors and key management personnel. The only transactions between the three parties relate to remuneration for services rendered, and have been disclosed in note 10.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

### 25 BREAKDOWN OF GRANTS RECEIVED AND UTILISED FOR POVERTY ERADICATION

	National Department of Social Development R	Gauteng Department of Social Development R	European Community R	Total R
<b>Projects fund</b>				
Balance 1 April 2006	94 812 924	8 956 549	703 108	104 472 581
Grants received in current year	79 957 800	-	-	79 957 800
Write back of Poverty Relief Projects	6 882 581	-	-	6 882 581
Repayment of GIDU funds	-	(7 028 318)	-	(7 028 318)
Transfer of GIDU balance to government funds	1 928 231	(1 928 231)	-	-
Committed to projects in current year	(97 085 280)	-	-	(97 085 280)
Direct project funding	(92 376 440)	-	-	(92 376 440)
Project support costs	(4 708 840)	-	-	(4 708 840)
<b>Balance 31 March 2007</b>	<b>86 496 256</b>	<b>-</b>	<b>703 108</b>	<b>87 199 365</b>





## GLOSSARY OF ABBREVIATIONS AND ACRONYMS

ASGI-SA	Accelerated and Shared Growth Initiative for South Africa
CBOs	Community-based Organisations
CCMA	Commission for Conciliation Mediation and Arbitration
CEO	Chief Executive Officer
CSOs	Civil Society Organisations
DFI	Development Finance Institutions
DPE	Department of Public Enterprises
DSD	Department of Social Development
DTI	Department of Trade and Industry
EAP	Employee Assistance Programme
ERP	Enterprise Resource Planning
EU	European Union
FBOs	Faith-based Organisations
GAAP	Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
M&E	Monitoring and Evaluation
MTEF	Medium Term Expenditure Framework
NDA	National Development Agency
NEDLAC	National Economic Development and Labour Council
NGOs	Non-Government Organisations
NPA	National Prosecuting Authority
PFMA	Public Finance Management Act
PMC	Project Management Cycle
QWL	Quality of Work Life
SARS	South African Revenue Services
SMT	Senior Management Team
SMME	Small Medium & Micro Enterprises
WSP	Workplace Skills Plan



## ADMINISTRATION AS AT 31 MARCH 2006

### BOARD MEMBERS

Bishop M Mpumlwana (Chairperson)  
Ms M Manong (Deputy Chairperson)  
Mr G Chaane (resigned 20 April 2006)  
Ms J Daries  
Ms A Hendrikz  
Ms O Maphai  
Dr T Masilela  
Prof T Mayekiso  
Ms N Moletsane  
Dr S Rule  
Mr A Taylor (resigned 31 December 2005)

### MANAGEMENT COMMITTEE

Bishop M Mpumlwana (Chairperson)  
Ms M Manong (Deputy Chairperson)  
Ms A Hendrikz (from 1 January 2006)  
Ms N Moletsane  
Dr S Rule  
Mr A Taylor (resigned 31 December 2005)

### AUDIT COMMITTEE

Mr A Velcich (Chairperson)  
Ms A Hendrikz  
Ms K Malapela  
Mr A Taylor

## PROJECTS AND PROGRAMMES SCREENING

### COMMITTEE

Ms N Moletsane (Chairperson)  
Ms J Daries  
Ms A Hendrikz  
Ms O Maphai  
Prof T Mayekiso  
Dr S Rule

## HUMAN RESOURCES AND REMUNERATION

### COMMITTEE

Ms M Manong (Chairperson)  
Mr G Chaane (resigned 20 April 2006)  
Mr S Faku (appointed 27 January 2006)  
Dr T Masilela  
Prof T Mayekiso

## RESEARCH AND DEVELOPMENT COMMITTEE

Dr S Rule (Chairperson)  
Ms J Daries  
Ms O Maphai  
Prof T Mayekiso

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**NDA**

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Development  
Agency

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