



# PORTFOLIO COMMITTEE PRESENTATION



NATIONAL ARTS COUNCIL  
OF SOUTH AFRICA

an agency of the  
Department of Arts and Culture

21 APRIL 2015



# Introduction

## **Policy mandate as per the White Paper on Arts, Culture and Heritage (currently under review)**

- Distribute public funds to artists, cultural institutions, NGOs and CBOs to promote the creation, teaching and dissemination of literature, oral history and storytelling, music, dance, theatre, musical theatre, opera, photography, design, visual art and craft which fully reflect the country's diversity.
- Provide study bursaries for study in the fields of arts and culture, to practitioners, administrators and educators.
- Carry out research, especially regarding policy linked to its mandate and also execute investigations and research at the request of the Minister

**NAC established by the National Arts Council Act (No 56 of 1997 as amended by the Cultural Laws Amendment Acts) and is a Schedule 3 A public entity in terms of the PFMA**

**Wholly funded by annual budget allocation from DAC, of which 75% in terms of the Act must be distributed in grants in support of the arts and 25% towards administration. A ministerial deviation was recently granted for a 70%/30% allocation**



# Key Elements of the Strategy

The transition of the NAC to implement its full mandate

- Linkages to the **National Development Plan**
- Linkages to the **DAC Strategy** and the **Mzansi Golden Economy**
- Position the NAC to play a meaningful role in supporting **the sector** and the **DAC's strategic aspirations** going forward



# Vision

To to establish a vibrant, sustainable arts community that enriches lives through the creative expression of South Africa's culture.

The NAC aims to be a catalyst for social cohesion and to contribute to the evolution of a unique, diverse and inclusive South African identity.

# Purpose

To support, promote and advance the arts in South Africa.

# Mission

To leverage partnerships and resources, and to develop, support, promote and advance the arts.

# Strategic Goals

The following **table** indicates the extent to which the NAC complies with each of the elements of its 'Objects'. **Orange** indicates 'Extensive compliance', **Yellow** indicates 'Partial Compliance' and **Red** indicates 'Very Limited Compliance'.

OBJECTS OF THE NATIONAL ARTS COUNCIL	EXTENT OPERATIONALLY ADDRESSED	
	2013/14	2014/15
To provide, and encourage the provision of, opportunities for persons to practice the arts	Orange	Orange
To promote the appreciation, understanding and enjoyment of the arts	Yellow	Orange
To promote the general application of the arts in the community	Red	Orange
To foster the expression of a national identity and consciousness by means of the arts	Yellow	Yellow
To foster the expression of a national identity and consciousness by means of the arts	Red	Orange
To give the historically disadvantaged such additional help and resources as are required to give them greater access to the arts	Yellow	Orange
To address historical imbalances in providing infrastructure for the promotion of the arts	Red	Yellow
To promote and facilitate national and international liaison between individuals and institutions in respect of the arts	Orange	Orange
To develop and promote the arts and to encourage excellence in regard to these	Red	Yellow

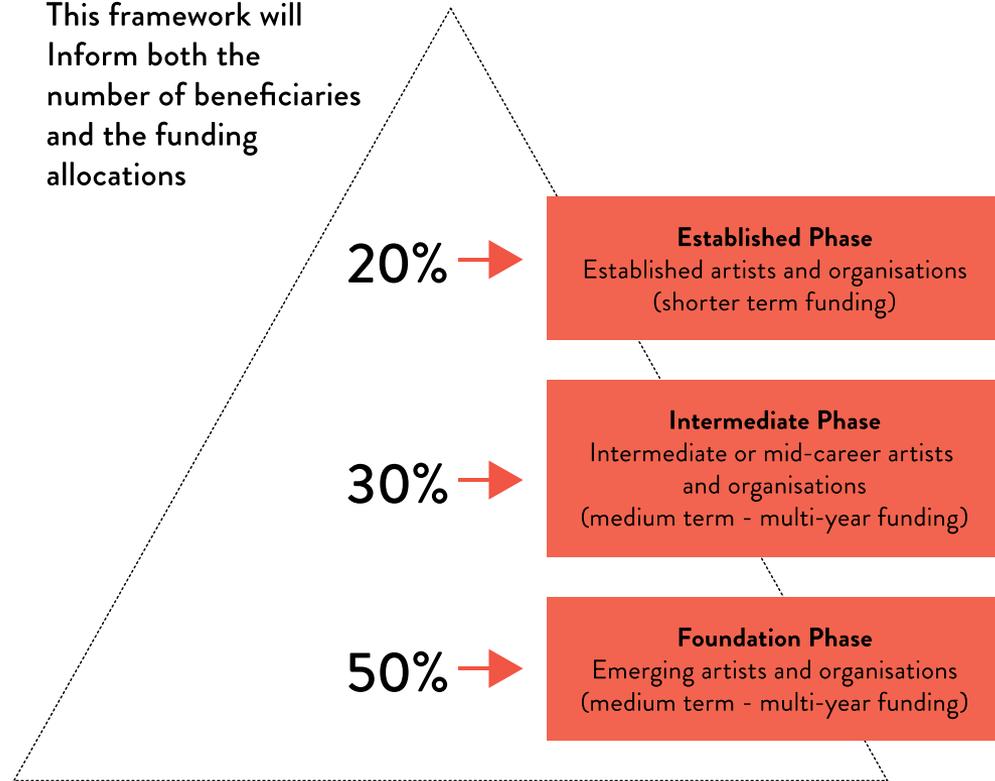


# Funding Model

- New funding model which is a life-cycle oriented system aligned to the strategic objectives
- Designed to be appropriate to the different disciplines, provide a clear indication to applicants of NAC objectives and guide the application process in meeting the objectives of the NAC
- To drive the transformation and redress priority, empower women, youth and people with disabilities and also be responsive to the needs and life cycle stage of artists and arts organisations
- Ensure that emerging entrants, and beneficiaries outside of major metropolitan centres are the primary beneficiaries of this funding
- New entrants receive 50% of grant funding, intermediate phase organisations defined as being at mid-career level receive 30% of the available funding and established organisations receive 20%



This framework will  
Inform both the  
number of beneficiaries  
and the funding  
allocations



## FUNDING MODEL

The new funding framework informs both the number of beneficiaries to be supported and the funding allocations. As the NAC implements its strategic objectives over the next five years, the model will inform a range of support provided that will be tailored to meet those needs



# Key Elements of the Strategy

- The NAC's three important roles

- A **facilitative** role

- A **leadership** role

- A **leverage** role

- Acceleration of the leveraging of funding and resources as contemplated in Section 16 of the NAC Act.

- Section 16 (1)

- The funds of the Council shall consist of –

- (a) money appropriated by Parliament to finance the functions of the Council;

- (b) money paid to the Council by users of its services;

- (c) donations or contributions received from any source;

- (d) interest on investments; and

- (e) income derived under this Act from any other source.

