NDA
National Development Agency

ANNUAL REPORT 2017/18

100 Nelson Mandela Centenary 2018 Be the legacy

I have the honour of submitting the annual report of the National Development Agency for the period 01 April 2017 to 31 March 2018.

Ms Susan Shabangu, MP
Minister of Social Development
25 September 2018

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PART A – GENERAL INFORMATION

"What counts in life is not the mere fact that we have lived. It is what difference we have made to the lives of others that will determine the significance of the life we lead."

Nelson Mandela

1.1 PUBLIC ENTITY'S GENERAL INFORMATION

Registered name of the public entity	National Development Agency
Registration numbers and/or other relevant numbers (e.g. FSP)	Public entity established in terms of Section 2 of the National Development Agency Act, Act No 108 of 1998, as amended
Registered office address	26 Wellington Road, Parktown, 2193 Postal address PO Box 31959, Braamfontein, 2017
Contact details	Tel: (011) 018 5500 E-mail: info@nda.org.za Website: www.nda.org.za
External auditors' information – external auditors' name and address	Auditor-General of South Africa 300 Middel Street New Muckleneuk Pretoria 0181
Bankers' information – Name and address of bank	Standard Bank: 26 Simmonds Street, Johannesburg 2001 Nedbank: 135 Rivonia Road, Sandton 2196 Investec: 100 Grayston Drive Sandown, Sandton 2196 FNB: 3rd Floor, 1st Floor Place, Simmonds Street, Johannesburg 2001
Company Secretary – Full name and professional designation	Mr Siyabonga Shozi (Acting) Admitted Attorney

1.2 LIST OF ACRONYMS

CEO	Chief Executive Officer
CSO	Civil Society Organisation
DBE	Department of Basic Education
DSD	Department of Social Development
ECD	Early Childhood Development
ENE	Estimates of National Expenditure
GCIS	Government Communication and Information Systems
GRAP	Generally Recognised Accounting Practices
HIV	Human Immunodeficiency Virus
HSDS	Heads of Social Development Services
ICT	Information Communication Technology
IESBA	The International Ethics Standards Boards for Accountants
ISA	International Standards on Auditing
KPA	Key Performance Area
KPI	Key Performance Indicator
MINMEC	Minister and Members of Executive Council
MoA	Memorandum of Agreement
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NDA	National Development Agency
NGO	Non-Governmental Organisation
PAA	Public Audit Act
PFMA	Public Finance Management Act
PMS	Performance Management System
PMU	Programmes Management Unit
SAECD	South African Congress for Early Childhood Development
SA ECD	South African Early Childhood Development
SASSA	South African Social Security Agency
SLA	Service Level Agreement
TB	Tuberculosis
UIF	Unemployment Insurance Fund

1.3 MINISTER'S FOREWORD

"Overcoming poverty is not a task of charity; it is an act of justice. Like slavery and Apartheid, poverty is not natural."

– Dr Nelson Rolihlahla Mandela

The triple challenges of poverty, inequality and unemployment continue to ravage our country, more so during these tough economic times. In an economy that has seen so much decline in job opportunities, the NDA continues to make a mark in the civil society sector through its holistic programmes aimed at assisting non-compliant and emerging civil society organisations (CSOs) to be compliant with legislative requirements.

The NDA performed under challenging conditions during which it had to ensure that it delivers on the mandate of contributing towards the eradication of poverty by empowering the civil society sector, while at the same time having financial resources that were not growing in line with levels of poverty in our country. Through its CSO development programmes, the Agency has succeeded in mobilising and formalising the CSO sector in impoverished communities; it has provided capacity-building to ensure that these CSOs run their institutions in line with good governance. I am proud to report that a total number of 7125 CSOs were empowered to run their organisations in a sustainable manner.

The Agency played a critical role in empowering the CSO sector, which in essence is the mouthpiece of the disadvantaged masses in our country. In empowering CSOs, the Agency ensured that service delivery is improved among grassroots communities. During the year under review, the NDA achieved its set target of having nine operational district offices in all nine provinces of our country to ensure that its services are accessible and closer to poor communities.

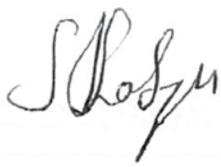
I would like to express my sincere gratitude to the outgoing NDA Board whose three-year term is coming to an end in the middle of the next financial year. I am grateful for their good work and for the sustained stability and leadership at the Agency, under the guidance of Ms Judy Hermans as Chairman. My Department and relevant stakeholders will work on ensuring a smooth transition in appointing the new Board as guided by legislation governing state-owned entities.

I would also like to thank the Chief Executive Officer of the NDA, Mrs Thamo Mzobe and her executive team

for their sterling work done in implementing the NDA mandate to ensure that the poverty gap is bridged through empowering the civil society sector.

To NDA employees, in the words of our struggle icon, Dr Nelson Rolihlahla Mandela: "It is in your hands, to make a better world for all who live in it." Continue the fight against poverty until our communities are liberated from this scourge ravaging our country. Always keep in mind the words of Adam Smith who once said that "no society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable". Let these words push you to do your best in serving our people with dignity and respect.

In honouring Mama Albertina Sisulu during her centenary year, let us all follow in her footsteps by prioritising the welfare of our communities through hard work and discipline as we strive to achieve the vision of a society free from poverty.



Ms Susan Shabangu, MP
Minister of Social Development

1.4 OVERVIEW BY THE CHAIRPERSON

In presenting the Annual Report for 2017/18, I am pleased to report that the NDA has performed well in meeting the mandate as outlined in the National Development Agency Act, 1998. Although resources and allocations from the national Fiscus remained stagnant, if not shrinking, the NDA has managed to operate innovatively to ensure that it achieves most of its annual targets.

High-level overview of the NDA's performance

During the period under review, the NDA managed to achieve 85% of its planned targets. The NDA also managed to fill some vacant executive and senior management posts to ensure the enhancement of organisational stability. This has strengthened the strategic direction and implementation of organisational policies. As a result of this, the Board approved a number of significant policies in important areas such as Human Resources, Supply Chain Management, and Finance to align internal policies with the relevant prescripts in order to improve corporate governance and legislative compliance.

The NDA is a labour-intensive institution, which requires vast human resources to make a meaningful contribution to the eradication of poverty as envisaged by the NDA Act. It is for this reason that a decision was taken to transform the service delivery model of the organisation into a more decentralised district model. This is an attempt to increase the organisation's national footprint and increase access to services by bringing service points closer to service beneficiaries. Despite constrained financial resources, the NDA has been able to improvise, and established nine functional district offices without an additional allocation from the National Treasury, which has significantly increased the number of civil society organisations (CSOs) it is able to reach. We therefore thank partners in the provincial and local government for lending a helping hand by making office space available to accommodate a number of NDA district offices. These partnerships have resulted in huge savings in rental fees the organisation would have otherwise incurred.

Challenges faced by the Board

Regrettably, I have to stress the disconcerting issue of limited available funding sources as the major challenge we face. As a Board, we would prefer to focus on ensuring that the NDA delivers on its mandate rather than being continuously distracted by attempts to obtain the capital necessary to support its given mandate. The Board is certain that once the NDA is successful in securing a significant and regular capital injection from government, it can, in turn, aggressively continue with its efforts to increase the number of poverty eradication initiatives, thereby positively contributing to getting a number of South Africans out of the social assistance system, which, in turn, will be a relief on the Fiscus.

Despite considerable efforts to raise additional resources through strategic partnerships by the NDA, under the leadership of the Board, we have not been able to raise enough funds to sufficiently dent the poverty challenge.

Strategic Relationships

The NDA is mandated by section 4 (1)(a) of the NDA Act to act as a key conduit for funding from the Government of the Republic, foreign governments and other national and international donors for development work to be carried out by CSOs. This means that the NDA was created to be the government strategic partner in the disbursement of funds including donor funding, which are earmarked for developmental work carried out by CSOs. It is however, regrettable that in the year under review and even preceding years, no funds were appropriated for the fulfilment of this important legislative obligation. The inescapable conclusion therefore is that the NDA is currently not being fully utilised for the purpose for which it was created. To this end, a renewed focus on the original intention for the creation of the NDA would be a positive step towards the fight for the eradication of poverty and its causes.

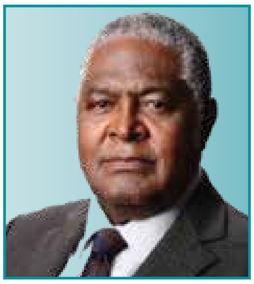
Conclusion

In this report, being the last under the current Board, we would like to thank Cabinet for giving us an opportunity to serve the nation. We would also like to extend our gratitude to the Minister of Social Development, Ms Susan Shabangu and her predecessor Ms Bathabile Dlamini for their political direction and stewardship. The Portfolio Committee on Social Development and the Select Committee of Social Services have on many occasions advocated for the allocation of additional financial resources to the NDA, for which we are immensely grateful. Our oversight function would definitely not have been possible without the unwavering support of then Acting CEO, Mrs Nelisiwe Vilakazi, the CEO, Mrs Thamo Mzobe and her management team and entire staff. The Board would like to thank the current CEO for her strategic leadership, and the entire leadership and staff for their support. It has been an immense pleasure to work with the Board, and I would like to thank the Board members for their commitment and guidance. This ensured the repositioning of the NDA with regard to the decentralisation of its services to the poor communities.

Ms Judy Hermans
NDA Board Chairperson

NDA BOARD 2016 – 2019

Ms Judy Hermans
Chairperson
Areas of specialisation: Human rights activism, stakeholder engagement, community outreach facilitation, strategic and operational planning, monitoring and evaluation.



Mr Zolile Ngcakani
Deputy Chairperson
Areas of specialisation: Mainstreaming of socioeconomic programmes and initiatives, leadership, development and environmental management.

Mr Moses Chikane
Board member
Areas of specialisation: Economics, diplomacy and social security aid management.

Ms Bibi Khan
Board member
Areas of specialisation: Community development activism, human rights and justice, with a specific focus on women and children's issues, racial integration and poverty.

Mr Abram Hanekom
Board member
Areas of specialisation: Civil society activism in farm workers' issues, youth and social cohesion arenas, humanitarian assistance.

Ms Makgoro Mannya
Board member
Areas of specialisation: Agriculture and agro-processing, fundraising and project management.

Ms Sebenzile Matsebula
Board member
Areas of specialisation: Disability mainstreaming, governance, research, policy formulation, capacity-building, monitoring and evaluation.

Ms Maria Matlala
Board member
Areas of specialisation: Research, governance and public management.

Ms Farzana Varachia
Board member
Areas of specialisation: Finance and entrepreneurship.

Ms Thabi Shange
Board member
Areas of specialisation: Ethics, governance and leadership.

CHIEF EXECUTIVE OFFICER'S PERFORMANCE SUMMARY

The 2017/18 financial year has been crucial in solidifying and crystallising the NDA's service delivery model as defined in the Civil Society Development Framework. The NDA has done significantly well in the implementation of this framework, particularly in view of the fact that 16 of the 18 Key Performance Indicators in Programme 2 have been achieved. The two indicators not achieved were dealing with resource mobilisation and grant-funding. The Agency stepped up its mobilisation efforts and through the Mikondzo programme was able to reach out to more CSOs and formalise them in order to enable them to access economic opportunities.

The capacity-building programme is an essential cornerstone of the work of Agency that ensures partial fulfilment of its primary mandate. To that extent, following mobilisation and formalisation of the CSOs, the Agency has capacitated a huge number of CSOs in financial management, conflict management and project management, amongst others. This is so that the CSOs are empowered with skills for CSO management on a daily basis. A significant number of CSOs have benefitted from the NDA capacity building program to strengthen their governance and compliance. These capacity-building efforts have begun bearing fruits in the quality of financial statements and broader management of CSOs as evidenced by many of the CSOs we have trained in these areas.

The Agency faced an uphill struggle in raising financial and non-financial resources for CSOs, primarily due to economic constraints and partnership agreements that could not yield the financial values initially envisaged. An important milestone in grant-funding is that, although, the Agency could not achieve the target set for 2017/18, the Agency approved the Grant Funding Policy and Guidelines in order to strengthen the grant-funding and management processes.

The NDA, as required by its secondary mandate, has conducted research studies and evaluations whose findings have been shared broadly with the social partners in an effort to raise prominent issues affecting the broader civil society sector. As a contribution towards shaping and influencing development policy, the NDA has forged a partnership with the University of Fort Hare to conduct a longitudinal study on Early Childhood Development and share the empirical findings thereof with Civil Society sector.

Another significant achievement of the 2017/18 financial year is the approval of the ICT Master Plan and Strategy, which is instrumental in paving way towards implementing one of the key duties of the NDA as espoused in section 4(d) of the NDA ACT, which states that the NDA should create and maintain the CSO database for sharing with relevant organs of state and other stakeholders. I would like to express my gratitude to the NDA Board for the strategic guidance and support in implementing the 2017/18 APP. I would also like to thank the NDA staff whose tireless efforts have ensured that the NDA achieves an unparalleled performance of 85%.

Mrs Thamo Mzobe
Chief Executive Officer
30 July, 2018

NDA EXECUTIVE COMMITTEE

Mrs Thamo Mzobe
Chief Executive Officer

Ms Hajra Mansour
Chief Audit Executive

Mr Nkhensani Mthembi
Acting Chief Operations Officer

Ms Cheryl Yeni
Chief Financial Officer

Mr Bongani Magongo
Development Management & Research Executive

Mr Sugar Ngcobo
Corporate Service Executive Director

Mr Siyabonga Shozi
Acting Company Secretary

NDA PROVINCIAL MANAGERS

Mr Ardiel Soeker
Western Cape

Mr David Potlako Ntlatleng
North West

Ms Gillian Mahange
Limpopo

Mr Itumeleng Kwenane
Free State

Mr Lesedi Piki
Northern Cape

Mr Maxwell Mathebula
Mpumalanga

Ms Mapule Phora
Gauteng

Ms Nokulunga Skeyi
Eastern Cape

Ms Yolisa Ndima
KwaZulu-Natal

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

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

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

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

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

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

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

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

In our opinion, the annual report fairly reflects the operations, performance information, human resources information and financial affairs of the entity for the financial year ended 31 March 2018.

Mrs Thamo Mzobe
Chief Executive Officer
30 July 2018

Judy Hermans
Chairperson
30 July 2018

1.7 STRATEGIC OVERVIEW

Vision

A society free from poverty

Mission

Facilitate sustainable development by strengthening CSOs involved in poverty eradication through enhanced capacity-building with grant-funding and research.

