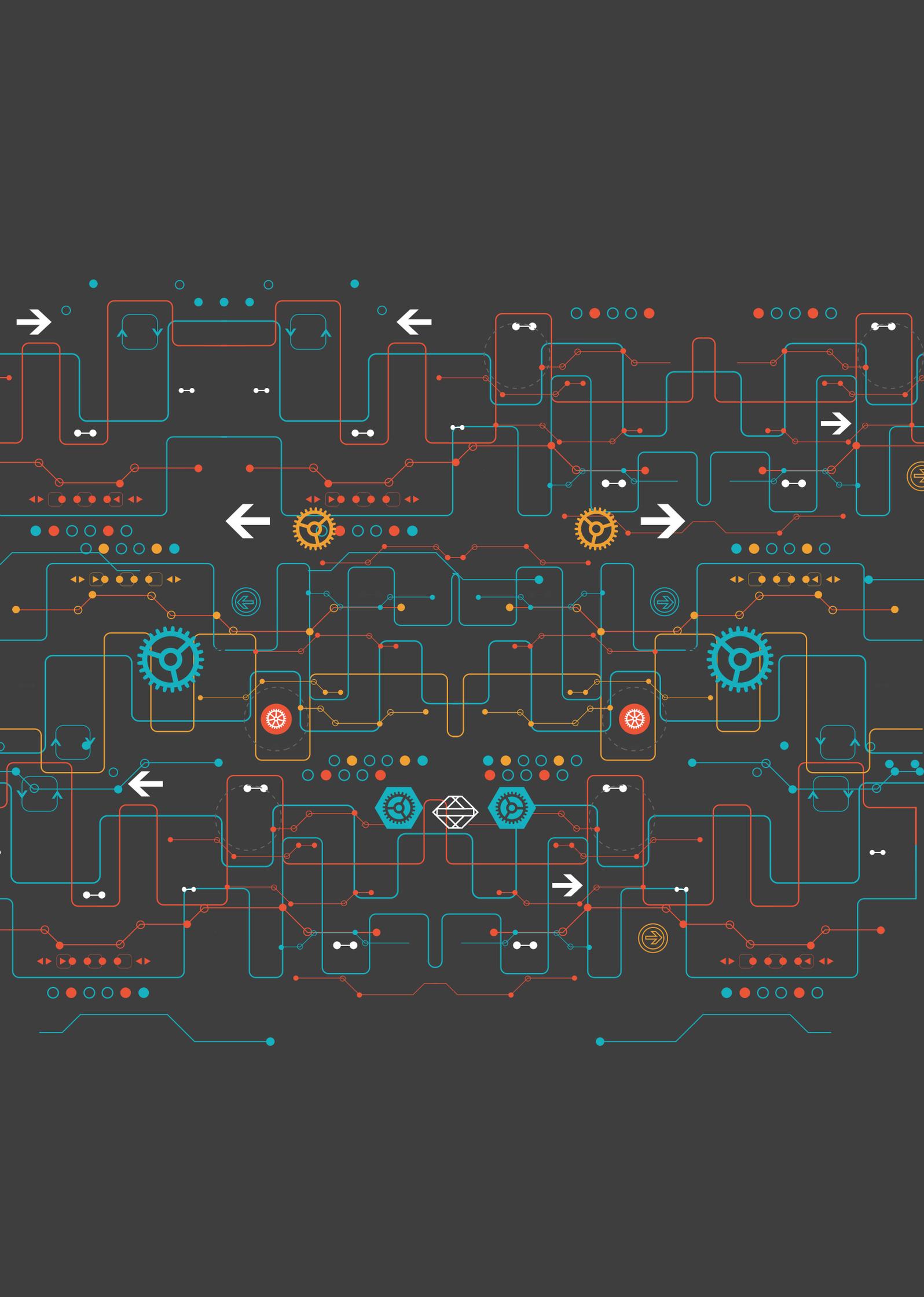
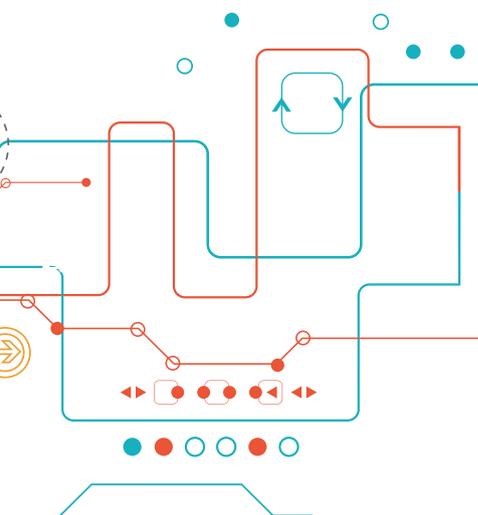




**ANNUAL
PERFORMANCE
PLAN
2019/20**

**National
Arts Council** **NAC**
an Agency of the Department of Arts & Culture





CHAIRPERSON'S MESSAGE



Mr Hartley Ngoato
Chairperson
National Arts Council

The National Arts Council (NAC) has made substantial progress in reinventing itself; remaining relevant in an ever-changing sector; and realigning itself to achieve measurable and impactful funding. The organisation has found its rhythm and a solid basis to grow further and improve not only at an operational level, but also at a performance and governance level. The NAC achieved some milestones on the “course-correcting” journey, which included a third consecutive clean audit from the Auditor-General of South Africa.

However, the achievement of these milestones doesn't offer us an opportunity to rest on our laurels. We still have a long way to go in mainstreaming the Arts, Culture and Heritage sector in order to position ourselves and to be thought of as a valuable and necessary component to socio-economic development.

The NAC's strategic intent and focus has undergone a change in tides. We have formulated a strategy that not only defines the NAC in terms of a clear purpose, but also represents sound strategic thinking towards achieving such clarity. Strategy is not developed in a vacuum where the past and present are not taken into account. Rather, in many respects, sound strategy such as the NAC's new enhanced five-year strategy, is the culmination of past strategic thinking. It carefully considers how past thinking affect the present in order to devise a means of extracting the best possible focus for the future. Aptly referred to as "the new dawn", the new strategy will be fully implemented through this Annual Performance Plan.

As a national public entity, the NAC gains its impetus from the Department of Arts and Culture (DAC). Its operations are guided by the Department's national imperatives and are filtered through the relevant provincial channels to perform the developmental function required by the national government. The DAC's imperatives are encapsulated in its 10 key priorities, as set out by the Minister of Arts and Culture. In keeping with the NAC's ongoing theme of collaborative strategy execution, the entity will continue its efforts to mobilise and integrate its financial and non-financial support functions to artists, cultural workers and arts organisations through provincial arts departments, especially in traditionally underserved provinces.

As the NAC's new programmes structure reflects, each element is not a component operating for and in itself but rather a part of a greater whole, that is, a system of national governance that places development at the forefront of its endeavours. Collaborative strategy execution, coupled with the concept of funding for impact, are therefore not merely buzz phrases that attempt to capture the linguistic fashion of the prevailing administration. Instead, they are terms that have been developed over time and informed by careful consideration of national long-term goals and the strategies that guide us towards them.

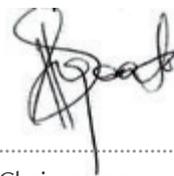
In light of this, the NAC has introduced new goals which speak to country imperatives and the needs of the sector. Most importantly, the entity has moved away from the discipline-based approach to funding and introduced a programmatic approach that will allocate funding to beneficiaries located within specified programmes

instead of individual disciplines. Calls for funding have already started focusing on programmes such as Social Cohesion and Nation Building; Innovation, Design and Creation; Arts Platforms/Showcases/Exhibitions/Festivals; Strategic Initiatives; and Capacity Building. Furthermore, the Grants Management System (GMS) has been upgraded and the online application process is making the administration of applications more effective and is lowering incidences of human error.

In fulfilling the NAC mandate we will continue to contribute to transformation in the arts and to social cohesion in the country; implement an effective funding model that supports the NAC and allows it to deliver on its full mandate; advocate the benefits of the arts to create partnerships and unlock new resources; and create programmes in support of focused areas of work including, women, youth and people living with disabilities."

What the future holds for the NAC is funding for impact through a more refined programmatic approach; greater collaboration with local, provincial and global partners; more appropriate disbursement of funding; meaningful monitoring and evaluation; promoting country imperatives such as transformation, social cohesion and nation building; and sound governance and financial management.

In line with the NDPs call for a coordinated, interdepartmental and interdisciplinary approach to sustainable socioeconomic development, social cohesion and nation building, the NAC looks forward to strengthening transversal projects for meaningful engagement and impact.



.....
Chairperson

OFFICIAL SIGN-OFF

It is hereby certified that this APP:

- was developed by the management of the NAC under the guidance of Council;
- was prepared in line with the current Strategic Plan of the NAC; and
- accurately reflects the performance targets the NAC will endeavour to achieve given the resources made available in the budget for 2019/20.

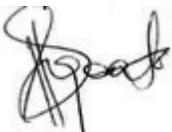


Karen Son
Chief Financial Officer

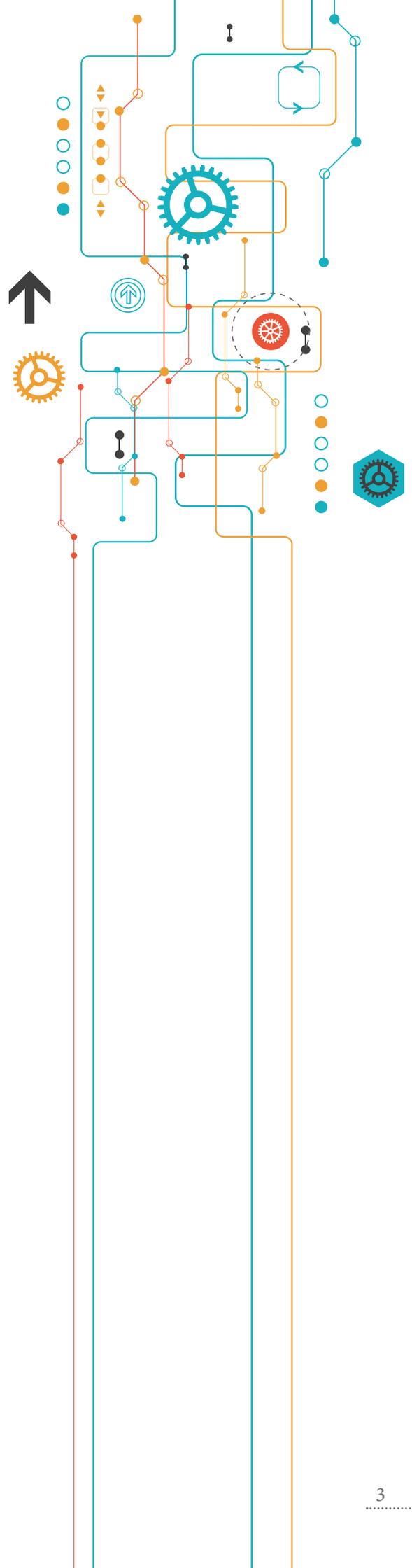


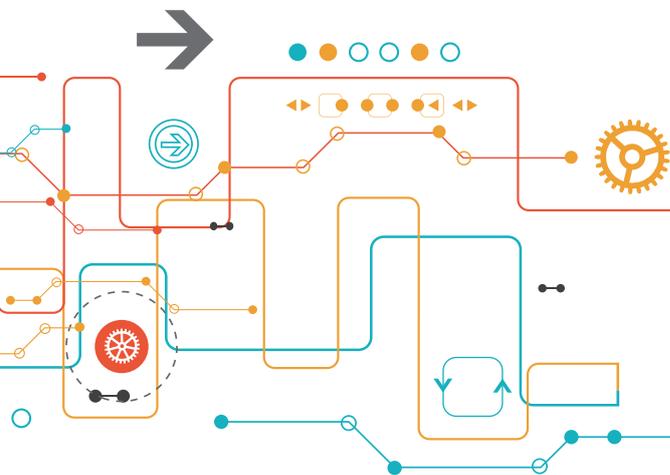
Zolani Mkiva
Interim Chief Executive Officer

Approved by:



Hartley Ngoato
Chairperson





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LIST OF ABBREVIATIONS/ ACRONYMS

AO

Accounting Officer

ADO

Arts Development Officer

APP

Annual Performance Plan

CEO

Chief Executive Officer

CFO

Chief Financial Officer

DAC

Department of Arts and Culture

EXCO

Executive Committee

GMS

Grant Management System

HR

Human Resources

ICT

Information and Communications Technology

IT

Information Technology

MGE

Mzansi Golden Economy

MOA

Memorandum of Agreement

MOU

Memorandum of Understanding

MTEF

Medium-Term Expenditure Framework

NAC

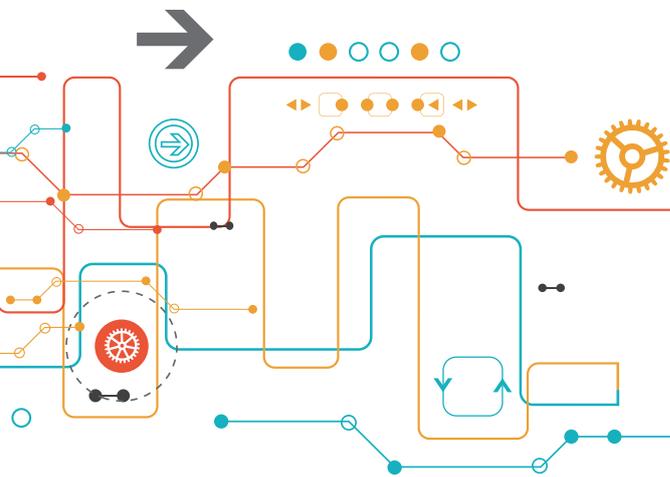
National Arts Council

PACC

Provincial Arts and Culture Council

NDP

National Development Plan

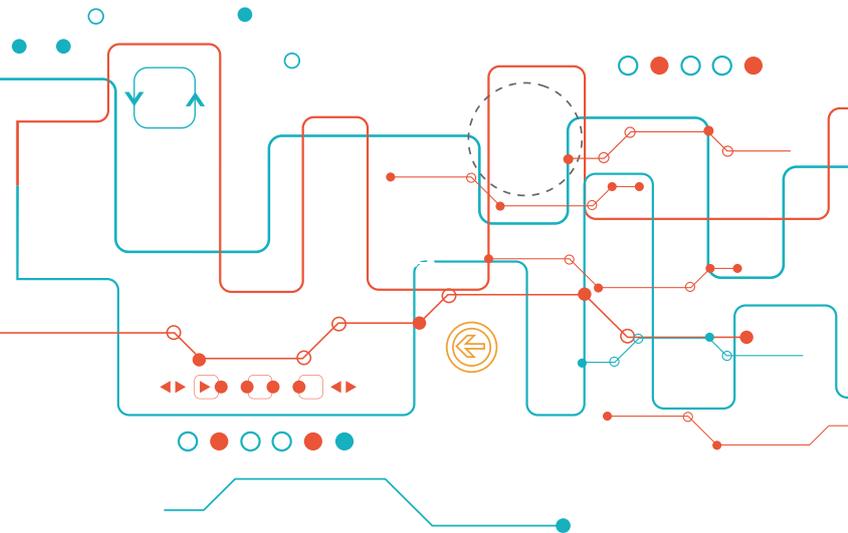


1. VISION

The NAC's vision is to establish a vibrant, sustainable arts community that enriches lives through the creative expression of South Africa's cultures.

- 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.

2. MISSION



The NAC's Mission is to:

- leverage partnerships and resources; and
- develop, support, promote and advance the arts.

BY DEVELOP WE MEAN:

- nurture artistic talent by funding and developing academic and professional arts managers, and giving support to arts practitioners;
- foster mentorship and coaching as a means of improving the quality of artistic expression;

- create opportunities for the transfer of knowledge and experience through regional and international exchanges;
- build capacity and expertise in the arts through artistic, entrepreneurial, management, research and technical development, as well as copyright protection; and
- grow South Africa's wealth, measured by its great works of artistic expression.

BY SUPPORT WE MEAN:

- contribute to the development and utilisation of resources that enables artistic expression;
- fund worthwhile artistic endeavours that may otherwise be overlooked;
- provide the space and financial means for people to explore and experience the arts;
- collaborate with other stakeholders to create a vibrant artistic ecosystem; and
- support the Department of Arts and Culture (DAC) with the implementation of the Mzansi Golden Economy (MGE) and other strategies, especially those focused on enhancing social cohesion.

BY PROMOTE WE MEAN:

- facilitate access to markets and economic sustainability for artists;

- showcase the talent of artists at high-profile events;
- communicate the message that “imagination, creativity and design are vital ingredients of the arts that contribute to economic, social, emotional and spiritual growth”;
- develop future audiences for the arts; and
- advocate for the arts and artists as important contributors to South African society.

BY ADVANCE WE MEAN:

- inform policy-making through research, information generation, intelligence and insights;
- provide economic and artistic opportunities for disadvantaged and rural communities, women and the youth to grow and develop their potential and opportunities to find lucrative employment; and
- uphold and promote the rights of all to experience freedom in their practice of the arts.