- Explore cultural diplomacy initiatives
- Embracing the principle of collaborative strategy execution
- Administration improvements to support the strategy



# The Transition of the NAC to Implement its full Mandate

## Linkages to the National Development Plan (Chapter 15)

Transition from an **insular perspective** of the NAC as a stand-alone agency to a **holistic view** of the NAC as an inter-connected part of the arts and culture eco-system in South Africa

Promoting greater connection and co-operation between the functions of **different spheres of government** as they pertain to arts and culture

Focus on ways to foster **social cohesion** in South Africa, re-thinking the value we may add to the lives of artists, communities and the youth

Promoting the **development** of local cultural identities and associated arts and cultural practices in the face of the culturally 'flattening' effects of globalisation



## **Linkages to the DAC strategy and Mzansi Golden Economy**

- Opening up the arts and culture sector to economic growth and job creation
- Promoting access to and participation in arts and culture for all South Africans at the most local level and in the most disadvantaged communities and provinces
- Promoting the role of Community Arts Centres in social and economic development, especially with regard to job opportunity creation, education and training, tourism and small business development, e.g. Sibikwa Arts Centre and the Bat Centre Trust



## **Linkages to the DAC strategy and Mzansi Golden Economy**

- Promoting greater connection and co-operation between Community Arts Centres and other related forms of local service delivery infrastructure (e.g. multi-purpose community centres, libraries and so on) e.g. The Limpopo Arts and Culture Association, resuscitation of reading clubs in libraries, The South African Book Development Council
- NAC support to Flagship projects- examples, Ifa Lethu, Eastern Cape Philharmonic Orchestra, National Council for People with Physical Disabilities, Karoo Women of the Flock, Vuyani Dance Theatre, Forgotten Angle Collaborative



# Position the NAC to play a meaningful role in the sector and support of the DAC

## **Arts intelligence**

This competency includes an extensive **database of information** on the players, activities, successes and failures within the arts eco-system developed over more than a decade of grant making activity, e.g. ArtsNow, Arts and Culture Trust, African Arts Institute

## **An arts network**

This competency includes **connections and linkages** across the arts eco-system, both in South Africa and abroad. This may be utilised to create opportunities for mutually beneficial support, coaching and mentorship or collaboration. Arterial Network, IFACCA International, IFACCA Africa, International Collaborations, NEPAD, etc.



# Position the NAC to play a meaningful role in the sector and support of the DAC

## **Community Art Centres and Relevant NGOs**

Collaborative effort and focus will be on achieving common goals and on providing the requisite support to capacitate and sustain grassroots structures such as Community Arts Centres and local structures (Introduction of Provincial NAC desks, Funda Art Centre, Sibikwa)

## **Representative governance structures**

The Council and Panel governance structures of the NAC contain many representatives of the overall Arts and Culture eco-system in South Africa.

# Panel Members

In November 2014, new panels were appointed to position the NAC to play a meaningful role in the sector. These members are representative of the NAC geographical spread across provinces.

CRAFT		DANCE	
Ms Erica Elk	Cape Town	Ms Phyllis Klotz	Benoni
Ms Bulelwa Ncumisa Bam	Mthatha	Ms Lizelle Julie	Kimberley
Ms Jabu Gladys Dlamini	Barbeton	Ms Mamele Nyamza	Cape Town
Ms Nthabiseng Makhene	Lenasia	Mr PJ Sabbagha	Springs
LITERATURE		MUSIC	
Mr Johnny Masilela	Bela Bela	Mr Ndela Nelson Ntshangase	Pietermaritzburg
Nomsa Mdlalose	Centurion	Mr Othusitse Mabilo	Mahikeng
Tebogo David Maahlamela	Grahamstown	Lionel Mkhwanazi	Durban
Menzi Thango	Soweto	Moses Monamodi	Johannesburg
THEATRE AND MUSICAL THEATRE		VISUAL ARTS	
Nakedi Ribane	Johannesburg	Dr Dominic Thorburn	Grahamstown
Wandile Mgcodo	Pretoria	Jacob Lebeko	Centurion
Marie-Heleen Coetzee	Centurion	Same Mdluli	Johannesburg
Nikki Froneman	Cape Town	Tracey Rose	Durban
MULTIDISCIPLINARY			
Mr Bongani Tembe	Durban	Londiwe Langa	Johannesburg
Thamsanqa Igor Dlamini	Tembisa	Monwabisi Grootboom	Durban
Michael Arendse	Cape Town		



## **GARAGE DANCE ENSEMBLE – NORTHERN CAPE**

# CULTURAL DIPLOMACY





# Explore Cultural Diplomacy Initiatives

The need to play a broader role beyond grant making, as is envisaged in the NAC mandate. Supplement an operational focus on **Arts Development** with a managed operational component focused on **'Arts Promotion'**

Developing **international and regional relationships** to foster co-operative agreements that benefit South African artists

Focus on the **cultural engagement** role at a regional and international liaison level. Develop international and regional relationships to foster co-operative agreements that benefit South African artists



# Explore Cultural Diplomacy Initiatives

Strategically identify the global and regional and continental cultural exchange programmes that will best benefit the arts sector.

Current examples are:

**Spotlight South Africa (Canada)**

**NEPAD Partnership**

**ASSITEJ Partnership**



**SPOTLIGHT SOUTH AFRICA –CANADA**  
**VUYANI DANCE THEATRE**

## NEPAD PARTNERSHIP

# NEPAD REGIONAL CONFERENCE ON ARTS EDUCATION IN AFRICA – March 2015



From left to right:

**Prof. Mzobz Mboya** (NEPAD)

**Ms. Prudence Ngwenya** (HRST: AU),

**H.E. Mr. David Ngcamphalala**

(Minister of Sports, Culture and Youth Affairs – Swaziland)

- A strategic intervention and contribution to regional integration, social cohesion and sustainable development on the continent
- Motivated by the 2<sup>nd</sup> UNESCO World Conference (Seoul) on Arts Education held in 2010 where all regions in the world presented their position on Arts Education, except the Africa region.
- The NEPAD Agency hosted event in collaboration with the Department of Arts and Culture, supported by the Department of Education of South Africa and the National Arts Council



**ASSITEJ PARTNERSHIP**  
**INTERNATIONAL ASSOCIATION FOR THEATRE FOR**  
**CHILDREN AND YOUNG PEOPLE**



# Cultural Diplomacy

- A Season is an exemplary bilateral co-operation initiative taken by Heads of States, aimed at giving officials, professionals, artists, the public and the media a better understanding of the cultural life of the partner country and, through this exceptional cooperation, transforming the image each country has of the other
- It is a cross-cultural project that provides an opportunity to encourage new partnerships, reinforce a wide range of existing collaborations and to build a lasting reciprocal legacy for both nations
- It provides South Africa with an opportunity to showcase its arts and culture, to expose young South African artists and promote South Africa's cultural diversity and social cohesion
- It is a platform to elicit broad media coverage

# South Africa France Seasons 2012 & 2013



President Hollande  
and President Zuma



“France and South Africa entered into the Seasons as a collaborate effort. The aim of the Seasons is to promote better understanding between our great nations, allowing for new growth opportunities in economic, political and specifically cultural relations... the Seasons presents us with an opportunity to review matters of mutual interest and to share in the enjoyment of experiencing the best of what French and South African artists have to offer.”

