

# Developing Communities Through The Arts



**NATIONAL ARTS COUNCIL**  
OF SOUTH AFRICA

**Annual Report 2010/11**

# Developing Communities Through The Arts



Annual Report 2010/11

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## GENERAL INFORMATION

Country of incorporation and domicile: South Africa

Nature of business and principle activities: The National Arts Council of South Africa is responsible for the disbursement of grants to the arts as defined in the National Arts Council Act (No 56 of 1997, as amended)

### Registered address

66 Margaret Mcingana Street  
Newtown  
Johannesburg  
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### Postal address

PO Box 500  
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Johannesburg  
2113

Line function Department:	Department of Arts and Culture
Bankers:	ABSA Bank Limited
Auditors:	Auditor-General of South Africa
Company registration number:	1989/001413/08

## **Vision**

To promote, through the arts, the free and creative expression  
of South Africa's Cultures

## **Mission Statement**

To develop and promote excellence in the arts

# 1. CHAIRPERSON'S REPORT



**Chairperson:** Mrs Angie Makwetla

Minister Paul Mashatile has sounded the clarion call for focused and strategic support for the arts in what he calls Mzansi's Golden Economy.

At the landmark Consultative Conference on Arts, Culture and Heritage held on the 15 April 2011 Minister Mashatile boldly set the agenda for the arts, culture and heritage sectors to play a meaningful role in South Africa's economy.

In his address Minister Mashatile stated that:

*" People of South Africa, we have met here at this Summit to mark the beginning of a new era for the arts, culture and heritage sector.*

*In many advanced economies, the creative economy is recognised as a leading sector in generating economic growth, employment and trade. Employment in the European cultural sector generally grows faster than elsewhere in the economy.*

*At present it is estimated that the cultural and creative industries contribute around 2.6% of the total GDP of the European Union, providing quality jobs to around 5 million people across the 27 member states.*

*Through this Summit we are once more making the point that never again will the cultural and creative industries be relegated to the back burner of our national priorities. Let this be the start of a process to change perceptions about our sector for the better.*

*We are here to craft a new path for our sector. We are repositioning this sector."*

This is a welcome vision for the South African arts community to be hearing such decisive words from government. It has become clear that this is the century of the creative economy and the NAC is well-positioned to deliver to the arts and set a new path for the arts to contribute to the objectives outlined in the New Growth Path and government's imperatives.

Council was inaugurated by Minister Mashatile on 29 March 2011 and we are preparing ourselves for a 'repositioned' arts council that is responsive to the growing realisation of the importance of the arts. We acknowledge the funding constraints, but will seek to devise strategies that enable the NAC to deliver on its mandate and the vision of the Golden Economy.

The time is opportune for Council to commence its term with the clearly defined vision set by the Minister. Our vision is to position and promote the agency as the main arts funding body in South Africa, ready and able to deliver to the arts; to engage

constructively with our stakeholders; and to continue to appeal to the Ministry for an increased budget.

I would like to acknowledge the work done by the outgoing Council under the stewardship of Adv. Brenda Madumise. Council's task is to provide vision and leadership. We shall endeavour to serve the organization and the arts with diligence and adherence to the ideals of corporate governance.

I look forward to working with Council, management and staff on delivering on the mandate of the NAC.



**Mrs Angie Makwetla**  
**Chairperson**



## 2. CHIEF EXECUTIVE OFFICER'S REPORT



**Chief Executive Officer:** Ms Annabell Lebetho

### Overview

The period under review is passionately remembered for the successful hosting of the 2010 World Cup. South Africa rallied patriotically behind the Local Organising Committee event and welcomed visitors from all corners of the world. The euphoria of the World Cup lives on in the memory of many South Africans and for the arts community this was a period of heightened activity.

The NAC contributed to the cultural celebration of the World Cup by partnering with the Provincial Arts and Culture Councils of Eastern Cape, Free State, North West, Limpopo and Mpumalanga.

Minister Mashatile, appointed in November 2010, has set a laudable vision for the arts and it is refreshing to be part of this vision. In his speech presented on the occasion of the International Forum on Cultural Heritage and Landscape (Florence; Italy), Minister Mashatile pronounced that:

*"The global financial crisis has forced governments across the world to look for new and innovative ways of achieving economic growth and development.*

*Also faced with this reality, the South African government led by President Jacob Zuma, recently unveiled a strategy: New Growth Path for achieving higher levels of economic growth and development.*

*In terms of this Strategy we have set ourselves a target of increasing the capacity of our economy to create more jobs over the next five years.*

*To do this we identified cultural industries as one of the drivers of economic growth and job creation.*

*In this regard, we have begun a process of mapping the cultural industries to determine their exact contribution to our economy. Early indications are that the cultural industries are already making a significant contribution to our country's Gross Domestic Product. Our Department of Trade and Industry estimates that the craft sector alone contributes about R2-billion (about 200 million Euros) or 0.14% to South Africa's GDP annually.*

*In addition, the sector provides jobs and income for approximately 38 000 people through an estimated 7 000 small enterprises, mainly run by rural women. We also estimate that; the Technical Services, which involve, stage lighting, sound engineering, stage construction are a R7-billion (350 million Euros) industry per annum. Furthermore, we know that the hosting of major festivals such as the*

*Cape Town International Jazz Festival, the Joy of Jazz in Johannesburg and the National Arts Festival in Grahamstown contribute significantly towards the economies of the host cities.*

*Over the past four years, we have spent more than R300 million (30 000 Euros) to support various crafts projects, run by women across the country. This has led to the creation of jobs and stimulated economic activity in many remote parts of our country."*

The NAC supports and welcomes the vision of Minister Mashatile. The NAC further accepts that, as an arts funding agency, we are well-placed to deliver on the strategies to be developed by the Department as we are responsible for seven sectors. No other agency has this depth of responsibility and can so aptly deliver on government's imperatives.

We have repeatedly expressed the importance of the arts. The figures stated by Minister Mashatile in the speech quoted above strengthen the argument for increased funding to the NAC to advance the role of the arts in the South African economy.

## **Mandate of the NAC**

The NAC has met its legal mandate of disbursing 75% of its allocated budget to projects and organisations, bursaries to individuals and institutions across all the seven arts disciplines.

## **Strategic Objectives**

The NAC was set up as an arts agency to oversee sector development to the arts through the disbursement of funds allocated by national government. In the work that the NAC does, all the above strategic objectives are fulfilled. However, we do acknowledge

that more focus needs to be placed on the facilitation of national and international liaison so as to provide new market access opportunities for practicing artists.

The focus on redress and transformation is carried out diligently through grants disbursement and the NAC will be conducting an impact assessment of its project allocation over the past five years. In addition, three orchestras are funded by the Department of Arts and Culture, through the NAC.

The NAC is a proud supporter of South Africa's arts and culture. We have supported projects ranging in scope, focus and location. We recognize that challenges in supporting projects from under-resourced provinces (Northern Cape, Free State, Limpopo, Mpumalanga and North West) and efforts were made by the office to increase the number of applications received from these provinces. Successful road shows were held to bring the NAC closer to its constituents and provide information on the overall application process and requirements. More road shows are planned for the year ahead.

## **Council position on Downtown Studios**

On the 2010/11 audit, the NAC received an adverse opinion from the Auditor General of South Africa (AGSA). The Council disagrees with AGSA in relation to the accounting treatment and disclosure of Downtown Studios. If the Council had followed the route proposed by the AGSA, the accounting treatment would have had an impact on the statement of financial performance as well as the statement of financial position. Council felt it necessary to present a realistic position of the NAC's annual financial statements to the end-user, which would not paint a distorted reality.

When Downtown Studios was purchased, the NAC was acting as a conduit on behalf of DAC. Downtown Studios is the property of DAC and the disagreement is based on the fact that the intention of entering into the transaction was for the NAC to act as a conduit and this intention remains relevant to this day.

Council is actively pursuing the Ministry of Arts and Culture to find resolution to this matter.

## **Term of Council**

The term of Council expired at the end of September 2010 and was not renewed or extended by the former Minister Lulu Xingwana. For a period of 5-months, the organisation was vulnerable to risk from a leadership, governance and accountability point as there was no Accounting Authority. This role was assigned to the Chief Executive Officer.

A new Council was inaugurated on 29 March 2011 by Minister Paul Mashatile.

## **Policy Imperatives**

The finalisation of the cultural policies and legislative review is crucial to re-define the cultural landscape and provide the context and direction for the arts. This process is long-overdue and necessary if the NAC and other cultural institutions are to achieve the objectives of government's New Growth Path.

### **● Funding Model**

This new funding model has positioned the NAC to be able to invest in strategic projects that have lasting impacts are meaningful and meet a range of the organisation's objectives. This new model will be unveiled to our stakeholders in due course and will undoubtedly enable the NAC to play a significant role in shaping the role of the Arts.

Approved by Council in July 2010, the new model will enable the NAC to achieve the full spectrum of its mandate, enter into strategic sector partnerships and promote development across all levels of the creative industries.

The focus of the arts support is directed towards building vibrant arts practice in communities, supporting professional artists and organisations across the sectors to meet the objectives of the New Growth Path.

### **● Annual Performance**

A detailed outline of the NAC's performance against the determined objectives is listed in Section 6 below.

### **● Funding Allocation**

The Act requires the NAC to set aside 75% of its annual allocation for project funding. The NAC has continued to support the sector through allocation of funding for the following three categories:

## **Administered Projects**

NAC continued to manage the projects outlined below on behalf of the Department of Arts and Culture.

### **● Downtown Studios**

The NAC is the custodian of the Downtown Studios recording business and property. Former Minister Lulu Xingwana appointed the board of Downtown Studios Music Hub in May 2010. The Board, Chaired by Mr Don Laka, is working on a plan for the establishment of a state-of-the-art recording facility and resource centre that will benefit SA musicians.

The original intent was for the NAC to act as a conduit, and once the business plan is finalized, NAC will transfer the assets and business to the Downtown Studios Music Hub.

- **Mmino**

Mmino (The South African - Norwegian Education Music Programme) has since inception in 2000 been the only funding programme that solely funds music projects, a fact that automatically led to high expectations from the music community. Over the past nine years Mmino, even with its limited budget, has funded a total of 294 projects situated throughout South Africa, Norway and the SADC Region.

Thirteen projects were allocated funding for a total of R1,680,600 of which R1,381,000 went towards music educational and R299,600 to exchange projects. An amount of R7,500 was granted as emergency funding to the Pamperi Trust (Zimbabwe) to enable them to pay for Censorship Board Clearance and Temporary Work Permits for SADC musicians taking part in the Mmino-funded exchange projects FLAME and Babu SADC Tour.

- **Swedish Project**

In May 2010, the NAC and DAC signed a letter of intent that would allow the NAC to manage the project on the department's behalf. The NAC is eagerly awaiting the official handover of this project. This will contribute significantly to building the institutional capacity of arts organisations and provide opportunities to access the Swedish market.

## **Research**

Further to the 2009/2010 annual reporting on its research activities, the NAC embarked on two national research projects.

The first project examined the impact of the NAC funding on the arts sector since its inception, using selected cases of companies, projects and students funded between 2006 and 2009. The second project took the form of a national survey examining public

participation in the arts with specific focus on the public's awareness, knowledge and participation in or utilisation of the arts products.

The findings from the first project on impact assessment of the NAC funding revealed, on the whole, a positive impact. NAC funding enables the successful execution of the projects and realisation of objectives as set out by the funded organisations, companies, and students and/or institutions. This is clearly represented in one of the responses as cited below:

*"NAC funding helped us to get started and to be where we are. It gave us a foothold. Before NAC support, other funders did not want to even give us any hearing because we did not have a history. The money we received was instrumental in getting us started. The money has been sufficient for us to stage plays and to do tours. For instance, we've been able to take productions to Grahamstown on a number of occasions."* (Paul Regenass, Financial Manager, Siyasanga Theatre Company, Cape Town)

The findings from the second project, a survey on public participation in the arts has given the NAC a better insight into the levels of awareness, knowledge and participation in the arts by various socio-economic groupings in South Africa. It also revealed intervention/s required to effect improvements on those levels in a way that will sustain the arts sector and also help efforts aimed at using the arts to achieve social cohesion.

## **Access to Markets**

- **Chinese Federation of Literary and Art Circles (CFLAC)**

NAC and CFLAC signed a Memorandum of Cooperation in February 2011 to promote the cultural exchange between China and South

Africa, to enhance mutual understanding and friendship.

#### **Areas of cooperation outlined in MoU:**

- i. Dispatching delegations on a regular basis, to exchange experience in managing cultural affairs and funding art programs.
- ii. Encouraging art troupes and artists to participate in international art activities hosted by the other party.
- iii. Encouraging art organisations and artists to hold exhibitions, to give performances or to have collaborative tours in the other party's country.
- iv. Establishment of a standing communication channel between both parties, to coordinate position in dealing with International Federation of Arts Councils and Cultural Agencies (IFACCA) ensuring it plays a more active role in the realm of international/multilateral cultural exchange.
- v. Sharing of general arts information.

### **Spotlight on Africa**

A legacy project of the 4th World Summit co-hosted by the NAC and the IFACCA was the initiation of the African Chapter.

Officially launched in April 2010, the Chapter represents national departments and arts councils from 16 African countries. The Chapter was set up as a regional networking body to effectively deal with arts and culture issues affecting Africa. The chapter would also provide assistance and support to other countries seeking to establish arts councils and develop cultural policies for the benefit and growth of the arts.

In May 2009 the NAC, Arterial Network, the African Arts Institute and the Harare International Festival of the Arts (HIFA) hosted a two-day workshop on arts marketing. The seminar was held to

coincide with HIFA and 35 delegates from Mozambique, South Africa, Namibia, Swaziland, Zimbabwe, Zambia, Malawi, Tanzania and Botswana met and brainstormed marketing strategies appropriate to the challenges, possibilities and realities of the continent.

#### **The workshop culminated in a toolkit which aims to:**

- a. provide African artists, cultural NGOs, creative companies and arts events with tools, resources and strategies to market their work within their countries and regions more effectively; and
- b. facilitate networking among those active in the African creative sector, in order to regularly share best practice in marketing the arts.

### **Strengthening of live indigenous music and advocating the revival of the live music circuit in South Africa**

The Back to eKasi Tour had a great impact on the revival of the live music circuit. The tour took place in township venues in South African provinces thus reaching many people who had never experienced a concert with live music, let alone with musicians of this caliber and good sound. The fact that a group of Ladysmith Black Mambazo's stature performed in township-venues impressed people in the music industry and local, provincial and national governments.

The Back to eKasi Tour was presented in partnership with the NAC, Mmino, Samro, BASA and Prosound.

The Loxion Live festival held in Mofolo Park, Soweto on 16 December was a successful festival that concluded the year. South African musicians and bands representing different genres were showcased in celebration of 'live music'.

## Human Resources

The Chief Financial Officer was dismissed in August 2011. The position was advertised and, in the absence of Council, the appointment will be made in next financial year. The entity continued to function optimally with the financial functions managed by the Acting-CFO and the Executive Management team.

The Human Resources report is outlined on page 23.

## Highlights for the Period

- Support for Mexico SA week
- Support for the all female production of Bubbly Bosoms
- Support for the South African Roadies Association to attend the National Skills Conference in London, UK
- Major funder for the 2011 Dance Umbrella.

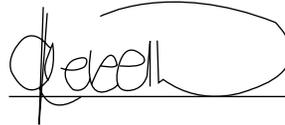
## Looking Ahead

The creative industries have been adopted by government as one of the six priority sectors to deliver on the objectives New Growth Path.

The Department has initiated a programme to drive the contribution of the arts to the mainstream economy and achieve the outcomes of the New Growth Path, with a particular focus on job creation. This is possible. The NAC can make a significant contribution to the achievement of these plans.

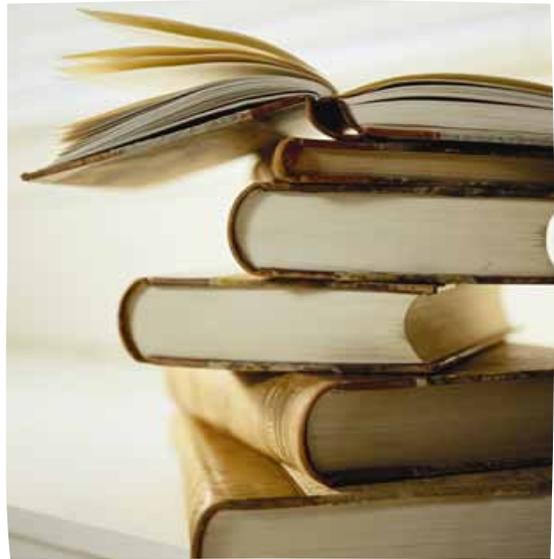
I wish to thank the Council, under the leadership of the Chairperson, for their continued support and commitment to making this organisation one that represents the collective vision of all South African creative practitioners and enterprises. Thank you for allowing me to be part of this vision.

To former Council members, staff and colleagues, thank you for the commitment. To the new Council, we look forward to your leadership and implementing your vision for the benefit of the arts.



**Ms Annabell Lebethe**  
**Chief Executive Officer**

### 3. PROJECT HIGHLIGHTS



#### A. MULTIDISCIPLINE

- **Northern Arts Festival: Eastern Cape**

The NAF is a family day event which attracts people from all walks of life irrespective of colour and background. The festival targets the whole community and because entrance is free all sections of the community are able to attend.