PURPOSE

The NAC’s purpose is to:

- support, promote and advance the arts in South Africa;
- contribute to a collaborative society through the richness and strength of the arts;
- ensure that the arts are recognised as a key ingredient in developing social cohesion;
- enable artists to define their ideas and establish their unique identity;
- address past and present inequalities and imbalances through the medium of art;
- develop relevant competencies in the new creative arena that transcends both traditional and contemporary skills; and
- encourage the contribution of artists to enrich the soul of our nation.

3.

VALUES

The NAC is committed to the following values:

ACCOUNTABILITY



RESULT ORIENTATION



PROFESSIONALISM AND INTEGRITY



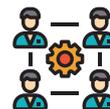
MAKING A DIFFERENCE



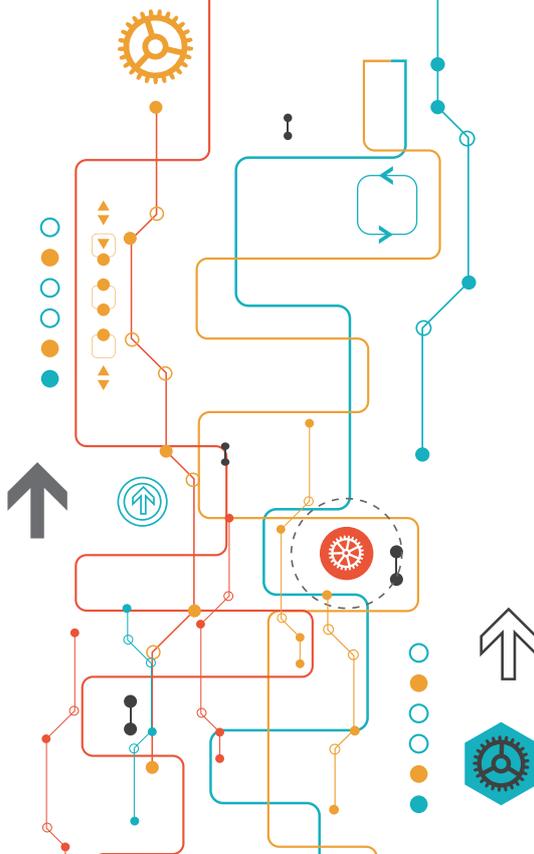
EMPLOYEE FULFILMENT



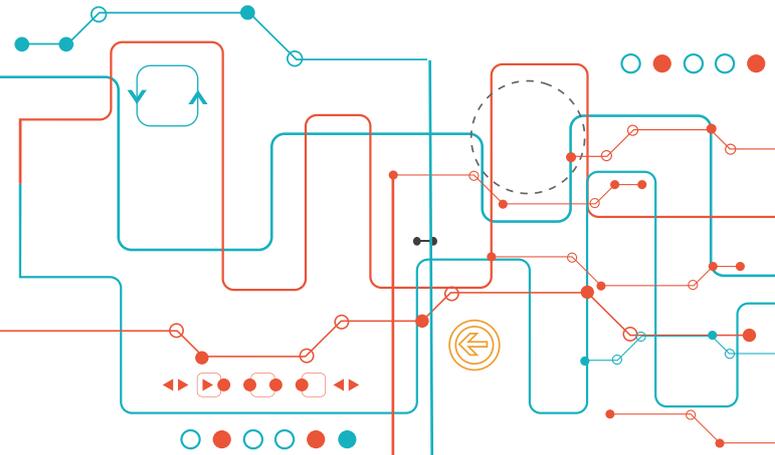
EXCELLENCE AND SYNERGY



TRANSPARENCY AND OPENNESS

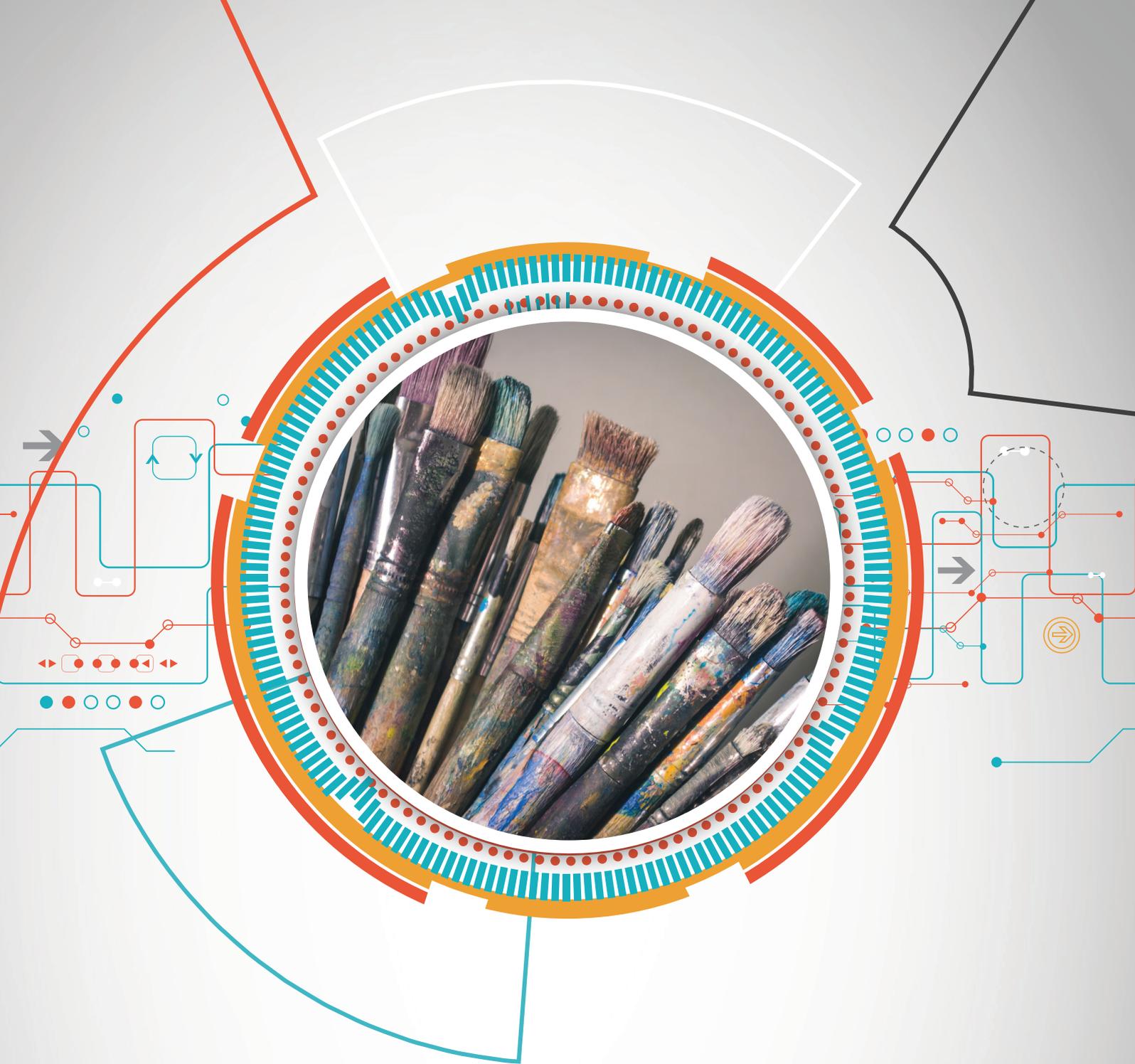


4. REVISION TO LEGISLATIVE MANDATES



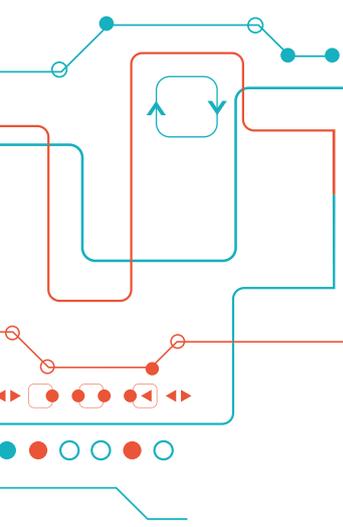
The NAC has identified challenges with the National Arts Council Act, 1997 (Act No. 56 of 1997), as amended by the Cultural Laws Amendment Act 2001 (Act No. 36 of 2001) in relation to the work and mandate of the NAC and has communicated these challenges with the Department of Arts and Culture (DAC).

Further to this, the NAC made input as requested by the Cultural Law Review Commission. This process was undertaken with the long-term objective of having the legislation reviewed by the DAC. This review is required to ensure that the NAC Act and its regulations provide a coherent and aligned approach to the work of the council. It is clear that the current NAC Act does not adequately distinguish between the regulatory and executive functions of the NAC. Current provisions of the Act create confusion and need to be realigned. It is also clear that there is a need for greater efficiency and cost-effectiveness in the conduct of governance structures and in the way grants and awards are made. The NAC's new enhanced strategy has shifted from a discipline focused funding approach to a programme focused funding approach. These changes in the policy environment does not impact on the NAC's ability to achieve all targets as set out in the NAC's five-year strategy.



PART A

STRATEGIC OVERVIEW



5 • UPDATED SITUATIONAL ANALYSIS

The NAC is undergoing constant and unrelenting transition, evolution and adaptation at strategic and operational levels. It is imperative for the NAC to change faster than its environment in order to stay relevant to the needs and expectations of its stakeholders and to deliver on its mandate as a public entity. The NAC currently faces a number of exceptional circumstances that will impact on its destiny in the period covered by this APP.

What are these **exceptional circumstances**?

- The NAC will continuously need to take heed of the direction of the **White Paper on Arts, Culture and Heritage**, and position itself to play a meaningful role in supporting the DAC's strategic aspirations.
- The NAC has reviewed its Enhanced Five-Year strategy (2015/16 – 2019/20) which will see various changes in the way it implements its programmes and will continue to implement its updated strategy (2016/17 – 2020/21) which will permit the organisation to deliver on its overall mandate, as set out in the NAC Act.
- The NAC is presently experiencing budget constraints to execute its full mandate and cannot rely solely on funding from government to achieve this. It needs to accelerate the leveraging of funding and resources, as contemplated in Section 16 of the NAC Act. In addition to this, from a strategic perspective, the NAC will continue to implement its collaborative strategy execution with key strategic partners to ensure effective use of the available budget.
- The NAC needs to fund for impact and have evidence of the impact that entity has made and continues to make in the sector. This is especially important not only from a strategic implementation perspective, but also from a reporting perspective as performance will be a crucial part of internal and external audits.

- In an environment where government funding is finite and the needs of the sector are disproportionately large, it is critical to ensure that all funding is fully allocated and utilised, ensuring that it is so allocated to maximise its potential impact. It also means ensuring that funding is effectively disbursed and utilised in compliance with the principles and practices of sound governance.
- There is an urgent need to address the systemic factors contributing to the past and current financial surpluses experienced by the NAC. These surpluses are not created through a limited range of funding opportunities or non-allocation of grants, but rather through non-disbursal because of shortcomings in beneficiary compliance requirements. This will require the strengthening of the monitoring and evaluation system that will timeously identify such shortcomings and ensure that scarce funding is not tied up unproductively.
- The NAC has embarked upon an organisational development initiative that was supported by the National Treasury's Technical Assistance Unit. The NAC is currently implementing the recommendations from this process.
- An important challenge that will need to be addressed is the very high cost of compliance within the NAC. The NAC employs 34 permanent staff and 6 interns, while remunerating a further 39 people through their participation in the NAC's governance structures. This provides a 1:3 ratio of employees to participants in governance structures and is comparable to a ratio of approximately 1:0.1 in other jurisdictions.

This APP is aligned to the NAC's Enhanced Strategy and continues to build on the significant transitions the NAC is currently experiencing. These transitions are from:

- an insular perspective of the NAC as a standalone agency to a holistic view of the NAC as an interconnected part of the arts and culture ecosystem in South Africa;
- a funding model based around reliance on government to a broader funding plan that leverages

funding and resources in the best interests of the arts;

- funding based on targets to funding for visible and evidence-based impact;
- funding focusing on seven disciplines to a programmatic approach;
- the initial paper-based administration environment to a recently introduced internal automated process;
- ongoing changes in leadership to planned advancement based on competence, career development and succession planning; and
- inadequate organisational change to planned organisational development.

This APP also supports the NAC's evolution from:

- a focus on grant delivery to a broader role in line with its overall mandate of promoting and developing the arts in South Africa;
- providing purely financial support to its stakeholders, to developing and providing value-adding products and services targeted at the various stakeholder segments; and
- a distant to a closer relationship with the DAC.

At the same time, this APP will support the NAC in adapting to a changing world by:

- focusing on ways to foster social cohesion in South Africa;
- rethinking the value it may add to the lives of artists, communities and youth, as well as marginalised and vulnerable groups;
- proactively anticipating changes in the policy environment and rethinking its potential future role; and
- developing international and regional relationships

to foster cooperative agreements that benefit South African artists and the arts sector.

5.1 PERFORMANCE DELIVERY ENVIRONMENT

Promulgated in 1996, the White Paper on Arts, Culture and Heritage made sweeping changes to the arts and culture landscape. The revised White Paper on Arts, Culture and Heritage has received input and commentary from stakeholders including the National Arts Council. Informing this policy debate and being mindful of the potential implications of changes in policy are important areas of focus for the NAC.

The debate around funding continues to be a contentious issue and the NAC is not immune from the discussion. The historic underfunding of the NAC continues to be a significant challenge in enabling it to deliver on its full mandate. The depth of artists' need for support and the broad scope of servicing seven disciplines spread across the length and breadth of our vast country all contribute to the dilemma of having to spread the NAC's funding as broadly as possible, while simultaneously delivering well-focused impact at a national level.

The NAC remains focused on its core mission to fund, promote and develop artists. From 2018/19 to 2019/20, the NAC will continue to support a number of strategic initiatives across its different disciplines that will significantly raise the profile of arts and culture in South Africa. These projects combine innovation, the leveraging of finances, contributions in kind and focused execution to deliver value in line with the NAC's overall mandate.

An enhanced funding model has enabled the NAC to introduce specific "grant products" for different arts and culture ecosystem segments. This, however, is still insufficient to achieve the overall impact required. The NAC will need to encourage broader, more innovative, thinking about ways to change "hand-outs" into "hand-ups". This includes ways of assisting communities to develop arts infrastructure, assisting artists to access markets and finding innovative ways of increasing the potential pool of funding available to the arts and artists.

Achieving this will require a new collaborative approach to working with partners including donor funders, philanthropists, corporations and other agencies. The

organisation has begun cultivating relationships with beneficiaries where they are asked to "pay it forward" and contribute to the arts. Working with artists to harvest their potential contribution "in kind" to the funding/resource pool remains an important opportunity. It is vital to break through a dependency mind-set to bring entrepreneurial thinking to bear on this challenge.

The NAC needs to remain true to its core capability as an efficient, trusted, highly reputable administrator and disburser of funding. It is only by maintaining and enhancing this reputation that the NAC will be considered a trustworthy partner by other organisations locally, regionally, continentally and internationally. The implementation and ongoing development of the NAC Grant Management System (GMS) will contribute greatly to addressing the need for increased efficiency and sound governance.

While this will no doubt contribute to an enhanced reputation for the NAC, its greatest resource may well be contained within the archival information it possesses. Ways to access, evaluate and report on this information needs to be established. Translating the information into credible intelligence that can inform policy-making and effective decision-making will be a major benefit to GMS as it continues to be implemented, expanded and developed.

While open and transparent participation by the arts community in grant funding is an important tenet for the NAC, there is a need to reduce the cost of governance and increase the speed and agility of the NAC's decision-making. The real-term decrease in the NAC's funding over past years has reduced the amount of money available for funding. This, coupled with an adverse economic climate that has contributed to an ever-increasing deluge of applications for small amounts of funding, has made increasing administrative efficiency an important strategic issue. Going forward, the NAC will need to ensure that its administration of funding is a balance of transparent engagement, good governance and cost efficiency.

A number of key themes have impacted the crafting of this APP. These include:

- realigning the NAC's mandate with a fast-changing strategic context, and the need to foster social cohesion and nation building in South Africa;

- ensuring the NAC plays an active leadership role within the arts and culture ecosystem;
- positioning the NAC’s future role in the context of a revised White Paper on Arts, Culture and Heritage, and the potential rationalisation of funding agencies in the arts sector;
- innovatively rethinking the nature of funding, grant making and projects to increase the support and potential resources available through the NAC;
- using the NAC database of relevant information to support policy-making and effective stakeholder decision-making;
- building a research capability to ensure that the NAC has a repository of high integrity and intelligent information that is readily accessible;
- investing in flagship projects to address high-impact areas such as the need to facilitate better access for artists to markets;
- developing focused and sustained initiatives around arts advocacy and audience development;
- engaging meaningfully with provincial and local structures to build sustainable capacity for arts and culture, including supporting the development of community arts centres as “models of excellence” that may be successfully replicated elsewhere;
- strategically strengthening relationships in ways that serve and benefit the arts community in South Africa; and
- strengthening the grant making and management process, especially the monitoring and evaluation of grants, to ensure that financial assistance provided is well utilised in accordance with the principles of good governance.

