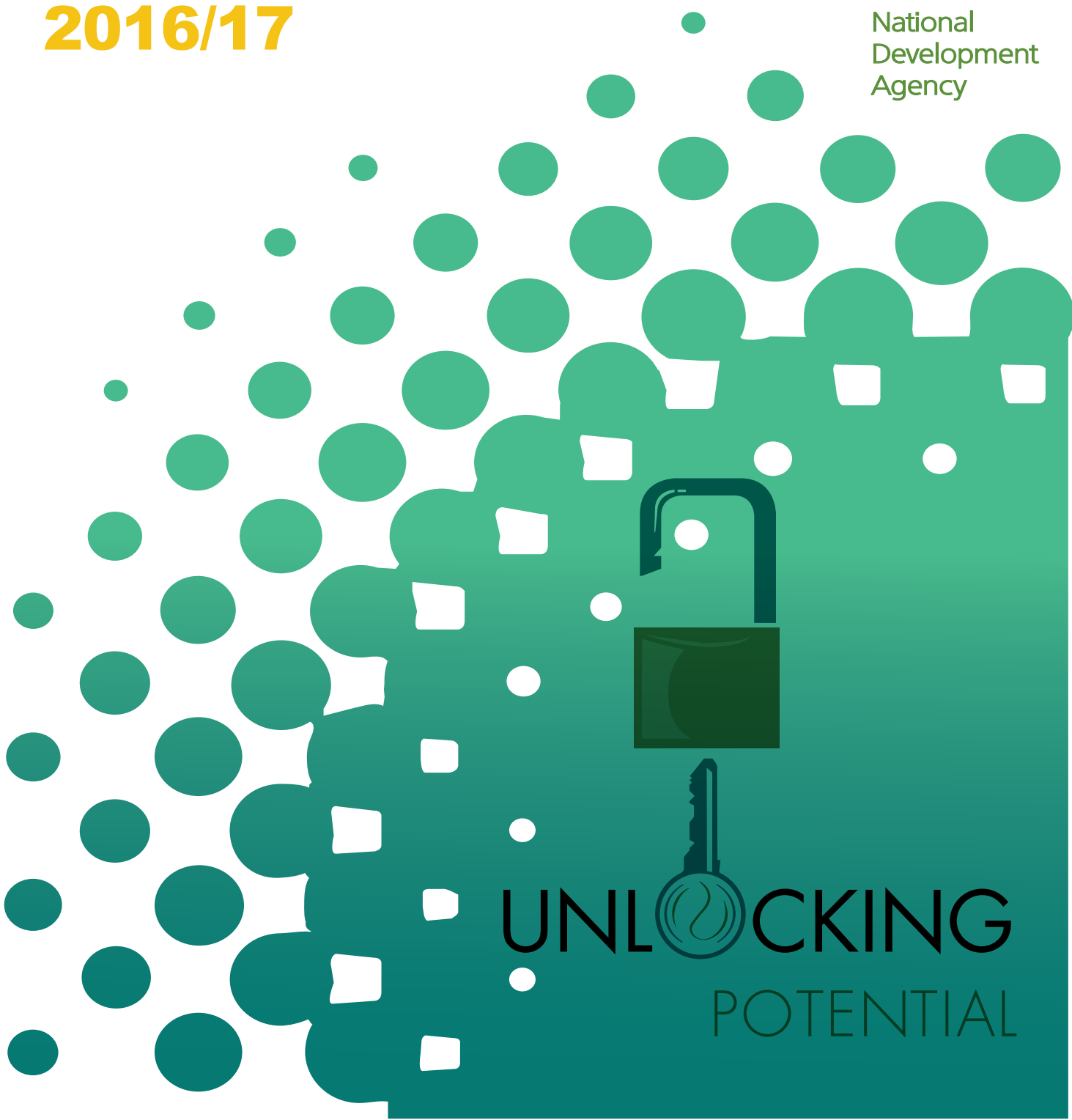


# ANNUAL REPORT 2016/17



**NDA**

National  
Development  
Agency



UNLOCKING  
POTENTIAL



social development

Department:  
Social Development  
REPUBLIC OF SOUTH AFRICA



sassa  
SOUTH AFRICAN SOCIAL SECURITY AGENCY



I have the honour of submitting the annual report of the National Development Agency for the period 1 April 2016 to 31 March 2017.

A handwritten signature in black ink, appearing to read 'BO Dlamini'.

Ms BO Dlamini, MP  
Minister of Social Development  
Date: 31 July 2017

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# PART A

# GENERAL

# INFORMATION.

## 1.1 Public Entity's General Information

Registered name of the public entity	National Development Agency
Registration numbers and/or other relevant numbers (e.g. FSP)	Public entity established in terms of Section 2 of the National Development Agency Act, Act No 108 of 1998, as amended
Registered office address:	26 Wellington Road, Parktown, 2193
Postal address:	PO Box 31959, Braamfontein, 2017
Contact details	Tel: +27 11 018 5500 Email: info@nda.org.za Website: www.nda.org.za
External auditor's information – external auditor's name and address	Auditor-General of South Africa 300 Middel Street New Muckleneuk Pretoria 0181
Bankers' information – names and addresses of banks	Standard Bank Simonds Street, Johannesburg; Nedbank – BOE and First National Bank
Company Secretary – full name and professional designation	Mr Rakgabo Ben Makgae

## 1.2 Acronyms

CEO	Chief Executive Officer
CSO	Civil Society Organisation
DSD	Department of Social Development
DBE	Department of Basic Education
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 Board 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
SASSA	South African Social Security Agency
SACED	South African Congress for Early Childhood Development
SA ECD	South African Early Childhood Development
SLA	Service Level Agreement
TB	Tuberculosis
UIF	Unemployment Insurance Fund

## 1.3 Minister's Foreword

I am pleased to present the Annual Report of the National Development Agency (NDA) for the financial year 2016/17. The report outlines considerable progress we have made for the financial year under review as outlined in the Annual Performance Plan.

The year under review will remain a historic milestone in our achievements as a country, in that it coincides with the centenary of the birth of "Comrade OR", as President Oliver Reginald Tambo was affectionately known. President Jacob Zuma declared 2017 as the Year of OR Tambo under the theme: Unity in Action – Together Moving South Africa Forward.

The NDA played a crucial role in assisting many of our Civil Society Organisations to build their capacities and to comply with the Non-profit Organisations Act, 1997. Its capacity-building initiatives continued to act as catalysts for the skills development of Civil Society Organisations that implement development projects within poor communities.

The NDA has also made significant strides by beginning to pilot the NDA district offices in the provinces. Decentralisation will ensure that local CSOs also have access to NDA services without having to travel long distances.



Through Programme Mikondzo and the programmatic interventions of the NDA, the Agency continued to play a significant role in building the capacities of Civil Society Organisations in the most deprived and poor municipalities in South Africa. However, Government alone cannot fully respond to the social and development challenges we face. Civil Society Organisations should therefore work in partnership with Government, to create an enabling environment for the development of poor communities.

My gratitude goes to the new NDA Board, under the chairmanship of Ms Judy Hermans. It is through its guidance and leadership that the NDA continued to accelerate the delivery of services. All this would not have been possible without the leadership and management of Mrs Thamo Mzobe, the newly appointed Chief Executive Officer, her executive committee and NDA staff who work tirelessly to deliver NDA services to the people in the remote areas of our land.

A handwritten signature in blue ink, which appears to read "BO Dlamini".

**Ms BO Dlamini, MP**  
Minister of Social Development

## 1.4 Review by the Chairperson of the Board

*“Overcoming poverty is not a task of charity; it is an act of justice. Like slavery and apartheid, poverty is not natural. It is man-made and it can be overcome and eradicated by the actions of human beings. Sometimes it falls on a generation to be great. YOU can be that great generation. Let your greatness blossom.”*

**Nelson Mandela**

During the year under review, the Minister of Social Development, Honourable Ms Bathabile Dlamini, appointed the new Board of the NDA for a period of three years commencing from 1 April 2016 to 31 March 2019.

The NDA Board would like to thank the previous NDA Board, together with the interim Accounting Authority, Mr Thokozani Magwaza, appointed by the Minister, to steer the ship after the term of office of the previous Board ended. It was through their efforts and leadership during their tenure that the Agency implemented its mandate in the best possible way.

The NDA is mandated to implement programmes aimed at contributing towards the eradication of poverty and its causes. During the year under review, the NDA was extensively involved in the process of decentralising its services to district level in order to expand the footprint of the Agency at community level, thus also contributing to the visibility of NDA. Furthermore, considerable resources were devoted to capacity-building of CSOs in the country.

The NDA mandate requires collaborative efforts in order to reduce the triple challenges of unemployment, poverty and inequality. The NDA, therefore, continued to build

collaborations with the national and provincial Departments of Social Development and partners to broaden the frontiers for development. We wish to thank these Departments and other partners for enlisting the services of the Agency to strengthen CSOs in various provinces.

Under the leadership of this Board, a permanent Chief Executive Officer, Mrs Thamo Mzobe, was appointed. We would like to thank the previous acting Chief Executive Officer, Mrs Nelisiwe Vilakazi, seconded from the Department of Social Development, for bringing stability to the organisation.

The work of the NDA could not be accomplished without the tireless efforts of our staff under the leadership of the CEO, we therefore thank you for your commitment. It has been a great pleasure to work with the Board and I would like to thank the Board members for their commitment and guidance, which has ensured that the NDA has been repositioned to decentralise its services to the poor communities.

A handwritten signature in black ink, appearing to read 'Judy Hermans'.

**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, youth and social cohesion arenas, humanitarian assistance.



**Ms Makgoro Manny**  
**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 Mattlala**  
**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.

## 1.5 Chief Executive Officer's Performance Overview

During the year under review, the NDA underwent a transitional process of repositioning and reorganising itself to adapt to the required socioeconomic and political changes in order to fully service the nation's disadvantaged communities through the civil society sector.

The NDA mandate requires the Agency to build and enhance the capacities of CSOs through well-designed and effectively executed capacity-building interventions to strengthen organisational efficiency, operational excellence and sustainability to better deliver services to poor communities. The NDA has therefore adopted a service delivery model seeking to decentralise its programmes and services at a district level. In this regard, one district office was piloted in each of the nine provinces.

The NDA also developed a CSO development model in order to focus its niche and to rewire how its services should be delivered. The model developed was needed to change the landscape of supporting the CSO sector and to realise its full developmental potential.

During the year under review, the NDA trained and mentored 3 065 CSOs on the NPO Act 71 of 1997 to improve compliance with the Act. A total of 2 880 CSOs were trained in organisational management to enhance their capabilities to manage their organisations and improve the quality of the services they offer to communities. A total of 706 CSOs were trained in community development practice to ensure best-practice and professionalism in the delivery of services by CSOs. The impact of the NDA interventions has improved the compliance of those CSOs with the NPO Act. Some were linked to economic opportunities through the SASSA Social Relief of Distress (SRD) Programme.

In the year under review, 22 partnerships were forged between the NDA and public and private sector institutions. These partnerships have resulted in mobilising resources of R73 million for CSOs. These additional resources were key to unlocking the potential of the CSO sector.

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 Agency hosted the South African Early Childhood Development Awards. The Awards aim to recognise and encourage the pursuit of excellence in the ECD sector.

The NDA entered into a collaborative research agreement with the University of Fort Hare to conduct a longitudinal research study on how to support ECD centres in poor settings. The research is conducted in the Eastern Cape and seeks to establish a baseline for 40 ECD centres regarding their performance and to develop specific interventions over the next two years to assess the impact of these interventions in improving teaching and learning environments in these centres.

To this end, our chief concern as the NDA in the coming years will be how to continue to increase the scale of our interventions with the limited funding that keeps shrinking while poverty continues to grow. We are looking forward to the strengthened partnership with all government departments, private sector and other donors that provide support to the CSO sector to ensure that the NDA delivers on its mandate of granting funds through CSO development programmes.



A handwritten signature in black ink, appearing to read 'Thamo Mzobe'.

**Mrs Thamo Mzobe**  
Chief Executive Officer

# NDA Executive Committee



**Mrs Thamo Mzobe**  
**Chief Executive Officer**



**Ms Hajra Mansour**  
**Chief Audit Executive**



**Dr Anthony Bower**  
**Acting Chief Operations  
Officer**



**Mr Solomon Shingange**  
**Acting Chief Financial  
Officer**



**Mr Bongani Magongo**  
**Development  
Management &  
Research Executive**



**Mr Thami Ngwenya**  
**Acting Corporate  
Services Executive**



**Mr Ben Makgae**  
**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 our knowledge and belief, we 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 judgements 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 2017.



**Mrs Thamo Mzobe**  
Chief Executive Officer

Date: 31 July 2017



**Ms Judy Hermans**  
Chairperson

Date: 31 July 2017

## 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 responsibility for our actions.
- We conduct our activities in an accountable and transparent manner.