**President Jacob Zuma**  
**March 2011**



# How were the Seasons funded?

While joint and equitable core funding for the reciprocal Seasons was provided by the two respective signatories to the MOU, partners in each country were invited to contribute to the funding of the Seasons projects.

Partners included government, local and regional/provincial authorities, public and private cultural organisations, media, companies and private foundations.



# What did the Seasons achieve?

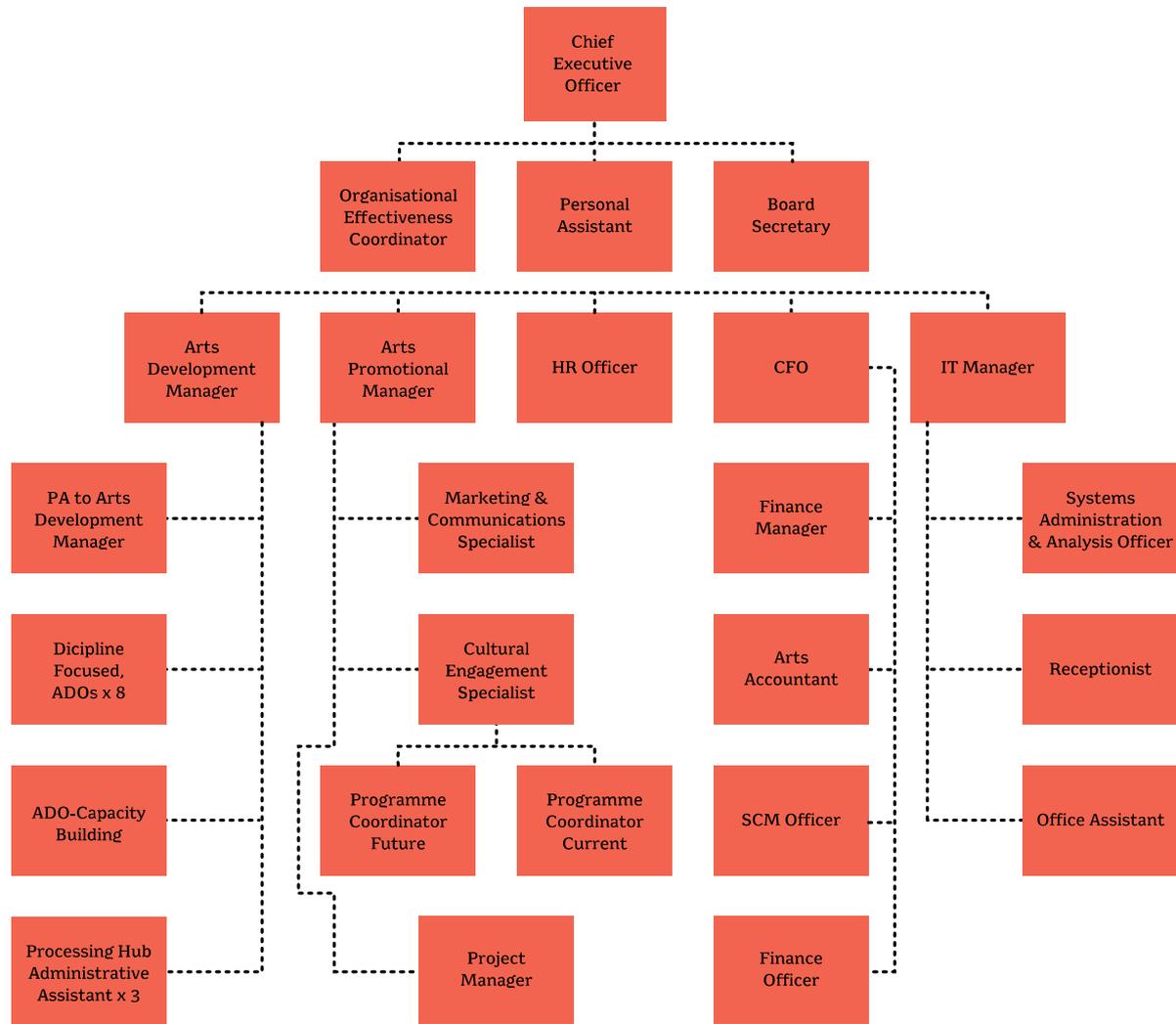
- Strengthened bi-lateral relations
- Increased sector stakeholder relations
- Job creation
- Information sharing and skills transfer

The international exposure of our artists and productions has had a strong impact on the perception of South Africa, and the appreciation of its people