The festival can be described as unique because it provides an opportunity for community-based artists who might not have been invited to showcase at big festivals. It is also distinctive because there are presentations about the history, heritage and culture of the Northern Areas of Port Elizabeth.

- **The Best Art Centre: Limpopo**

The Bela Bela-based centre, established in 2005, is the brainchild of a Fuba

graduate and recipient of an NAC bursary.

The Centre offers training courses for students in the performing arts, arts and culture administration and craft enterprise. This is the only institution providing such services in the area and NAC funding supported arts training, exhibitions, performances and community outreach programmes.

In 2010, the Centre participated in the Bela Bela and Klein Kariba Craft markets as part of the FIFA Soccer World Cup. The Theatre production by learners of the institution titled From Zero to Hero was performed at the Manguang Cultural Festival. In addition, the Centre co-hosted the Bela Bela Arts Festival in partnership with the Waterberg District Municipality.

- **Breytenbach Cultural Centre: Western Cape**

The multidisciplinary cultural centre was established in 2007 and is housed in a building previously owned by the prolific and well-known poet, Breyten Breytenbach. The aim of the centre is to develop cultural and creative activities in Grevilleas, Wellington.

The centre presents itself as a redress project: to address past imbalances, foster reconciliation through the arts and develop pride within the community. In addition, the Centre manages a job creation project for unemployed women from the community. The organisation has also organised a Bollemakiesie/Ikhonco Festival. Ikhonco is a Xhosa word meaning chains. The aim is to use the arts to change people's circumstances and to build stronger links among people from different races. The drama project benefitted learners between the ages 10 and 17 from disadvantaged communities in and around Wellington.

## **B. THEATRE**

- **'So You Think You Can Write'**

The script writing mentorship programme was initiated by the NAC to improve the standard of creative writing and foster the writing of indigenous South African stories. In 2009 the NAC funded nine budding script writers who were mentored by professional script writers in skills of how to write a quality script.

The nine scripts were read for the public during the 2009 National Arts Festival. Out of the nine scripts, two of the best scripts were selected for production phase. In the year under review, the NAC in partnership with the Windybrow Centre for the Arts, staged the two productions namely, *Modus Vivedi* written by Pepe Khambule and directed by young director Vice Motshabi a graduate

from the Market Theatre Laboratory who benefited from the NAC bursary.

The second script *Sacred Women* written by Nontsikelelo Dipudi was directed by Oscar Motsikoe also a graduate from the Market Theatre Laboratory and currently a drama teacher.

Due to public demand the two productions were showcased at the Grahamstown National Arts Festival 2011.

## **C. VISUAL ARTS**

- **Africa South Art Initiative (ASAI): Western Cape**

ASAI is an online visual arts resource initiated to raise the profile of emerging South African and African artists who are represented or promoted by galleries. Images of art works and artists' profiles are published online. It also commissions essays from SADC countries which are published online.

The organisation has also developed the South African Artists Index and Bibliography through issuing an open call through our emails and newsletters. We also developed policy and criteria for the selection of artists. ASAI has been proactive in identifying prospective artists, and consulted with relevant individuals, organisations and galleries as well as publications. ASAI has developed artists' indexes in alphabetical order with information concerning the publications. The current focus is on survey books and catalogues, as opposed to individual monographs and journals and magazines will be included at a later stage.

The organisation has also concentrated on assembling archival records of the



Community Arts Project for digitization in partnership with the Centre for Humanities Research at UWC, and the Department of Manuscripts and Archives at UCT.

## D. LITERATURE

- **Mazizi Kunene Foundation: KwaZulu Natal**

The NAC through its literature unit identified organisations to partner with for the promotion of literature. The Masizi Kunene Foundation in Durban was selected as it carries on the legacy of the world acclaimed poet and world-renowned author, Prof Masizi Kunene. Funding was earmarked for preservation of literary works of Prof. Masizi Kunene.

The Foundation performed prodigiously in its quest to achieve literary and linguistic discourse and debate. The Foundation also carried the plight and aspirations of young aspirant and budding writers through its literary campaigns when it introduced high school learners to literature, especially to the genre of poetry. The foundation had overtly made substantial impact in literary art and it has laid a foundation of authorship for the present generation of writers.

- **Herman Charles Bosman Literary Museum: North West**

Charles Bosman Literary Museum in North West Province was identified as one of the NACs flagship projects. The society hosts annual literary festival in recognition of the historic writing of Herman Charles Bosman. The festival hosted by Herman Charles Literary Museum attracts national and international writers.

The festival also benefits local poets, storytellers and young writers from disadvantaged communities in the vicinity. Poetry performances, book reviews and symposia help to revive the spirit of reading and writing in the province.

- **South African Literary Awards (SALA)**

The partnership with South African Literary Awards has proven to be one of the successful initiatives in recognition of excellence in the arts, creative literary art in particular. SALA has also taken this initiative to mentor young writers and empower them through literary workshops. The partnership of the NAC with SALA has identified the need



to introduce a competition category which will benefit first time published writers in diverse South African official languages. Diale Tlholwe won the 2009 prize for his novel *Ancient Rites*, while Alistair Morgan was awarded for the psychological thriller, *Sleepers Wake* in 2010.

## E. DANCE

- **Crossings: International Artistic Residency Programme**

Crossings is an international residency programme for dancers, choreographers, composers, stage and lighting designers. The residency was held in collaboration with the French Institute of South Africa.

The residency programme aims were to explore the relationship between dance, music and lighting design. The main programme took place during July 2010 in Newtown, coordinated by the Dance Forum. The programme was facilitated by international dancers and choreographers such as Vincent Mantsoe (SA), Michelle Kelemenis (France); composers James Webb (SA) and Eva Königer (Austria); and lighting designer Floriaan Ganzevoort (Netherlands).

The programme included workshops, video screenings, discussions and preview of works.

The NAC funding supported 16 South African artists participating in the residency programme and the participants worked together to create a 12 minute piece to showcase the newly acquired skills.

## F. MUSIC

- **Sisters in Sound Mentoring Project**

The project, managed by the SA Association for Jazz Education, supported a core group of professional South African female musicians through confidence-building skills, mentoring, performances and professional network development. Identified artists came from Africa, France, Scandinavia and USA. Two levels of protégés are involved: already active musicians who may be recent music graduates, and school-based learners considering a career in the music industry. While the focus is to strengthen female artists, the project does not exclude male counterparts who wish to benefit. A total of five mentoring workshops were held with

a total of nine protégés. These workshops empowered protégés to work in ensembles, compose music, read music sheets and prepare for performances.

- **Ma-Afrika Cultural Organization: Limpopo**

The organisation offers music tuition including the Restoration of Ubuntu Music Project. This is a music literacy project for youth and children from rural areas around Stinkwater, Hammanskraal. Participants are taught to read and write music and sit for exams with UNISA and the Royal Schools of Music.

The Restoration of Ubuntu project targets self-taught musicians based in rural areas and provides opportunities for young people to practice folk music. The project has become one of the most important development programmes in rural communities. It brings together more than a hundred young musicians, teaching artists and elders to participate in the development and promotion of old South African folk songs. The Participants receive three hour private lessons. Formal theory classes are offered on Saturdays and piano workshops are conducted by Jazz pianist and recording artist Norman Chauke. The project boasts the participation of one of its talented violinist, Thapelo Lephoto, at the



International Society of Bassist Convention in San Francisco on the 4th - 20th June 2011, at the invitation of the Committed Artists for Cultural Advancement (CAFCA).

## G. CRAFT

- **Tatham Art Galley KwaZulu-Natal**

The Tatham Art Gallery, one of the major art museums in South Africa, dates back to 1903. Situated in Pietermaritzburg, the capital of KwaZulu-Natal, the Tatham Art Gallery serves the Msunduzi region through the Visual Arts.

The NAC and Tatham Art Gallery in Pietermaritzburg partnered to produce a flagship exhibition and publication on contemporary art in KwaZulu-Natal. The aim of the project is to promote selected crafters from the province who are producing high quality, sustainable objects that bridge the divide between traditional craft and so-called 'high art'.



# 4. CORPORATE GOVERNANCE REPORT

## Background

The NAC subscribes to the sound principles of good corporate governance.

The NAC is a Schedule 3A entity, set up by an Act of Parliament in 1997 (NAC Act, 56 of 1997). The corporate governance principles of the NAC are governed by the NAC Act, as amended by the Cultural Laws Amendment Act (No 36 of 2001) and the PFMA (No 1 of 1999) and the NAC Corporate Governance Framework aligned to the King 3 Code on Corporate Governance Principles.

A Corporate Governance Framework was approved by Council with a clear definition of the roles and responsibilities of the constituent elements of the NAC's management structure. This enables Council to plan, execute, control and monitor the organisation's activities in accordance with strategic objectives. The Delegated Authorities policy determines levels of authority for Council and management in respect of financial and operational decision making, including major investments, capital expenditure and contractual engagements. The internal audit function monitors compliance with these authority levels.

In terms of Section 4 of the Act, the NAC functions under the authority of a Council appointed by the Minister of Arts and Culture. The Council consists of 19 members and there were only three resignations during the year under review.

## Governance

In terms of the PFMA we have a functional Audit Committee and internal audit function for the year under review. Council meetings were held quarterly and where necessary, special meetings.

The Advisory Panels assisted the NAC, as per Section 11 of the Act with the evaluation of the applications.

## Committees of Council

Section 8 of the NAC Act empowers Council, at its discretion, to establish committees to assist Council in the performance of its functions and applying the recommendation so the King III report. In addition to the Delegation of Authority, Council has delegated specific responsibilities to a number of committees which operate within terms of reference approved by the Council. The following Committees were operational for the financial year under review:

- i. Executive Committee
- ii. Audit and Risk Committee
- iii. Human Resources Committee
- iv. Research and Policy Committee
- v. Indigenous Knowledge Systems Committee
- vi. Committee of Provinces
- vii. Bid Evaluation and Adjudication Committees.



## Meetings

- **Council:**

Council meetings are held annually, at least four times a year. During the period under review, Council held 4 meetings, two of which were special meetings.

- **Executive Committee:**

The Executive Committee, chaired by the Chairperson of Council, held 2 meetings during the 2010/11 year. The three Executive Managers (CEO, COO

and CFO) are standing members of this Committee.

- **Audit and Risk Committee:**

The Audit and Risk Committee comprised of 4 members, three from Council and one external member. The Committee chaired by a non-executive member of the Council, met nine times with two special meetings held to discuss specific matters.

## 2010/11 COUNCIL HONORARIUM PAYMENTS

COUNCIL MEMBERS REMUNERATION FOR THE YEAR		No of Meetings attended									
Member	Gross remuneration (R)	Council	Exco	Audit	HR	Research & Policy	Panel Chairs	IKS	DTS	Other	TOTAL
1	Bongani Tembe	16,326.00	2	3	-	-	-	-	-	-	5
2	Brenda Madumise	99,633.00	2	3	-	1	-	1	-	2	9
3	Johnny Masilela	34,469.00	2	1	-	-	1	-	-	1	5
4	Kiren Thathiah	38,886.00	2	1	2	-	2	-	-	2	10
5	Martin Schonberg	15,767.00	2	1	-	-	2	-	-	-	5
6	Mduduzi Xakaza	7,838.00	2	-	-	-	1	-	-	-	3
7	Moyahabo Phosa	6,416.00	1	-	-	-	-	-	-	-	1
8	Nicolette du Plessis	21,910.00	2	3	-	2	-	-	-	1	8
9	Patrick Shai	20,488.00	2	1	-	-	2	-	-	2	7
10	Phyllis Zungu	18,884.00	2	1	-	2	2	-	-	-	7
11	Princess Bushula	23,696.00	2	3	-	1	-	-	-	2	8
12	Sello Galane	23,332.00	2	3	-	-	1	1	-	1	8
13	Thoko Nogabe	14,254.00	2	1	-	-	2	-	-	-	5
14	Zamindlela Bhengu	43,702.00	2	-	3	1	-	-	-	3	9
15	Kenalemang Kgoroadira*	4,812.00	-	-	-	-	-	1	-	-	1
16	Mogomme Masoga*	3,208.00	-	-	-	-	-	1	-	-	1
17	Nokuzola Mndende*	3,208.00	-	-	-	-	-	1	-	-	1
18	MAF Moja	21,092.00	-	-	9	-	-	-	2	-	11
<b>TOTAL</b>		<b>R417,921.00</b>									

\*External committee member

## Internal Audit Function

The internal audit function of the NAC is outsourced to Gobodo Forensic and Investigative Accounting (GFIA). In line with the requirements of the PFMA and good corporate governance, internal audit provided the ARC and Management with assurance on the appropriateness and effectiveness of internal controls in place. The internal audit function provided the NAC with independent, objective appraisal and evaluation of risk and management thereof, evaluation of internal processes and control systems, governance processes, as well as identification of corrective action and suggested enhancements to controls and processes.

During the year under review, GFIA conducted the following internal audits:

- Performance against Objectives
- Financial Discipline Review
- Grant Awarding
- IT Governance and Management
- Follow-up Audit

The significant findings from the audits were addressed by management and presented to the Audit and Risk Committee, as the oversight committee of Council.

A Risk Assessment Workshop was conducted with members of the Audit and Risk Committee, internal auditors and staff on 22 February 2011 to develop a new risk register.

## Division of Responsibilities

The division of responsibilities between the Chairman and Chief Executive Officer is defined in the Corporate Governance Framework.

The Chairman is responsible for leadership, promoting the highest standards of governance and effectiveness of the Board. She facilitates contributions by Council members and ensures a productive

relationship between executive and non-executive directors. The Chairperson, with the support of the Chief Executive Officer and the Board Secretary, ensures that Council is at all times properly informed and consulted on all matters reserved for it. In addition, the Chairperson maintains effective communication with shareholders, represents Council at the highest level and, in conjunction with the Chief Executive Officer, develops and maintains strategic key stakeholder and sector relationships.

The Chief Executive Officer is responsible for the leadership and operational management of the NAC in implementing the strategic objectives approved by the Board. She ensures that the NAC has appropriate management structures and a management team to effectively implement the entities objectives, strategy and business plans and brings to the attention of Council all matters that materially affect or are capable of affecting its performance and the achievement of its strategy.

## Conflict of Interest

The NAC Act prohibits Council members from eligibility for grants. All meetings of Council record any declarations and members complete declaration of interest form.

During the 2010/2011 financial year, two Council members had material interest in two projects and in each case, recused themselves from the meeting.

## New Council

The term of office of Council expired in August 2010 and was renewed to September 2010, leaving the organisation without an Accounting Authority for 5 months. A new Council was appointed and inaugurated by Minister Mashatile on 29 March 2011.

**The Council consists of the following members:**

- Ms Matlhodi Angelina Makwetla (Appointed as the Chairperson)
- Prof. Gessler Moses Nkondo
- Mr Mohau Samuel Mphomela
- Ms Phylis Klotz
- Mr Shadrack Bokaba
- Ms Nwabisa Mavuso
- Ms Erica Elk
- Ms Seipati Bernice Dichabe
- Ms Nakedi Ribane
- Dr. Mordacai Nangakhulu Lidhovo
- Mr Bob Mabena

**Previous council members recommended for continuity purpose:**

- Mr Bongani John Tembe
- Mr Zamindlela Joseph Bhengu

- Mr Jonny Simon Masilela

**Provincial representatives:**

- Mr Ndela Nelson Ntshangase - Kwazulu-Natal
- Mr Manne Shadrack Thebe - Northern Cape
- Mr Chikapa Enoch Ray Phiri - Mpumalanga
- Mr Christo Owen Van Der Rheede - Western Cape
- Mr Dandheni Andrew Nhlangwini - Limpopo
- Prof. Dominic Thorburn - Eastern Cape
- Adv Tsoarelo Humphrey Malakoane - Free State
- Mr Meshack Mavuso - Gauteng.



Minister of Arts and Culture, Mr Paul Mashatile, former CEO of the NAC Annabell Lebethe flanked by the newly appointed NAC Board

## 5. COMMUNICATIONS AND MARKETING REPORT

The Communications and Marketing strategy was approved. In order to reaffirm and communicate the NAC of South Africa's brand, functions and identity, the unit embarked on the following activities:

- Production of a corporate identity manual to introduce a consistent 'look' for the NAC's information and communication material;
  - Revamped the website to maintain a relevant, current and frontline information presence, transferring
- the current content to a new look and incorporated the NAC brand guidelines;
  - Promoted the corporate image through publicising NAC's funded projects;
  - Hosted sector debates in promotion of social dialogue and engagement with creative practitioners, enterprises and organisations operating at all levels of the creative and cultural industries;
  - Distributed press releases to targeted media and the use of social media to an funded projects and initiatives.



## 6. HUMAN RESOURCES

The staff complement of the NAC remained stable, with no resignations. This attests to the loyalty of the staff. To the organisation, and their commitment to serving the arts sector. Although the needs of the sector we serve far outweigh our ability as a delivery agency, we have always met the funding requirements as expected by the industry.

Temporary staff was hired to assist in the finance section and funding process. This enhanced the efficiencies within the respective units. As part of its commitment to skills development and employee growth, a set of programmes were implemented for the staff including Conflict Resolution and Project Management. In addition, NAC staff benefit from the bursary scheme as part of their personal development goals.