Addressing these themes in a systematic, prioritised and well-sequenced manner has informed the structuring of this APP and will continue to inform future versions.

5.2 ORGANISATIONAL ENVIRONMENT AND SWOT ANALYSIS

Despite a number of challenges over the past years, the NAC has continued to deliver on its core mandate: to provide funding to the arts and artists in South Africa. This is largely due to the fact that it has capable Council members, advisory panellists and a small team of highly committed employees.

The current Council was appointed and inducted in November 2016 and will serve for a period of four years.

The NAC has been **successful** over the past year in:

- developing leadership stability and ensuring planned transitions;
- raising the profile of the arts in South Africa through cultural engagements;
- increasing access to sustained funding for the arts community through institutional support funding;
- achieving an improved provincial spread of funding allocations;
- increasing the bursary funding available to emerging artists;
- ensuring that limited resources reach rural areas and disadvantaged communities, women, youth and people living with disabilities;
- supporting many important arts organisations, both established and community-based;
- funding artistic productions;
- building a reputation among practitioners for integrity and commitment to the arts;
- creating opportunities for international cultural programmes;
- enhancing relationships with important stakeholders;
- investing in building capabilities in communications; and

- achieving a clean audit status with the Auditor-General of South Africa.

Despite these successes, strategic engagements with stakeholders have identified the following ongoing **operational challenges**:

- insufficient “grass-roots” impact at provincial and local levels, and the need for NAC structures to be able to better understand and support initiatives in underserved provinces and in rural and underprivileged areas;
- a lack of “on the ground” data collection regarding both artistic needs as well as the availability of potential resources; and
- a lack of evidence-based decision-making and business intelligence.

This APP establishes initiatives to address the following challenges:

- realigning the work of Arts Development Officers (ADOs) to incorporate a cross-discipline and programmatic role and accountability at both provincial and national levels;
- developing an approach that will better utilise the expertise of panel members working in cross-functional teams with ADOs and provincial and local counterparts to address grassroots needs;
- freeing up employees’ time to add increased value through disciplined work and streamlined technology-enabled processes;
- developing a comprehensive and strategically aligned information and communications technology (ICT) strategy;
- investing in appropriate, long-term ICT architecture that enables organisational flexibility, agility and scalability;
- investment in technology that enables employees to work efficiently, and remotely access and input information;

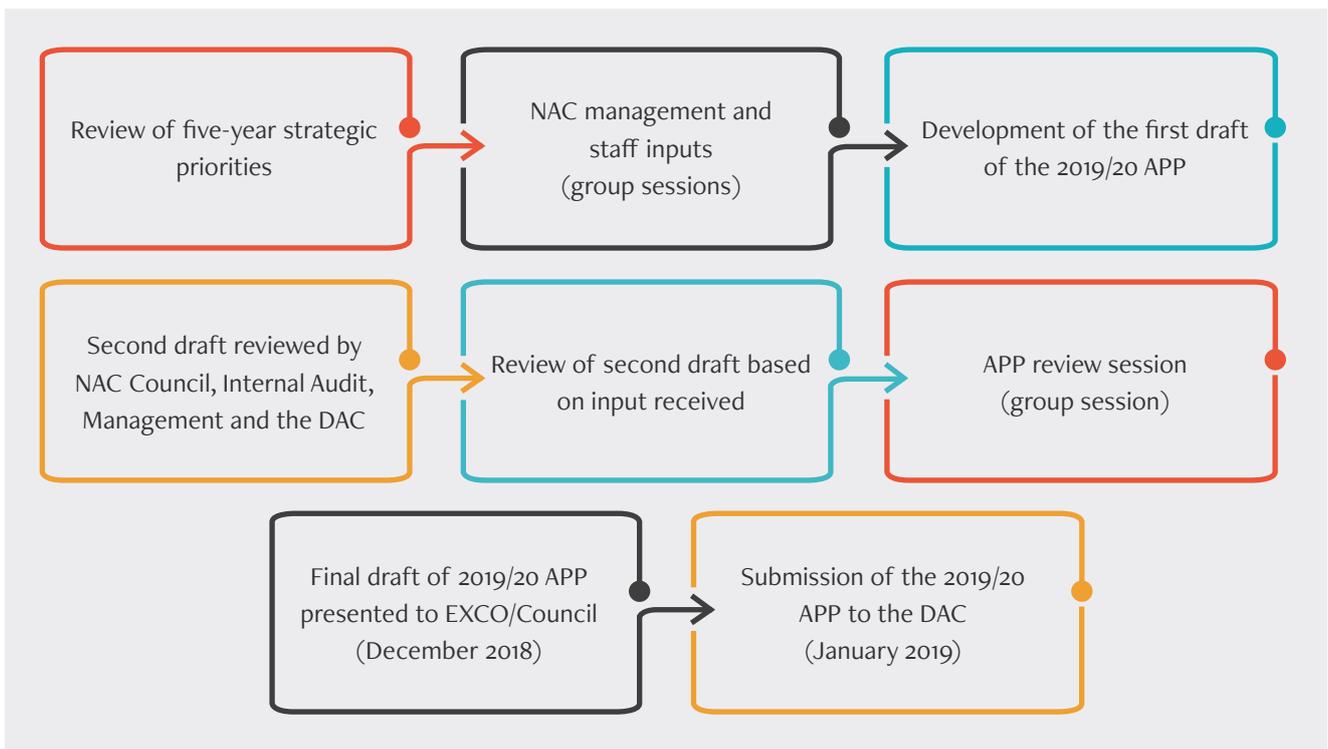
- strengthening the monitoring and evaluation of projects;
- developing improved employee competencies in project planning, monitoring, evaluation and report writing;
- investing in building capabilities in people management and developmental support;
- making recommendations with regard to the revision of the NAC Act to bring it in line with a world that has significantly changed since its drafting almost 21 years ago; and
- implementing the organisational development initiative to build an enabling, productive work environment and to strengthen both HR and people management practices.

A number of **key strategic decisions** have been made that will impact the implementation of this APP. These include:

- to review the practice of making grants for amounts of less than R100,000 for the purpose of decreasing the high costs of administering such grants;
- future applications for grant and/or project funding to be submitted online through the NAC’s website and directly into the NAC’s GMS. This will reduce the current administrative burden experienced by the NAC, increase operational efficiency and accuracy, and free up the NAC’s resources to play a greater value adding role;
- the NAC’s governance structures and grant making processes will be reviewed to decrease the costs associated with current practices, increase efficiencies and improve overall turnaround times; and
- the NAC’s grant and project policy environment, contracts, and monitoring and evaluation processes will be strengthened to reduce the current “surplus funding” situation, which is primarily caused by the approval of grants and projects for which funding is not disbursed as a result of poor governance practices on the part of beneficiaries.

5.3 OVERVIEW OF THE DRAFTING OF THE APP

Consultations were held with the NAC’s core team to inform the final draft of the APP. The diagram below outlines the NAC’s strategic planning process for the drafting of the 2019/20 APP.



5.4 MATERIALITY FRAMEWORK

The concept of materiality is applied when the audit is planned and conducted, as well as in evaluating the effect of identified misstatements in the financial statements and predetermined objectives and non-compliance with legislation.

Financial statements

A matter is material if its omission or misstatement would, in all probability, influence the decisions of users of the financial statements.

In planning the audit, the auditor makes judgements about the size and nature of misstatements or non-compliance that will be considered material, individually or in aggregate, based on the information needs of the users. These judgements form the basis for determining the nature, timing and extent of the assessment of risk and further audit procedures.

BASE AMOUNT	SELECTED FOR MATERIALITY	REASONING
Total expenditure	Yes	The National Arts Council is a non-profit driven entity and is focused on disbursement of funds allocated by national government. The entity is therefore focused on service delivery through expenditure. It is therefore appropriate to use total expenditure as a basis to evaluate identified misstatements against all financial statement items.
Gross revenue	No	The NAC receives a grant from the Department of Arts and Culture which is used to fulfil the mandate of the entity; therefore it would not be appropriate to consider gross revenue as a base for determining materiality.
Net income/profit	No	The NAC is not profit driven, therefore it would not be appropriate to consider net income/profit as a base for determining materiality.
Total assets	No	NAC is not capital intensive, therefore, it would not be appropriate to consider total assets as a base for determining materiality.

Initial overall materiality has been set at R1,115,000 (1% of total expenditure).

Initial performance materiality has been set at R836,000 (75% of overall materiality).

The assessment of what is material is a matter of the auditor’s professional judgement. An initial overall quantitative materiality is calculated on the expenditure.

Other matters that affect the assessment of materiality:

- The auditor may calculate a different materiality for specific financial statement items based on the information needs of the users.
- Quantitative materiality is revised during the audit, for example when quantitative materiality was originally calculated on the previous year’s figures or on budgeted figures and the actual financial information becomes available.
- The auditor also considers qualitative materiality, i.e. the nature and cause of uncorrected misstatements, as well as the particular circumstances of their occurrence. The circumstances relating to some misstatements or instances of non-compliance may cause the auditor to evaluate them as material even if they are below quantitative materiality, for example if the misstatement or non-compliance relates to items involving related parties, fraud or matters that are in the public interest.

Management is required to inspect and correct the population wherever misstatements were identified, not only in respect of misstatements that are regarded as material. The cause of these misstatements should be identified, and controls should be put in place to prevent similar misstatements in future.

There is also a threshold below which misstatements are regarded as trivial and will not be reported to management and those charged with governance.

Audit of Predetermined Objectives

Materiality is considered in the context of qualitative factors and, when applicable, quantitative factors. In the case of the auditing of predetermined objectives, qualitative factors may be more important than, or at least as important as, quantitative factors in determining the materiality of identified misstatements.

The consideration of materiality occurs at the level of each selected programme that has been scoped into the audit. The auditor is concerned with the “cut-off point” where it could reasonably be expected that the decisions of the primary users of the reported performance information that related to a selected programme would have been influenced / affected had they known about the misstatement or been presented with the “correct” information. The auditor may use a quantitative threshold in this regard (taking cognisance of what is being measured and how it is being measured), but will

also consider the nature, cause and circumstances of identified misstatements and the possible consequences or impact of these as represented by relevant qualitative factors.

The qualitative considerations that may indicate whether the performance information will influence the decisions of users include the following:

- requirements of a law or regulation;
- performance information that relates to the primary functions or purposes of the institution, i.e. its “reason for being”;
- performance information that could be of significant national or community interest or of interest to the public, including the media;
- performance information determined as part of a sector determination; and
- programmes that relate to outputs of significant risk to the public.

Compliance with Legislation

A compliance deviation refers to an instance of non-compliance with the criteria for a specific subject matter or to a limitation placed on the auditor in auditing compliance with the criteria.

The assessment of what represents a material compliance deviation includes considerations of quantitative and qualitative aspects of the transactions or legislative requirement concerned.

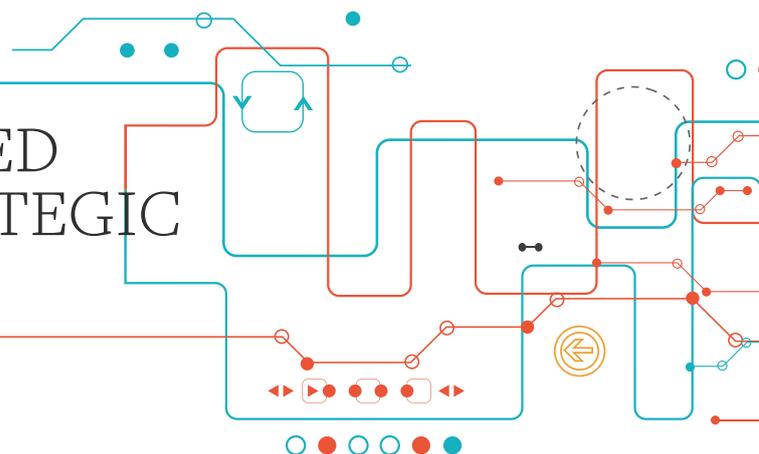
A percentage compliance deviation rate is used for criteria that are applied in respect of high volumes of transactions or activities and where a margin of error is tolerated.

If a compliance deviation is not quantitatively material, a number of factors are taken into account in applying professional judgment to determine whether the non-compliance is qualitatively material. Such factors may include the following:

- impact of the non-compliance in terms of value on irregular or unauthorised expenditure incurred;
- circumstances of the non-compliance;
- nature of the non-compliance;

- cause leading to the non-compliance;
- possible effects and consequences of non-compliance;
- visibility and sensitivity of the programme in question; and
- needs and expectations of the oversight, the public or other users of the auditor’s report.

6. GOALS ORIENTED TOWARDS STRATEGIC OUTCOMES



The NAC’s vision, mission and strategic goals are aligned with those of the DAC, in particular the **DAC’s MGE Strategy** and the DAC’s **National Strategy for Developing an Inclusive and a Cohesive South African Society**. In turn, the DAC’s goals are aligned with the 12 outcomes of government’s programme of action that drives the plans and actions of all government departments

The MGE Strategy emerged from the 2011 National Consultative Summit and sets out to reposition the cultural industries in South Africa. The MGE Strategy opens up the arts, culture and heritage sector to contribute to economic growth and job creation. Some of the projects that the DAC has initiated and is implementing are:

- the **cultural events initiative**, which funds big cultural events in different cities and towns of the country, providing platforms for performing artists to display their arts and to earn a living;
- the **sourcing enterprise**, which sources goods and services for events, shows, conferences and exhibitions, providing opportunities for both established and emerging young artists to be showcased on these platforms;

- the **public art project**, which considers proposals from artists who can do “impromptu” multimedia arts such as street theatre, dance, outdoor murals and sculptures;
- the **touring venture** project deals with art exhibitions, plays and public art performances that may be taken to various cities to provide opportunities for audiences elsewhere to experience the arts;
- the **art bank project** is envisaged as a national rental agency for contemporary and traditional South African art, and functions to procure and curate artworks in all public buildings, including government departments, institutions and South African embassies across the world;
- the **cultural observatory**, which aims to provide the industry and government with data that will help develop appropriate strategies for facilitating development of the sector and enhance its contribution to the gross domestic product.

The enhanced NAC strategy and APP have initiatives that are aimed at giving expression to a number of the initiatives set out in the MGE Strategy.

The DAC’s National Strategy for Developing an Inclusive and a Cohesive South African Society defines:

- o **Social cohesion** as “the degree of social integration and inclusion in communities and society at large, and the extent to which mutual solidarity finds expression among individuals and communities”.

- o **Nation building** as *“the process whereby a society of people with diverse origins, histories, languages, cultures and religions come together within the boundaries of a sovereign state with a unified and constitutional and legal dispensation, a national public education system, an integrated national economy, shared symbols and values, as equals to work towards eradicating the divisions and injustices of the past; to foster unity; and to promote a countrywide sense of being proudly South African, committed to the country and open to the continent and to the world”*.

It also sets out **eight dimensions** of social cohesion and nation building:

- **Belonging** – *“To be a part of and to experience a sense of affiliation to the community and to the larger society.”*
- **Inclusion** – *“To be included on an equal basis in all social activities and rights, and to have equal access to all life opportunities.”*
- **Participation** – *“Active involvement in community and social activities, programmes and events.”*
- **Recognition** – *“To recognise, acknowledge and value differences without discrimination.”*
- **Legitimacy** – *“The integrity and social legitimacy of public bodies and leaders representing community members and citizens.”*
- **Shared values** – *“Basic set of shared values such as democracy, freedom, equality, justice and mutual respect.”*
- **Cooperation** – *“A willingness to cooperate and work on community and social projects with diverse citizens.”*
- **Belief** – *“In self-help and confidence in the future of the community with the conviction that the future of the community depends on the action of the community members.”*

The NAC intends to incorporate **two significant elements** into its enhanced strategy to ensure that it acts in alignment with this strategy:

1. The NAC has and will continue to identify and support **“strategic initiatives”** that directly contribute to social cohesion and nation building.
2. The eight dimensions of social cohesion and nation building will be used in **setting criteria for the evaluation of grants** to ensure maximum potential support for these important outcomes.

The DAC is also currently engaging with stakeholders regarding the **revised White Paper on Arts, Culture and Heritage**. The revised White Paper sets out a way forward to:

- create a better life for all;
- offer an integrated and holistic package of services; and
- transform all levels of the sector and improve delivery mechanisms by:
 - o improving resourcing and resourcing systems; and
 - o improving institutional infrastructure.

The **implications** of the **revised White Paper on Arts, Culture and Heritage** for the NAC are:

- the potential **allocation** of the NAC’s mandate for the “promotion and development of the arts” to separate, discipline-specific councils; and
- the potential **integration** of the NAC’s funding mandate into a single “cultural and creative industries fund”.

The NAC is already contributed to the important debate around the contents of the White Paper and to its subsequent iterative versions. The NAC intends to utilise its strategy and APP to position itself for a value-adding role that will ensure its long-term survival and contribution to the outcomes envisaged by the White Paper.