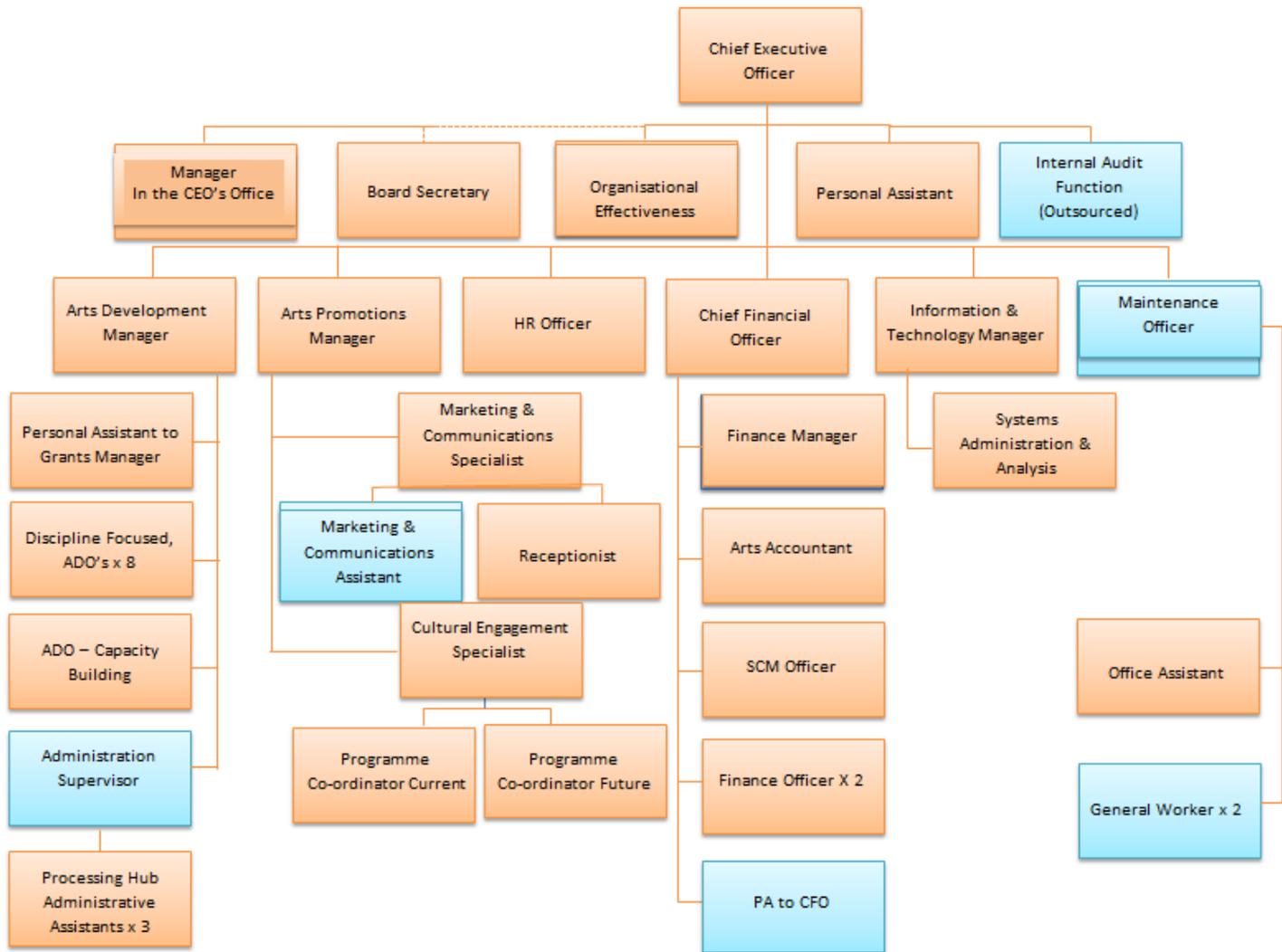


# Situational Analysis

- Critical to be cognisant of important seismic shifts - as a sector and as a leading government agency within the arts sector in South Africa
- These shifts require the NAC to be proactive in its strategic thinking in order to develop a plan that will lead the organisation to survive
- Management recommended to Council that identification of new flagships be used as a mechanism for reducing surplus
- This will enable the NAC to disburse all previous surpluses and current year allocation
- Now positioned itself to disburse higher amounts than what is currently received from DAC



## APPROVED STRUCTURE



## UPDATED STRUCTURE



# Administration Improvements To Support The Strategy

- Transition from ad-hoc changes in leadership to planned advancement based on competence, career development and succession planning
- Transition from unfocused organisational change to planned organisational development
- Ensuring that funding is allocated in such a manner as to maximise its potential impact. It also means ensuring that funding is effectively disbursed to recipients who utilise the funding with integrity and comply with the principles and practices of sound governance
- Efficient grant making / administrative ability. This competency will be leveraged to provide a value-adding service to other agencies whose mandate overlaps with that of the NAC

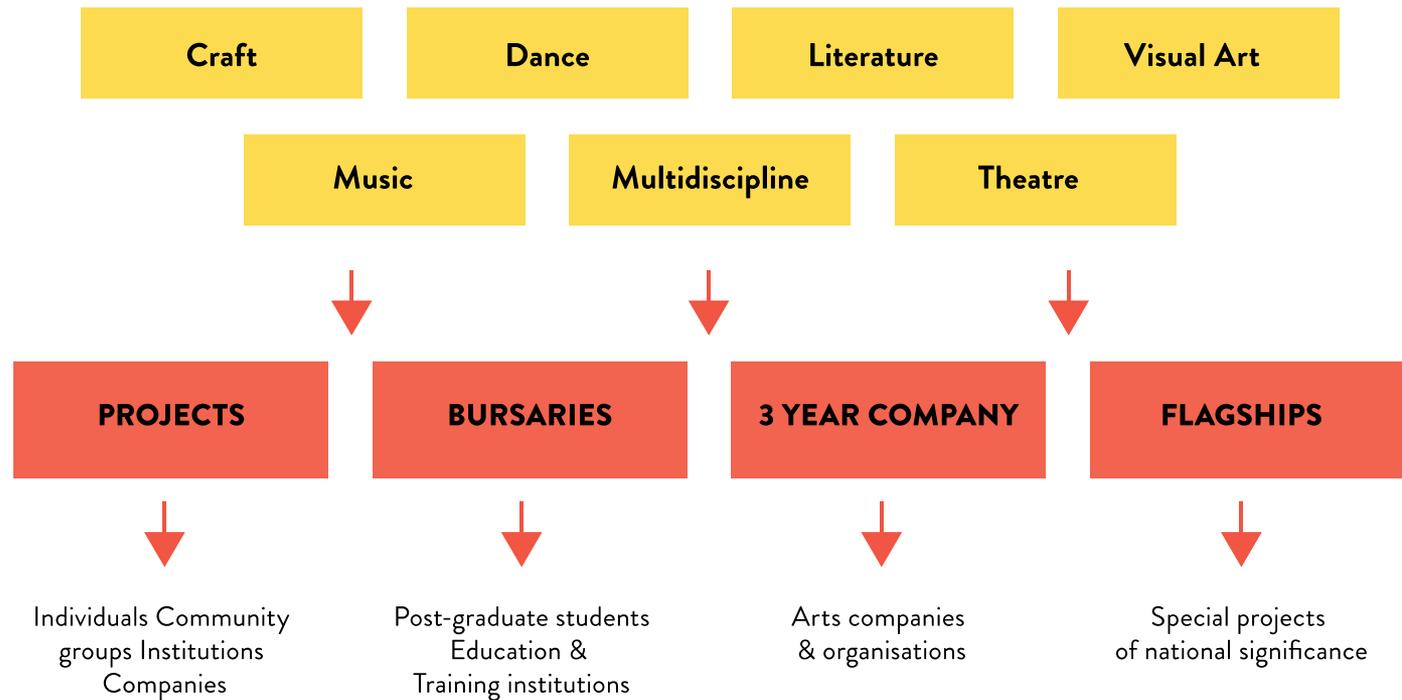


# Administration Improvements To Support The Strategy

- Transition from a paper based administration environment to on-line, automated processes
- Improve our Arts context knowledge. This competency is to be found within the expertise and competencies of the NAC's officials, in particular its discipline focused Arts Development Officers and advisory panels. It incorporates a unique understanding of the South African arts context developed over many years of playing a relevant role in this sector
- The strategy will focus on urgently addressing the systemic factors contributing to the past and current financial surpluses experienced by the NAC to mitigate historical funding surpluses
- Design performance plans aligned to targets as contained in the APP



**ANNUAL  
PERFORMANCE PLAN  
2015-2016**



## WHERE DO OUR GRANTS GO?

# PROGRAMME : ADMINISTRATION

**Goal 6:** To enhance the **NAC's capacity to support the arts** by strengthening its governance, organisational design, people and processes.

This goal seeks to build the internal capabilities and capacity that the NAC will require for future success. It incorporates the current organisational development initiative, governance and risk management strengthening initiatives, HR support, Communications, ICT and Research.