A management/staff representative forum was established to encourage more open discussion on issues that affect both groups.

### Employment Equity

The staff composition is approximately 65% black female. This is a demonstration of the value the organisation places on the empowerment of women and seeks to maintain this ratio in a largely male-dominated industry. The employee profile is reflected below:

Black Male	10
Black Female	15
White Female	1
Total	26

### Policies

The NAC has reviewed a number of policies in order to comply with legislation and in an effort to improve the well being of its employees.

Other policies will be reviewed from time to time to improve employment conditions and employee well being.

### Training and Development

The organisation continuously undertakes employee training programmes to improve employee performance. The following programmes were completed:

- Supply Chain Management
- Performance Management
- Records Management
- Project Management
- Leading and managing state owned enterprises.

# 7. PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2011

## 7.1 Arts Administration

<b>To ensure an effective and efficient grant disbursement that is proactive, responsive and supportive of growing and developing SA arts and culture</b>			
<b>Output</b>	<b>Indicator</b>	<b>Delivery Milestone</b>	<b>Actual Performance</b>
Delivery on the objects of the NAC Act.	Sector needs analysis reports. Budget allocation. Stakeholder analysis reports.	Manage one funding session to strategically meet the objects of the act and allow project monitoring and support.  Restructure NAC funding to address key strategic objectives as follows: - 20% Redress - 50% Excellence.	One funding session for project funding was conducted in 2011.
			Funding for the sector restructured through the funding model to meet the objects of the Act, with funding programmes restructured as follows: - Community Arts (Development): 50% - Institutional Support (Redress): 20% - Excellence: 30%
		- 30% Development	

<p>General Funding Administration.</p>	<p>New Funding Model approved by Council.</p>	<p>Improved grant awarding systems and processes and improved efficiency and accountability in the process.</p>	<p>The tender for the grant management system was approved in June 2010 and awarded to Lechabile IT. Council approved the funding model on 28 July 2010.</p>	<p>The Grant Management System is currently under construction and will be piloted in 2011/12.</p>
	<p>Ongoing consultation with the sector and update policies in line with the new systems.</p>		<p>Recommendations from July and October 2010 Artspeak sessions tabled at Research and Policy Committee. NAC partnered with Department of Science and Technology to host the IKS workshop which was held in Durban on 26 July as part of the IKS Conference.</p>	

<p>Sector Support and Capacity Building.</p>	<p>Signed Memoranda of Understanding (MoUs). Database of contact persons.</p>	<p>Establish working relations with the Provincial Arts and Culture Councils (PACCs) and develop working relations framework and identify collaborative projects.</p>	<p>The NAC collaborated with the six PACCs on 2010 projects. Two implementation agreements signed with 2 PACCs (EC and NW) for 2010 WC projects. NAC has partnered with PACCs in hosting capacity building workshops in NC, Mpumalanga and FS.</p>	<p>Signing of MOUs could not be finalised due to operational and governance challenges of some PACCs.</p>
<p>Strategic Partnerships with Sector Organisations.</p>	<p>Initiate and implement projects focusing on youth, women and people with disability.</p>	<p>The NAC has partnered with the Woman in the Arts to enhance woman participation in the arts. NAC partnered with SATI and Arterial Network to enhance SADC relations.</p>		
<p>Sector strategies developed.</p>	<p>Six sector strategies developed aligned to funding model.</p>	<p>The meeting with DAC on cultural mapping projects has taken place in August 2010 and January 2011.</p>	<p>There are ongoing discussions with DAC on the cultural mapping project. Sector Strategies and reports are to be informed by cultural mapping project.</p>	

	<p>Project Monitoring and Evaluation Plans.</p>	<p>Develop a programme of action in monitoring of projects to ensure that 50% of the funded projects are visited and evaluated.</p>	<p>Monitoring of projects is an ongoing process and approximately 40% projects have already been monitored by June 2010.</p> <p>Project Report Template was presented to Council on 29 July 2010 as part of the funding model.</p> <p>Additional 20 projects were monitored during October to November due to surplus projects.</p>	
	<p>Provide Funding Support Workshops and other capacity building workshops to the six less resourced provinces.</p>	<p>Capacity building workshops were held in five provinces. A total of 19 regions were reached with 979 artists participating in the workshops.</p>	<p>No service provider was appointed for capacity building workshop. This responsibility was managed by the Grants Funding unit.</p>	
<p>Number of projects monitored.</p>	<p>150 project site visits conducted.</p>	<p>Programme of action for monitoring of projects has been developed.</p> <p>30 projects were visited in June 2010.</p> <p>20 projects were visited in July 2010.</p>	<p>Budget reduction led to less projects being visited than planned.</p>	
<p>Number of partnerships secured with the corporate sector.</p>	<p>Two partnerships confirmed with corporate sector that advance the support to the SA creative industries and NAC supported companies and projects.</p>	<p>MTN confirmed their sponsorship to the NAC for the live music project.</p> <p>The NAC and GEP have supported the establishment of the SA Business Women in the Arts and the incubator project.</p>	<p>An amount of R300,000 approved by MTN for the SA Music Live Programme.</p> <p>No formal agreement signed with GEP.</p>	

Position on IFACCA Board supports an efficient NAC that is globally connected and promotes the African agenda.	Best practice models assist NAC operations.	Participation on the Board of the International Federation of Arts Councils and Culture Agencies (IFACCA) Board.	The CEO to attend IFACCA Board meeting.	
Oversee the establishment of the African Chapter of Ifaccca.	African Chapter operationalised.	African members of IFACCA engage on issues of common interest.	The CEO attended inaugural meeting of the African Chapter in Harare in April 2010.	
Establish the Africa Arts Councils Initiative.	Chair the Initiative and set 12-month objectives and support areas.	African member of IFACCA prioritise projects for implementation.	Report on the HIFA meeting drafted and presented to Council.	
Optimise on relationships with SA embassies to promote SA arts and culture.	Number of requests from SA embassies initiated, facilitated and coordinated.	Articles of Association signed by all African Arts Councils.	Chapter meeting held and terms of the Chapter operations defined by members of the African chapter.	The Ministry has not been engaged on the participation of the NAC due to the fact that it is by invitation that other stakeholders participate.
		Participation in the meeting of Ministers of Culture in 2010.		
		Ten requests from SA embassies initiated, facilitated and coordinated.	Support provided Amarayoni group to participate in the two performances during the Africa Week celebrations in Mexico at the request of the SA Ambassador.	Number of projects that could be supported dependent on external requests from SA missions oversees.  NAC has engaged DIRCO on need to partner so as to streamline requests and facilitate support.

<p>Provide support and collaboration that strategically promotes SA arts and culture.</p>	<p>Number of projects supported and requests received to partner continentally and internationally.</p>	<p>3 Strategic partnerships formalised.</p>	<p>The first meeting for World Event for Young Artists to be held in UK in 2012 will be held in March 2011 in partnership with Arts Council England and UK Young Artists.</p> <p>NAC signed MoU with the Chinese Federation of Literary and Art Circles (CLFAC) had a meeting with the NAC on possible exchange projects in February 2011.</p>	
<p>Mmino Music programme efficiently managed.</p>	<p>Number of programme supported.</p>	<p>Mmino project close-out and evaluation.</p> <p>Engage Norway and DAC with intention of extending project life.</p>	<p>Meeting held with Norwegian Ambassador to discuss extension of Mmino programme in October 2010.</p>	<p>Mmino project life cycle ends June 2011 as per three-year implementation contract.</p>
<p>Ensure the implementation of international agreement between Department of Arts (DAC) and Culture and the Swedish International Development Cooperation Agency (SIDA).</p>	<p>Bilateral agreement signed by DAC and SIDA for multi-disciplinary project implementation.</p>	<p>Project management requirements confirmed.</p> <p>Project implementation and Review.</p>	<p>NAC/DAC signed letter of intent for the implementation of SA/Swedish project in partnership with the Swedish Arts Council Business plan drafted.</p>	<p>Implementation agreement drafted and NAC is awaiting confirmation of funding from DAC on project.</p>
<p>Formalise relationship with British Council/Arts Council England in support of cultural exchange opportunities.</p>	<p>Joint programme support for SA/UK cultural exchange reviewed and implemented.</p>	<p>Project objectives agreed upon.</p> <p>Project management implementation and review.</p>	<p>The first visit to British Council was conducted in March 2011 to partner on the cultural programme.</p>	

2010 cultural programme that extends the World Cup to all (priority on less resourced communities).	2010 Cultural projects defined.	Cultural programme implemented. Evaluation report submitted.		Six provinces were engaged on 2010 Soccer World Cup projects.  All contracts were signed in May / June 2010.  Project close report has been presented to Council on 29 September 2010.  177 projects and 30 bursaries were allocated funds.
		25 Projects supported nationally and reports submitted.	50 practitioners across the disciplines contracted as part of the 2010 WC cultural programme.	
Sector-specific flagship projects implemented.	Number of projects supported through grant allocation nationally.	15 projects/new initiatives supported.	13 flagship projects were supported out of the surplus funds.	More than 50 arts practitioners were contracted during the 2010 Soccer World Cup event.  All contracts were signed by June 2010.  Eight project close out reports were submitted in March 2011.
	Number of practitioners who benefit from the NAC 2010 cultural programme.	50 practitioners across the disciplines contracted as part of the 2010 WC cultural programme.	All project initiatives were made in April and supported out of the surplus funds.	
Sector specific initiatives identified and implemented in partnership with key role-players.	Number of arts initiatives supported.	Five initiatives supported	Dance Umbrella was approved in December 2010.	All project initiatives were made in April and supported out of the surplus funds.
Project with a regional focus supported.	Number of regional projects supported.	Two projects supported	SATI and Arterial Network were engaged on the regional focused projects. Arts Journalism workshop was conducted during the Cape Town International Festival in March 2011.	

Partnership with the Performing Arts and Culture Councils (PACCs) formalised with policy and implementation levers clearly defined.	Meetings with Provincial Arts and Culture MECs.	Organise meetings with MECs.	Chairperson and CEO could only meet with two MEC for Arts and Culture (Gauteng and Northern Cape).	
		Projects for joint implementation identified.	Provincial Committee meeting was held in May in preparation of 2010 projects.	
	Intergovernmental Memorandum of Understanding (MoU) Signed.	At least two agreements/letters of intent signed quarterly.	Implementation Agreements signed with NW and EC in June 2010.	

## 7.2 Finance, IT and Human Resources

<b>Measurable Objective:</b>	<b>To ensure effective and efficient leadership, management and administration support to the NAC through the continuous refinement of the organizational strategy and structure in accordance with appropriate legislations and good practice</b>			
<b>Output</b>	<b>Indicator</b>	<b>Delivery Milestone</b>	<b>Actual Performance</b>	<b>Reason for Variance</b>
Corporate Governance Framework, Policies and Training Manuals.	Governance and Compliance.	Develop Governance policies and manuals that regulate the role of Council Members based on the legislative framework and King III Corporate Governance.	Eight policies were developed and approved during the Council Meeting in July 2010.  Four policies were reviewed and approved in July 2010 Council Meeting.  Additional four policies were approved in September 2010.	
		Arrange training on corporate governance for Council Member twice per annum.	ARC members attended governance training in August 2010.	

	Code adopted as NAC standard of corporate governance. Full compliance.	King III Codes accepted by Council in July 2010.	ARC has set aside recommendation to adopt King III pending Treasury Guidelines	
	Committee Terms of Reference approved and signed. Board approved Code of Conduct and Ethics.	Committee ToR revised, developed and approved by Council in July 2010 Committee ToR approved by ARC by April 2010. NAC Corporate Governance Framework adopted by Council. Induct new Council on NAC Corporate Governance principles.	Board and Exco Charters approved in September 2010. ARC Charter approved in September 2010 Code of Conduct approved by Council in April 2010. Council Members were appointed and inducted on 29 and 30 March 2011.	
General Finance Administration.	Finance Procedure Manual.  Compliance Reports.	Identify outstanding policies by May 2010. Develop new policies. Council approves new policies by 31 July 2010. Compliance audit completed and report submitted by April 2010. 50% of findings resolved by 30 Jun 2010. 50% of findings resolved by 30 November 2010.	Petty Cash, Fixed Asset Management, Supply Chain Management were approved in August.  60% of the audit findings were resolved by June 2010.	Only 10% of the finding still outstanding due to lack of information from DAC in relation to Downtown Studios.
Supply Chain Management.	Supply Chain Management Framework.  Supply Chain Management Manual.	Job description and performance agreement of procurement officer developed as part of the organisational assessment exercise by July 2010. SCM training will held by July 2010 for NAC staff. Procurement officer registered for training programmes by August 2010.	The job description of the Procurement Officer has been drafted however the post was not filled due to budgetary constraints. Internal workshop was held on 25 August 2010 by the Acting CFO. Senior Management attended SAICA training prior to conducting staff training.	Procurement Officer has not been appointed due to an ongoing Organisational Review process.

Audit Compliance.	Develop internal audit plan outlining performance standards.	Internal Audit Plan approved by ARC by April 2010.	Internal Audit plan approved by ARC in April 2010.	
	Develop and review all policies in line with the relevant legislations and the NAC strategy.	Outstanding/new policies identified and developed. Policies approved at 21 May 2010 ARC meeting.	Four new financial policies were developed. Council approved four new policies in July Council Meeting.	
	25% Reduction in Audit Findings.	External Audit findings discussed and final management letter presented to Council in July 2010.	60% of the audit findings were reduced by the end of June 2010.	
Develop, implement and manage NAC HR Strategy.	HR Planning & Strategic document.	Service provider appointed to assisted with development of HR Strategy by April 2010.	The service provider appointed at the end of March 2010 to assist the NAC with the Organisational Review Process.	
	HR Operational programmes.			
Organisational Review and management.	Organisation diagnosis and planning.	Organisational network and process mapping.	Draft HR Strategy presented to HR Committee by June 2010.	
	Work-study and job evaluation process.	Design and improve job content and standards of performance.	Job descriptions drafted.	Require Council approval as term of Council expired prior to conclusion of project.
Performance Management System.	Career Path and Personal Development Plans.	Update career path policy in line with the strategic plan.	Career pathing included in annual development plan as part of Performance Agreement.	
	Updated Performance Management Policy.	Capacitate staff on the updated performance management policy.	Draft policy workshop with staff and management and presented to Council for approval in July 2010.	Job descriptions drafted – need Council approval before implementation.
	Signed Performance Agreements.	Evaluate and improve job content and performance standard.	Performance Management policy approved by Council in July 2010.	Performance Agreements not signed as the process was still in development during the course of the year. Agreements will be signed in new financial year.

	Performance Evaluation Manual.	Establish processes and procedure for evaluation process and conduct the first evaluation process.	Workshop held in September 2010. Manual uploaded on NAC intranet.	
Grants Management System (GMS).	Approval of Project.	Design and develop technical requirements. Service provider appointed in April 2010.	Specifications developed and advertised in February 2010. The Service Provider was appointed in May 2010.	
	Budget Allocation.	Implement and deploy GMS to improve the processing of applications and information. Set up internal GMS Steering Committee, chaired by Admin and Systems Manager by May 2010. Set up internal GMS Steering Committee, chaired by Admin and Systems Manager by May 2010. Pilot GMS by September 2010. GMS live in November 2010.	The internal GMS committee established in June 2010 consisting of the IT Manager, Grants Manager, COO and 2 members from Lechabile. The internal GMS committee established in June 2010 consisting of the IT Manager, Grants Manager, COO and two members from Lechabile.	There is a delay in piloting of the GMS due to technical errors. The GMS will only go live in May 2011.
Enhancement and sustainability to information technology systems.	Deploy Window Server 2008.	Upgrade to NAC server in July 2010.	The server was upgraded in December 2010 to support the GMS.	
	Systems and processes are tailored to support the business needs and processes.	Minimise down time of information systems and proficient during recovery in the event of a disaster. All users undergo system training in August 2010. Policies updated in line with new system by November 2010.		The exception reports will be a functionality of the GMS. In light of the delay in the implementation of the GMS the training and policy updates will be rescheduled for May 2011.
Effective administrative support mechanism.	Implement office system fault reports by August 2010.	Implement office system fault reports by August 2010.	Support provided to all users on an ongoing basis.	

	Design and implement archive management system.	Develop specification document by June 2010. Request quotations from suppliers registered on the NAC suppliers' database by August 2010. Appoint suitable service provider and sign SLA by September 2010.		Archive Management system to be developed in May 2011 after the implementation of the GMS.
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### 7.3 Communications

<b>To ensure an improved NAC brand is effectively communicated to internal and external stakeholders</b>				
<b>Measurable Objective:</b>	<b>Indicator</b>	<b>Delivery Milestone</b>	<b>Actual Performance</b>	<b>Reason for Variance</b>
	Develop corporate identity guidelines to enforce consistency in the use and application of the logo.	Brief written and submitted to prospective organisations by March 2010. Suitable service provider appointed by April 2010 Corporate Identity Manual approved and presented to staff by July 2010. Ongoing Implementation and quality assurance.	The brief in a form of a memo was written during the end of March 2010.  Caption Communications appointed in April 2010.  Corporate Identity Manual approved by management in June 2010.	
	Update the content of the corporate video to include capacity building and be in line with the new business of the NAC.	Revisions made to Corporate video (if necessary) by May 2010.		The revision of the corporate video was not possible due to budgetary constraints.
Public Relations	Arts discussion sessions (Arts Dialogue).	Two arts discussion sessions convened on arts related topics. In Eastern Cape and Gauteng.	The theme of Artspeak was on the Benefits of Festivals, and Impact and Legacy of the 4th World Summit on Arts and Culture.	