There are many important **differences** between the NAC, with its uniquely South African context, and its international counterparts. These include:

- **Arts resources** – South Africa is a large country with low levels of population density, particularly in the rural areas. Infrastructure at the grass-roots level is unevenly distributed, resulting in world-class arts facilities in large urban centres such as Johannesburg, Cape Town and Durban, and a paucity of infrastructure at the township or rural community levels. Where infrastructure such as community arts centres have been provided by the state, they often lack funds for ongoing maintenance and are unable to put forward artistic programmes that draw audiences on an ongoing basis.

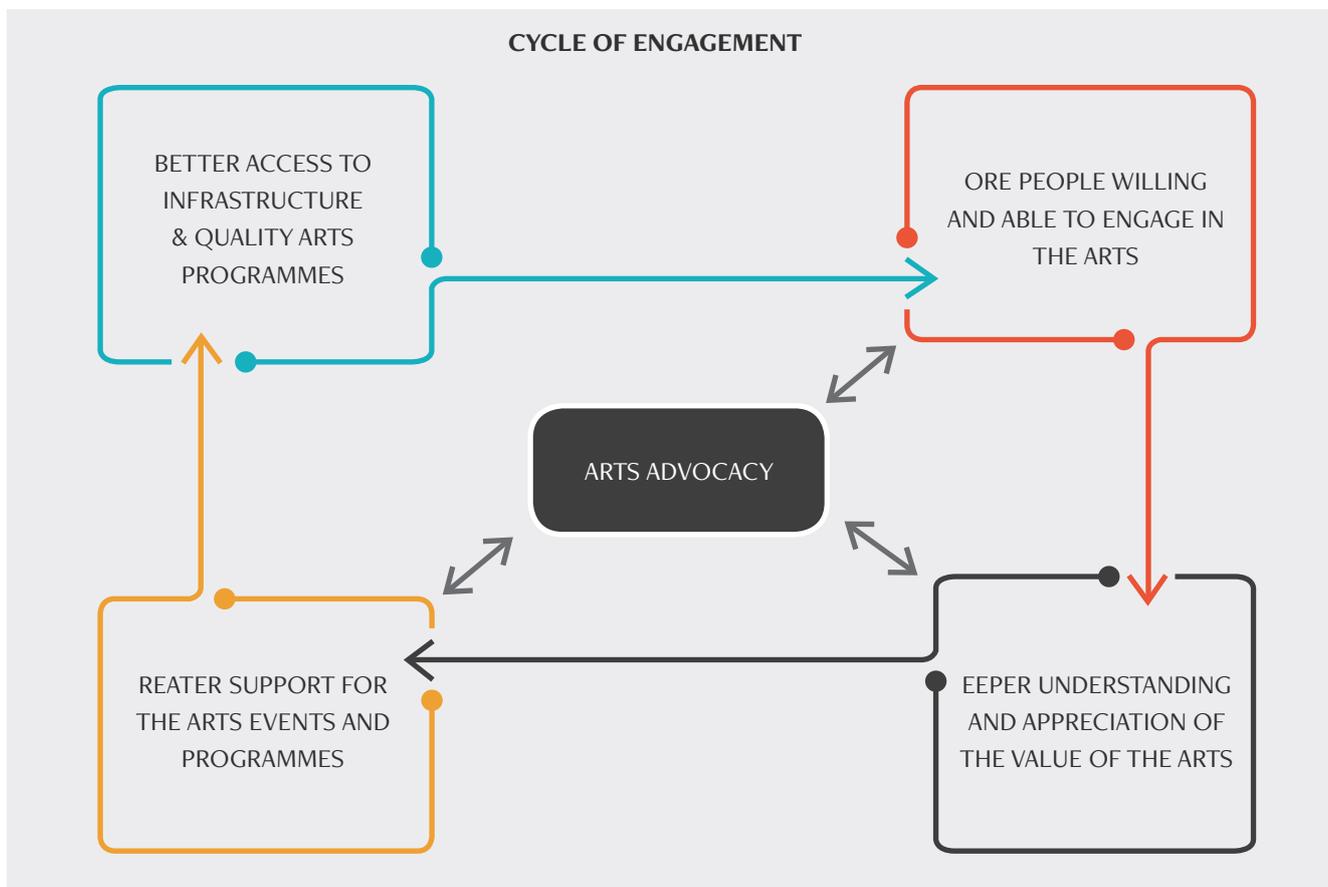
- **Affordability** – Large sections of the South African population live in poverty or do not have the disposable income to pay for exposure to the arts. This limits market creation and contributes to an elitist art market in the country. The affordability issue impacts significantly on the creation of a national culture that supports the arts. If a parent cannot afford exposure to the arts, it is likely he or she will not encourage their children to gain such exposure. This creates a self-perpetuating cycle of alienation from the arts that severely limits the potential for market growth.
- **Access to markets** – The affordability issue referenced above impacts the demand for the arts. Many artists do not have a local market that they can readily access, often leading to them moving to the large cities in the hope of finding paying audiences. Once in these cities, they often lack the formal and informal networks to access markets. This is compounded by low levels of literacy, from basic education levels to computer and financial literacy. Traditional market intermediaries – such as gallery

owners, agents and managers – have tended to be drawn from privileged communities and are not readily accessible to emerging artists.

- **Funding** – Government’s ability to fund the arts is severely curtailed by its need to focus on other developmental priorities such as education, healthcare and social services. Public and private financial support, while generous by African standards, is low by global standards.

The enhanced NAC strategy needs to **take into account** these factors and to address some of the **most basic systemic issues** that may simply be taken for granted in other jurisdictions.

It is for this reason the NAC’s strategic goals balance a focus on **both the supply and demand** sides of the arts equation. It is important to build a virtuous cycle of engagement that drives supply and demand. This means providing support to strengthen and sustain the practice of the arts while stimulating awareness and connection to the arts through active advocacy.



THE NAC'S STRATEGIC GOALS

Goal 1: Create a vibrant, inclusive and transformed Arts and Culture Sector

Strengthen the arts through focused grant funding for arts organisations and practitioners and create a vibrant and transformed Arts and Culture sector that allows for the free expression in chosen languages and cultures. A sector that pays attention to indigenous arts forms with a focus on equity, inclusivity and diversity in participation.

Content creation and distribution is at the heart of the creative industries and this goal focuses on driving content creation and distribution. It aims to promote excellence and innovation in the creation of new works and to develop and support platforms for practitioners to showcase their work.

Goal 2: Achieve global recognition for our unique South African arts and culture

Promote **equity in the arts** through a specific grant making focus on disadvantaged and marginalised individuals, groups and communities highlighting unique South African arts and culture.

This goal focuses on addressing historical imbalances through positive focus on content creation and distribution that favours disadvantaged and marginalised groups of the South African society. It aims to support indigenous arts forms, youth, and people living with disabilities, women and marginalised communities particularly those in rural areas.

Goal 3: Sustainable Arts Capability

Develop a sustainable capability that enables the arts to entertain, enrich and inspire. Drive sustainable arts capability and contribute to the creation of sustainable arts organisations and thriving arts practitioners.

This goal focuses on proactive projects and grant-making that builds human capacity through training and

education. It will also focus on providing support to community arts centres and developing an accessible database of information for the arts community that will inform decision and policy-making. The goal also aims to create a professional and capacitated ACH sector.

Goal 4: Market access and enrichment through arts and culture

Increase access to markets and enable creative engagement for South African art and artists. This goal aims enable artists to practise freely and to assist artists to find markets for their work through focused projects, as well as international, continental and regional cultural engagement and exchanges (e.g. "travelling companies and international co-operation"). The goal also seeks to develop audiences as well as the engagement of those audiences as well as enriching lives and communities through arts and culture. This goal aims to create a transformed and productive ACH sector.

Goal 5: Increased access to and awareness of the arts through advocacy

This goal focuses on ways to increase the demand for the arts and creating critically engaged citizens who learn, appreciate, enjoy, experience and practice the arts in the various aspects of their lives. The goal also aims to showcase the value of the arts to society and increase the appreciation thereof..

Goal 6: Develop a National Arts Council that is recognised and credible.

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.

Goals 1 and 2 focus on **content creation and distribution**, and the supply side of the arts equation.

Goal 3 focuses on the **infrastructure and capabilities** required to sustain art practice on both the supply and demand sides of the arts equation.

Goal 4 focuses on **facilitating access to markets** and creating **enabling opportunities** for the arts. It focuses on the demand side of the arts equation.

Goal 5 focuses on increasing **awareness of the arts**. It focuses on the demand side of the arts equation.

Goal 6 is an internal goal that focuses on enabling the NAC to build the **capabilities it requires** to support the art sector.

6.1 OVERVIEW OF 2019 – 2022 BUDGET AND MTEF ESTIMATES

The budget and medium-term expenditure framework (MTEF) estimates illustrated below are for the 2019 – 2022 period.

6.1.1 Expenditure estimates

Statement of Financial Performance	Audited Outcomes			Estimated Performance	Medium Term Estimates		
	2015/16	2016/17	2017/18		2018/19	2019/20	2020/21
Revenue							
Tax Revenue	-						
Non Tax Revenue	2 895	2 573	1 894	1 800	1 800	1 800	1 800
Other Non Tax Revenue	178	587	38	-	-	-	-
Interest Income	2 717	1 986	1 856	1 800	1 800	1 800	1 800
Transfers received	96 089	102 054	106 869	109 677	115 666	122 026	128 737
Total Revenue	98 984	104 627	108 763	111 477	117 466	123 826	130 537
Expenses							
Current Expenses	31 836	34 667	35 934	34 703	36 499	38 408	40 421
Compensation of employees	17 755	20 558	22 261	22 207	23 696	25 355	27 011
Goods and services	13 014	13 455	12 608	12 496	12 803	13 053	13 410
Depreciation	999	654	1 065	-	-	-	-
Interest (Finance costs)	68	-	-	-	-	-	-
Grant transfers	70 732	100 886	77 268	76 774	80 967	85 418	90 116
Total Expenses	102	135 553	113 202	111 477	117 466	123 826	130 537
Surplus / (Deficit)	(3 584)	(30 926)	(4 439)	0	0	0	0

Statement of Financial Performance	Audited Outcomes			Estimated Performance	Medium Term Estimates		
	2015/16	2016/17	2017/18	2018/19	2019/202	020/21	2021/22
ASSETS							
Current assets	45 902	40 121	34 523	30 886	28 371	23 594	9 980
Trade and other receivables	335	347	332	223	195	50	127
Cash and cash equivalents ⁴	5 547	9 774	4 191	0 663	8 176	23 555	29 853
Non-current assets	5 663	429	11 106	11 537	11 995	14 682	15 793
Property, plant and equipment	5 519	8 111	10 434	10 836	11 226	13 857	14 963
Intangible assets ¹	44	318	672	01	769	825	830
Total assets	51 565	48 550	45 629	42 423	40 366	38 276	35 773
LIABILITIES							
Current Liabilities	3 065	3 068	29 711	26 328	24 587	22 667	20 180
Trade and other payables	2 025	691	663	1 465	364	1 126	1 003
Current provinces	-	534	6 813	23 224	21 364	9 857	17 674
Deferred income	613	43	226	83	000	1 000	1 000
Other current financial liabilities	427	-	009	856	859	684	03
Non-current liabilities	980	-	----				
Finance lease liabilities ⁹	80	----					
Total liabilities	4 045	068	29 711	26 328	24 587	22 667	20 180
NET ASSETS	47 520	45 482	15 918	16 095	15 779	15 609	15 593
Accumulated surplus/(deficit)	44 291	1 059	8 926	8 506	7 817	7 374	870
Reserves	3 229	4 423	992	7 589	962	8 235	8 723
Total net assets and liabilities	51 565	48 550	45 629	42 423	40 366	38 276	35 773

6.1.2 Relating Expenditure Trends to Strategic Outcome-oriented Goals

The above budget will contribute towards achieving the strategic objectives and desired strategic outcome orientated goals, as outlined in the strategic plan, as follows:

1	2	3	4	5
Create vibrant, inclusive and transformed Arts and Culture Sector	Achieve global recognition for our unique South African arts and culture	Develop a sustainable capability that enables the arts to entertain, enrich and inspire	Achieve increased access to markets and enable creative engagement for South African arts and artists	Increase awareness of the arts through advocacy
6				
Enhance the NAC's capacity to support the arts by strengthening its governance, organisational design, people and processes				

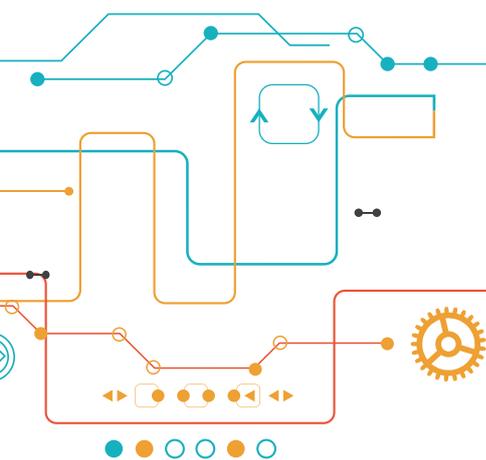
The NAC Act stipulates that 75% of the total budget allocated should be awarded to the sector in the form of grants, with the remaining 25% to be utilised for administration. As outlined in the table above, the bulk of the strategic objectives are driven through grant funding. The Minister of Arts and Culture approved a deviation from the Act, allowing for 70% of the total budget allocated to be awarded to the sector in the form of grants, with the remaining 30% to be utilised for administration.

The period of this deviation is three years (2017/18 – 2019/20).



PART B

PROGRAMME AND SUB-PROGRAMME PLANS



7 PROGRAMME: ADMINISTRATION

Strategic goal 1	Create a vibrant, inclusive and transformed arts and culture sector
Goal statement	Ensure that 95% of available funding is efficiently utilised to strengthen the practice of the arts in South Africa.
Link to DAC strategic goals	<ul style="list-style-type: none"> • Strategic goal 1: Job creation • Strategic goal 5: Development, protection, preservation and promotion of arts, culture and heritage • Strategic goal 6: Governance and accountability
Link to DAC strategic outcome-oriented goals	A transformed and productive Arts, Culture and Heritage sector
Link to the National Development Plan	Chapter 15, Action 116
NAC projects/activities	<ul style="list-style-type: none"> • Strategic projects and arts projects • Arts Incubator Programme for entrepreneurship • NAC Desks • Membership to the International Federation of Arts Councils and Culture Agencies (IFACCA)
Commentary	<p>This goal will focus on strengthening the arts through focused grant funding for arts organisations and practitioners with the aim of creating a vibrant and transformed Arts, Culture and Heritage sector that allows for the free expression in chosen languages and cultures. Creating a sector that pays attention to indigenous arts forms with a focus on equity, inclusivity and diversity in participation.</p> <p>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” by proactively targeting specific areas and disciplines within the arts as well as the proactive deployment of strategic projects to ensure an appropriately focused funding balance.</p> <p>Strengthening oversight through a risk-based approach to monitoring and evaluation ensuring good governance to reduce the “surplus” not disbursed.</p>

Create a Vibrant, Inclusive and Transformed Arts and Culture Sector

STRATEGIC OBJECTIVES: ANNUAL TARGETS

Strategic measurable objectives	Performance indicator 2019/20	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
Percentage of disbursements made in accordance with the agreed disbursement criteria per annum	Percentage of project disbursement made in accordance with the agreed disbursement criteria per annum	100% of disbursements made in accordance with agreed disbursement criteria	100% of disbursements made in accordance with agreed disbursement criteria	100% of disbursements to be made in accordance with agreed disbursement criteria	100% of disbursements to be made in accordance with agreed disbursement criteria	100% of disbursements to be made in accordance with agreed disbursement criteria per annum	100% of disbursements to be made in accordance with agreed disbursement criteria per annum	100% of disbursements to be made in accordance with agreed disbursement criteria per annum
Identify and fund strategic initiatives per annum	Number of strategic initiatives supported per annum	15 Flagships projects identified and funded/delivered	9 Flagships projects identified and funded/supported	5 Flagships projects identified and supported	Identify and support 4 strategic initiatives	Identify and fund 2 strategic initiatives per annum	Identify and fund 2 strategic initiatives per annum	Identify and fund strategic initiatives per annum
Ensure an equitable allocation of project and grant funding across all programmes and NAC strategic imperatives per annum	Percentage of grants and project funding allocation across all disciplines and NAC strategic imperatives per annum	Allocation of grants/projects per funding session: 50% for arts promotion, 30% for creation of new work, 20% for capacity building	Allocation of grants/projects per funding session: 57.86% for arts promotion, 37.85% for creation of new work, 35.98% for capacity building	51.23% allocated for arts promotions. 27.44% for creation of new work and 20.93% for capacity building	Allocation of grants/projects per funding session: 50% for arts promotion, 30% for creation of new work, 20% for capacity building	Allocation of grants/projects per funding session: 50% for arts promotion, 30% for creation of new work, 20% for capacity building per annum	Allocation of grants/projects per funding session: 50% for arts promotion, 30% for creation of new work, 20% for capacity building per annum	Allocation of grants/projects per funding session: 50% for arts promotion, 30% for creation of new work, 20% for capacity building per annum