### Dignity

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

### Empowerment

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

### Accountability and responsibility

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

### Transparency

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

### Excellence

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

### Partnering

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

## 1.8 Legislative Mandate

The NDA is a public entity, listed under Schedule 3A of the Public Finance Management Act (PFMA). It was established in November 1998 by the National Development Agency Act, (Act No 108 of 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:

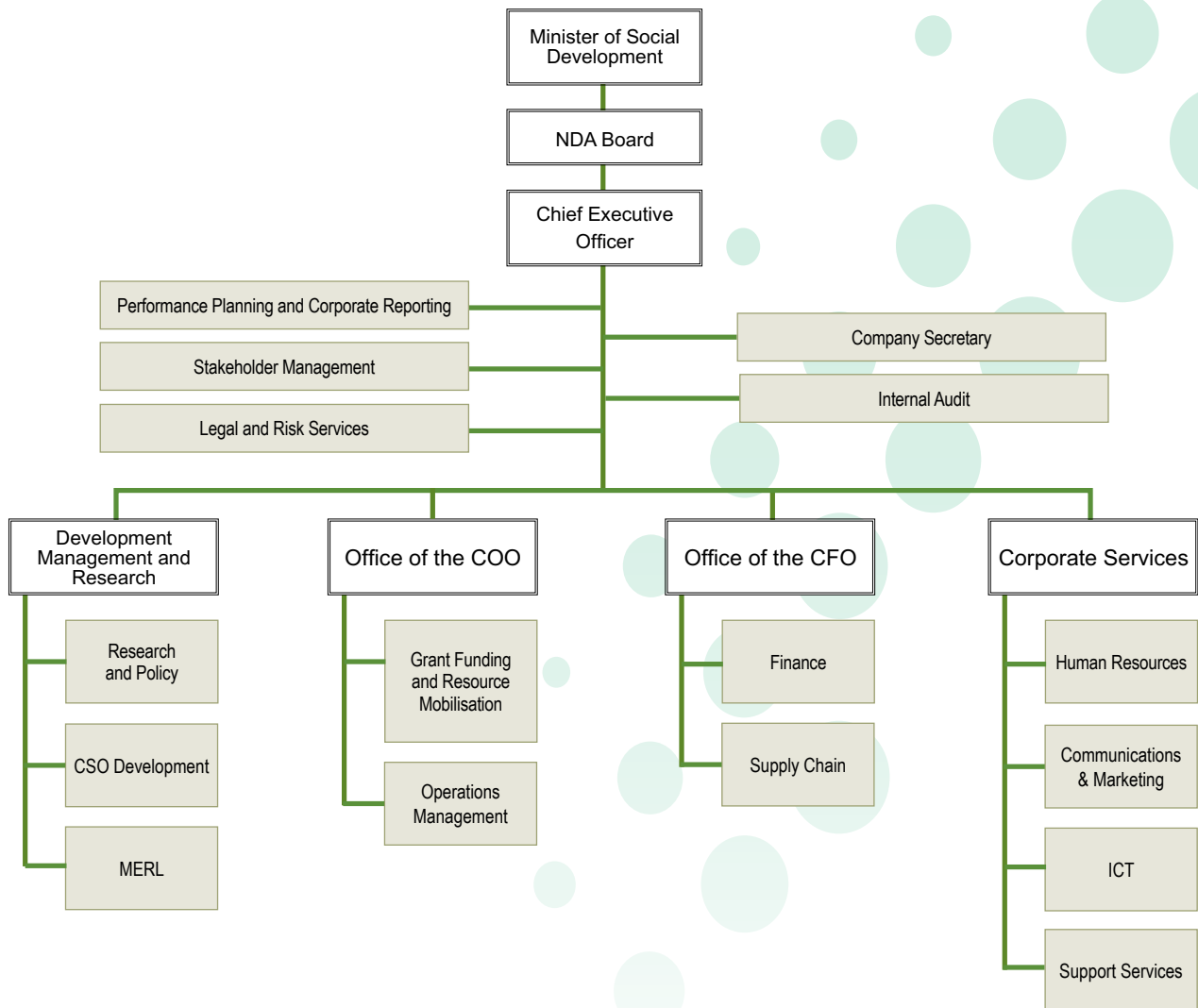
- to implement development projects in poor communities; and

- to strengthen the institutional capacity of CSOs that provide services to poor communities.

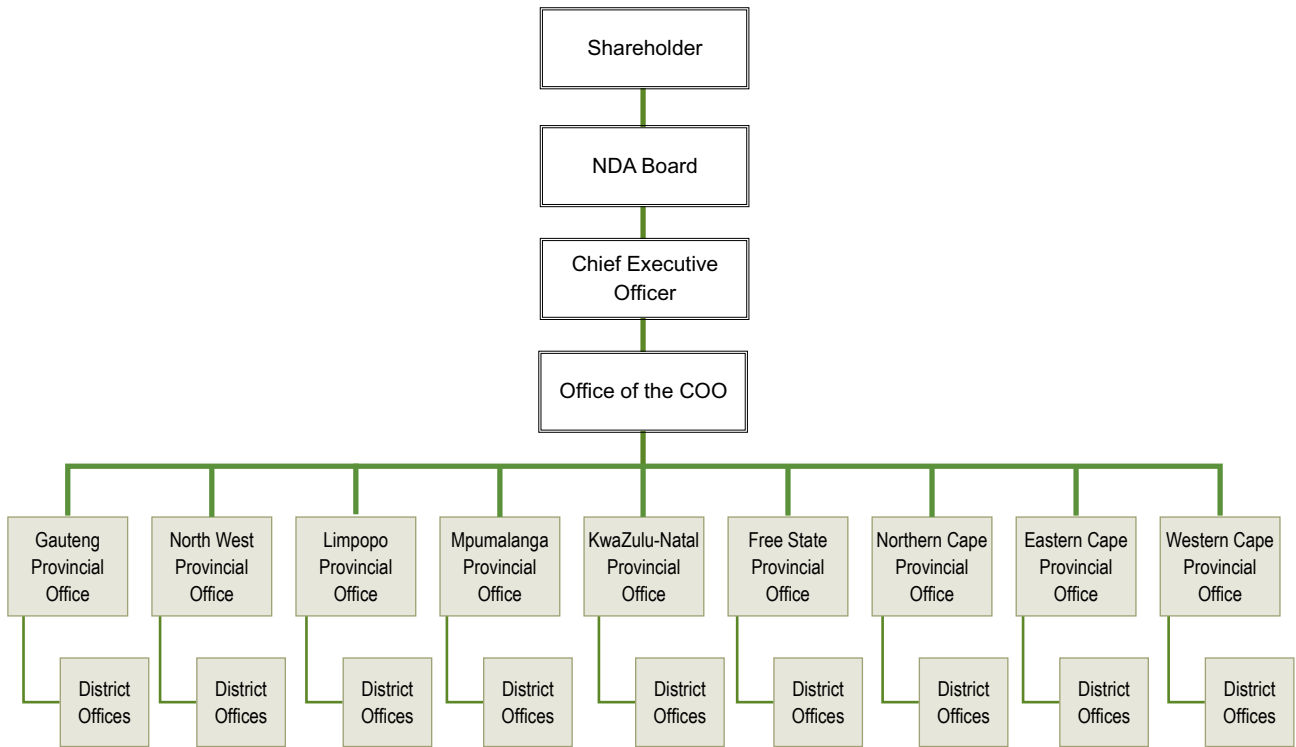
The secondary mandate is to:

- promote consultation, dialogue and sharing of development experience between CSOs and relevant organs of state;
- debate development policy; and
- undertake research and publication aimed at providing the basis for development policy.

## 1.9 Organisational Structure (as at 31 March 2017)



# NDA Provincial Structure





# PART B

# PERFORMANCE INFORMATION

## Part B – Performance Information

### 2.1 An Overview of the Service Delivery Environment

During the year under review, the NDA underwent a transitional process of repositioning as a response to the outcome of the NDA review processes, leading to the strategic shift of the Agency.

During the transitional period 2016/2017, the NDA finalised the revised Five-year Strategic Plan and the Annual Performance Plan. As part of strategy implementation, the NDA implemented a plan to manage the process of repositioning based on the NDA Business Case and the revised strategy. The following five strategic streams were established to coordinate the repositioning processes:

- **Organisational Restructuring and Alignment** – the stream was responsible for restructuring and organisational development to respond to the new NDA operation model and structure requirements at national, provincial and district levels of the NDA.
- **IT Enhancement and Optimisation** – the stream was tasked to assess the IT infrastructure and systems requirements, review IT policies and procedures, and acquire suitable IT equipment for staff.
- **Physical Infrastructure** – the physical infrastructure stream was tasked to assess infrastructure requirements for the NDA decentralised model.
- **Service Re-engineering** – the stream was tasked to develop the CSO development model, frameworks, standards, procedures and tools to guide implementation of interventions to be delivered by the NDA. The team had to also orientate and train staff on the new NDA business model.
- **Financial Sustainability** – the stream was tasked to explore funding models for the business case and engage relevant structures to fund the NDA.

These strategic drivers were being implemented, monitored and reported at various governance structures including Heads of Social Development Services (HSDS) and Minister and Members of Executive Council (MINMEC).

The NDA adopted a service delivery model seeking to decentralise programmes and services at district level in addition to the provincial level. The NDA programmes were located at provincial offices thereby making it very difficult for poor communities to access its services. This also made it difficult for the NDA to expand its footprint at community level, thus also contributing to poor visibility.

CSOs are the cornerstones for radical transformation in developing communities. The NDA therefore developed a CSO development model in order to focus its niche and to rewire how its services should be delivered. The model was desperately needed to change the landscape of supporting the CSO sector and to realise its full development potential. Fundamental to the concept of radical transformation is a systematic approach towards developing and supporting community-based or social cooperatives. This form of CSOs has the potential of taking mass numbers of community members out of poverty through creating economic activities that are sustainable at that level. It also has the potential to create jobs that can improve the economic status of poor communities in the country.

The NDA also implemented its four programmes while undergoing the repositioning process. The programmes implemented are briefly described below:

**Programme 1: Governance and Administration** – The programme focused on promoting and maintaining organisational excellence and sustainability through effective and efficient administration that includes performance, employee well-being, cost containment and brand recognition. These were achieved within a sound governance and administration environment.

**Programme 2: CSO Mobilisation** – The programme focused on CSO engagements, assessments and needs analysis for CSOs, interventions required by CSOs, facilitating community and CSO networks, resource identification and mobilisation to support CSOs and the provision of information and referrals of CSOs to other state and private institutions for additional support. This programme focused on Mikondzo districts identified by the social development sector and poverty wards identified by provinces and municipalities in all the provinces.

**Programme 3: Civil Society Institutional Capacity-building** – The programme focused on strengthening institutional capacities of CSOs across all nine provinces. The institutional capacity interventions focused on financial management, conflict resolution and management, governance, compliance and registration, fundraising and resource mobilisation, project planning and management, as well as project monitoring and reporting. The capacity-building programme is the intervention arm of the NDA, it facilitates and provides training, mentoring and incubation to all CSOs identified in the districts and those funded by the Departments of Social Development in the provinces.

#### **Programme 4: Research and Knowledge Management**

The programme focused on action research and impact evaluative studies that will be used to inform programme planning, implementation and management of NDA poverty eradication programmes in the Mikondzo districts. In addition, the programme research and evaluation outcomes will inform national policy debates and engagements with the CSO sector and state organs on issues relating to development and poverty alleviation in general. It will also produce publications and standards for effective best-practice in the CSO sector to promote sharing of lessons and good practice in the social development sector.

### **2.2 Programme 1: Governance and Administration**

The governance and administration programme is a support function for ensuring that NDA programmes are planned and implemented effectively and efficiently. The aim is to promote and maintain organisational excellence and sustainability through sound financial management systems and processes, ensuring staff are skilled and motivated, marketing and promotion of NDA products and services and functional and responsive information technology systems and infrastructure. In addition, the programme ensures that the Agency has sound policies and procedures that comply with all national policies and legislations governing the operation of the Agency.

#### **Directorate: Corporate Services**

Corporate Services render corporate support services to core business functions so as to enable delivery on the NDA's mandate. The NDA went through a repositioning process to align the corporate support structures to the new NDA business model. The following areas were aligned to the new business model and they were clustered as corporate support services in the NDA.

#### **Information Technology**

The Information Technology (IT) function in Corporate Services provides an enabling technology environment to the Agency to conduct its business efficiently. In the year under review, the IT function started a process of developing an IT master plan and strategy aligned to the NDA five-year strategy. In the coming Medium Term Expenditure Framework (MTEF) of the Agency, the IT unit will develop a long-term master plan and strategy for the NDA, which will integrate all business functions of the Agency. In addition, it will integrate IT into the sector IT systems to ensure full integration and effective information integration.

In the first half of the next financial year, the IT unit will have completed the development and design of the Agency IT masterplan and strategy. This will allow the Agency to start the process of installing an IT infrastructure that can support the business across all levels of corporate functions, including districts. This phase of IT alignment to business needs, will see the NDA mapping all processes, and installing IT systems that will ensure integration, efficiency and business optimisation. This work is expected to be completed in the next three years.

In addition, as part of ensuring effective service delivery, the IT unit has initiated a project to establish IT kiosks at all NDA offices. Desktops are dispatched and placed in areas where they can be easily accessed by the public. The kiosks will be used for IT self-service purposes (e.g. NDA staff will be able to reset their own passwords). Furthermore, the same kiosk will be used by NDA stakeholders to access information about its services. The kiosk will have an application form that will record detailed queries from stakeholders, to be directed to the relevant personnel for further engagement. The information collected will be saved onto a central database for future use.

#### **Human Resources**

The NDA declared the 2016/17 financial year as a transitional year. The Human Resource Management function was tasked with leading the restructuring process of the Agency. The restructuring process had a number of elements that the human resource function was expected to implement as part of the Agency repositioning as outlined in the Agency Business Case. The following key drivers guided this process:

#### **Alignment of organisational structure to strategy:**

The Agency reviewed the old structure and aligned it to the new NDA corporate strategy. This activity has resulted in collapsing the functional areas from five to four divisions of the institution. It has also collapsed its programmes from five to three. New positions were also identified in line with the programmes and services to be rendered under the new strategy.

**Review and development of job profiles:** The HR function reviewed the old job profiles of staff to fit in with the new positions and operational areas. Job profiles for positions that did not exist before were developed to allow the Agency to recruit and/or place staff to fill these new positions.

**Develop a staff establishment plan and budget:** The staff establishment plan and budget for the Agency has been completed and aligned to corporate functions and programmes. Implementation of the plan will be concluded in the coming financial year.

## Part B – Performance Information

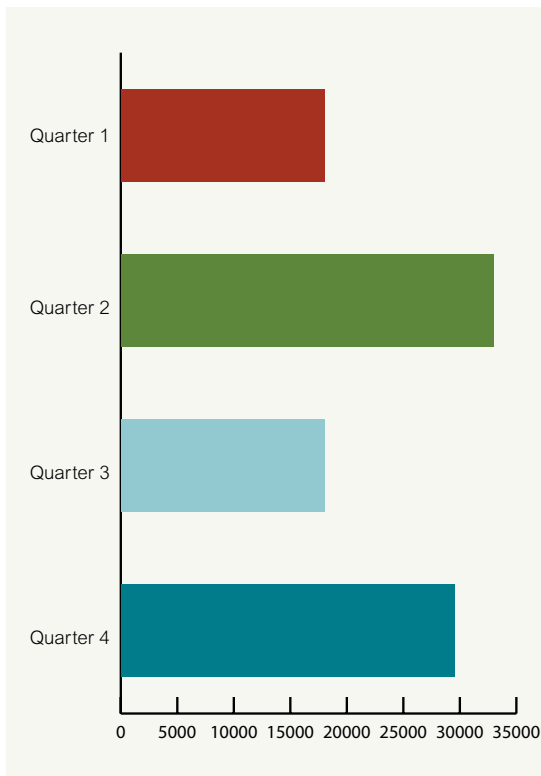
This plan will assist the Agency to plan accurately and resource the staff establishment within its allocation, over the MTEF.