Publications	Annual Report, Brochures and Info-postcards.	To promote the work of the NAC and image within the newsletters and annual report.	Industry information consistently received and updated on website and other corporate material.  The 2009-2010 Annual Report has been published in September 2010.	
Advertising	Organisation and leadership profile advertised on various platforms.	Identifying the advertising opportunities in industry publications (ongoing). Establish relations with public-sector sales representatives.	Placed ads on profiles on the following publications: Cape Town International Festival, Cue Magazine, CEO Magazine. In addition the CEO was featured on: CEO Magazine Sunday World Music Magazine Kaya FM.	
Branding	Branding opportunities and promotional items produced.	Develop a calendar of arts related events to communicate and promote the NAC brand and activities.	Branding material was displayed during the following events associated with the NAC: National Arts Festival in June – July 2010; World Cup Public Viewing Areas June – July 2010 ; IKS Expo July 2010; SALA Awards July 2010 Mpumalanga Craft Market August 2010; Carmen the Ballet July; Joy of Jazz August 2010; Moshito September 2010; Northern Cape Festival September; Soweto Rhythm Production Music Workshop September 2010; Macufe Arts Festival October 2010;	15 new banners were produced. Segwati Communications was used as a service provider.

Redesign and develop NAC website	Creative and user-friendly NAC website.	20% increase in the number of website hits.	The website has been updated with recent funded projects. Open Networks has been contracted to perform website development.
Host annual arts and culture awards	Annual arts and culture awards hosted successfully.	Conduct feasibility on the hosting of the arts awards. Secure necessary partners.	The NAC partnered with Writes Associates in hosting SA Literary Awards.

## 7.4 Research

<b>To foster a culture of research that promotes knowledge, information sharing and networking</b>			
<b>Measurable Objective:</b>	<b>Indicator</b>	<b>Delivery Milestone</b>	<b>Actual Performance</b>
Research proposals and research reports	Research proposals and research reports produced.	Identify three research projects based on the strategic direction of the NAC and implement.	Public Participation in the Arts Survey concluded end of August 2010. Funding Impact Assessment Study will be concluded in November 2010.
		Identify service providers to conduct capacity building in research skills within the arts sector.	Research Manager conducted training for Assistant Researchers in May 2010. Temporary Researchers appointed in April 2010.
	Policy documents.	Identify policy gaps within the sector and stimulate debates thereof.	NAC partnered with DST in hosting IKS panel discussion at IKS conference.
		Engage other role players in the Indigenous Knowledge Systems (IKS) policy initiatives and map out the NAC contribution to the development and advancement of IKS.	IKS Seminar held in Polokwane in June 2010 during the 2010 World Cup.

	<p>Resource Center.</p>	<p>Dedicated arts resource with relevant industry materials maintained and update.</p>	<p>Art sector books purchased in June 2010 for the resource centre.</p> <p>Material is received and filed on a continuous basis and included in resource centre.</p>
	<p>NAC Resource Centre accessible to the art community.</p>	<p>Material for the resource centre is being collected on an ongoing basis.</p> <p>The website is currently used to communicate with NAC beneficiaries and industry organisations.</p>	

# 8. REPORT OF THE AUDITOR-GENERAL

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE NATIONAL ARTS COUNCIL OF SOUTH AFRICA

### REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

#### Introduction

1. I have audited the accompanying consolidated and separate financial statements of the National Arts Council of South Africa, which comprise the consolidated and separate statement of financial position as at 31 March 2011, and the consolidated and separate statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 46 to 87.

#### Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as management determines necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and PFMA, my responsibility is to express an opinion on these consolidated and separate financial statements based on my audit.

4. I conducted my audit in accordance with International Standards on Auditing and General Notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating

the overall presentation of the consolidated and separate financial statements.

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

### **Basis for adverse opinion**

#### **Non-current asset held for transfer**

7. Non-current assets held for transfer was disclosed in terms of the SA Standards of GRAP, GRAP 100, Non-current assets held for sale. However these assets were not measured in accordance with the accounting policy and SA Standards of GRAP, GRAP 17, Property, plant and equipment which requires that an item of property, plant and equipment should be carried at the revalued amount less accumulated depreciation and accumulated impairment losses. As indicated in note 27 to the financial statements, no depreciation was provided for on the non-current asset held for transfer. Had depreciation been provided for, the surplus for the period would have been stated at R5 759 347 (2010: R31 958 239); non-current asset held for transfer would have been reduced by an accumulated depreciation of R2 690 760 (2010: R1 345 380), and the accumulated surplus would have been decreased by the same amount.

#### **Revenue from non-exchange transaction**

8. Contrary to the requirements of the SA Standards of GRAP, GRAP 23, Revenue from non-exchange transactions which requires that non-exchange revenue must be recognised when the present obligation was met, non-exchange revenue was not recognised although the present obligation in terms of the memorandum of understanding with the National Department of Arts and Culture was met. As indicated in note 27 to the financial statements, liabilities directly associated with the non-current assets held for transfer were not reduced in accordance

with the requirements of GRAP 23. Had revenue been recognised, the liabilities associated with the non-current assets held for transfer would have been reduced by R4 792 822 (2010: R4 792 822), and accumulated surpluses would have been increased by the same amount.

#### **Business combination and consolidated financial statements**

9. The purchase of the business as disclosed in note 30 was not correctly accounted for in accordance with the requirements of International Financial Reporting Standards, IFRS 3, Business Combination and the SA Standards of GRAP, GRAP 6, Consolidated and separate financial statements. This resulted in accounts payable be understated by R3 382 597 (2010: R3 209 505), cash and cash equivalents overstated by R455 305 (2010: understated by R3 191 565) and the accumulated surplus being understated by R440 862.

#### **Adverse opinion**

10. In my opinion, because of the significance of the matters described in the Basis for adverse opinion paragraphs, these financial statements do not present fairly the consolidated and separate financial position of the National Arts Council of South Africa and its subsidiary as at 31 March 2011 and its consolidated and separate financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the PFMA. Emphasis of matter  
I draw attention to the matter below. My opinion is not modified in respect of this matter:

#### **Restatement of corresponding figures**

11. As disclosed in note 35 to the financial statements, the corresponding figures for 31 March 2010 were restated as a result of an error discovered during 31

March 2011 in the financial statements of the National Arts Council of South Africa at, and for the year ended, 31 March 2010.

### **Additional matter**

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

### **Unaudited supplementary schedules**

13. The supplementary information set out on pages 87 to 88 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and accordingly I do not express an opinion thereon.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

14. In accordance with the PAA and in terms of General Notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, I include below my findings on the annual performance report as set out on pages 24 to 38 and material non-compliance with laws and regulations applicable to the public entity.

### **Report on predetermined objectives**

#### **Usefulness of information**

15. The reported performance information was deficient in respect of the following criteria:

- Measurability: Indicators are well-defined and verifiable, and targets are specific, measurable and time-bound.

#### **Planned and reported targets are not specific, measurable and time bound**

16. The following audit findings relate to the above criteria:

For the selected objectives 35% of the planned and reported targets were not:

- specific in clearly identifying the nature

and the required level of performance;

- measurable in identifying the required performance;
- time bound in specifying the time period or deadline for delivery.

### **Compliance with laws and regulations**

#### **Annual financial statements, performance and annual report**

17. The financial statements submitted for audit did not comply with section 55(1)(b) of the PFMA. Material misstatements were identified during the audit and some were corrected by management.

#### **Expenditure management**

18. As disclosed in note 17 to the financial statements, the public entity incurred fruitless and wasteful expenditure amounting to R585 094 in respect of an unfair dismissal of an employee and recruitment services that did not yield results. The expenditure incurred was contrary to section 51(1)(b)(ii) of the PFMA.

19. As disclosed in note 17 to the financial statements, the public entity incurred irregular expenditure amounting to R10 984 973 as the expenditure incurred was in contravention of section 54(2)(d) of the PFMA relating to obtaining approval from the executive authority for the acquisition of a significant asset.

#### **Procurement and contract management**

20. As disclosed in note 17 to the financial statements, the public entity incurred irregular expenditure amounting to R2 797 093 as the expenditure incurred was in contravention of the supply chain management policy and section 51(1)(b)(ii) of the PFMA.

### **INTERNAL CONTROL**

21. In accordance with the PAA and in terms of General Notice 1111 of 2010,

issued in Government Gazette 33872 of 15 December 2010, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the basis for an adverse audit opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

- **Leadership**  
Management did not exercise sufficient oversight responsibility over financial reporting and internal control resulting in incorrect application of accounting standards which resulted in the adverse audit opinion.

Management did not adequately implement documented policies and procedures to guide the effectiveness of the operations of the entity resulting in instances of non compliance with laws and regulations and findings on predetermined objectives.

- **Financial management**  
Management did not undertake adequate financial statements reviews to ensure the validity, accuracy and completeness of the financial statements prior to the submission for audit purposes.

## **OTHER REPORT**

### **Investigation**

22. An investigation was conducted by an independent consulting firm on request of the entity. The investigation was initiated based on the allegation of possible misconduct by a senior official. The investigation resulted in the senior official being dismissed.

*Auditor-General*

Johannesburg

31 July 2011



**AUDITOR - GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*

# 9. CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

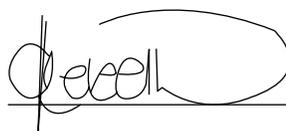
## STATEMENT OF RESPONSIBILITY FOR THE YEAR ENDED 31 MARCH 2011

The Accounting Authority is required by the Public Finance Management Act (No 1 of 1999), to maintain accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Authority to ensure that the annual financial statements fairly present the state of affairs of the Organisation as at the end of the financial year and the results of its operations and cash flows for the year then ended 31 March 2011. The external auditors are engaged to express an independent opinion on the annual financial statements.

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

The Accounting Authority acknowledges that it is ultimately responsible for the system of internal financial control, established by the organisation and places considerable importance on maintaining a strong control environment. To enable the organisation to meet these responsibilities, the Accounting Authority sets standards for internal control aimed at reducing the risk of error or loss, 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 Organisation and all employees are required to maintain the highest ethical standards in ensuring that the Organisation's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management in the Organisation is on identifying, assessing, managing and monitoring all known forms of risk across the Organisation. While operating risk cannot be fully eliminated, the Organisation endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.



**Ms Annabell Lebethé**  
**Chief Executive Officer**



**Mr Simon Letsoalo**  
**Acting: Chief Financial Officer**

# REPORT OF THE AUDIT AND RISK COMMITTEE FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

We are pleased to present our report for the financial year ended 31 March 2011.

## Audit Committee Members and Attendance

The Audit Committee consists of the members listed hereunder and meets at least 4 times per annum as per its approved terms of reference. During the current year 8 meetings were held.

Name of the Member		Date Appointed	Number of meetings
Z Bhengu <sup>1</sup>	Chairperson	April 2010	7
V Magan <sup>2</sup>	External Member	January 2009	7
K Thathiah <sup>1</sup>	Member	February 2010	6
Mmathebe Moja	External Member	February 2010	8
Doris Dunder	External Member	November 2010	1

<sup>1</sup> Term of council expired 30 September 2010

<sup>2</sup> Resigned January 2011

## Audit Committee Responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of Section 51(1) (a) of the Public Finance Management Act (No. 1 of 1999) and Treasury Regulation 27.1. We further report that we conducted our affairs in compliance with this charter.

## The Effectiveness of Internal Control

The system of internal control applied by the NAC over financial and risk management is partially effective and efficient, and enhanced through the activities of internal auditors.

In line with the PFMA and Treasury Regulations, Internal Audit provides the Audit 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.

The Committee monitored the significant risks faced by NAC and is satisfied that these risks were managed to an acceptable level.

The NAC implemented a risk management strategy which includes a fraud prevention plan.

We acknowledge that the findings raised by the Auditor General of South Africa for the last financial year end were resolved to the extent possible. We acknowledge that two of the issues which raised the qualification relating to Downtown Studios are unresolved and are receiving urgent attention with the intervention of the Executive Authority sought.

Management is committed to addressing the issues raised by the internal auditors and this is reviewed by the Committee during its meetings.

## Internal Audit

We believe the internal audit has contributed to the improvement of internal controls

within the National Arts Council.

Submission of quarterly reports in terms of the Public Finance Management Act Management reported that the content and quality of monthly and quarterly reports reviewed by the ARC, and issued by the Accounting Officer of the NAC, during the year under review were properly formulated and have complied with the PFMA in this regard.

We have reviewed the Strategic Audit Plan of the Auditor-General of South Africa and recommended approval of their budget to the Accounting Officer.

### **Evaluation of Financial Statements The Audit Committee has:**

- reviewed and discussed the audited Annual Financial Statements to be included in the annual report, with the Auditor-General of South Africa and the Accounting Authority;
- reviewed the report on performance against pre-determined objectives;
- reviewed the Auditor-General of South Africa's management letter and management's response thereto;
- reviewed changes in accounting policies and practices; and
- reviewed significant adjustments resulting from the audit.

The Audit and Risk Committee concurs and accepts the Auditor-General of South Africa's conclusions 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 of South Africa.

## **Auditor-General of South Africa**

We have reviewed the Strategic Audit Plan of the Auditor-General of South Africa and recommend approval of their scope of work and budget to the Accounting Officer.

### **Accounting Authority**

In September 2010, the term of office of the Accounting Authority expired. The function of the Audit Committee was overseen by external members. The absence of the Accounting Authority was raised by the Auditor-General during its third and fourth quarter reviews, highlighting concerns with governance and leadership.

During this period, the former Minister Lulu Xingwana appointed the Accounting Officer as the interim Accounting Authority with effect from 1 October 2010.

A new Council was inaugurated in March 2011 by the Minister of Arts and Culture.

### **Appreciation**

The Audit and Risk Committee expresses its sincere appreciation to the Accounting Authority, Accounting Officer, Management team, Internal Audit and the Auditor-General to fulfill our obligations.



**Ms Mmathebe Moja**  
**Chairperson of the Audit and Risk Committee**

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

	Notes	Group 2011 R	Entity 2011 R	Group 2010 R	Entity 2010 R
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>		<b>5,576,324</b>	<b>5,576,324</b>	<b>4,065,043</b>	<b>4,065,043</b>
Property, plant and equipment	2	5,576,324	5,576,324	4,052,351	4,052,351
Intangible assets	3	1	1	12,692	12,692
<b>CURRENT ASSETS</b>		<b>72,694,064</b>	<b>66,834,907</b>	<b>103,929,283</b>	<b>98,294,515</b>
Trade and other receivables	4	1,711,462	1,711,462	2,566,733	2,566,733
Cash and cash equivalents	5	60,330,622	60,330,622	90,934,960	90,934,960
Non-current assets held for Transfer	27	10,651,980	4,792,822	10,427,590	4,792,822
<b>TOTAL ASSETS</b>		<b>78,270,388</b>	<b>72,411,231</b>	<b>107,994,326</b>	<b>102,359,558</b>
<b>NET ASSETS AND LIABILITIES</b>					
<b>NON-CURRENT LIABILITIES</b>		<b>595,302</b>	<b>595,302</b>	<b>21,934,500</b>	<b>21,934,500</b>
Long-term liability	6	595,302	595,302	-	-
NAC special projects	10	-	-	21,934,500	21,934,500
<b>CURRENT LIABILITIES</b>		<b>32,518,423</b>	<b>32,316,896</b>	<b>45,638,301</b>	<b>45,246,946</b>
Trade and other payables	7	2,049,969	2,049,969	2,709,671	2,709,671
Projects and bursaries payable	8	21,535,887	21,535,887	34,382,990	34,382,990
Current portion of long-term liability	6	496,648	496,648	441,865	441,865
Liabilities associates with non current assets held for transfer	27	5,063,269	4,792,822	5,206,617	4,792,822
Deferred grant received	36	1,141,182	1,141,182	-	-
Administered funds	9	2,231,470	2,300,389	2,897,158	2,919,598
<b>NET ASSETS</b>		<b>45,156,663</b>	<b>39,499,033</b>	<b>40,421,525</b>	<b>35,178,112</b>
Accumulated surplus		42,166,758	36,509,128	39,566,342	34,322,929
Revaluation reserve		2,989,905	2,989,905	855,183	855,183
<b>TOTAL LIABILITIES AND RESERVES</b>		<b>78,270,388</b>	<b>72,411,231</b>	<b>107,994,326</b>	<b>102,359,558</b>

## CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2011

	Notes	Group 2011 R	Entity 2011 R	Group 2010 R	Entity 2010 R
<b>CONTINUING OPERATIONS</b>					
<b>REVENUE</b>		<b>78,475,747</b>	<b>78,475,747</b>	<b>95,791,228</b>	<b>95,791,228</b>
Grants received	15	72,003,895	72,003,895	88,549,929	88,549,929
Interest received	20	3,711,334	3,711,334	5,813,313	5,813,313
Revoked projects	8	2,355,866	2,355,866	959,226	959,226
Rental income	21	333,946	333,946	466,050	466,050
Sundry income	22	70,706	70,706	2,710	2,710
<b>EXPENSES</b>		<b>70,759,202</b>	<b>70,759,202</b>	<b>67,731,022</b>	<b>67,731,022</b>
Approved projects and bursaries	13	49,285,580	49,285,580	46,471,065	46,471,065
<b>OPERATING EXPENSES</b>		<b>21,473,623</b>	<b>21,473,623</b>	<b>21,259,957</b>	<b>21,259,957</b>
Auditors remuneration	11	726,682	726,682	234,149	234,149
Advertising		288,286	288,286	1,468,127	1,468,127
Council remuneration fees	16	313,130	313,130	458,964	458,964
Consulting and professional fees	11	1,929,472	1,929,472	1,327,187	1,327,187
Depreciation and amortisation	2	1,012,172	1,012,172	704,064	704,064
Employee costs	11	9,612,856	9,612,856	9,047,283	9,047,283
Printing and stationery		233,265	233,265	442,667	442,667
Senior management remuneration	16	1,999,897	1,999,897	1,666,685	1,666,685
Travel, accommodation and subsistence		1,900,357	1,900,357	2,621,492	2,621,492
Telephone and fax		493,317	493,317	465,062	465,062
Other operating expenses	11	2,964,189	2,964,189	2,824,277	2,824,277
<b>OPERATING SURPLUS FROM CONTINUING OPERATIONS</b>		<b>7,716,544</b>	<b>7,716,544</b>	<b>28,060,206</b>	<b>28,060,206</b>
Finance costs		1,026,034	1,026,034	-	-
<b>SURPLUS FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>6,690,510</b>	<b>6,690,510</b>	<b>28,060,206</b>	<b>28,060,206</b>
<b>DISCONTINUED OPERATIONS</b>					
Surplus for the year from discontinued operations	27	414,217	-	5,243,413	-
<b>SURPLUS FOR THE YEAR</b>		<b>7,104,727</b>	<b>6,690,510</b>	<b>33,303,619</b>	<b>28,060,206</b>

## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2011

GROUP	NOTES	ACCUMULATED SURPLUS/ (DEFICIT)	REVALUATION RESERVE	TOTAL NET ASSETS
		R	R	R
Balance at 1 April 2009		36,362,723	855,183	37,217,906
Provision for planned projects	10	(30,100,000)	-	(30,100,000)
		<b>6,262,723</b>	<b>855,183</b>	<b>7,117,906</b>
Surplus for the year ended 31 March 2010		33,303,619	-	33,303,619
<b>Balance at 31 March 2010</b>		<b>39,566,342</b>	<b>855,183</b>	<b>40,421,525</b>
Reserves adjustment		(4,504,311)	-	(4,504,311)
<b>Restated balance at 01 April 2010</b>		<b>35,062,031</b>	<b>855,183</b>	<b>35,917,214</b>
Surplus for the year ended 31 March 2011		7,104,727	-	7,104,727
Revaluation adjustment		-	2,134,722	2,134,722
<b>Balance at 31 March 2011</b>		<b>42,166,758</b>	<b>2,989,905</b>	<b>45,156,663</b>

ENTITY	NOTES	ACCUMULATED SURPLUS/ (DEFICIT) R	REVALUATION RESERVE R	TOTAL NET ASSETS R
<b>Balance at 1 April 2009</b>		<b>36,362,723</b>	<b>855,183</b>	<b>37,217,906</b>
Provision for planned projects	10	(30,100,000)	-	(30,100,000)
		<b>6,262,723</b>	<b>855,183</b>	<b>7,117,906</b>
Surplus for the year ended 31 March 2010		28,060,206	-	28,060,206
<b>Balance at 31 March 2010</b>		<b>34,322,929</b>	<b>855,183</b>	<b>35,178,112</b>
Reserves adjustment		(4,504,311)	-	(4,504,311)
<b>Restated balance at 01 April 2010</b>		<b>29,818,618</b>	<b>855,183</b>	<b>30,673,801</b>
Surplus for the year ended 31 March 2011		6,690,510	-	6,690,510
Revaluation adjustment		-	2,134,722	2,134,722
<b>Balance at 31 March 2011</b>		<b>36,509,128</b>	<b>2,989,905</b>	<b>39,499,033</b>

## CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2011

	<b>Group</b>	<b>Entity</b>	<b>Group</b>	<b>Entity</b>
<b>Notes</b>	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>OPERATING ACTIVITIES</b>				
Cash receipts from funders	<b>77,161,786</b>	<b>75,583,377</b>	<b>92,246,279</b>	<b>89,371,501</b>
Total income	81,518,713	78,475,747	99,047,390	95,791,228
(Increase) / Decrease in trade and other receivables	(693,982)	855,270	(987,798)	(606,414)
(Increase) / Decrease in inventory	(23)	-	-	-
Profit on disposal of property, plant and equipment	(800)	(800)	-	-
Gain on relinquishment of a finance lease liability	(35,506)	(35,506)	-	-
Interest received	(3,626,616)	(3,711,334)	(5,813,313)	(5,813,313)
Cash paid to suppliers, employees and projects	<b>110,486,812</b>	<b>109,077,644</b>	<b>102,909,452</b>	<b>100,690,787</b>
Total expenses	76,146,644	70,759,202	70,659,059	67,731,023
Depreciation and amortization	1,012,172	1,012,172	(696,922)	(696,922)
Other non-cash items	716,492	1,360,903	-	561,831
Finance costs	1,040,784	1,026,034	-	-
(Increase) / Decrease in trade and other payables	(3,684,161)	659,702	(315,440)	(280,916)
(Increase) / Decrease in provisions	(506,474)	-	(113,016)	-
(Increase) / Decrease in projects and bursaries payables	13,513,812	12,847,103	12,595,641	12,595,641
(Increase) / Decrease in deferred income	(1,141,182)	-	-	-
(Increase) / Decrease in NAC special projects	21,934,500	21,934,500	17,827,336	17,827,336
(Increase) / Decrease in administered funds	313,042	619,209	2,952,794	2,952,794
<b>Net cash generated / utilised from operating activities</b>	<b>12 (33,325,026)</b>	<b>(33,494,267)</b>	<b>(10,663,174)</b>	<b>(11,319,286)</b>

	<b>Notes</b>	<b>Group 2011 R</b>	<b>Entity 2011 R</b>	<b>Group 2010 R</b>	<b>Entity 2010 R</b>
<b>Cash flow from investing activities</b>					
Interest received		3,626,616	3,626,616	5,813,313	5,813,313
Proceeds on disposal of property, plant and equipment		800	800	-	-
Purchases of non current assets held for transfer		(110,875)	-	-	-
Purchases of property, plant and equipment		(185,073)	(185,073)	(66,185)	(66,185)
<b>Net cash flow from investing activities</b>		<b>3,331,468</b>	<b>3,442,343</b>	<b>5,747,128</b>	<b>5,747,128</b>
<b>Cash flow from financing activities</b>					
Repayment of finance lease liability		(537,356)	(537,356)	(475,413)	(475,413)
Interest paid		(15,058)	(15,058)	-	-
<b>Net cash flow from financing activities</b>		<b>(552,414)</b>	<b>(552,414)</b>	<b>(475,413)</b>	<b>(475,413)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(30,545,972)</b>	<b>(30,604,338)</b>	<b>(5,391,458)</b>	<b>(6,047,571)</b>
Cash and cash equivalents at beginning of year		91,591,073	90,934,960	96,982,531	96,982,531
<b>Cash and cash equivalents at end of year</b>	<b>5</b>	<b>61,045,100</b>	<b>60,330,622</b>	<b>91,591,073</b>	<b>90,934,960</b>

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 1.1 Basis of Preparation

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations of such relevant statements issued by the Accounting Standards Board. The following statements were approved and effective at the reporting date:

#### Standards approved and effective:

- GRAP 1: Presentation of Financial Statements
- GRAP 2: Cash Flow Statements
- GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 6: Consolidated and Separate Financial Statements
- GRAP 7: Investments in Associates
- GRAP 9: Revenue from Exchange Transactions
- GRAP 12: Inventories
- GRAP 13: Leases
- GRAP 14: Events after the Reporting Date
- GRAP 16: Investment Property
- GRAP 17: Property, Plant and Equipment
- GRAP 19: Provisions, Contingent Liabilities and Contingent Assets
- GRAP 23: Revenue from Non-exchange Transaction (Taxes and Transfers)

- GRAP 24: Presentation of Budget Information in Financial Statements
- GRAP 100: Non-current Assets Held for Sale and Discontinued Operations
- GRAP 102: Intangible Assets

#### Standards approved and but not effective

- GRAP 18: Segment Reporting
- GRAP 25: Employee Benefits
- GRAP 104: Financial Instruments
- GRAP 105: Transfer of functions between entities under common control
- GRAP 106: Transfer of functions between entities not under common control
- GRAP 107: Mergers

NAC did not adopt any of the new GRAP standards that were approved but not yet effective during the year under review.

### 1.2 Significant Judgements

In preparing the financial statements, management is required to make estimates and assumptions that effect the amounts presented in the financial statements and related disclosures. It also requires management to exercise its judgement in the process of applying the Council's accounting policies. Significant judgements include:

#### 1.2.1 Annual Evaluation of property, plant and equipment and intangible assets

The Council reviews its property, plant and equipment for possible impairment, changes

in useful life and changes in residual values at the end of each financial year.

The management determines the estimated useful lives and related depreciation charges for property, plant and equipment as well as its intangible assets. The estimates are based on the assessed conditions of the assets, changes in technology such as new technical innovations being introduced in the industry thus rendering our assets obsolete as well as expected future spending on capital assets. These estimates can change significantly as a result of changes in the conditions of assets, introduction of new technologies and availability of finance resources to fund expected future spending on capital assets.

Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete assets that have been abandoned or sold.

### **1.2.2 Provision for impairment of receivables**

A provision for impairment of trade receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of receivables. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, where the time value of money has a material impact, discounted at the effective interest rate computed at initial recognition. Any impairment is recognised immediately in the statement of financial performance.

## **1.3 Government Grants**

Government grants are recognised when there is reasonable assurance that such grant will be received and all related conditions

are complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of financial performance over the expected useful life of the relevant asset in equal installments. The Government grant represents income received from the Department of Arts and Culture. Grants related to income are presented as a credit to the Statement of financial performance (separately).

## **1.4 Property, Plant and Equipment**

Property, plant and equipment (owned and leased) are stated at historic cost less accumulated depreciation and accumulated impairment losses, if any except for Building, furniture and fitting, computer equipment and office equipment that are stated at revalued cost less accumulated depreciation and accumulated impairment losses, if any. The cost of property, plant and equipment includes all directly attributable expenditure incurred in the acquisition, establishment and installation of such assets so as to bring them to the location and condition necessary for it to be capable of operating in the manner intended by management. Interest costs are not capitalised. Where an item of property, plant and equipment is acquired at no cost, or for a nominal cost, its cost is its fair value at the date of acquisition.

Revaluation is performed every three years on a net replacement method except for building which is performed every year due to high volatility if its fair value. Revaluation is performed at the beginning of the year by the suitably qualified valuers, any revaluation surplus or loss is transferred to the revaluation reserves and kept intact as a capital maintenance reserves.

Depreciation is calculated so as to write off the cost of property, plant and equipment on a straight-line basis, over the estimated useful lives to the estimated residual values. Useful lives, residual values and depreciation are reviewed annually with the effect of any changes in estimate accounted for on the prospective basis. Residual values are measured as the estimated amount currently receivable for an asset if the asset were already of the age and condition expected at the end of its useful life. Each significant component included in an item of property, plant and equipment is separately recognised and depreciated. Depreciation commences when the asset is ready for its intended use. Depreciation of an asset ceases at an earlier of the day the asset is classified as held-for-sale in accordance with GRAP 100 or the date the asset is de-recognised.

Surplus or deficit on the retirement or disposal of property, plant and equipment, being the difference between the actual proceeds and the carrying amounts of the assets, are recognised in the surplus or deficit in the period in which they occur. The disposal date is determined as the date in which NAC has transferred all the significant risk and rewards of ownership, NAC does not retain either continuing managerial involvement to the degree associated with ownership or effective control over the goods sold, proceeds on the sales can be reliably measured, it is probable that the economic benefits associated with the transaction will flow to NAC and the costs incurred or to be incurred in respect of the transaction can be reliably measured.

The assets are derecognised when the significant risk and rewards of ownership to a third party.

Property, plant and equipment acquired in exchange for a non-monetary asset or assets is measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the

asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up. Where a lease contains a restoration clause, or where historical experience indicates that restoration costs will be incurred, a liability for the restoration costs is recorded. The liability recorded is measured at the present value of the estimated future restoration costs to be incurred.

The present value of the liability is capitalised to the underlying asset to which the restorations costs relate at the inception of the restoration obligation. These amounts are amortised over the estimated useful life of the related asset. The restoration liability is accreted to its future value over the lease period.

Item	Useful life
Banners	3 years
Buildings	50 years
Computers	3 years
Furniture and Fittings	6 years
Library Books	3 years
Motor Vehicles	5 years
Office Equipment	5 years
Photocopiers	5 years
Digital Equipment	3 Years

Depreciation is calculated on the straight-line method to write off the cost less residual values of each asset over their estimated useful lives as follows:

The depreciation charge for each period is recognised in surplus or deficit for the period.

## 1.5 Intangible Assets

Acquired computer software licences are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Amortisation on these costs is

provided to write down the intangible assets, on a straight line basis, over their useful lives as follows:

Item	Useful life
Computer Software	3 years

Expenditure on research is recognised as an expense when it is incurred. Costs associated with developing or maintaining computer software programmes are recognised as an incurred expense. Costs that are directly associated with the development of identifiable and unique software products controlled by the Council, and that will probably generate economic benefits or service potential exceeding costs beyond one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads. Amortisation commences when the intangible asset is available for use. Computer software development costs recognised as assets are amortised over their estimated useful lives. Internally generated brands are not recognised as intangible assets.

Surplus or deficit on the retirement or disposal of intangible assets, being the difference between the actual proceeds and the carrying amounts of the assets, are recognised in the surplus or deficit in the period in which they occur. The disposal date is determined as the date in which NAC has transferred all the significant risk and rewards of ownership, NAC does not retain either continuing managerial involvement to the degree associated with ownership or effective control over the goods sold, proceeds on the sales can be reliably measured, it is probable that the economic benefits associated with the transaction will flow to NAC and the costs incurred or to be incurred in respect of the transaction can be reliably measured.

Amortisation commences when the intangible asset is ready for its intended use.

Depreciation of an intangible asset ceases at an earlier of the day the asset is classified as held-for-sale in accordance with GRAP 100 or the date the asset is de-recognised.

All intangible assets that arise from development are recognised NAC can demonstrate that the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete the intangible asset and use or sell it, its ability to use or sell the intangible asset, how the intangible asset will generate probable future economic benefits or service potential, the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset and its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

The residual value of an intangible asset with a finite useful life are assumed to be zero unless there is a commitment by a third party to purchase the asset at the end of its useful life; or there is an active market for the asset and such residual value can be determined by reference to that market; and it is probable that such a market will exist at the end of the asset's useful life. An intangible asset is de-recognised on disposal of such intangible asset or when no future economic benefits or service potential are expected from its use or disposal.

## 1.6 Impairment of Non-financial Assets

Cash-generating assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable at reporting date. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Non-cash generating assets are impaired when the amount by which the carrying amount of an asset exceeds its recoverable service amount. The recoverable service amount is higher than that of an asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. Such reduction of an asset to its recoverable amount is recognised as an impairment loss. All intangible assets with an indefinite useful life or intangible assets not yet available for use are tested for impairment annually by comparing their carrying amount with their recoverable service amount.

At each reporting date, an assessment is carried out whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount.

## 1.7 Financial Instruments

Financial assets and financial liabilities are recognised in the statement of financial position when NAC becomes a party to the contractual provisions of the instrument.

### **NAC classifies its financial assets in the following categories:**

- Financial assets at fair value through profit or loss;
- Held-to-maturity investments;
- Available-for-sale financial assets; and
- Loans and receivables.

### **NAC classifies its financial liabilities in the following categories:**

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities at amortized cost.

The classification of financial instruments is determined at initial recognition it is based on the nature and purpose of each financial instrument.

Principal financial instruments carried on reporting date include cash and cash equivalents, loans and other receivables, finance lease liabilities, trade receivables and trade and other payables.

Financial assets are recognised and de-recognised on trade-date where the purchase or sale of the financial asset is under a contract whose terms require delivery of the instrument within the timeframe established by the market concerned. All financial assets are initially measured at fair value, including transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value, excluding transaction costs. The fair value of a financial instrument on initial recognition is normally the transaction price unless the fair value is evident from observable market data.

Available-for-sale financial assets and financial instruments at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment. Gains and losses arising from changes in the fair value of the financial instruments at fair value through profit or loss are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement as gains and losses from investment securities.

## 1.8 Financial Instruments

Interest calculated on available-for-sale financial assets using the effective interest method is recognised in the income statement as part of interest income.