Strategic/ Measurable objectives	2015/16
<b>Develop effective HR management systems and processes</b>	Develop HR Strategy and Annual HR Plan
	Implement 25% of HR Annual Plan
<b>Provide employees with development training</b>	Training for 25 staff
<b>Ensure that the NAC has the ICT systems it requires to inform efficient and effective work</b>	90% of key milestones achieved on time as set out in ICT project Plan
	1 new ICT system implemented
<b>Review policies and procedures to ensure alignment with NAC strategy</b>	5 x Finance Policies + 10 x HR Policies and Procedures reviewed and revised
<b>Maintain effective risk and control management</b>	Strategic / operational risk registers updated and managed
<b>Unqualified audit outcome</b>	Unqualified audit outcome
	Reduce number of audit findings from internal audit and AG
<b>Evaluation of performance of council and its sub-committees</b>	Performance of council and its sub-committees evaluated
<b>Implement internship programmes</b>	5 youth to participate in internship programme



## **Goal 1: To strengthen the practice of the arts through focused grant funding**

- This goal will ensure that the funds available for grants and projects are utilised in accordance with the NAC's mandate, desired impact and sound governance practices. Developing focused grant 'products' pro-actively targeting specific areas and disciplines within the arts as well as the pro-active deployment of Flagship Projects ensures an appropriately focused funding balance
- Strengthening oversight through a risk based approach to monitoring and evaluation ensures good governance and will reduce the 'surplus' available funds that are not disbursed

<b>Strategic/ Measurable objectives</b>	<b>2015/16</b>
<b>Strengthen oversight through formalised risk assessment of projects and grants</b>	90% of projects / grants risk assessed upfront prior to final approval per funding session
	90% of projects risk assessed annually, post approval per funding session
<b>All disbursements made in accordance with agreed NAC disbursement criteria</b>	100% of disbursements made in accordance with agreed disbursement criteria
<b>Reduce unclaimed funds through effective oversight to a maximum of a % of projects and grants budget</b>	20% disbursements not made vs. projects budget
<b>Ensure a balanced allocation of project and grant funding across all disciplines and strategic imperatives</b>	50% for arts promotion, 30 % for creation of new work, 20% for capacity building of grants / projects per funding session



**Goal 2: To promote equity in the arts through a specific grant making focus on disadvantaged and marginalised individuals and groups.**

The NAC will allocate a minimum of 40% of its funding to grants and projects that have indigenous art-forms; previously disadvantaged artists; previously disadvantaged communities; rural areas / neglected provinces; women; people living with disabilities and the youth as their primary beneficiaries.

<b>Strategic / Measurable objectives</b>	<b>2015/16</b>
<b>% of funding allocated for indigenous art-forms</b>	7% of funding allocated to indigenous art forms
<b>% of funding allocated for targeted rural areas or provinces</b>	40% of allocated funding to rural areas / provinces
<b>% of funding to women-led organisations and women</b>	12% allocated funding to women led organisations and women
<b>% allocated to organisations working with people living with disabilities, and individuals living with disabilities</b>	6% allocated to organisations working with people living with disabilities and individuals living with disabilities
<b>% of allocated funding disbursed to benefit the youth</b>	10% of allocated funding to benefit the youth



**Goal 3: To develop a sustainable capability that enables the arts to entertain, enrich and inspire.**

This goal is focused on proactive projects and grant making that builds human capacity through training and education. It will also focus on providing support to the viable usage of Community Arts Centres and to developing an accessible database of arts community information that will inform decision and policy making.

<b>Strategic / Measurable Objectives</b>	<b>2015/16</b>
<b>Build capacity through bursaries</b>	20% of funding allocated to bursaries approved
<b>Build capacity through development programmes</b>	7 programmes developed and successfully implemented on an annual basis
<b>Support the development of sustainable capacity for Community Arts Centres to be successful</b>	7 Community Arts Centres considered to be functioning at an acceptable level
<b>Number of flagship projects funded</b>	Support 3 flagship projects on time, on budget as per project plan
<b>Establishing strategic partnerships for the development of arts education</b>	Establish 3 partnerships with relevant structures



**Goal 4: To increase access to markets and enable creative engagement for South African art and artists.**

This goal aims to provide support to artists in finding markets for their work through focused projects as well as international, continental and regional cultural engagement and exchanges ('Seasons').

<b>Strategic/ Measurable objectives</b>	<b>2015/16</b>
<b>Implement the knowledge portal for the arts sector</b>	Roll out the knowledge portal in two other provinces
<b>Establish partnerships with government structures and other recognised structures</b>	Partnerships established with 1 government structures and 1 other relevant structures



## **Goal 5: To increase awareness of the arts through advocacy**

This goal will focus on ways to increase the demand side of the arts through audience development as well as targeted campaigns to showcase what the arts are able to offer to society.

<b>Strategic/ Measurable objectives</b>	<b>2015/16</b>
<b>Position and strengthen the NAC brand to increase public and stakeholder awareness</b>	Revise and update the stakeholder strategy
	Revise and update the communications strategy
<b>Increase web and social media based campaigns to promote the arts</b>	60 announcements implemented and monitored
<b>Evaluate and enhance the online database of SA artists and their profiles</b>	Revise and improve the functionality of the online database



# Programme: Public Engagement

## Goal 1: To strengthen the practice of the arts through focused grant funding

This goal will ensure that the funds available for grants and projects are utilised in accordance with the NAC's mandate, desired impact and sound governance practices. Developing focused grant 'products' pro-actively targeting specific areas and disciplines within the arts as well as the pro-active deployment of Flagship Projects ensures an appropriately focused funding balance.

Strengthening oversight through a risk based approach to monitoring and evaluation ensures good governance and will reduce the 'surplus' available funds that are not disbursed.

<b>Strategic/ Measurable objectives</b>	<b>2015/16</b>
<b>Maintain turnaround time to respond to applicants</b>	Turnaround time of 60 working days from receipt of completed application to approval / rejection



**Highlights per quarter focusing on Women, Children and people with disabilities:**

**(Goal 2)** Promote equity in the arts through specific grant or award focusing on disadvantaged and marginalised individuals and groups

**Focus**

Allocations made to marginalised art forms, identified groups and rural areas

Allocated equitably across the different provinces and groups of people as their primary beneficiaries

**Goal**

Increasing job opportunities, development, protection and preservation and promotion of the South African arts, culture and heritage



# Annual Performance Targets

Indigenous Art Forms	7%
Rural areas / provinces	40%
Women led organisations/ women	12%
People living with disabilities	6%
Youth	10%
Capacity building, Arts Promotions and creation of new works	25%



## **Our focus on previously disadvantaged provinces**

Historically, the geographic spread of the NAC allocation of resources has for many years been biased towards metropolitan provinces such as Gauteng, Western Cape and KwaZulu-Natal

However in the new enhanced strategy it is important to consider applications that originate in metropolitan provinces but benefit disadvantaged provinces, rural areas and peri-urban areas

In addition, as per our Annual Performance Plan, 40% of the grant is allocated towards previously marginalised provinces or projects that benefit marginalised provinces



# Grant Management System

A custom designed programme to automate many of the administrative aspects of grants

