

NATIONAL LIBRARY OF SOUTH AFRICA



YEARS

ANNUAL REPORT 2017/2018



National Library of South Africa

Annual Report 2017/18



200

YEARS

ADVANCING UNIVERSAL ACCESS TO
INFORMATION AND SERVICES

The National Library of South Africa is the custodian and provider of the nation's key knowledge resources. The NLSA is mandated by the National Library of South Africa Act to collect and preserve documentary heritage and to make them accessible thereby ensuring that knowledge is preserved for posterity and that information is available to all.



CONTENTS

PART A: GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION	6
2. LIST OF ABBREVIATIONS	7
3. FOREWORD BY THE CHAIRPERSON	8
4. OVERVIEW BY THE CHIEF EXECUTIVE OFFICER	11
5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT	18
6. STRATEGIC OVERVIEW	19
6.1. Vision	19
6.2. Mission	19
6.3. Values	19
7. LEGISLATIVE AND OTHER MANDATES	20
8. ORGANISATIONAL STRUCTURE	22

PART B: PERFORMANCE INFORMATION

PERFORMANCE INFORMATION: PREDETERMINED OBJECTIVES	24
1. Auditor's Report	24
2. Situational Analysis	24
2.1. Performance Environment	24
2.2. Organisational Environment	25
2.3. Description of the NLSA's Strategic Planning Process	26
2.4. Strategic Outcome Oriented Goals of the NLSA	27
NATIONAL LIBRARY OF SOUTH AFRICA PERFORMANCE REPORT 2016/2017	28
PROGRAMME 1: ADMINISTRATION	29
• Office of the National Librarian and CEO	29
• Finance and Supply Chain Management	29
• Human Resource Management	29
• Corporate and International Relations	29
• Information and Communication Technology (ICT)	30
PROGRAMME 2: BUSINESS DEVELOPMENT	32
• Bibliographic Services and Collections Management	32
• Preservation and Conservation Services	33
PROGRAMME 3: PUBLIC ENGAGEMENT	36
• Information Access Services	36
• Centre for the Book	38

3. PERFORMANCE INFORMATION BY SUB-PROGRAMME 40

PROGRAMME 1: ADMINISTRATION

3.1	Office of the National Librarian and CEO	43
3.2	Finance and Supply Chain Management	44
3.3	Human Resource Management	45
3.4	Information and Communication Technology	46
3.5	Corporate and International Relations	47

PROGRAMME 2: BUSINESS DEVELOPMENT

3.6	Bibliographic Services and Collections Management	48
3.7	Preservation and Conservation Services	49

PROGRAMME 3: PUBLIC ENGAGEMENT

3.8	Information Access Services	50
3.9	Centre for the Book	52

PART C: GOVERNANCE

1.	Introduction	55
2.	Risk Management	57
3.	Internal Audit	59

PART D: HUMAN RESOURCE MANAGEMENT

1.	Human Resource Management Report	62
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PART E: FINANCIAL INFORMATION

1.	Audit Committee Report	68
2.	Report of the Auditor General	71
3.	Annual Financial Statements	
	Accounting Authority's Responsibilities and Approval	79
	Statement of Financial Position	80
	Statement of Financial Performance	81
	Statement of Changes in Net Assets	82
	Cash Flow Statement	83
	Statement of Comparison of Budget and Actual Amounts	84
	Accounting Policies	86
	Notes to the Annual Financial Statements	113

PART A: GENERAL INFORMATION



PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME:	National Library of South Africa
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TELEPHONE NUMBER:	+27 12 401 9700
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WEBSITE ADDRESS:	www.nlsa.ac.za
EXTERNAL AUDITORS:	Auditor-General of South Africa
BANKERS:	Standard Bank and Absa Bank
BOARD SECRETARY:	Ms. Musa Sekese

ABBREVIATIONS

AACR	Anglo-American Cataloguing Rules
AfLIA	African Library and Information Associations and Institutions
AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
BIBSSA	Bibliographic Standards in South Africa
CDNL	Conference of Directors of National Libraries
CEO	Chief Executive Officer
CFB	Centre for the Book
CFO	Chief Financial Officer
DAC	Department of Arts and Culture
ENE	Estimates of National Expenditure
GRAP	Generally Recognised Accounting Practice
ICT	Information Communication Technology
ICTS	Information Communication Technology and Strategy
IFLA	International Federation of Library Associations and Institutions
IFM	Inter-Lending Fee Management
ILL	Inter-Library Loans
ISAP	Index to South African Periodicals
ISBN	International Standard Book Number
ISN	International Standard Number
ISSN	International Standard Serial Number
LCSH	Library of Congress Subject Headings
LIASA	Library and Information Association of South Africa
LIS	Library and Information Services
MLO	Mzansi Libraries On-Line
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NCLIS	National Council for Library and Information Services
NISC	National Inquiry Service Centre
NLSA	National Library of South Africa
OCLC EMEAR	Online Computer Library Centre Europe, Middle East, Africa and Russia
OPD	Official Publications Depository
PFMA	Public Finance Management Act No. 1 of 1999
RDA	Resource Description and Access
REMCO	Remuneration Committee Forum
SABINET	South African Bibliographic and Information Network
SACAT	South African Union Catalogue
SADC	Southern African Development Community
SAIS	Southern African Inter-Lending Scheme
SANB	South African National Bibliography
SCANUL-ECS	Standing Conference of African National and University Librarians in Eastern, Central and Southern Africa
SCECSAL	Standing Conference of Eastern, Central and Southern Africa Library and Information Associations
SCM	Supply Chain Management
SETA	Sector Education and Training Authority
UNESCO	United Nations Educational, Scientific and Cultural Organisation
WLIC	World Library and Information Congress



FOREWORD BY THE CHAIRPERSON OF THE BOARD

Introduction

This is our third Annual Report that I am presenting on behalf of the Board of the National Library of South Africa. There are a few punchlines that I would like to highlight. As an agent that promotes social cohesion, the NLSA plays a pivotal role in providing universal access to information and services to all South Africans and the rest of the world in terms of rare and special information that is utilised for research and development programmes.

As an information hub in the Southern Hemisphere, the NLSA has become a feeder of information for the African continent. Our role in the formation of a global vision of how a connected Library and Information Sector can meet the challenges of the future, is illustrated by the conversation we started in 2017 with our IFLA membership. Our participation in the fourth AFLIA Conference and the 2nd African Library Summit held in Cameroon from 14 to 19 May 2017, post our financial year under review, is a continued effort, conceptualised in our strategy, to extend the footprint of the NLSA in Africa and the rest of the world.

Another important initiative that we would like to see implemented is a programme for the repatriation of South African heritage documentary. A policy framework is needed for this programme around the issues of whether we repatriate, keep or maintain our internationally based heritage documentary.

I have great pleasure in presenting the report of the Board of the National Library of South Africa for the year 2017/2018. The term of office of the current Board of the National Library of South Africa (NLSA) commenced on 1 October 2015.

I look forward to continued leadership, direction and support from the Board to ensure that the NLSA achieves its vision and fulfils its legislative mandate. The Board Committees meet regularly as per their Charters to ensure efficient and effective governance of the NLSA.

The Board is pleased to announce that all management positions have been filled. This has allowed the entity to be steered by a complete complement of experienced, skilled and knowledgeable

Senior Management members. Senior Management is tasked with achieving the entity's mandate, objectives and targets as defined in the Annual Performance Plan.

The NLSA achieved a 90% success rate in meeting predetermined objectives. Of the 58 performance targets set, 50% were achieved and 40% were exceeded during the 2017/18 financial year.

High level overview of the National Library of South Africa's strategy and performance

An entity of the Department of Arts and Culture (DAC), the NLSA, mandated by the National Library of South Africa Act, Act No. 92 of 1998, continues to play a vital leadership role in the Library and Information Services (LIS) Sector both nationally and internationally.

The Board has noted with appreciation the significant achievements during the year under review. We take note of the NLSA's participation and high level engagements including the following:

- Active participation during Library Month 2017
- Launch of the ICT Internship Programme by the NLSA's Mzansi Libraries On-Line Project
- The development of a national LIS Policy

Strategic partnerships

The NLSA plays a proactive role in building strategic partnerships, promoting library and information services, and nurturing strategic relationships nationally and internationally.

The Board commends the NLSA for working closely with the Department of Arts and Culture on the Public and Community Libraries' Conditional Grant.

The NLSA renders professional services to the Department of Arts and Culture in terms of Information and Communication Technology (ICT) connectivity; preservation training to safeguard library collections; reprint of African Literature Classics; and inter-language translation that is intended to promote reading in indigenous languages.

The 8th Funda Mzansi Reading Festival was held in collaboration with the Department of Correctional Services and George Municipality. This Reading Festival contributes significantly to the enhancement of a reading culture in South African communities, and reaches more than five thousand participants annually.

We highly appreciate the relationship that the NLSA has established with the Bill and Melinda Gates Foundation (Mzansi Libraries On-Line Project) for strengthening and enhancing public libraries in South Africa. The Mzansi Libraries On-Line Project is implementing the installation of ICT equipment as well as training in 667 public libraries countrywide.

The Mzansi Libraries On-Line Project successfully launched and implemented a pilot ICT Graduate Programme which saw 65 unemployed youth trained to render ICT support services to identified public libraries in the MLO Project. This positive initiative was the result of a successful collaboration between the NLSA, BCX, Microsoft SA and Lulaway. The NLSA looks forward to training many more interns!

Challenges faced by the Board

There are a few critical challenges hampering the strategic mandate of the NLSA. That is, uncertainty in the finalisation of the White Paper on Arts, Culture and Heritage. In addition, the lack of Ministerial directive with respect to sustaining our documentary heritage especially the

preservation of the writings of South Africans outside the borders of the country including South African struggle stalwarts.

Another challenge is sustained funding. Dependence on Conditional Grant funding is not a feasible financial model for the NLSA.

Continued burning and looting of our libraries hinder universal access to information services. As a result, funding the replacement of resources places a further burden on the fiscus.

Lastly, receiving a qualified audit opinion for non-compliance with the GRAP 103 Standard is a major risk especially in light of the NLSA trying to secure additional funding from Treasury. We are implementing an approach that will see the next financial years gradually taking the NLSA out of this position.

The way forward

The NLSA is proud of the work accomplished under the DAC's Conditional Grant Projects and will continue to render our support in order to strengthen and promote public libraries in our country.

We continue to promote a scholarly culture at the NLSA. One such initiative is the publishing of the *Bulletin of the NLSA*. This publication is accredited by the Department of Higher Education and Training. The *Bulletin of the NLSA* provides a platform for scholarly communication.

In terms of planning, the NLSA intends to adopt an integrated planning framework with the Sustainable Development Goals, the National Development and the Nine Point Plan being the foundation policy documents informing planning.

Appreciation

I wish to thank the Minister of Arts and Culture, Mr Nathi Mthethwa; Deputy Minister, Ms Makhotso Magdeline Soty; Director General, Mr Vusumusi Mkhize and staff of the Department of Arts and Culture for the unfailing support given to the NLSA. The NLSA is proud to play a strategic and significant part in realising the Department of Arts and Culture's mandate to achieve social cohesion and nation building as outlined in the National Development Plan 2030.

To the NLSA's partners in the Library and Information Services (LIS) Sector, stakeholders and library clients nationwide, I thank you for joining us on our journey. But the reach of the NLSA goes beyond the borders of the country and we are proud of the services we are able to provide to researchers across the globe. Our Special Collections held in our Cape Town Campus are increasingly used by researchers from all parts of the world, thereby enhancing the NLSA's role in contributing to scholarly endeavours.

To my fellow Board Members, I thank you for your unwavering support and trust that we will continue to deliver on our mandate of steering this great institution. I wish to thank the National Librarian and Chief Executive Officer, Management and staff for their commitment and hard work. Together let us cement the NLSA as the world class African national library and information hub.



Mr Themba Thomas Cyril Dlamini
Chairperson of the Board

CHIEF EXECUTIVE OFFICER'S OVERVIEW

As we celebrate the bi-centenary of the National Library of South Africa (NLSA), it is an opportune time to remind ourselves of the purpose of the NLSA. The NLSA has evolved over the 200 years of its existence to what we recognise today as the National Library of South Africa. The NLSA Act, Act No. 92 of 1998 recognises the amalgamation of the South African Library and the State Library to form the National Library of South Africa. The objects of the NLSA are clearly articulated in the Act. The NLSA is mandated to contribute to socio-economic, cultural, educational, scientific and innovative development. This is achieved through collecting, recording, preserving and making available the national documentary heritage and promoting an awareness and appreciation thereof, by fostering information literacy and facilitating access to the word's information resources.

Consistent with the objectives in the Act, is the NLSA's mission which is to *build, record, preserve, conserve and make available a complete South African documentary heritage, fostering a reading nation towards an informed citizenry*. The NLSA



continues to deliver on its mandated functions as recorded in Section 4 of the Act. Strategic projects that advance access to information were commissioned and implemented with significant achievements. These achievements were realised in partnership with various stakeholders both in the public and private sector. The Mzansi Libraries On-Line (MLO) Project, which has entered into its final phase since inception in 2014/15, is one to note. The strides that the NLSA, together with our partners and sponsors, has achieved in advancing access to information through technology in communities across South Africa, is one such highlight.

Projects with Strategic Importance Undertaken During 2017/18

I wish to highlight the involvement of the NLSA in notable platforms and programmes. The NLSA's involvement contributes directly to the objective of socio-economic, cultural, educational, scientific and innovative development in the Republic of South Africa.

The NLSA initiated programmes to upskill young people, thereby responding to the priorities recorded in the National Development Plan. These training initiatives offer learnerships and make training opportunities available to job seekers. Hereunder I note the programmes commissioned during the 2017/18 financial year.

- The NLSA implemented a Library and Information Services (LIS) Graduate Development Programme. A total of thirty graduates, with post-matric qualifications in Library and Information Services, were recruited to participate in the Programme. The graduates will receive experiential training over a three-year term.
- A total of 267 young people benefited from the ICT Internship Programme funded through the Mzansi Libraries On-line Project which is sponsored by the Bill and Melinda Gates Foundation. Our partners including BCX, Microsoft South Africa and Net Campus enabled the successful roll-out of this Programme.

The National Library of South Africa is mandated to provide leadership, guidance and advice to LIS stakeholders locally and abroad. In response to the priorities of the Minister of Arts and Culture, Honourable Minister Nathi Mthethwa, especially the priority of extending our focus to Africa and the world, the NLSA participated in the following events aimed at promoting Library and Information Services.

- The AfLIA Leadership Academy workshop in Kenya, Nairobi from 15 to 19 January 2018. The theme of the workshop was "Leadership That Will Transform Lives in the Community". Participants were top

and middle managers from public libraries across Africa.

- An AfLIA meeting in Accra, Ghana from 26 to 28 February 2018. The meeting was attended by representative of the Technology and Social Change Group, TASCHA with the view of collaborating on projects including the Africa Data Project.
- The National Librarian and CEO of the NLSA, Professor MD Rocky Ralebipi-Simela, was elected to the OCLC Global Council as the representative for the Europe, Middle East and Africa (EMEA) Region. Her term runs from 01 July 2018 to 30 June 2021.
- The International Association of University Libraries (IATUL) Directors' Summit took place in Windhoek, Namibia from 06 to 08 November 2017. The theme of the Summit was "The Impact of Emerging Technologies on Library Service in Developing Countries".
- South Africa was the guest of honour at the 22nd International Book Fair hosted by the government of Algeria. The Book Fair was held at the SAFEX Expo Centre in Algiers, Algeria.
- The UNESCO International Workshop on Knowledge Engineering for Digital Library Design took place in New Delhi, India from 25 to 27 October 2017. The Workshop aimed at developing the capacity of the National Digital Library of India through an exchange of knowledge and international best practices.

- The IFLA Conference in Wroclaw, Poland took place from 19 to 25 August 2017. The National Librarian of the Republic of South Africa chaired a session at the Conference on the topic "IFLA Survey on the Core Functions of National Libraries".
- The Stakeholder Consultative Forum was hosted by the Council on Higher Education at the National Library of South Africa on 14 June 2017. The Forum consulted on the development of a national LIS Academic Qualification Standard.
- The 4th AfLIA Conference and 2nd Africa Library Summit was held in Cameroon from 14 to 19 May 2017.

I also report on the cultural events hosted and/or participated in by the NLSA to promote languages and reading. The NLSA also recognised those who have contributed to writing, publishing and the promotion of libraries in general.