The purchases and sales of financial instruments that require delivery within the time frame established by regulation or market convention (regular way purchases and sales) are recognised at settlement date, which is the date the asset is delivered or received. Otherwise such transactions are treated as derivatives until settlement. The fair values of financial assets quoted in active markets are based on current bid prices. The fair values of financial liabilities quoted in active markets are based on current ask/offer prices. Alternatively, it derives fair value from cash flow models or other appropriate valuation models where an active market does not exist. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

### 1.8.1 Financial instruments at fair value through profit or loss

This category has two subcategories: financial instruments held for trading, and those designated at fair value through profit or loss at inception. A financial instrument is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term, on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking, or it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

A financial instrument is classified designated at fair value through profit or loss if upon initial recognition it is designated by the entity as at fair value through profit or loss.

The financial instruments are classified under this subcategory when doing so results in more relevant information, because either:

- It eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases,
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel, or if a contract contains one or more embedded derivatives, the entire hybrid (combined) contract is designated as a financial asset or financial liability at fair value through profit or loss unless the embedded derivative(s) does not

significantly modify the cash flows that otherwise would be required by the contract; or it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortized cost.

### **1.8.2 Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. NAC does not classify any financial assets as held-to-maturity if it has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held to maturity investments before maturity (more than insignificant in relation to the total amount of held to maturity investments) other than sales or reclassifications that are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value, occur after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments or are attributable to an isolated event that is beyond the entity's control, is non recurring and could not have been reasonably anticipated by the entity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any impairment loss. Interest income is recognised in profit or loss by applying the effective interest rate.

### **1.8.3 Available-for-sale financial assets**

Available for sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss. The net gain or loss recognised in profit or loss incorporates any gains or losses on re-measurement transferred from equity to profit or loss, dividends and interest income on the financial asset. These investments are classified as non-current assets unless management intends to dispose of the investments within twelve months of the balance sheet date.

### **1.8.4 Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the entity intends to sell immediately or in the near term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; those that the entity upon initial recognition designates as available for sale; or those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

Loans and receivables are subsequently measured at amortised cost using the effective interest rate method less any impairment loss. Interest income is recognised in profit or loss by applying the effective interest rate, except for short-term trade receivables where the recognition of interest would be immaterial. Trade receivables are carried at original invoice amount less any impairment loss.

### **1.8.5 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments of a maturity of three months or less from the date of acquisition that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position. Cash and cash equivalents in the cash flow statement and in the presentation of net debt are reflected net of overdrafts.

Cash on hand is initially recognised at fair value and subsequently measured at its face value. Deposits held on call are classified as loans and receivables by the Council and carried at amortised cost. Due to the short-term nature of these, the amortised cost normally approximates its fair value.

### **1.8.6 Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the statement of financial performance within 'operational expenditure'.

### **1.8.7 Trade and other payables**

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

### **1.8.8 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease period. Minimum rentals that fall due after the end of the reporting period are reflected under commitments. When an operating lease is terminated before the lease period has expired, any penalty incurred as a result is recognised as an expense in the period in which termination occurs.

Assets held under finance leases are recognised as assets on inception of the lease at the lower of fair value or the present value of the minimum lease payments derived by discounting at the interest rate implicit in the lease. The interest element of the rental is charged against profit so as to produce a constant yearly rate of interest on the remaining balance of the liability, unless it is directly attributable to qualifying assets, in which case it is capitalised in accordance with the general policy on borrowing costs. The leased assets that qualify for recognition as assets are depreciated over their estimated useful lives in accordance with NAC's policy on property, plant and equipment.

### **1.8.9 De-recognition of financial instruments**

The financial assets are derecognised when the contractual rights to the asset expires; or

where there is a transfer of the contractual rights to receive the cash flows of the financial asset and substantially all of the risks and rewards related to the ownership of the financial asset are transferred; or NAC retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and consequently transfers substantially all the risks and benefits associated with the asset.

If a transfer does not result in de-recognition because NAC has retained substantially all the risks and rewards of ownership of the transferred asset, NAC continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, NAC recognises any income on the transferred asset and any expense incurred on the financial liability.

Financial liabilities, or a portion thereof, are derecognised when the obligation specified in the contract is discharged, cancelled or expired. On de-recognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and settlement amounts paid are included in profit or loss.

## 1.9 Prepayments

Prepayments are recognised when NAC has made a payment in advance in terms of the contractual obligations which result in the decrease of liabilities or increase in expense or increase in assets in the future periods.

## 1.10 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when the Council has a legally enforceable right to set off the recognised amounts and intends to either

settle on the net basis, or to realise the asset and settle the liability simultaneously.

## 1.11 Provisions

Provisions are recognised when the Council has a present legal or constructive obligation as a result of past events when 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 of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Long-term provisions are discounted to net present value. The increase in the provision due to passage of time is recognised as interest expense.

## 1.12 Retirement Benefits

### Short-term employee benefits

The cost of all short term employee benefits is recognised during the period in which the employee renders the related service.

The provision for employee entitlements to salaries and annual leave represents the amount which the NAC has a present obligation to pay as a result of employees services provided for at the reporting date. The provisions have been calculated at undiscounted amounts based on current salary rates.

### Provident Fund

Both the NAC and employees contribute to a defined contribution plan. Benefits are provided to all eligible employees. Contributions to the Provident Fund operated for employees are charged against the Income Statement. The funds are administered externally.

### **Retirement benefit funds**

The Council operates a defined contribution plan, the assets of which are generally held in separate trustee-administered funds. The plan is generally funded by payments from the Council and employees.

Payments to defined contribution retirement benefit plans are charged to the Income Statement in the year to which they relate.

### **1.13 Termination Benefits**

The termination benefits are recognised as a liability in the balance sheet and as an expense in the income statement when NAC has a present obligation relating to termination. NAC has a present obligation when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan, without possibility of withdrawal or providing termination benefits as a result of an offer to encourage voluntary redundancy.

### **1.14 Leave Pay Provision**

NAC recognises in full employees' rights to annual leave entitlement in respect of past service.

### **1.15 Bonuses**

Management and staff bonuses are recognised as an expense in staff costs as incurred when it is probable that the economic benefits will be paid and the amount can be reliably measured. Bonuses are recognised when the Council has a present legal or constructive obligation as a result of past events when 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 of the amount of the obligation can be made.

### **1.16 Contingent Liabilities**

The contingent liability is disclosed as a contingent liability when NAC has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or it has a present obligation that arises from past events but is not recognised because:

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

### **1.17 Revoked Projects**

**Revoked projects arise as a result of the following:**

- All the obligations for the project are not met, usually the last installment not claimed for the grant allocated;
- Grant not taken up by grant beneficiaries as amount approved not adequate to cover total costs of budget requested; and
- Grant allocated not taken up by beneficiary, with no correspondence as to reason thereof.

### **1.18 Assets**

NAC recognises assets when it has a control of the resource as a result of the past events and from which future economic benefits or service potential are expected to flow to the Council.

### **1.19 Liabilities**

NAC recognises a liability when it has a present obligation as a result of past events and the settlement of which will be expected to lead to an outflow of resources embodying economic benefits or service potential.

## 1.20 Contingent Assets

NAC discloses a contingent asset where, as a result of past events, it is highly likely that economic benefits will flow to it, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the Council.

## 1.21 Rental Income

### Interest received

Interest received is recognised on a time portion basis using effective interest method.

## 1.22 Taxation

No provision has been made for income tax as the Council is exempted in terms of section 10(1) (cA) (1) of the Income Tax Act 1962 (Act No. 58 of 1962).

## 1.23 Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items are reported as part of the fair value gain or loss. Foreign currency translation differences on monetary items classified as available-for-sale are not reported as part of the fair value gain or loss in net assets, but are recognised as a translation gain or loss in the statement of financial performance when incurred.

Translation differences on non-monetary items, classified as available-for-sale are included in the fair value reserve in net assets when incurred.

## 1.24 Irregular, Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. Irregular expenditure means expenditure incurred in contravention of or not in accordance with a requirement of any applicable legislation including:

- The Public Finance Management Act (PFMA)
- Regulations issued in terms of the PFMA by National Treasury
- All irregular, fruitless and wasteful expenditure is charged against revenue in the period in which it is incurred.

## 1.25 Related Parties

All transactions where the other entity has the ability to control another entity or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control, are classified as related party transactions. Related parties include instances where NAC, NAC directly or indirectly through one or more intermediaries, control, or are controlled by the reporting entity; associates; individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual; key management personnel, and close members of the family of key management personnel; and entities in which a substantial ownership interest is held, directly, or indirectly, described in or over which such a person is able to

exercise significant influence. A related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Significant influence is the power to participate in the financial and operating policy decisions of an entity, but not control those policies. Significant influence may be gained by an ownership interest, statute or agreement.

### **1.26 Revenue from Non-exchange Transactions**

Revenue from non-exchange transactions relates to all revenue transactions where NAC receives value from another entity without directly giving approximately equal value in exchange.

### **1.27 Revenue from Exchange Transactions**

Revenue from exchange transactions relates to all revenue transactions where NAC receives value from another entity after directly giving approximately equal value in exchange. Revenue from the sale of goods is recognised when NAC has transferred to the purchaser the significant risks and rewards of

ownership of the goods; NAC retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from rendering of services is recognised when the outcome of a transaction involving the rendering of services can be estimated reliably. Revenue from rendering of services is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when the amount of revenue can be measured reliably; it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; the stage of completion of the transaction at the reporting date can be measured reliably; the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.



## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONT)

### 2. PROPERTY, PLANT AND EQUIPMENT

	2011			2010		
	Cost / Valuation	Accumulated Depreciation Impairment	Carrying Value	Cost / Valuation	Accumulated Depreciation Impairment	Carrying Value
	R	R	R	R	R	R
Buildings	3,600,000	(72,000)	3,528,000	4,130,937	(1,074,043)	3,056,893
Banners	64,962	(13,201)	51,762	21,660	(19,379)	2,281
Motor vehicle	145,559	(145,552)	6	145,559	(142,322)	3,237
Computer equipment	816,438	(290,708)	525,730	700,083	(572,897)	127,186
Office equipment	414,877	(82,692)	332,185	423,547	(239,230)	184,317
Digital equipment	47,135	(25,171)	21,963	26,388	(16,966)	9,422
Photocopiers	1,897,089	(1,491,127)	405,962	1,693,431	(1,132,075)	561,356
Furniture and fittings	832,464	(139,387)	693,077	258,852	(168,830)	90,022
Library books	-	-	-	1,470	(1,470)	-
Paintings	17,638	-	17,638	17,638	-	17,638
	<b>7,836,162</b>	<b>(2,259,838)</b>	<b>5,576,324</b>	<b>7,419,565</b>	<b>(3,367,212)</b>	<b>4,052,351</b>

### RECONCILIATION

31 March 2011

	Opening Balance	Revaluation Surplus	Additions	Depreciation	Closing Balance
	R	R	R	R	R
<b>Cost</b>					
Buildings	3,056,893	543,107	-	(72,000)	3,528,000
Banners	2,281	-	60,973	(11,491)	51,762
Motor vehicle	3,237	-	-	(3,231)	6
Computer equipment	127,186	576,544	78,215	(256,215)	525,730
Office equipment	184,317	249,300	21,898	(123,330)	332,185
Digital equipment	9,422	-	23,987	(11,445)	21,963
Photocopiers	561,356	-	203,658	(359,052)	405,962
Furniture and fittings	90,022	765,772	-	(162,717)	693,077
Library books	-	-	-	-	-
Paintings	17,638	-	-	-	17,638
	<b>4,052,351</b>	<b>2,134,723</b>	<b>388,731</b>	<b>(999,481)</b>	<b>5,576,324</b>

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONT)

### RECONCILIATION

31 March 2010	Opening Balance	Additions	Classification in	Classification out	Depreciation	Closing Balance
	R	R	R	R	R	R
<b>Cost</b>						
Buildings	3,139,513	-	-	-	82,619	3,056,893
Banners	4,467	-	-	-	2,187	2,280
Motor vehicle	6,470	-	-	-	3,232	3,238
Computers equipment	243,979	47,489	-	17,377	146,905	127,186
Office equipment	265,286	10,991	29,069	12,112	108,917	184,317
Digital equipment	19,696	-	-	-	10,273	9,423
Photocopiers	900,042	-	-	-	338,686	561,356
Furniture and fittings	15,590	7,706	12,112	-	(54,613)	90,021
Library books	-	-	-	-	-	-
Paintings	17,638	-	-	-	-	17,638
	<b>4,612,681</b>	<b>66,185</b>	<b>41,181</b>	<b>29,488</b>	<b>638,207</b>	<b>4,052,351</b>

Building, office equipment, computer equipment and furniture and fittings were revalued by the suitable qualified company of valuers registered with the South African Council for Valuers on 01 April 2010 on an insurance valuation values except for land that was valued at open market values. The fair value of the land was determined by reference to market prices, while insurance values were determined using the insurance valuation model or technique. If the revalued assets were carried at a cost model, the carrying amounts would have amounted as follows:

	R
	<b>2011</b>
Building	2,974,275
Office equipment	132,598
Computer equipment	89,598
Furniture and equipment	67,103
<b>TOTAL</b>	<b>3,263,574</b>

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONT)

### 3. INTANGIBLE ASSETS

	2011			2010		
	Cost / Valuation	Accumulated Depreciation Impairment	Carrying Value	Cost / Valuation	Accumulated Depreciation Impairment	Carrying Value
	R	R	R	R	R	R
Computer software	122,985	(122,984)	1	122,985	(110,293)	12,692
	<b>122,985</b>	<b>(122,984)</b>	<b>1</b>	<b>122,985</b>	<b>(110,293)</b>	<b>12,692</b>

### RECONCILIATION

31 March 2011	Opening balance	Classification in	Amortisation	Closing Balance
	R	R	R	R
Computer software	12,692	-	(12,691)	1
	<b>12,692</b>	<b>-</b>	<b>(12,691)</b>	<b>1</b>

### RECONCILIATION

31 March 2011	Opening balance	Classification in	Amortisation	Closing Balance
	R	R	R	R
Computer software	69,026	9,523	(65,857)	12,692
	<b>69,026</b>	<b>9,523</b>	<b>(65,857)</b>	<b>12,692</b>

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONT)

	Group 2011 R	Entity 2011 R	Group 2010 R	Entity 2010 R
Staff debtors	2,756	2,756	3,256	3,256
Deposit on services	2,250	2,250	2,250	2,250
Mmino project	1,106,485	1,106,485	960,806	960,806
DAC debtor	-	-	1,000,000	1,000,000
Rental income	-	-	38,666	38,666
IFACCA project	261,108	261,108	281,670	281,670
Swedish debtor	200	200	-	-
Downtown Studios Music Hub	164,265	164,265	-	-
Gallo Music	174,398	174,398	280,085	280,085
	<b>1,711,462</b>	<b>1,711,462</b>	<b>2,566,733</b>	<b>2,566,733</b>

## 5. CASH AND CASH EQUIVALENTS

Cash at bank - current account	9,222,820	9,222,820	14,481,362	14,481,362
Cash at bank - call account	51,107,465	51,107,465	76,450,598	76,450,598
Cash on hand	337	337	3,000	3,000
	<b>60,330,622</b>	<b>60,330,622</b>	<b>90,934,960</b>	<b>90,934,960</b>

Cash and cash equivalent for Downtown Studios Music Hub amounting to R714, 478 (R65, 6112 2010) is included in non current assets held for sale in note 27, had this amount been included in note 27, balance per statement of cash flow would had reconciled to note 5. Money was deposited with interest bearing financial instruments held with ABSA BANK, Public Sector, Gauteng West, Johannesburg.

## 6. LONG-TERM LIABILITY

Due within one year	496,648	496,648	441,865	441,865
Due between 2 - 5 years	595,302	595,302	-	-
	<b>1,091,950</b>	<b>1,091,950</b>	<b>441,865</b>	<b>441,865</b>

The long-term liability relates to photocopiers. The two lease agreements were entered into during 01 June 2008 and have remaining life span of 3.3 years with an option of renewal at the end of the period, however one of the photocopiers was renewed on 23 September 2010. The interest rate of 9.5% (2010: 13%) is applicable to the lease and monthly installments of R46,186.18 (2010: R40,581).

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONT)

	<b>Group</b>	<b>Entity</b>	<b>Group</b>	<b>Entity</b>
	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>

### 7. TRADE AND OTHER PAYABLES

Creditors	22,760	22,760	518,929	518,929
PAYE	97,225	97,225	174,949	174,949
UIF	-	-	6,119	6,119
Medical aid	397,722	397,722	66,662	66,662
Sundry accruals	-	-	1,116,213	1,116,213
Provident fund	-	-	156,769	156,769
Leave	402,260	402,260	666,190	666,190
Downtown Studios Music Hub	-	-	-	-
Mmino debtor	1,122,323	1,122,323	-	-
Union fees control	7,680	7,680	3,840	3,840
	<b>2,049,969</b>	<b>2,049,969</b>	<b>2,709,671</b>	<b>2,709,671</b>

The NAC does not discount trade creditors since they are paid within 30 Days, thus, the fair value approximates the actual costs. The leave pay accrual relates to the NAC estimated liability arising as result of service rendered by NAC employees.