Improves the turnaround time for grants, frees up the time of arts development officers to upscale monitoring and evaluation activities  
Support to grant beneficiaries and applicants

## **Phase 1**

Scanning of applications

Automated response for acknowledging applications received

Processing of applications



# Grant Management System

## **The next phases**

- Entails automated paperless reporting, where reports will be scanned onto the GMS and can be viewed and assessed online
- Recommendation and processing of payments online
- Submission of application forms online
- Online review of applications by Advisory Panels
- The GMS has been used for four funding sessions

The NAC is looking at integrating the Grant Management System into the SAGE Evolution Programme to ensure integration and alignment of internal systems



# ADMINISTRATION



# Our past and current financial status

## **Period from 2009/2010 to 2014/2015**

MTEF allocations = R78.552 million < R92.815 million (18.2%) - Includes a decline in funding of 16% in the 2010/2011

Adjusted for inflation (average 7% annually) - represents a decline in income in real terms of R17.32 million (approx.) 16% over period

**Operating expenditure** - consists largely of staff costs (15,7% of the total budget) Currently, salaries, increments and related costs are supposed to be linked to the DPSA, governance prescripts

Most costs referred to are **fixed** - not under direct control of NAC.

Relative percentage of operating expenditure increased substantially over this period - a factor **outside** of the direct **control** of the NAC

The envisaged percentage allocated to operating expenses in NAC Act - unrealistic and unachievable

Nov 2014 the NAC Council **approved** that salaries, increments and related costs be **aligned to DPSA rates**



# Our past and current financial status

The Act currently imposes statutory, financial, functional limitations

In 2014, NAC applied for approval for a deviation from the provisions of Section 16 (2) (a) of the National Arts Council Act, Act No 56 of 1997 (the NAC Act) for 2014/2015 and 2015/2016

- 25% of budget should be utilised towards administration costs
- Permission granted for a 5% increase = amounting to a total of 30%
- Assisted NAC to increase capacity administratively to be able to fulfill its mandate of arts development
- Approval received from the minister = three years ending 2017/18
- Does not allow for certain positions to be filled permanently



# Our past and current financial statement

- Monitoring & Evaluation of projects stretched administration budget
- Limited and sometimes no monitoring & evaluation of projects - created a problem of accumulated surplus over the years
- Many projects failed to comply with reporting requirements and claim subsequent years funding
- Budget allocation for project support will provide the NAC with insight of project opportunities and challenges - to better support artists and organisations
- ARC recommended 70% allocated for project/bursary funding should be structured to provide for budget to support projects approved - will strengthen monitoring & evaluation of projects and ensure better outcomes

# Challenges encountered in meeting the demands

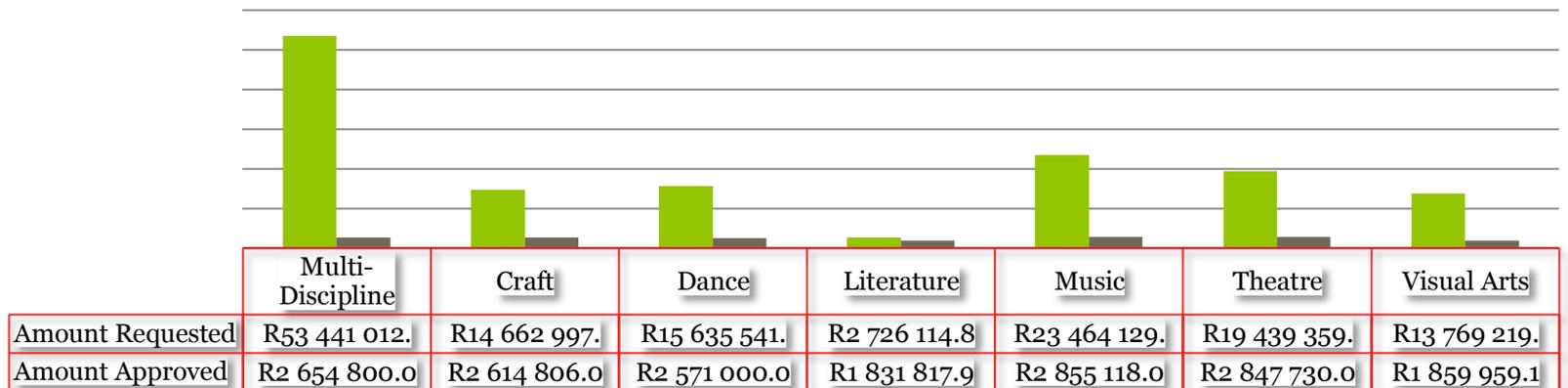
- The NAC is attracting a high volume of deserving applications
- Currently, funding applications call for larger amounts than what can be allocated

## MARCH 2015 FUNDING SESSION ALLOCATED TOTALS PER DISCIPLINE

DISCIPLINE	AMOUNT REQUESTED	AMOUNT ALLOCATED
Multi-Discipline	R 53 441 012.66	R 2 654 800.00
Craft	R 14 662 997.78	R 2 614 806.00
Dance	R 15 635 541.09	R 2 571 000.00
Literature	R 2 726 114.80	R 1 831 817.90
Music	R 23 464 129.69	R 2 855 118.00
Theatre	R 19 439 359.03	R 2 847 730.00
Visual Arts	R 13 769 219.53	R 1 859 959.11
<b>TOTALS</b>	<b>R 143 138 374.58</b>	<b>R 17 235 231.01</b>



## **MARCH 2015 FUNDING SESSION ALLOCATED TOTALS PER DISCIPLINE**



# Breakdown of expenditure – across different costs, Administrative VS Grants

Statement of financial performance	Audited Outcome						Revised estimate
	2011/12		2012/13		2013/14		2014/15
<b>R thousand</b>							
<b>Revenue</b>							
Tax revenue	-	-	-	-	-	-	-
Non-tax revenue	2 066	11 975	3 366	11 519	1 566	6 897	1 500
Other non-tax revenue	2 066	11 975	3 366	11 519	1 566	6 897	1 500
Interest Income	1 600	2 679	2 900	2 533	1 566	2 193	1 500
Transfers received	68 485	69 760	87 527	88 451	87 554	88 754	91 865
<b>Total revenue</b>	<b>70 551</b>	<b>81 735</b>	<b>90 893</b>	<b>99 970</b>	<b>89 120</b>	<b>95 651</b>	<b>93 365</b>
<b>Expenses</b>							
Current expenses	17 705	25 422	23 294	29 069	23 455	30 510	29 060
Compensation of employees	12 287	12 347	12 917	13 732	15 533	15 128	15 008
Goods and services	4 874	11 104	9 560	13 822	7 319	13 834	12 552
Depreciation	544	1 605	680	1 224	603	1 285	1 250
Interest(Finance Costs)	-	366	137	291	-	263	250
Grant Transfer	52 846	48 636	67 599	55 262	65 665	73 205	64 305
<b>Total expenses</b>	<b>70 551</b>	<b>74 058</b>	<b>90 893</b>	<b>84 331</b>	<b>89 120</b>	<b>103 715</b>	<b>93 365</b>
<b>Surplus/(Deficit)</b>	<b>-</b>	<b>7 677</b>	<b>-</b>	<b>15 639</b>	<b>-</b>	<b>(8 064)</b>	<b>-</b>