QUARTERLY TARGETS

Programme performance indicator	Reporting period	Annual target 2019/20	Quarterly targets			
			Q1 (30 Jun)	Q2 (30 Sep)	Q3 (31 Dec)	Q4 (31 Mar)
Percentage of disbursements made in accordance with the agreed disbursement criteria	Quarterly	100% of disbursements to be made in accordance with agreed disbursement criteria	100% of disbursements to be made in accordance with agreed disbursement criteria	100% of disbursements to be made in accordance with agreed disbursement criteria per quarter	100% of disbursements to be made in accordance with agreed disbursement criteria per quarter	100% of disbursements to be made in accordance with agreed disbursement criteria per quarter
Identify and support strategic initiatives per annum	Quarterly	Identify and support 2 strategic initiatives per annum	No target	Implement 2 strategic initiatives	No target set	No target set
Percentage of grants and projects funding allocation across all programmes and NAC strategic imperatives per annum	Quarterly	Allocation of grants/projects per funding session: 50% for arts promotion, 30% for creation of new work, 20% for capacity building per annum	No target set	Allocation of grants/projects per funding session: 50% for arts promotion, 30% for creation of new work, 20% for capacity building	No target set	No target set

Strategic goal 2	Achieve global recognition for our unique South African arts and culture
Goal statement	Promote equity in the arts through a specific grant making focus on disadvantaged and marginalised individuals and groups.
Link to DAC strategic goals	<ul style="list-style-type: none"> • Strategic goal 1: Job creation • Strategic goal 5: Development, protection, preservation and promotion of arts, culture and heritage DAC's focus on redress, transformation, social cohesion and nation building.
Link to DAC strategic outcome-oriented goals	A transformed and productive ACH sector
Link to the National Development Plan	<ul style="list-style-type: none"> • Chapter 15, Action 113 • Chapter 15, Action 114 • Chapter 15, Action 116 • Chapter 15, Action 119
NAC projects/activities	Strategic projects benefiting marginalised and indigenous art forms and groups facilitated and supported by the NAC
Commentary	<p>This goal will focus on promoting equity in the arts through a specific grant making focused on disadvantaged and marginalised individuals, groups and communities highlighting unique South African arts and culture.</p> <p>This goal focuses on addressing historical imbalances through positive focus on content creation and distribution that favours disadvantaged and marginalised groups of the South African society. It aims to support indigenous art forms, youth, and people living with disabilities, women and marginalised communities particularly those in rural areas.</p> <p>The NAC will allocate a collective of 40% of its funding to grants and projects that have indigenous art forms, by previously disadvantaged artists, in previously disadvantaged communities, rural areas/neglected provinces, with women, people living with disabilities and the youth as their primary beneficiaries.</p>

Achieve Global Recognition for Our Unique South African Arts and Culture

STRATEGIC OBJECTIVES ANNUAL TARGETS

Strategic measurable objectives	Performance indicator 2019/20	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
Allocate and disburse funding to support indigenous art forms per funding session	Percentage of funding allocated to support indigenous art forms per funding session	19.69% of allocated funding disbursed to support indigenous art forms	13.92% of allocated funding disbursed to support indigenous art forms	18.45% of allocated funding disbursed to support indigenous art forms	5% of allocated funding disbursed to support indigenous art forms	6% of funding allocated to support indigenous art forms per funding session	6% of funding allocated to support indigenous art forms per funding session	6% of funding allocated to support indigenous art forms per funding session
Allocate and disburse funding to support projects in targeted rural areas or provinces per funding session	Percentage of funding allocated to support targeted rural areas/provinces per funding session	45.56% of allocated funding disbursed to support projects in targeted rural areas/provinces	25.32% of allocated funding disbursed to support projects in targeted rural areas/provinces	25.69% of allocated funding disbursed to support projects in targeted rural areas/provinces	25% of allocated funding disbursed to support projects in targeted rural areas/provinces	25% of funding allocated to support projects in targeted rural areas/provinces per funding session	25% of funding allocated to support projects in targeted rural areas/provinces per funding session	25% of funding allocated to support projects in targeted rural areas/provinces per funding session
Allocate and disburse funding to support women and women-led organisations per funding session	Percentage of funding allocated to support women and women-led organisations per funding session	41.59% allocated funding disbursed to women and women-led organisations	19.96% allocated funding disbursed to women and women-led organisations	22.36% allocated funding disbursed to women and women-led organisations	10% allocated funding disbursed to women and women-led organisations	10% funding allocated to support women and women-led organisations per funding session	10% funding allocated to support women and women-led organisations per funding session	10% funding allocated to support women and women-led organisations per funding session

Strategic measurable objectives	Performance indicator 2019/20	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
Allocate and disburse funding to support organisations working with people living with disabilities and individuals living with disabilities per funding session	Percentage of funding allocated to support organisations working with people living with disabilities and individuals living with disabilities per funding session	9.90% of allocated funding disbursed to organisations working with people living with disabilities and individuals living with disabilities	2.25% of allocated funding disbursed to organisations working with people living with disabilities and individuals living with disabilities	2.82 % of allocated funding disbursed to organisations working with people living with disabilities and individuals living with disabilities	2% of allocated funding disbursed to organisations working with people living with disabilities and individuals living with disabilities	2% of funding allocated to support organisations working with people living with disabilities, and individuals living with disabilities per funding session	2% of funding allocated to support organisations working with people living with disabilities, and individuals living with disabilities per funding session	2% of funding allocated to support organisations working with people living with disabilities, and individuals living with disabilities per funding session
Allocate and disburse funding to projects that benefit the youth per funding session	Percentage of funding allocated to support projects benefitting the youth per funding session	50.2% of allocated funding disbursed to projects benefitting the youth	60.12% of allocated funding disbursed to projects benefitting the youth	30.05% of allocated funding disbursed to projects benefitting the youth	15% of allocated funding disbursed to projects benefitting the youth	18% of funding allocated to support projects benefitting the youth per funding session	18% of funding allocated to support projects benefitting the youth per funding session	18% of funding allocated to support projects benefitting the youth per funding session

QUARTERLY TARGETS

Programme performance indicator	Reporting period	Annual target 2019/20	Quarterly targets			
			Q1 (30 Jun)	Q2 (30 Sep)	Q3 (31 Dec)	Q4 (31 Mar)
Percentage of funding allocated to support indigenous art forms per funding session	Quarterly	6% of funding allocated to support indigenous art forms per funding session	No target set	6% of funding allocated to support indigenous art forms	No target set	No target set
Percentage of funding allocated to support targeted rural areas/provinces per funding session	Quarterly	25% of funding allocated to support projects in targeted rural areas/ provinces	No target set	25% of funding allocated to support targeted rural areas/ provinces	No target set	No target set
Percentage of funding allocated to support women and women-led organisations per funding session	Quarterly	provinces per funding session	No target set	10% funding allocated to support women and women-led organisations	No target set	No target set
Percentage of funding allocated to support organisations working with people living with disabilities and individuals living with disabilities per funding session	Quarterly	10% funding allocated to support women and women-led organisations per funding session	No target set	2% of funding allocated to support organisations working with people living with disabilities and individuals living with disabilities	No target set	No target set
Percentage of funding allocated to support projects benefitting the youth per funding session	Quarterly	2% of funding allocated to support organisations working with people living with disabilities, and individuals living with disabilities funding session	No target set	18% of funding allocated to support projects that benefitting the youth	No target set	No target set

Strategic goal 3	Sustainable arts capability
Goal statement	Develop a sustainable capability that enables the arts to entertain, enrich and inspire.
Link to DAC strategic goals	<ul style="list-style-type: none"> • Strategic goal 2: Human capital development • Strategic goal 3: Access to information
Link to DAC strategic outcome-oriented goals	A professional and capacitated ACH sector
Link to the National Development Plan	<ul style="list-style-type: none"> • Chapter 15, Action 119
NAC projects/activities	Strategic projects, partnerships, arts projects and bursaries (study assistance), capability development in arts education, e-learning, music education, information intelligence.
Commentary	This goal focuses on proactive projects and grant-making that builds human capacity through training and education. It will also focus on providing support to community arts centres and developing an accessible database of information for the arts community that will inform decision and policy-making.

Sustainable Arts Capacity

STRATEGIC OBJECTIVES ANNUAL TARGETS

Strategic measurable objectives	Performance indicator 2019/20	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
Support local and international bursaries in the arts per funding session	Percentage of funding allocated to local and international bursaries per funding session	31.09% of funding allocated to bursaries approved	32.02% of funding allocated to bursaries approved	21.03% of funding allocated to bursaries approved	20% of funding allocated to bursaries approved	20% of funding allocated to bursaries per funding session	20% of funding allocated to bursaries per funding session	20% of funding allocated to bursaries per funding session
Fund training and development programmes in the arts per annum	Number of training and development programmes developed and successfully implemented per annum	10 capacity building programmes developed and successfully implemented annually	8 Capacity building programmes develop and successfully implement	7 training and development programmes funded and implemented	Fund 7 training and development programmes	Fund 7 training and development programmes per annum	Fund 7 training and development programmes per annum	Fund 7 training and development programmes per annum
Fund the training of community art centre managers to ensure community art centres function at an acceptable level per annum	Number of community art centres considered to be functioning at an acceptable level per annum	10 community art centres considered to be functioning at an acceptable level	5 community art centre managers trained	The training of 7 community art centre managers supported	Support the training of 7 community art centre managers	Fund the training of 7 community art centre managers per annum	Fund the training of 7 community art centre managers per annum	Fund the training of 7 community art centre managers per annum
Establish strategic partnerships for the development of arts education per annum	Number of partnerships established per annum	2 Partnerships established with relevant structures	6 Partnerships established with relevant structures	Partnerships Established with 2 relevant structures	Establish 1 partnerships with relevant structures.	Establish 1 partnerships with a relevant structures per annum	Establish 1 partnership with a relevant structures per annum	Establish 1 partnership with a relevant structures per annum

QUARTERLY TARGETS

Programme performance indicator	Reporting period	Annual target 2019/20	Quarterly targets			
			Q1 (30 Jun)	Q2 (30 Sep)	Q3 (31 Dec)	Q4 (31 Mar)
Percentage of funding allocated to bursaries per annum	Quarterly	20% of funding allocated to bursaries per annum	No target set	5% of funding allocated to national and international bursaries	No target set	15% of funding allocated to national bursaries for block and post graduate studies
Number of training and development programmes developed and successfully implemented per annum	Quarterly	Fund 7 training and development programmes per annum	No target set	7 training and development programmes funded	No target set	No target set
Number of community art centres considered to be functioning at an acceptable level per annum	Quarterly	Support the training of 7 community art centre managers per annum	No target set	Fund training for 7 community art centre managers	No target set	No target set
Number of partnerships established per annum	Quarterly	Establish 1 partnerships with a relevant structures per annum	No target set	Establish a partnership programme with 1 relevant structure	No target set	No target set

Strategic goal 4	Market access and enrichment through arts and culture
Goal statement	Increase access to markets and enable creative engagement for South African art and artists.
Link to DAC strategic goals	<ul style="list-style-type: none"> • Strategic goal 1: Job creation • Strategic goal 2: Human capital development • Strategic goal 5: Development, protection, preservation and promotion of arts, culture and heritage
Link to DAC strategic outcome-oriented goals	A transformed and productive ACH sector
Link to the National Development Plan	<ul style="list-style-type: none"> • Chapter 14, Action 114
NAC projects/activities	Strategic projects, travelling companies, International cooperation, Precinct development, Tourism
Commentary	This goal aims enable artists to practise freely and to assist artists to find markets for their work through focused projects, as well as international, continental and regional cultural engagement and exchanges. The goal also seeks to develop audiences as well as the engagement of those audiences.

Market Access and Enrichment Through Arts and Culture

STRATEGIC OBJECTIVES ANNUAL TARGETS

Strategic measurable objectives	Performance indicator 2019/20	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
Establish partnership with relevant structures that promote nation building and social cohesion per annum	Partnership established with a relevant structure that promotes nation building and social cohesion per annum	Not applicable	Not applicable	Partnership Established with relevant Structures which promotes nation building and social cohesion	Partnership established with a relevant structure that promotes nation building and social cohesion	Partnerships established with a relevant structures that promote nation building and social cohesion per annum	Partnerships established with a relevant structures that promote nation building and social cohesion per annum	Partnerships established with relevant structures that promotes nation building and social cohesion per annum

QUARTERLY TARGETS

Programme performance indicator	Reporting period	Annual target 2019/20	Quarterly targets			
			Q1 (30 Jun)	Q2 (30 Sep)	Q3 (31 Dec)	Q4 (31 Mar)
Partnership established with a relevant structure that promotes nation building and social cohesion per annum	Quarterly	Partnerships established with a relevant structures that promote nation building and social cohesion	No target set	Establish a partnership programme with 1 relevant structure	No target set	No target set

Strategic goal 5	Increased access to the arts
Goal statement	Increase awareness of the arts
Link to DAC strategic goals	<ul style="list-style-type: none"> • Strategic goal 1: Job creation • Strategic goal 5: Development, protection, preservation and promotion of Arts, Culture and Heritage
Link to DAC strategic outcome oriented goals	A transformed and productive ACH sector
Link to the National Development Plan	Chapter 15, Action 112
NAC projects/activities	<ul style="list-style-type: none"> • Student Outreach • Communications • Stakeholder Management • NAC Alumni • Brand Evolution
Commentary	This goal focuses on ways to increase the demand for the arts and creating critically engaged citizens who lean, appreciate, enjoy, experience and practice the arts. The goal also aims to showcase the value of the arts to society and increase the appreciation thereof.

Increased Access to the Arts

STRATEGIC OBJECTIVES ANNUAL TARGETS

Strategic measurable objectives	Performance indicator 2019/20	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
Position and strengthen the NAC brand and increase stakeholder awareness and engagement	Review, update and implement brand communication strategy	Brand communication strategy developed	Updated and implement updated brand communication strategy	Brand communications strategy reviewed and updated	Review, update and implement brand communication strategy			

QUARTERLY TARGETS

Programme performance indicator	Reporting period	Annual target 2019/20	Quarterly targets			
			Q1 (30 Jun)	Q2 (30 Sep)	Q3 (31 Dec)	Q4 (31 Mar)
Position and strengthen the NAC brand and increase stakeholder awareness and engagement	Quarterly	Review, update and implement brand communication strategy	Conduct stakeholder perception survey	Update brand communication strategy based on survey findings	Implement and monitor the implementation of the updated strategy	Implement and monitor the implementation of the updated strategy

PROGRAMME: ADMINISTRATION

Strategic goal 6	Development of a credible and catalytic organisation
Goal statement	Enhance the NAC's capacity to support the arts by strengthening its governance, organisational design, people and processes.
Link to DAC strategic goals	Strategic goal 6: Governance and accountability
Link to DAC strategic outcome-oriented goals	An effective and efficient ACH sector – a sound governance system to ensure service delivery
Link to the National Development Plan	<ul style="list-style-type: none"> Chapter 15, Action 115 Chapter 14, Action 103 Chapter 14, Action 104 Chapter 14, Action 105 Chapter 14, Action 106 Chapter 14, Action 109
NAC projects/activities	<ul style="list-style-type: none"> Governance ADO of the Future Human Resources Practices Administration
Commentary	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.