### Communications and Marketing

The NDA's marketing and communications was event driven during the year under review. This resulted in the staging and participation in over 45 events. The figure includes public outreach programmes, CSO dialogues, research information sharing sessions, internal events as well as staging of nine provincial South African Early Childhood Development Awards and one national event.

Through its online electronic platforms, the NDA managed to achieve over 90 000 hits on its website and social media platforms. Visitors to these platforms were exposed to NDA information and in some instances managed to engage with the NDA on some of its poverty eradication programmes. The collaboration on publicising information from DSD and SASSA also contributed to the high number of hits that the organisation received.

**Figure 1: Number of Hits on the NDA Website**



A lot of free publicity was also solicited for various NDA programmes and events. This included print, electronic and online platforms. The provincial SA ECD awards received free publicity due to the interest of local papers in participants from their regions.

Electronic communications, events and publications were also used to communicate with NDA staff so as to ensure that they are informed of developments within the organisation.

To keep relevant stakeholders informed of NDA performance, a number of communications tools and platforms were used to share NDA information. Four quarterly external publications were produced and distributed to various stakeholders. Statutory publications were also produced on time for tabling in Parliament. The organisation also supported Ministerial Outreach programmes through exhibiting and branding alongside DSD and SASSA, so as to contribute towards visibility and information-sharing.

### Stakeholder and Partnership

The Stakeholder and partnership function is key to the Agency. The aim is to ensure that the Agency remains in touch with its stakeholders and partnerships are created to increase the pool of resources made available to the civil society (CSO) sector. In the year under review, 22 partnerships were forged between the NDA and public and private sector institutions. These partnerships resulted in resources to the value of R73 458 597 being raised for CSOs. These additional resource are key in unlocking the potential of the CSOs sector.

Under the stewardship of this function, the Agency has developed a system for managing stakeholders and linking them to CSOs that require resources. The system is key for resource mobilisation and linking CSOs to resource opportunities and markets.

### 2.3 Programme 2: CSO Mobilisation

The CSO Mobilisation Programme was created as one of the transitional programmes of the Agency in the year under review. The programme allowed the Agency to define its developmental approach towards strengthening organisations that are supported by the NDA. The programme was also used to establish the following areas:

#### CSO Development Model

The CSO model was developed and introduced during the year under review as part of defining an approach to developing CSOs by the NDA. Through this model, the NDA developed frameworks, models, standards and tools to implement effective CSO interventions at provincial and district levels. During the year under review the NDA operationalised the CSOs development model and integrated its interventions into a pipeline as opposed to stand alone interventions. The model is currently used to guide implementation of all interventions aimed at developing a CSO. The CSO development model is anchored in the following pillars:

**CSO mobilisations** – this pillar requires NDA development practitioners to ensure that there is a systematic process to organise, engage and conduct needs assessment for CSOs at community level.

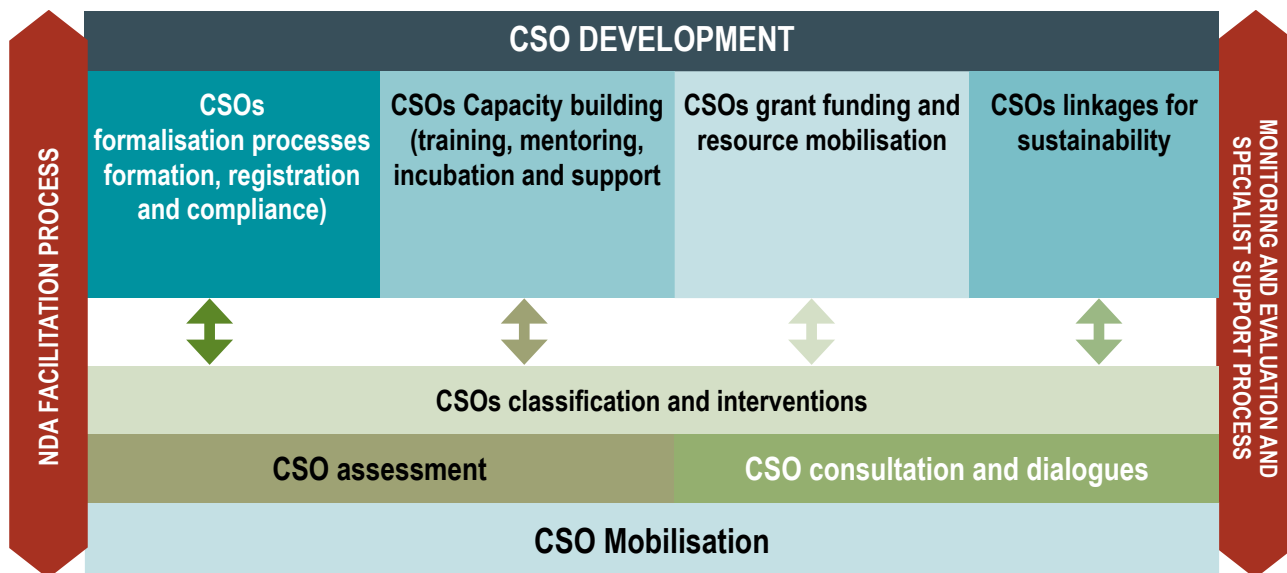
**CSO formalisation (formation, registration and compliance)** – this pillar requires NDA development practitioners to facilitate formation of organisations, registration of the organisation with appropriate authorities and assist the organisation to comply with regulatory bodies where they are registered.

**CSO capacity-building** – this pillar focuses on providing institutional capacity-building for CSOs to ensure that they build their capabilities to effectively and efficiently manage these organisations. This will ensure that CSOs have systems and processes that can guarantee compliance, growth and sustainability of the organisation.

**CSO grant-funding and resource mobilisation** – this pillar provides processes and guidelines for the NDA to mobilise resources from outside the NDA and provide grants to CSOs that have been assessed for resource needs.

**CSO links to sustainability opportunities** – this pillar provides NDA Development Practitioners with tools and guidelines for linking CSOs to sustainability opportunities to grow their operations for the benefit of the poor households supported by CSOs.

Figure 2: CSOs Development Model



## Part B – Performance Information

NDA staff has been trained on the CSO Development Model and a manual has been developed for use as a reference when implementing these interventions. The training, aimed at institutionalising good practice and adherence to the model, covered a total of 140 of the 158 staff members from the NDA's national and provincial offices. Of the 140 staff members trained, a total of 55 staff members were technical staff from the provinces representing 89% of the total technical staff complement in the provinces. There were 23 staff members that came for the training from the National and Provincial Departments of Social Development, SASSA and NPO Forum. This represents a total of 163 staff members from the sector that attended the NDA CSO Development model training during the second and third quarter of the year under review. The training covered CSO development framework, standards, guidelines and tools.

### Programme Management Unit

The CSO mobilisation programme had a programme management unit function. During the year under review, the PMU function mobilised resources to support CSOs to the value of R73 458 597. The resources were used to fund projects and provide capacity-building interventions for CSOs in the most deprived areas of the country. Cooperatives were trained by NDA and capacitated to supply goods and services to government.

### The South African Early Childhood Development Awards 2016/17

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 (SAECD) Awards.

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.

A total number of 2 813 entries were received 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 received, 60% came from rural areas; 20% from urban areas and another 20% came from informal/peri-urban areas. All entries were from centres registered with the Department of Social Development and the majority were receiving subsidies from the department.

In terms of programme performance against key performance indicators, this programme managed to hold 3 120 of social engagements with CSOs across the nine provinces. These engagements were aimed at identifying and assessing the developmental needs of targeted organisations. Of these organisations that the programme had engagements with, 631 were assisted to become formalised, which included drafting of their constitution, electing office bearers and having a name for the organisation, with 713 formally assisted to be registered with different registration authorities in line with their organisation's needs. In addition, 1 403 of the organisations that participated in CSO engagements were referred to other institutions in the public and private sector for further support and assistance.

### 2.4 Programme 3: CSO Capacity-building

The NDA mandate requires the Agency to build and enhance capacities of CSOs through well-designed and effectively executed capacity-building interventions. This is to strengthen organisational efficiency, operational excellence and sustainability to better deliver services to poor communities.

The organisational and technical strengthening of the programme provided training and mentoring of CSOs to ensure that skills are enhanced for planning and implementation of their programmes and initiatives at community level. This programme was funded through the NDA allocation and in partnership with the provincial Departments of Social Development. The performance results have far exceeded the targets on institutional strengthening of CSOs.

**Table 1: CSO Capacity-building 2016/17**

	CSOs trained and mentored in the NPO Act 1997	CSO trained in organisational management	NPOs trained in community development practice
Eastern Cape	697	815	53
Free State	468	297	122
Gauteng	225	200	108
KwaZulu-Natal	236	254	64
Limpopo	322	306	71
Mpumalanga	427	274	76
Northern Cape	110	262	77
North West	379	226	116
Western Cape	201	246	19
<b>Total</b>	<b>3 065</b>	<b>2 880</b>	<b>706</b>

Through the capacity-building programme, the NDA trained and mentored 3 065 CSOs on the NPO Act of 1997 to improve compliance. A total of 2 880 CSOs were trained on organisational management to enhance their capabilities of managing these organisations and improving the quality of the services they offer to communities, and 706 CSOs were trained in community development practice to ensure that there is best-practice and professionalism in the delivery of services by CSOs. The capacity-building programme also provided training to 226 CSOs on the Children's Act to ensure that ECDs comply with the Act.

**Table 2: Breakdown of Capacity-building Beneficiaries 2016/17**

	Individuals trained	Individuals with disabilities	Racial profile					Gender profile	
			African	Asian	Coloured	White	Other	Female	Male
Eastern Cape	1593	14	1419	0	120	3	1	1362	231
Free State	799	18	782	0	12	4	0	668	131
Gauteng	545	4	541	0	4	0	0	479	66
KwaZulu-Natal	980	8	975	0	3	2	0	755	225
Limpopo	747	4	747	0	0	0	0	642	104
Mpumalanga	764	2	763	0	1	0	0	632	110
Northern Cape	537	5	250	0	287	0	0	423	114
North West	932	28	912	0	15	3	0	719	212
Western Cape	440	4	270	0	168	0	2	381	59
<b>Total</b>	<b>7 337</b>	<b>87</b>	<b>6 659</b>	<b>0</b>	<b>610</b>	<b>12</b>	<b>3</b>	<b>6 061</b>	<b>1 252</b>

The capacity-building programme benefitted 7 337 staff members from CSOs across the nine provinces. Of the total staff who attended the capacity-building interventions, 6 659 (90.8%) were Africans and 6 061 (82.6%) were females; only 87 (1.2%) were people living with disabilities.

## Part B – Performance Information

### 2.5 Programme 4 – Research and Knowledge Management

The Research and Knowledge Management programme conducted research and published reports; best-practice publications; and policy briefs. It also disseminated outputs from these publications and reports to the CSO sector and state organs working with the CSO sector. The Programme entered into a collaborative research agreement with the University of Fort Hare to conduct a longitudinal research whose main purpose is to inform effective implementation of the Integrated ECD policy and to also produce best practices in Early Childhood Development centres in the context of policy and legislation.. The research is conducted in the Eastern Cape and seeks to establish a baseline for 40 ECD centres on their performance

and develop specific interventions over the next two years to assess the impact of these interventions in the improvement of the teaching and learning environment in these centres. The baseline study report is expected to be finalised in May 2017 as part of the research outcomes of this study.

**Research reports, evaluation reports and policy briefs –**  
The set target of 16 reports was achieved. The reports were used to inform dialogues and for the development of the NDA's new CSO development model. The following are some of the reports produced:

**Table 3: Research Reports and Briefs**

No	Name of report	Brief summary of the report
1	Creating ECD Learning Environments	A literature review on the importance of creating environments that will foster quality learning and encourage good behaviour and the way of life in ECD centres.
2	ECD Centre of Excellence Report	A compilation of presentations from different researchers and practitioners in the ECD sector on the Centre of Excellence for ECD that the University of Fort Hare is establishing.
3	ECD Practitioner Services	A literature review to establish the theory based on ECD practitioners' practices in SA and on a global scale to inform the longitudinal study on ECD.
4	Health and Nutrition in ECD	A literature review to establish theory on the importance of nutrition in the development of the children accessing the Early Childhood Development services.
5	Parental Involvement in ECD	A research on external environment influencing parental involvement in children's learning outcomes at ECD centres.
6	Management of Leadership in ECD – policy brief	A policy brief on the management and leadership in ECD centres.
7	Effective ECD Programmes – policy brief	A policy brief on literacy, numeracy and life skills programmes, family outreach programmes, conferences, knowledge-sharing and the National Integrated Programme for ECD.
8	NDA Projects	Research on 28 funded projects in different provinces on how they can be profiled for the year 2017/18 for best-practices publication
9	NDA Research Book	This is a book compiled on research studies conducted by the NDA aimed at informing the state, the civil society sector and other stakeholders on development issues.
10	Quality Teaching and Learning	A literature review on teaching methods that are proposed in ECD policies world-wide.
11	ECD Policies – policy brief	A policy brief on different policies in the country to support ECD initiatives and the role of stakeholders in supporting the implementation of these policies.
12	Infrastructure in ECD – policy brief	A policy brief on typologies of ECD centres in South Africa.
13	Nutrition and Health Systems in ECD	A literature review on Bronfenbrenner's Ecological System Theory that can affect the development of the individual child.



**Best-practice publications** – the Unit produced 10 best-practice reports against a set target of six. This was due to the demand for using lessons learned and best-practice from the NDA's own projects and programmes. These reports were used to inform how the new NDA's

CSO Development model should be structured, especially integrating specialised programmes of the CSO sector on Cooperatives and ECD centres. The table below provides a synopsis of projects that were assessed for best-practice and lessons learned.