- The NLSA, in partnership with the Department of Information Studies at the University of Limpopo bestowed on Prof Seth Manaka the LIS Lifetime Award during the LIASA Annual Conference in Johannesburg.
- The 8th Funda Mzantsi Reading Festival took place in George from 02 to 05 October 2017. The event is held annually in partnership with the Department of Correctional Services and the George Municipality. More than 1000 participants from 50 Book Clubs from all nine provinces attended the Festival. The event celebrates and promotes all of the 11 South African languages in four categories: Book Reviews, Reading, Debate and Spelling Bee.

- The NLSA celebrated the living legend, Prof DBZ Ntuli on 13 December 2017 at the NLSA's Pretoria Campus. The event recognised Prof Ntuli's contribution to our literary heritage.
- The National Librarian and CEO attended the birthday celebration of renowned author, O.K Matsepe in Ga-Matsepe Village on 24 March 2018.
- The Centre for the Book celebrated International Mother Language Day in Gugulethu, near Cape Town on 22 February. A total of 200 guests attended the event.
- The World Read Aloud Day was celebrated in Mafikeng (North-West) on 28 February 2018.

The NLSA's participation in, and hosting of, these events and programmes is evidence that, as an agency of the Department of Arts and Culture, the promotion of arts and culture is primary to our business. We shall further these efforts and the contribution which the NLSA makes towards nation building and social cohesion during subsequent years.

It is with great excitement that we report that our work on the *Reprint of Classics* project remains of primary importance in the promotion of indigenous languages and a culture of reading in indigenous mother tongues.

The statistics below report the work achieved to date by the *Reprint of Classics* project.

Language	Number of Titles	Copies Reprinted to Date
Xitsonga	Ten titles including Xisomisana	19 600
Tshivenda	Eight titles including Ngomalungundu	16 600
IsiXhosa	Eleven title including Ityala la mawele	30 000
IsiZulu	Ten titles including Inkinsela yaseMgungundlovu	24 000
Siswati	Eleven titles including Umona Usuka Esweni	21 100
Sesotho	Ten titles including Senkatana	19 900
Sepedi	Eleven titles including Kgorong ya Mosate	21 100
Setswana	Ten titles including Mafaratlhatlha	22 300
IsiNdebele	Ten titles including Larhwalala nobani	19 600

This is remarkable work towards the celebration of language diversity in South Africa! Our limited funds have been a major challenge in advancing the work of spreading books written in South African languages across the country.

I report that the LIS Policy Technical Team officially handed over the final draft of the national LIS Policy to the National Council of Library and Information Services (NCLIS) and the National Library of South Africa on 20 March 2018.

Review of the Entity's Financial Health

The NLSA continues to maintain and improve financial management practises that ensure transparent, economical and efficient utilisation of resources. Our governance structures remained focused, through the reporting period, on supporting all service delivery initiatives while promoting good corporate governance. The management team has been constantly alive to their role of ensuring sound financial management and internal controls, including budget prudence.

I am thankful for the continued financial support and strategic leadership receive from the Department of Arts and Culture (DAC) and the Ministry. The financial contribution received from the DAC is our primary source of funds for the work of the

NLSA. We are thankful for the contributions received from private entities including the Bill and Melinda Gates Foundation, National Lotteries Commission, BCX, SABINET and other institutions that contributed directly, or indirectly, to the work of the NLSA.

The graph on the following page (*Figure 1.1*) depicts the total expenditure funded from the subsidy grant made available by the Department of Arts and Culture. A total of R85 million was made available to finance the operations (i.e. Programmes) of the NLSA. A total of 73% of this funding was utilised to defray personnel expenses. The NLSA carried an average 14% vacancy rate on the staff establishment. The funding available to the NLSA was not adequate to finance the approved HR organisational structure. The NLSA spent in excess of the allocated budget by R4 million, which was financed by own revenue sources. This income is made up of a combination of sales of services and better investment yields in the form of interest earned during the financial period.

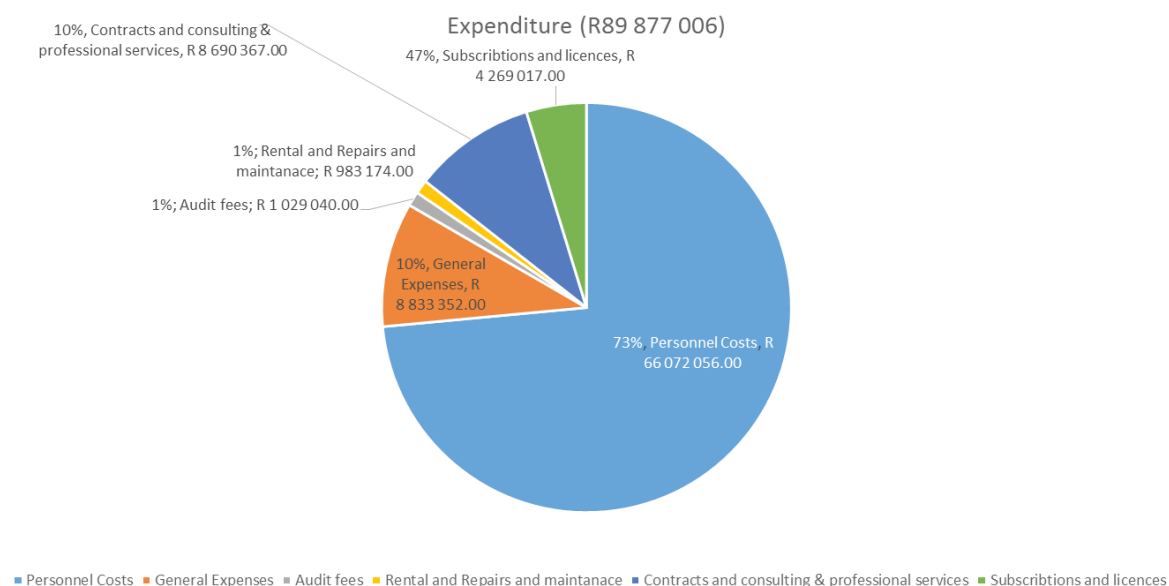


Figure 1.1 - Total expenditure funded from the DAC subsidy grant

The graph below (Figure 1.2) presents the total spend on the special projects hosted by the NLSA. These projects received conditional funding and the money hereon is utilised to achieve set objectives. A large share of the total special projects costs was on the Mzansi Libraries On-Line (MLO) Project. The expenditure on the MLO Project was incurred to acquire training services and ICT equipment for the selected 667 Community Libraries across South Africa.

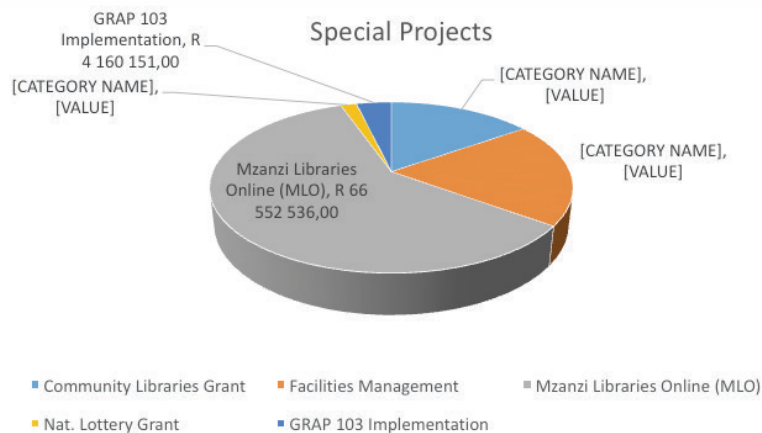


Figure 1.2 - Total spend on special projects

The graph below (Figure 1.3) explains the NLSA's spend across the five expenditure classes. Against the total, personnel costs have constantly grown at dominant levels. This is followed by the spending on operational goods and services which is at 23%. Finance costs emanate from the actuarial valuation of the post-employment benefit obligation which the NLSA services annually for members currently on the scheme.

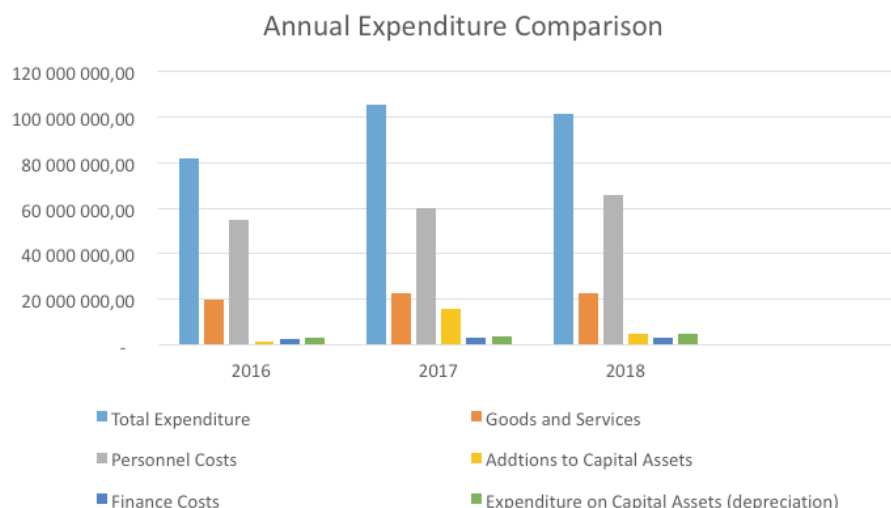


Figure 1.3 – Annual expenditure comparison

Accounting for Library Collection

The financial position of the NLSA, as reported in the Statement of Financial Position and the Statement of Changes in Net Assets, is significantly affected by the accounting for the library collections in terms of GRAP 103, the Accounting Standard for heritage assets. The heritage assets' balance of R17 million disclosed in the Statement of Financial Position is significantly understated due to a large volume of library collections not accounted for in the financial records of the NLSA. The process of creating an inventory list of all library collections in a format suitable for audit and accounting reporting, is currently underway. However, the completion of this exercise is expected to take longer due to the volume of library collections in the possession of the NLSA. Given the volume on hand, the resources available and the audit requirements of the GRAP 103 Standard, it is likely that the entity will again in the 2018/19 financial year receive an unfavourable audit result.

Review of the NLSA's Performance Against the Annual Performance Plan

The strategic plan of the NLSA is a roadmap that guides the continuous delivery of services to the South African public against the mandate recorded in the National Library of South Africa Act. We annually report progress against the strategic objectives in the Annual Performance Plan and the Annual Report. These accountability documents are prescribed by the Public Finance Management Act (PFMA) and support the legislated functions of the NLSA.

The entity planned a total of 58 performance targets for the financial year 2017/18. The NLSA achieved an overall success rate of 90%. Of the total achievement, 40% of the targets were exceeded and 50% were met as planned. Details on the performance statistics are contained in the narrative reports presented in Part B of the Annual Report.

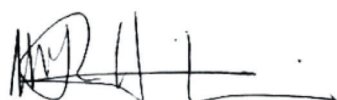
The table below present the performance statistics for the 2017/18 financial year.

Programme	Number of Targets	Targets Achieved	Targets Exceeded	Targets Not Achieved
Business Development	12 (100%)	2 (17%)	8 (66%)	2 (17%)
Public Engagement	13 (100%)	4 (31%)	8 (62%)	1 (7%)
Administration	33 (100%)	23 (70%)	7 (21%)	3 (9%)
Totals	58 (100%)	29 (50%)	23 (40%)	6 (10%)

Conclusion and Acknowledgement

I express my gratitude and appreciation to the management and staff of the NLSA for their commitment and dedication in fulfilling the mandate of the organisation. I cherish the 200 years of existence which this organisation is celebrating and the many strides that we have made, and will continue to make, to ensure universal access to library and information services. I am thankful for the commitment and recognition by the Ministry of Arts and Culture of the role that libraries play in contributing to the 21st century economic development and in bridging the racial divide entrenched in the psyche of society by our apartheid past.

I offer appreciation to the Board for their leadership, support and commitment in carrying out their oversight responsibility as prescribed in the legislative document governing the work of the NLSA. To the Portfolio Committee of Arts and Culture, the Director General and the Management of the Department of Arts and Culture, Kealeboga.



Professor MD Rocky Ralebipi-Simela

National Librarian and Chief Executive Officer

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

To the best of our knowledge and belief, we confirm the following:

All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor-General.

The annual report is complete, accurate and is free from any material omissions.

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

The Annual Financial Statements (Part E) have been prepared in accordance with the GRAP standards applicable to the public entity.

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

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

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

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

STRATEGIC OVERVIEW

6.1. VISION

A world-class African national library and information hub.

6.2. MISSION

We build, record, preserve, conserve and make available a complete South African documentary heritage, fostering a reading nation and working towards an informed citizenry.

6.3. VALUES

The NLSA espouses the following shared and unifying values:



Integrity

We respect our stakeholders.



Excellence

We drive a culture of excellence in all that we do.



Innovation

We remain committed to creativity and innovation.



Collaboration

We work with like-minded organisations.



Accountability

We are an ethical and transparent organisation. We remain accountable to the Executive Authority while being conscious of serving our end-users.

LEGISLATIVE AND OTHER MANDATES

THE NLSA IS A SCHEDULE 3A PUBLIC ENTITY.

OBJECTIVES

(Section 3, NLSA of South Africa Act, No. 92 of 1998)

The objectives of the NLSA are to contribute to socio-economic, cultural, educational, scientific and innovative development by collecting, recording, preserving and making available the national documentary heritage and promoting an awareness and appreciation thereof, by fostering information literacy, and by facilitating access to the world's information resources.

FUNCTIONS

Section 4 of the NLSA Act, Act No. 92 of 1998 sets out the functions of the NLSA: Subsection (1) deals with library functions and subsection (2) deals with the generic functions of a national cultural institution.

Subsection (1) The functions of the NLSA are to:

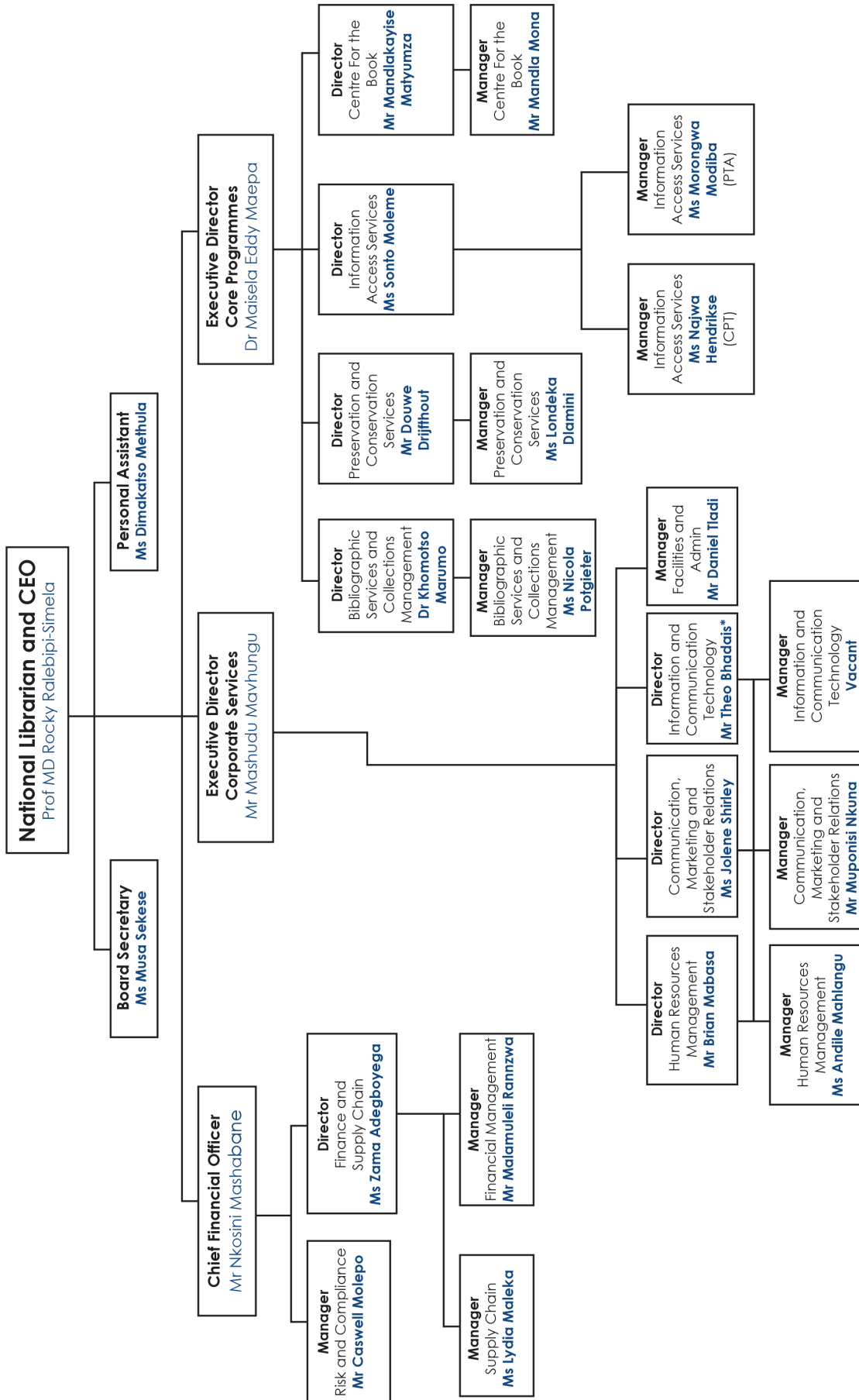
- (a) Build up a complete collection of published documents emanating from and relating to South Africa;
- (b) Maintain and extend any other collections of published and unpublished documents with emphasis on documents emanating from or relating to southern Africa;
- (c) Promote optimal management of collections of published documents held in South African libraries as a national resource;

- (d) Supplement the national resource contemplated in sub paragraph (i) with selected documents;
- (e) Record the documents contemplated in paragraph (a);
- (f) Render a national bibliographic service and to act as the national bibliographic agency;
- (g) Promote optimal access to published documents, nationally and internationally;
- (h) Provide reference and information services, nationally and internationally;
- (i) Act as the national preservation library and to provide conservation services on a national basis; and
- (j) Promote awareness and appreciation of the national, published documentary heritage; and
- (k) promote information awareness and information literacy.