<b>Statement of financial performance</b>			
<b>R thousand</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
<b>Revenue</b>			
<b>Tax revenue</b>	-	-	-
<b>Non-tax revenue</b>	-	-	-
<b>Other non-tax revenue</b>	-	-	-
<b>Interest Income</b>	-	-	-
<b>Transfers received</b>	96 089	101 182	106 241
<b>Total revenue</b>	96 089	101 182	106 241
<b>Expenses</b>			
<b>Current expenses</b>	28 827	30 355	30 293
<b>Compensation of employees</b>	15 314	16 958	17 805
<b>Goods and services</b>	13 249	13 113	12 196
<b>Depreciation</b>			
<b>Interest(Finance Costs)</b>	264	280	292
<b>Grant Transfer</b>	67 262	70 827	75 948
<b>Total expenses</b>	96 089	101 182	106 241
<b>Surplus/(Deficit)</b>	-	-	-

# Breakdown of income – Surplus VS Allocations

## 2015/16 TO 2017/18 NAC INCOME BREAKDOWN

### NAC

DAC Allocation

Surplus funds

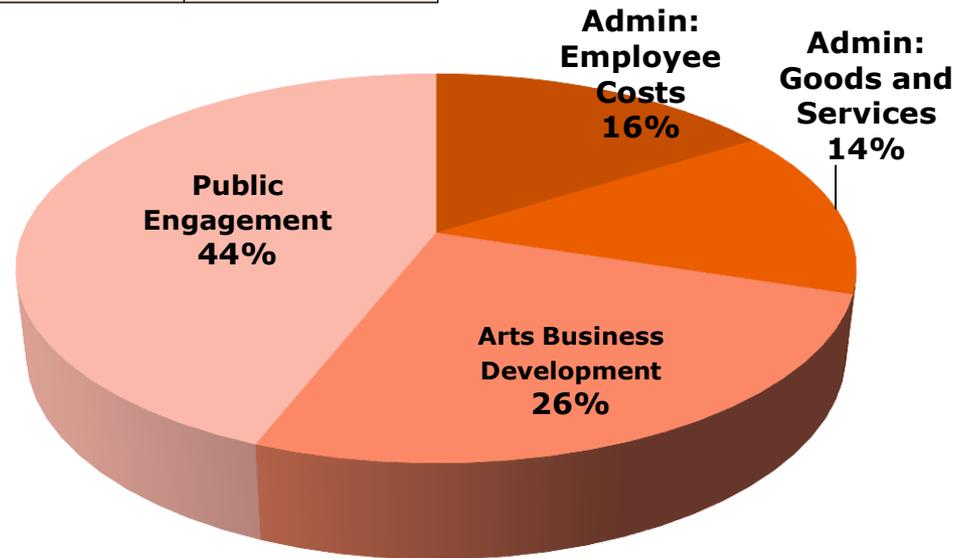
Interest income

**Total**

<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
R'000	R'000	R'000	R'000
91 865	96 089	101 182	106 241
57 142	47 389		
2 704			
<b>151 711</b>	<b>143 478</b>	<b>101 182</b>	<b>106 241</b>

# NAC BUDGET ALIGNED TO APP 2015-2016

<b>1. Administration</b>	<b>28 827 700</b>
Employee Costs	15 314 300
Goods and Services	13 513 400
<b>2. Arts Business Development</b>	<b>24 887 000</b>
<b>3. Public Engagement</b> (incl. Orchestras)	<b>42 374 300</b>
<b>TOTAL</b>	<b>96 089 000</b>





# Improvements on Disbursements per quarter

- NAC budget progressively reduced by DAC as a result of the AFS indicating huge surpluses
- Mid-term budget review indicated no provision of additional budgets to entities that carry surplus
  - Underperforming organisations to be rationalised
- Therefore concerted effort being made to reduce surplus funding
- Aim to improve service delivery through grant payment acceleration
- Monitoring of weekly performance on surplus funding reduction



# Improvements on Disbursements per quarter

**Flagship projects** identified attributed to reducing the huge historical surplus

**Committed Surplus** for the 2013/14 financial year was R57 million

The **current year allocation** for projects and bursaries is R64.4 million

The movement has been **significant** and is reflected below per quarter as follows:

QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
6.8%	25.4%	40.6%	27.2%
R4.7 million	R17.5 million	R28 million	R18.8 million



- Management is in the process of building effective administration to support mandate of the NAC
- While the focus is improving administration including capacity to support art development, financial administration and governance is being prioritised
- There have been a number of administrative challenges which were exacerbated by the fact that NAC has two subsidiary companies which do not have sufficient capacity and funds to comply with all regulatory requirements
- The two subsidiaries have caused NAC to receive audit findings which impact audit opinion, however management is in the process of creating stability in the administration of these two entities which are Downtown studio and Fox Street Properties



# Governance and Audit

Qualified audit opinion issued by Auditor General for 2013/14 due to material misstatement in a component of trade and other receivables as well as trade and other payables

During audit 31 March 2014 - the Loan by Fox street properties to Downtown Music Hub, an unrelated party to NAC, has been eliminated as inter-company transaction

The loan has been disclosed in the financial statements as R721 149, whereas the GL shows an amount of R-4 797 026 in trade and other receivables

The difference of R5 518 176.12 is said to be inter-company transaction, whereas Downtown Music Hub is not a related party to National arts Council, resulting in qualified audit opinion



NAC worked with Downtown Music Hub team to resolve all issues that caused qualification in 2013/14

Management also resolved NAC audit findings relating to previous audit; Interim financial statement prepared for period until 30 September 2014

The Auditor General was requested to audit the work and came to two conclusions:

- 1) They did not identify material misstatements in the financial statements during the audit;
- 2) There were no matters to be emphasised, this is supported by final interim management letter signed off by AG

AG -Audit and Risk Committee - 19 Feb 2015 > internal controls of NAC have improved in past six months

Management continues to improve processes, policies and internal controls

Currently preparing AFS for period up to March 2015 to submit to the AG – 31 May 2015



# Improvement on Financial controls

- Transition from manual to electronic reporting processes
- The Modernisation of systems, Finance, Human Resources and Operations through Sage Pastel evolution, VIP Premier HR , payroll and Grant Management system
- Focus on value adding activities and increasing overall productivity
- Built in checks and balances leading to more accurate and complete information to take necessary decisions
- Built-in intelligent reporting tools



# Finance Strategy

- Budget linked to annual performance plan
- NAC will report on each cost category and per project for 2015/16
- Budget decentralised to relevant function in order to better understand cost per function = better manage the organisation
- Managers accountable for their areas of responsibilities including human and financial resources
- Improve retirement savings of employees as part of employee retention strategy
- Finance will be reviewing policies, processes and more internal controls