Administration: Strategic Goal 6 – Organisational Development

STRATEGIC OBJECTIVES ANNUAL TARGETS

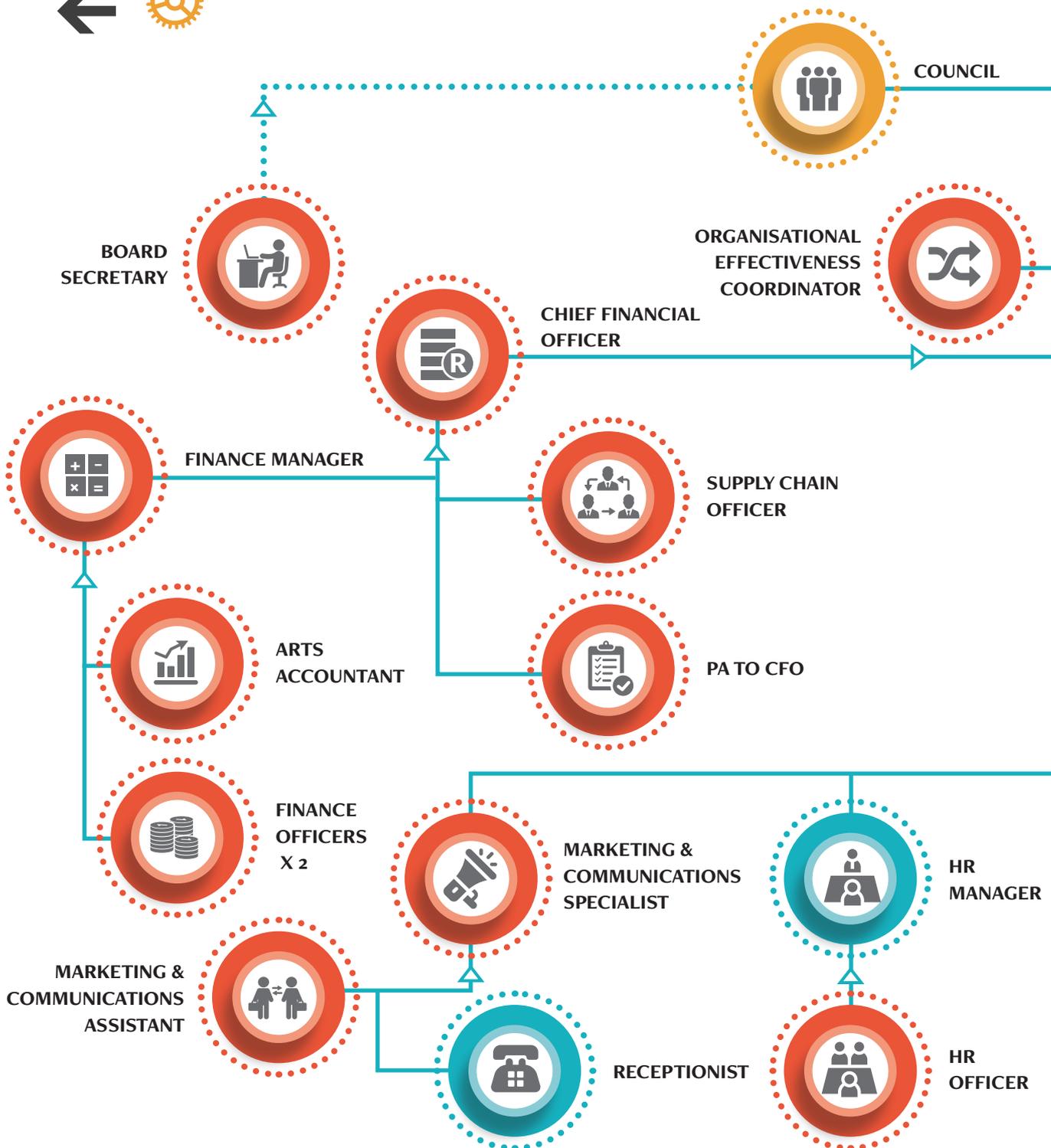
Strategic measurable objectives	Performance indicator 2019/20	Audited/Actual performance			Estimated performance 2018/19	Medium-term targets		
		2015/16	2016/17	2017/18		2019/20	2020/21	2021/22
Implement HR strategy	Implemented enhanced HR strategy	Develop HR strategy	Implement HR strategy and annual HR plan	HR strategy and HR plan implemented	Review HR strategy and develop annual HR plan	Review HR strategy and develop annual HR plan	Review HR strategy and develop annual HR plan	Review HR strategy and develop annual HR plan
Implement ICT governance framework	Implement ICT governance framework	Not applicable	Implement ICT strategy and annual ICT plan	ICT governance implemented	Review ICT strategy and annual ICT plan			
Implement effective financial management	Implement effective financial management	Unqualified audit outcome	Unqualified audit outcome	Unqualified audit outcome	Unqualified audit outcome	Unqualified audit outcome	Unqualified audit outcome	Unqualified audit outcome
Improvement of business processes	Improvement of business processes	Not applicable	Not applicable	Implementation of new business processes approved	Implementation of new business processes	Implementation of new business processes	Continuous improvement of business processes	Continuous improvement of business processes
Evaluation of council and council sub-committees	Evaluation report of council and council sub-committees	Performance evaluation of council and its sub-committees	Performance evaluation of council sub-committees and advisory panels	Performance evaluation of Council Sub-committees completed	Performance evaluation of council and sub-committees			

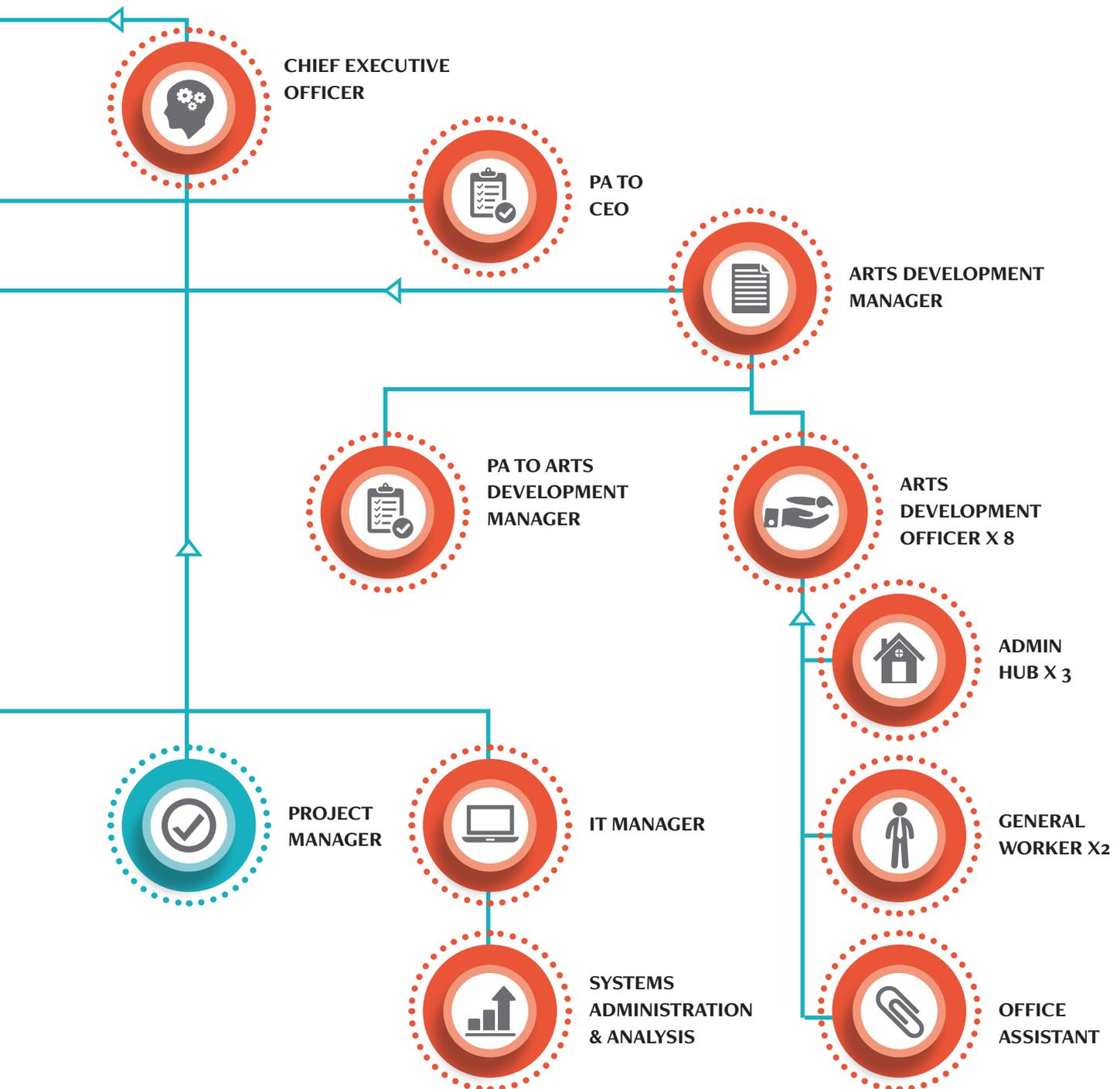
QUARTERLY TARGETS

Programme performance indicator	Reporting period	Annual target 2019/20	Quarterly targets			
			Q1 (30 Jun)	Q2 (30 Sep)	Q3 (31 Dec)	Q4 (31 Mar)
Implemented enhanced HR strategy	Quarterly	Review HR strategy and develop annual HR plan	Review HR strategy, develop annual HR plan and Implement 10% of the enhanced HR strategy and annual HR plan	Implement 30% of HR strategy and annual HR plan	Implement 30% of e of the HR strategy and annual HR plan	Implement 30% of the HR strategy and annual HR plan
Implement ICT governance framework	Quarterly	Review ICT strategy and annual ICT plan	Review ICT strategy, develop annual ICT plan and Implement 10% of ICT strategy and annual ICT plan	Implement 30% of ICT strategy and ICT annual plan	Implement 30% of ICT strategy and ICT annual plan	Implement 30% of ICT strategy and ICT annual plan
Implement effective financial management	Quarterly	Unqualified audit outcome	No target set	Unqualified audit outcome	No target set	No target set
Improvement of business processes	Quarterly	Continues review of business processes	Review and monitor business processes	Review and monitor business processes	Review and monitor business processes	Review and monitor business processes
Evaluation of council subcommittees and advisory panels	Quarterly	Performance evaluation of council and sub-committees	No target set	No target set	Develop evaluation tools	Utilise evaluation tools to evaluate



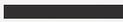
ORGANISATIONAL STRUCTURE

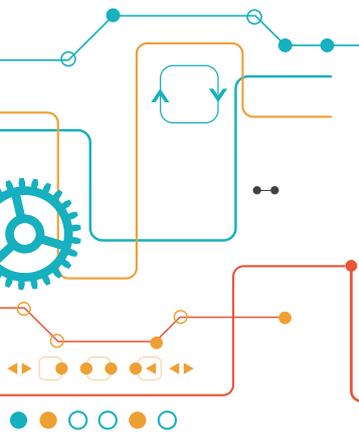






PART C
LINKS TO OTHER PLANS





8. LINKS TO THE LONG-TERM INFRASTRUCTURE AND OTHER CAPITAL PLANS

Not applicable

9. CONDITIONAL GRANTS

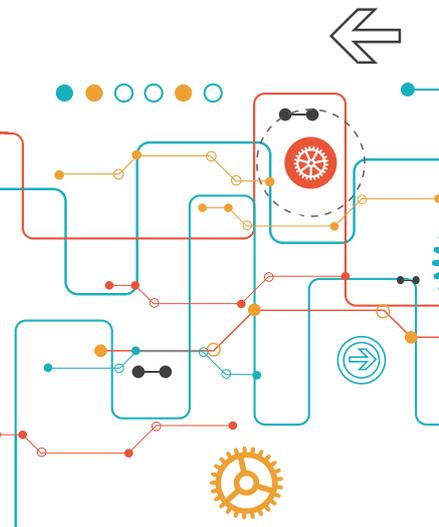
Not applicable

10. PUBLIC ENTITIES

Not applicable

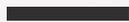
11. PUBLIC-PRIVATE PARTNERSHIPS

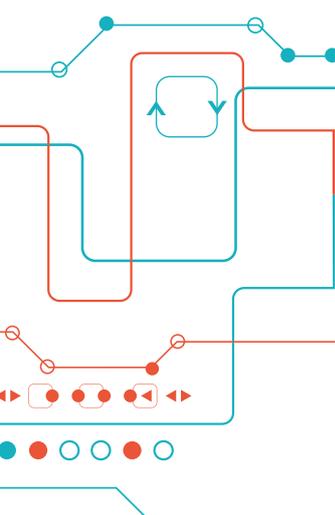
Not applicable





ANNEXURES





ANNEXURE A: RISK MANAGEMENT PLAN

KEY STRATEGIC RISKS

Once identified, each risk is assessed on how it might affect the achievement of the NAC's objectives. Each risk is rated according to a robust framework that centres on a dual impact versus probability matrix, control percentage quantification, real risk scores, and mitigation plans. The resultant risk-response strategy that arises from such an exercise articulates the necessary action plans to ensure these risks are addressed and minimised.

Timeframes are also stated for each action plan. All levels of staff in the organisation are encouraged to identify risks in the organisation. The internal audit plans are also aligned with the identified risks, and the extent to which the internal control environment is effective is acknowledged. The risk-status register is monitored and updated quarterly, and progress is tabled at the audit and risk committee, EXCO and Council meetings.

The strategic risks facing the NAC are detailed in the risk status register. These will have to be managed on an ongoing basis until they have been adequately addressed.

The last risk assessment was conducted in October 2017. The reassessment of strategic risks based on the revised strategic plan will be performed in October 2018 in the presence of the audit and risk committee.

A detailed quantitative assessment of risks arising from the risk assessment process is reflected in the risk management plan.

NAC RISK STATUS REGISTER 2019/20

See page 44.

#	STRATEGIC GOAL	RISK NAME	RISK DESCRIPTION	ROOT CAUSES TO THE RISK	CONSEQUENCES OF THE RISK	IMPACT	LIKELIHOOD
1	Increased access to the arts through advocacy	Ineffective Corporate Governance (Disinformation, compliance etc.)	This risk refers to disinformation related to governance, outdated policies and non compliance to applicable policies and procedures to effectively execute the mandate of the NAC	<ol style="list-style-type: none"> 1. Inadequate performance management processes 2. Manipulation of information 3. Deliberate incompetence/ employee negligence 4. Non compliance to policies and procedures 5. Weak in internal controls (systems, lack of confidentiality, cyber security, collusion with external parties) 6. Fraud, corruption and unethical behaviour 7. Lack of constant monitoring of policies and procedures 8. Inadequate execution of the mandate 	<ol style="list-style-type: none"> 1. Inability for the Board to make effective decisions 2. POPI violation 3. Reputational damage 4. Financial loss 5. Litigation 6. Repeat behaviour 7. Operational closure - loss of license to trade 8. Loss of key talent 	Catastrophic	Almost certain
2	Market Access and creative engagement	Inadequate relationships with beneficiaries	This risk refers to inadequate relationships with NAC beneficiaries and lack of identification of suitable markets and visibility within the arts sector to fulfil NAC's mandate	<ol style="list-style-type: none"> 1. Inability to identify key beneficiaries suitable for NAC's mandate 2. Insufficient exposure and visibility within the arts sector 3. Inconsistent services provided across all provinces 4. No benchmarking with other industries and entities 5. High expectations/ unrealistic expectations from beneficiaries" 	<ol style="list-style-type: none"> 1. Reputational risk 2. Uncoordinated efforts to achieve our mandate. 3. Inadequate relationships which will affect the purpose of NAC 4. Not following trends and becoming irrelevant 	Catastrophic	Likely
3	Market Access and creative engagement	Inadequate relationships with stakeholders	This risk refers to inadequate relationships with NAC stakeholders through building credibility and ensuring effective arts awareness and collaboration within the arts community	<ol style="list-style-type: none"> 1. ;Lack of follow up/ monitoring 2. Non adherence from beneficiaries due to lack of consequence 3. Lack of recourse to recover unused funds 4. Lack of policies/ procedures to determine the minimum amount to be paid to beneficiaries 5. Upfront negotiations - Inability/ fear to have open conversation about grants without impeding independence 6. Lack of confidence - consumed by challenges 7. Managing perception and communication 8. Perception that NAC is for a specific province (e.g. Gauteng) 9. Lack of awareness of the NAC mandate 10. Insufficient exposure and visibility within the arts sector 11. Lack of strategic partnerships with organisations. 12. Lack of partnerships with similar entities 13. Lack of identification of suitable markets 	<ol style="list-style-type: none"> 1. Reputational damage 2. Loss of stakeholder relations 3. Lack of trust, credibility from stakeholders 4. Uneven distribution of NAC resources across all provinces 	Catastrophic	Likely

	INHERENT RISK EXPOSURE	KEY CONTROLS	RISK OWNER	PERCEIVED CONTROL EFFECTIVENESS	RESIDUAL RISK EXPOSURE	ACTION PLANS	ACTION PLAN OWNER	TARGET DATE	STATUS
	Extreme	<ol style="list-style-type: none"> 1. Policies and procedures 2. Contracts in place 	CEO All council member's	Satisfactory	High	<ol style="list-style-type: none"> 1. Review of all policies 2. Zero tolerance / ensure compliance to policies and procedure 	CEO All council member's	31-Mar-19	Planned
	Extreme	<ol style="list-style-type: none"> 1. Activate improved communication through Arts Development Officers and Communication manager 2. Newsletter 3. Stakeholder strategy 4. Social media 5. Provincial reps 6. CEO engagement 7. Surveys 8. Quarterly reports - progress reports 9. Board engagement 10. Round table - Though leadership discussion 		Weak	High	<ol style="list-style-type: none"> 1. Increase visibility and promote awareness 2. Contracts to include monitoring by council/ pay it forward 3. Make use of provincial reps for monitoring in different provinces 4. Celebrate success 	Executive Management	31-Mar-19	Planned
	Extreme	<ol style="list-style-type: none"> 1. Activate improved communication through Arts Development Officers and Communication manager 2. Newsletter 3. Stakeholder strategy 4. Social media 5. Provincial reps 6. CEO engagement 7. Surveys 8. Quarterly reports - progress reports 9. Board engagement 10. Round table - Though leadership discussion 		Satisfactory	Moderate	<ol style="list-style-type: none"> 1. Increase visibility and promote awareness 2. Contracts to include monitoring by council/ pay it forward 3. Make use of provincial reps for monitoring in different provinces 4. Celebrate success 	CEO ADM CS	31-Mar-19	Planned