(2) In order to achieve its objects and promote the development of Library and Information Services in South Africa, the NLSA must, in relation to the functions referred to in subsection (1)

- (a) Provide appropriate information products and services;
- (b) Provide leadership, guidance and advice to South African libraries and information services;
- (c) Undertake planning and co-ordination in co-operation with other library and information services;
- (d) Present, in consultation and co-operation with appropriate educational institutions and professional bodies, courses of training and education relating to the functions referred to in subsection (1);
- (e) Undertake research and development; and
- (f) Liaise with libraries and other institutions in and outside South Africa

ORGANISATIONAL STRUCTURE



* Post vacated in January 2018

PART B: PERFORMANCE INFORMATION



PERFORMANCE INFORMATION: PREDETERMINED OBJECTIVES

1. AUDITOR'S REPORT

PREDETERMINED OBJECTIVES

The Auditor-General of South Africa (AGSA) currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on Other Legal and Regulatory Requirements section of the Auditor's Report. The Auditor's Report can be found in Part E of this report.

2. SITUATIONAL ANALYSIS

2.1 PERFORMANCE ENVIRONMENT

2.1.1 Objectives of the NLSA

(Section 3, National Library of South Africa Act, No. 92 of 1998)

The objectives and functions of the NLSA are, by statute and as prescribed in the National Library of South Africa Act, Act No. 92 of 1998.

The NLSA is vested with a responsibility to contribute to socio-economic, cultural, educational, scientific, and innovative development by collecting, recording, preserving and making available the national documentary heritage and promoting an awareness and appreciation thereof, by fostering information literacy,

and by facilitating access to the world's information resources.

2.1.2 Functions of NLSA

(Section 4, National Library of South Africa Act, Act No. 92 of 1998)

The core business of the NLSA is to collect, record, preserve and make accessible all published and unpublished documents emanating from and relating to South Africa.

The mandatory functions of the NLSA are to:

- Build up a complete collection of published documents emanating from and relating to South Africa;
- Maintain and extend any other collections of published and unpublished documents with emphasis on documents emanating from or relating to southern Africa;
- Promote optimal management of collections of published documents held in South African libraries as a national resource;
- Supplement the national resource with other selected and relevant library materials;
- Record all the documents collected and make these accessible nationally and internationally;
- Render a national bibliographic service and to act as the national bibliographic agency;
- Promote optimal access to published documents, nationally and internationally;
- Provide reference and information services, nationally and internationally;
- Act as the national preservation library and to provide conservation services on a national basis; and

- Promote awareness and appreciation of libraries as information centres as well as encourage reading of the national published heritage materials in various formats.

The NLSA also has a critical role to play in the promotion of the development of library and information services in South Africa. In order to achieve its objectives and perform its functions, the NLSA must:

- Provide appropriate information products and services;
- Provide leadership, guidance and advice to South African library and information services;
- Present, in consultation with other library and information services, any relevant issues regarding the sector;
- Undertake planning and co-ordination in co-operation with other library and information services;
- Undertake research and development for improvement of library and information services;
- Establish and maintain beneficial partnerships with local, national and international organisations, including library and information services for national access to information, world-wide;
- Encourage local and international tours of the NLSA's on both Campuses, including the Centre for the Book and Ensure training of new library and information professionals, in partnership with universities, by offering a platform for experiential learning and internships; and
- Liaise with libraries and other institutions within and outside South Africa.

2.1.3 Operational Sites of the NLSA

The NLSA operates on three sites which complement each other. The main site is the Pretoria Campus which is the largest and functions also as the NLSA Head Office.

The Cape Town Campus houses the special and rare heritage collections and functions as a research hub used daily by scholars, researchers and the general public. Both sites offer free internet access as well as a wealth of online information available world-wide. NLSA is visited by about 1 500 clients daily. The third site is the Centre for the Book in Cape Town which also functions as the NLSA outreach unit for the promotion of reading, writing and publishing in South Africa.

The activities of NLSA on the three sites contribute towards the achievement of the overall NLSA services as follows:

- Bibliographic Services and Collections Management (International Standard Number Agency)
- Information Access Services (International Official Publications, Map Collection, Legal Deposit, Document Supply, Special and Rare Collections)
- Preservation and Conservation Services (De-acidification, Digitisation)
- Centre for the Book (Promotion of reading, writing and publishing)

2.2 ORGANISATIONAL ENVIRONMENT

The service delivery platforms of the NLSA are structured on the core programmes, which are supported by the Administration programme. The Core Programmes consist of four sub-programmes which are responsible for delivering the core business

of the NLSA, as mandated by Section 4 of the NLSA Act. These sub-programmes are within the institution. There are four areas delivering on the core business functions as stipulated in the National Library of South Africa Act, Section 4(1).

In summary these are:

- Bibliographic Services and Collections Management which coordinates all activities connected with purchasing and collecting of published information; rendering a national bibliographic service; cataloguing the records and ensuring adherence to international standards by promoting universal bibliographic control, through the National Bibliographic Agency.
- Information Access Services which promotes optimal access to the collections of the NLSA nationally and internationally.
- Preservation Services which enables the NLSA to function as the national conservation and preservation library. The de-acidification plant of the NLSA is the first in Africa and enables the library to treat printed documents.
- Centre for the Book which promotes the culture of reading, writing and publishing.

The service delivery platform further provides for five corporate service structures as strategic partners to the core business functions.

The support service departments are:

- Office of the National Librarian and CEO which provides dynamic leadership to all core and support services and equally engages with the Board of the NLSA as well as relevant organisations nationally and internationally.

- Information and Communication Technologies (ICT) which manages, supports and enhances the services and infrastructure of the NLSA and its affiliates in order to improve and promote access to resources through the provision of innovative technology.
- Finance and Supply Chain Management which ensures sound financial management, full compliance with relevant legislation and/or regulations and sound budgeting to enable the institution to deliver on its mandate.
- Human Resource Management which is set out to recruit and retain the services of suitably qualified individuals who will add value and live the shared and unified values of the NLSA.
- Corporate and International Relations which ensures that the NLSA achieves visibility and impact by creating awareness of the services and products of the NLSA whilst building collaborations on both national and international fronts.

Challenges

The NLSA finds it difficult to fulfill its mandate due to inadequate funding by DAC. Presently the NLSA is maintaining the status quo in an environment that is dynamic and technologically driven.

2.3 DESCRIPTION OF THE NLSA'S STRATEGIC PLANNING PROCESS

The strategic planning process within the NLSA takes place in a structured and consultative manner in accordance with the time lines prescribed by the Public Finance Management Act.

2.4 NATIONAL STRATEGIC OUTCOME ORIENTATED GOALS

The NLSA, consistent with the selection of the DAC, contributes to five, but supports all, of the national outcomes identified and agreed to by Cabinet.

Outcome 1: Improved quality of basic education – NLSA provides information to support teaching, learning and research through its library and information services and products.

Outcome 4: Decent employment through inclusive economic growth. NLSA is an employer and thus contributes to providing decent employment to individuals as well as companies providing different services outsourced to them.

Outcome 5: A skilled and capable workforce to support inclusive growth path. NLSA employs over 200 employees who are continuously trained in order to ensure that they are a skilled and capable workforce that will contribute to an efficient and effective national library that will ensure an empowered South Africa.

Outcome 7: Vibrant, equitable and sustainable rural communities. NLSA, through its Centre for the Book, reaches out to rural communities to assist with establishing book clubs, donating books and promoting a culture of reading and writing.

Outcome 12b: An empowered, fair and inclusive citizenship. NLSA contributes to empowering the citizens through access to information offered through its library and information services. The free internet access offered to the general public assists in bridging the digital divide.



NATIONAL LIBRARY OF SOUTH AFRICA

ANNUAL PERFORMANCE REPORT 2017/18

The NLSA continued to function as a national resource and the custodian of South Africa's literary heritage. As a national resource, the NLSA is well positioned to ensure that its rich historical and rare collections are accessible to all users, thus contributing towards building a reading nation and an informed citizenry.

The functions of the NLSA are to provide leadership, guidance and advice to South African Libraries and Information Services; to act as the national preservation library, render a national bibliographic service, provide reference and information services nationally and internationally and promote information awareness and information literacy.

The following Programmes of the NLSA are designated in terms of the National Library of South Africa Act, to facilitate performance on the objectives which contributes towards meeting the legislative mandate.



PROGRAMME 1: ADMINISTRATION

OFFICE OF THE NATIONAL LIBRARIAN AND CEO

Refer to performance information on page 43.

FINANCE AND SUPPLY CHAIN MANAGEMENT

Refer to performance information on page 44.

HUMAN RESOURCE MANAGEMENT

Refer to performance information on page 45.

CORPORATE AND INTERNATIONAL RELATIONS

The NLSA occupies a strategic space in the Library and Information Services (LIS) Sector both nationally and internationally. In the quest to maintain its visibility through active stakeholder engagement, the NLSA participated in the following LIS and literary activities:

- South African Library Month
- UNESCO World Book Day
- The South African Book Fair
- Mandela Month
- Librarian's Day
- Eskia Mphahlele Annual Memorial Lecture
- LIASA Conference

These events attracted media coverage and were well attended by NLSA stakeholders and the general public.

The NLSA launched its bi-centennial anniversary in March 2018. On 19 March, the 200 Years Celebration was launched through the opening of the Treasure House of Knowledge exhibition. The bi-centennial



anniversary will see the NLSA hosting a year-long celebration of libraries in South Africa. On 20 March 2018, stakeholders were invited to celebrate with us at our Pretoria and Cape Town Campuses with a host of activities that included a Morning Live broadcast from our Cape Town Campus, Children's Corner where 10-year-old author, Reabetswe Kungwane, read to the children, an LIS-themed Amazing Race for high school learners, map repair and book binding demonstrations, talks by Community Publishing Grant recipients and tours of the NLSA.

The NLSA successfully developed and launched the State of Conditional Grant Libraries in South Africa publication at the 17th Annual LIASA Conference in KwaZulu-Natal. NLSA Village at the LIASA Conference consisted of the NLSA's stand as well as a stand for each of the nine provincial library services and attracted over 500 visitors where marketing material was distributed to promote the visibility of the NLSA.

During the financial year under review, a total of 454 stakeholders were given a tour of our Pretoria Campus. These stakeholders included university students, school learners, religious associations, diplomatic and international guests.

In terms of stakeholder relations, the Corporate and International Relations Unit co-hosted several literary events with external partners. In September 2017, the NLSA partnered with the Kgwebong Consulting, Department of International Relations and Cooperation, Diplomatic Society, Department of Basic Education and the United Arab Emirates to host the Art of Collaboration Seminar.

In October 2017 the NLSA took advantage of the opportunity to create awareness and promotion of the NLSA internationally when it participated in the 22nd Salon International Book Fair held at the SAFEX Expo Centre in Algiers, Algeria. At the international exhibition, the NLSA delivered a presentation on the role played by the NLSA in developing authors and literature by venturing into communities where it is most needed. The Centre for the Book promoted the NLSA's Reprint of the Classics initiative and collections featuring political icons.

While in Algeria, the NLSA's representatives also visited the National Library of Algeria. The meeting sought to initiate the establishment of a Memorandum of Understanding between the two national libraries on matters of mutual benefits. This initiative strengthened the NLSA's stakeholder engagement efforts and successfully grew the footprint of the NLSA outside of the borders of South Africa.



The National Library of China visited the NLSA's Pretoria and Cape Town Campuses on 19 and 20 September 2017 respectively. During the visit, the Memorandum of Understanding between the two organisations was discussed with the view of renewing it. The BRICS Summit, which will be hosted in South Africa in 2018, was also discussed as the National Librarians of the BRICS countries will meet during the Summit to discuss future co-operation plans.

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

The purpose of the ICT Unit (ICT) is to provide high availability of services serving both the public and the general NLSA staff. ICT plays a very significant role in providing free internet access to the public. ICT supports a total number of 285 computers that are reserved for the public both at the Pretoria and Cape Town campuses. The ICT also assists the public in connecting their mobile devices to the free Wi-Fi services provided by the NLSA.

ICT had numerous projects that shall assist in providing better service to the NLSA. The goal of the ICT Unit is to ensure that ICT services are aligned with the NLSA's strategic goals. The projects shall enhance and improve the NLSA programmes deliverables. The projects include



Managed Printing services (staff printing is centralised and secure; printings are only released by inputting a unique secret pin), Enterprise Resource Planning (ERP), server hardware refresh (old servers are replaced with high availability servers and storage increase), and network infrastructure upgrade (recalling of network cables and replacement of network switches).

Part of the ICT is to ensure that training is provided to all staff on newly installed and updated software. The ICT Unit then embarked on a process to provide training and awareness on ICT policies. This is achieved by conducting quarterly surveys that assist in obtaining information. The first survey conducted was to determine how NLSA staff perceives support provided by ICT. The other three surveys conducted were

mainly on the utilisation of ICT systems such as GroupWise, PaperCut and Novell Client software. In collaboration with Preservation Services and Admin and Facilities, an organisational Disaster Recovery Plan has been developed.

For ICT to provide excellent support services to the NLSA, benchmarking exercises are conducted with other organisations on the execution of their respective projects. The outcome of these exercises has extensively assisted the ICT in delivering according to industry best practices on most of the projects.



PROGRAMME 2: BUSINESS DEVELOPMENT

PROGRAMME: BIBLIOGRAPHIC SERVICES AND COLLECTIONS MANAGEMENT

This is one of the core programmes of the National Library of South Africa, whose primary task is to build a complete collection of published documentary heritage material, emanating from or relating to South and southern Africa, and to ensure universal bibliographic control by creating the national bibliography.

The Programme consists of five sub-programmes:

Acquisitions

The purpose of the Acquisitions sub-programme is to supplement the legal deposit collection through the acquisition of material published abroad, specifically that which is written about South Africa or by South African authors. The Programme purchased 198 items and received 802 items through donation.

Index to South African Periodicals (ISAP)

This sub-programme is responsible for the creation of a citation-based database of indexed records for articles published in scientific journals that are received by the National Library of South Africa on legal deposit. The database consists of some 70 million indexed articles. An additional 4 441 records were added to the database.

International Standard Number (ISN) Agency

The South African ISN Agency is located at the National Library of South Africa and is responsible for the provision of International Standard Numbers for books and music, to both commercial and self-publishers. The

Agency produces the Directory of South African Publishers on an annual basis and assists both commercial and self-publishers with daily queries regarding publishing, copyright, legal deposit, marketing, barcoding etc. The SANB hosted Ms Stella Griffiths, Executive Director of the International ISBN Agency on 25 May 2017.

Periodicals

The purpose of the Periodicals sub-programme is to collect all serial publications published in South Africa which are subject to legal deposit, including journals, newspapers, loose-leaf and official South African government and governmental agency publications, and the provision of bibliographic records for all titles received. A total of 19 620 issues were received by the Library in the past financial year. The project to complete the cataloguing of periodicals on CD-ROM format has been completed.