### 8. PROJECTS AND BURSARIES PAYABLE

Balance at beginning of year	34,382,992	34,382,992	46,978,633	46,978,633
Revoked projects	(2,355,866)	(2,355,866)	(959,226)	(959,226)
Approved projects and bursaries	49,285,580	49,285,580	40,454,673	40,454,673
Disbursements	(59,776,819)	(59,776,819)	(52,091,088)	(52,091,090)
	<b>21,535,887</b>	<b>21,535,887</b>	<b>34,382,992</b>	<b>34,382,990</b>

### 9. ADMINISTERED FUNDS

Balance at beginning of the year	2,897,158	2,919,598	5,522,632	5,545,072
Funds received	-	-	3,220,000	3,220,000
Allocations made	-	-	-	-
Payments made / adjustments	(665,688)	(619,209)	(5,845,475)	(5,845,475)
<b>Balance at end of the year</b>	<b>2,231,470</b>	<b>2,300,389</b>	<b>2,897,158</b>	<b>2,919,598</b>

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONT)

Group 2011 R	Entity 2011 R	Group 2010 R	Entity 2010 R
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Administered Funds are monies received in advance from the Department of Arts and Culture for specific projects. No funds were received from the Department of Art and Culture during the financial year.

### List of Projects allocated under Administered Funds

1. IFACCA project	-		120,000	120,000
2. Basa / IFACCA project	-		100,000	100,000
3. Downtown Studios	-		3,000,000	3,000,000
	-	-	<b>3,220,000</b>	<b>3,220,000</b>

### 10. NAC SPECIAL PROJECTS

1. Research Projects	-		1,000,000	1,000,000
2. SADC Art and Culture Summit	-		1,000,000	1,000,000
3. Grants management system revamp	-		2,000,000	2,000,000
4. Sectoral Projects and Awards	-		1,100,000	1,100,000
5. 2010 Projects	-		5,000,000	5,000,000
6. Festivals Funding	-		7,000,000	7,000,000
7. Flagship Projects (1 per discipline)	-		7,000,000	7,000,000
8. Refurbishment and upgrading of NAC offices	-		6,000,000	6,000,000
	-		<b>30,100,000</b>	<b>30,100,000</b>
Less: Payments	-		(8,165,500)	(8,165,500)
<b>Closing balance</b>	-	-	<b>21,934,500</b>	<b>21,934,500</b>

No approval was obtained from Treasury 2010/11 to transfers surplus funds to NAC special projects, as there were no special projects to fund.

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONT)

	Group 2011 R	Entity 2011 R	Group 2010 R	Entity 2010 R
<b>11. OPERATING COSTS</b>				
Surplus from operations has been arrived at after taking into account the following:				
Auditors' remuneration				
- Audit fees	726,682	726,682	234,149	234,149
	<b>726,682</b>	<b>726,682</b>	<b>234,149</b>	<b>234,149</b>
Fees for services				
- Consulting fees	1,929,472	1,929,472	1,327,187	1,327,187
	<b>1,929,472</b>	<b>1,929,472</b>	<b>1,327,187</b>	<b>1,327,187</b>
Employee costs	<b>9,612,856</b>	<b>9,612,856</b>	<b>9,047,283</b>	<b>9,047,283</b>
Included in employee costs are:				
- Defined contribution plan expense	<b>89,780</b>	<b>89,780</b>	<b>73,895</b>	<b>73,895</b>
Other operating expenses				
- Recruitment costs	94,695	94,695	203,290	203,290
- Workshops costs	258,408	258,408	220,603	220,603
- Rikskonsertene fees	528,463	528,463	-	-
- Communications	57,136	57,136	-	-
- Bank charges	24,067	24,067	25,106	25,106
- Cleaning	185,507	185,507	191,438	191,438
- Courier and postage	106,902	106,902	159,139	159,139
- Water and electricity	298,735	298,735	219,069	219,069
- Entertainment	118,509	118,509	120,425	120,425
- Office expenses	101,249	101,249	109,334	109,334
- Administrative costs	94,160	94,160	-	-
- Late payment charges	-	-	-	-
- Insurance	173,504	173,504	177,376	177,376
- Motor vehicle expenses	6,213	6,213	1,411	1,411
- Projects monitoring	5,796	5,796	13,316	13,316
- Repairs and maintenance	351,535	351,535	344,783	344,783
- Security	249,701	249,701	209,261	209,261
- Staff training	146,349	146,349	214,217	214,217
- Festival expenses	7,376	7,376	548,161	548,161
- IFACCA summit expenses	85,957	85,957	-	-
- Subscription	69,928	69,928	67,348	67,348
Total	<b>2,964,189</b>	<b>2,964,189</b>	<b>2,824,277</b>	<b>2,824,277</b>

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONT)

### 12. RECONCILIATION OF (DEFICIT) / SURPLUS FOR THE YEAR TO CASH GENERATED FROM / (UTILIZED IN) OPERATIONS

Surplus for the year	7,104,727	6,690,510	33,303,619	28,060,206
Adjusted for:	7,104,727	6,690,510	33,303,619	28,060,206
Depreciation	(1,029,375)	(1,012,172)	696,922	696,922
Profit on disposal of property, plant and equipment	(800)	(800)	-	-
Gain on relinquishment of a finance lease liability	(35,506)	(35,506)	-	-
Other non-cash items	(699,289)	(1,360,903)	-	(561,831)
Finance costs	(1,040,784)	-	-	-
Interest received	(3,626,616)	(3,711,334)	(5,813,313)	(5,813,313)
Operating (deficit) before working capital changes	672,357	569,795	28,187,227	22,381,983
Working capital changes	(33,997,382)	(34,064,062)	(33,935,115)	(33,045,158)
(Increase) / Decrease in trade and other receivables	(693,982)	855,270	(987,798)	(606,414)
(Increase) / Decrease in inventory	(23)	-	-	-
Increase / (Decrease) in trade and other payables	3,684,161	(659,702)	315,438	280,916
Increase / (Decrease) in provisions	506,474	-	113,016	-
Increase / (Decrease) in projects and bursaries payables	(15,246,470)	(12,847,103)	(12,595,641)	(11,939,530)
Increase / (Decrease) in NAC special projects	(21,934,500)	(21,934,500)	(17,827,336)	(17,827,336)
Increase / (Decrease) in deferred income	-	1,141,182	-	-
Increase / (Decrease) in administered funds	(313,042)	(619,209)	(2,952,794)	(2,952,794)
	<b>(33,325,025)</b>	<b>(33,494,267)</b>	<b>(5,747,888)</b>	<b>(10,663,175)</b>

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONT)

	<b>Group</b>	<b>Entity</b>	<b>Group</b>	<b>Entity</b>
	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>

### 13. PROJECT AND BURSARY CREDITORS AND INITIATIVES

The following projects, bursaries and initiatives relate to the following disciplines:

Multi-discipline	2,430,143	2,430,143	1,609,536	1,609,536
Craft	2,387,682	2,387,682	2,833,575	2,833,575
Dance	2,293,394	2,293,394	2,741,700	2,741,700
Literature	2,157,286	2,157,286	183,069	183,069
Music	2,536,131	2,536,131	4,534,300	4,534,300
Theatre	2,851,126	2,851,126	5,129,730	5,129,730
Visual art	2,503,575	2,503,575	552,928	552,928
Emergency	-	-	10,000	10,000
Long-term projects	18,459,865	18,459,865	6,846,964	6,846,964
Mmino project	3,671,378	3,671,378	7,809,263	7,809,263
Orchestras	9,995,000	9,995,000	14,220,000	14,220,000
	<b>49,285,580</b>	<b>49,285,580</b>	<b>46,471,065</b>	<b>46,471,065</b>

### 14. RETIREMENT BENEFIT OBLIGATIONS

Defined contribution plans

The Council operates a defined contribution retirement benefit plan for all qualifying employees. The assets of the scheme are held in funds under the control of trustees, separately from those of the Council. Scheme assets primarily consist of listed shares and property trust units, and fixed income securities. The total cost of contribution made by NAC during the current financial year amounted to R89,780.

### 15. GRANT

Conditional - Department of Arts and Culture	65,625,000	65,625,000	78,522,000
Unconditional - Mmino project	6,378,895	6,378,895	10,027,929
<b>Total grant received</b>	<b>72,003,895</b>	<b>72,003,895</b>	<b>88,549,929</b>

**NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONT)**

2011	Basic	Bonus	Honorarium		Leave benefit		Gratuity		Acting		Travel		Gross total		Deductions		Net total	
			R	R	lump sum payout	R	lump sum payout	R	R	Allowance	R	Allowance	R	R	2011	2011		2011
	-	-	417,507	-	-	-	-	-	-	-	-	-	417,507	104,377	313,130			
Council Members	767,139	72,692	-	-	-	-	-	-	-	-	84,000	-	923,831	444,629	479,202			
Chief Executive Officer	683,854	64,012	-	-	-	-	-	-	-	-	66,000	-	813,866	336,678	477,188			
Chief Operations Officer	299,386	39,680	-	130,851	410,093	-	-	-	-	-	-	-	880,010	298,298	581,713			
Chief Financial Officer	464,140	49,724	-	-	-	-	-	-	206,919	-	60,500	-	781,283	319,489	461,794			
Acting Chief Financial Officer	<b>2,214,519</b>	<b>226,108</b>	<b>417,507</b>	<b>130,851</b>	<b>410,093</b>	<b>206,919</b>	<b>210,500</b>	<b>3,816,497</b>	<b>1,503,471</b>	<b>2,313,027</b>								
<b>TOTAL</b>																		
<b>COUNCIL MEMBERS</b>	-	-	<b>417,507</b>	-	-	-	-	-	-	-	-	-	<b>417,507</b>	<b>104,377</b>	<b>313,130</b>			
<b>SENIOR MANAGEMENT</b>	<b>2,214,519</b>	<b>226,108</b>	-	<b>130,851</b>	<b>410,093</b>	<b>206,919</b>	<b>210,500</b>	<b>3,398,991</b>	<b>1,399,094</b>	<b>1,999,897</b>								

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONT)

2010	Basic Salary	Bonus		Honorarium		Leave benefit lump sum payout		Gratuity lump sum payout		Acting Allowance		Travel Allowance		Gross total		Deductions		Net total		
		R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
	-	-	611,952	-	-	-	-	-	-	-	-	-	-	611,952	152,988	458,964				
Council Members	535,179	60,964	-	-	-	-	-	-	-	-	60,199	-	60,199	627,109	228,091	399,018				
Chief Executive Officer	677,167	64,012	-	-	-	-	-	-	-	35,473	72,000	-	72,000	845,604	327,352	518,252				
Chief Operations Officer	731,402	59,520	-	-	-	-	-	-	-	-	-	-	-	790,922	350,026	440,896				
Chief Financial Officer	372,600	37,400	-	-	-	-	-	-	-	40,492	66,000	-	66,000	516,492	207,973	308,519				
Acting Chief Financial Officer																				
<b>TOTAL</b>	<b>2,316,348</b>	<b>189,615</b>	<b>611,952</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75,965</b>	<b>198,199</b>	<b>-</b>	<b>198,199</b>	<b>3,392,079</b>	<b>1,266,430</b>	<b>2,125,649</b>				
<b>COUNCIL MEMBERS</b>	<b>-</b>	<b>-</b>	<b>611,952</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>611,952</b>	<b>152,988</b>	<b>458,964</b>				
<b>SENIOR MANAGEMENT</b>	<b>2,316,348</b>	<b>189,615</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75,965</b>	<b>198,199</b>	<b>-</b>	<b>198,199</b>	<b>2,780,127</b>	<b>1,113,442</b>	<b>1,666,685</b>				

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONT)

### 17. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

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

- Contravenes or fail to comply with the provisions of the Act;
- Commits an act which undermines the financial management and internal control system of the public entity; or
- Make or permits an irregular expenditure or fruitless and wasteful expenditure.

#### Unauthorised Expenditure

The organisation incurred no unauthorised expenditure during the financial year under review.

#### Irregular Expenditure

The reconciliation of balance of the irregular expenditure is as follows:

	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
Opening balance	10,984,973	7,509,560
Current year movement	2,797,093	3,475,413
Amount condoned	-	-
	<b>13,782,066</b>	<b>10,984,973</b>

In 2008/2009, expenditure was incurred in the purchase of Downtown Studios and Fox Street Properties from Gallo. This transaction was concluded by the NAC on behalf of the Department of Arts and Culture. Approval for this transaction was not granted as required by Sec 54(2) of the PFMA. The total value of this irregular expenditure is R7,509,560. The amount is made up of the following activities:

- Purchase of Recording Business (Downtown Studios)	163,202
- Purchase of Immovable Property (Fox Street Properties)	4,629,620
- Business plan development and establishment of a trust	456,000
- Operating costs (levy, salaries and rates)	2,032,738
- Transfer costs	228,000
<b>Total</b>	<b>R7,509,560</b>

No irregular expenditure has been condoned by Council during the year under review.

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONT)

### Fruitless and wasteful expenditure

The reconciliation of balance of fruitless and wasteful expenditure is as follows:

Opening balance	-	-
Current year movement	585,095	-
Amount condoned	-	-
	<b>585,095</b>	<b>-</b>

No fruitless and wasteful expenditure has been condoned by Council during the year under review.

### Detailed irregular expenditure: Current Year Movement

Irregular expenditure	Disciplinary actions taken	Corrective actions taken	2011	2010
During the financial year, an expenditure was incurred to the service provider for the organisational review without following the supply chain process as per section 3.4.2 and Practice NOTE No 8 OF 2007/2008 section 3.4 and 4.	None	None	R528,378.80	-
During the financial year, expenditure was incurred and paid to the service provider for the upgrade of the server infrastructure without following the supply chain process as per section 3.4.2 and Practice NOTE No 8 OF 2007/2008 section 3.4 and 4.	None	None	R370,257.62	-
During the financial year, an expenditure was incurred to appoint professional Services for Renovation of the NAC building without following the supply chain process as per section 3.4.2 and Practice NOTE No 8 OF 2007/2008 section 3.4 and 4.	None	None	R371,820.10	-
During the financial year, an expenditure was incurred to the service provider for the skills individuals that specialised in public sector accounting Downtown Studios without following the supply chain process as per section 3.4.2 and Practice NOTE No 8 OF 2007/2008 section 3.4 and 4.	None	None	R350,000.00	-
During the financial year, expenditure was incurred and paid to the service provider for assistance with the strategic planning without following the supply chain process as per the supply chain policy.	None	None	R39,010.00	-

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONT)

During the financial year, expenditure was incurred and paid to the service provider for the internet service without following the supply chain process as per the supply chain policy.	None	None	R40,260.00	-
During the financial year, expenditure was incurred and paid in relation to International travel. This expenditure was authorised by the Accounting Officer not by the Accounting Executive as it is stipulated in NAC Act.	None	None	R11,455.00	-
During the financial year, expenditure was incurred and paid to the service provider for costs in relation to photocopy machines. The tender process was not followed. The contract value over 60 months is R2 989 747.51. This expenditure was authorised by the Accounting Officer not by the Accounting Executive as it is stipulated in NAC Act.	None	None	R543,356.08	R475,412.63
During the financial year, expenditure was incurred and paid in relation to a top up grant. This expenditure was authorised by the Accounting Officer not by the Accounting Executive as it is stipulated in NAC Act.	None	None	R12,000.00	-
During the financial year, expenditure was incurred and paid in relation to International travel. This expenditure was authorised by the Accounting Officer not by the Accounting Executive as it is stipulated in NAC Act.	None	None	R10,465.87	-
During the financial year, expenditure was incurred and paid for emergency funding for an international trip. This expenditure was authorised by the Accounting Officer not by the Accounting Executive as it stipulated in NAC Act.	None	None	R12,000.00	-
During the financial year, expenditure was incurred and paid to the service provider for the uninterrupted power supply of the servers without following the supply chain process as per the supply chain policy.	None	None	R21,672.96	-
During the financial year, expenditure was incurred and paid to the service provider for printers without following the supply chain process as per the supply chain policy.	None	None	R 3,910.90	-
During the financial year, expenditure was incurred and paid to the service provider for the anti-virus software without following the supply chain process as per the supply chain policy.	None	None	R17,005.27	-

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONT)

During the financial year, expenditure was incurred and paid to the service provider for IT Services without following the supply chain process as per the supply chain policy.	None	None	R125,500.32	-
During the financial year, expenditure was incurred and paid in relation to appeals funding. This expenditure was authorised by the Accounting Officer not by the Accounting Executive as it stipulated in NAC Act.	None	None	R340,000.00	-
During the financial year, expenditure was incurred in the purchase of Downtown Studios and Fox Street Properties from Gallo. This transaction was concluded by the NAC on behalf of the Department of Arts and Culture. Approval for this transaction was not granted as required by Sec 54(2) of the PFMA:	None	None		
- Operating costs (levy, salaries and rates)				R3,000,000
<b>Total</b>			<b>R2,797,093</b>	<b>R3,475,412</b>

### Detailed irregular expenditure: Prior Years

<b>Irregular expenditure</b>	<b>Disciplinary actions taken</b>	<b>Corrective actions taken</b>	<b>2011</b>	<b>2010</b>
During the financial year, expenditure was incurred in the purchase of Downtown Studios and Fox Street Properties from Gallo. This transaction was concluded by the NAC on behalf of the Department of Arts and Culture. Approval for this transaction was not granted as required by Sec 54(2) of the PFMA:	None	None		-

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONT)

### Detailed fruitless and wasteful expenditure:

Fruitless and Wasteful expenditure	Disciplinary actions taken	Corrective actions taken	2011	2010
During the financial year, a CCMA unfair dismissal case instituted by the former Chief Financial Officer against the NAC was settled out of court.	None	None	R410,093.42	-
During the financial year, there was a payment to a service provider for recruitment services as well as advertising for a new CFO which did not yield results.	None	None	R175,001.40	-
<b>Total</b>			<b>R585,094.82</b>	<b>-</b>

## 18. FINANCIAL INSTRUMENTS

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

- Credit Risk
- Liquidity Risk

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

	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
Trade and Receivables	1,711,462	2,286,648
Cash and cash equivalents	60,330,662	90,934,960

### Liquidity Risk

The NAC manages liquidity risk through the management of working capital, capital expenditure and cash flow and by reports between actual and budgeted items.