Values

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

Integrity

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

Dignity

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

Empowerment

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

Accountability and responsibility

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

Transparency

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

Excellence

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

Partnering

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

1.8 LEGISLATIVE AND OTHER MANDATES

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

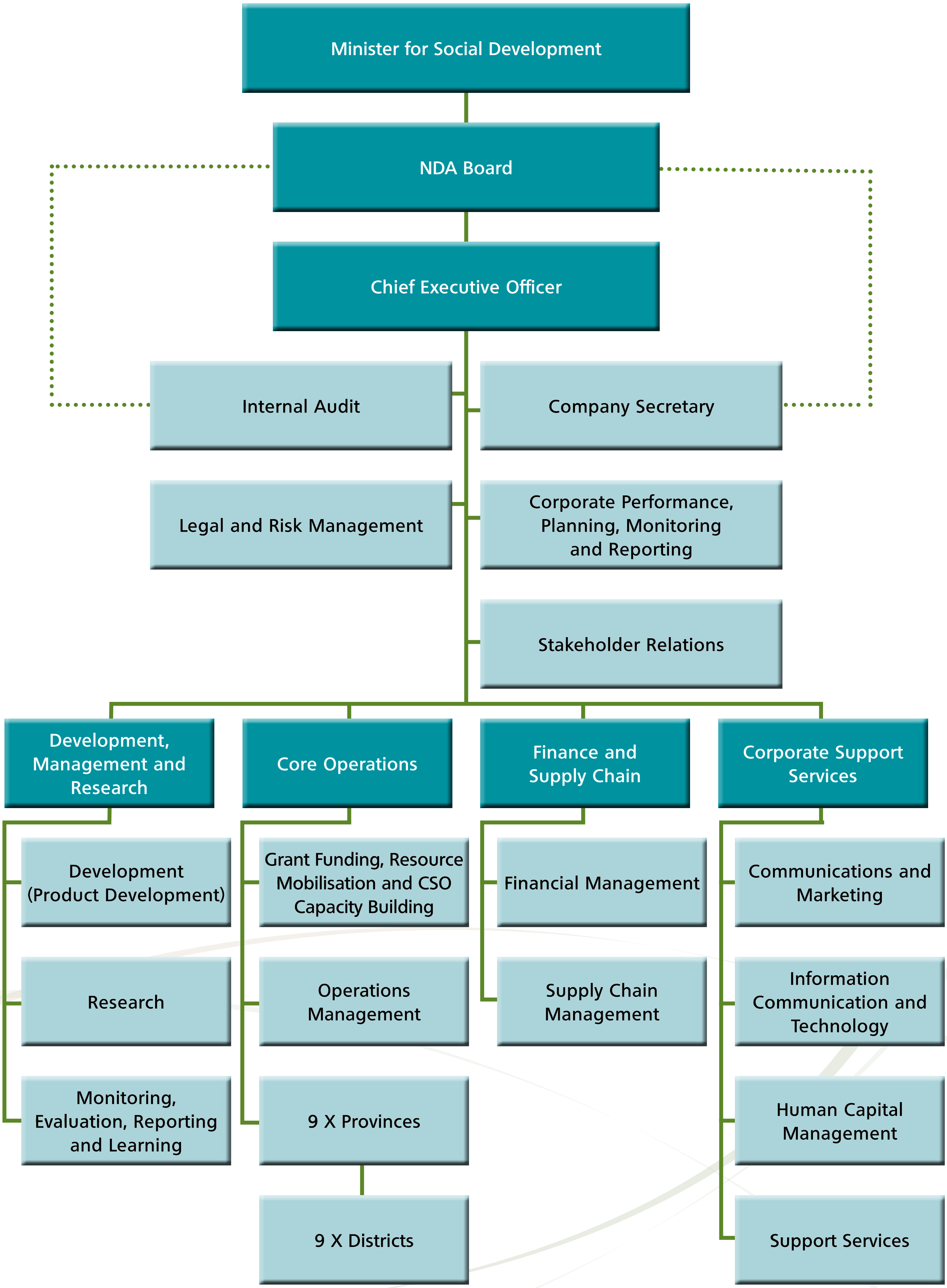
Its primary mandate is to contribute towards the eradication of poverty and its causes by granting funds to CSOs to achieve the following:

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

The secondary mandate is to promote consultation, dialogue and sharing of development experience between CSOs and relevant organs of state, through the following:

- Debating development policy
- Undertaking research and publication aimed at providing the basis for development policy.

1.9 ORGANISATIONAL STRUCTURE



PART B – PERFORMANCE INFORMATION

"It is in your hands, to make a better world for all who live in it".

Nelson Mandela

2.1 Situational analysis

Service delivery environment

The 2017/18 financial year marks the first year of implementation following the repositioning of the NDA. The repositioning exercise essentially remodelled the work of the NDA and gave it a more service delivery-focused orientation, broader reach as well as a wider coverage. The key component of the revised service delivery model was the decentralisation of NDA services to the district municipalities by way of ensuring that our much-needed services reach the poverty-stricken rural communities of our country. The decentralisation, furthermore, had greater community awareness spin-offs and benefits of more visibility in areas previously under-serviced.

The implementation of the adopted service delivery model has had its fair share of challenges as well as a measure of success. On the one hand, there has been increased demand for NDA services as a result of awareness, while on the other hand, the one major challenge affecting the full realisation of this initiative has been the budget limitations, which have affected the filling of vacant positions, most of which are based in the districts.

The NDA implemented a comprehensive package aimed at developing CSOs to their full potential so as to ensure that they, especially those operating in poor communities, have capabilities to provide quality services to the communities they are serving. The NDA Identified CSOs (formal and non-formal) operating in the specific targeted areas. Some of these organisations may not have offices in the ward but they have programmes that they are implementing in the ward. The annual performance of 5 956 against a target of 3 050 is largely accredited to the sustained outreach programmes and collaboration with other departments as well as referrals to the NDA by other organisations.

The institutional capacity-building programme of the NDA focused on strengthening institutional capacities of CSOs across all districts and local municipalities in nine provinces. The programme entailed organisational development for the CSOs to ensure that these organisations have sound systems, processes and capabilities to deliver quality services, comply with good governance, accountability and reporting requirements of CSOs. A total number of 7 125 CSOs were provided with thorough training, mentoring and incubation to run their CSOs sustainably and in line with good governance.

The NDA is mandated to raise financial and non-financial resources for purposes of strengthening the CSO capabilities, funding levels, increasing CSO coverage and services. In the year under review, the NDA has experienced difficulties with the mobilisation of enough resources to meet the annual target. The Cooperative Programme of the NDA provided cooperatives with an opportunity to access funding and sell products to beneficiaries in poor communities through Social Relief of Distress (SRD) and Uniform Programme of DSD and SASSA. The NDA went on a concerted drive to mobilise resources from social partners to the value of R61,7 million. The resultant training made possible by the likes of Gautrain, Kolomela Mine and Rand Water to mention just a few, offered an opportunity for improved interventions by CSOs. Through the Grant-funding and Sustainability Programme, the NDA provided grants to all 162 CSOs assessed for developmental needs, and provided links to appropriate sustainable development activities to ensure that they achieve levels of development that can sustain themselves in the medium to long term.

The South African ECD (SAECD) Awards

In partnership with the Department of Social Development, the Department of Basic Education, the Department of Health, UNICEF and the South African Congress for Early Childhood Development (SACECD), the NDA hosted the South African Early Childhood Development Awards in the year under review. The Awards aim to:

- recognise and encourage the pursuit of excellence in the sector of ECD;
- recognise innovations in ECD training methods and practice; and
- recognise best practice.

During this financial year, there were 3 990 entries from the following seven categories:

- Best ECD Centre of the Year
- Best ECD Practitioner of the Year
- Best ECD Trainer of the Year
- Best Nutrition Programme
- Best Publication of the Year
- Best ECD Non-centre-based ECD of the Year
- Best ECD Disability Programme of the Year

Of the total entries in the year under review for the Awards, 60% came from rural areas; 20% came from urban areas and another 20% came from informal/peri-urban areas, and all of the entries were centres registered with the Department of Social Development and the majority were receiving subsidies from the department.

Research

Through the research programme, the NDA has conducted a number of studies aimed at enhancing our understanding of the phenomenon of poverty and its manifestation in the deprived and poverty-stricken rural areas we are mandated to serve. These studies are necessary in fine-tuning our service delivery interventions so that they are more responsive and focused to the needs on the ground. The NDA, through the ECD programme, seeks to intervene early enough to combat the effects of poverty. To that end, the Agency collaborated with the University of Fort Hare in the Eastern Cape to conduct a longitudinal study, covering three years, to test the implementation of the ECD policy in poor settings.

The research programme conducted research on links between food security, grant-funding for development interventions, mobilising CSOs and the role of cooperatives in achieving radical economic transformation. The Research Unit also produced research products on implications of food security on poor communities and the effectiveness of the South African food and security policy. The study looked at the implications of a food and nutrition policy on the reduction of poverty in the country. Finally, the research unit also conducted research work on effective approaches for supporting organisations involved in economic development activities; these included the role of cooperatives in the contribution to the South African economy and the potential for cooperatives contributing to poverty alleviation and employment creation.

The research programme remains a hub of knowledge generation and information production through which the CSOs and other social partners have a platform to debate and have dialogue on development policy. The programme managed to create platforms for engagements, dialogues, sharing of information and a debating development policy with the civil society sector and the state on outputs of the research produced during the year under review. These platforms allowed national, provincial and local CSOs to engage on specific areas such as the results of the research on ECD policy, food security policy and poverty alleviation programmes strategies and tactics used by the country. The approach used in this work brought multi-disciplinary stakeholders under one roof to ensure that outcomes from these sessions are holistic and diverse.

The programme produced publications on best practice from programmes and projects implemented by the Agency. The best-practice publications focus on creating examples of implementation of development programmes for CSOs and extract lessons to inform planning, implementation and monitoring of community-based programmes aimed at developing CSOs. The publications were used by the Agency and CSOs on how to design and implement effective community-based programmes that can contribute to poverty eradication. These publications were shared with the public as part of the NDA knowledge creation in the sector of CSO development. The table below provide a summary of the findings from the work done by the programme in the year under review.

Table 1: Research and policy briefs summary findings
Thematic area: National policy for ECD in South Africa
Early childhood development infrastructure
Moving from policy to implementation: A literature review on theories and elements of functional ECD programmes
Analysis of best practices in ECD centres in the Eastern Cape Province in the context of legislation and policy
ECD teaching and learning
Parental involvement in ECD
Training of ECD practitioners
Longitudinal study: Infrastructure challenges
ECD longitudinal study: Proposed approaches to intervention activities
Literature review on interventions in ECD
ECD Curriculum
Children with disabilities and special needs in ECD centres
Family and community involvement in ECD
Review of policy regulations, stipulations and guidelines on ECD nutrition in South Africa
Summary of findings and recommendations
ECD infrastructure – The overall state of infrastructure in most of the ECD centres is generally poor and does not meet the recommended norms and standards; however, there are districts that are relatively better than others pertaining infrastructure scores.

Summaries of Findings & Recommendations (continued)
Training and mentoring of ECD practitioners – While professional qualification is critical for effective teaching and learning in ECD centres, there are very few practitioners that possess the right qualifications and expertise.
Parental involvement and community involvement in ECD – South Africa's access to quality early childhood service remains a challenge especially to poor children in rural areas and townships whose situation are made worse by the lack of parental support. There is an identified problem of a lack of family involvement in many ECDs; parents or guardians are just not complying with the ECD centre requirements.
ECD nutrition and health – Most children in ECD centres are from disadvantaged communities with minimal access to food. Food provision in some of the ECD centres is very low and where it is offered the state of health and safety is worrisome. Additionally, very few centres have gardens, and those with gardens are poorly tended.
ECD curriculum, teaching and learning – There are disparities and non-standardisations in terms of the curriculum implemented in the ECD sector. Most ECD centres do not follow the recommended ECD curriculum. In most cases the type of curriculum implemented is being driven by what practitioners have been trained on.
Children with disabilities and special needs in ECD centres – there is minimal focus on children with disabilities and special needs, despite the existing specifications for inclusiveness within ECD policy. Challenges are mainly pertaining to early identification in ECD centres, lack of facilities and expertise to accommodate such children in ECD centres, as well as high levels of non-enrolment of such children.
Thematic area: Implications of food security on communities
Food and nutrition security and its link to poverty: What are the implications for development policy and planning?
The current policy on food and nutrition security assumes that if farming or food production focusing on small-scale farmers and food producers, including agro-processing, can be enhanced it will address food and nutrition security. However, studies show that poverty is perpetuated by limited access to nutritious food as the supply end of food is retailers and markets.
The cost of food is the barrier therefore poor communities and households must have access to the means of producing their own food and limit the cost of buying food from third parties.
The current policy needs to be explicit on this so that the implementation or programming is not focused on food production for markets only but for consumption to displace the cost of or expenditure on food in a household.
The policy identifies "Improved market participation of the emerging agricultural sector" as a pillar for the nutrition and security policy. However, the rationale behind this focuses on market supply of food and food products. It then defies the purpose of poverty eradication through the implementation of this policy.
Thematic area: Approaches for supporting CSOs on development interventions
Grant-funding for development of CSOs
There are inherent factors and conditions, which sometimes are imposed by grant-makers, that make CSOs different from other institutions when it comes to project implementation and sustainability.
Consensus should create commitment to the ideas produced, actions contemplated and results achieved based on creative participation. At the local level, consensus requires commitment, resources and an agreed structure for it to operate effectively. At the enterprise or workplace level, consensus can be less formal but more specific.
When cooperatives rely on external funding for their business operations, they lack the flexibility to undertake business ventures that would require additional capital, especially when such projects are not consistent with the lending programmes of their assisting financial institutions. In business alliances, many opportunities for market networking could crop up. The co-ops would be in a position to grab such opportunities and earn additional income if they had managed to raise funds, through capital build-up and member-savings campaigns that will give them more resources that are investible.
As part of the requirement from the NDA Act, the secondary mandate require the Agency to create platforms for dialogue and sharing of development experience between CSOs and relevant organs of state. The table below provide a summary of lessons learned from the publications.

Table 2: Knowledge management best-practice summaries
Thematic area: Economic participation CSOs
Bosele Paper Making Cooperative
Bomme Ke Nako Cooperative
Manyeding Agricultural Cooperative
Tirisano Livestock Cattle Breeders Agricultural Cooperative
Tlhabologang Food Plot
Dibeng Honey Bee Cooperative
Summaries of findings and recommendations
Three common findings were identified. • The need to increase or develop the growth in scale, access to markets and stakeholder relations. Most of the cooperatives are producing quality products, however, there is limited access to markets and information on business opportunities. Cooperatives need to achieve growth in scale. • The need to improve access to markets for their products. • The need to reposition themselves into higher value-added economic activities along their respective supply chains. They also need to improve their stakeholder relationships.
The NDA should link the cooperatives to the Small Enterprise Development Agency in the respective provinces so that they can intervene by assisting these co-ops to access markets.
Thematic area: Social development CSOs
Montshiwa Cultural Village
The projects are contributing towards the development of the communities by empowering youth, women, and people with disabilities with skills in arts and crafts. These projects ensure that through empowering these different groups, there are productivity and continuous learning. It was recommended that other projects within this field benchmark on the practices of these projects.

The research programme conducted five evaluations in the year under review, focusing on two critical areas of civil society development, economic development and CSO capacity development. With regard to economic development, the evaluation focused on CSOs funded for food gardens and school uniforms production for purposes of economic participation. The other area was supporting community-based organisations to improve the abilities and capacities for these organisations to implement programmes for communities. These organisations were operating in the areas of early childhood development, agriculture, resource training organisations – these are organisations that provide training, mentoring and incubation to other local CSOs. The evaluated programmes were on the following programmatic areas:

CSO economic participation – the areas of project funding evaluated was on food security and garment-making. Most of the projects in the food security area were in crop production. The major findings from the evaluation were that most of these organisations lack crop production skills to improve the quality of their products and be competitive in the market. They also lacked the skills of marketing their products to ensure they have a sustainable and growing market for their products and lastly, they were seasonal farmers as the areas which they operate in would require irrigation to farm right through the year. The evaluation recommended that they adopt a mixed farming method of both crop and animal production to ensure that they remain economically active right through the year. They should also be linked to agricultural extension officers to improve their skills in these different farming methods to attain sustainability.

The garment-making organisations were funded for inputs for uniform-making and were linked to the South African Social Security Agency (SASSA) social relief of people in distress (SRD) programme to supply pupils with uniforms. CSOs benefitted by raising income from this activity in that they had a stable market for selling their products. The majority of the CSOs evaluated had also diversified their production to cover local markets on producing wedding garments, church uniforms, sports uniforms for schools and local teams. The evaluation recommended that these organisations should be provided with mentorship and training on business management to ensure they remain sustainable and create more jobs for local community.

Community development – the evaluation focused on CSOs that are involved in community development interventions. The interventions funded by the Agency for these organisations were in strengthening and building their capacities; supporting resource and training organisations to provide mentorship and incubation for other CSOs in the areas they operate; and funding improvements of ECD infrastructure in the most deprived areas. The evaluation results showed that the NDA funding had beneficial effects in strengthening these organisations to improve the quality of services they provided to communities. Those funded for improvement in infrastructure, all received provisional registration and a resulting grant as partial caregivers from the Department of Social Development. This improved their revenue streams for the centres. The recommendations from the evaluations were that these organisations needed to be linked to other funding agencies to sustain their operations and be capacitated in fundraising to ensure that they continued providing these services to the communities they operated in.