South African National Bibliography (SANB): Legal Deposit Receipts and Cataloguing

As a designated legal deposit library, the National Library of South Africa is tasked with the collection of all documentary heritage items published in South Africa. The sub-programme SANB deals with the legal deposit receipt of all monographs, maps, kits, posters, charts, audio-visual and electronic publications including reprints. A total of 11 120 items were added to the legal deposit collection.

The NLSA undertook to migrate its integrated library management system to the OCLC WorldShare Management System (WMS) during the course of the year. Migration of all records was completed in January 2018 and an additional 20 000 items were catalogued and added to the WMS database.

The GRAP 103 project, to facilitate the creation of a heritage asset register, undertaken in collaboration with Africa Now, investigated collections at both campuses, and resulted in the production of three reports detailing a projected set of processes to be followed, to ensure compliance with the GRAP 103 accounting standard.

Thirty graduates and five expert cataloguers have been recruited to assist with this project.

Ten DAC conditional grant workshops promoting Resource Description and Access (RDA) were held throughout the year to promote the new cataloguing standard. In addition, workshops promoting the use of ISN and the importance of legal deposit compliance were also held. An exhibition to promote legal deposit material at the National Library of South Africa at both the Pretoria and Cape Town campuses, was held at the end of January 2018.

PROGRAMME: PRESERVATION AND CONSERVATION SERVICES

The National Library of South Africa acts as the national preservation library and as such plays a leadership role in the South African Library and Information sector. The purpose of Preservation Services is to preserve and optimally maintain the NLSA's collections, with the aim of securing current and long-term survival and accessibility of the physical form and informational content of collections. The task of Preservation Services is to ensure that the NLSA maintains and develops world class in-house preservation policies and practices, and a national preservation function capable of providing preservation and conservation services on a national basis.



Preservation policy formulation includes: preservation awareness, the physical environment, and physical care of collections, guidelines for conservation, disaster planning and recovery. Preservation Services consists of three units that are represented at both campuses, namely: Conservation, Digitisation and Stack Management.

Newspaper Digitisation Project

The first phase of the Newspaper Digitisation Project, funded by the National Lotteries Commission, was completed with the delivery of two large-format book scanners. In 2016 a significant grant was received from the National Lotteries Commission to strengthen the digitisation capacity at the NLSA. Phase two will consist of the appointment of interns, training programmes and production for a period of 6 to 8 months. Activities include the digitisation of South African historical newspapers and metadata allocation for access and retrieval purposes. The CONTENTdm system was purchased and installed. The system will enable the cataloguing of digitised collections, which will enhance access.

Library Move

The withdrawal of collections stored at Metrofile (Cape Town Airport Industria) to a new storage facility at Matrix House started on 8 May 2017. Matrix House is an off-site storage facility in the Cape Town CBD with growth space to house the Cape Town collections. The move from Metrofile is Phase 2 of the library move. In December 2015 the collections at Slotzboo building were relocated to Matrix House (Phase 1). Phase 3 will be the final stage when two more floors in Matrix House will be ready for the NLSA. By end of March xxxx, 26 000 volumes of bound newspapers were received and processed. Layout and design of shelving for the Basement Floor at Matrix House

were completed. Procurement of shelving and installation took place under National Treasury Transversal Contract.

Workshops and Training

Under the Conditional Grant the NLSA offers training in disaster planning and recovery operations. The purpose of workshops is to create awareness and share appropriate skills to enable library workers to preserve library and heritage collections in their care. Since 2009 a total of 69 workshops have been held offering training to over 1 300 library workers covering all provinces. Road shows enabled the National Library to reach out to workers in remote parts of the country.

For the period of review workshops were held in the Lejweleputswa and Xhariep Districts in the Free State. Staff shared their knowledge of library preservation management, book conservation and library disaster planning and prevention at one day workshops in Welkom (20 June 2017) and Zastron (22 June 2017). A workshop was held in partnership with LIASA and the University of Cape Town Libraries (7-9 November 2017) and one in Ermelo (Mpumalanga) on 2 November 2017. Two workshops were held in KwaZulu-Natal. The first one was held in Zinkwazi (North Coast) on the 6th of March 2018. The second one was held in Port Edward (South Coast) on the 8th of March 2018.

The NLSA in partnership with the Department of Library and Information Science (University of the Western Cape) offered preservation and conservation management training. The training was targeted at senior officials of Provincial Library Services. Lectures and presentations were shared between UWC and NLSA staff. The course was created and registered by the NLSA with UWC in 2012. The five-day workshop (24-28 July 2017) was designed

to introduce participants to concepts of preservation management applied to library collections and services. By the end of the course, participants were introduced to preservation challenges that apply to most common types of library and archival collections, apply risk management, draft and implement a library disaster and recovery plan, understand preventive disaster measures, proper conditions for storage of library collections, undertake library moves, plan a digitisation project, and understand the concept of conservation and restoration.

IFLA Regional Centre for Preservation and Conservation

The Director: Preservation and Conservation (PAC) Services represented the NLSA IFLA PAC office for southern Africa at the IFLA Global Vision Workshop that was held in Yaounde, Cameroon from 14-15 May 2017. The NLSA PAC Office initiated further discussions on the creation of a global vision of how a connected library profession can meet the challenges of the future.

Two staff presented papers at the World Library and Information Congress that took

place in Wroclaw, Poland (19-25 August 2017) and a pre-conference meeting in Dresden, Germany (16-18 August 2017). These were "Press clipping services: monitoring social and political change in South Africa" by Ms Londeka Dlamini and Mr Douwe Drijfhout, and "Planning digitisation projects with reference to acquiring the appropriate equipment for a project, and the quality management processes using case studies in South Africa" by Mr Antenie Carstens.

The Director: Preservation and Conservation Services participated in the UNESCO International Workshop on Knowledge Engineering for Digital Library Design in New Delhi, India from 25 - 27 October 2017. The workshop aimed to develop the capacity of the National Digital Library of India through an exchange of knowledge and international best practices. The themes of the workshop included the development and management of digital libraries, metadata engineering, search and information retrieval, service design for digital libraries and the Open Access Movement.



PROGRAMME 3: PUBLIC ENGAGEMENT

PROGRAMME: INFORMATION ACCESS SERVICES

The Information Access Services Programme is one of the core programmes of the National Library of South Africa, which functions as the entry point to facilitating access to the unique heritage and knowledge resources and collections held at the NLSA. NLSA makes its collection publicly available in its six reading rooms from Pretoria Campus and Cape Town Campus and through its website. The Library also provides global access to its resources and those of other nations by cataloguing its holdings in English, therefore ensuring bibliographic access to its vast, growing collections.

In the quest to fulfil the NLSA mandate, the Information Access Services Programme supports and stimulates research of all kinds. Our collections continue to support a diverse range of activities, with the Library playing a key role in the nation's research by providing access to the latest findings across all disciplines and vast heritage and legal deposit collections.

The Information Access Services is guided by the Strategic Objectives:

- Ensure universal access to library and information services by the public
- Measurement of user satisfaction through survey
- Provision of Inter-Lending services

The Reference and Special Collections

The Reference and Special Collections section of the Information Access Services Programme is the treasure-house of the National Library. Since 1818, the NLSA has provided uninterrupted service of meeting



the information needs of the South African nation and global audiences, including professional researchers from higher education, public sector, and people undertaking professional research. We actively stimulate innovative research methods and continue to support the changing needs of our research users. The Special Collections section works in close collaboration with the Preservation Programme to enhance the usage of the collections. Approximately 55 000 items from special collections were retrieved during the last year; that includes the rare books, iconographic material, manuscripts, maps etc. The number of reference queries satisfied were just over 59 000.

The Reading Room Services

The NLSA Reading Rooms were accessed almost 420 000 times and the satisfactory levels from our researchers and ordinary users remain consistently high. One of the programme's objectives is to conduct a survey to determine how satisfied the users are in terms of the service they get from the National Library. We have had a positive response from our users with almost 90% of our users having described themselves as very or quite satisfied with the Library's services and facilities. The numbers are a testament that users recognise the importance of the library as a whole. Over 700 000 items were accessed on site. The NLSA's Reading Rooms forms its most celebrated centrepiece by our researchers and the public in general, and offers free access not only to the vast collection but also to free Wi-Fi, with an aim to bridge the digital divide amongst our citizens.

Exhibition: Treasure House of Knowledge – NLSA's 200 Years Celebration

On 20 March 2018, The National Library of South Africa (NLSA) celebrated its 200th anniversary. Not only is the NLSA the oldest library in South Africa, but it is also the oldest

public institution of any kind in the country. To mark this milestone, the library is hosting a series of events and programmes aimed at making its mission, collections, services and values better known to the public. These activities include a major exhibition. This anniversary is momentous as it relates to many aspects that the National Library has been associated with over the last two centuries:

- Education
- Literacy
- Freedom of Speech, Information and the Press
- Research
- National Heritage
- Cultural Preservation

The exhibition is a central focus of the bicentenary celebrations of the NLSA. It is curated and exhibited at the NLSA's Cape Town campus to run for a full year from March 2018. Some of the many treasures held by the NLSA form the core and are the focus of the exhibition. The exhibition will allow visitors to experience many rarely-seen objects of cultural, historical and aesthetic importance, demonstrating the incomparable value held by the people of South Africa through the NLSA. A primary focus is on the history, cultures and peoples of South Africa. Historical documents, maps and illustrated materials are used to explore South Africa's complex and sometimes fraught history. The incomparable holdings of missionary presses and other early publications in indigenous languages are highlighted. Since it was launched on the 19th March over 2000 visitors have viewed this magnificent exhibition.

The Document Supply Services

The National Library is the co-ordinator of the resource-sharing network known as the Southern African Inter-Lending Scheme. SAIS provides a gateway to information



in libraries and information centres about South Africa and the southern African region. This resource sharing network links local libraries to the national and international network of lending libraries. The total of 1684 requests were processed, 1441 national requests received during the 2017/18 annual period, 716 requests were received from academic institutions, 390 requests were received from government institutions, 198 requests were received from special libraries, 118 requests were received from research libraries, 16 from public libraries and 3 from legal libraries. Of the requests received from local libraries on their behalf from overseas suppliers were 32 requests: 29 requests were from academic libraries, 2 requests were from museum libraries and 1 request from a special library. The requests received from international borrowers were 211, the majority (124 requests) were from American academic institutions, 19 requests were from an American research library, and other institutions around the world.

PROGRAMME: CENTRE FOR THE BOOK

The purpose and mandate of the Centre for the Book at the National Library is to promote, develop and advance a culture of reading, writing and publishing in all official languages and encourage easy access to books for all.

This mandate is achieved through four sub-programmes namely, Children's Literature programme, Community Publishing Programme, Outreach and Advocacy as well as Reprint of South African Literary Classics in Indigenous languages.

Children's Literature Programme

This sub-programme supports the promotion and development of children's





literature and instilling passion for reading among children. Through this programme, CFB facilitates projects in support of the development of children's literature and illustration. 3000 posters to enhance love for children's books were produced and distributed countrywide to schools and libraries.

Community Publishing Programme

This sub-programme is responsible for the support and development of budding writers. Budding writers are guided in the skills of writing and eventually supported through a writers grant to publish their works. Twenty budding authors were supported through the writers grant to publish their books in different languages. Three women's authors were celebrated during Women's Month for writing and publishing in their indigenous languages.

Outreach and Advocacy Programme

This sub-programme is responsible for outreach and advocacy services that have impact and benefit communities. Through this programme NLSA hosted the World Book Day national celebration in the KwaZulu-Natal province. More than 6000 books were distributed to schools, libraries, communities, old age centres

and needy families. The 8th Funda Mzantsi Championship was hosted in George, Western Cape province to re-energise and instil passion for leisure reading among the youth. More than 50 book clubs participated and the event was broadcast live on Morning Live Show of the South African Broadcasting Corporation. The National Library of South Africa partnered with the Department of Correctional Services as well as George Municipality.

Reprint of South African Classics in indigenous languages

NLSA through CFB has been managing the Reprint of South African Classics project since 2008. South African books that are considered classics in indigenous languages and are out of print are reprinted and distributed to libraries, schools and communities countrywide. In the year 2017/18, we distributed the eighteen reprinted titles and conducted Monitoring and Evaluation of the third and fourth phase of the Reprint of Classics Project. NLSA celebrated Prof DBZ Ntuli as part of the Annual Living Legends celebration in November 2017. The Shakespeare of the North, Mr OK Matsepe's life and written works were celebrated in March 2018 in Tafelkop.

PERFORMANCE INFORMATION BY PROGRAMME

Linking Performance with Budgets

It is a pleasure to report that the financial resources allocated to NLSA during the 2017/2018 financial year have been spent as initially intended. Approximately 52% of the total budget was allocated to core programmes (Business Development and Public Engagements). The reported minor adverse variances between budget and the actuals under administration have been covered by the positive variance from other programmes.

Programme/Activity/ Objective	2017/2018			2016/2017		
	Budget	Actual Expenditure	(Over)/ Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	43 882	45 591	(931)	40 956	41 041	(85)
Business Development	27 084	26 811	273	26 070	26 192	(122)
Public Engagements	20 804	18 925	1 879	18 737	18 734	3
Total	91 770	91 327	443	85 763	85 967	(204)

Revenue collection

The other income and investment revenue are approximately 4% of the total revenue. NLSA is in the process of finding ways of maximising the self-generated revenue to supplement the subsidy received from the Department of Arts and Culture. The interests from major projects like Mzansi Libraries Online and Facilities Management are no longer available for this purpose, they are now recapitalised to their respective projects.

Sources of Revenue	2017/2018			2016/2017		
	Estimate	Actual Amount Collected	(Over)/ Under Collection	Estimate	Actual Amount Collected	(Over)/ Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Other income	4 637	2 248	(2 388)	3 384	2 666	718
Investment income	1 200	1 402	201	2 650	9 257	(6 607)
Total	5 837	3 650	(2 187)	6 034	11 923	(5 889)

Capital Investment

Shelving

In 2012 funding amounting to R6.9 million was received from DAC for shelving project. The Cape Town campus had short of shelving space for its collections, which resulted in the NLSA having to rent space in different locations in order to preserve its collections. Since the receipt of the funding, NLSA has found a centralised location. The grant is meant for a shelving at a new location and the moving of collections from old locations to a new centralised location. More shelves were erected this year at R2.1 million, this brought the total amount spent on this project to R6.8 million. As at year-end NLSA was still in the process of moving more collection to the newly shelved location.

Newspaper Digitisation Project

The National Lottery Commission granted NLSA R6.5 million for the newspaper digitisation project. We received R3.9 million in cash in 2015/16 which have been spent on the purchase of two digitisation scanners and training for the employees who will be working on the project. R2.6 million was received later this financial year and will be spent mostly on personnel costs in 2018/2019.

Capital Works

NLSA opened with a balance of R23.4 million in facilities management purse. We experienced a budget cut of R17 million due to reprioritisation that took place at the National Treasury level.

During the year NLSA received R12.9 million from the DAC for the Pretoria Campus facilities management. The following are the major projects that have been completed or committed during the year at our Pretoria Campus:

- CCTV and access control systems was completed at R4.6 million.
- Roof repairs was completed at R2.5 million
- Painting of walls at R0.4 million
- General electrical and UPS installations are in progress, and the total contract awarded was at R3.6 million
- ICT Network and cabling was awarded at R5.1 million
- Gas Installation at Pretoria Campus has been committed at R8.9 million. The work had not commenced as at year end.

Approval to install Gas at our Cape Town Campus was obtained from the Western Cape Provincial Heritage Council was obtained later in the year. This work should continue in the 2018/2019 financial year.