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONT)

### 19. FINANCIAL INSTRUMENTS

#### Liquidity risk

The NAC manages liquidity risk through the management of working capital, capital expenditure and cash flow and by variance reports between actual and budgeted items.

The NAC's exposure to interest rate risk and effective interest rates on financial instruments at balance sheet date are as follows:

	Interest rate %	Year 1	Year 1 - 5	Over 5 years	Total
		R	R	R	R
<b>As at March 2011</b>					
<b>Assets</b>					
Cash and cash equivalents	linked to prime	<b>60,330,622</b>	-	-	<b>60,330,622</b>
Liabilities					
Long-term liability	linked to prime	<b>595,302</b>	-	-	<b>595,302</b>
Trade and other payables	interest free	<b>2,049,969</b>	-	-	<b>2,049,969</b>
<b>As at March 2010</b>					
<b>Assets</b>					
Cash and cash equivalents	linked to prime	<b>90,934,960</b>	-	-	<b>90,934,960</b>
Liabilities					
Long-term liability	linked to prime	<b>441,865</b>	-	-	<b>441,865</b>
Trade and other payables	interest free	<b>2,709,671</b>	-	-	<b>2,709,671</b>

#### Sensitivity Analysis

	Change in interest Rate	Increase in surplus if lower	Decrease in surplus if higher
Finance lease liabilities	1%	728	(728)

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONT)

	<b>Group</b>	<b>Entity</b>	<b>Group</b>	<b>Entity</b>
	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>

### 20. INTEREST RECEIVED

National Arts Council	3,626,616	3,626,616	5,698,237	5,698,237
Mmino Projects	84,718	84,718	115,076	115,076
	<b>3,711,334</b>	<b>3,711,334</b>	<b>5,813,313</b>	<b>5,813,313</b>

### 21. RENTAL INCOME

National Arts Council	333,946.42	333,946.42	466,050	466,050
	<b>333,946</b>	<b>333,946</b>	<b>466,050</b>	<b>466,050</b>

Rental Income represents a portion of the NAC's unutilised office space which was leased to the French Institute of South Africa. The rental lease expired in December 2010 with no further renewal option.

### 22. SUNDRY INCOME

Sale of cellphones to the staff users	1,400	1,400	600	600
Profit on disposal of property, plant and equipment	800	800	1,000	1,000
Administration fees: Mmino project	33,000	33,000		
Refurbishment: insurance cash out bonus	-	-	1,110	1,110
Gain on relinquishment of a finance lease liability	35,506	35,506	-	-
	<b>70,706</b>	<b>70,706</b>	<b>2,710</b>	<b>2,710</b>

### 23. REPORTED SURPLUS FOR THE YEAR

National Arts Council of South Africa	5,000,168	5,000,168	26,676,263	26,676,263
Mmino administered project	1,690,342	1,690,342	1,383,942	1,383,942
Downtown Studios Music Hub	414,217	-	5,243,413	-
	<b>7,104,727</b>	<b>6,690,510</b>	<b>33,303,618</b>	<b>28,060,205</b>

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONT)

### 24. RECONCILIATION OF REPORTED SURPLUS FOR THE YEAR: NATIONAL ARTS COUNCIL OF SOUTH AFRICA

Surplus per statement of financial performance	7,104,727	6,690,510	33,303,619	28,060,206
Adjustments:				
Less projects and bursaries not recognised as conditions not met at reporting date	(7,984,509)	(7,984,509)	(32,306,987)	(32,306,987)
<b>Cumulative deficit attributed to grant received from the Department of Arts and Culture</b>	<b>(879,782)</b>	<b>(1,293,999)</b>	<b>996,632</b>	<b>(4,246,781)</b>

### 25. COMMITMENTS

#### 25.1 APPROVED AND CONTRACTED FUNDING EXPENSES

Projects and bursaries expenses amounting to R7,984,509 (R32,306,987) were approved by the Council of the National Arts Council of South Africa to be allocated to the grant beneficiaries across all disciplines of the art sector. Binding contracts were entered into by both the NAC and the qualifying grant beneficiaries to fund their projects subject to meeting specific vesting conditions stipulated in the contract, as a result, NAC has a possible obligation at a reporting date to transfer the contracted grant over to grant beneficiaries when they satisfy the specified vesting condition per contract. An obligating event arises only when conditions have been met and NAC becomes the party with the present obligation to the contract.

### 26. DISCONTINUED OPERATIONS

<b>REVENUE</b>	<b>4,475,746</b>	-	<b>7,566,962</b>	-
Studio time income	435,356	-	489,539	-
Tape sales - net of cost of sales	4,996	-	5,357	-
Non exchange revenue	3,684,859	-	2,017,478	-
Gain on bargain purchase in a business combination transaction	-	-	4,809,775	-
Other income	5,028	-	-	-
Rental income	345,508	-	244,813	-
<b>EXPENSES</b>	<b>4,059,973</b>	-	<b>2,319,752</b>	-

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONT)

	<b>Group 2011 R</b>	<b>Entity 2011 R</b>	<b>Group 2010 R</b>	<b>Entity 2010 R</b>
Discount allowed	2,503	-	3,848	-
Business development	10,509	-	-	-
Inventory loss	680	-	550	-
Donation	-	-	175	-
Hiring costs	50,496	-	32,127	-
Legal costs	40,242	-	-	-
Motor vehicles	17,229	-	19,305	-
Administrative costs	23,452	-	2,500	-
Advertising	120,642	-	-	-
Penalties	13,502	-	1,093	-
Bad debt	243,625	-	159,400	-
Bank charges	13,663	-	962	-
Depreciation	17,203	-	-	-
Cleaning	224,295	-	164,157	-
Courier and postage	7,290	-	-	-
Water and electricity	220,285	-	226,090	-
Honorarium	201,405	-	-	-
Entertainment	32,594	-	15,382	-
Recruitment costs	20,800	-	-	-
Insurance	4,500	-	550	-
Rates and levies	-	-	44,033	-
Printing and stationery	52,893	-	9,389	-
Repairs and maintenance	275,826	-	159,898	-
Subscription	10,502	-	-	-
Travel and accommodation	141,185	-	-	-
Employee costs	1,749,079	-	985,707	-
Staff training	1,500	-	-	-
Security	471,727	-	401,719	-
Telephone and fax	92,348	-	92,868	-
<b>OPERATING SURPLUS FOR THE YEAR</b>	<b>415,773</b>	<b>-</b>	<b>5,247,210</b>	<b>-</b>
Net finance costs	1,556	-	3,798	-
<b>SURPLUS FOR THE YEAR</b>	<b>414,217</b>	<b>-</b>	<b>5,243,413</b>	<b>-</b>

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONT)

	<b>Group</b>	<b>Entity</b>	<b>Group</b>	<b>Entity</b>
	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>

### 27. NON-CURRENT ASSETS HELD FOR SALE

#### Assets

Investment property - Building	5,146,000	4,629,620	5,146,000	4,629,620
Property, plant and equipment	4,695,131	163,202	4,536,936	163,202
Cash and cash equivalents	714,478	-	656,112	-
Inventory	52,156	-	51,510	-
Trade and other receivables	96,371	-	88,543	-
	<b>10,651,980</b>	<b>4,792,822</b>	<b>10,427,590</b>	<b>4,792,822</b>

#### Liabilities directly associated with non current assets held for transfer

Liability associated with Investment property - building	4,629,620	4,629,620	4,629,620	4,629,620
Liability associated property, plant and equipment	163,202	163,202	163,202	163,202
Trade and other payables	270,447	-	413,795	-
	<b>5,063,269</b>	<b>4,792,822</b>	<b>5,206,617</b>	<b>4,792,822</b>

### 28. RELATED PARTIES

During the financial year under review, the National Arts Council of South Africa entered into a related party transaction with the following related parties:

#### Amounts due by related parties

Department of Arts and Culture	-	-	-	-
Mmino Project	1,106,485	1,106,485	960,806	960,806

#### Amounts due to related parties

Department of Arts and Culture	-	-	-	-
Mmino Project	-	-	-	-

#### Amounts received from related parties

Department of Arts and Culture	65,625,000	65,625,000	78,522,000	78,522,000
Mmino Project	4,520,077	4,520,077	10,027,929	10,027,929

#### Amounts paid to related parties

Department of Arts and Culture	-	-	-	-
Mmino Project	-	-	-	-

## **NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONT)**

### **29. CONTINGENT LIABILITY**

There were no contingent liabilities at 31 March 2011.

### **30. DOWNTOWN STUDIOS**

In 2008, the NAC purchased Downtown Studios and property from Gallo Records on behalf of the Department of Arts and Culture (DAC). The NAC was requested by the Department to serve as a conduit for the purchase of the property and business until such a time that the Department would set up a Special Purpose Vehicle (SPV). Once the SPV was registered, the intention is for the NAC to transfer the property and business to the registered entity. As at 31 March 2011, the property and business were still registered in the name of the NAC. It has been excluded from being managed as an NAC asset as it belongs to the DAC.

### **31. GOING CONCERN**

Management has carried out an assessment and the results, affirmed the NAC's ability to continue operating as a going concern despite the fact that NAC will suffer budget cuts as per the approved Medium-Term Expenditure spending and therefore concludes that the organisation will be able to continue as a going concern for the foreseeable future.

### **32. EVENTS AFTER THE REPORTING DATE**

No material facts or circumstances have occurred between the accounting date and the date of this report that would have had an impact on the financial affairs of the NAC.

### **33. CHANGE OF DESCRIPTION**

During the current year, the management decided to change the classification of photographic equipment to digital equipment, this was done to provide a fair presentation of all items belonging in that class.

### **34. PRIOR YEAR ERRORS**

National Arts Council of South Africa was engaged by the Department of Arts and Culture to facilitate the purchase of the immovable property and the Downtown Studio recording facilities and furniture and fittings. The Department made available R7.5 million for the year ended 31 March 2009 and an additional R3 million for the year ended 31 March 2010. The NAC did not correctly account for these transactions despite the fact that they were owned by the NAC as per the purchase and sale agreements. The effect of these errors on 2011 financial year is as follows:

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONT)

### 34. CHANGE IN ACCOUNTING POLICY

During the financial year under review, the National Arts Council of South Africa changed its accounting policy in respect of office equipment, computer equipment and furniture and fittings from the cost model to the revaluation model. This will result in a fair presenting the carrying amounts of the affected classes of property, plant and equipment. The opening balance of the affected components of net assets were not adjusted and the comparative amounts were not restated as GRAP3 paragraph 19 does not require retrospective adjustments to be made when the change in accounting policy relates to the initial adoption of a policy to revalue assets that are accounted for in accordance with GRAP17.

### 35. PRIOR YEAR ERRORS

National Arts Council of South Africa was engaged by the Department of Arts and Culture to facilitate the purchase of the immovable property and the Downtown Studio recording facilities and furniture and fittings. The Department made available R7.5 million for the year ended 31 March 2009 and an additional R3 million for the year ended 31 March 2010. The NAC did not correctly account for these transactions despite the fact that they were owned by the NAC as per the purchase and sale agreements. The effect of these errors on 2011 financial year is as follows:

	<b>Group 2011 R</b>	<b>Entity 2011 R</b>	<b>Group 2010 R</b>	<b>Entity 2010 R</b>
Increase in non-current assets classified as held for sale	-	-	4,792,822	-
Increase in trade and other payables	-	-	65,019	-
Increase in cash and cash equivalents	-	-	656,112	-
Increase in trade and other receivables	-	-	381,384	-
Net increase in surplus for the year	-	-	328,125	-
Increase in net assets	-	-	328,125	-

### 36. DEFERRED GRANT INCOME

Deferred grant income represents conditional funds received in respect of the Mmino Project that have remained unutilised at the end of the financial year under review. These unutilised funds are subsequently recognised as grant income in the statement of financial performance when all conditions as per the grant contract are fullfield.

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONT)

	<b>Group 2011 R</b>	<b>Entity 2011 R</b>	<b>Group 2010 R</b>	<b>Entity 2010 R</b>
Balance as at 01 April 2010	-	-	-	-
Grant received during the year	7,520,077	7,520,077	6,027,929	6,027,929
Grant recognised as income	(6,378,895)	(6,378,895)	(6,027,929)	(6,027,929)
<b>Balance as at 31 March 2010</b>	<b>1,141,182</b>	<b>1,141,182</b>	-	-

### 37. RECONCILIATION OF BUDGET SURPLUS / DEFICIT WITH THE SURPLUS / DEFICIT IN THE STATEMENT OF FINANCIAL PERFORMANCE:

<b>Net surplus (deficit) per actual statement of financial performance</b>	<b>5,000,168</b>	<b>5,000,168</b>	<b>29,591</b>	<b>29,591</b>
<b>Net variance against budget</b>	4,715,168	4,715,168	<b>(490,634)</b>	<b>(490,634)</b>
<b>Income variances against budget</b>	<b>1,977,230</b>	<b>1,977,230</b>	<b>(2,716,329)</b>	<b>(2,716,329)</b>
Grant income	-	-	-	-
Rental income	141,946	141,946	(80,658)	(80,658)
Interest received	(273,384)	(273,384)	(1,673,735)	(1,673,735)
Sundry income	70,706	70,706	(2,710)	(2,710)
Expired projects	2,037,962	2,037,962	(959,226)	(959,226)
Sundry income	-	-		
<b>Expenditure variances against budget</b>	<b>2,737,938</b>	<b>2,737,938</b>	<b>2,225,695</b>	<b>2,225,695</b>
Project and grants allocated	3,124,548	3,124,548	5,906,291	5,906,291
Administration	(182,558)	(182,558)	(725,144)	(725,144)
Human resources	(204,052)	(204,052)	(1,955,452)	(1,955,452)
Capital expenditure	-	-	(1,000,000)	(1,000,000)
<b>Net surplus (deficit) per budgeted statement of financial performance</b>	<b>285,000</b>	<b>285,000</b>	<b>(461,043)</b>	<b>(461,043)</b>

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONT)

### APPROVED BUDGET INFORMATION FOR THE YEAR ENDED 31 MARCH 2011

	Actual R	Budget R	Variance R
<b>GRANT INCOME</b>			
<b>Gross: Income from DAC grant</b>	<b>20,010,798</b>	<b>16,886,250</b>	<b>(3,124,548)</b>
Grant income from DAC	65,625,000	65,625,000	-
Less: Projects and grants allocated	45,614,202	48,738,750	3,124,548
<b>OTHER INCOME</b>	<b>6,069,230</b>	<b>4,092,000</b>	<b>(1,977,230)</b>
Rental income & cost recoveries	333,946	192,000	(141,946)
Interest received	3,626,616	3,900,000	273,384
Sundry income	70,706	-	(70,706)
Expired projects	2,037,962	-	(2,037,962)
<b>TOTAL INCOME</b>	<b>26,080,028</b>	<b>20,978,250</b>	<b>(5,101,778)</b>
<b>ADMINISTRATION EXPENSES</b>	<b>21,079,860</b>	<b>20,693,250</b>	<b>(386,610)</b>
Human resource costs	<b>11,403,058</b>	<b>11,220,500</b>	<b>(182,558)</b>
General administration costs	<b>9,676,802</b>	<b>9,472,750</b>	<b>(204,052)</b>
Advertising and Marketing	288,286	350,000	61,714
Auditing fees	629,949	800,000	170,051
Bank charges	17,530	50,000	32,470
Cleaning	185,507	236,000	50,493
Communication expenses	53,636	200,000	146,365
Consulting fees	1,837,417	1,496,500	(340,917)
Courier and postage	106,852	160,000	53,148
Depreciation/amortisation	1,000,677	720,000	(280,677)
Water and electricity	-	321,600	321,600
Entertainment	-	100,000	100,000
Honorarium	405,185	449,500	44,315
Insurance	173,504	300,000	126,496
Finance costs	1,026,034	195,650	(830,384)
Monitoring of projects	-	279,500	279,500
Office expenses	107,462	66,000	(41,462)
Printing and stationery	223,315	350,000	126,685
Recruitment and placing	94,695	150,000	55,305
Repairs and maintenance	351,535	220,000	(131,535)
Security	249,701	240,000	(9,701)
Staff training and HR expenses	146,349	250,000	103,651
Subscriptions	67,889	98,000	30,111
Telephone and fax	491,392	490,000	(1,392)
Travel and accommodation - Overseas, Subsistence & Travel	23,820	60,000	36,180
Travel and accommodation - Local, Subsistence & Travel	1,844,325	1,670,000	(174,325)
Workshops	351,741	220,000	(131,741)
<b>SURPLUS / (DEFICIT) FOR THE PERIOD</b>	<b>5,000,168</b>	<b>285,000</b>	<b>(4,715,168)</b>



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