**Table 4: Best-Practice Publications**

No	Name of best-practice	Brief summary
1	Keep the Dream	A food and nutrition programme established with the aim of addressing the food and nutrition insecurity of households within the identified communities in Limpopo.
2	Mmamatie wa Tsie	A drop-in centre established to improve the quality of life for children in Monamatse Village, through provisioning of ECD services to vulnerable and orphaned children.
3	Senamoriri	A cooperative in Limpopo focusing on generating income through manufacturing bricks, producing crushed stones, collecting pebbles, sand mining and providing water to the local community.
4	Tshilimangana	An agricultural cooperative focusing on crops in Limpopo Province.
5	Catholic Community	A food security project (MARU), which is responding to food scarcity, poor nutrition, unemployment and poverty involving 150 households' food gardens.
6	Jabulani Development and Training	A project providing support and training to early childhood development (ECD) centres in disadvantaged communities of Lesedi Municipality in Gauteng Province.
7	Manger Care Centre	An organisation caring for the homeless, destitute and abandoned children using a non-discriminatory policy and providing services on social development needs for these groups in Gauteng Province.
8	Thembisa Self-help Association for the Disabled	An organisation in Gauteng Province with a total of 65 beneficiaries with mental and physical disabilities who are involved in different activities and different projects.
9	Humana People to People	A project on food security and other programs such as the HIV and AIDS Programme.
10	Tshilimangana Agricultural Cooperative Limited	A best-practice report on a project which formed a partnership with the Limpopo Department of Agriculture.

## Part B – Performance Information

**Dissemination sessions** – The dissemination sessions are designed to engage the CSO sector and the state on issues that affect development needs of CSOs and development policy in general. During the year under review, the unit scheduled six dissemination sessions from its research unit products, other development policy frameworks and approaches that affect the CSO sector. During the year under review, the Government of the Republic of South Africa, after the United Nations (UN) General Assembly's adoption of Sustainable Development Goals, adopted an approach of domesticating these goals to make them

relevant and applicable to the South African development context. This resulted in the NDA forming a partnership with Statistics South Africa in hosting dialogues and engaging with the CSO sector in the processes of domesticating these goals. The aim was to ensure that the sector is at the heart of implementation and monitoring programmes designed to meet these goals in South Africa. The dialogues were titled: 'SDGs Domestication with Civil Society Organisations: Inclusiveness – Leaving no one behind'. A total of seven sessions were held with the CSO sector in some of the provinces and this process is ongoing.

**Table 5: Dissemination Sessions**

No	Name of session	Location	Date	# of participants
1	NDA Book Launch and Symposium: Enhancing civil society participation in the South African development agenda – The role of civil society organisations	Birchwood Hotel & Conference Centre, Boksburg, Gauteng	18 October 2016	165
2	Report on the Data Collection Tools Workshop with the University of Fort Hare – Eastern Cape	University of Fort Hare, East London	3 – 4 November 2016	15
3	Provincial dialogue on the NDA strategic shift and sustainable development goals – Northern Cape	Kimberley, Northern Cape	10 October 2016	48
4	Dialogue session on the domestication of sustainable development goals (SDGs), engaging CSOs – Limpopo	Tzaneen, Limpopo	20 February 2017	40
5	CSOs on domestication of sustainable development goals – Eastern Cape	Queenstown, Eastern Cape	9 February 2017	73
6	SDGs domestication dialogue with CSOs – North West	Hammanskraal, North West	27 February 2017	59
7	Dialogue on Sustainable Development Goals (SDGs) – Free State	Vrede, Free State	27 January 2017	65

### Monitoring, Evaluation, Reporting and Learning (MERL)

The NDA completed the review of its Monitoring and Evaluation Framework to align it with its business strategy and model. In addition, 39 projects were evaluated in the Eastern Cape, Northern Cape, Western Cape, Gauteng, Mpumalanga and Limpopo Provinces to assess outcomes and outputs.

### 2.6 Key Policy Developments and Legislative Changes

There have been no significant changes to the National Development Agency's legislative and other mandates. However, the NDA has undergone a review, which was conducted by the Department of Social Development. The NDA review process has been completed and its five-year strategic plan and programmes have been re-defined to align with the revised strategy.

### 3. Summary of Expenditure per Programme

The table below illustrates how the Agency's resources were spent per programme in the 2016/17 financial year in comparison with the 2015/16 financial year.

**Table 6: Expenditure per Programme**

Programme name	2016/2017			2015/2016		
	Budget R '000	Actual expenditure R '000	(Over/Under-expenditure R '000)	Budget R '000	Actual expenditure R '000	(Over/Under-expenditure R '000)
Resource Mobilisation for CSOs	–	–	–	110 481	96 901	13 580
CSO Mobilisation	78 112	72 153	5 959	–	–	–
Capacity Building	45 335	40 741	4 594	65 462	62 592	2 870
Research and Development	6 330	4 888	1 442	4 896	3 733	1 163
Civil Society Mobilisation and Advocacy	–	–	–	1 970	534	1 436
Administration and Support	114 542	102 980	11 562	103 138	93 024	10 114
	<b>244 369</b>	<b>220 762</b>	<b>23 911</b>	<b>285 947</b>	<b>256 784</b>	<b>29 163</b>

#### 3.1 Revenue Collection

The table below illustrates how the Agency's financial information for the 2016/17 financial year differs in comparison with 2015/16.

**Table 7: 2016/17 and 2015/16 Revenue Collection Comparison**

Revenue collection	2016/2017			2015/2016		
	Budget in R'000	Actual amount collected in R '000	(Over/Under-collection R '000)	Estimate in R'000	Actual amount collected in R '000	(Over/under-collection R '000)
Transfer from National Treasury	194 153	194 153	–	184 381	184 381	–
Other Income	50 216	43 164	7 051	101 566	70 612	30 954
	<b>244 369</b>	<b>237 317</b>	<b>7 051</b>	<b>285 947</b>	<b>254 993</b>	<b>30 954</b>

## Part B – Performance Information

### 4. Performance Information by Programme/Activity/Objective

#### 4.1 Programme 1: Governance and Administration

The programme focused on promoting and maintaining organisational excellence and sustainability through effective and efficient administration that includes performance management, employee well-being, cost

containment and brand recognition. These will be achieved within a sound governance and administration environment.

**Strategic Objective: to develop and strengthen internal systems, processes and human capability to deliver efficiently and effectively on the NDA Mandate**

No.	Performance indicator	Actual achievement 2015/2016	Planned target 2016/2017	Actual achievement 2016/2017	Deviation from planned target	Reasons for deviation
1.	Number of Executive Committee (EXCO) meetings held per year	New	12	12	0	-N/A
2.	Number of partnership agreements concluded and signed per year	New	19	22	3	Over-achievement was due to more partners coming on board.
3.	Timeous submission of Strategic Plan and Annual Performance Plan to executive authority per year	New	Submit within the prescribed timeframes	Strategic Plan and Annual Performance Plan	0	-N/A
4.	Number of hits reached through the NDA website and social media platforms per year	New	80 000	91 814	11 814	Adverts for vacant positions attracted more hits to website than anticipated.
5.	Percentage of staff audited for skills development per year	New	100%	100%	0	-N/A
6.	Percentage of targeted per year employees attending identified skills development programmes per year	New	60%	60%	0	-N/A
7.	Percentage reduction in regulatory audit findings per year	New	80%	0%	80%	Increase in reported instances of non-compliance with laws and regulations
8.	Completed and functional integrated information system per year	New	Approved ICT Strategy Plan	Service level agreement and project plan	100%	Delays in appointment of supplier to develop the strategy.
9.	Number of district offices established and functional per year	New	9	10	1	-N/A

## 4.2 Programme 2: CSO Mobilisation

The programme focused on CSO engagements, assessments and needs analyses, prioritisations of interventions required by CSOs, facilitating community and CSO networks, resource identification and mobilisation to support NPOs, provision of information and referrals of

CSOs to other state and private institutions for additional support. This programme focused on Mikondzo districts identified by the social development sector and poverty wards identified by provinces and municipalities in all the provinces.

<b>Strategic Objective: To conduct CSO engagements, assessments and needs analyses in the identified priority wards.</b>						
No.	Performance indicator	Actual achievement 2015/2016	Planned target 2016/2017	Actual achievement 2016/2017	Deviation from planned target	Reasons for deviation
1.	Number of social engagements with CSOs on community development per year	New	2 030	3 120	1 090	Target was exceeded due to participation in Mikondzo programme and provincial outreach programmes.
2.	Number of CSO structures formalised in priority wards per year	New	630	631	1	N/A
3.	Number of CSOs assessed in priority wards to determine appropriate capacity-building interventions per year	New	2 030	4 357	2 327	Target was exceeded due to participation in Mikondzo programme and provincial outreach programmes.
4.	Number of CSOs assisted to register with appropriate registration authority in priority wards per year	New	630	713	83	Target exceeded due to partnership with registration authorities.
5.	Number of CSOs assessed and referred to other agencies for technical and financial support in priority wards per year	New	406	1 403	997	Target achieved due to partnership with other agencies that provide support to CSO's.

## Part B – Performance Information

### 4.3 Programme 3: CSO Capacity-building

The programme focused on strengthening institutional capacities of CSOs across Mikondzo districts and other high-poverty districts identified by provinces and municipalities across all nine provinces. The institutional capacity building interventions focused on financial management, conflict resolution and management, governance, compliance and registration, fundraising and

resource mobilisation, project planning and management, project monitoring and reporting. The capacity-building programme is the intervention arm of the NDA; it facilitated and provided training, mentoring and incubation to all CSOs identified with a need for any of these interventions in the districts and those CSOs funded by the Department of Social Development.

Strategic Objective: To increase accessibility to capacity-strengthening interventions to csos with the aim of improving the quality of services.						
No.	Performance indicator	Actual achievement 2015/2016	Planned target 2016/2017	Actual achievement 2016/2017	Deviation from planned target	Reasons for deviation
1.	Number of CSOs trained and mentored to comply with the Non-profit Organisations Act (1997) per year	New	3 000	3 065	65	Improved partnerships with the Department of Social Development provincial offices.
2.	Number of CSOs capacitated in CSO management per year	2 687	2 000	2 880	880	Improvement in collaborative partnerships.
3.	Number of NPOs trained in community development practice per year	New	450	706	256	Improvement in collaborative partnerships.
4.	Number of NDA-funded projects exited into sustainable programmes per year	New	140	168	28	The district improved turnaround in terms of reports and monitoring in provinces.

#### 4.4 Programme 4 – Research and Knowledge Management

The programme focused on action research and impact evaluative studies that were used to inform programme planning, implementation and management of NDA poverty eradication programmes in the Mikondzo districts. In addition, the research programme and evaluation outcomes will inform national policy debates and

engagements with the CSO sector and organs of state on issues relating to development and poverty alleviation in general. The unit also produced publications and standards for effective best-practice in the CSO sector to promote sharing of lessons and good practice in the social development sector.

**Strategic Objective: To conduct, collate and disseminate research and evaluations that inform the national development agenda.**

No.	Performance indicator	Actual achievement 2015/2016	Planned target 2016/2017	Actual achievement 2016/2017	Deviation from planned target	Reasons for deviation
1.	Number of research reports, evaluation reports and policy briefs produced per year	19 reports produced	16 reports produced	16 reports produced	–	N/A
2.	Number of best-practice publications produced per year	7 publications	6 publications	10 publications	4 publications	Demand for additional information for the CSO Development Framework.
3.	Number of dissemination sessions for research reports, evaluation reports, policy briefs and best-practice publications conducted per year	3 sessions	6 sessions	7 sessions	1 session	Partnerships with STATS SA on SDG domestication dissemination sessions.
4.	Number of people who attended research reports, evaluation reports, policy briefs and best-practice dissemination sessions per year	New	240 people	465 people	225 people	Partnerships with STATS SA SDGs domestication and NDA research book launch.
5.	Revised NDA monitoring and evaluation framework and tools approved during the year	New	Approved M&E framework and tools	Approved M&E framework and tools	–	N/A

# PART C

# REPORT ON GOVERNANCE.





## Part C – Report on Governance

5. 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, 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 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 1 April 2016 to 31 March 2019. The Board takes accountability for the performance of the NDA.

### 5.1 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.

Date	Parliamentary structure	Focus
13 April 2016	Portfolio Committee	Presentation of the Strategic Plan (2016/2021) and the APP (2016/2017)
12 October 2016	Portfolio Committee	Presentation of the Annual Report (2015/2016)
8 November 2016	Select Committee	Presentation of the Annual Report (2015/2016)
16 November 2016	Portfolio Committee	NDA Business Case and Strategy containing the review and repositioning of the NDA

### 5.2 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 facilitated through a Shareholder's Agreement, implemented through submission of strategic plans, annual performance plans, quarterly and annual reports to the Minister as Executive Authority. A dashboard report which outlines progress against financial management, governance and compliance with laws and regulations was submitted to the Minister of Social Development to note progress by the NDA in addressing these issues. Both the Auditor-General and the Minister acknowledged a satisfactory improvement by the NDA in addressing these areas of performance.

### 5.3 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, Companies Act and the principles of the King III Code of Governance. The constitution and composition of the Board are governed by the National Development Agency Act 108 of 1998, as amended. The Board composition is in compliance with the requirements of the NDA Act.