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Infrastructure Projects	2017/2018			2016/2017		
	Budget	Actual Expenditure	(Over)/ Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Shelving project	2 455	2 338	117	5 914	3 459	2 455
Capital works project	36 353	22 081	14 272	28 271	4 179	24 092
Newspaper digitisation project	4 475	1 871	2 604	3 879	2 004	1 875
Total	43 283	26 290	16 993	38 064	9 642	28 422



ANNUAL PERFORMANCE INFORMATION BY PROGRAMME

1. Office of the National Librarian & CEO						
Strategic objective	Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Variance	Comment on variance
Build and maintain partnerships to promote libraries and information services nationally and internationally	Number of partnership engagements with libraries and other institutions in and outside South Africa	15	10	28	18	Target exceeded. Planned targets are based on current and budgeted partnership engagement meetings. The rest are based on new appointments on partnerships such as the Conference of Directors of National Libraries (CDNL), Online Computer Library Centre Incorporated (OCLC), African Library & Information Associations and Institutions (AfLIA), Council on Higher Education (CHE) and others
Provide strategic leadership in the promotion and development of Library and Information Services (LIS) in South Africa, Africa and the rest of the world	Number of LIS and other committees National Librarian & CEO serves on	New target	10	21	11	Target exceeded. Planned targets are based on current and budgeted Committee meetings. The rest are based on new appointments on Committees such as the Conference of Directors of National Libraries (CDNL), Online Computer Library Centre Incorporated (OCLC), African Library & Information Associations and Institutions (AfLIA), Council on Higher Education (CHE) and others
Ensure compliance and governance	Number of Board meetings organised	4	4	4	0	Target achieved
	Number of Audit Committees meetings organised	4	4	4	0	Target achieved
	Number of Management Team Meetings organised	6	4	4	0	Target achieved
	Quarterly Performance Reports submitted to DAC	4	4	4	0	Target achieved

2. Finance and Supply Chain Management

Strategic Objectives	Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Variance	Comment on Variance
Generate own sustainable revenue through sale of products and services	% increase in the collection of total own revenue	New target	100% (R 6 368 000)	43% (R 2 723 311)	(57%) (R 3 644 689)	Target not achieved. NLSA experienced delays in the approval and the implementation of the revenue generation strategies, the review process concluded on a phase in approach starting with income sources that require low capital investment.
	Reduced irregular expenditure	New target	100% (11 Incidents)	227% (25 Incidents)	(127%) (14 Incidents)	Target not achieved. 25 new incidents were incurred this year compared to 11 incidents last year. 21 of these incidents were through travelling transactions. NLSA has since improved the internal controls around travelling approvals and the improvement has been evident in the last two quarters.
	Reduced fruitless and wasteful expenditure	New target	100% (7 Incidents)	43% (3 Incidents)	57% (4 Incidents)	Target achieved. 3 incidents of fruitless & wasteful expenditure to the value of R 15 938 were incurred this year. This was below the prior year actual of incidents, therefore incidents were reduced as planned.
	Resolved number of audit findings	New target	>=95%	89%	(6%)	Target not achieved. 33 of 37 audit findings have been resolved, 3 of the outstanding findings relate to the accounting for heritage assets. The Implementation Plan is now being rolled out. Systems, people and processes have been put in place to reprocess the accounting for heritage assets.
	Number of compliance reports submitted	New target	6	6	0	Target achieved.

3. Human Resource Management

Strategic Objectives	Performance Indicator	Actual Achievement 2016/2017	Planned Target 2017/18	Actual Achievement 2017/18	Variance	Comment on Variance
Build a high performance culture	Number of organisational performance evaluation sessions	2	2	2	0	Target achieved
Ensure sustainable talent management	Number of talent management interventions implemented	Revised target	8	10	2	Target exceeded. Two (2) employees were placed on special development programmes in order to accelerate development for scarce skills and also to close skills gaps for critical positions.
Build and maintain effective partnerships with Labour representatives	Number of consultations conducted	New target	4	5	1	Target exceeded. Due to a special Joint Bargaining Forum consultation meeting during the year.
Enhance quality of work life through Employee Wellness	Number of wellness activities organised for employees	4	4	4	0	Target achieved
Invest in the learning and development of employees	Number of employee training sessions conducted	Revised target	8	8	0	Target achieved

4. Information and Communication Technology (ICT)

Strategic Objectives	Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Variance	Comment on Variance
Alignment of all ICT resources with the NLSA business objectives	Number of reports on usage and maintenance of ICT equipment and services	New target	4	4	0	Target achieved
	Quarterly measurement of system availability	New target	4	4	0	Target achieved
	Number of benchmarking exercises conducted to inform the NLSA ICT environment	New target	4	4	0	Target achieved
	Continuous availability, flexibility and reliability of ICT services to NLSA programmes	New target	90%	97%	7%	Target exceeded. Less downtimes were experienced which lead to high system availability.
Ensure ICT governance	Number of ICT Governance Framework Implementation reports	4	4	4	0	Target achieved
	Number of ICT policies and procedures developed, reviewed and approved	8	4	4	0	Target achieved
Create awareness, monitor and evaluate	Number of awareness and training sessions conducted (inductions and discussions)	New target	16	16	0	Target achieved
	Survey on the staff knowledge of processes and systems	New target	4	4	0	Target achieved
Ensure business continuity	Number of tests on the implementation of the Business Continuity Plan	Revised target	4	4	0	Target achieved
	Measurable progress on the disaster recovery plan	New target	4	4	0	Target achieved

5. Corporate and International Relations

Strategic Objectives	Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Variance	Comment on Variance
Create awareness of NLSA's role, products and services	Number of media engagements	62	64	69	5	Target exceeded. Additional media coverage was secured due to the 200 Years celebration at no additional cost.
	Number of exhibitions hosted	14	16	16	0	Target achieved
Promote stakeholder engagements	Number of social media updates	130	1 100	1 108	8	Target exceeded. Engagement on social media increased due to the 200 Years Celebration
	Number social media campaigns implemented	New target	11	11	0	Target achieved
	Number of website updates	91	110	110	0	Target achieved
	Number of events hosted	New target	7	7	0	Target achieved
Develop corporate material and promote the NLSA corporate identity	Number of corporate publications produced	5	7	7	0	Target achieved
	Number of marketing materials/corporate products produced	6	12	12	0	Target achieved

6. Bibliographic Services and Collections Management						
Strategic Objectives	Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Variance	Comment on Variance
Build a complete collection of South African intellectual heritage through Legal Deposit Act	Number of mono-graph publications received through the Legal Deposit Act	10 555	11 000	11 120	120	Target exceeded. Additional items were received on legal deposit due to follow up with publishers
	Number of serial publications received through the Legal Deposit Act	20 657	19 600	20 764	1 164	Target exceeded. Additional items were received on legal deposit due to follow up with publishers
To extend and supplement the NLSA collections by purchasing material	Number of mono-graph publications purchased	2 527	1 000	198	(802)	Target not achieved. Purchase of publications was temporarily suspended as part of GRAP 103 project while materials were acquired through gifts, donations and open access sites to fill identified collection gaps
	Number of serial publications subscribed to	98	90	71	(19)	Target not achieved. Due to cost containment measures, serial publications that had low usage or were duplicated across both campuses or considered to be too expensive were cancelled.
Create bibliographic records for legal deposit and new acquisitions.	Number of publications catalogued	18 094	20 000	20 000	0	Target achieved.
Facilitate training in library cataloguing	Number of cataloguing training sessions provided	7	10	10	0	Target achieved.

7. Preservation and Conservation Services

Strategic Objectives	Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Variance	Comment on Variance
Apply preservation and conservation techniques and methods to preserve our intellectual heritage for posterity	Number of damaged books repaired / restored	1 014	1 000	1 275	275	Target exceeded. A high demand for book repairs was experienced
	Number of pages / images digitised	35 146	35 000	39 637	4 637	Target exceeded. A high demand for digitisation was experienced. Items scanned for Special Collections were added.
	Number of items de-acidified	10 077	10 000	10 671	671	Target exceeded. More items were received for de-acidification
	Number of volumes bound	1 366	1 300	1 430	130	Target exceeded. More items were received for binding
Promote and develop preservation and conservation skills and training in South and southern Africa	Number of preservation workshops / training sessions held	12	7	8	1	Target exceeded. One additional training for preservation and conservation training was requested and attended to.
Play an advisory role to institution that hold collections of national (regional) significance	Number of consultations conducted	New target	2	2	0	Target achieved

8. Information Access Services

Strategic Objectives	Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Variance	Comment on Variance
Ensure universal access to library and information services by the public	Number of users accessing library and information services on site	379 264	330 000	323 926	(6 074)	Target not achieved. There has been a decline in the number of users visiting the NLSA in this financial year, mainly due to new libraries being opened around Pretoria, therefore increasing access points for the public. Additionally, the #feesmustfall campaign necessitated the NLSA to cut down on its operating hours.
	Number of users accessing internet facilities on site	93 161	70 000	102 916	32 916	Target exceeded. The Internet service is one of the popular services at the NLSA provided free of charge to our users. We continue bridging the digital divide around the country by promoting this service.
	Number of users receiving information literacy training	New target	500	691	191	Target exceeded. This is a new indicator and it has been welcomed by our users. We continue to create awareness and promote this service; as a result, there is a growing demand for the information literacy training.
Measurement of client satisfaction	Annual user satisfaction survey report	1	1	1	0	Target achieved

8. Information Access Services

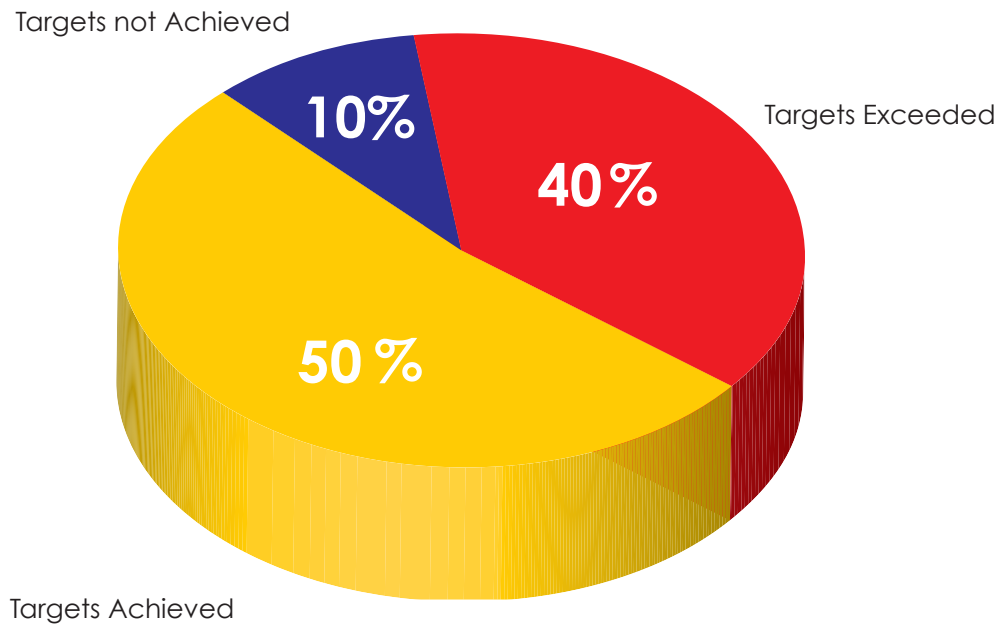
Strategic Objectives	Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Variance	Comment on Variance
Provision of Inter-Lending service	Number of requests processed	743	1 474	1 684	210	Target exceeded. To improve efficiency and ensure quality of inter-lending (ILL) services among libraries, the NLSA is the mother institution that co-ordinates the resource sharing, and professional support to all southern African Inter-Lending Scheme libraries providing general principles and procedure for making use of this ILL service. Due to that professional support we have exceeded the target and have seen an increase in the demand for the service.
	Number of training library guides distributed to libraries	4	4	4	0	Target achieved

9. Centre for the Book

Strategic Objectives	Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Variance	Comment on Variance
Develop and promote a culture of reading in South Africa	Number of reading promotional events organised nationally	13	14	16	2	Target exceeded. Due to book launches in collaboration with the Western Cape Department of Education and Free State Library Services.
	Number of books donated to the public	10 384	12 000	15 195	3 195	Target exceeded. Due to high request of book donation received from schools, universities and book clubs.
	Number of reading promotional posters printed and distributed nationally	2 000	3 000	3 000	0	Target achieved
	Number of book clubs established nationally	17	20	21	1	Target exceeded. Due to increased interest of book club establishment in libraries and schools.
Develop and promote a culture of writing in South Africa	Number of workshops / training sessions organised nationally	17	18	19	1	Target exceeded. Due to increased book club establishment workshops requests received.
Develop and promote of a culture of publishing in South Africa	Number of writer's grants allocated to support budding writers	16	16	20	4	Target exceeded. Due to high number of publishable manuscripts received.
	Number of Bulletins of the NLSA published	2	2	2	0	Target achieved

Annual Performance at a Glance

The graph below depicts the NLSA's performance for the financial year 2017/18.



PART C: GOVERNANCE



GOVERNANCE

Introduction

The Accounting Authority of the NLSA is referred to as the Board. The Board is responsible for strategic direction and steers the NLSA towards a sustainable future. To achieve the objectives of the NLSA as prescribed in the NLSA Act, the Board ensures that the NLSA has adequate resources to advance its mission. The Board is also tasked with ensuring that the NLSA practices good governance and complies with legislation.

The Board is appointed by the Minister of Arts and Culture as mandated in the NLSA Act for a period of three years. The Board consists of ten independent members and the Chief Executive Officer.

The Role of the Board

The Board's key activities are outlined as follows:

- Provide oversight for all activities that advance the NLSA's effectiveness and sustainability
- Ensure prudent use of all assets, including facilities and human resources
- Ensure that the NLSA obeys applicable laws and acts in accordance with ethical practices
- Develops annual performance plans as per strategic positions undertaken
- Adopts policies in the best interests of the NLSA with due regard of the interests of stakeholders
- Approve and monitor the budget
- Ensure sound financial management by the Executive

Board Charter

The Board has developed its Charter in accordance with the King Report on Corporate Governance. The Charter stipulates meeting procedures, role of the Board Secretary, remuneration of Board Members and the establishment of sub-committees.

Board Sub-Committees

The Board Sub-Committees ensure that the Board fulfils its duties and functions efficiently without renouncing its responsibilities. Membership of Committees is in terms of expertise and skills required for each Committee. The Chairpersons of each Committee prepares Committee Reports for consideration by the Board at its quarterly meetings. The Board is therefore required to make informed decisions based on the recommendations made by respective Committees.

The Board has the following Sub-Committees:

- Audit and Risk Committee
- Research, Management and Knowledge Committee
- Information Communications and Technology Strategy Committee
- Fundraising and Marketing Committee
- Human Resource and Remuneration Committee
- Finance Committee

Meeting Attendance

Name	Date appointed	Board	Audit and Risk Committee	RKMC	ICTS	HR and REMCO	Finance Committee	Fundraising and Marketing Committee
Mr TTC Dlamini (Board Chairperson)	01 October 2015	3/4						
Ms C Bertram (Chair: Fundraising and Marketing)	01 October 2015	3/4						2/2
Prof M Nassimbeni	01 October 2015	3/4		3/4				
Ms M Nkomo	01 October 2015	3/4	3/5					
Ms N Dick (Chair: Finance)	01 October 2015	4/4	4/5				5/5	
Ms S Kunene	01 October 2015	4/4					5/5	
Prof L Teffo (Chair: HR and REMCO)	01 October 2015	4/4				2/2		
Dr D Selematsela (Chair: RKMC)	01 October 2015	3/4		4/4	2/3			
Mr J Morakile	01 October 2015	2/4			3/3	2/2		0/2
Dr B Mbambo-Thatha	01 October 2015	1/4		4/4		0/2		2/2
Dr H Sithole (Independent ICTS Chairperson)					3/3			
Prof MD Rocky Ralebipi-Simela (National Librarian and CEO)	1 May 2014							

Remuneration of Board Members

Preparation and attendance fees payable to Board members are determined by the Minister of Arts and Culture in consultation with the Minister of Finance. Employees of national, provincial and local government or agencies and entities of government are not entitled to additional remuneration. The remuneration of Board members is stipulated in Note 28 of the Annual Financial Statements.

RISK MANAGEMENT

Our combined assurance model distinguishes three lines of defence, namely review by management, together with internal and external assurance, in order to optimise governance oversight, risk management and control. The Audit and Risk Committee and Board rely on combined assurance to inform their view of the adequacy of the NLSA's risk management and internal controls. Although this report as a whole has not been externally assured, the KPIs contained in the Shareholders' Compact, and reported on in this Report, were subject to external assurance and have received reasonable assurance. The Annual Financial Statements and the Performance Information Report have been audited by the Auditor-General of South Africa.

Risk speaks to the effect of uncertainty on outcomes and therefore, successful risk management depends on clearly defined, time-based objectives. The aim is not to identify every risk which the organisation faces, but to identify those that are most significant to its ability to achieve and realise its core business strategy and objectives of supporting value creation and sustainability.

We have implemented a risk monitoring system to respond appropriately to all significant risks.

Risk monitoring is done at programme level and is reported to the Risk and Compliance Manager. Identified risks are consolidated into Integrated Risk Reports and are reviewed internally by Management and the Risk Management Committee and externally by the Audit and Risk Committee (ARC). The ARC mainly focuses on the top priority strategic risks, namely those risks where either the likelihood of occurrence or potential impact on the strategic objectives

are considered high. Risk treatment plans are in place and managed within our approved appetite and tolerance framework. The target risk ratings reflected later set out the rating in terms of our appetite and tolerance framework.