The table below provides a summary of the evaluation findings of the reports produced by the programme:

Table 3: Summaries of evaluations conducted
Thematic area: Economic-development-funded projects
Food gardens as food security interventions at NDA-funded ECD centres
School sewing uniform evaluation study
Summaries of findings and recommendations
ECD centres are able to save money through producing their own vegetables and selling the surplus to the public, who were supposed to be utilised to buy vegetables.
Some NDA-funded ECDs are generating income from food gardens to support the operations of the centres, which include payment of ECD staff and maintenance of ECD facilities, however most ECD gardens tend to be smaller and insufficient to generate adequate income. This leaves most ECDs financially vulnerable.
There has been a minimal positive outcome from these school uniform cooperatives due to a variety of challenges, which relate to a restrained access to markets, poor management and governance, and a lack of technical ability to produce relevant garments.
There are however, some positive signs from a few selected projects that have been relatively well managed, and there are good lessons to learn from these projects. These include projects in KZN such as Senzasonke and Lindakuzolunga Sewing Cooperative, as well as the Future Creation Sewing Project in the Northern Cape.
Thematic Area: Supporting community-based organisations for better outcomes
Mpumalanga Land and Agricultural Committee (MLAC) Summative Evaluation Report
The role of resource and training organisations in supporting NDA-funded food security projects
Development of NDA/DSD ECD infrastructure to meet the required national norms and standards for partial care facility with geographic focus in Mpumalanga Province.
Summaries of findings and recommendations
The planning of household food gardens requires a bottom-up approach where beneficiaries are fully involved in the complete ownership of those projects. Most household food gardens cease to exist once the support organisation withdraws its financial and technical support. Communal gardens are better placed to survive longer as beneficiaries tend to be well-organised and support each other. Financial maladministration cripples the operations of household gardens; once there is no financial support operations immediately stop.
Resource and training organisations (RTOs) have played a key role in ensuring that NDA-funded projects are well capacitated and supported for their growth. These RTOs have been successful in both the Eastern Cape and Western Cape where they set up both community and household gardens.
The challenge has been the short contracts in which these RTOs are engaged. When the funding contracts ends, the RTOs cease to support these projects and projects immediately collapse.
Construction of six (Nzalama Preschool, Umjindi ECD Centre, Glenmore Educare, Mananga Educare, Verena Community Educare and Maphanga Educare) ECD facilities in Mpumalanga had long-term effects on providing disadvantaged children with care facility centres conducive for teaching and learning.

Summaries of Findings & Recommendations (continued)
The results of the intervention are very beneficial to the province at large as these are the first centres to be constructed in the province to secure equitable, effective and accessible infrastructure to support the delivery of quality services in a safe environment.
The results of the intervention are very much beneficial to the province at large as these are the first Centres to be constructed in the province to secure equitable, effective and universally accessible infrastructure to support delivery of quality services in a safe environment.

Organisational environment

The role of the Corporate Services Directorate is to render integrated institutional support services within the framework of the Annual Performance Plan (APP) and the Annual Budget of the NDA, to enable the organisation to pursue the goals and objectives as articulated in the Five-year Strategic Plan of the organisation. The integration of various support business units into the Corporate Services Directorate was finalised in the financial year under review, and these units were central in the provision of support for implementation of the APP.

Human resources development and management

The strategic intent of the human resources function in the NDA is underpinned by the following principles:

- Integrating all human resource processes and systems into the NDA strategic objectives to ensure the creation of a centre of excellence for all employees.
- Realising a high-performance organisation.
- Creating and maintaining strategic partnerships with critical stakeholders.
- Ensuring that employees are skilled, engaged, motivated and satisfied.
- Providing a safe environment for its employees.

For the financial year under review, the following key programmes were delivered:

- Finalisation of the review of the organisational structure – this project had been carried forward from the 2016/17 financial year.
- Review of the performance management system.
- Initiation of a job evaluation process for all positions in the reviewed organisational structure.
- Commencement with the HR Policy reviews, which saw old policies reviewed and new policies developed – this process will be carried forward to the new financial year.
- Initiation of a process for the development of a human resources development and management strategy.
- Filling of strategic and managerial positions to ensure leadership and stability.
- Accreditation of three medical aid schemes for NDA employees.

Challenges that affected the human resources management and development for the period:

- Limited financial resources to implement the revised business model and organisational structure.
- Prevailing legacy issues around human resources, eg salary disparities.
- Improperly structured remuneration model.
- Certain jobs that were never subjected to job evaluation or work study.

Communication and marketing

The NDA partnered with selected national and provincial government departments in community outreach programmes to engage with stakeholders and CSOs in the development sector. The organisation participated in 21 outreach programmes aimed at sharing NDA information with communities at formal platforms. NDA information was also shared with communities through free publicity on national television, radio, newspapers and community media. During the period under review, 11 publications were produced and distributed to key stakeholders and through NDA events and provincial offices. Statutory publications were distributed to relevant government departments and libraries. The website and intranet revamp project started during the financial year under review and should be completed in the first quarter of the new financial year. The revamp is in line with the latest communication technology trends and platforms, it is aimed at improving visitor experience, and provide more information on the NDA's development programmes. The NDA also used social media as a free tool to increase its footprint and reach out to as many people as possible who rely on social media for development-related information.

The main challenges that affected marketing and communications of the NDA brand were the following:

- Inadequate budget allocation to drive brand awareness and marketing of the NDA across the entire country.
- Centralisation of marketing and communication because of an insufficient budget.

Information Communication Technology

The main function of Information Communication Technology (ICT) is to provide integrated technology solutions for the NDA to conduct its business efficiently, effectively and intelligently. The ICT has been spearheading various IT programmes and solutions aimed at improving business efficiencies of the NDA. For the period of reporting, the following are some of the key deliverables by ICT:

- Finalisation of the Master Systems Plan (MSP) and ICT Strategy Implementation Plan.
- Approval of the implementation of MSP phase 1 and 2 (development of the CSO Master Database and the Integrated Information Management System).
- Development of the ICT Security Strategy.
- Implementation of the corporate reporting tool (SharePoint).
- Development of a contract management solution.
- Review of ICT policies and procedures.
- Performance of updates and change management on the Great Plains (financial system) and Payroll system.
- Integration/Interface of the Payroll system with the financial management system.

Challenges that affected ICT:

- Regularisation of open-ended contracts entered into previously on IT services.
- Uncertainties around leasing of office space, which impacts planning of IT infrastructure.

Key policy developments and legislative changes

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

2.2 Strategic Outcome-oriented Goals

Below is a comprehensive list of the Strategic Outcome-oriented Goals of the NDA.

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

PART B – PERFORMANCE INFORMATION

2.3 Programme 1 – Governance and Administration: Performance information

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

Strategic objectives, performance indicators, planned targets and actual achievements

The NDA had set itself a target of achieving an unqualified audit in line with its strategic objective of strengthening internal systems and implementing financial systems geared towards good governance. Programme 1 put in place the compliance framework that identified compliance areas in various legislations governing the NDA such as the PFMA and its related policies and regulations. The programme has achieved all except for the Materiality and Significance Framework. Another major challenge was experienced in Programme 1 where the set target of 100% implementation of the marketing and communication plan was not achieved. This was due to the prolonged process of developing the marketing and communication strategy, which will only be finalised in the 2018/19 financial year.

There has been significant successes achieved in the implementation of the functional integrated ICT system. The ICT master plan and strategy have since been approved by the Board for phased implementation over the MTEF period. The integrated ICT system will amongst others seek to establish the CSO database, which the NDA is mandated to develop, maintain and share with other social partners. The NDA, led by Programme 1, has implemented its decentralisation strategy with greater success since it has extended its services to districts that were previously underserviced. A large number of vulnerable communities have gained access to NDA services and as a result they have been given a lifeline to escape poverty through the establishment of CSOs that operate gainfully in these districts.

Programme 1 – Governance and Administration: Strategic Objectives

Strategic Objective : To develop and strengthen internal systems, processes and human capability to deliver efficiently and effectively on the NDA mandate					
Strategic Statement:	**Actual achievement 2016/2017**	**Planned target 2017/2018**	**Actual achievement 2017/2018**	**Deviation from planned target**	**Reasons for deviation**
Implement financial management, information technology, human resources and communications systems and processes to achieve good governance by 2017/22.	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion with findings	None	N/A

Programme 1 – Governance and Administration: Performance Indicators

Strategic Statement: Implement financial management, information technology, human resource and communications systems and processes to achieve good governance by 2017/22.							
Performance Indicator	Actual achievement 2014/2015	Actual achievement 2015/2016	Actual achievement 2016/2017	Planned target 2017/2018	Actual achievement 2017/2018	Deviation from planned target	Reasons for deviation
% compliance to legislative/regulatory requirements including the PFMA, SCMA and Treasury Regulations and NDA policy	New	New	New	100%	99%	1%	Delay in the finalisation of the Materiality and Significance Framework.
% implementation of marketing and communication plan aimed at improving NDA brand awareness.	New	New	New	100% implementation	–	100%	Prolonged process of developing the marketing and communication strategy.
% completion of a functionally integrated information system per year.	New	New	Approved ICT Strategy Plan	60%	60%	None	N/A
% implementation of the rollout plan for establishing decentralised programme delivery centres at districts.	New	New	New	50%	50%	None	N/A
% of targets achieved in the APP.	New	73%	80%	90%	85%	5%	Four KPIs could not be achieved due to implementation constraints.

PART B – PERFORMANCE INFORMATION

2.4 Programme 2 – CSO Development: Performance information

The programme provided a comprehensive package aimed at developing CSOs to their full potential so as to ensure that CSOs, especially those operating in poor communities, have capabilities to provide quality services to the communities they are serving. This Programme was implemented through the following subprogrammes:

- **Subprogramme 2.1. CSO mobilisation and formalisation:** focused on civil society organisation engagements, assessments and needs analyses for CSOs, prioritisations of interventions required by CSOs, facilitating registration of CSOs that need support with registration with appropriate registration authorities (NPOs and cooperatives).
- **Subprogramme 2.2. Civil society organisation's institutional capacity-building** – focused on strengthening institutional capacities of CSOs across all districts and local municipalities in nine provinces. The subprogramme entailed organisational development for the CSOs to ensure that these organisations have sound systems, processes and capabilities to deliver quality services, and comply with good governance, accountability and reporting requirements of CSOs. The capacity-building interventions were provided through training, mentoring and incubation of all CSOs assessed and requiring institutional capacity-building development.
- **Subprogramme 2.3. CSO resource mobilisation (financial and non-financial resources)** – the subprogramme focused on all resources (government, foreign governments, international agencies, and private sector) mobilised for purposes of strengthening CSO capabilities, funding levels, increasing CSO coverage and services.
- **Subprogramme 2.4. CSOs Grant-funding and sustainability** – the subprogramme provided grants to all CSOs assessed for development needs and provided links to appropriate sustainable development activities to ensure that they achieve levels of development that can sustain themselves in the medium to long term.

Strategic objectives, performance indicators, planned targets and actual achievements

The NDA has reaped massive benefits from its implementation of the CSO Development Model, particularly in the areas of mobilisation, formalisation and capacity-building of CSOs. A thorough process of institutional needs assessments, underpinned by consultations and engagements, preceded our mobilisation and formalisation efforts. This effort resulted in 2 906 more CSOs being engaged and their developmental support requirements being identified. This mobilisation campaign by the NDA was an important initiative, in that many of the CSOs have since become aware of the service offering of the NDA and the benefits of formalising many existing community-based organisations, so as to access funding, grants and other forms of financial and non-financial support. To that extent, a total number of 803 CSOs have been assisted to formalise their structures by way of instituting governance mechanisms and financial processes. Furthermore, 829 CSOs have successfully registered with appropriate legislative authorities. The formal registration of these CSOs marked an important step towards access to resources and participation in the economy.

Participation in the economy requires skills and capacity on the part of CSOs and it is for that reason that the NDA has, subsequent to the mobilisation and formalisation process, further empowered the CSOs by building their capacity in fulfilment of the primary mandate of the NDA, which requires the NDA to strengthen the institutional capacity of CSOs that provide services to poor communities. More than 8 000 CSOs have since been trained in all manner of CSO-management-related programmes such as governance, financial management, community development practice and conflict management. One of the key tenets of the mandate of the NDA is that the NDA should mobilise resources and act as a conduit for disbursement of the same funds to CSOs in the pursuance of their developmental aspirations. For this cause, the NDA has raised R61 million worth of financial and non-financial resources in the financial year under review. These resources have benefitted CSOs in strengthening their ability to manage their CSOs better and to comply with legislative authorities. It should be noted that the target of R80 million was not met mainly due to the suppressed economy and downturn largely experienced in the country. The 21 partnership agreements we got into during the year did not yield the financial value we had envisaged, however 3 488 individuals still benefitted from the money raised and the CSOs supported. The NDA has furthermore grant-funded 162 CSOs despite the late approval and implementation of the grant-funding policy. The developmental activities carried out by these supported CSOs went a long way in addressing poverty relief to the vulnerable and poor in our society. They have ensured that the NDA makes inroads in ridding the society of the dire effects of poverty, especially in areas where these CSOs operate.

Programme 2 – CSO Development: Strategic Objectives

Strategic Objective: Increase number of CSOs that have access to development interventions aimed at developing their capabilities to efficiently manage, mobilise resources and sustain themselves for purposes of improving the quality of services provided by the organisations in poor communities.					
Strategic Statements	**Actual achievement 2016/2017**	**Planned target 2017/2018**	**Actual achievement 2017/2018**	**Deviation from planned target**	**Reasons for deviation**
Conduct engagements, dialogues, assessments and needs analyses for CSOs to identify the type of development interventions required by CSOs, including facilitating formalisation of the organisations to ensure an increased number of CSOs provided with CSO development interventions including registration by 2021/22.	2 030	3 050	5 956	2 906	The decentralisation model and outreach programme's partnering with SASSA and DSD contributed towards the positive variance.
Implement institutional capacity-building interventions for purposes of improving CSO organisational management, compliance and reporting through training, mentoring, incubation, and continuous support to ensure an increased number of CSOs capacitated and developed by 2021/22.	4 950	6 250	7 125	875	The variance is due to the additional funds to support NPOs from DSD provinces (Eastern Cape, KZN, NC, Limpopo, Mpumalanga) and resources from Gautrain, Anglo American and Rand Water.
Conduct resource mobilisation activities aimed at increasing funding streams for CSO development to ensure increase in the value of funds available for CSO funding from government, foreign governments and the private sector by 2021/22.	R80 million	R80 million	R61, 7 million	-R18, 2 million	Target not met due to partnership agreements yielding too few financial resources.

Programme 2 – CSO Development: Strategic Objectives (continued)

Strategic Statements	Actual achievement 2016/2017	Planned target 2017/2018	Actual achievement 2017/2018	Deviation from planned target	Reasons for deviation
Implement interventions that ensure sustainability of CSOs through establishing linkages for access to resources, creating local, provincial and national CSOs networks and increasing the number of CSOs funded through NDA facilitated funding conduits and the NDA by 2021/22	New	2 062	2 144	82	Over performance is due to CSOs being linked through the SASSA SRD programme

Subprogramme 2.1 – CSO Mobilisation and Formalisation: Performance Indicators

Strategic Objective: Increase number of CSOs that have access to development interventions aimed at developing their capabilities to efficiently manage, mobilise resources and sustain themselves for purposes of improving the quality of services provided by the organisations in poor communities.							
Performance Indicator	Actual achievement 2014/2015	Actual achievement 2015/2016	Actual achievement 2016/2017	Planned target	Actual achievement 2017/2018	Deviation from planned target	Reasons for deviation
Number of CSOs participating in CSO mobilisation engagements and consultation processes per year	New	New	3 120	3 050	5 956	2 906	Overachieved due to outreach programmes with DSD
Number of CSOs assisted to formalise their structures per year	New	New	631	720	803	83	Overachieved due to outreach programmes with DSD.
Number of CSOs assessed to identify institutional needs and determine appropriate CSO development support to be provided per year	New	New	4 357	3050	5 956	2 906	Overachieved due to outreach programmes with DSD
Number of CSOs assisted to register with appropriate registration authority per year	New	New	713	720	829	109	Target overachieved due to partnerships and expansion to district offices
Number of CSOs referred to other agencies for technical and/or financial support per year	New	New	1 403	762	1 541	779	The variance is due to outreach programmes and partnerships with other departments.