### 5.4 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:

- General oversight of all aspects of the business.
- Determining the NDA's purpose, policies and values, and monitoring compliance with them.
- Approving the NDA's strategy and monitoring its implementation.
- Ensuring that that public entity has and maintains:
  - effective, efficient and transparent systems of financial and risk management and internal control;
  - a system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77 of the PFMA; and
  - an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and costeffective;
  - a system for properly evaluating all major capital projects prior to a final decision on the project

## Part C – Report on Governance

- taking effective and appropriate steps to:
  - collect all revenue due to the public entity concerned; and
  - prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct, and expenditure not complying with the operational policies of the public entity; and
  - manage available working capital efficiently and economically;
- managing and safeguarding, of the assets
- managing the revenue, expenditure and liabilities of the public entity
- comply with any tax, levy, duty, pension and audit commitments as required by legislation;
- take effective and appropriate disciplinary steps against any employee of the public entity who:
  - contravenes or fails to comply with a provision of the PFMA;
  - commits an act which undermines the financial management and internal control system of the public entity;or
  - makes or permits an irregular expenditure or a fruitless and wasteful expenditure;
- submits on behalf of the public entity of all reports, returns, notices and other information to Parliament or the relevant provincial legislature and to the relevant executive authority or treasury, as may be required by the PFMA
- make recommendations with regard to legislation and policies directly or indirectly constraining effective development in the Republic.
- Recommendations to the Minister of Social Development for the appointment and removal of the chief executive.
- Approving the organisational structure; human resource plans; recruitment, development and succession of executive management; the assignment of executive management responsibilities; and the staff compensation strategy.
- Approving the audit fee.
- Delegation of the Board's powers.
- Ensuring that the NDA complies with all relevant laws, regulations, and codes of best business practice.
- Reviewing financial and operating results.
- Providing counsel to the CEO and his/her team on all critical matters.
- Reporting quarterly and annually to the Minister of Social Development on all aspects of the NDA's performance.
- Making recommendations to the Minister regarding:
  - Remuneration of members; and
  - Changes to the NDA Act and the Agency Agreement.

### 5.5 Board Charter

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

## 5.6 Board and Committees

The Board meets four times a year. Additional meetings may be held whenever deemed necessary. In this regard the NDA Board had additional meetings since the Agency was undergoing institutional review and repositioning processes. The Chairperson, in consultation with the Chief Executive Officer and Company Secretary, is responsible for setting the agenda of each meeting. The Chairperson of each committee reports back to the Board on matters discussed after every meeting.

The Board operated through the following five committees:

- i) Management Committee
- ii) Audit and Risk
- iii) Human Resource and Remuneration
- iv) Projects, Research and Development
- v) Stakeholder and Resource Mobilisation Committee

**Table 8: Record of Attendance of Board and Committee Meetings**

Board Members	Board	Audit and Risk	Human Resources and Remuneration	Management Committee	Programmes, Research and Development	Stakeholder and Resource Mobilisation Committee
Ms J Hermans	11	–	–	4	1	1
Mr Z Ngcakani	11	8	–	2	–	1
Mr M Chikane	9	–	4	3	–	2
Mr A Hanekom	14	–	4	4	–	3
Ms B Khan	13	–	2	–	1	3
Ms M Manya	14	–	3	–	2	–
Ms M Matlala	11	13	–	–	2	–
Ms S Matsebula	11	7	–	4	2	–
Ms T Shange	9	9	–	–	2	–
Ms F Varachia	11	13	2	3	–	–

**Table 9: Record of Attendance of Board Meetings**

Board Members	12.04.16	13.04.16	19.04.16	20.04.16	26.05.16	27.07.16	25.08.16	12.10.16	13.10.16	14.10.16	28.10.16	24.11.16	11.01.17	26.01.17	Total
Ms J Hermans	Y	Y	Y	Y	Y	Y	Y	–	Y	Y	–	Y	Y	–	11
Mr Z Ngcakani	Y	Y	Y	Y	–	Y	Y	–	Y	Y	Y	Y	Y	–	11
Mr M Chikane	–	–	Y	Y	–	Y	Y	Y	Y	Y	Y	Y	–	–	9
Mr A Hanekom	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	14
Ms B Khan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	–	Y	Y	Y	13
Ms M Manya	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	14
Ms M Matlala	–	–	Y	Y	–	Y	Y	Y	Y	Y	Y	Y	Y	Y	11
Ms S Matsebula	–	–	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	–	11
Ms T Shange	–	Y	Y	Y	–	–	–	Y	Y	Y	Y	Y	–	Y	9
Ms F Varachia	–	–	Y	Y	Y	Y	Y	–	Y	Y	Y	Y	Y	Y	11

## Part C – Report on Governance

**Table 10: Record of Attendance of Audit and Risk Committee Meetings**

Board Members	13.05.16	25.05.16	07.06.16	25.07.16	15.08.16	22.08.16	19.10.16	24.10.16	18.11.16	10.01.17	19.01.17	26.01.17	31.03.17	Total
Ms F Varachia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	13
Ms M Matlala	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	13
Ms S Matsebula	-	Y	-	Y	Y	Y	Y	Y	-	Y	-	-	-	7
Mr Z Ngcakani	-	Y	Y	Y	-	-	-	Y	Y	Y	Y	-	Y	8
Ms T Shange	Y	-	-	Y	-	Y	Y	Y	-	Y	Y	Y	Y	9

**Table 11: Record of Attendance of Human Resources and Remuneration Committee Meetings**

Board Members	09.06.16	11.07.16	12.10.16	19.10.16	Total
Mr M Chikane	Y	Y	Y	Y	4
Mr A Hanekom	Y	Y	Y	Y	4
Ms B Khan	*	*	Y	Y	2
Ms M Mannya	Y	Y	-	Y	3
Ms F Varachia	Y	-	-	Y	2

**Table 12: Record of Attendance of Management Committee Meetings (HR&R)**

Board Members	03.05.16	09.05.16	22.06.16	19.09.16	Total
Ms J Hermans	Y	Y	Y	Y	4
Mr Z Ngcakani	-	-	Y	Y	2
Mr M Chikane	-	Y	Y	Y	3
Mr A Hanekom	Y	Y	Y	Y	4
Ms S Matsebula	Y	Y	Y	Y	4
Ms F Varachia	Y	Y	-	Y	3

**Table 13: Record of Attendance of Projects, Research and Development Committee Meetings (PRD)**

Board Members	29.06.16	30.09.16	Total
Ms S Matsebula	Y	Y	2
Ms J Hermans	-	Y	1
Ms M Mannya	Y	Y	2
Ms M Matlala	Y	Y	2
Ms T Shange	Y	Y	2
Ms B Khan	Y	*	

**Table 14: Record of Attendance of Stakeholder Mobilisation Committee Meetings**

Board Members	09.06.16	25.10.16	05.12.16	Total
Mr A Hanekom	Y	Y	Y	3
Mr M Chikane	Y	Y	–	2
Ms J Hermans	Y	–	–	1
Ms B Khan	Y	Y	Y	3
Mr Z Ngcakani	Y	–	–	1

## 5.7 Risk Management

The Risk Management Strategy was revised and approved by the NDA Board and will be implemented in the 2017/18 financial year.

## 5.8 Internal Audit Unit

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

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

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

- Review of Performance
- Review of Management Accounts
- Review of Annual Financial Statements
- Follow up on audit findings
- Human resources audit
- Procurement audit
- Projects audit
- Ad hoc audits

## 5.9 Compliance with Laws and Regulations

The NDA continued to comply with the relevant laws and regulations. A compliance checklist was developed to monitor compliance with applicable laws.

## 5.10 Fraud and Corruption

The NDA has an approved Fraud Prevention Plan accessible to its internal stakeholders. This plan outlines mechanisms and procedures to be followed in detecting, reporting and mitigating against fraud. The Legal and Risk Unit is the custodian of the Fraud Prevention Plan. The plan is complemented by an approved whistle-blowing policy that facilitates protected disclosures and guarantees the confidentiality of whistle-blowers. Furthermore, the NDA has a fraud hotline wherein all fraudulent issues or events are reported. Internal Audit is tasked to investigate and follow up on reported cases.

## 5.11 Minimising Conflict of Interest

Annually declarations of interest forms are distributed to Board Members and NDA staff to facilitate recording of any interest that might impact on the NDA. Furthermore, in every management or Board and committee meetings, a declaration of interest form on agenda items are completed and signed. Where there is an interest declared, the member would be requested to recuse him/herself when the item is discussed.

## 5.12 Code of Conduct

The NDA has a Code of Conduct in place. 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.

## Part C – Report on Governance

### 5.13 Health, Safety and Environmental Issues

To deliver on the Occupational Health and Safety (OHS) policy objective, the NDA had appointed an occupational health and safety officer and new representatives across all its offices. These representatives have conducted an OHS assessment and recommendations are currently being implemented to minimise and prevent work-related injuries on duty. Ongoing awareness campaigns on OHS policy and procedure have been instituted to prevent OHS-related incidents and fatalities. The results of these interventions have been satisfactory as no major OHS-related incidents and fatalities were reported.

### 5.14 Company Secretary

The Company Secretary plays two critical roles in 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.

The primary responsibility of the Company Secretary is to provide guidance to the Board in the discharge of its fiduciary duties and to ensure that Board proceedings are carried out accordance with the relevant legislative requirements.

The Company Secretary plays a significant role in the following:

- Induction of new Board members.
- Tabling relevant information on regulatory and legislative changes to the Board.
- Guidance to Board members individually and collectively on their duties and responsibilities.
- Providing guidance to and advising the Board on ethical matters and good governance principles.

Board members have unlimited access to the advice and services of the Company Secretary.

### 5.15 Audit and Risk Committee Report

The purpose of the Audit and Risk Committee of the National Development Agency is to assist the Agency in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of financial reports and statements.

These tasks are conducted in line with all applicable legal requirements and accounting standards as prescribed in the Public Finance Management Act No 1 of 1999 as amended (PFMA). The operation of the committee is governed by the Audit and Risk Committee Charter, which provides clear guidelines with regard to membership, authority and responsibilities.

### 5.16 Audit and Risk Committee responsibility

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

### 5.17 Evaluation of Internal Controls

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

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

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

The system of internal control applied by the Agency over financial risk management is effective, efficient and transparent. In line with the PFMA and the King III 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 fiscal year. Management has initiated the Audit Turnaround Strategy that monitors progress around audit findings.

The NDA has been reporting on a quarterly basis to the Department of Social Development and Treasury, as required by the PFMA.

## 5.18 Evaluation of the Annual Report

The Audit Committee of the new Board has:

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

The monitoring of the Agency's performance is a key function of the Executive Authority. The Committee has ensured, principally through the internal audit function, that the systems of performance measurement and reporting, as well as the systems of internal control that underpin the performance management framework of the Agency, remain robust and are addressed routinely in the audit plans. The Committee confirms that during the year under review a number of weaknesses around performance measurement were identified, and management was directed to ensure that an appropriate corrective action plan is implemented in the 2016/17 fiscal 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 has been altered to acknowledge 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.

## 5.19 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 2016.



**Ms Farzana Varachia**  
Chairperson of the Audit and Risk Committee  
National Development Agency

Date: 31 July 2017

# PART D

# HUMAN RESOURCES





## Part D – Human Resources

### 6.1 Introduction

The human resource management function played multiple roles in creating, delivering and sustaining value proposition for the organisation's strategic goals and objectives. These roles, include amongst others: the provision of human resources management and administration, human resource planning and reporting, human resources development, performance improvement, employee wellbeing and employee relations.

In light of the fact that the NDA is undergoing transition, the HR Unit also ensured that the organisational structure is aligned to the revised strategy and service delivery model. 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 the following five core pillars:

- Workforce alignment.
- Employee management and development.
- Constructive workplace relationship management.
- Employee health and well-being.
- Employee engagement.

### 6.2 Human Resources Oversight Statistics

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 2017, the NDA had 180 employees within its total workforce. The table below summarises the audited expenditure and provides an indication of personnel cost per programme and salary band.

**Table 15: Personnel Cost by Programme**

Programme	Total expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel expenditure as a % of total exp.	Number of employees	Average personnel cost per employee (R'000)
Programme 1: Governance & Administration	102 980	31 291	14%	58	539
Programme 2: CSO Mobilisation	72 153	37 233	17%	99	376
Programme 3: CSO Capacity Building	40 741	8 872	4%	16	554
Programme 4: Research and Knowledge Management	4 888	3 748	2%	7	536
<b>Total</b>	<b>220 762</b>	<b>81 144</b>	<b>37%</b>	<b>180</b>	<b>450</b>

**Table 16: Personnel Cost by Professional Levels**

Level	Personnel Expenditure (R'000)	% of personnel expenditure to total personnel cost	Number of employees	Average personnel cost per employee (R'000)
Top Management	8 721	11.1%	6	1 454
Senior Management	18 722	23.1%	25	745
Professional qualified	38 148	47.0%	90	424
Skilled	13 044	16.1%	41	318
Semi-skilled	908	1.1%	4	227
Unskilled	1 601	2.0%	14	114
<b>Total</b>	<b>81 144</b>	<b>100%</b>	<b>180</b>	<b>450</b>

## Part D – Human Resources

### 6.3 Performance Rewards

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 2015/16 financial year were paid in November 2016 to 102 employees and the total cost was R2 669 442.

**Table 17: Employee Rewards**

Level	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	–	8 721	–
Senior Management	–	18 722	–
Professional qualified	2 022	38 148	2.5%
Skilled	481	13 044	0.6%
Semi-skilled	166	908	0.2%
Unskilled	–	1 601	–
<b>Total</b>	<b>2 669</b>	<b>81 144</b>	<b>3.3%</b>

### 6.4 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 both short courses and study assistance.

**Table 18: Training Costs**

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	31 291	434	0.51%	22	20
Programme 2: CSO Mobilisation	37 233	555	0.66%	59	9
Programme 3: CSO Capacity Building	8 872	63	0.07%	3	21
Programme 4: Research and Knowledge Management	3 749	38	0.04%	3	12
<b>Total</b>	<b>81 144</b>	<b>1 090</b>	<b>1.3%</b>	<b>87</b>	<b>12</b>

A total of R1 090 676.00 has been spent on learning and development interventions in 2016/17 and 87 employees benefitted from it. However, it should be noted that all these employees have attended more than one intervention. A total of 29 bursaries/study assistance were awarded to employees to pursue long-term studies towards the attainment of a formal qualification but only 21 have already registered as at 31 March 2017.

## 6.5 Employment and Vacancies

The NDA will continue to work towards maintaining the vacancy rate of 5% 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.