Our Board, through the Audit and Risk Committee, manages our risk and resilience in order to provide greater security for our employees, customers and other stakeholders. They evaluate the risk landscape to determine the strategic risk and operational risk profiles. Strategic risks reported to the ARC are identified by programmes through a review based on criteria related to the likelihood and impact of risks. Strategic risks are then plotted on the risk matrix.

The Risk Management Action Plans address those risks inherent to our operations that would have significant consequence should they materialise.

An enterprise risk profile gives Executive Committee and the Board a robust and holistic top-down view of key risks which our organisation faces. This makes it possible to manage the identified risks strategically, increasing the likelihood that our objectives will be achieved.

Enterprise risks are one, or a combination, of the following:

- Risks emanating from external factors and/or events posing strategic challenges which may affect our ability to achieve our objectives.
- Business risks that occur across programmes that, when viewed holistically, become significant and impact our objectives.





The NLSA's risk profile gives the Executive Committee and the Board a view of key risks which the entity faces, as well as the level of effectiveness in the management of these risks, in order to increase the likelihood that programme and entity objectives are achieved with consideration of our assets, equipment, ICT, operational systems, technologies, human resources, and library users.

Our inherent risks require effective emergency preparedness, business continuity management and disaster readiness. These are being reviewed and improved by the Directors at programme level. Inherent risks are continuously reviewed with particular focus on the effectiveness of our risk treatment plans.

Our Top Priority-Level Risks

The table below details the top strategic risks and provides the associated risk rating on the NLSA's Risk Matrix with reference to the associated material matters.

Risk Factor	Risk Description	Residual Risk	Movement (Changes)
Incomplete collection of documentary heritage	National Library is a primary resource and custodian of South Africa's documentary heritage with a large size of heritage books, maps and other heritage materials	Critical	↓
Inadequate financial resources	NLSA is not getting adequate funding in relation to its mandate as stipulated in the NLSA Act	High	↓
ICT infrastructure	NLSA network infrastructure is aged and unreliable. It requires regular maintenance and component replacements	High	↓
Long term preservation planning objectives	Preservation of library materials is done on a reactive basis with limited investment in continuous processes of preserving library materials	High	↓
Disaster management	Disaster management system of the library is not effective and efficient	High	↔
Collections not accessible digitally	Lack of Institutional Repository resulting in delaying the accessibility of materials in electronic format	Medium	↓

Risk Factor	Risk Description	Residual Risk	Movement (Changes)
Security management	Security management system of the library is not effective and efficient	High	
Lack of visibility	Limited footprint of the NLSA, its products and services in South Africa.	High	
Inadequate implementation of talent management processes	The talent management process and skills development not implemented to provide for skills transfer and quality management training	Medium	
No Asset Plan to fund the long term liability	No Asset Plan to fund the long-term employee benefit obligations emanating from the post-employment medical aid subsidy provided	Low	

LEGEND	Rate of Risk	Colour
	Critical risk	
	High risk	
	Moderate risk	
	Low risk	
	Insignificant risk	

Our key risks continue to relate to our ability to sustain operations and our financial performance. We face critical challenges regarding inadequate funding and the accounting standard on Heritage Assets GRAP 103 is still the significant risk inherent to our library collections management and the effectiveness of our operations to enable us to account on the mandate of the National Library of South Africa.

INTERNAL AUDIT

Internal Controls

The National Library of South Africa has, and maintains, systems of internal controls based on its approved policies and procedures. These ensure the integrity and reliability of the financial statements and the safeguarding of assets. During the financial year under review, supply chain management controls were tightened and

this will continue in the next financial period. An action plan to address the external and internal audit findings has been developed and monitored on a periodic basis.

Internal Audit

Internal Audit plays an important role in assessing the effectiveness of internal controls. The internal audit function administratively reported to the National Librarian and CEO and functionally to the Audit and Risk Committee. The Committee reviewed the annual internal audit plan and approved the budget thereof. Internal Audit work conducted included the assessment of the effectiveness of policies and processes relating to key areas of ethical, reputational and financial risk.

During the period under review Internal Audit conducted the following audits or reviews:

- Three-year internal audit plan ending 31 March 2020
- One-year operational plan for the period ending 31 March 2018
- HR and Asset Management Review
- Contract Management Review
- Audit on predetermined objectives

Q1 and Q2 2017/18

There was an absence of an internal audit function between June 2017 and September 2017. The reason for the absence was the delay in awarding the tender to the successful bidder for an internal audit function. The Committee had subsequently approved the new internal auditor's Annual Audit Plan. The Committee monitored and challenged, where appropriate, the action taken by management with regards to adverse Internal Audit findings.



PART D: HUMAN RESOURCE MANAGEMENT



HUMAN RESOURCES MANAGEMENT

1. INTRODUCTION

During the year under review, the Human Resources Sub-Programme achieved significant progress against its strategic goals as contained in the APP for 2017/18. The Human Resources Performance Plan supports the overall organisational objectives in line with the implementation of the Strategy. The Sub-Programme achieved all the APP targets against the strategic objectives for all of the quarterly reporting cycles.

The strategic goal for our Human Resources Sub-Programme is to provide service excellence to the core and support functions by attracting and retaining suitably qualified individuals. We successfully filled all of the senior management vacancies and all other critical priority positions within the organisation. We are equally pleased that we could identify the suitable talent internally and therefore most of the positions were filled through promotions.

The NLSA continues to collaborate and partner with the Labour Unions as a platform to effectively drive Human Resources initiatives with the aim of promoting sound employment relations. Human Resources Management hosted a number of successful Employee Wellness Programmes, which helped us to ensure a motivated and engaged workforce. The focus of Learning and Development in the next performance year is on up-skilling and job rotation for the purposes of improving employee job satisfaction, morale, career growth as well as to create a knowledgeable, skilled and capable workforce through which organisational goals can be achieved.

Our future plans are to continue optimising opportunities and resources with the aim of ensuring that we are continuously positioned to deliver on our legislative mandate. However, funding for positions, HR Programmes and initiatives remain one of the major challenges faced by the entity.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel Cost by Programme/Activity/Objective

Programme/ Activity/Objective	Total Expenditure for the Entity (R'000)	Personnel Expenditure (R'000)	Personnel Exp. as a % of Total Exp. (R'000)	No. of Employees	Average Personnel Cost per Employee (R'000)
Administration	45 591	24 278	53.25%	62	39 859
Business Development	26 811	22 541	84.00%	72	31 308
Community Engagement	18 925	17 030	89.98%	54	31 538

Personnel Cost by Salary Band

Level	Personnel Expenditure (R'000)	% of Personnel Exp. to Total Personnel Cost (R'000)	No. of Employees	Average Personnel Cost per Employee (R'000)
Top Management	51 632	8.00%	4	12 908
Senior Management	70 954	11.10%	8	88 693
Professional Qualified	25 605	40.10%	60	42 676
Skilled	74 739	11.70%	23	32 495
Semi-skilled	18 513	28.90%	93	19 906
Unskilled	0	0	0	0
TOTAL	63 851	100%	188	31 285

Performance Rewards

Programme/Activity/Objective	Performance Rewards	Personnel Expenditure (R'000)	% of Performance Rewards to Total Personnel Cost (R'000)
Top Management	0	51 632	0
Senior Management	0	70 954	0
Professional Qualified	24 0107	25 605	0.93%
Skilled	88 880	74 739	0.11%
Semi-skilled	18 3407	18 513	0.99%
Unskilled	0	0	0
TOTAL	51 239	63 851	0.08%

Training Costs

Programme/Activity/Objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	No. of Employees Trained	Avg. Training Cost per Employee
Administration	24 278	13 964	0.57%	23	6071
Business Development	22 541	90 502	0.40%	17	5323
Community Engagement	17 030	14 970	0.87%	31	4829

Employment and Vacancies

The Recruitment and selection process is primarily aimed at procuring staff with the necessary competencies thus enabling the organisation to deliver on its strategic and operational priorities. The NLSA filled many other critical priority positions that were vacant. Besides internal transfers and

promotions, we have identified suitable media to advertise vacancies for our industry and that has helped us to attract suitable candidates. These interventions have helped to ensure that we do not have vacancies open for longer than three months.

Programme/ Activity/Objective	2016/2017 No. of Employees	2017/2018 Approved Posts	2017/2018 No. of Employees	2017/2018 Vacancies	% of Vacancies
Administration	57	60	51	9	15.00%
Business Development	73	81	67	14	17.28%
Community Engagement	48	59	50	9	15.25%
TOTAL	178	200	168	32	16.00%

Programme/Activity/ Objective	2016/2017 No. of Employees	2016/2017 Approved Posts	2017/2018 No. of Employees	2017/2018 Vacancies	% of Vacancies
Top Management	4	4	4	0	0.00%
Senior Management	8	8	7	1	22.39%
Professional Qualified	55	67	52	15	0.04%
Skilled	21	24	23	1	15.46%
Semi-skilled	90	97	82	15	19.58%
Unskilled	0	0	0	0	0.00%
TOTAL	178	200	168	32	16.00%

Employment Changes

During the year under review, the NLSA adopted and implemented various retention strategies such as talent management, promotions, and secondments to reduce staff turnover. In the beginning of the financial year, 22 positions were vacant, of the 22, 10 positions were filled. The terminations for the year under review were 20 which brought the total number of vacant positions to 32.

Salary Band	Employment at Beginning of Period	Appoint-ments	Terminations	Employment at End of the Period
Top Management	4	0	0	4
Senior Management	8	0	1	7
Professional Qualified	55	2	8	49
Skilled and Academically Qualified	21	4	1	24
Semi-skilled	90	4	10	84
Unskilled	0	0	0	0
Total	178	10	20	168

Reasons for Staff Leaving

Reason	Number	% of Total No. of Staff Leaving
Death	2	10%
Resignation	8	40%
Dismissal	2	10%
Retirement	4	20%
Ill Health	1	5%
Expiry of Contract	3	15%
Other	0	0%
Total	20	100%

Labour Relations: Misconduct and Disciplinary Action

During the year under review, the NLSA has taken corrective disciplinary actions towards employees for various issues of misconduct. Two (2) cases resulted in dismissal. Three (3) other cases that falls within 2017/2018 financial year period are still in progress through a disciplinary hearing process.

Nature of Disciplinary Action	Number
Verbal Warning	0
Written Warning	5
Final Written Warning	0
Dismissal	2
TOTAL	7

Equity Target and Employment Equity Status

The National Library of South Africa continues to align the recruitment of staff to employment equity targets. The entity attempts to focus on increasing the employment of people with disability through the review of employment equity targets.

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	3	0	0	0	0	0	0	0
Senior Management	2	1	0	0	0	0	1	0
Professional Qualified	11	3	0	0	0	1	1	0
Skilled	4	0	0	0	0	0	6	0
Semi-skilled	32	3	10	2	0	3	1	2
Unskilled	0	0	0	0	0	0	0	0
TOTAL	52	7	10	2	0	4	9	2

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	0	0	0	0	0	0	0
Senior Management	3	0	1	0	0	0	0	0
Professional Qualified	23	1	5	1	0	1	11	0
Skilled	8	2	3	0	0	0	1	0
Semi-skilled	30	1	9	1	0	2	0	2
Unskilled	0	0	0	0	0	0	0	0
TOTAL	65	4	18	2	0	3	12	2

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional Qualified	0	0	1	1
Skilled	1	1	0	0
Semi-skilled	0	2	0	2
Unskilled	0	0	0	0
TOTAL	1	3	1	3

PART E: FINANCIAL INFORMATION



FINANCIAL INFORMATION

Audit Committee's Report

The Audit and Risk Committee reports that it has complied with its responsibilities prescribed in Section 51(1) of the PFMA, Treasury Regulations 27.1 and The Audit and Risk Committee Charter.

The Charter sets out the responsibilities of the Committee, its composition and operating guidelines in order to assist the Board to oversee accounting and financial reporting. The members of the Committee are appointed by the Board and the Committee consists of three independent members and two non-executive Directors who collectively have sufficient qualifications and experience to fulfil their duties. The National Librarian and CEO, CFO, Executive Directors, External Auditors, Internal Auditors and Compliance Manager attended the Committee meetings by invitation only. The functions of the Committee include the following as per the approved Charter:

- To evaluate the performance, independence and effectiveness of the External Auditors.
- Consider the External Audit Strategy and scope thereof.
- Review the reports of the External Auditors with regard to the annual financial statements.
- Consider the objectives, Internal Audit Plans and Internal Audit Charter.

- Review the internal audit function's compliance with its mandate as approved by the Committee.
- The overall processes for identifying and assessing the key business, operational, financial, commercial and information risks.
- NLSA's Accounting Policies to ensure that they adequately reflect the nature and scope of NLSA's business and operations.
- Ensures that the NLSA complies with legislation.

The Committee is of the view that it has fulfilled its mandate as per the Audit and Risk Committee Charter.

The key activities of the Committee are to assist the Board to discharge its responsibilities including among others, the evaluation of the performance, independence and effectiveness of External Auditors and the evaluation of the performance of the Internal Audit (IA) including the IA Plans and Charter. The Committee provided advisory services on the entity's risks management processes including internal controls to ensure effective compliance with all relevant laws and regulations.

Membership and Meeting Attendance

The Audit Committee met five times during the financial year under review. Attendance of meetings is listed on the following page:

Name	Audit Committee	Qualifications	Date Appointed	No. of Meetings Attended	End of Term
Mr N Cronje (Chairperson)	Independent member	CA (SA)	1 January 2016	5	30 September 2018
Ms MMD Nkomo	Board member	MCom BCom Hons BCom	1 January 2016	3	30 September 2018
Ms K Kumalo	Independent member	CA (SA)	1 November 2017	1	30 September 2018
Ms S Makhathini	Independent member	CA (SA)	1 January 2016	5	30 September 2018
Ms N Dick	Board member	CA (SA)	1 January 2016	4	30 September 2018

The Effectiveness of Internal Controls

The Committee is pleased that the overall control environment of the NLSA has improved during the period under review. This is based on the information and explanations provided by Management as well as the results of Audits performed by the Internal Auditors and Independent External Auditors (Auditor-General). The governance, financial and performance management and leadership of the NLSA are stable and no instances of material breakdown in internal controls during the period under review had occurred.

Except on the matters raised in the Audit Report, as it pertains to the accounting for Heritage Assets, the Committee reports that the system of internal controls was effective during the period under review.

In-Year Management Quarterly Report

The Audit and Risk Committee had met four times during the period under review to consider quarterly performance reporting. The NLSA reports quarterly to the Department of Arts and Culture (DAC). At these meetings, the Committee considered the progress made towards improving audit outcomes.

Risk and Compliance Management

The NLSA has a Risk Management Strategy and Plan in place. Risk monitoring is active at the entity. An internal Risk Management Committee was established and meets on a quarterly basis to discuss risk management. The Committee notes the improvement in the management of risks, however areas still exist where effective mitigation should be explored. This is especially pertinent to the management of Heritage Collections and the impact of the post-employment medical benefit obligation. The Committee received and dealt with the mitigation progress of the top 10 strategic risks.

The Committee notes the compliance regulatory universe and the compliance assessment performed by Management. Instances of non-compliance raised by the Auditor-General were considered and were mainly as a result of the Heritage Assets Standard and Irregular Expenditure. Compliance monitoring and reporting is active at the entity.

Evaluation of the Financial Statements 2017/18

The Committee has reviewed the Annual Financial Statements of the NLSA and is satisfied that they comply with the requirements of the PFMA. During the period under review the Committee:

- Confirmed, based on management's review, that the Annual Financial Statements were prepared on the going concern basis.
- Reviewed and discussed the audited Financial Statements included in this Annual Report with the External Auditors, the Chief Executive Officer and the Chief Financial Officer.
- Met separately with Management, External Auditors and Internal Auditors and satisfied themselves that no material control weakness existed.
- Reviewed any significant adjustments resulting from external audit queries and adjusted all audit differences.
- Reviewed areas of significant judgements and estimates in the Annual Financial Statements.
- Reviewed the External Auditors' Report and Management's response to it.

External Audit and Auditor's Report

The NLSA's External Auditor is the Auditor-General of South Africa who outsourced the audit to Ernst & Young (EY). The Committee is satisfied that the External Auditors are independent of the entity. They have maintained independence throughout the audit review and have acted in accordance with ethical requirements.

The Committee, following consultation with the NLSA's Executive Directors, considered the engagement letter, Audit Plan and budgeted audit fees payable to the External Auditors.

The Committee concurs and accepts the conclusion of the Auditor-General on the Annual Financial Statements and the report on the achievement against predetermined objectives. The Committee is of the opinion that the audited Annual Financial Statements be accepted and read together with the Audit Report.