#	STRATEGIC GOAL	RISK NAME	RISK DESCRIPTION	ROOT CAUSES TO THE RISK	CONSEQUENCES OF THE RISK	IMPACT	LIKELIHOOD
4	Increased access to the arts through advocacy	Inadequate Information Technology infrastructure	This risk refers to inadequate technology and outdated systems to retrieve, safeguard and utilisation of information to promote effective decision-making and fulfilment of the NAC's mandate	<ol style="list-style-type: none"> 1. Manual system of receiving applications 2. Outdated systems 3. Lack of system search historical information/date 	<ol style="list-style-type: none"> 1. Inability to verify/confirm spend on beneficiary details 2. Loss of information 3. Increase in human error 4. Lack of data integrity 	Critical	Almost certain
5	Increased access to the arts through advocacy	Ineffective operational excellence	This risk refers to ineffective operational excellence to promote business processes and activities and align strategic, operational and business objectives	<ol style="list-style-type: none"> 1. Insufficient tools and techniques to measure NAC's impact 2. Insufficient research facilities 3. Insufficient monitoring and evaluation of capabilities and controls 4. Inadequate people management 5. Lack of understanding of key strategic objectives 6. Ineffective management and implementation of policies and procedures 7. Lack of alignment of organisational culture and structure to strategic objectives 8. No clear link between strategy, policy and implementation 9. Change in leadership bringing instability to the organisation 10. Lack of constant monitoring of policies and procedures 	<ol style="list-style-type: none"> 1. Perpetuating incorrect actions/controls 2. Inability to innovate 3. Lack of visibility 4. Loss of key talent 5. Reputational damage 6. Inability to meet NAC's objectives 7. Operational failure - inability to deliver NAC's mandate 8. Organisational inefficiencies 	Critical	Likely
6	Strengthen the practice of the arts through focused grant funding	Inadequate system for funding allocation	This risk refers to inadequate systems for funding allocations to ensure the effective distribution, allocation and utilisation of funding to all beneficiaries	<ol style="list-style-type: none"> 1. Insufficient funding 2. Inadequate focus grant funding (creation of new work/ arts promotion/ capacity building) 3. No clear criteria/ guideline 4. Inadequate eco-system to support the arts 5. Lack of collaboration 6. Mismatch of expectations and reality (Need vs. expectation) 7. Working in isolation 8. Ineffective partnerships 	<ol style="list-style-type: none"> 1. Full range of possibilities - expectations that NAC can fund everything, everyone at any amount 2. Seen as an ATM 3. Inability to measure our impact 4. Backlog of applications that fall outside the funding guidelines 	Serious	Almost certain

	INHERENT RISK EXPOSURE	KEY CONTROLS	RISK OWNER	PERCEIVED CONTROL EFFECTIVENESS	RESIDUAL RISK EXPOSURE	ACTION PLANS	ACTION PLAN OWNER	TARGET DATE	STATUS
	Extreme	<ol style="list-style-type: none"> 1. Filing storeroom 2. Metro file archives 		Unsatisfactory	Extreme	<ol style="list-style-type: none"> 1. GMS 2. Dual system - manual and automated application 3. Scanning of manual applications 4. Develop a recovery plan 5. Align NAC with existing archives protocols 	CEO ADM CS IT	31-Mar-19	In progress
	Extreme	<ol style="list-style-type: none"> 1. Policies and procedures 2. Performance management 	"CEO Executive Management"	Weak	High	<ol style="list-style-type: none"> 1. GMS system - finalise implementation 2. Develop tools to measure NAC's impact 3. Organisational structure and culture 4. Embed the policies and procedures" 	CEO ADM CS Board	31-Mar-19	Planned
	Extreme	<ol style="list-style-type: none"> 1. Funding guidelines 2. Funding policy 3. Grants awarding manual 4. Expired policy and surplus funding policy 5. Advisory panel" 	"ADMs ADOs"	Satisfactory	Moderate	<ol style="list-style-type: none"> 1. Review the Funding guideline 2. Leverage the DAC funding and clean audits with corporates 3. Establish partnerships with other funding bodies 4. Collaboration with provinces 5. Criteria of application must be clearly spelled out 6. Communicate better with beneficiaries about funding guidelines and increase visibility (Transparent information)" 	CEO All council member's	31-Mar-19	Planned

#	STRATEGIC GOAL	RISK NAME	RISK DESCRIPTION	ROOT CAUSES TO THE RISK	CONSEQUENCES OF THE RISK	IMPACT	LIKELIHOOD
7	Arts Capability	Lack of innovation	This risk refers to lack of innovation to promote arts initiatives and activities both from an internal and external perspective and measuring current initiatives with leading industry trends.	<ol style="list-style-type: none"> 1. Lack of managed evolution - remodelling 2. Failure to establish innovation culture 3. Narrowed mandate of the NAC to grant funding 4. Constant focus on day to day challenges with limited time to explore innovation opportunities 	<ol style="list-style-type: none"> 1. Reduced impact 2. Ineffectiveness 3. Inefficiencies 4. Negative perceptions 5. Punch below NAC's weight 6. Not maximising the human capacity 	Serious	Almost certain
8	Increased access to the arts through advocacy	Cyber risk	This risk refers to exposure to loss of information which includes any criminal activity involving computers and networks such as breaches/ attacks of information systems etc.	<ol style="list-style-type: none"> 1. Inadequate and ineffective Information Security policy and procedures over software safety, and adherence thereto 2. Inadequate firewalls and antivirus software 3. Inconsistent application of IT security 4. Inadequate data controls 5. Lack of awareness of cyber security 6. Theft of hardware and information. 7. Increased sophistication of hackers/ cyber-crime - evolution 8. Inadequate internal skill-set to mitigate risk 9. Lack of user vigilance/ awareness (phishing attempts) 10. No policies and procedures over software safety 11. Invalid/ fictitious accreditations 12. Lack of remote filtering software 	<ol style="list-style-type: none"> 1. Reputational damage 2. Down-time of trading/ operational inefficiency 3. Loss of revenue and profits 4. Loss of data and proprietary information 5. Breach/ destruction of confidential information - Non compliance to POPI Act 6. Operational disruptions leading to backlog 	Critical	Likely

	INHERENT RISK EXPOSURE	KEY CONTROLS	RISK OWNER	PERCEIVED CONTROL EFFECTIVENESS	RESIDUAL RISK EXPOSURE	ACTION PLANS	ACTION PLAN OWNER	TARGET DATE	STATUS
	Extreme	<ol style="list-style-type: none"> Active engaged board Regular consultation with key stakeholders Optimal use/leveraging on networks Organisational design and processes Global benchmarking with other arts councils and public entities” 	CEO ADM ADO's	Satisfactory	Moderate	<ol style="list-style-type: none"> Revisit the mandate of NAC's Organisational design Align with other funding sectors Introduce trend analysis Benchmarking with public entities” 	CEO	31-Mar-19	Planned
	Extreme	<ol style="list-style-type: none"> ICT Security Awareness Training Penetration testing of the NAC ICT Infrastructure to check any risks. Regular Checks and Maintenance of firewall and anti-virus software. Implement a more proactive anti-malware solution and all devise on the NAC environment. Regular changing of passwords on all critical systems.” 	ITM	Satisfactory	Moderate	<ol style="list-style-type: none"> Implement a more proactive anti-virus, malware solution with regular scanning of the ICT Infrastructure of NAC environment. Regular ICT Security awareness training of all staff. Penetration testing of the NAC ICT Infrastructure. 	ITM All staff	31-Mar-19	Planned

LIKELIHOOD RATINGS

Rating	Rank	Description
5	Almost certain	The risk is almost certain to occur more than once within the next 12 months. (Probability = 100% a year)
4	Likely	More than an even chance of occurring. The risk is almost certain to occur once within the next 12 months. (Probability = 50% – 100% a year)
3	Moderate	Could occur quite often. The risk could occur at least once in the next 2 – 10 years. (Probability = 10% – 50% a year)
2	Unlikely	Small likelihood but could happen. The risk could occur at least once in the next 10 – 100 years.
1	Rare	Not expected to happen; event would be a surprise. The risk will probably not occur, i.e. less than once in 100 years (Probability = 0% – 1% a year)

RISK RATING

Risk index	Risk magnitude	Risk acceptability	Proposed actions
12.5 – 25	High risk	Unacceptable	Immediate implementation of corrective action plans
6 – 12	Medium risk	Acceptable with caution	Implementation of improvement opportunities and validation of controls
1 – 5	Low risk	Acceptable	Validation and optimisation of controls

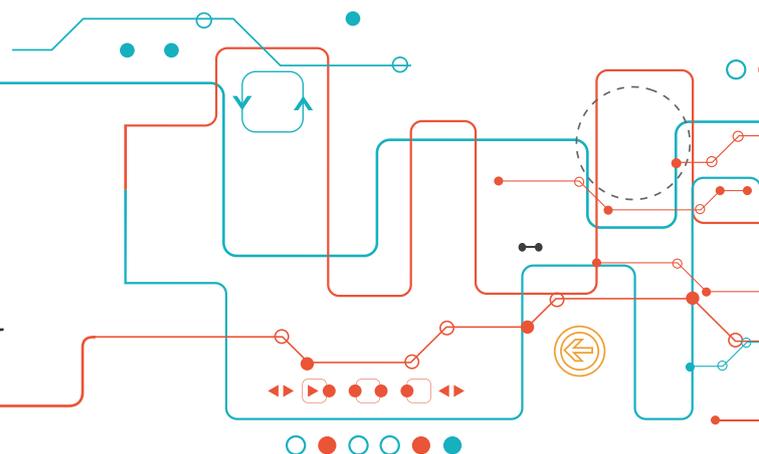
CONTROL EFFECTIVENESS

Rating	Effectiveness factor	Description
5		Effectively controlled
4		Most risks effectively controlled
3	0.50	Room for improvement
2	0.65	Multiple key deficiencies
1		Controls not effective

IMPACT RATINGS

Risk index	Risk magnitude	Proposed actions
5	Catastrophic	Loss of ability to sustain ongoing operations. A situation that would cause a standalone business to cease operation
4	Major	Significant impact on the achievement of strategic objectives and targets relating to the organisational plan
3	Moderate	Disruption of normal operations with a limited effect on the achievement of strategic objectives or targets relating to the organisational plan
2	Minor	No material impact on the achievement of the organisation's strategy or objectives
1	Insignificant	Negligible impact

ANNEXURE B: ANTI-FRAUD AND CORRUPTION PREVENTION PLAN



The NAC has carefully outlined 10 guiding principles that form the tenets of its policy to prevent fraud and corruption.

PRINCIPLE 1: ZERO TOLERANCE

The NAC is committed to being an ethical and transparent organisation. Consequently, it is the policy of the NAC that any unethical behaviour – be it fraud, corruption, theft, maladministration, or any other dishonest activities that would call the integrity of the organisation into question – will not be tolerated.

PRINCIPLE 2: ACCOUNTABILITY

It is the responsibility of the NAC leadership and department heads to implement systems that will help to ensure that the control environment is adequate and effective to avert or detect incidents of fraud. All NAC staff members are to be held accountable for the prevention and detection of fraud, corruption, theft, maladministration, or any activities of a similar nature within their areas of responsibility.

PRINCIPLE 3: DUTY TO IMPLEMENT EFFECTIVE ANTI-FRAUD CONTROLS

Suitable prevention and detection controls will be applied within the NAC. These include those controls and checking mechanisms as prescribed in existing policies, procedures, and other relevant prescripts according to the systems of internal control that govern the NAC's activities. With regard to all reported incidents of fraud, business unit heads/managers are obligated to immediately review and, where possible, improve the

efficacy of the controls that have been breached so that similar irregularities are prevented in future.

PRINCIPLE 4: DUTY TO REPORT, AND REPORTING MECHANISMS

The NAC encourages staff members, stakeholders, and members of the public who suspect fraudulent activity and wish to report it, to anonymously call the dedicated DAC whistle-blowing hotline on 0800 701 701. All calls to the hotline will be treated confidentially, and the identity of people lodging such reports will be protected.

PRINCIPLE 5: DUTY TO PROTECT WHISTLE-BLOWERS

The NAC acknowledges and abides by the Protected Disclosures Act, 2000 (Act No. 26 of 2000) and other similar legislation that seeks to protect whistle-blowers. Consequently, the NAC is bound to protect all people who report incidents of fraud from possible discrimination and reprisal in the workplace.

PRINCIPLE 6: REPORTING TO POLICE AND OTHER RELEVANT AUTHORITIES

The NAC will report fraud and/or related misconduct, where applicable, to the South African Police Service or other relevant policing authorities. Appropriate legal recourse to recover losses or damages arising from fraud and corruption will be taken without undue delay.

PRINCIPLE 7: MANDATE TO INVESTIGATE FRAUD

All incidences of fraud and corruption will be investigated

and followed up by the application of all remedial actions available within the ambit of the law. The Chairperson of the NAC's Audit and Risk Committee and/or the NAC's Chairperson are mandated to ensure investigations are facilitated and managed appropriately. Internal staff, service providers, and stakeholders will be expected to cooperate fully during any investigation. Acts of non-cooperation will be addressed in line with the NAC's disciplinary procedures.

PRINCIPLE 8: INSTITUTING DISCIPLINARY PROCEEDINGS

The NAC will ensure disciplinary proceedings and other available remedies are exercised with minimal delay. Where an official is alleged to have committed an act of fraud, corruption, theft, or maladministration, the respective line supervisor/manager must initiate

disciplinary proceedings immediately, in line with the disciplinary procedures of the NAC.

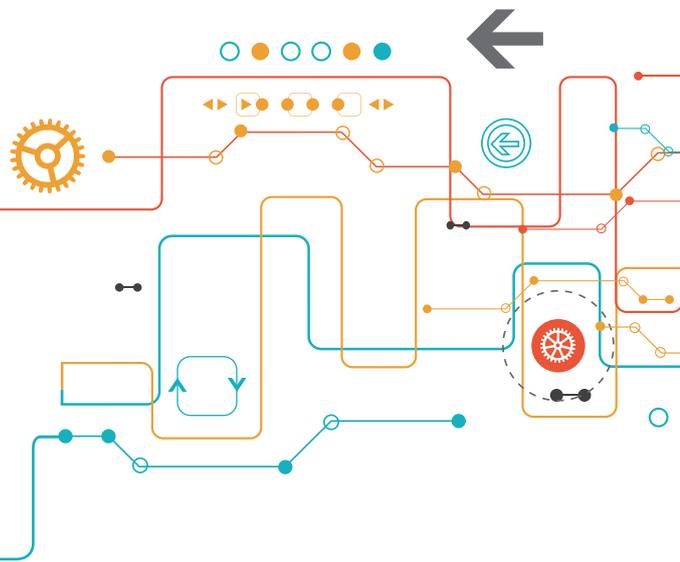
PRINCIPLE 9: TRAINING AND AWARENESS

Fraud awareness and specific anti-fraud and corruption training will be undertaken regularly to increase and uphold vigilance within the NAC.

PRINCIPLE 10: FRAUD RISK ASSESSMENT

The NAC will ensure the organisation and its business units assess fraud risk regularly. In addition, care should be taken to consider the relevant potential fraud risks that could arise during the design and implementation of new systems and processes.

ANNEXURE C: MATERIALITY AND SIGNIFICANT FRAMEWORK



1. INTRODUCTION

In terms of National Treasury regulations issued in terms of the Public Finance Management Act, 1999 (Act No. 1 of 1999), the accounting authority must develop and agree to a framework of acceptable levels of materiality and significance with the relevant executive authority in consultation with external auditors.

The specific sections of the Act that have relevance for the purposes of materiality are Section 50(1), Section 55(2) and Section 66(1) and, for significance, Section 54(2).

2. DEFINITIONS

2.1 Materiality

Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statement. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. This materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic, which information must have if it is to be useful.

2.2 Significant

A significant materiality refers to an important aspect that merits attention. In the development of the framework, both quantitative and qualitative aspects were considered.

3. FACTORS CONSIDERED IN DEVELOPING THE FRAMEWORK

Materiality is a concept or convention within auditing and accounting relating to the importance of an amount, transaction or discrepancy. Information is material if its omission or misstatement could influence the economic decision of users taken on the basis of financial statements. Legislation (compliance with the law) is a factor to be considered when developing materiality for a public organisation, as this might affect the assessment of materiality.

4. NATURE OF THE BUSINESS

The nature of the NAC's activities is to provide opportunities for people to practice the arts. The NAC is financed by the DAC. There is an inherent risk that large amounts of funds are available at the NAC at any given time, which could be in excess of its operational requirements.

5. STATUTORY REQUIREMENTS

The NAC is a public organisation that is accountable to many stakeholders, and more specifically to the public. A lower level of materiality is apt in light of the strict legislation within which the NAC operates.

6. CONTROL AND INHERENT RISKS

The following factors were examined in determining the materiality percentage:

- annual risk assessment;
- annual internal audit plan;
- fraud prevention plan;
- appropriate approvals framework;
- well-structured procurement policy that adheres to the relevant legislation;
- technical competence (qualifications), skills and experience of staff engaged in the decision-making process, including the governance structure;
- structure of the audit committee with reference to King's Code of Corporate Governance; and
- internal audit to ensure an independent report on areas of non-compliance.