**Table 19: Employment and Vacancies by Programme**

Programme	2015/2016 Number of employees	2016/2017 Approved posts	2016/2017 Number of employees	2016/2017 Vacancies	% of vacancies
Programme 1: Administration and Governance	73	63	58	5	2%
Programme 2: Resource Mobilisation for CSOs	63	144	99	45	20%
Programme 3: Capacity-building for CSOs	13	16	16	–	–
Programme 4: Research and Knowledge Management	4	4	7	–	–
<b>Total</b>	<b>153</b>	<b>227</b>	<b>180</b>	<b>50</b>	<b>22%</b>

**Table 20: Employment and Vacancies by Occupational Level**

Levels	2015/2016 Number of employees	2016/2017 Approved posts	2016/2017 Number of employees	2016/2017 Vacancies	% of vacancies
Top management	2	6	3	3	1.3%
Senior management	27	41	28	13	5.7%
Professional qualified	64	104	90	17	7.5%
Skilled	44	50	41	9	3.9%
Semi-skilled	3	4	4	–	–
Unskilled	13	22	14	8	3.5%
<b>Total</b>	<b>153</b>	<b>227</b>	<b>180</b>	<b>50</b>	<b>22%</b>

The NDA is operating below the approved staff establishment due to the ongoing recruitment for district offices. However, where NDA had vacant senior management positions, internal arrangements were made through the appointment of internal staff members on acting and secondment contracts.

## 6.6 Employment Changes

The table below represents permanent employment changes for the period under review.

**Table 21: Employment Changes**

Levels	Employment as at 1 April 2016	Appointments	Terminations	Employment as at 31 March 2017
Top management	2	1	–	3
Senior management	27	1	–	28
Professional qualified	64	30	4	90
Skilled	44	2	5	41
Semi-skilled	3	1	–	4
Unskilled	13	3	2	14
<b>Total</b>	<b>153</b>	<b>38</b>	<b>11</b>	<b>180</b>

## Part D – Human Resources

### 6.7 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 2016/2017 financial year. Quarterly statistics are reported, and the annual turnover rate is an average of the four quarterly statistics.

**Table 22: Reasons for Staff Leaving**

Reason	Number	% of total number of staff leaving
Death	3	1,7%
Resignation	4	2,2%
Dismissal	–	–
Retirement	–	–
Ill health	1	0,6%
Expiry of contract	4	2,2%
Other	–	–
<b>Total</b>	<b>12</b>	<b>6,7%</b>

As at 31 March 2017, there were 12 employees that left the organisation.

**Table 23: Labour Relations: Misconduct and Disciplinary Action**

Nature of disciplinary action	Number
Verbal warning	–
Written warning	4
Final written warning	–
Dismissal	–
<b>Total</b>	<b>4</b>

Four (4) misconduct and disciplinary cases were reported, warnings issued were mostly related to non-compliance with NDA policies and procedures, and/or dereliction of duty.

### 6.8 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. NDA employment equity is profiled according to gender, disability, race, salary grade and by occupational categories.

**Table 24: Equity Target and Employment Equity Status**

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	2	–	–	1	1	–	–
Senior management	6	10	–	–	–	1	–	–
Professional qualified	27	36	1	9	–	2	–	1
Skilled	25	51	2	10	1	1	1	–
Semi-skilled	27	17	–	3	–	1	–	–
Unskilled	13	8	1	6	–	2	–	–
<b>Total</b>	<b>99</b>	<b>124</b>	<b>4</b>	<b>28</b>	<b>2</b>	<b>8</b>	<b>1</b>	<b>1</b>

The NDA employment profile is mostly represented by females, at 58.9%. Although females dominate the organisation's employment statistics, there is still a need for female representation at top management level to achieve the targets.

**Table 25: Equity Target and Employment Equity Status**

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	1	–	1	–	–	–	–
Senior management	12	12	2	2	–	–	–	1
Professional qualified	23	16	–	6	–	–	–	1
Skilled	22	40	1	6	–	5	–	1
Semi-skilled	12	8	–	5	–	2	–	–
Unskilled	1	6	–	4	–	4	–	–
<b>Total</b>	<b>71</b>	<b>83</b>	<b>3</b>	<b>24</b>	<b>–</b>	<b>11</b>	<b>–</b>	<b>2</b>

Males make up only 41,1% of total staff, with Africans being the majority. 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.

### 6.9 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.

**Table 26: Staff with a Disability**

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	–	–	–	–
<b>Total</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>

Currently the NDA has three certified employees with disabilities, translating to a 1,8% target for employing people with disabilities. This is close to government's target of 2%. However, it is the intention of the NDA to increase these numbers. This will be addressed during the 2017/18 financial year through targeted recruitment and addressing other human resources practices in this regard.

# PART E

# AUDITED ANNUAL FINANCIAL STATEMENTS

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 National Development Agency (NDA) set out on pages 51 to 77, which comprise the statement of financial position as at 31 March 2017, the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Development Agency as at 31 March 2017 and 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 Management Framework 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 my report.
4. I am independent of the 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.

### Responsibilities of the Accounting Authority for the Financial Statements

6. 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.
7. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the intention is to liquidate the entity or to cease operations, or there is no realistic alternative but to do so.

### Auditor-General's Responsibilities for the Audit of the Financial Statements

8. My objectives are to obtain reasonable assurance about whether 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of financial statements.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

## Report on the Audit of the Annual Performance Report

### Introduction and Scope

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

# Report of the Auditor-General to Parliament on the National Development Agency

11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the 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.
12. 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 programmes presented in the annual performance report of the entity for the year ended 31 March 2017.

Programmes	Pages in the annual performance report
Programme 2: civil society organisation mobilisation	27
Programme 3: civil society organisations capacity-building	28

13. I performed procedures to determine whether the reported performance information was properly presented and whether the performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and the related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. The material findings in respect of the reliability of the programme 2 - Civil Society Organisation Mobilisation and the programme 3 - Civil Society Organisations capacity building are as follows:

## Various Indicators

15. The entity did not have an adequate performance management system to maintain records to enable reliable reporting on achievement of targets. Sufficient appropriate audit evidence could not be provided in some instances while in other cases the evidence provided did not agree to the recorded achievements. I was also unable to confirm the reported achievement by alternative means. Consequently, I was unable to confirm the validity, accuracy and completeness of the reported figures or determine whether any further adjustments were required to the reported achievements.

Indicator	Strategic objective	Reported achievement
<b>Programme 2 – civil society organisation mobilisation</b>		
Number of social engagements with CSOs on community development per year	To conduct CSO engagements, assessments, and needs analyses in all Mikondzo districts for purposes of planning appropriate interventions for CSOs in the districts.	3 120
Number of CSO structures formalised in priority wards per year		631
Number of CSOs assessed in priority wards to determine appropriate capacity-building interventions per year		4 357
Number of CSOs assisted to register with appropriate registration authority in priority wards per year		713
Number of CSOs assessed and referred to other agencies for technical and financial support in priority wards per year.		1 403
<b>Programme 3 - civil society organisations capacity-building</b>		
Number of CSOs trained and mentored to comply with Non-profit Organisation Act(1997) per year	To increase accessibility to capacity-strengthening interventions to CSOs operating in the Mikondzo districts with the aim of improving the quality of services they deliver to poverty eradication initiatives.	3 065
Number of CSOs capacitated in civil society organisational management per year		2 880
Number of NPOs trained in community development practice per year		706
Number of NOA-funded projects exited into sustainable programmes per year		168



## Other Matter

16. I draw attention to the matter below.

## Achievement of Planned Targets

17. Refer to the annual performance report on pages 15 to 29; 26 to 29 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a number of targets. This information should be considered in the context of the reliability of the reported performance information in paragraph 15 of this report.

## Report on Audit of Compliance with Legislation

### Introduction and Scope

18. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
19. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

### Procurement and Contract Management

20. Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by Treasury Regulation 16A6.1.
21. Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1.
22. The preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act.
23. Quotations were awarded to bidders based on functionality criteria that were not stipulated and/or differed from those stipulated in the original invitation for bidding and quotations, in contravention of Preferential Procurement Regulation 4.

### Expenditure Management

24. Effective steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by not following a competitive bidding system for the various operating lease contracts entered into.

### Other Information

25. The accounting authority is responsible for the other information. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.
26. 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.
27. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### Internal Control Deficiencies

28. I considered internal control relevant to my audit of financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. 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.

# Report of the Auditor-General to Parliament on the National Development Agency

## Financial and Performance Management

29. Management did not conduct proper review and monitoring to prevent non-compliance with legislation and to ensure that effective, efficient, transparent systems of financial and risk management and internal control is maintained.
30. 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 and that technical indicator descriptors are well defined and adequate for processing performance information.

*Auditor-General*

**Auditor-General**

Pretoria

31 July 2017



**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 objectives and on the 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 the 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 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 entity’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 the auditor’s report. However, future events or conditions may cause an entity to cease operating as a going concern.
  - 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 was 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, 2018 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 annual financial statements have been examined by the entity's external auditors and this is supported by their report.

The annual financial statements set out on pages 3 to 32, which have been prepared on the going concern basis, were approved by the members on July 31, 2017 and were signed on its behalf by:



**Ms. Judy Hermans**  
Chairperson NDA boardperson

Parktown  
Monday, July 31, 2017

# Statement of Financial Position

as at March 31 2017

	Note(s)	2017	2016
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions	13	697 943	734 433
Receivables from non-exchange transactions	14	212 488	166 782
Cash and cash equivalents	15	101 175 191	104 108 787
		<b>102 085 622</b>	<b>105 010 002</b>
<b>Non-current Assets</b>			
Property, plant and equipment	10	5 653 556	5 502 234
Intangible assets	11	120 960	184 091
		<b>5 774 516</b>	<b>5 686 325</b>
<b>Total Assets</b>		<b>107 860 138</b>	<b>110 696 327</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	16	7 510 787	12 537 913
Payables from non-exchange transactions	17	740	16 299
<b>Provisions</b>			
Short-term employee benefits	18	5 283 999	–
Short-term employee benefits	19	4 604 632	4 298 450
Accrual for committed projects	21	4 401 462	4 588 156
Unutilised third-party funds	22	14 833 981	34 130 526
		<b>36 635 601</b>	<b>55 571 344</b>
<b>Total Liabilities</b>		<b>36 635 601</b>	<b>55 571 344</b>
<b>Net Assets</b>		<b>71 224 537</b>	<b>55 124 983</b>
Accumulated surplus		<b>71 224 537</b>	<b>55 124 983</b>

# Statement of Financial Performance

as at March 31 2017

	Note(s)	2017	2016
<b>Revenue</b>			
<b>Non-exchange revenue</b>			
Transfer Revenue	3	194 153 000	184 381 000
Other grants	4	35 392 934	60 717 962
<b>Total revenue from non-exchange transactions</b>		<b>229 545 934</b>	<b>245 098 962</b>
<b>Exchange revenue</b>			
Other income	5	2 721 050	5 674 880
Finance income		5 050 948	4 218 731
<b>Total revenue from exchange transactions</b>		<b>7 771 998</b>	<b>9 893 611</b>
<b>Total revenue</b>		<b>237 317 932</b>	<b>254 992 573</b>
<b>Expenditure</b>			
<b>Mandate expenses</b>			
Disbursements to NDA funded projects		(22 788 080)	(45 877 208)
Disbursements to third-party funded projects		(11 738 281)	(20 370 975)
Third party funded capacity building costs		(24 537 833)	(40 472 812)
Projects and programme direct costs		(47 188 464)	(39 793 684)
Programmes research and evaluation		(1 415 643)	(2 002 954)
NDA funded capacity building costs		(10 113 916)	(15 241 707)
<b>Total mandate expenses</b>		<b>(117 782 217)</b>	<b>(163 759 340)</b>
<b>Administration expenses</b>			
Accommodation and travel		(8 966 035)	(7 788 922)
Audit fees		(2 244 830)	(1 370 212)
Board fees	6	(1 274 310)	(11 500)
Consulting and professional fees		(1 839 573)	(2 130 860)
Depreciation and amortisation		(1 991 648)	(1 450 590)
Operating leases		(9 757 646)	(9 544 445)
Staff costs	7	(63 125 482)	(56 041 568)
IT communication costs		(2 588 874)	(2 861 001)
Relocation of offices		(316 206)	(25 547)
Increase in allowance for loss		(4 589)	(52 691)
General expenses	8	(10 718 302)	(11 597 489)
<b>Total expenditure</b>		<b>(220 609 712)</b>	<b>(256 634 165)</b>
Loss on disposal of assets		(152 348)	(149 677)
<b>Surplus (deficit) for the year</b>		<b>16 555 872</b>	<b>(1 791 269)</b>

## Statement of Changes in Net Assets

as at March 31 2017

	Note(s)	Accumulated surplus	Total net assets
<b>Balance at 31, March 2015</b>		<b>56 929 404</b>	<b>56 929 404</b>
Surplus for the year		(1 791 269)	(1 791 269)
<b>Opening balance as previously reported</b>		<b>55 138 135</b>	<b>55 138 135</b>
Adjustments			
Correction of errors		(469 470)	(469 470)
<b>Balance at April 1, 2016 as restated*</b>		<b>54 668 665</b>	<b>54 668 665</b>
Surplus for the year		16 555 872	16 555 872
<b>Total changes</b>		<b>16 555 872</b>	<b>16 555 872</b>
<b>Balance at March 31, 2017</b>		<b>71 224 537</b>	<b>71 224 537</b>

# Cash Flow Statement

as at March 31 2017

	Note(s)	2017	2016
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfer revenue		209 793 072	237 393 188
Interest income		5 203 901	4 035 875
Other receipts		2 558 882	6 907 466
		<b>217 555 855</b>	<b>248 336 529</b>
<b>Payments</b>			
Employee costs		(88 899 878)	(89 372 046)
Suppliers		(70 106 491)	(56 773 454)
Other payments		(59 250 895)	(104 541 427)
		<b>(218 257 264)</b>	<b>(250 686 927)</b>
<b>Net cash flows from operating activities</b>	23	<b>(701 409)</b>	<b>(2 350 398)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(2 232 187)	(2 828 348)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(2 933 596)</b>	<b>(5 178 746)</b>
Cash and cash equivalents at the beginning of the year		104 108 787	109 287 533
<b>Cash and cash equivalents at the end of the year</b>	15	<b>101 175 191</b>	<b>104 108 787</b>