Subprogramme 2.2 – CSO Institutional Capacity-building: Performance Indicators

Strategic Objective: Increase number of CSOs that have access to development interventions aimed at developing their capabilities to efficiently manage, mobilise resources and sustain themselves for purposes of improving the quality of services provided by the organisations in poor communities.							
Performance Indicator	Actual achieve-ment 2014/2015	Actual achieve-ment 2015/2016	Actual achieve-ment 2016/2017	Planned target	Actual achieve-ment 2017/2018	Deviation from planned target	Reasons for deviation
Number of CSOs assessed to determine institutional capacity with the aim of providing appropriate capacity-building support per year	New	New	New	6 250	7 125	875	The variance is due to partnerships in six provinces (KZN, MP, LP, EC, GP and NC)
Number of CSOs trained and/or mentored to comply with registration legislations per year	2 531	2 687	3 065	3 750	3 953	203	Extra training was conducted to support ECDs and cooperatives in two provinces, EC and KZN.
Number of CSOs capacitated in civil society organisational management per year	2 531	2 687	2 880	3 000	4 927	1 927	Public and private sector partnerships in six provinces (KZN, MP, LP, EC, GP and NC)
Number of NPOs trained in community development practice per year	New	New	706	750	1 341	591	The target was overachieved due to collaboration with provincial social development departments

Subprogramme 2.3 – CSO Resource Mobilisation: Performance Indicators

Strategic Objective: Increase number of CSOs that have access to development interventions aimed at developing their capabilities to efficiently manage, mobilise resources and sustain themselves for purposes of improving the quality of services provided by the organisations in poor communities.							
Performance Indicator	Actual achieve-ment 2014/2015	Actual achieve-ment 2015/2016	Actual achieve-ment 2016/2017	Planned target	Actual achieve-ment 2017/2018	Deviation from planned target	Reasons for deviation
Number of CSO needs assessments conducted for resource mobilisation per year	New	New	New	2 062	2 761	699	Expansion to district offices brought services closer to communities
Rand value of resources (financial and non-financial) raised to fund CSOs per year	R104 million	R67.3 million	R80 million	R80 million	R61.7 million	-R18.2 million	Target not met due to partnership agreements yielding too few financial resources
Number of CSOs grant-funded for capacity-building per year	New	New	New	900	1 787	887	Increased outreach programmes and provincial partnerships
Number of individuals directly benefitting from programmes that have received grants from third parties through NDA per year	New	New	New	2 700	3 488	788	Increased outreach programmes and provincial partnerships
Number of partnership agreements concluded and signed per year	14	19	22	21	21	None	N/A

Sub-Programme 2.4 – Grant-funding and Sustainability: Performance Indicators

Strategic Objective: Increase number of CSOs that have access to development interventions aimed at developing their capabilities to efficiently manage, mobilise resources and sustain themselves for purposes of improving the quality of services provided by the organisations in poor communities.							
Performance Indicator	Actual achievement 2014/2015	Actual achievement 2015/2016	Actual achievement 2016/2017	Planned target	Actual achievement 2017/2018	Deviation from planned target	Reasons for deviation
Number of CSO grant-funding and sustainability needs assessed per year	New	New	New	2 062	2 144	82	Expansion to district offices brought services closer to communities
Number of CSOs that received grant-funding per year	New	New	New	200	162	-38	New CSO Development Model required new guidelines for funding which resulted in delays in the implementation and approval of grants.
Number of CSOs assisted to join CSO network per year	New	New	New	400	600	200	CSO Development Model and mobilisation programme contributed to more engagements that led to the increase.
Number of CSOs linked to sustainable resources per year	New	New	New	400	1 328	928	Partnerships with other agencies to gain access to economic opportunities

2.5 Programme 3 – Research: Performance information

The Research Programme of the NDA has two functions. The first function is the fulfilment of the requirements of Section 2 of the secondary mandate of the NDA, which requires the NDA to promote consultation, dialogue and sharing of development experience between CSOs and relevant organs of state; debate on development policy; and undertake research and publication aimed at providing the basis for development policy. The second function is providing functional and sound monitoring and evaluation systems to ensure accurate, reliable and valid reporting. The programme, during the year under review, implemented its activities in two units, the Research Unit and the Monitoring and Evaluation Unit.

Research Unit

The Research Unit, during the year under review, conducted research and produced policy briefs in the following thematic areas of the NDA mandate. The National Policy on ECD was approved by Cabinet in 2017. The areas of research focus included amongst others, theoretical understanding of the setting up of functional ECD centres; the context that promote effective learning and teaching for ECD centres; types of interventions that promote the quality of ECD centres in a resource-constrained environment; and providing ECD services for children with disabilities and special needs. The aim of this research study was the creation of information to be used for engagement between government departments responsible for ECD centres and community-based ECD centres providing the services in rural areas.

Monitoring and Evaluation Unit

The purpose of the monitoring and evaluation function in the Agency is to systematically and objectively assess, monitor and evaluate NDA projects and programmes. It also measures effectiveness, efficiency and impact of design, implementation and results of the Agency work. The monitoring focuses on development and enhancement of systems, processes and tools used to collect information to periodically measure programmes and the accurate reporting of the Agency to its stakeholders. The Monitoring and Evaluation Unit conducts evaluations on programmes and projects implemented by the NDA to measure outputs and outcomes of the programmes and projects.

Strategic objectives, performance indicators, planned targets and actual achievements

In the year under review, the Agency had planned to conduct seven dissemination sessions for the reports produced by the research work with relevant stakeholders. These sessions were created to engage on research findings and make recommendations on how to influence policy development in the areas of research focus. The sessions were planned to be attended by 260 participants from different sectors of the state and CSOs. The performance achievement against the targets for the number of dissemination sessions in the year under review was 10 dissemination sessions, three more than the planned target.

The number of participants attending the dissemination sessions was 342 – exceeding the target by 82 participants. The targets were exceeded in these key performance indicators (KPIs) because the longitudinal study on ECD centres generated interest from various sectors and thus additional sessions were conducted with stakeholders. The following stakeholders attended the ECD sessions on request to part of the sessions: National Department of Basic Education, National Department of Health, National Department of Social Development, National Inter-Departmental Committee (NIDC), Core Committee for Early Childhood Development; South African Inter-Sectoral Forum for Early Childhood Development and Eastern Cape Early Childhood Development Forum. These sessions had informed the research programme on refining the research methodology and interventions to be implemented in Phase 2 of this study.

The programme had planned to produce nine best-practice publications from the knowledge management function of the programme in the year under review. The performance against this KPI target in the year under review was the production of nine best-practice publications. The performance shows that the target was met for this KPI. The best-practice publications focus on extracting lessons from projects implemented by the Agency and share them with the implementers of the projects and the public for lessons learned and good practice. During the year under review, the programme produced best-practice publications on the areas of economic participation with focus on cooperatives funded by the Agency and CSOs that are working in community development. The programme is responsible for conducting evaluations of the Agency programmes and project to measure effectiveness and outcome of the programmes. The evaluations conducted by the Agency were aimed at informing implementers of projects on how to improve their programme design, implementation approaches, outcomes and impact of the programmes. The performance achieved against the KPI target in the year under review was the production of 5 (five) evaluation reports. The performance indicate that this KPI target was met.

The research programme has met all its targets during the year under review; the achievements of the programme can be attributed to the commitment of the NDA to fulfil its secondary as stipulated in the NDA Act of conducting research that will inform dialogues, debates and information sharing between the state and civil society sector on development policy. Working in collaboration with development sector and research institutions is key in delivering on the targets for this programme. Thus, it was possible for the NDA to meet all its targets in this programme during the year under review.

Programme 3 – Research: Strategic Objectives

Strategic Objective : To provide empirical information from research and evaluation studies to inform national development policy formulation, debates and engagements between the CSO sector, the State and the private sector to ensure that CSO participation in development policy is increased by 2021/22					
Strategic Statements	**Actual achievement 2016/2017**	**Planned target 2017/2018**	**Actual achievement 2017/2018**	**Deviation from planned target**	**Reasons for deviation**
Increase the number of research and evaluation publications, engagements and debates that inform the formulation of national development policies and programmes focusing on poverty eradication initiatives	16 reports produced	18 reports produced	18 reports produced	None	N/A

PART B – PERFORMANCE INFORMATION

Programme 3 – Research: Performance Indicators

Strategic Statement: Increase the number of research and evaluation publications, engagements and debates that inform the formulation of national development policies and programmes focusing on poverty eradication initiatives							
Performance Indicator	**Actual achievement 2014/ 2015**	**Actual achievement 2015/ 2016**	**Actual achievement 2016/ 2017**	**Planned target**	**Actual achievement 2017/ 2018**	**Deviation from planned target**	**Reasons for deviation**
Number of research and policy briefs produced per year	6	14	16	18	18	None	N/A
Number of best-practice publications produced per year	6	7	10	9	9	None	N/A
Number of dissemination sessions for research reports, evaluation reports, policy briefs and best-practice publications conducted per year	New	3	7	7	10	3	Additional requests made by CSOs on dialogues and engagements on the ECD research results in the Eastern Cape.
Number of participants who attended research reports, evaluation reports, policy briefs and best-practice dissemination sessions per year	New	New	465	260	342	82	Three additional sessions held in the Eastern Cape on the ECD research results.
Number of evaluation studies on NDA programmes conducted and results shared with various stakeholders per year	New	New	New	5	5	None	N/A

Strategy to overcome areas of underperformance

The NDA has fallen short on four of its APP targets regarding implementation of the Marketing and Communication Strategy, compliance with the legislation and regulatory framework, grant-funding of CSOs and the raising of resources to fund CSOs. The work towards the finalisation of the marketing strategy has commenced and it will be achieved in Quarter 1. Strict monitoring measures have been introduced to make sure that compliance with legislation is reported monthly. The process of grant-funding has already commenced for the 2018/19 financial year. More partnerships with various social partners, particularly government stakeholders, have been started and will hopefully yield better results in terms of financial and non-financial commitments.

Changes to planned targets

No changes were effected to the approved Annual Performance Plan.

Linking performance with budgets

Programme Name	2017/2018			2016/2017		
	Budget R '000	Actual expenditure R '000	Over/(Under) expenditure R '000	Budget R '000	Actual expenditure R '000	Over/(Under) expenditure R '000
Administration	108 330	95 660	12 670	114 542	102 980	11 562
CSO development	144 403	128 600	15 803	123 447	112 894	10 553
Research and development	7 753	5 830	1 923	6 330	4 888	1 442
Totals	**260 486**	**230 091**	**30 395**	**244 319**	**220 762**	**23 557**

The entity funds its operations mainly from the transfer it receives from National Treasury, through the Department of Social Development. In addition to this transfer, the entity also mobilises resources from other government departments, which are used to fund and capacitate NPOs and CSOs per mandate. In the 2017/18 financial year, the organisation achieved 85% of the targets that were set for the year. In certain areas, such as the capacity-building of CSOs, the targets set per the annual plans were exceeded.

2.6 Revenue collection

	2017/2018			2016/2017		
	Budget R '000	Actual amount collected R '000	Over/Under) collection R '000	Budget R '000	Actual amount collected R '000	Over/ (Under) collection R '000
Transfer from National Treasury	200 913	200 913	–	194 153	194 153	–
Other income	59 573	25 849	33 853	50 216	43 165	7 051
Totals	**260 486**	**226 633**	**33 853**	**244 369**	**237 317**	**7 051**

The main source of funding for the entity is the transfer it receives from National Treasury via the Department of Social Development, through the MTEF allocation process. The transfer from National Treasury accounted for 89% and 82% of the total revenue for the 2017/18 and 2016/17 financial years respectively. The remainder of the revenue represents unconditional grants the entity receives from other government departments and the private sector, and interest on bank balances. The under-collection of revenue to the value of R33, 7m is attributable to the surplus from the 2016/17 financial year that was retained per approval by National Treasury. The levels of funding received from the Fiscus have declined in real terms in the past three to eight years due to below-inflationary increases in the transfer from National Treasury. The transfer from National Treasury has been declining in real terms, while poverty remains stubbornly high and on the rise.

PART C – REPORT ON GOVERNANCE

"No country can really develop unless its citizens are educated."

Nelson Mandela.

3.1 Introduction

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

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

3.2 Portfolio/Select Committees

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

3.3 Executive Authority

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

3.4 Accounting Authority

The NDA Board is the accounting authority as defined in Section 51 of the PFMA and the members also have a collective responsibility to meet fiduciary duties outlined in Section 50 of the PFMA including the Treasury Regulations, and the principles of the King III and IV Code of Governance. The constitution and composition of the Board are governed by the National Development Agency

Date	Parliamentary Structure	Focus
3 May 2017	Portfolio Committee on Social Development	Consideration of the Budget Vote, Annual Performance Plan and Strategic Plan of the NDA for 2017/18 Financial Year
25 May 2017	Portfolio Committee on Social Development	National Assembly Debate on Budget Vote 17 of the Department of Social Development
20 June 2017	Select Committee on Social Services	Discussion of the annual performance plan of NDA
14-18 August 2017	Portfolio Committee on Social Development	Portfolio Committee on Social Development Oversight Visit (KZN Province) to NDA Project
4 October 2017	Portfolio Committee on Social Development	Presentation of the NDA Annual Report (2016/17)
17 October 2017	Select Committee on Social Services	Briefing by the Department of Social Development and the Eastern Cape Department of Social Development with regard to recommendations during the 2016 Taking Parliament to the People in the Eastern Cape
21 November 2017	Select Committee on Social Services	Presentation of the NDA Annual Report (2016/17)

Act 108 of 1998 as amended. The Board composition complies with the requirements of the NDA Act.

The role of the Board/Accounting Authority

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

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

Board Charter

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

Composition of the Board

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

Five members to represent Government appointed by the Minister after consultation with Cabinet; and Six members to represent civil society appointed by the Minister after an open and transparent process of considering a short list of candidates presented to the Minister by a panel, comprising an equal number of representatives from state departments and of experts in the development field, established by the Minister for that purpose.