7. MATERIALITY LEVEL

The materiality level within the NAC was determined at a conservative R1,115,000 based on the following indicators:

Auditor-General's materiality level guidelines

The level of material loss is assessed at a conservative **1%** of the gross expenditure for 2018/9 – **R1,115,000** unless otherwise indicated. This assessment is based on the fact that a sound control environment is being maintained.

Table 1: Auditor-General's materiality levels

Materiality basis	Guideline %
Gross income	0.25 – 1
Gross expenditure	0.25 – 1
Total assets	0.25 – 2
Net income	2.5 – 10
Fixed assets	2 – 5

“In an audit of financial statements in the public sector, the auditors' assessment of materiality may be influenced by the public accountability of the audited entity, and the sensitivity of the entity's accounts, activities and functions regarding matters of public interest.” - AGSA

Risk tolerance and appetite

Risk appetite is a high-level view of how much risk the organisation is willing to take on. Risk tolerance is the acceptable level of variation around objectives and

is aligned with risk appetite. Knowing an entity's risk appetite allows it to understand the extent to which potential events might affect objectives. This will be influenced by or influence the materiality levels set by the NAC.

In decision-making, the NAC will then determine its options in relation to the risk appetite, the cost vs benefit of potential risk responses, and the degree to which a response will reduce the impact and/or likelihood of an occurrence. The NAC will then select and execute responses based on the evaluation of the portfolio of risks and responses.

Once the risk tolerance and appetite framework is developed, it will be included in the materiality framework.

Priority scale of risks

Another contributing factor in determining the materiality levels is the risk prioritisation scale, which indicates the criteria for how risks are prioritised – namely extreme, high, medium, low and negligible. Management is addressing and/or implementing the mitigation actions based on the results of the prioritisation scale.

Based on the priority table below, risk with a financial impact of **between R 50,000 and R 250,000** will be considered to have a medium impact on the NAC.

Impact		
Score	Level	Description
5	Extreme	Financial impact on the organisation is likely to exceed R2.4-million; or failure to achieve the organisation's strategy.
4	High	Financial impact on the organisation is likely to be between R250,000 and R500,000.
3	Medium	Financial impact on the organisation is likely to be between R150,000 and R250,000; or moderate impact on the organisation's strategy or operational activities.
2	Low	Financial impact on the organisation is likely to be between R50,000 and R200,000; or low impact on the organisation's strategy or operational activities; or low stakeholder concern.
1	Negligible	Financial impact on the organisation likely to be less than R25,000; or minimal to no impact on the organisation's strategy or operational activities; or minimal or no stakeholder concern.

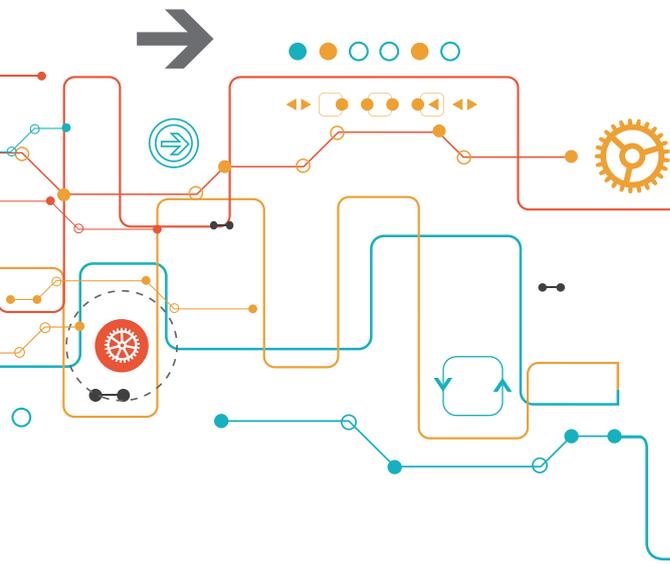
Likelihood		
Score	Level	Description
5	Almost certain	Likely to occur each month (at least 12 times a year)
4	Likely	Likely to occur twice a year
3	Moderate	Likely to occur once a year
2	Unlikely	Likely to occur in a 10-year period
1	Rare	Not likely to occur in a 10-year period

QUALITATIVE FACTORS CONSIDERED

Materiality relates only to the size of the organisation and the elements of the financial statements. Misstatements that are large individually or in aggregate may affect a reasonable user's judgment. Misstatements may also be material on qualitative grounds.

We have considered the following qualitative factors:

- unusual transactions entered into that are not of a repetitive nature and are disclosed as the knowledge thereof may affect the decision-making of the user of the financial statements;
- fraudulent or dishonest behaviour of an officer or staff of the NAC at senior management level. Any rand value needs to be disclosed;
- fraudulent or dishonest behaviour of all other employees or officers of the NAC if the sum total of those transactions exceeds R100,000 in aggregate or individually;
- material infringement of legislation that governs the NAC;
- any transaction entered into that could result in reputational risk to the NAC;
- changes in key personnel and the departure of key executives;
- application of new or changes in accounting policy;
- proposed changes in the NAC landscape; and
- possible installation of significant new IT systems related to financial reporting.



ANNEXURE D: COUNCIL CHARTER

APPROVAL

The signatories hereof, confirm their acceptance of the contents and authorise the adoption thereof.
The policy may be reviewed after three years or as and when required.

28 March 2018

Signature – CEO:
Ms Rosemary Mangope

Date:

28 March 2018

Signature – Chairperson:
Mr Hartley Ngoato

Date:

1. INTRODUCTION

The National Arts Council acknowledges the need for a Council Charter as recommended in the Code of Governance Principles for South Africa - 2009 ("King III).

2. PURPOSE OF THE COUNCIL CHARTER

The purpose of this charter is to set out Council's role and responsibilities as well as the requirements for its composition and meeting procedures. This document should be read in conjunction with the Service Level Agreement and other policies and procedures of the NAC.

2.1 Legal basis

This Council Charter is subject to the provisions of the NAC Act [as amended] and the Public Finance Management Act, and any other applicable law or regulatory provisions, read together with the NAC Corporate Governance Framework and Code of Conduct for NAC members.

3. COMPOSITION

In terms of Section 4 of the NAC Act [as amended] the Council shall consist of nine provincial representatives, and no fewer than nine, and no more than 18 other persons.

3.1 Nominations

The Department of Arts and Culture manages the process of appointing members of Council. A call for nominations for National Arts Council (NAC) members shall be made through public advertisements. The other persons shall be appointed by the Minister from a short list of no more than 22 names. Nominations for inclusion in the short list shall be obtained from the public in the prescribed manner.

An independent panel appointed by the Minister shall compile a short list from the nominations after interviewing each nominee in public.

Any member of the public may object in writing to the nomination of any person.

3.2 Provincial Representatives

Every province shall be represented by a representative

who shall within the province in question be elected by a public and transparent process which shall be determined and overseen by the responsible member of the executive council of the province designated by the MEC of Arts and Culture of that province to perform functions required in terms of the Act.

3.3 Continuity

For continuity purposes, at the end of the members' term of office, three members who are not provincial representatives, one of whom shall be an Executive Committee member (EXCO), shall be re-elected by the Council to serve for a further four years, after which they shall not be eligible for reappointment until a further four years has elapsed.

3.4 Ex Officio

The Chief Executive Officer, Chief Financial Officer and Arts Development Manager are ex officio members of Council.

3.5 Council will from time to time meet in Committee without Ex Officio members.

3.6 Council Induction

A formal induction programme must be conducted for new Council members.

3.7 Council Development

Continuing professional development programmes are implemented which ensure Council members receive regular briefings on changes in risks, laws and the environment. Should a Council member wish to attend a development course in relation to NAC business, the Council member should apply to the Chairperson of Council.

4. ROLES AND RESPONSIBILITIES

The roles and responsibilities of Council are to:

- i. Act as the focal point for, and a custodian of corporate governance by managing its relationship with management and stakeholders along sound corporate governance principles.
- ii. Appreciate that strategy, risk, performance and sustainability are inseparable and to give effect to this by:
 - a. Contributing to and approving the strategy;

- b. Satisfying itself that the strategy and business plans do not give rise to risks that have not been thoroughly assessed by management;
- c. Identifying key performance and risk areas;
- d. Ensuring that the strategy will result in sustainable outcomes;
- e. Considering sustainability as a business opportunity that guides strategy formulation.
- vi. Provide effective leadership on an ethical foundation.
- vii. Ensure that the NAC is and is seen to be a responsible corporate citizen by having regard to not only the financial aspects of the business of the NAC but also the impact that business operations have on the environment and the society within which it operates.
- viii. Ensure that Council's ethics are managed effectively.
- ix. Ensure that Council has an effective and independent audit committee.
- x. Be responsible for the governance of risk.
- xi. Be responsible for information technology (IT) governance.
- xii. Ensure that the NAC complies with applicable laws and considers adherence to non-binding rules and standards.
- xiii. Ensure that there is an effective risk-based internal audit.
- xiv. Appreciate that stakeholder perceptions affect the NAC's reputation.
- xv. Ensure the integrity of the NAC's integrated report.
- xvi. Act in the best interests of the NAC by ensuring that individual members:
 - adhere to legal standards of conduct;
 - are permitted to take independent advice in connection with their duties following an agreed procedure; and
 - disclose real or perceived conflicts to the Council and deal with them accordingly;
- xiv. Commence business rescue proceedings as soon as the NAC is financially distressed
- xv. Appoint and evaluate the performance of the Chief Executive Officer.

The Council should do everything necessary to fulfil its role as set out above.

5. DELEGATION

The Council delegates certain functions to well-

structured committees but without abdicating its own responsibilities. Delegation is formal and involves the following:

- formal resolution forming a committee recorded in approved minutes;
- formal terms of reference are established and approved for each committee of the board;
- the committees' terms of references are reviewed once a year;
- the committees are appropriately constituted with due regard to the skills required by each committee; and
- the Council establishes a framework for the delegation of authority to management.

6. MEETING PROCEDURES

6.1 Frequency

The Council must hold sufficient scheduled meetings to discharge all its duties as set out in this charter but subject to a minimum of four meetings per year.

Meetings in addition to those scheduled may be held at the instance of a Council member.

The Chairperson of Council may meet with the Chief Executive Officer and the Chief Finance Officer and/ or the Council Secretary prior to a Council meeting to discuss important issues and agree on the agenda.

6.2 Attendance

Members of senior management, assurance providers and professional advisors may be in attendance at meetings by invitation only and they may not vote.

Council members must attend all scheduled meetings of the board, including meetings called on an ad hoc-basis for special matters, unless prior apology, with reasons, has been submitted to the Chairperson or the Council Secretary.

Should a member miss three consecutive meetings, Council will inform the Ministry and request that the member be removed from Council.

The Council Secretary is the secretary to the board.

If the Chairperson of the Council is absent from a

meeting, the Deputy-Chairperson will act as Chairperson.

If the Deputy-Chairperson of the Council is absent from a meeting, the meeting shall nominate the Chairperson from the members present at the meeting.

6.3 Agenda and minutes

Council must establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year. The annual plan must ensure proper coverage of the matters laid out in this charter. The more critical matters will need to be attended to each year while other matters may be dealt with on a rotation basis over a three-year period. The number, timing and length of meetings, and the agendas are to be determined in accordance with the annual plan.

A detailed agenda, together with supporting documentation, must be circulated, at least one week prior to each meeting to the members of the Council and other invitees.

Council members must be fully prepared for board meetings to be able to provide appropriate and constructive input on matters for discussion.

The minutes must be completed and sent out within 10 working days after the meeting and circulated to Council. The minutes must be formally approved by the Council at its next scheduled meeting.

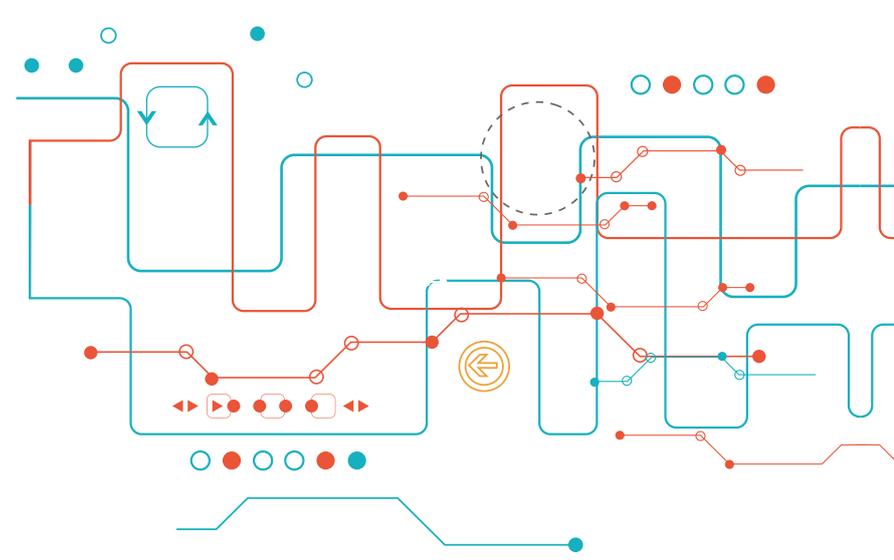
6.4 Quorum

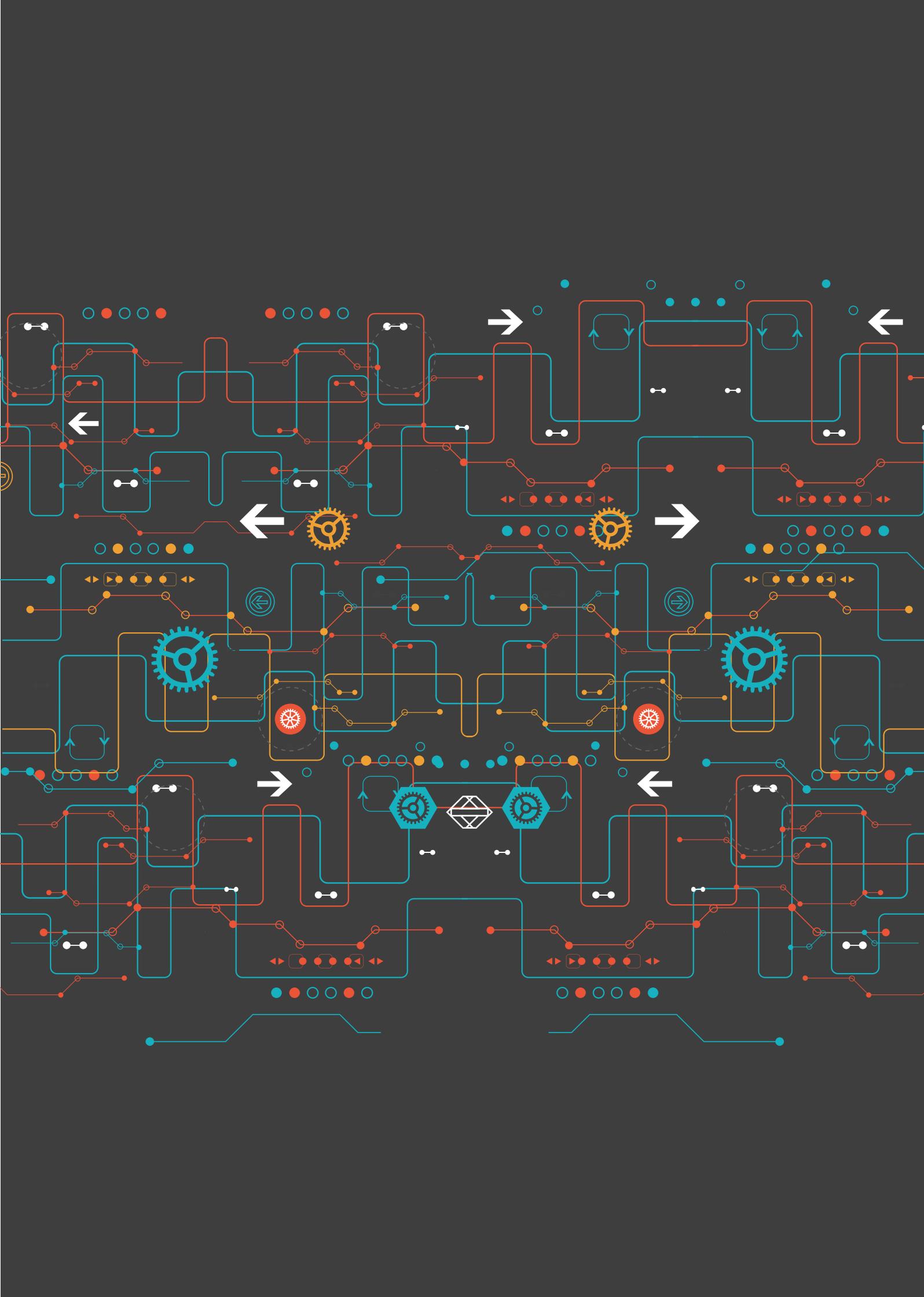
A quorum for a meeting of Council shall be the majority of its members, present at the meeting.

Individuals in attendance at Council meetings by invitation may participate in discussions but do not form part of the quorum for Council meetings.

7. EVALUATION

The evaluation of the Council, its committees and individual members, including the Chairperson, must be performed every year.







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