# Statement of Comparison of Budget and Actual Amounts

## as at March 31 2017

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
Other income		13 123 002	13 123 002	2 721 050	(10 401 952)	9.1
Finance income	–	1 700 000	1 700 000	5 050 948	3 350 948	9.2
<b>Total revenue from exchange – transactions</b>	<b>–</b>	<b>14 823 002</b>	<b>14 823 002</b>	<b>7 771 998</b>	<b>(7 051 004)</b>	
<b>Revenue from non-exchange transactions</b>						
Transfer revenue						
Government grants & subsidies	194 153 000	–	194 153 000	194 153 000	–	
Other grants	–	35 392 934	35 392 934	35 392 934	–	
<b>Total revenue from non-exchange transactions</b>	194 153 000	35 392 934	229 545 934	229 545 934	–	
<b>Total revenue</b>	<b>194 153 000</b>	<b>50 215 936</b>	<b>244 368 936</b>	<b>237 317 932</b>	<b>(7 051 004)</b>	
<b>Expenditure</b>						
Personnel	(61 642 761)	(2 630 000)	(64 272 761)	(63 125 482)	1 147 279	
Board meeting fees	(962 200)	–	(962 200)	(1 274 310)	(312 110)	9.3
Depreciation and amortisation	–	–	–	(1 991 648)	(1 991 648)	
Lease rentals on operating lease	(9 250 338)	–	(9 250 338)	(9 757 646)	(507 308)	
Debt Impairment	–	–	–	(4 589)	(4 589)	
Repairs and maintenance	(778 548)	–	(778 548)	(474 382)	304 166	9.4
Mandate expenses	(82 252 996)	(47 715 936)	(129 968 932)	(117 782 217)	12 186 715	9.5
General Expenses	(18 659 462)	130 000	(18 529 462)	(10 560 126)	7 969 336	9.6
Capital expenditure	(2 882 000)	–	(2 882 000)	–	2 882 000	9.7
IT communications costs	(3 600 776)	–	(3 600 776)	(2 588 874)	1 011 902	
Audit fees	(2 180 000)	–	(2 180 000)	(2 244 830)	(64 830)	
Consulting and professional fees	(3 816 760)	–	(3 816 760)	(1 839 573)	1 977 187	
Accommodation and travel	(8 127 159)	–	(8 127 159)	(8 966 035)	(838 876)	
<b>Total expenditure</b>	<b>194 153 000</b>	<b>50 215 936</b>	<b>244 368 936</b>	<b>(220 609 712)</b>	<b>23 759 224</b>	
<b>Operating surplus</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>16 708 220</b>	<b>16 708 220</b>	
Loss on disposal of assets and – liabilities	–	–	–	(152 348)	(152 348)	
<b>Surplus before taxation</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>16 555 872</b>	<b>16 555 872</b>	
Actual Amount on Comparable – Basis as Presented in the Budget and Actual Comparative Statement	–	–	–	16 555 872	16 555 872	

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

# 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 financial statements encompass reporting as specified by the PFMA.

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 disclosure
- GRAP 32 – Service concession arrangements: Grantor
- GRAP 108 – Statutory receivables

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 amount and nature of any restrictions on cash balances is required and has been 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;

The financial statements incorporate the principal accounting policies which are consistent with those adopted in the previous years, 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 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 out in the form of outflows other than those relating to distribution to owners.

#### 1.2.1 Disbursements to Funded Projects

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

### 1.3 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 yet been disbursed to these organisations by the end of the financial year.

## 1.5 Property, Plant and Equipment Recognition and Measurement

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

Items of property, plant and equipments 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 equipments. 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 equipments 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 equipments, 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 equipments have been revised as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	6-13 years
Office equipment	Straight line	6-10 years
Computer equipments	Straight line	3-10 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 equipments 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 a 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 (3) to ten (10) years.

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

# Accounting Policies

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

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

## 1.7 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 and rewards of ownership is transferred.

Financial liabilities are derecognised 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 and Receivables and Financial Liabilities Measured at Amortised Cost

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

### 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 (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 held with the primary 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 as a result 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.

# Accounting Policies

## 1.11.2 Contingent Assets

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 Exchange Revenue

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

### 1.12.1 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.

### 1.12.2 Other Income

#### 1.12.2.1 Recoveries from Projects

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

#### 1.12.2.2 Management Fee

Management fee comprises fees raised for managing and implementing programmes on behalf of other government departments and partners. Management fee is recognised in full in the statement of financial performance when funds to be managed are received by the entity.

## 1.13 Revenue from Non-exchange Transactions

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

### 1.13.1 Transfer Revenue

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.

### 1.13.2 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 payment is made.

## 1.14 Comparative Information

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

## 1.15 Unauthorised Expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised 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.

## 1.16 Fruitless and Wasteful Expenditure

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

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

## 1.17 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.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

## 2. Legal Form and Registered Office of the NDA

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

The Entity's registered offices are as follows:

26 Wellington Road  
Parktown  
Johannesburg  
2193

## Notes to the Annual Financial Statements for the year ended 31 March 2017

### 3. Non-exchange Revenue

	2017	2016
Operating grants		
Transfer revenue	<b>194 153 000</b>	<b>184 381 000</b>

### 4. Non-exchange Revenue

Other grants		
Utilised portion of conditional grant (DSD: Free State ECD)	3 090 731	3 231 982
Utilised portion of conditional grant (DSD: Mpumalanga)	7 274 354	11 033 957
Utilised portion of conditional grant (DSD: North west)	572 000	2 231 360
Utilised portion of conditional grant (SASSA school uniforms)	–	490 676
Utilised portion of conditional grant (Economic Development: Northern Cape)	293 040	1 851 110
Utilised portion of funds pledged by donors	–	31 890
Utilised portion of conditional grant (Chris Hani Municipality)	–	1 500 000
Provincial NPO Capacity building project	24 162 809	40 346 987
	<b>35 392 934</b>	<b>60 717 962</b>

### 5. Other Income

Management fees	2 557 354	4 208 706
Insurance refunds	62 418	105 650
Sundry Income	101 278	64 169
Recoveries from projects	–	1 296 355
	<b>2 721 050</b>	<b>5 674 880</b>



## 6. Executive and Non-executive Management Remuneration

### 6.1 Executive Remuneration

2017

	Designation	Appointment date	Basic salary	Contributions to retirement and medical	Total
Ms H Mansour	Chief Audit Executive	November 24, 2005	1 188 854	335 057	1 523 911
Mr B Magongo	Research executive	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 Solomon Shingange	Acting Chief Financial Officer	November 1, 2015	961 213	201 465	1 162 678
Mr Thami Ngwenya	Acting 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
			<b>7 388 726</b>	<b>1 360 314</b>	<b>8 749 040</b>

# Notes to the Annual Financial Statements

## for the year ended 31 March 2017

### 6. Executive and Non-executive Management Remuneration (continued)

#### Executive Remuneration

2016

	Designation	Appointment date	Termination date	Basic salary	Performance bonus	Contributions to retirement and medical	Total
Dr V Nhlapo	Chief Executive Officer	July 19, 2010	August 8, 2015	624 444	132 347	128 155	884 946
Ms LC Mangcu	Director Marketing and Communications	February 23, 2006	April 30, 2015	100 264	–	17 634	117 898
Ms H Mansour	Chief Audit Executive	November 24, 2005		1 117 462	78 511	308 441	1 504 414
Mr B Magongo	Research and Knowledge Management Executive	September 1, 2012		1 159 563	77 787	253 422	1 490 772
Mr P Zwane	Chief Financial Officer	May 10, 2010	October 31, 2015	702 861	77 787	121 380	902 028
Ms PN Ngwasheng	Acting: Human Resources Executive	March 1, 2014	May 31, 2015	124 077	129 583	34 335	287 995
Mr DR Mokale	Acting: Company Secretary	June 1, 2012	August 31, 2015	334 185	136 329	58 974	529 488
Dr AV Bouwer	Acting: Development Management Executive	November 1 2014		1 075 321	72 523	299 868	1 447 712
Mr Solomon Shingange	Acting: Chief Financial Officer	October 1, 2015		318 107	–	77 552	395 659
Mr Thami Ngwenya	Acting: Human Resources Executive	December 1, 2015		278 036	–	38 492	316 528
Ms Mapule Phora	Acting: Human Resources Executive	June 1, 2015	November 30, 2015	524 611	–	94 129	618 740
Mrs Nelisiwe Vilakazi	Acting: Chief Executive Officer	September 1, 2015	October 31, 2016	780 647	–	49 444	830 09
				<b>7 139 578</b>	<b>704 867</b>	<b>1 481 826</b>	<b>9 326 271</b>

6. Executive and Non-executive Management Remuneration (continued)

6.2 Non-executive Remuneration

2017

	Appointment Date	Members fees
Ms T Shange	January 4, 2016	110 334
Ms B Khan	January 4, 2016	116 298
Mr Z Ngcakani	January 4, 2016	137 821
Mr MM Chikane	January 4, 2016	118 312
Ms BM Manny	January 4, 2016	133 338
Ms MJ Matlala	January 4, 2016	152 082
Ms JSP Matsebula	January 4, 2016	155 838
Mr A Hanekom	January 4, 2016	166 111
Ms FS Varachia	January 4, 2016	184 176
		<b>1 274 310</b>

2016

	Appointment Date	Termination Date	Members fees
Mr M Kekana (chairperson)	November 1, 2010	June 1, 2015	3 500
Ms T Shange	November 1, 2010	June 1, 2015	3 000
Ms B Khan	November 1, 2010	June 1, 2015	2 500
Mr Z Ngcakani	January 10, 2012	June 1, 2015	2 500
			<b>11 500</b>

# Notes to the Annual Financial Statements

## for the year ended 31 March 2017

### 7. Staff Costs

Department	2017	Percentage split	2016	Percentage split
Mandate staff costs				
Direct mandate salaries	31 364 736	34%	30 130 733	35%
<b>Administration and Governance staff costs</b>				
Provincial offices	11 716 047	12%	11 981 416	14%
Office of the COO	5 183 452	5%	5 370 784	6%
Research and development	3 748 885	4%	5 497 580	6%
Internal audit	5 522 722	6%	4 582 971	5%
Office of the CEO	6 377 351	7%	6 798 740	8%
Marketing and communications	3 708 212	4%	3 769 025	4%
Finance and IT	10 909 097	12%	10 105 075	12%
Human resources	4 773 414	5%	3 132 065	3%
<b>Other staff administrative costs</b>				
Staff training costs	1 350 767	1%	2 218 690	3%
Performance bonus	7 953 442	8%	1 373 814	2%
Other staff costs related costs	1 882 093	2%	1 211 408	2%
	63 125 482	66%	56 041 568	65%
	<b>94 490 218</b>	<b>100%</b>	<b>86 172 301</b>	<b>100%</b>

### 8. General Expenses

	2017	2016
Meeting recordings	6 250	162 426
Bank charges	66 993	72 174
Security services	1 760	14 498
Media monitoring	147 504	157 800
Consumables	421 562	190 958
Offsite storage	105 745	95 210
Insurance	191 174	189 025
Postage and courier	362 622	311 295
Printing and stationery	1 319 182	872 151
Municipal charges- leased buildings	2 049 602	1 806 849
Repairs and maintenance	474 382	608 673
Software licence and renewal	1 625 936	884 071
Telephone and fax	934 645	923 463
Catering	228 918	298 699
Subscriptions and memberships	15 836	29 860
Donations and sponsorships	82 354	1 382 586
Marketing and promotions	523 342	1 517 564
Advisory and District offices running costs	823 959	452 194
Transaction charges	670 021	680 389
Seminars, workshops and conferences	666 515	947 604
	<b>10 718 302</b>	<b>11 597 489</b>

## **9. Disclosure Note on Statement of Budgets and Actual**

The budget is approved on the accrual basis by functional classification. The approved budget covers the financial period from 1 April 2016 to 31 March 2017. The 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. These are explained below:

### **Receipts**

#### **9.1 Other Income (-R 10 401 952)**

The variance is due to funds amounting to R12 323 002 transferred from accumulated funds for the purpose of funding disbursements to projects approved for funding in prior years. Also contributing to the variance is the management fee received from funds raised from third parties, this management fee was not budgeted for, resulting in an variance.

#### **9.2 Finance Costs (R3 350 948)**

Management took a decision to not include interest income in the budget for 2016/2017, due to unpredictable nature of interest. The positive variance is due to interest collected that was not budgeted for. The adjustment of R1 700 000 which is reported as the final budget relates to the transfer that was processed from Interest income to fund performance bonuses paid to employees during the year.

### **Payments**

#### **9.3 Board Meeting Fees (-R312 110)**

The NDA board had more number of meetings than was budgeted for.

#### **9.4 Repairs and Maintenance (R304 166)**

The variance is due to less repairs and maintenance done in NDA offices.

#### **9.5 Mandate Expenses ( R12 186 715)**

The variance is attributable to the following:

##### **9.5.1 CSO Engagements and Support (-R3 658 890)**

The variance is due to overspending on South African ECD awards. The overspending on ECD awards was a result of the postponement of 2015/2016 ECD awards to current financial year. Also in current year, projects amounting to R11,3 million were approved utilising the savings from CSO mobilisation of R10,7 million.

##### **9.5.2 District Offices Staff Costs (R9 848 581)**

The underspending is due to the delays in the establishment of district offices. Delay in establishment of offices resulted in late recruitment of staff for the set offices.

##### **9.5.3 Capacity-building Costs (R4 718 368)**

The variance is due to savings resulting from partnerships during implementation. The partners contributed resources such as venues and transport that were budgeted for, resulting in savings.

##### **9.5.4 Research (R1 278 656)**

The variance is due to savings achieved in the planned dissemination sessions.

#### **9.6 General Expenses (R7 969 336)**

The variance is attributable to the following:

##### **9.6.1 District Offices set up Costs (R5 147 03)**

The variance is due to delays in establishment of district offices. Nine (9) offices were planned to be established in current year. The savings were achieved in other provinces where free office space was secured from DSD or SASSA.

##### **9.6.2 Marketing and Communications (R2 354 319)**

The variance is attributable to the savings in branding of offices due to the delays in the establishment of district offices. Also contributing to the variance is savings on stakeholder management and advertising.

##### **9.6.3 Other Expenses (R467 983)**

The variance is attributable to savings in telephone, printing and stationery and seminars.

#### **9.7 Capital Expenditure (R 2 882 000)**

The actual capital expenditure is reported in the statement of financial position, hence the variance.