The current Board only comprises 10 members due to a vacancy, which has never been filled since the Board took office. There were neither new appointments nor resignations during the reporting period. The Board meets at least four times a year. Additional meetings may be held whenever deemed necessary. In this regard, the NDA Board had additional meetings because the Agency was undergoing institutional review, repositioning processes and the review of most of the policies. The Chairperson, in consultation with the Chief Executive Officer and Company Secretary, is responsible for setting the agenda of each meeting. The Chairperson of each committee reports back to the Board on matters discussed after every meeting. The attendance for Board and Committee meetings is as follows:

Record of Attendance of Board and Committee Meetings and Teleconferences

Board members	Board	Audit and Risk	Human Resources and Remuneration	Management Committee	Programmes, Research and Development
Committee					
Ms J Hermans	14	–	–	4	4
Mr Z Ngcakani	11	7	2	–	–
Mr MM Chikane	13	–	5	1	–
Mr A Hanekom	14	5	7	4	–
Ms B Khan	15	1	6	–	1
Ms BM Mannya	15	5	7	–	4
Ms MJ Matlala	14	15	–	–	5
Ms JSP Matsebula	14	13	–	4	3
Ms T Shange	9	14	–	–	4
Ms FS Varachia	13	13	4	4	1

Record of Attendance of Board Meetings

Meeting dates	Board members									
	Ms J Hermans	Mr Z Ngcakani	Mr MM Chikane	Mr A Hanekom	Ms B Khan	Ms BM Mannya	Ms MJ Matlala	Ms JSP Matsebula	Ms T Shange	Ms FS Varachia
26.04.17	Y	–	–	Y	Y	Y	Y	Y	Y	Y
29.05.17	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
10.07.17	Y	–	Y	Y	Y	Y	Y	Y	Y	Y
17.07.17	–	–	Y	Y	Y	Y	Y	Y	–	–
28.07.17	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
28.08.17	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
30.10.17	Y	–	–	Y	Y	Y	Y	Y	–	Y
14.11.17	Y	Y	Y	Y	Y	Y	Y	Y	–	–
15.11.17	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
27.11.17	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
29.01.18	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
27.02.18	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
19.03.18	Y	Y	Y	Y	Y	Y	Y	Y	–	Y
20.03.18	Y	Y	Y	Y	Y	Y	Y	Y	–	Y
28.03.18	Y	Y	Y	–	Y	Y	–	–	–	Y
Total	**14**	**11**	**13**	**14**	**15**	**15**	**14**	**14**	**9**	**13**

Record of Attendance of Audit and Risk Committee Meetings

Meeting dates	Board members							
	Ms FS Varachia	Ms MJ Matlala	Ms JSP Matsebula	Mr Z Ngcakani**	Ms T Shange	Mr A Hanekom*	Ms B Khan***	Ms BM Mannya*
18.04.17	Y	Y	Y	Y	Y	–	–	–
22.05.17	Y	Y	Y	Y	–	–	–	–
25.05.17	–	Y	Y	Y	Y	–	–	–
29.05.17	Y	Y	Y	Y	Y	–	–	–
14.07.17	Y	Y	–	–	Y	–	–	–
24.07.17	Y	Y	Y	Y	Y	–	–	–
28.07.17	Y	Y	Y	Y	Y	–	–	–
24.08.17	Y	Y	Y	–	Y	–	–	–
28.08.17	Y	Y	Y	–	Y	–	–	–
20.10.17*	Y	Y	Y	Y	Y	Y	Y	Y
30.10.17	Y	Y	Y	**	Y	–	–	–

Record of Attendance of Audit and Risk Committee Meetings (continued)

Meeting dates	Board members							
	Ms FS Varachia	Ms MJ Matlala	Ms JSP Matsebula	Mr Z Ngcakani**	Ms T Shange	Mr A Hanekom*	Ms B Khan***	Ms BM Mannya*
23.11.17	Y	Y	Y	**	Y	Y	***	Y
11.12.17	Y	Y	Y	**	Y	Y	***	Y
24.01.18	-	Y	-	**	Y	Y	***	Y
15.03.18	Y	Y	Y	**	Y	Y	***	Y
Total	**13**	**15**	**13**	**7**	**14**	**5**	**1**	**5**

** New Audit Committee members appointed.*
*** Mr Ngcakani removed as member.*
**** Ms Khan removed as member.*

Record of Attendance of Human Resources and Remuneration Committee Meetings

Board members	20.04.17	11.07.17	23.08.17	28.08.17	22.11.17	30.01.18	31.01.18	Total
Mr MM Chikane	Y	Y	Y	Y	–	Y	–	**5**
Mr A Hanekom	Y	Y	Y	Y	Y	Y	Y	**7**
Ms B Khan	–	Y	Y	Y	Y	Y	Y	**6**
Ms BM Mannya	Y	Y	Y	Y	Y	Y	Y	**7**
Ms FS Varachia**	Y	Y	Y	Y	**	**	**	**4**
Mr Z Ngcakani*					–	Y	Y	**2**

** New HR&R Committee members appointed.*
*** Ms Varachia removed as member.*

Record of Attendance of Management Committee Meetings

Board members	15.09.17	12.10.17	18.10.17	26.02.18	Total
Ms J Hermans	Y	Y	Y	Y	**4**
Mr Z Ngcakani	–	–	–	–	**–**
Mr MM Chikane	–	–	–	Y	**1**
Mr A Hanekom	Y	Y	Y	Y	**4**
Ms JSP Matsebula	Y	Y	Y	Y	**4**
Ms FS Varachia	Y	Y	Y	Y	**4**

Record of Attendance of Projects, Research and Development Committee Meetings

Board Members	21.04.17	21.06.17	21.07.17	29.09.17	19.01.18	Total
Ms JSP Matsebula	Y	–	Y	Y	–	**3**
Ms J Hermans*	Y	Y	Y	Y	*	**4**
Ms BM Mannya*	Y	Y	Y	Y	*	**4**
Ms MJ Matlala	Y	Y	Y	Y	Y	**5**
Ms T Shange	Y	Y	Y	–	Y	**4**
Ms B Khan**					Y	**1**
Mr MM Chikane**					–	**–**
Ms FS Varachia**					Y	**1**
** Mesdames Hermans and Mannya removed as members.*						
*** New PRD Committee members appointed.*						

Committees

The Board operated through the following four committees namely:
i) Management Committee
ii) Audit and Risk Committee
iii) Human Resources and Remuneration Committee
iv) Projects, Research and Development Committee

Remuneration of Board members

Board Member	Appointment Date	Total
Ms J Hermans	January 4, 2016	224 623
Mr Z Ngcakani	January 4, 2016	138 534
Mr MM Chikane	January 4, 2016	131 871
Mr A Hanekom	January 4, 2016	211 962
Ms B Khan	January 4, 2016	158 077
Ms BM Mannya	January 4, 2016	214 833
Ms MJ Matlala	January 4, 2016	221 081
Ms JSP Matsebula	January 4, 2016	177 223
Ms T Shange	January 4, 2016	151 543
Ms FS Varachia	January 4, 2016	221 880
Total Remuneration		**R1 851 627**

3.5 Risk Management

The NDA Board is accountable for the process of risk management, which is reviewed regularly for effectiveness. The risk management policy and strategy have been in place and implemented throughout the year. Regular risk assessments have been conducted to produce strategic and operational risk registers and have been monitored on the quarterly basis.The Audit and Risk Committee advised and evaluated the effectiveness of the system of risk management. The strategic risk register of the NDA is as follows:

Risk	Mitigation plans	Progress made
1. Inadequate resources to fully implement the mandate of the NDA	MTEF submission detailing a full cost analysis to implement the new strategy partnership with stakeholders maintained.	1. In 2016, Minmec had approved a function shift for capacity-building that would have come with budget to the NDA. There was also advice sought from the Financial and Fiscal Commission (FFC) on function shift process. 2. A function shift letter had been sent to the DG's office in June 2017 and the NDA is waiting for the DG's response in this regard.
2. Inadequate and insufficient IT systems and processes to implement the strategy (lack of ICT Strategy and Master Systems Plan)	Integrated IT systems and operational processes clearly defined.	The Master Systems Plan and ICT Strategy (Roadmap) has been approved by the Board on 29 January 2018. The implementation of the ICT Strategy will be in phases, focusing on phase 1 and 2 (Development of CSO Information System) in the financial year 2018/2019.
3. Misalignment of the current structure to the new business model	The new structure was developed and approved during the course of 2017/18 financial year	The structure has been developed with the footprint of district offices. The organisational structure has been approved by the Board. It will be implemented in the 2018/19 financial year and the outer financial years.
4. Lack of relevant expertise and skills to implement the new strategy	Funding and recruitment of relevant skills and expertise to deliver on the new structure. Retraining and re-skilling of current staff.	Some of the Executive and Senior Management positions were filled. There is also incremental filling of positions at Head Office and the Provincial Offices with the focus on District Office positions.

3.6 Internal Audit and Audit Committees

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

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

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

- Review of performance information
- Review of management accounts
- Review of annual financial statements
- Follow-up on audit findings
- Procurement audit
- Projects audit
- Risk management audit
- Governance review
- Ad hoc audits

The system of internal control applied by the NDA is adequate, however it is not always effective. Areas of weaknesses identified during the audits are addressed by management on an ongoing basis.

3.7 Compliance with laws and regulations

The NDA continued to comply with the compliance checklist that responds to the provisions of the PFMA, Treasury Regulations and all other relevant legislation.

3.8 Fraud and corruption

The Fraud Prevention Plan manages fraud risk and raises the level of fraud awareness among the internal and external stakeholders of the NDA. The NDA Fraud Prevention Plan intends to reduce the risk of fraud and provide mitigating measures that will protect the interests of the organisation. The proactive approach consists of the responsibility for prevention, detection, reporting, communication and reaction to fraud. A whistle-blowing policy is in place to support the fraud prevention plan. The NDA has migrated its tip-off anonymous hotline platform to the Public Service Commission (PSC). The new number has been marketed to all staff members through an awareness session. All reported cases are investigated and the resolutions implemented. Integrity management awareness sessions have also been conducted through our online publications.

3.9 Minimising conflict of interest

Annually, declarations of interest forms are distributed to Board Members and NDA staff to facilitate the recording of any interest that might impact the NDA. Further, in every management or Board and committee meeting, a declaration of interest form on agenda items is completed and signed. Where there is an interest declared, the member would be requested to recuse him/herself when the item is discussed. The NDA has embarked on a process to acquire data from the Commission for Intellectual Property and Companies (CIPC) system to verify the authenticity of staff declarations. The system will assist in detecting possible conflict of interest between NDA representatives (Board Members and employees) and the transacting parties (e.g. CSOs, service providers and other stakeholders).

3.10 Code of Conduct

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

3.11 Health, safety and environmental issues

To ensure compliance with the Occupational Health and Safety provisions and requirements, the NDA is currently setting up a business unit whose responsibility and mandate is to ensure compliance with and enforcement of occupational health and safety legislative requirements (Occupational Health and Safety Act, and applicable regulations). To this end, the following key issues have been addressed:

- Equipment is serviced every year.
- All firefighting and emergency requirements have been built into the specifications to source new office space for the NDA.

3.12 Company Secretary

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

3.13 Social responsibility

The NDA implements its programmes and projects in accordance with the National Development Agency Act (as amended) and its policy, however there are other programmes or projects implemented by CSOs and sector departments through which the NDA collaborate with these stakeholders. Although the NDA does not have a dedicated budget allocation for social responsibility through its programmes, it is able to support civil-society-based initiatives. For the financial year of reporting these are the initiatives supported by NDA:

Nelson Mandela Day

Both the national and provincial offices of the NDA participated in Mandela Day. The NDA national office and the Gauteng provincial offices spent their 67 Minutes for Nelson Mandela Day at two identified ECDs in Kliptown respectively.

In another initiative, the NDA team worked on Izanokhanyo's Food Garden by harvesting the old crops and preparing the soil for planting new crops. The NDA also participated with other organisations on the Ministerial Outreach Programme at the Walter Sisulu Square Community Hall.

Staff in provincial offices donated money towards food and toys for various identified charities in the respective municipalities.

Take a Girl Child to Work Campaign

The NDA partnered with the DSD and SASSA on the Take a Girl Child to Work campaign, hosted by the DSD. The theme, "Dream, Believe and Achieve", encouraged young women and girls around South Africa to believe in themselves, to open their eyes to the possibilities around them and to make a difference in their own lives. At this event, the NDA spoke to high school pupils about the work of the NDA and donated pencil cases containing a ruler, pencil, eraser and pen to 80 learners from various high schools in the Pretoria area, including schools for children living with disabilities.

3.14 Audit and Risk Committee Report

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

Audit and Risk Committee responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 51 (1)(a)(ii) of the Public Finance Management Act and Treasury Regulation 27.1. The Audit and Risk Committee reports that it has adopted appropriate formal terms of reference, as its Audit and Risk Committee Charter has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Evaluation of internal controls

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

- The effectiveness of the internal control systems.
- The operational risk areas covered in the scope of internal and external audits.
- The adequacy, reliability and accuracy of financial information provided to Board and stakeholders.
- Any accounting and auditing concerns identified as a result of internal and external audits.
- Compliance with legal, accounting and regulatory frameworks.
- The activities of the Internal Audit Function, including its annual work programme, coordination with external auditors, the reports of significant investigations and the response of management to specific recommendations.
- Where relevant, the independence and objectivity of external auditors.

The system of internal control applied by the Agency over financial risk management is effective, efficient and transparent. In line with the PFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes, reports of the internal auditors, the Audit report on the Annual Financial Statements and the management report of the Auditor-General.

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

Evaluation of the Annual Financial Statements

The Audit and Risk Committee of the Board has:

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

Evaluation of the Performance Information

The Audit and Risk Committee of the Board has reviewed the NDA's Report on Performance Information. The monitoring of the Agency's performance is a key function of the Executive Authority. The Committee has ensured, principally through the internal audit function, that the systems of performance measurement and reporting, as well as the systems of internal control that underpin the performance management framework of the Agency, remain robust and are addressed routinely in the audit plans. The Committee confirms that during the year under review a number of weaknesses around performance measurement were identified, and management was directed to ensure that an appropriate corrective action plan was implemented in the 2017/18 financial year.

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

Evaluation of risk management

Appropriate risk and control policies are established and communicated throughout the NDA. The Board, through the Audit and Risk Committee, retains control by means of the final review of key risk matters affecting the organisation. The gap analysis was conducted to identify areas of improvement in the system of risk management through the National Treasury Maturity Model assessment and the risk management review/audit. This has formed the basis to inform the NDA Risk Management Strategy that is undergoing revision and is to be approved early in the next financial year. A risk manager has been appointed to implement, coordinate and support the risk management activities of the NDA.

Conclusion

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

I would like to thank all members of the Committee for their contribution and the professional way in which meetings were conducted. The Committee wishes to express to the Board, CEO and staff of the NDA, our sincere appreciation for the commitment and progress made this year. We are pleased to present our report for the financial year ended 31 March 2018.

Ms Thabi Shange
Chairperson of the Audit and Risk Committee
National Development Agency
30 July 2018

PART D – HUMAN RESOURCES

"For to be free is not merely to cast off ones chains, but to live in a way that respects and enhances the freedom of others".

Nelson Mandela

4.1 Introduction

The role of the Human Resource Management function had assumed multiple roles in creating, delivering and sustaining a value proposition for the organisation's strategic goals and objectives. Among others, these roles included the provision of human resources management and administration; human resource planning and reporting, human resources development; performance improvement, employee wellbeing and employee relations.

Due to the fact that the NDA was undergoing transition, the HR Unit also ensured that the structure was aligned to the new approach. There was also a focus on a skills audit of staff to determine the gaps for development interventions and employee engagement and the recruitment of new staff at district level, as the NDA implemented the decentralised model.

To achieve the NDA strategic goals and objectives, the Human Resources Unit adopted a human capital management strategic framework based on five core pillars, namely:

- workforce alignment and employee engagement;
- employee management and development;
- constructive workplace relationship management;
- employee health and well-being; and
- employee disengagement.

The NDA has five directorates that implement both the primary and secondary mandates – these are Development Management & Research, Finance, Office of the COO, Office of the CEO and Corporate Services. As at 31 March 2018, the NDA had 192 employees, which are inclusive of contract and fixed-term employees, in its total workforce.

4.2 Human Resources Oversight Statistics

The table below summarises the audited expenditure and provides an indication of the amount spent on personnel cost per programme and salary band:

Personnel cost by programme

Programme	Total expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel expenditure as a % of total expenditure	Number of employees	Average personnel cost per employee (R'000)
Programme 1: Governance and Administration	95 660	42 699	18,56%	57	749
Programme 2: CSO Development	128 601	71 959	31,27%	128	562
Programme 3: Research and Knowledge Management	5 830	4 991	2,17%	7	713
Total	**230 091**	**119 649**	**52%**	**192**	**623**

Personnel cost by salary band

Level	Personnel expenditure (R'000)	% of personnel expenditure to total personnel cost	Number of employees	Average personnel cost per employee (R'000)
Top management	7 777	6,5%	5	1 555
Senior management	24 528	20,5%	20	1 226
Professional qualified	68 918	57,6%	113	610
Skilled	15 435	12,9%	37	418
Semi-skilled	1 077	0,9%	4	269
Unskilled	1 914	1,6%	13	147
Total	**119 649**	**100%**	**192**	**623**

PART D – HUMAN RESOURCES

Performance reward

The NDA has an automated performance management system for setting and measuring performance objectives, which are aligned with the Annual Performance Plan and divisional plans. Formal performance reviews are conducted bi-annually during September and March. Year-end performance ratings are the determinant of performance rewarding, which is based on the approved performance management policy. Performance bonuses for the 2016/17 financial year were paid in September 2017 to 123 employees and the total cost was R5 231 486.