# Finance Goals and Objectives

- To ensure that NAC departments conducts their financial affairs in line with all statutory requirements and Treasury Regulations and that due diligence is exercised at all times
- To support departments in ensuring that financial systems and processes are compliant with international accounting standards
- To act as strategic advisor to the executive management on all financial matters
- To support divisions with regard to procurement and financial matters to ensure that all expenditure is warranted and represents value for money
- To assess financial risk and devise measures to mitigate risk identified
- To transform our people and culture
- To transform the business and build capability
- To promote good governance



# Governance, Risk Management and Compliance

- Ensuring critical management information is complete, accurate and timely enabling appropriate management decision making
- Provide control mechanisms to ensure strategies, directions and instructions from management are carried out systematically and effectively
- Assist departments in risk management by set of processes through which management identifies, analyses and where necessary, responds appropriately to risks that might adversely affect realisation of business objectives

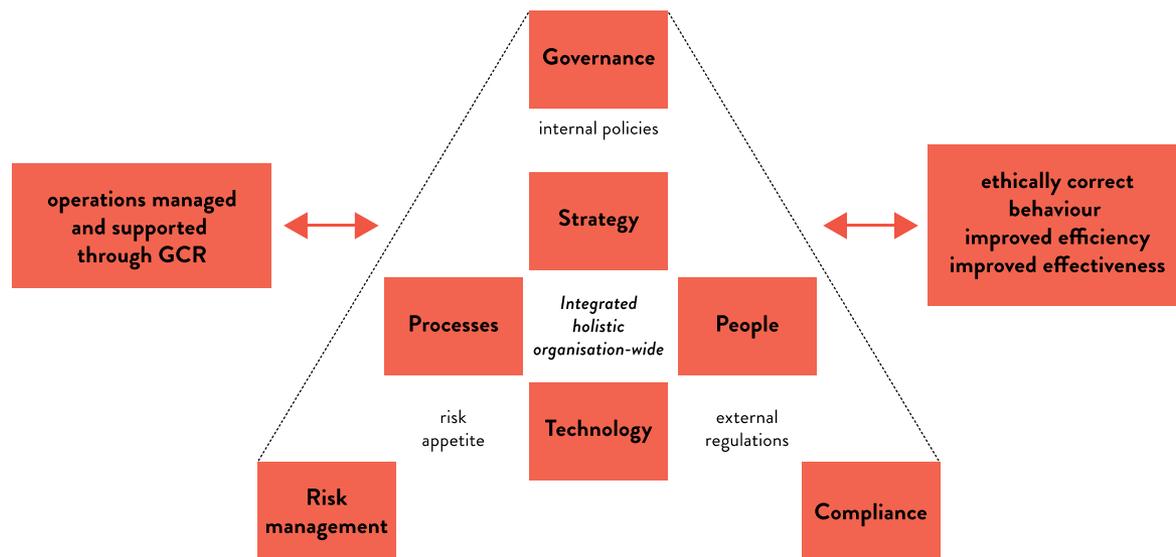


# Governance, Risk Management and Compliance

- The response to risks typically depends on department' perceived gravity - controlling, avoiding, accepting or transferring them to a third party
- Whereas organisations routinely manage a wide range of risks (e.g. technological risks, commercial/financial risks, information security risks etc.), external legal and regulatory compliance risks are arguably the key issue in Governance, Risk Management and Compliance

# Governance, Risk Management and Compliance

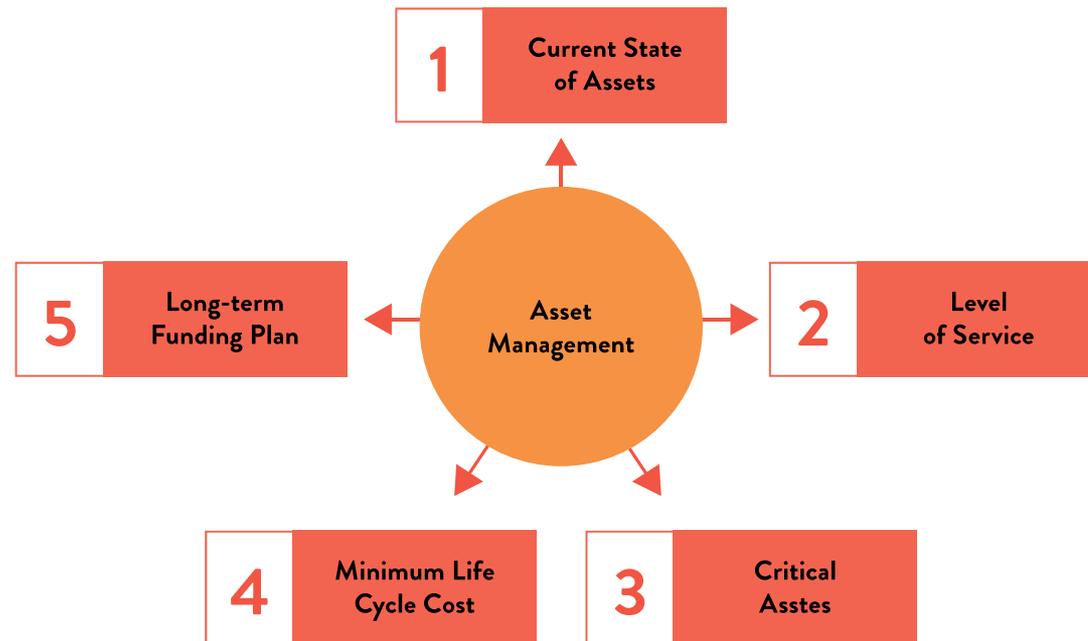
Compliance to stated policy and procedures - achieved through management processes which identify the applicable requirements (e.g. defined in laws, regulations, contracts, strategies and policies)



Support by assessing state of compliance, assess risks and potential costs of non-compliance against the projected expenses to achieve compliance; prioritise, fund and initiate any corrective actions deemed necessary

# Asset Management

Develop a framework that works through all of the major activities associated with asset management and implement at the level of sophistication reasonable for divisions





# Finance will assist business in:

- Prolonging asset life and aiding to rehabilitate / repair / replacement decisions through efficient and focused operations and maintenance
- Meeting departments' requirements with a focus on system sustainability
- Setting rates based on sound operational and financial planning
- Budgeting focused on activities critical to sustained performance
- Meeting service expectations and regulatory requirements
- Improving response to emergencies
- Improving security and safety of assets, new security protocols were introduced on 1 April 2015 after security assessment report was reviewed by management



# Conclusion

The measures currently put in place are meant to sustain and support systematic integrated reporting. This is to enable the organisation to track performance and evaluate impact of funded programmes, as well as identified strategic partnerships.

The end result should be a clear contribution to a more cohesive and equitable society.



# Thank You



NATIONAL ARTS COUNCIL  
OF SOUTH AFRICA

---

an agency of the  
Department of Arts and Culture