# Notes to the Annual Financial Statements

## for the year ended 31 March 2017

### 10. Property, Plant and Equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	3 712 983	(2 235 184)	1 477 799	3 593 469	(1 964 579)	1 628 890
Office equipment	1 170 624	(449 000)	721 624	1 016 315	(328 403)	687 912
Computer equipments	6 036 685	(2 582 552)	3 454 133	4 540 405	(1 354 973)	3 185 432
<b>Total</b>	<b>10 920 292</b>	<b>(5 266 736)</b>	<b>5 653 556</b>	<b>9 150 189</b>	<b>(3 647 955)</b>	<b>5 502 234</b>

#### 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 equipments	3 185 432	1 803 094	(127 344)	(1 420 007)	12 958	3 454 133
	<b>5 502 234</b>	<b>2 232 187</b>	<b>(141 273)</b>	<b>(2 100 770)</b>	<b>161 178</b>	<b>5 653 556</b>

#### Reconciliation of property plant and equipment – 2016

	Opening balance	Additions	Disposals	Depreciation	Adjusted depreciation	Total
Furniture and fixtures	1 110 894	925 322	(15 039)	(474 078)	81 791	1 628 890
Office equipment	394 749	480 579	(41 225)	(150 254)	4 063	687 912
Computer equipments	2 645 474	1 422 447	(93 414)	(791 146)	2 071	3 185 432
	<b>4 151 117</b>	<b>2 828 348</b>	<b>(149 678)</b>	<b>(1 415 478)</b>	<b>87 925</b>	<b>5 502 234</b>

## 11. Intangible Assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Other software	206 203	(185 652)	20 551	367 230	(294 705)	72 525
ERP system	1 721 302	(1 620 893)	100 409	1 721 302	(1 609 736)	111 566
<b>Total</b>	<b>1 927 505</b>	<b>(1 806 545)</b>	<b>120 960</b>	<b>2 088 532</b>	<b>(1 904 441)</b>	<b>184 091</b>

### Reconciliation of intangible assets - 2017

	Opening balance	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
	<b>184,091</b>	<b>(11,075)</b>	<b>(223,187)</b>	<b>171,131</b>	<b>120,960</b>

### Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Adjusted amortisation	Total
Other software	115,773	(54,619)	11,371	72,525
ERP system	204,507	(191,256)	98,315	111,566
	<b>320,280</b>	<b>(245,875)</b>	<b>109,686</b>	<b>184,091</b>

## 12. Change in Estimate

### Property, Plant and Equipment

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

The effect of the change in estimates is as follows:

### Asset Category

Asset Category	Depreciation before adjustment	Depreciation after adjustment	Effect of change
Computer equipment	1 420 007	(1 407 049)	12 958
Office equipment	191 427	(183 151)	8 276
Furniture	489 336	(349 392)	139 944
	<b>2 100 770</b>	<b>(1 939 592)</b>	<b>161 178</b>

The useful lives assessment of items of property, plant and equipments resulted in an increase in carrying values of items of property, plant and equipment and an equivalent reduction in depreciation expense of R161 178.

# Notes to the Annual Financial Statements

## for the year ended 31 March 2017

### 12. Change in Estimate (continued)

#### Intangible assets

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

#### Asset Category

Asset Category	Depreciation before adjustment	Depreciation after adjustment	Effect of change
Other software	51 057	(40 899)	10 158
ERP system	172 130	(11 157)	160 973
	<b>223 187</b>	<b>(52 056)</b>	<b>171 131</b>

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 R171 131.

### 13. Receivables from Exchange Transactions

	2017	2016
Rental deposits	543 913	427 450
Interest accrued	154 030	306 983
	<b>697 943</b>	<b>734 433</b>

### 14. Receivables from Non-exchange Transactions

	2017	2016
Employee related advances	8 686	12 453
Other receivables	670 481	616 419
Allowances for credit losses	(466 679)	(462 090)
	<b>212 488</b>	<b>166 782</b>

The allowance for credit losses relates to debtors raised for amounts due to an entity. Legal processes are underway to recover these debtors.

The above exchange receivables were not considered for ageing and credit quality because these were not considered trade receivables. For all other categories of receivables, there is no credit risk other than the rental deposits

Employee related advances represents salary advances to employees. The advance is deducted from employee's salary in the following month

Other receivables arise when the entity pays in advance for goods and services or when refunds are claimed from suppliers for poor quality of goods or services rendered.

### 15. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2017	2016
Cash on hand	16 389	16 237
Call and current accounts	69 574 731	75 648 050
Money markets accounts	31 584 071	28 444 500
	<b>101 175 191</b>	<b>104 108 787</b>

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

- Funds committed to projects to the value of R22 790 992 (2016: 32 256 490) (refer note 24)
- Unutilised portion of conditional grants received from partners to the value of R14 768 059 (2016: R34 130 526)



## 16. Payables from Exchange Transactions

	2017	2016
Trade payables	6 827 142	11 520 916
Operating lease liabilities	683 645	1 016 997
	<b>7 510 787</b>	<b>12 537 913</b>

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

## 17. Payables from Non-exchange Transactions

Other creditors	740	–
Staff creditors (claims)	–	16 299
	<b>740</b>	<b>16 299</b>

## 18. Provisions

### Provision for Performance Bonus

Opening balance	–	2 726 257
Under-provision from previous year	–	1 396 837
Provision raised in current year	5 283 999	–
Payout	–	(4 123 094)
	<b>5 283 999</b>	<b>–</b>

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

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

## 19. Short-term Employee Benefits

### Accrual for leave

Opening balance	3 682 176	4 224 877
Provision raised in the current year	555 544	134 845
Leave payout	(256 719)	(677 546)
	<b>3 981 001</b>	<b>3 682 176</b>

### Accrual for 13th cheque

Opening balance	616 274	535 304
Provision raised in the current year	2 558 315	2 388 451
Leave payout	(2 550 958)	(2 307 481)
	<b>623 631</b>	<b>616 274</b>
Total employee benefits and accruals	<b>4 604 632</b>	<b>4 298 450</b>

Short term employee benefits are benefits earned by employees for services rendered. These benefits are made up of leave- pay provision which accrues to employees monthly based on Labour Relations Act and 13th cheque accrued on a monthly basis and paid out in December.

# Notes to the Annual Financial Statements

## for the year ended 31 March 2017

### 20. Correction of Prior Period Error

During 2017 financial year, the entity discovered an error relating to an asset that was accounted for in an incorrect financial year. The asset was delivered in 2015/16 financial year, but accounted for in the 2016/17 financial year.

The effect of the error is disclosed below:

	2017	2016
<b>Statement of financial position</b>		
Property, plant and equipment	(223 584)	223 584
Payables from exchange transactions	236 736	(236 736)
Net assets	(13 152)	13 152
	-	-

During 2017 financial year, the entity discovered that municipal charges for leased buildings were incorrectly classified as operating leases expenses.

The effect of the error is disclosed below:

	2017	2016
<b>Statement of financial performance</b>		
Operating leases	(1 806 849)	(2 049 601)
General expenses	1 806 849	2 049 601
	-	-

### 21. Accrual for Committed Projects

	2017	2016
Opening balance	4 588 156	2 408 575
Approved for payments to NDA funded projects	22 788 080	45 877 220
Approved for payments to third party projects	11 738 281	20 370 975
Cash disbursed to NDA funded projects	(19 951 261)	(46 289 612)
Cash disbursed to third party managed projects	(14 761 794)	(17 779 002)
	<b>4 401 46</b>	<b>4 588 156</b>

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

### 22. Unutilised Conditional Grant (deferred income)

Opening balance	34 130 526	41 753 710
Funds received from partners	30 078 309	53 012 589
Funds disbursed and committed	(49 831 172)	(60 718 361)
Corrections of prior year allocations	456 318	82 588
	<b>14 833 981</b>	<b>34 130 526</b>

Unutilised conditional grant 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.

## 23. Cash Used in Operations

	2017	2016
Surplus (deficit)	16 555 872	(1 791 269)
<b>Adjustments for:</b>		
Depreciation and amortisation	1 991 648	1 450 590
Gain on sale of assets and liabilities	152 348	149 677
Movements in provisions	5 283 999	(2 726 257)
Adjustment to prior year earnings	(456 318)	(490 924)
<b>Changes in working capital:</b>		
Receivables from exchange transactions	36 490	1 291 131
Other receivables from non-exchange transactions	(45 706)	166 930
Payables from exchange transactions	(5 027 126)	5 491 068
Taxes and transfers payable (non exchange)	(15 559)	13 990
Short-term employee benefits	306 182	(461 731)
Accrual for committed projects	(186 694)	2 179 581
Unutilised third-party funds	(19 296 545)	(7 623 184)
	<b>(701 409)</b>	<b>(2 350 398)</b>

## 24. Commitments

### Total commitments

#### Committed project evaluations

At the end of the financial year, management had approved and ring-fenced an amount of R183 000 (2016: R1 047 300) for project evaluations. The expenditure had not yet been incurred at the end of the financial year.

#### Committed project funds

At the end of the financial year, the entity had committed funds in terms of contracted funding to NPOs and CSOs that had not yet been disbursed to these organisations by the end of the financial year:

Funds committed to projects	22 790 992	32 256 490
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#### Operating Leases – as Lessee (expense)

The operating lease commitments relates to the rental of office premises occupied by the NDA and are payable as follows:

#### Minimum lease payments due

- within one year	6 230 098	8 259 789
- in second to fifth year inclusive	2 036 578	6 370 145
	<b>8 266 676</b>	<b>14 629 934</b>

# Notes to the Annual Financial Statements

## for the year ended 31 March 2017

### 25. Contingencies

#### Contingent liabilities

The NDA is currently defending the following legal claims:

- Uhuru publishers is claiming an amount of R3 507 000 for a contract that was awarded irregularly.
- Pannar seeds is claiming an amount of R761 230 for goods allegedly delivered to projects in the Eastern Cape and Free State.

The outcomes of these cases are yet to be determined by the court

#### Contingent assets

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

### 26. Related Parties

#### 26.1 Department of Social Development

A related party relationship exists between the NDA and the DSD. The two parties did not enter into any transactions with each other, with the exception of the transfer of the annual grant by the DSD to the NDA as disclosed in Note 4 above.

#### 26.2 South African Social Security Agency

A related party relationship exists between the NDA and the South African Social Security Agency (SASSA). The two parties did not enter into any transactions with each other, with the exception of the transfer of the grant by SASSA to the NDA as disclosed in Note 4 above.

#### 26.3 Northern Cape Department of Economic Development

A related party relationship exists between the NDA and the Northern Cape Department of Economic Development. The two parties did not enter into any transactions with each other, with the exception of the transfer of the grant by the provincial department to the NDA as disclosed in Note 4 above.

### 26.4 Board Members and Key Management Personnel

A related party relationship exists between the NDA, its directors and key management personnel. The only transactions between the three parties relate to remuneration for services rendered, and have been disclosed in Note 6.

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

#### Credit risk

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

## 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:

	2017	2016
Cash and cash equivalents	101 175 191	104 108 787
Receivables from exchange transactions	697 943	734 433
Receivables from non-exchange transactions	212 488	166 782
Increase in allowance for credit loss	4 589	52 691
	<b>102 090 211</b>	<b>105 062 693</b>

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

Private institutions	901 745	888 762
Employee advances	8 686	12 453
	<b>910 431</b>	<b>901 215</b>

### Impairment losses

Impairment provision at the beginning of the year	462 090	409 399
Impairment during the year	4 589	52 691
	<b>466 679</b>	<b>462 090</b>

### 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 2017

	Carrying amount	Contractual cashflows	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 external income received in advance	14 833 981	14 833 981	–	–	14 833 981
Provision for performance bonus	5 283 999	5 283 999	–	5 283 999	–
	<b>36 635 601</b>	<b>36 635 601</b>	<b>11 912 989</b>	<b>9 888 631</b>	<b>14 833 981</b>

# Notes to the Annual Financial Statements

## for the year ended 31 March 2017

### 27. Financial Risk Management (continued)

31 March 2016

	Carrying amount	Contractual cashflows	6 months or less	6-12 months	12 months
Trade and other payables	12 554 212	12 554 212	12 554 212	–	–
Short-term employee benefits	4 298 450	4 298 450	–	4 298 450	–
Accrual for committed projects	4 588 156	4 588 156	4 588 156	–	–
Unutilised external income received in advance	34 130 526	34 130 526	–	–	34 130 526
	<b>55 571 344</b>	<b>55 571 344</b>	<b>17 142 368</b>	<b>4 298 450</b>	<b>34 130 526</b>

#### 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:

	2017	2016
<b>Fair values</b>		
Cash and cash equivalents	101 175 190	104 108 787
Receivables from exchange transactions	697 943	734 433
Receivables from non-exchange transactions	212 488	166 782
Payables from exchange transactions	(7 510 787)	(12 537 913)
Accrual for committed projects	(4 401 462)	(4 588 156)
Short term employee benefits	(9 888 631)	(4 298 450)
Unutilised third party funds	(14 833 981)	(34 130 526)
Payables from non-exchange	(740)	(16 299)
	<b>65 450 020</b>	<b>49 438 658</b>

### 28. 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.

### 29. 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.

Opening balance	694 127	671 518
Fruitless and wasteful expenditure: current	348 199	22 609
	<b>1 042 326</b>	<b>694 127</b>

#### 2017

- R65 922: Expense relating to the venue for training that did not take place
- R282 277: Conference venue paid and not utilised

#### 2016

- R1 063: Catering for meeting that was cancelled late
- R21 546: Penalty for late renewal of software license

### 30. 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.

	2017	2016
Opening balance	35 158 979	16 230 879
Add: Irregular Expenditure – current year	19 788 414	12 953 223
Add: Prior year irregular identified in current year	29 404 384	5 974 877
	<b>84 351 777</b>	<b>35 158 979</b>

#### Analysis of expenditure awaiting condonation per age classification

Current year	19 788 414	18 928 100
Prior years	64 563 363	16 230 879
	<b>84 351 777</b>	<b>35 158 979</b>

#### Details of irregular expenditure – current year

Approval of contract not in accordance with delegations of authority	6 747 621	
Quotations awarded without PPFA evaluation	879 965	
Three quotations not received without written approval	18 760	
Deviations not approved by delegated official	1 248 471	
Functionality evaluation incorrectly followed	688 300	
Request for proposals issued without indication of functionality weighting	228 580	
Competitive bidding not followed	9 976 717	
	<b>19 788 414</b>	

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