Level	Performance rewards	Personnel expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top management	442	7 777	0,37%
Senior management	1 053	24 528	0,88%
Professional qualified	2 502	68 918	2,09%
Skilled	1 088	15 435	0,91%
Semi-skilled	67	1 077	0,06%
Unskilled	79	1 914	0,06%
Total	**5 231**	**119 649**	**4,37%**

Training costs

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

Programme	Personnel expenditure (R'000)	Training expenditure (R'000))	Training expenditure as a % of personnel cost	Number of employees trained	Average training cost per employee (R'000)
Programme 1: Governance and Administration	42 699	221	0,18%	66	3
Programme 2: CSO Development	71 959	510	0,43%	113	5
Programme 3: Research and Knowledge Management	4 991	21	0,02%	2	11
Total	**119 649**	**752**	**0,63%**	**181**	**4**

A total of R752 680 has been spent on learning and development interventions in 2017/18 and 181 employees benefitted from these. However, it should be noted that all these employees have attended more than one intervention. A total of 19 bursaries or form of study assistance was awarded to employees at the beginning of the academic year, to pursue long-term studies towards the attainment of a formal qualification.

Employment and vacancies

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

Programme	2016/2017 Number of employees	2017/2018 Approved posts	2017/2018 Permanent employees	2017/2018 Contract employees	2017/2018 Vacancies	% of vacancies
Programme 1: Governance and Administration	58	61	53	4	8	13%
Programme 2: CSO Development	115	150	117	11	33	22%
Programme 3: Research and Knowledge Management	7	7	6	1	1	14%
Total	**180**	**218**	**176**	**16**	**42**	**19%**

Levels	2016/2017 Number of employees	2017/2018 Approved posts	2017/2018 Permanent employees	2017/2018 Contract employees	2017/2018 Vacancies	% of vacancies
Top management	3	6	5	–	1	17%
Senior management	28	21	20	–	1	5%
Professional qualified	90	122	99	14	23	19%
Skilled	41	46	35	2	11	24%
Semi-skilled	4	4	4	–	–	–
Unskilled	14	19	13	–	6	32%
Total	**180**	**218**	**176**	**16**	**42**	**19%**

The NDA is operating below the approved staff establishment, however, and there is ongoing recruitment to reduce the vacancy rate. Internal arrangements were made where the NDA had vacant critical positions through the appointment of internal staff members on acting and secondments contracts over and above the fixed-term contractors.

Reasons for staff leaving

The table below outlines the attrition trends in relation to the number of staff that has left the organisation during the 2017/2018 financial year. Quarterly statistics are reported, and the annual turnover rate is an average of the four quarterly statistics.

Reason	Number	% of total number of staff leaving
Death	1	1%
Resignation	2	1%
Dismissal	1	1%
Retirement	–	–
Ill health	–	–
Expiry of contract	2	1%
Other	2	1%
Total	**8**	**4%**

As at 31 March 2018, there were eight employees that left the organisation.

Labour relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	–
Written warning	1
Final written warning	1
Dismissal	1
Total	**3**

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

Equity target and employment equity status

The tables and graphs below are based on the formats prescribed by the Employment Equity Act, 55 of 1998 and the Department of Labour. The NDA Employment Equity is profiled according to gender, disability, race, salary grade and by occupational categories. The numbers reflected in the tables below relate only to the number of employees as at 31 March 2018. Staff members who left the NDA are not recorded.

	Female							
	African		Coloured		Indian		White	
Levels	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	2	–	1	1	1	–	–
Senior management	6	8	–	1	–	1	–	–
Professional qualified	61	57	2	9	–	5	–	2
Skilled	25	27	2	4	1	3	1	1
Semi-skilled	3	3		–	–	–	–	–
Unskilled	11	11	1	4	–	1	–	–
Total	**108**	**108**	**5**	**19**	**2**	**11**	**1**	**3**

The NDA employment profile is mostly represented by females at 66%, of whom 93% are Africans. Although females dominate the organisation's employment statistics, there is still a need for women representation at senior management level to achieve the targets.

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	1	–	1	–	–	–	–
Senior management	12	9	2	2	–	–	–	–
Professional qualified	33	39	3	5	–	3	–	2
Skilled	6	7	–	2	–	1	–	1
Semi-skilled	1	1	–	–	–	–	–	–
Unskilled	1	2	–	1	–	–	–	–
Total	**55**	**59**	**5**	**11**	**–**	**4**	**–**	**3**

Males make up only 34% of total staff, with Africans comprising 92%. Other racial groups are not proportionally represented and there is a need to review employment equity statistics to ensure that race and gender comprise a balanced workforce to address employment equity objectives.

Staff with a disability

The NDA continues to strive for fair representation of people with disabilities. The table below details NDA's disability profile at all occupational levels compared to the internal target.

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

Currently the NDA has four certified employees with disabilities, translating to a 2% target for employing people with disabilities. This is consistent with the government target of 2%. However, it is the intention of the NDA to increase these numbers. This will be addressed during the 2018/19 FY through targeted recruitment and the addressing of other human resources practices in this regard.

PART E – AUDITED ANNUAL FINANCIAL STATEMENTS

"It is what we make out of what we have, not what we are given, that separates one person from another".

Nelson Mandela

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

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the National Development Agency set out on pages 55 to 84, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amount for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Development Agency as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of General Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act no.1 of 1999) (PFMA).

Basis for opinion

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

4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Emphasis of matter

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

Restatement of corresponding figures

7. As disclosed in note 26 to the financial statements, the corresponding figures for 31 March 2017 were restated as a result of a reclassification in the financial statements of the public entity at, and for the year ended, 31 March 2018.

Responsibilities of accounting authority for the financial statements

8. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA standards of GRAP, the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

9. In preparing the financial statements, the accounting authority is responsible for assessing the National Development Agency's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

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

11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for the selected programme presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the annual performance report of the public entity for the year ended 31 March 2018:

Programme	Pages in the annual performance report
Programme 2 – Civil Society Organisation (CSO) Development	14-31

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. The material findings in respect of the usefulness and reliability of the selected programme are as follows:

Programme 2 – CSO development

17. The entity did not have an adequate record-keeping system to enable reliable reporting on achievement of the indicators. As a result, I was unable to obtain sufficient appropriate audit evidence in some instances, while in other cases the supporting evidence provided did not agree with the reported achievements. Based on the supporting evidence that was provided, the achievement of these indicators was different to the reported achievement in the annual performance report. I was also unable to further confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any further adjustments were required to the reported achievements of the indicators.

Other matter

18. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Achievement of planned targets

19. Refer to the annual performance report on pages 24 to 29 for information on the achievement of planned targets for the year and explanations provided for the under/over achievement of a number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph 15 of this report.

Report on the audit of compliance with legislation

Introduction and scope

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

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

Annual financial statements

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

23. Material misstatements of disclosure items identified by the auditors in the submitted financial statement were corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

24. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R16 506 194 as disclosed in note 31 to the annual financial statements, as required by section 51(1) (b) (ii) of the PFMA. The majority of the irregular expenditure was caused by the entity not following the bidding processes.

Strategic planning

25. Procedures for the facilitation of effective performance monitoring, evaluation and corrective action through quarterly reports were not established as required by treasury regulation 30.2.1.

Consequence management

26. Disciplinary steps were not taken against some of the officials who had permitted fruitless and wasteful expenditure, as required by section 51(1)(e)(iii) of the PFMA.

Procurement and contract management

27. Some contracts were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and Preferential Procurement Regulations.

Other information

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

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

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

31. If, based on the work I have performed, I conclude that there is a material misstatement in this other information; I am required to report that fact.

Internal control deficiencies

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

Leadership

33. Management did not exercise sufficient oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls to ensure that the financial statements and annual performance report are free from material misstatements.

Financial and performance management

34. Management did not have effective review processes in place to ensure that the financial statements and performance report submitted for audit are free of misstatement and compliance with the applicable laws and regulations consequently material non-compliance matters were identified.

35. Management could have prevented non-compliance with legislation had there been proper review and monitoring during the year to ensure that effective, efficient and transparent systems of financial and risk management and internal control is maintained.

36. The entity did not have appropriate and effective processes and systems to identify, collect, collate, verify and store performance information to ensure that the information in the annual report is valid, accurate and complete.

Auditor-General

Pretoria
31 July 2018

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

Financial statements

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

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority;
- conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Development Agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

REPORT BY THE BOARD ON THE ANNUAL FINANCIAL STATEMENTS

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

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The members have reviewed the entity's cash flow forecast for the year to March 31, 2019 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on pages 55 to 84, which have been prepared on the going concern basis, were approved by the members on July 30, 2018 and signed on their behalf by:

Ms. Judy Hermans
NDA Board Chairperson

Parktown
30 July, 2018

STATEMENT OF FINANCIAL POSITION

for the year ended March 31 2018

	Note(s)	2018	2017
Assets			
Current Assets			
Receivables from exchange transactions	13	899 712	697 943
Receivables from non-exchange transactions	14	241 591	212 488
Cash and cash equivalents	15	80 674 908	101 175 191
		81 816 211	**102 085 622**
Non-Current Assets			
Property plant and equipment	10	6 547 917	5 653 556
Intangible assets	11	121 509	120 960
		6 669 426	**5 774 516**
Total Assets		**88 485 637**	**107 860 138**
Liabilities			
Current Liabilities			
Payables from exchange transactions	16	8 056 879	7 510 787
Payables from non-exchange transactions	17	2 769	740
Provisions	18	5 890 711	5 283 999
Short term employee benefits	19	5 889 539	4 604 632
Accrual for committed projects	20	2 711 488	4 401 462
Unutilised third party funds	21	28 322 455	14 833 981
		50 873 841	**36 635 601**
Total Liabilities		**50 873 841**	**36 635 601**
Net Assets		**37 611 796**	**71 224 537**
Accumulated surplus		37 611 796	71 224 537
Total Fund and Liabilities		**88 485 637**	**107 860 138**

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended March 31 2018

	Note(s)	2018	2017
Revenue			
Non-exchange revenue			
Transfer Revenue	3	200 913 000	194 153 000
Other grants – Third party funds	4	18 542 321	35 392 934
Total revenue from non-exchange transactions		**219 455 321**	**229 545 934**
Exchange revenue			
Other income	5	2 217 648	2 721 050
Finance income		4 959 740	5 050 948
Total revenue from exchange transactions		**7 177 388**	**7 771 998**
Total revenue		**226 632 709**	**237 317 932**
Expenditure			
Mandate expenses			
Disbursements to NDA grant funded projects		(8 181 292)	(22 788 080)
Disbursements to third party funded projects		(578 715)	(11 738 281)
Third party funded capacity building costs		(17 963 605)	(24 537 833)
CSO development programme implementation costs		(14 995 840)	(15 823 728)
Research, monitoring and evaluation costs		(1 188 806)	(1 415 643)
NDA funded capacity building costs		(21 335 023)	(10 113 916)
Mandate staff costs	7	(70 187 649)	(48 264 236)
Total mandate expenses		**(134 430 930)**	**(134 681 717)**
Administration expenses			
Accommodation and travel		(8 867 132)	(8 966 035)
Audit fees		(2 619 736)	(2 244 830)
Board fees	6	(1 851 627)	(1 274 310)
Consulting and professional fees		(2 468 880)	(1 839 573)
Depreciation and amortisation		(2 821 183)	(1 991 648)
Operating leases		(10 785 980)	(9 757 646)
Admin staff costs	7	(49 461 717)	(46 079 619)
IT communication costs		(2 846 218)	(2 588 874)
Relocation of offices		(327 070)	(316 206)
Increase in allowance for loss		–	(4 589)
Loss on disposal of assets		(152 500)	(152 348)
General expenses	8	(13 458 305)	(10 864 665)
Total Administration expenses		**(95 660 348)**	**(86 080 343)**
Total Expenditure		**(230 091 278)**	**(220 762 060)**
(Deficit)/Surplus for the year		**(3 458 569)**	**16 555 872**

STATEMENT OF CHANGES IN NET ASSETS

for the year ended March 31 2018

	Note(s)	Accumulated surplus	Total net assets
Balance at April 1, 2016		**54 668 665**	**54 668 665**
Changes in net assets		16 555 872	16 555 872
Surplus for the year			
Total changes		16 555 872	16 555 872
Opening balance as previously reported		**71 224 537**	**71 224 537**
Adjustments			
Prior-year adjustment		263 810	263 810
Balance at April 1, 2017 as restated*		**71 488 347**	**71 488 347**
Changes in net assets			
Deficit for the year		(3 458 569)	(3 458 569)
Surplus surrendered to National Treasury	28	(30 417 982)	(30 417 982
Total changes		**(33 876 551)**	**(33 876 551)**
Balance at March 31, 2018		**37 611 796**	**37 611 796**

CASH FLOW STATEMENT

for the year ended March 31 2018

	Note(s)	2018	2017
Cash flows from operating activities			
Receipts			
Transfer revenue		238 240 052	209 793 072
Interest income		5 005 152	5 203 901
Other receipts		2 201 988	2 558 882
		245 447 192	**217 555 855**
Payments			
Employee costs		(116 767 570)	(88 899 878)
Suppliers		(99 138 732)	(94 644 331)
Funded projects		(10 458 371)	(34 713 055)
Eastern Cape Provincial Department of Social Development		(5 296 224)	–
Surplus surrendered to National Treasury	28	(30 417 982)	
		(262 078 879)	**(218 257 264)**
Net cash flows from operating activities	22	**(16 631 687)**	**(701 409)**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(3 851 895)	(2 232 187)
Purchase of other intangible assets	11	(16 701)	–
Net cash flows from investing activities		**(3 868 596)**	**(2 232 187)**
Net increase/(decrease) in cash and cash equivalents		**(20,500,283)**	**(2,933,596)**
Cash and cash equivalents at the beginning of the year		101 175 191	104 108 787
Cash and cash equivalents at the end of the year	15	**80 674 908**	**101 175 191**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

for the year ended March 31 2018

	Approved Budget on Cash basis	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Notes
Statement of Financial Performance Revenue						
Revenue from exchange transactions						
Other income	–	1 283 455	**1 283 455**	2 217 648	934 193	9.1
Finance income	–	4 715 000	**4 715 000**	4 959 740	244 740	
Total revenue from exchange transactions	**–**	**5 998 455**	**5 998 455**	**7 177 388**	**1 178 933**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants and subsidies	200 913 000	–	**200 913 000**	200 913 000	–	
Other grants – Third party funds	–	18 542 321	**18 542 321**	18 542 321	–	
Transfer from accumulated funds	–	35 031 986	**35 031 986**	–	(35 031 986)	9.2
Total revenue from non-exchange transactions	**200 913 000**	**53 574 307**	**254 487 307**	**219 455 321**	**(35 031 986)**	
Total revenue	**200 913 000**	**59 572 762**	**260 485 762**	**226 632 709**	**(33 853 053)**	
Expenditure						
Admin staff costs	(42 235 911)	(9 909 964)	(52 145 875)	(49 461 717)	2 684 158	
Board meeting fees	(1 439 488)	(303 361)	(1 742 849)	(1 851 627)	(108 778)	
Depreciation and amortisation	–	(2 908 229)	(2 908 229)	(2 821 183)	87 046	
Lease rentals on operating lease	(11 076 646)	451 739	(10 624 907)	(10 785 980)	(161 073)	
NDA funded capacity building costs	(9 000 000)	(8 711 476)	(17 711 476)	(21 335 023)	(3 623 547)	9.8
Research, monitoring and evaluation costs	(2 949 297)	(121 088)	(3 070 385)	(1 188 806)	1 881 579	9.3
Third party managed funds	–	(18 542 320)	(18 542 320)	(18 542 320)	–	
NDA grant funded projects	(7 456 041)	(18 389 478)	(25 845 519)	(8 181 292)	17 664 227	9.4
CSO development programme implementation costs	(15 160 477	(1 706 038)	(16 866 515)	(14 995 840)	1 870 675	
Mandate salary costs	(78 966 836)	8 846 984	(70 119 852)	(70 187 649)	(67 797)	
General Expenses	(13 714 229)	(1 677 327)	(15 391 556)	(13 785 375)	1 606 181	9.6
IT communications costs	(3 176 144)	(2 605 101)	(5 781 245)	(2 846 218)	2 935 027	9.9
Loss on disposal of assets	–	–	–	(152 500)	(152 500)	
Audit fees	(2 254 023)	(67 955)	(2 321 978)	(2 619 736)	(297 758)	
Consulting and professional fees	(3 870 371)	(489 120)	(4 359 491)	(2 468 880)	1 890 611	9.5
Accommodation and travel	(7 613 537)	(1 281 686)	(8 895 223)	(8 867 132)	28 091	
Total expenditure	**(198 913 000)**	**(57 414 420)**	**(256 327 420)**	**(230 091 278)**	**26 236 142**	
Operating surplus /deficit	2 000 000	2 158 342	4 158 342	(3 458 569)	(7 616 911)	
Capital expenditure	(2 000 000)	(2 158 342)	(4 158 342)	(3 868 596)	289 746	
Comparable Operating deficit	**–**	**–**	**–**	**(7 327 165)**	**(7 327 165)**	

ACCOUNTING POLICIES

1. Basis of preparation

The financial statements have been prepared in accordance with the South African standards of GRAP.