The Committee has reviewed the NLSA's implementation plan for audit issues by the Auditor-General and is satisfied that the matters have been adequately resolved except for the following:

- The recognition and measurement of Heritage Collections in accordance with GRAP 103.

The Committee notes that Management is implementing plans to comply with the Standard on Heritage Assets, GRAP 103.



Report of the auditor-general to Parliament on the National Library of South Africa

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the National Library of South Africa set out on pages 80 to 136, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects of the matters described in the basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the NLSA as at 31 March 2018, its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for qualified opinion

Heritage assets and gains from legal deposits

3. I was unable to obtain sufficient appropriate evidence that the public entity had properly accounted for all heritage assets at a cost or appropriate fair value as required by GRAP 103, Heritage assets. Heritage assets acquired before 1 April 2012 were not recognised in the annual financial statements. All assets acquired through legal deposit and donations after April 2012 which had no cost or assigned fair values at the date of acquisition were recognised using the same weighted average cost. Special collections acquired by the entity were not recognised in the annual financial statements. As the public entity did not maintain adequate records of the heritage assets, I was unable to determine whether any adjustments were necessary. Consequently, I was unable to determine whether any adjustments were necessary to Heritage Assets stated at R17 565 968 (2017: R16 166 048) in note 9.
4. GRAP 23 requires the recognition of a gain (revenue) when assets are received in a non-exchange transaction. In not recognising the heritage assets (noted in paragraph 3 above), a gain (revenue) for the same amount was therefore also not recognised in the annual financial statements. As a result, I was unable to determine the full extent of the understatement of gains from legal deposits stated at R1 135 446 (2017: R980 457) in note 16 to the annual financial statements as it was impracticable to do so. Additionally, there is a consequential impact on the surplus for the period and on the accumulated surplus.

Context for the opinion

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

6. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matter

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

Restatement of corresponding figures

9. As disclosed in note 32 to the financial statements, the corresponding figures for 31 March 2017 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2018.

Responsibilities of the accounting authority for the financial statements

10. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
11. In preparing the financial statements, the accounting authority is responsible for assessing the National Library of South Africa's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

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

Report on the audit of the annual performance report

Introduction and scope

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
15. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 2 – Business development	48
Programme 3 – Public engagement	50

17. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programme:
 - Programme 2 – Business Development
 - Programme 3 – Public Engagement

Other matters

19. I draw attention to the matters below.

Achievement of planned targets

20. Refer to the annual performance report on page(s) 29 to 39; 43 to 52 for information on the achievement of planned targets for the year.

Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 2: Business Development and Programme 3: Public Engagement. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation**Introduction and scope**

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

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

Annual financial statements, performance and annual reports

24. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1)(b) of the PFMA. Material misstatements of revenue and expenditure identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements resulted in the financial statements receiving a qualified opinion.

Expenditure Management

25. Effective steps were not taken to prevent irregular expenditure amounting to R R1 487 039 as disclosed in note 37 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with supply chain management prescripts.

Assets management

26. Proper control systems to safeguard and maintain heritage assets were not implemented, as required by sections 50(1)(a) and 51(1)(c) of the PFMA.

Other information

27. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
28. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
29. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
30. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

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

Leadership

32. Leadership of the public entity did not exercise adequate oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls.

Financial and Performance Management

33. Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.
34. Management did not review and monitor compliance with applicable laws and regulations.

Auditor - General

Pretoria

31 July 2018



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

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

Financial statements

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

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

Index

These reports and statements set indexed hereunder are presented in compliance with the requirements of South African Statements of Generally Recognised Accounting Practices (GRAP) and comprise the annual financial statements presented to the parliament:

Accounting Authority's Responsibilities and Approval	79
Statement of Financial Position	80
Statement of Financial Performance	81
Statement of Changes in Net Assets	82
Cash Flow Statement	83
Statement of Comparison of Budget and Actual Amounts	84
Accounting Policies	86
Notes to the Annual Financial Statements	113

AGSA	Auditor General of South Africa
DAC	The Department of Arts and Culture
GRAP	Generally Recognised Accounting Practice
ICT	Information and Communications Technology
MLO	Mzansi Libraries Online
NLSA	National Library of South Africa
PFMA	Public Finance Management Act No. 1 of 1999
SARS	South African Revenue Services
NLC	National Lottery Commission

Bankers

Standard Bank of South Africa
ABSA Bank

Board Secretary

Ms Musa Sekese

Auditors

Auditor General of South Africa

Accounting Authority's Responsibilities and Approval

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

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

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

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

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

The Board has reviewed the NLSA's budget forecast and, in the light of this review and the current financial position, it is satisfied that the NLSA has access to adequate resources to continue in operation for the foreseeable future.

The NLSA is primarily dependent on the vote allocation and conditional grants for continued funding of operations. The annual financial statements are prepared on the basis that the NLSA is a going concern and that the Board has neither the intention nor the need to liquidate or curtail materially the scale of operations of the NLSA.

The annual financial statements set out on pages 79 to 136, which have been prepared on the going concern basis, were approved by the Board on 30 July 2018 and are signed on its behalf by:


Prof Rocky M.D. Ralebipi-Simela

National Librarian & CEO

National Library of South Africa


Mr Themba T.C. Dlamini

Chairperson of the Board

Statement of Financial Position as at 31 March 2018

	Notes	2018	2017 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	5	2 326 415	680 586
Prepayments	4	895 069	899 657
Bequests related investments	3	1 998	600
Cash and cash equivalents	6	120 964 313	117 748 580
		124 187 795	119 329 423
Non-Current Assets			
Property, plant and equipment	7	41 754 184	41 573 259
Intangible assets	8	2 558 676	1 793 177
Heritage assets	9	17 565 968	16 166 048
Other financial assets	10	6 520 000	5 170 000
		68 398 828	64 702 484
Total Assets		192 586 623	184 031 907
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	12 767 107	14 561 754
Employee benefit obligation	12	1 597 291	1 734 278
Conditional grant obligation	13	107 041 074	102 078 761
Provisions	40	6 673 998	4 316 925
		128 079 470	122 691 718
Non-Current Liabilities			
Employee benefit obligation	12	34 717 843	33 698 423
Total Liabilities		162 797 313	156 390 141
Net Assets		29 789 310	27 641 766
Reserves			
Non distributable reserves		9 032 459	7 897 013
Accumulated surplus		20 756 851	19 744 753
Total Net Assets		29 789 310	27 641 766

Statement of Financial Performance

	Notes	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Other income	17	2 248 311	2 748 271
Interest received - investment	23	1 401 526	2 691 222
Total revenue from exchange transactions		3 649 837	5 439 493
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	18	85 934 000	79 729 000
Gains from legal deposits	16	1 135 446	980 457
Service in-kind income	28	56 107 837	61 183 290
Donations		475 000	-
Conditional grant income realised	17	114 358 541	46 447 028
Total revenue from non-exchange transactions		258 010 824	188 339 775
Total revenue	15	261 660 661	193 779 268
Expenditure			
Employee costs	22	(68 347 937)	(60 349 880)
Depreciation and amortisation	7	(4 237 930)	(2 833 858)
Impairment loss		-	(478 800)
Finance costs		(3 344 267)	(3 340 781)
Rentals	27	(56 522 135)	(52 010 878)
Repairs and maintenance		(568 876)	(294 377)
General expenses	19	(9 818 657)	(17 670 606)
Conditional grant expenditure	20	(105 680 684)	(40 580 492)
Audit fees	24	(1 209 040)	(2 500 602)
Contracts and consulting & professional services	25	(8 690 367)	(7 872 726)
Subscriptions and licenses	26	(4 545 223)	(4 018 818)
Total expenditure		(262 965 116)	(191 951 818)
Operating (deficit) surplus	21	(1 304 455)	1 827 450
Gain on foreign exchange		24 513	39 085
Loss on disposal of assets		(199 846)	(305 746)
Fair value adjustments		1 351 398	70 200
Actuarial gains	12	2 275 934	1 516 385
		3 451 999	1 319 924
Surplus for the year		2 147 544	3 147 374

Statement of Changes in Net Assets

Figures in Rand

	Non Distributable reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	6 916 556	22 287 233	29 203 789
Adjustments			
Prior year adjustments*	-	(4 709 397)	(4 709 397)
Balance at 01 April 2016 as restated*	6 916 556	17 577 836	24 494 392
Changes in net assets			
Restated surplus for the year	-	3 147 374	3 147 374
Transfer of gains from legal deposits	980 457	(980 457)	-
Total changes	980 457	2 166 917	3 147 374
Restated* Balance at 01 April 2017	7 897 013	19 744 753	27 641 766
Changes in net assets			
Surplus for the year	-	2 147 544	2 147 544
Transfer of gains from legal deposits	1 135 446	(1 135 446)	-
Total changes	1 135 446	1 012 098	2 147 544
Balance at 31 March 2018	9 032 459	20 756 851	29 789 310

Cash Flow Statement

	Notes	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Grants		204 252 044	119 836 991
Interest income		1 369 817	2 643 933
Donations		475 000	-
Other receipts		736 397	2 775 629
		<u>206 833 258</u>	<u>125 256 553</u>
Payments			
Employee costs		(66 786 613)	(59 358 579)
Suppliers		(131 182 239)	(55 960 981)
		<u>(197 968 852)</u>	<u>(115 319 560)</u>
Net cash flows from operating activities	29	8 864 406	9 936 993
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(4 654 699)	(15 814 344)
Proceeds from sale of property, plant and equipment	7	36 000	55 500
Purchase of other intangible assets	8	(765 499)	(1 753 756)
Purchases of heritage assets	9	(264 476)	(2 461 456)
Net cash flows from investing activities		(5 648 674)	(19 974 056)
Net increase/(decrease) in cash and cash equivalents		3 215 732	(10 037 063)
Cash and cash equivalents at the beginning of the year		117 748 580	127 785 644
Cash and cash equivalents at the end of the year	6	120 964 312	117 748 581

Statement of Comparison of Budget and Actual Amounts

Figures in Rands	Approved Budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% of actual to adj. budget 31 March 2018
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other income (2.5)	6 368 000	(1 731 728)	(4 636 272)	2 248 311	(2 387 961)	52%
Interest received - investment	1 200 000	-	1 200 000	1 401 526	201 526	110%
Total revenue from exchange transactions	7 568 000	(1 731 728)	5 836 272	3 649 837	(2 186 435)	
Revenue from non-exchange transactions						
Government grants & subsidies	83 715 000	-	83 715 000	83 715 000	-	100%
Gains from legal deposits	-	-	-	1 135 446	1 135 446	-100%
Conditional grant income realised - Mzansi Libraries online (2.1 & 3.1)	41 118 000	67 185 700	108 703 700	66 658 315	(41 645 385)	62%
Conditional grant income realised - GRAP 103 implementation (2.2 & 3.3)	32 000 000	(15 501 969)	16 498 031	4 161 181	(12 336 850)	25%
Municipal services allocation	2 219 000	-	2 219 000	2 219 000	-	100%
Conditional grant income realised - National Lottery Commission (2.3 & 3.2)	2 600 00	1 875 484	4 475 484	1 870 602	(2 604 882)	42%
Deferred income realised - Community Libraries	17 164 000	300 000	17 464 000	17 249 359	(214 641)	98%
Conditional grant income Facilities Management (2.4 & 3.4)	29 914 000	6 439 000	36 353 000	22 081 190	(14 271 810)	61%
Conditional grant income - Shelving (2.5)	-	2 455 000	2 455 000	2 337 894	(117 106)	95%
Service in-kind income	-	-	-	6 645 938	6 645 938	-100%
Donations	-	-	-	475 000	475 000	-100%
Total revenue from non-exchange transactions	208 730 000	62 753 215	271 483 215	208 548 925	(62 934 290)	
Total revenue	216 298 000	61 021 487	277 319 487	212 198 762	(65 120 725)	

Statement of Comparison of Budget and Actual Amounts

Figures in Rands	Approved Budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% of actual to adj. budget 31 March 2018
Expenditure						
Employee costs	(66 353 000)	354 426	(65 998 574)	(68 347 937)	(2 349 363)	101%
Finance costs	-	-	-	(3 344 267)	(3 344 267)	-100%
General expenses	(27 149 000)	1 377 302	(25 771 698)	(32 834 413)	(7 062 715)	127%
Project expenses - community libraries	(17 164 000)	(300 000)	(17 464 000)	(16 249 359)	1 214 641	92%
Conditional grant expenditure - Facilities management (2.4 & 3.4)	(29 914 000)	(6 439 000)	(36 353 000)	(22 081 190)	14 271 810	61%
Conditional grant expenditure - Shelving (2.5)	-	(2 455 000)	(2 455 000)	(2 337 894)	117 106	95%
Conditional grant expenditure - Mzansi Libraries Online (2.1 & 3.1)	(41 118 000)	(67 185 700)	(108 303 700)	(66 658 315)	41 645 385	62%
Conditional grant expenditure - National Lottery Commission (2.3 & 3.2)	(2 600 000)	(1 875 484)	(4 475 484)	(1 870 602)	2 604 882	42%
Conditional grant expenditure - GRAP 103 implementation (2.2 & 3.3)	(32 000 000)	15 501 969	(16 498 031)	(4 161 181)	12 336 850	25%
Total expenditure	(216 298 000)	(61 021 487)	(277 319 487)	(217 885 158)	59 434 329	
Operating deficit	-	-	-	(5 686 396)	(5 686 396)	
Loss on disposal of assets (2.6)	-	-	-	(199 846)	(199 846)	-100%
Gain on foreign exchange (2.6)	-	-	-	24 513	24 513	-100%
Fair value adjustments (2.6)	-	-	-	1 351 398	1 351 398	-100%
Actuarial gains (2.6)	-	-	-	2 275 934	2 275 934	-100%
Deficit	-	-	-	(2 234 397)	(2 234 397)	
Basis as presented in the Budget and Actual Comparative Statement	-	-	-	(2 234 397)	(2 234 397)	
Reconciliation						
Format and classification differences						
Capital expenditure from conditional grants				4 381 941		
Actual amount in the Statement of Financial Performance				2 147 544		

Accounting Policies

1. Disclosure

1.1 The approved budget is prepared on an accrual basis and covers the fiscal period 1 April 2017 to 31 March 2018. 1.

2. Material differences between approved budget and final budget

2.1 The budget adjustment of R67 185 700 was due to the re-allocation of prior year budget unutilised approved by the foundation during the budget period and the additional funding received from the Bill & Melinda Gates Foundation.

2.2 The Budget was adjusted by R15 501 969 to align with the project three year spending plan, the R32 Million allocation as shown in the Original budget is consistent with the APP.

2.3 The Budget adjustment of R1 875 484 represent an approved re-allocation of prior year unutilised budget confirmed by the Grantor during the budget period.

2.4 The adjustment is due to the re-allocated budget savings of R6 439 000 on completed projects to current facilities management projects, which was approved by the Department of Arts & Culture during the budget period.

2.5 The adjustment of R2 455 000 is due to a budget confirmation approved post the budget start date. Application to carry-over the budget was confirmed by Arts & Culture.

3. Material differences between budget versus actual amounts. (Outside the acceptable range of 90% and 110%).

3.1. Project : The Mzansi Libraries Online project spent a total of 62% of the budget. The underspending was due to delays experienced with the provinces in implementing the project during 2016 and these delays carried forward to the budget period under review. The Bill and Melinda Gates foundation has granted an extension to the project until October 2018 in order to enable the NLSA to deliver on the remaining funds.

3.2. Project: National Lottery commission spent a total of 42 % of the budget. The underspending was a result of the carry forward of R 1 875 484 into the budget period under review.

3.3. Project: Grap 103 spent a total of 25% of the budget .Delays were experienced on the appointment of staff and services providers which resulted to low spending on employee costs and project consultancy fees.

3.4. Project: DAC Facilities management spent a total of 61% of the budget .The underspending was due to delays in obtaining heritage permits from the Provincial heritage council thereby delaying the implementation of the gas fire suppression system. An additional R 6 439 000 from budget savings on prior year completed projects was approved by the Department of arts and culture to be allocated on current facilities management projects.

Accounting Policies

3.5 Other income earned totaled 59% of the budget due to delays in the approval and implementation of the revenue generation strategies. The review process by the board committee concluded on a phase in approach starting with income sources that require low capital investment.

3.6 Line items with a variance of -100% relate to accounting entries for which there is no budget made.

3.7 The overspending in general expense was a result of non cash expenditure items for which there was no budget e.g depreciation, Service in Kind rental and municipal fees.