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

The following Standards of GRAP have been issued by the Accounting Standards Board, but were not effective at reporting date and were considered in the development of applicable accounting policies:
- GRAP 20 – Related party disclosures
- GRAP 32 – Service concession arrangements: Grantor
- GRAP 108 – Statutory receivables
- GRAP 109 – Accounting by principals and agents

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

The cash flow statement can only be prepared in accordance with the direct method in accordance with GRAP 1. The amounts and nature of any restrictions on cash balances are disclosed in Note 15.

Specific information, such as the following, must be presented separately on the statement of financial position in accordance with GRAP 1.
- Receivables from non-exchange transactions, including taxes and transfers;
- Taxes and transfers payable;
- Trade and other payables from exchange transactions.

These accounting policies are consistent with the previous period.

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

1.1 Presentation currency

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

1.2 Mandate expenditure

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

1.2.1 Disbursements to funded projects

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

1.2.2 Capacity-building costs

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

1.3 Offsetting

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is permitted or required by a standard.

1.4 *Committed project funds*

Committed project funds represent funds committed in terms of contracted funding to NPOs and CSOs that have not been disbursed to these organisations by the end of the financial year.

1.5 *Property, plant and equipment*

Recognition and measurement

Property, plant and equipment are tangible assets that are held for use in the supply of goods and services, or for administrative purposes that are expected to be used for more than one period. Items of property, plant and equipment are recognised as an asset when it is probable that future economic benefits associated with the asset will flow to the entity and the cost and fair value of the asset can be measured reliably.

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Costs include expenditure incurred initially to acquire or construct an item of property, plant and equipment. Installation and other direct labour costs necessarily incurred in order to acquire an item of property, plant and equipment are also included in the cost.

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

Subsequent costs

Subsequent costs are incurred to add to, or replace a significant part of an item of property, plant and equipment. 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 flow to the entity. All other subsequent expenditure is recognised as an expense in the period in which it is incurred. If replacement costs are recognised in the carrying amount of items of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Depreciation

Depreciation is charged on the straight-line basis over the estimated useful lives of the assets. Depreciation charge of each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	6-14 years
Office equipment	Straight line	6-11 years
Computer equipment	Straight line	3-11 years

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

The cost of day-to-day servicing of property, plant and equipment are recognised in the statement of financial performance as they are incurred.

1.6 *Intangible assets*

Initial recognition and measurement

Intangible assets are initially recognised at cost. Intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses initially recognised as soon as the acquisition item is available for use by the entity.

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

Subsequent costs

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

Amortisation

Amortisation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. Intangible assets are amortised on the straight-line basis over the estimated useful lives of three to ten years.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Other software	3-10 years
ERP system	9 years

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

1.7 *Financial instruments*

Non-derivative financial instruments

The entity's non-derivative financial instruments comprises the following:
– Trade and other receivables
– Cash and cash equivalents
– Trade and other payables

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

Financial liabilities are de-recognised when the contractual obligation expires or is discharged or cancelled

Cash and cash equivalents

Cash and cash equivalents comprises 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 a significant risk of changes in value. These are initially and subsequently recorded at amortised cost.

Loans, receivables and financial liabilities are measured at amortised cost.

In the case of trade and other receivables, cash and cash equivalents, trade and other payables, these non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted to the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in surplus or deficit.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in surplus or deficit.

Offset

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

1.8 *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 – Lessee

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

1.9 *Impairment of non-cash-generating assets*

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation or amortisation.

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

1.10 *Employee benefits*

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

Short-term employee benefits

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

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

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

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or

- provide termination benefits because of an offer made in order to encourage voluntary redundancy.

1.11 Provisions and contingencies

1.11.1 Provisions

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

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

Provisions are not recognised for future operating deficits.

1.11.2 Contingent assets

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

1.11.3 Contingent liabilities

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

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

1.12 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

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

1.13 Exchange revenue

Exchange revenue represents transactions in which the entity receives assets or services and directly gives approximate equal value to another in exchange.

1.13.1 Finance income

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

1.13.2 Other income

1.13.2.1 Recoveries from projects

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

1.13.2.2 Management fees

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

1.14. Revenue from non-exchange transactions

Non-exchange revenue represents assets and services received by the entity without giving an approximate equal value in exchange.

1.14.1 Transfer revenue

1.14. Revenue from non-exchange transactions

Transfer revenue is an unconditional government grant related to operational costs that is measured at fair value of a consideration received and is recognised in surplus or deficit when the transfer becomes receivable. Revenue is recognised when received and none of the revenue is deferred.

1.14.2 Other grants

Other grants represents conditional grants received from other sources with conditions attached to them. These are recognised when the conditions are met and payments are made.

1.15 Comparative information

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

1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure, that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Irregular expenditure

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

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

The following is the recommended accounting policy for irregular expenditure – per Updated Guideline on Irregular Expenditure – National Treasury – April 2015

- Expenditure is incurred when the expenditure linked to the transaction, condition or event is recognised in the Statement of Financial Performance.
- Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the notes."
- Irregular expenditure receivables are measured at the amount that is expected to be recovered and are de-recognised when settled or written-off as irrecoverable.
- Irregular expenditure must be removed from the balance of the irregular expenditure notes when it is either

a) condoned by the relevant authority if no official was found to be liable in law;
b) recovered from an official liable in law;
c) written-off if it is irrecoverable from an official liable in law; or
  – debt is written off "against savings" if an official was found to be liable in law and a debtor was recorded for the recovery of such a debt.

d) written-off if it is not condoned and not recoverable.

- Irregular expenditure is "NOT written off against savings" but de-recognised from the balance of the irregular expenditure in the notes to the annual financial statements if an official of the institution was not found liable in law for the transgression.

- Irregular expenditure that is not recoverable because no official was found to be liable in law for such a transgression and was also not condoned by the relevant authority must be de-recognised in the balance of the irregular expenditure note. The accounting officer or accounting authority must only de-recognise the irregular expenditure when he or she is satisfied that:

a) reasonable steps have been taken to confirm that such irregular expenditure did not result in any loss or damages to the state and that the state did obtain value from such a transaction, condition or event;

b) the non-compliance that lead to the irregular expenditure is being addressed; and

c) transactions, conditions or events of a similar nature are regularly reviewed to ensure that there are no possible future non-compliance cases reported.

- The accounting officer or accounting authority may proceed with the "write-off" of the irregular expenditure after confirmation of the controls indicated above have been met and by informing the relevant delegated official in writing to de-recognise the irregular expenditure in the notes to the financial statements.

1.18 Related parties

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

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties that are not concluded at arm's length or not in the ordinary course of business are disclosed.

2. Legal form and registered office of the NDA

The NDA is a schedule 3A public entity in terms of the PFMA that was established in term of the National Development Agency Act, Act No. 108 of 1998 as amended. The Act mandates the agency to grant funds to CSOs for the purposes of implementing development projects and programmes in poor communities and strengthening the institutional capacity of other CSOs that provide services to poor communities.

The Entity's registered offices are as follows:
26 Wellington Road
Parktown Johannesburg
2193

3. Non exchange revenue

	2018	2017
Operating grants		
Transfer revenue	200 913 000	194 153 000
4. Non exchange revenue		
Other grants		
Utilised portion of conditional grant (DSD: Free State ECD)	484 306	3 090 731
Utilised portion of conditional grant (DSD: Mpumalanga)	–	7 274 354
Utilised portion of conditional grant (DSD: North West)	–	572 000
Utilised portion of conditional grant (SASSA School uniforms)	18 257	–
Utilised portion of conditional grant (Economic Development: Northern Cape)	–	293 040
Utilised portion of conditional grant (Rand Water Foundation)	76 153	
Provincial NPO capacity building project	17 963 605	24 162 809
	18 542 321	**35 392 934**
5. Other income		
Management fees	2 022 550	2 557 354
Insurance refunds	178 829	62 418
Sundry income	16 269	101 278
	2 217 648	**2 721 050**

6. Executive and non-executive management remuneration

Executive management remuneration

2018	Designation	Appointment date	Termination date	Basic salary	Contribution to retirement	Performance bonus	Total
Ms H Mansour	Chief Audit Executive	November 24, 2005	–	1 267 495	350 785	74 906	1 693 186
Mr B Magongo	Research Executive	September 1, 2012	–	1 315 787	287 818	133 587	1 737 192
Mr SSL Ngcobo	Executive Corporate Services	September 1, 2017	–	773 603	109 555	–	883 158
Dr AV Bouwer	Acting Chief Operations Officer	November 1, 2014	January 15, 2018	1 134 521	139 349	70 692	1 344 562
Mr S Shingange	Acting Chief Financial Officer	November 1, 2015	September 30, 2017	513 823	103 277	56 845	673 945
Mr TL Ngwenya	Acting Corporate Services Executive	December 1, 2015	August 31, 2017	424 711	52 226	55 943	532 880
Mrs CTH Mzobe	Chief Executive Officer	November 1, 2016	–	1 803 917	247 210	234 365	2 285 492
Mr B Makgae	Company Secretary	April 1, 2016	December 31, 2017	791 966	134 086	56 869	982 921
Rev NG Mthembi	Acting Chief Operations Officer	January 16, 2018	–	165 087	40 859	–	205 946
Ms NC Yeni	Chief Financial Officer	October 3, 2017	–	604 979	101 001	–	705 980
Mr SS Shozi	Acting Company Secretary	January 8, 2018		279 322	59 765	–	339 087
				9 075 211	**1 625 931**	**683 207**	**11 384 349**

6. Executive and non-executive management remuneration (continued)

Executive management remuneration

2017	Designation	Appointment date	Termination date	Basic salary	Contribution to retirement	Total
Ms H Mansour	Chief Audit Executive	November 24, 2005	–	1 188 854	335 057	1 523 911
Mr B Magongo	Research and Development	September 1, 2012	–	1 235 244	274 846	1 510 090
Dr AV Bouwer	Acting Chief Operations Officer	November 1, 2014	–	1 279 191	160 429	1 439 620
Mr S Shingange	Acting Chief Financial Officer	November 1, 2015	–	961 213	201 465	1 162 678
Mr TL Ngwenya	Executive: Corporate Services	December 1, 2015	–	1 021 092	123 558	1 144 650
Mrs CTH Mzobe	Chief Executive Officer	November 1, 2016	–	706 282	98 648	804 930
Mr B Makgae	Company Secretary	April 1, 2016	–	996 850	166 311	1 163 161
				7 388 726	**1 360 314**	**8 749 040**

6. Executive and non-executive management remuneration (continued)

Non-executive

2018	Designation	Appointment date	Members' fees
Ms T Shange	Chair of Audit and Risk Committee	January 4, 2016	151 543
Ms B Khan	Member of Human Resource Committee	January 4, 2016	158 077
Mr Z Ngcakani	Member of Audit and Risk Committee	January 4, 2016	138 534
Mr MM Chikane	Member of Human Resource Committee	January 4, 2016	131 871
Ms BM Mannya	Member of Audit and Risk Committee	January 4, 2016	214 833
Ms MJ Matlala	Member of Audit and Risk Committee	January 4, 2016	221 081
Ms JSP Matsebula	Member of Audit and Risk Committee	January 4, 2016	177 223
Mr A Hanekom	Chair of Human Resource Committee	January 4, 2016	211 962
Ms FS Varachia	Member of Audit and Risk Committee	January 4, 2016	221 880
Ms J Hermans	Board Chairperson	January 4, 2016	224 623
			1 851 627

2017	Designation	Appointment Date	Members' fees
Ms T Shange	Member of Audit and Risk Committee	January 4, 2016	110 334
Ms B Khan	Member of Human Resource Committee	January 4, 2016	116 298
Mr Z Ngcakani	Member of Audit and Risk Committee	January 4, 2016	137 821
Mr MM Chikane	Chairperson of Human Resources Committee	January 4, 2016	118 312
Ms BM Mannya	Member of Audit and Risk Committee	January 4, 2016	133 338
Ms MJ Matlala	Member of Audit and Risk Committee	January 4, 2016	152 082
Ms JSP Matsebula	Member of Audit and Risk Committee	January 4, 2016	155 838
Mr A Hanekom	Member of Human Resource Committee	January 4, 2016	166 111
Ms FS Varachia	Chairperson of Audit and Risk Committee	January 4, 2016	184 176
			1 274 310

7. Staff costs

Department	2018	Percentage split	2017	Percentage split
Mandate staff costs				
Direct mandate salaries	70 187 649	58%	48 264 236	51%
Administration and governance staff costs	**39 842 161**	**33%**	**35 039 680**	**37%**
Corporate services	15 085 279	13%	12 419 875	13%
Office of the COO	328 613	–%	–	–%
Research and development	2 930 400	2%	3 748 885	4%
Internal audit	5 923 657	5%	5 522 722	6%
Office of the CEO	7 496 281	6%	6 377 351	7%
Finance and supply chain	8 077 931	7%	6 970 847	8%
Other staff administrative costs	**9 619 556**	**9%**	**11 039 939**	**12%**
Staff training costs	752 680	1%	1 350 767	1%
Performance bonus	5 838 198	5%	7 953 442	8%
Other staff related costs	3 028 678	3%	1 735 730	2%
	49 461 717	**42%**	**46 079 619**	**49%**
Total staff costs	**119 649 366**	**100%**	**94 343 855**	**100%**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8. General expenses

	2018	2017
Meeting recordings	–	6 250
Bank charges	87 901	66 993
Security services	–	1 760
Media monitoring	–	147 504
Consumables	140 510	421 562
Offsite storage	197 597	105 745
Transport costs	19 400	–
Insurance	254 841	191 174
Postage and courier	228 475	362 622
Printing and stationery	1 461 808	1 319 182
Municipal charges– Leased buildings	2 394 841	2 049 602
Repairs and maintenance	418 590	474 382
Software Licenses and renewal	2 745 489	1 625 936
Staff welfare	186 142	146 363
Telephone and fax	960 013	934 645
Catering	492 968	228 918
Subscriptions and memberships	15 066	15 836
Donations and sponsorships	169 200	82 354
Marketing and promotions	1 094 990	523 342
Advisory and District running costs	1 575 534	823 959
Travel management charges/fees	841 106	670 021
Seminars, workshops and conferences	173 834	666 515
	13 458 305	**10 864 665**

9. Disclosure note on statement of budgets and actual

The budget is approved on the cash basis by functional classification. The approved budget covers the financial period from 1 April 2017 to 31 March 2018. The adjusted budget and actual are prepared on the accrual basis. The financial statements are prepared using a classification of expenses by function.

The NDA considers variances between actual and budget that are greater than 10% as material. Material variances are explained below:

Revenue

9.1 Other Income (R934 193: 73%)

The positive variance is attributable to higher management fees actually received than was budgeted for.

9.2 Transfer from accumulated funds (R35 031 986)

This transfer represents accumulated surplus from previous financial year that the entity was allowed to retain by National treasury. The surplus was recognised in the statement of financial performance in the previous year.

Expenses

9.3 Research, monitoring and evaluation (R1 881 579 : 61%)

The underspending is partly attributable to delays in the finalisation of the planned evaluation of the CSO development framework that was commissioned in the third quarter of the financial year. The evaluation was finalised in the first quarter of the 2018/19 financial year. The variance is also partly attributed to delays in the implementation of the pilot phase of the ECD study conducted in collaboration with University of Fort Hare.

9.4 NDA grant funded projects (R17 664 227: 68%)

The underspending in disbursement of grants to NDA funded projects is attributable to the two factors outlined below:

- An underspending of R4 744 553 is due to delays in approving grants to projects in the current year. The delay in approving projects was occasioned by a management decision to align the grant making policy to the new service delivery model. The policy revision took longer than anticipated.

- Delays in disbursement of funds to projects funded in previous financial years, which were occasioned by challenges faced by funded organisations.

9.5 Consulting and professional fees (R1 890 611: 43%)

The underspending in professional fees is due to planned due diligence of funded projects that was only concluded and awarded in April 2018.

9.6 General expenses (R1 606 186: 10%)

The underspending in general expenses is attributable to the following:

- **District office establishment (R571 341)**
  The underspending is due to delays in procuring NDA office space in four provinces. Tenders were issued and suitable office space could not be secured in the identified districts.

- **Marketing and communications (R994 831)**
  The underspending to the value of R994 831 is attributable to production of corporate stationery and promotional items for the district offices. The budget could not be spent, as these planned offices had not been procured by year-end.

9.7 NDA funded capacity building (-R3 623 547: 21%)

The overspending is attributable to more NDA funded capacity building interventions conducted than was anticipated during budget re-adjustment process.

9.8 IT communication costs (R2 935 026: 51%)

The variance is attributable to planned implementation of the ICT master systems plan revamp project that had not materialised by the end of the financial year. Delays were attributable to the late finalisation of the ICT strategy and master system plans, which are prerequisites for the ICT system.

10. Property, plant and equipment

	2018			2017		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	4 447 740	(2 646 644)	1 801 096	3 712 983	(2 235 184)	1 477 799
Motor vehicles	302 708	(45 406)	257 302	–	–	–
Office equipment	2 097 118	(724 298)	1 372 820	1 170 624	(449 000)	721 624
Computer equipment	7 299 456	(4 182 757)	3 116 699	6 036 685	(2 582 552)	3 454 133
Total	**14 147 022**	**(7 599 105)**	**6 547 917**	**10 920 292**	**(5 266 736)**	**5 653 556**

Reconciliation of property, plant and equipment – 2018

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

Reconciliation of property, plant and equipment – 2017

	Opening balance	Additions	Disposals	Depreciation	Adjusted depreciation	Total
Furniture and fixtures	1 628 890	205 116	(6 814)	(489 336)	139 943	1 477 799
Office equipment	687 912	223 977	(7 115)	(191 427)	8 277	721 624
Computer equipment	3 185 432	1 803 094	(127 344)	(1 420 007)	12 958	3 454 133
	5 502 234	**2 232 187**	**(141 273)**	**(2 100 770)**	**161 178**	**5 653 556**

11. Intangible assets

	2018			2017		
	Cost/ Valuation	Accumulated Amortisation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated Amortisation and accumulated impairment	Carrying value
Other software	216 749	(186 521)	30 228	206 203	(185 652)	20 551
ERP system	1 721 302	(1 630 021)	91 281	1 721 302	(1 620 893)	100 409
Total	**1 938 051**	**(1 816 542)**	**121 509**	**1 927 505**	**(1 806 545)**	**120 960**

11. Intangible assets (continued)

Reconciliation of intangible assets – 2018

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

Reconciliation of intangible assets – 2017

	Opening balance	Additions	Disposals	Amortisation	Adjusted amortisation	Total
Other software	72 525	–	(11 075)	(51 057)	10 158	20 551
ERP system	111 566	–	–	(172 130)	160 973	100 409
	184 091	**–**	**(11 075)**	**(223 187)**	**171 131**	**120 960**

12. Change in estimate

Property, plant and equipment

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

The effect of the change in estimates is as follows:

Asset Category	Depreciation before adjustment	Depreciation after adjustment	Effect of change
Computer equipment	1 931 563	(1 887 226)	44 337
Office equipment	324 980	(317 913)	7 067
Furniture	585 473	(554 921)	30 552
	2 842 016	**(2 760 060)**	**81 956**

The useful lives assessment of items of property, plant and equipment resulted in an increase in carrying values of items of property, plant and equipment and an equivalent reduction in depreciation expense of R81 956.

Intangible assets

In terms of GRAP 31 – Intangibles, management reviewed the useful lives of all assets at year-end.

The effect of change is as follows:

Asset Category	Amortisation before adjustment	Amortisation after adjustment	Effect of change
Other software	32 510	(6 562)	25 948
ERP system	156 482	(9 128)	147 354
	188 992	**(15 690)**	**173 302**

The useful lives assessment of intangible assets resulted in an increase in carrying values of the intangibles and an equivalent reduction in amortisation expense of R173 302.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

13. Receivables from exchange transactions

	2018	2017
Rental deposits	791 093	543 913
Interest receivables	108 619	154 030
	899 712	**697 943**

14. Receivables from non-exchange transactions

Employee related advances	19 033	8 686
Other receivables	689 237	670 481
Allowances for credit losses	(466 679)	(466 679)
	241 591	**212 488**

Movement in provision for impairment of trade receivables

Opening balance	(466 679)	(462 090)
Provision for impairment of receivables	–	(4 589)
	(466 679)	**(466 679)**

15. Cash and cash equivalents

Cash and cash equivalents consist of:		
Cash on hand	13 875	16 389
Call and current accounts	54 695 952	69 574 731
Money markets accounts	25 965 081	31 584 071
	80 674 908	**101 175 191**

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

- Funds committed to projects to the value of R16 949 352 (2017: R22 790 992) (refer to Note 24)
- Unutilised portion of conditional grants received from partners to the value of R28 193 439 (2017: R14 833 981)
- Lease guarantee in respect of Blend Property to the value of R1 065 655

16. Payables from exchange transactions

Trade payables	7 702 967	6 827 142
Operating lease liabilities	353 912	683 645
	8 056 879	7 510 787

Trade payables represent accruals for goods and serviced received at year- end, but not paid for.

17. Payables from non-exchange transactions

	2018	2017
Other creditors	–	740
Staff creditors	2 769	740
	2 769	**740**

18. Provisions

Provision for performance bonus

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

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

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

19. Short term employee benefits

Accrual for leave

Opening balance	3 981 001	3 682 176
Provision raised in the current year	1 250 560	555 544
Leave payout	(146 725)	(256 719)
	5 084 836	**3 981 001**

Accrual for 13th cheque

Opening balance	623,631	616,274
Provision raised in the current year	3 308 532	2 558 315
Payout	(3 127 460)	(2 550 958)
	804 703	**623 631**

Total employee benefits and accruals	**5 889 539**	**4 604 632**

Short-term employee benefits are benefits earned by employees for services rendered. These benefits are made up of leave- pay, which accrues, to employees monthly in accordance with the Basic Conditions Employment Act and 13th cheque accrued on a monthly basis and paid out in December.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

20. Accrual for committed projects

	2018	2017
Opening balance	4 401 462	4 588 156
Approved for payments to NDA funded projects	8 181 292	22 788 080
Approved for payments to third party projects	578 715	11 738 281
Cash disbursed to NDA funded projects	(9 871 266)	(19 951 261)
Cash disbursed to third party managed projects	(578 715)	(14 761 794)
	2 711 488	**4 401 462**

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

21. Unutilised third party funds

Opening balance	14 833 981	34 130 526
Funds received from partners	39 349 602	30 078 309
Funds disbursed and committed	(25 861 128)	(49 831 172)
Corrections of prior-year allocations	–	456 318
	28 322 455	**14 833 981**

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

22. Cash used in operations

(Deficit) surplus	(3 458 569)	16 555 872
Adjustments for:		
Depreciation and amortisation	2 821 183	1 991 648
Gain on sale of assets and liabilities	152 500	152 348
Movements in provisions	606 712	5 283 999
Adjustment to prior year earnings	(30 154 169)	(456 318)
Changes in working capital:		
Receivables from exchange transactions	(201 769)	36 490
Other receivables from non-exchange transactions	(29 103)	(45 706)
Payables from exchange transactions	546 092	(5 027 126)
Taxes and transfers payable (non-exchange)	2 029	(15 559)
Short-term employee benefits	1 284 907	306 182
Accrual for committed projects	(1 689 974)	(186 694)
Unutilised third party funds	13 488 474	(19 296 545)
	(16 631 687)	**(701 409)**

23. Commitments

	2018	2017
Total commitments		
Committed project funds		
At the end of the financial year, the entity had committed funds in terms of contracted funding to NPOs and CSOs that had not yet been disbursed by the end of the financial year:		
Funds committed to projects	16 949 352	22 790 992
Operating lease commitment		
The operating lease commitments relates mainly to the rental of office premises occupied by the NDA and are payable as follows:		
Minimum lease payments due		
– within one year	6 902 007	6 230 098
– in the second to fifth year inclusive	3 721 038	2 036 578
	10 623 045	**8 266 676**
Committed expenditure		
Authorised operational expenditure (open purchase orders and contracts), payable:		
– within one year	9 632 773	12 241 047
– in the second to fifth year inclusive	236 164	–
	9 868 937	**12 241 047**

24. Contingencies

Contingent liabilities

The NDA is currently defending the following legal claims:

24.1 Uhuru Publishers

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

24.2 Pannar Seeds

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

24.3 Fair deal Poultry Farmers CC

The complainant is claiming damages to the value of R199 940 for a contract that management cancelled due to failure by the complainant to deliver services to the required standard.
The cases are still before the courts, the outcomes of these cases are yet to be determined.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Contingent assets

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

25. Related parties

25.1 Department of Social Development

A related-party relationship exists between the NDA and the National Department of Social Development. The Minister of Social Development is the Executive Authority of the entity. The two parties did not enter into any transactions except for the transfer of funding from National Treasury to the value of R200 913 000 received by the entity as disclosed in Note 3.

25.2 South African Social Security Agency

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

25.3 Rand water foundation

Rand Water and the NDA are national public entities as defined in the PFMA, are thus related parties
Rand Water Foundation transferred funds to the value of R1 700 000 to the NDA in the current year for the purposes of providing two early childhood development centres (ECDs) to identified communities in the Mpumalanga province on their behalf. The balance outstanding represents funds not yet spent by the entity at the end of the financial year.

25.4 Board members and key management personnel

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

Related-parties transactions and balances	Nature of transactions	Transactions	Balance outstanding
South African Social Security Agency	Funding of co-operatives	–	1 552 028
Rand Water Foundation	Construction of ECD center	1 700 000	1 647 727
		1 700 000	**3 199 755**

26. Prior Year Comparative figures

The following expenses were reclassified during the current financial year:

- Employment costs of employees that implement mandate programmes were reclassified from CSO development implementation costs and disclosed separately as mandate staff costs.
- Employment costs of support staff costs employed in the NDA service delivery points were reclassified from administration staff costs to mandate costs within the mandate expenses.
- Staff refreshments were reclassified from administration staff costs to general expenses.

The disclosure of mandate costs as a separate expenditure item and reclassification of supports costs in the service delivery points was performed to achieve fair presentation of costs incurred by the entity towards direct delivery of NDA services.

The effect of the reclassification on the statement of Financial Performance was as follows:

Effects of reclassification	Restated 2017	2017 as previously reported	Restatement
CSO development implementation costs	15 823 728	47 188 464	31 364 736
Mandate staff costs	48 264 236	–	(48 264 236)
Admin staff costs	46 079 619	63 125 482	17 045 863
General expenses	10 864 665	10 718 302	(146 363)
	121 032 248	**121 032 248**	**–**

27. Financial risk management

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

- Credit risk
- Liquidity risk
- Interest rate risk

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

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

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

Credit risk

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

27. Financial risk management (continued)

Exposure to credit risk

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

	2018	2017
Cash and cash equivalents	80 674 908	101 175 191
Receivables from exchange transactions	899 712	697 943
Receivables from non-exchange transactions	241 591	212 488
	81 816 211	**102 085 622**

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

Private institutions	1 122 270	901 745
Employee advances	19 033	8 686
	1 141 303	910 431
Impairment losses		
Impairment provision at the beginning of the year	466 679	462 090
Impairment during the year	–	4 589
	466 679	**466 679**

Liquidity risk

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

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

31 March 2018	Carrying amount	Contractual cash flows	6 months or less	6–12 months	12 months
Trade and other payables	8 059 648	8 059 648	8 059 648	–	–
Short-term employee benefits	5 889 539	5 889 539	–	5 889 539	–
Accrual for committed projects	2 711 488	2 711 488	2 711 488	–	
Unutilised third party funds	28 322 455	28 322 455	–	–	28 322 455
Provision for performance bonus	5 890 711	5 890 711	–	5 890 711	–
	50 873 841	**50 873 841**	**10 771 136**	**11 780 250**	**28 322 455**

27. Financial risk management (continued)

Liquidity risk (continued)

31 March 2017	Carrying amount	Contractual cash flows	6 months or less	6-12 months	12 months
Trade and other payables	7 511 527	7 511 527	7 511 527	–	–
Short-term employee benefits	4 604 632	4 604 632	–	4 604 632	–
Accrual for committed projects	4 401 462	4 401 462	4 401 462	–	–
Unutilised third party funds	14 833 981	14 833 981	–	–	14 833 981
Provision for performance bonus	5 283 999	5 283 999	–	5 283 999	–
	36 635 601	**36 635 601**	**11 912 989**	**9 888 631**	**14 833 981**

Interest rate risk

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

Fair values versus carrying amounts.

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

	2018	2017
Fair values		
Cash and cash equivalents	80 674 908	101 175 190
Receivables from exchange transactions	899 712	697 943
Receivables from non-exchange transactions	241 591	212 488
Payables from exchange transactions	(8 056 879)	(7 510 787)
Payables from non-exchange transactions	(2 769)	(740)
Accrual for committed projects	(2 711 488)	(4 401 462)
Short-term employee benefits and provision	(11 780 250)	(9 888 631)
Unutilised third party funds	(28 322 455)	(14 833 981)
	30 942 370	**65 450 020**

28. Surplus surrendered to National Treasury

Accumulated surpluses from prior years to the value of R30 417 982 were surrendered back to National Treasury in December 2017.

29. Events after the reporting date

No events have occurred between the statement of financial position date and the date of approval of the annual financial statements that could materially affect the financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

30. Fruitless and wasteful expenditure

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

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

	2018	2017
Opening balance	1 042 326	694 127
Fruitless and wasteful expenditure: current year	–	348 199
	1 042 326	**1 042 326**

31. Irregular expenditure

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

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

Opening balance	84 351 777	35 158 979
Add: Irregular expenditure incurred in current year	16 506 194	19 788 414
Add: Prior year irregular paid in current year	–	29 404 384
Less: Irregular expenditure condoned in current year	(12 207 785)	–
Closing balance	**88 650 186**	**84 351 777**

Analysis of expenditure awaiting condonation per age classification

Current year spend – on irregular contracts from prior years	15 206 595	9 366 351
Current year spend – on irregular contracts from current year	1 299 600	10 422 063
Current year total spend	**16 506 194**	**19 788 414**
Prior years' total spend	72 143 992	64 563 363
Closing balance	**88 650 186**	**84 351 777**

Details of irregular expenditure spend in current year

Approval of contract not in accordance with delegations of authority	2 910 202	
Competitive bidding process not followed	11 764 575	
Incorrect calculation of functionality score	1 299 600	
Services rendered without valid contracts	531 817	
	16 506 194	

Details of irregular expenditure condoned

Approval not in accordance with delegations of authority	**(12 207 785)**	

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UNLOCKING POTENTIAL

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