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand rounded to the nearest R1.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

The annual financial statements have been prepared on the expectation that the NLSA will continue to operate as a going concern for at-least the next twelve months. The Audit and risk committee with the support of internal audit has reviewed the going concern basis and the effectiveness of the internal controls at the NLSA. The committee evaluated the annual financial statements and recommended their approval to the board. Refer to note 36

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the NLSA; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Where an asset is acquired through a non-exchange transaction, its costs shall be measured at fair value as at date of acquisition.

Accounting Policies

1.2 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation Method	Average useful life
Plant and machinery	Straight line	50 years
Furniture and fixtures	Straight line	15-25 years
Motor vehicles	Straight line	5-10 years
Office equipment	Straight line	5-10 years
Computer equipment	Straight line	5-10 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date any indication that the NLSA's expectations about the residual values and useful life of the asset has changed since the preceding reporting date. Where the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

Accounting Policies

1.3 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the NLSA or from other rights and obligations.
- An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the NLSA; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially measured at cost. Where an intangible asset is acquired through a non-exchange transaction, its initial cost shall be measured at its fair value as at the acquisition date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets with a finite useful life are carried at cost less accumulated amortisation and any impairment losses.

Intangible assets with an indefinite useful life are carried at cost less impairment.

The carrying value of an intangible asset with an indefinite useful life is reviewed annually to assess if conditions exist for an impairment test.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Intangible assets have been assessed to have an indefinite life. It is the intention of the NLSA to continue to use the asset for an indefinite period, the software agreement and annual licence provides for updates and patches that ensure continuous relevance and use of the system.

Items of intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of intangible is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of intangible assets is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Accounting Policies

1.4 Heritage assets

Scope

The NLSA is the primary resource and custodian of South African documentary heritage and promotes creative, efficient and universal access to information. The NLSA collects, records, preserves and promotes access to the National documentary heritage, both locally and internationally. The NLSA is one of the Legal deposit institutions in South Africa, and complies with the Legal Deposit Act, 1997 (Act 54 of 1997).

Definition and classification

The library's collection includes books, records, journals, serials, newspapers, magazines, manuscripts, maps, prints, sound and music recordings, digital items, patents, prints and others. The collection of the National Library is unique in its breadth, depth and scope in the Republic of South Africa. A significant number of items in collection are priceless and irreplaceable due to the age and lack of an active market.

The NLSA classifies its collection as Heritage Assets with historical, cultural, educational, artistic, scientific, technological or natural significant. It is the mission of the NLSA to be the primary resource and custodian of South Africa's documentary heritage. The NLSA acts as the national preservation library in terms of the National Library of South Africa Act, Act No. 92 of 1998, and the collections are held for an indefinite period. It is the purpose of the NLSA to preserve all its collections for posterity and use by future generations. Ancillary to the mission of the NLSA is the provision of access to the library collections to a variety of users, primarily the South African public free of charge.

Initial Recognition

An item acquired either through legal deposit, purchase, bequests or donations is recognised as Heritage assets if, and only if:

- It is probable that future economic benefits or service potential associated with the item are expected to flow to the NLSA, and
- The cost or fair value of the item can be measured reliably.

Reasonable judgements are made by management in the assessment of the degree of certainty attached to the flow of future economic benefits or the service potential that are attributable to the heritage asset on the basis of the evidence available at initial recognition.

If in possession of an asset that might be regarded as a heritage asset which meet the definition, but does not meet the recognition criteria for a heritage asset because it cannot be reliably measured , relevant and useful information about the asset is disclosed in the note to the financial statements.

The date of recognition shall be the date when all the recognition criteria above are met.

Accounting Policies

Initial measurement

A Heritage asset acquired via an exchange transaction and that qualifies for recognition as an asset, shall be initially measured at its costs at the date of recognition.

The cost of the heritage asset comprises:

1. Its purchase price, including import duties and non-refundable purchase taxes after deducting trade discounts and rebates, and
2. Any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by management Heritage assets acquired through non-exchange transactions, such as legal deposits and donations shall be initially measured at its deemed cost. The deemed cost shall be the fair value at the date of acquisition. If it is impractical to ascertain the fair value at acquisition, the facts supporting the impracticability shall be disclosed.

The cost of an item of heritage assets acquired in exchange for non-monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the assets given up, unless the fair value of the asset received is clearly evident. If the acquired item could not be measured at its fair value, its costs is measured at the carrying amount of the asset given up.

If payment for the acquisition of a heritage is deferred beyond normal credit terms, the difference between the cash price equivalent at acquisition date and the total payment, is recognised as interest over the period of credit unless such interest is recognised in the carrying amount of the heritage asset in accordance with the GRAP standard on Borrowing costs.

Subsequent measurement

The NLSA accounts for its heritage assets using the cost model, a class of heritage assets are subsequently measured at its costs less any accumulative impairment losses.

Heritage assets are not depreciated but the NLSA assesses at each reporting date whether there is an indication that the assets may be impaired. If any such indication exists, the NLSA estimates the recoverable amount or the recoverable service amount of the heritage asset in accordance with the GRAP standard on Impairment of Non-cash generating Assets.

Subsequent expenditure incurred on a heritage asset is only capitalised when it is incurred to enhance or restore the heritage asset to preserve its indefinite useful life and if and only if, the recognition criteria are met. Costs of day to day servicing of the heritage assets are classified as repairs and maintenance costs.

Transfers

The NLSA transfers items from the heritage assets, at their carrying amounts, only when such items no longer meet the definition of the heritage asset.

Assets that subsequently meet the definition and recognition of heritage assets are transferred from the relevant classification to the heritage assets at their reclassification date carrying amounts.

Accounting Policies

1.4 Heritage assets (continued)

The NLSA derecognises the carrying amount of the heritage assets:

- On disposal (including disposal through a non-exchange transactions) or
- When no future economic benefits or service potential are expected from its use.

The gain or loss arising from the de-recognition of an item of heritage assets is included in the surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of heritage is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation calculated by using the effective interest method as the difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash

Accounting Policies

flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Accounting Policies

1.5 Financial instruments (continued)

A financial asset is past due when a counterparty has failed to make a payment when contractually due. A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

See note 41 for the categories of financial assets and liabilities at the NLSA

Accounting Policies

Initial measurement of financial assets and financial liabilities

The NLSA measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The NLSA measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the NLSA establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit. For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost: If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly. The amount of the loss is recognised in surplus or deficit.

Accounting Policies

1.5 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

1.5 Financial instruments (continued)

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Recognition

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Accounting Policies

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the NLSA does not offset the transferred asset and the associated liability.

1.6 Tax

No provision for income tax was made since the NLSA is incorporated as an entity not for gain and listed as a schedule 3A public entity according to the Public Finance Management Act, Act 1 of 1999, as amended by Act 29 of 1999. The entity is exempted from tax, in terms of section 10(1)(cA)(i)(bb) of the Income Tax Act 58 of 1962, as amended.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases

Operating lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Payments received under operating leases are recognised in surplus or deficit within other income on a straight-line basis over the period of the lease.

1.8 Impairment of non-cash-generating assets

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

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

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

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

Accounting Policies

1.8 Impairment of non-cash-generating assets (continued)

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

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the NLSA; or
- (b) the number of production or similar units expected to be obtained from the asset by the NLSA.

Criteria developed by the NLSA to distinguish non-cash-generating assets from cash-generating assets are as follows:

[Specify criteria]

Designation

At initial recognition, the NLSA designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a NLSA's objective of using the asset.

The NLSA designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The NLSA designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the NLSA expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the NLSA designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The NLSA assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the NLSA estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Accounting Policies

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the NLSA recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The NLSA assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the NLSA estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.9 Non Distributable reserves

The non-exchange transactions gains recognized on receipt of legal deposit collections are transferred from accumulated surplus to non-distributable reserves in the Statement of Changes in net Assets. The reserves represents the recognize gains on library collections deposited at no fee in terms of the legal deposit act.

1.10 Prepayments

A prepaid expense is an expenditure paid for in one accounting period, but for which the underlying asset will not be consumed until a future period. When the asset is eventually consumed, it is charged to expense. If consumed over multiple periods, there may be a series of corresponding charges to expense.

Expenditures are recorded as prepaid expenses in order to more closely match their recognition as expenses with the periods in which they are actually consumed prepaid expenses are initially measured at their actual cash paid as at the date of recognition, and are amortized in surplus and deficit statement as and when the NLSA incurs the expenses.

1.11 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and

When an employee has rendered service to the NLSA during a reporting period, the NLSA recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the NLSA recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The NLSA measure the expected cost of accumulating compensated absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

Accounting Policies

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

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the NLSA pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the NLSA during a reporting period, the NLSA recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the NLSA recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Accounting Policies

1.11 Employee benefits (continued)

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the NLSA) that are held by an entity (a fund) that is legally separate from the NLSA and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the NLSA's own creditors (even in liquidation), and cannot be returned to the NLSA unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the NLSA or
- the assets are returned to the NLSA to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the NLSA recognise past service cost as an expense in the reporting period in which the plan is amended.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The NLSA measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using

Accounting Policies

a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The NLSA determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The NLSA recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The NLSA uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an NLSA shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the NLSA shall attribute the benefits on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The NLSA recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Accounting Policies

1.11 Employee benefits (continued)

Before determining the effect of a curtailment or settlement, the NLSA re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The NLSA offsets an asset relating to one plan against a liability relating to another plan when the NLSA has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs takes into account estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Accounting Policies

1.12 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

1.14 Revenue from exchange transactions

Revenue from exchange transactions is recognised when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer.

Revenue from letting out of equipment and space is recognised when the service has taken place. In the case of space letting, revenue is recognized when it is earned.

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the NLSA, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method. Interest income is accrued on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period to maturity.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the NLSA's right to receive payment has been established.

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the NLSA, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the NLSA can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the NLSA either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction which is recognised as an asset is also recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the NLSA satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Accounting Policies

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the NLSA.

When, as a result of a non-exchange transaction, the NLSA recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the NLSA, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the NLSA and the fair value of the assets can be measured reliably.

Revenue(Gains) from legal deposits is transferred to Non-distributable reserves from Accumulated surpluses at each reporting period.

Services in-kind

Except for financial guarantee contracts, the NLSA recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the NLSA and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the NLSA's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the NLSA disclose the nature and type of services in-kind received during the reporting period.

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Accounting Policies

1.17 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.18 Comparative figures

When the presentation or classification of items in the financial statements is amended due to better presentation and/or better understandability and/or comparability and/or due to the implementation of a new or amended standard, prior period comparative amounts are reclassified. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.19 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is defined in section 1 of the PFMA as expenditure which was made in vain and would have been avoided had reasonable care been exercised.

The words in vain as contained in the definition of fruitless and wasteful refers to a transaction, event or condition which was undertaken without value or substance and which did not yield any desired results or outcome. Reasonable care means applying due diligence (careful application, attentiveness, caution) to ensure that the probability of a transaction, event or condition not being achieved as planned is being managed to an acceptable level.

Accounting Policies

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

1.20 Irregular expenditure

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

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

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

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

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

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

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

Accounting Policies

1.21 Budget information

General purpose financial reporting by NLSA shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification.

The approved budget covers the fiscal period from 2017/04/01 to 2018/03/31.

Comparative information is not required.

1.22 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

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

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

The NLSA does not disclose related party transactions if that transaction occurs within:

- normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those
- which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- terms and conditions within the normal operating parameters established by that reporting entity's legal mandate.

1.23 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date);
- and

Accounting Policies

- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The NLSA will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The NLSA will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.24 Critical Accounting Estimates and Assumptions

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of liabilities, income and expenditure within the next financial year are discussed below

EMPLOYEE BENEFITS

Post-employment medical benefits

The NLSA recognises a liability for post-employment medical benefits to qualifying retirees. The post-employment medical benefits plan is unfunded.

Valuation

The NLSA uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

Valuation Assumptions used at the reporting date:

	2017/18	2016/17
Discount rates used	8.7%	9.7%
Health care cost inflation	7.38%	8.35%
Net discount rate	1.3%	1.24%
Percentage married	80%	80%
Continuance assumption	100%	100%

Details on the sensitivity analysis for the post-employment medical aid benefits are disclosed in note 12 to the Annual Financial Statements

Accounting Policies

1.24 Critical Accounting Estimates and Assumptions (continued)

Long Service Awards

The National Library of South Africa pays a long service award to employees who are in service for the following periods: 10 years, 20 years, 30 years, and 40 years.

Valuation

An obligation has been recognised for this benefit based on the actuarial valuation of the long service award liability as at 31 March 2018, which was conducted by QDI Consulting taking into consideration the current service cost, interest costs and benefits paid.

Valuation Assumptions used at the reporting date:

On 31 March 2018 the aggregate membership used for the valuation was 152 (2017: 168) with an average age of 44 years (2017:43.3 years).

	2017/18	2016/17
Discount rates used	8.7%	9.7%
Health care cost inflation	7.38%	8.35%
Net discount rate	1.3%	1.24%
Percentage married	80%	80%
Continuance assumption	100%	100%

SERVICE IN KIND

The NLSA recognizes service in kind income, with the related rental expense for accommodation services on properties occupied by the NLSA in a non-exchange transaction.

Costs Estimation

The income and expenses related to service in kind arising from non-exchange transactions are measured with reference to the amount of money payable by the Department of Arts and Culture.

Leased properties

Service in kind on properties under lease agreements are measured as the total costs payable during the period and confirmed by the Department of Arts and Culture.

State Owned properties

Service in kind on state owned properties is estimated by reference to the rate per square metre payable on current private property lease agreements. The current year service in kind was computed based on the actual rate per square meter confirmed with the Department of Arts and Culture for accommodation charges on the Matrix Building, which is leased on behalf of the NLSA with a private property owner.

The estimate is subject to annual review and will be confirmed once the Department of Public Works implement the itemised billing system for entities within the Department of Arts and Culture.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The NLSA has not applied the following standards and interpretations, which have been published and are mandatory for

the NLSA's accounting periods beginning on or after 01 April 2018 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	No effective date	Not expected to impact results
• GRAP 35: Consolidated Financial Statements	No effective date	Not expected to impact results
• GRAP 36: Investments in Associates and Joint Ventures	No effective date	Not expected to impact results
• GRAP 37: Joint Arrangements	No effective date	Not expected to impact results
• GRAP 38: Disclosure of Interests in Other Entities	No effective date	Not expected to impact results
• GRAP 110: Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2019	Not expected to impact results
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Not expected to impact results but may result in additional disclosure

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• GRAP 108: Statutory Receivables	01 April 2019	Not expected to impact results but may result in additional disclosure
• GRAP 109: Accounting by Principals and Agents	01 April 2019	The adoption of the standard is expected to impact the accounting and reporting of Conditional Grant receipt from the Department

Notes to the Annual Financial Statements

3. Bequest related investments

Medium to Long-term Investments

Price per share as at 31 March 2018.

	2018	2017
SA Reserve bank	1 998	600

4. Prepayments

Prepayments (Annual subscriptions and Memberships)	895 069	899 657
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5. Receivables from exchange transactions

Trade debtors	2 012 763	394 812
Accrued interest	175 527	46 560
Personnel debtors	138 125	239 214
	2 326 415	680 586

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to historical information about counterparty default rates. The trade and receivable are assessed to be of a fair quality.

None of the financial assets that are fully performing have been renegotiated in the last year. The entity's exposure to credit and currency risks related to trade and other receivables are disclosed in note 35.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2018, R 582 818 (2017: R 151 125) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	76 320	21 706
2 months past due	7 213	7 214
3 months past due	499 285	122 204

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	10 822	14 439
Bank balances	2 589 278	3 003 009
Short-term fixed deposits	60 152 064	34 235 654
Call deposits	262 369	8 354 988
Bank balance - Mzansi Libraries Online (note 32)	57 949 780	72 140 490
	120 964 313	117 748 580

Notes to the Annual Financial Statements

7. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Plant and machinery	15 581 642	(2 616 176)	12 965 466	15 581 642	(2 305 344)	13 276 298
Furniture and fixtures	10 548 596	(4 763 399)	5 785 197	10 229 050	(4 136 110)	6 092 940
Motor vehicles	827 778	(417 420)	410 358	827 778	(364 872)	462 906
Office equipment	13 164 156	(4 188 644)	8 975 512	10 687 454	(3 566 594)	7 120 860
Computer equipment	19 128 658	(5 511 007)	13 617 651	18 688 053	(4 067 798)	14 620 255
Total	59 250 830	(17 496 646)	41 754 184	56 013 977	(14 440 718)	41 573 259

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Plant and machinery	13 276 298	-	-	(310 832)	12 965 466
Furniture and fixtures	6 092 940	343 423	(17 962)	(633 204)	5 785 197
Motor vehicles	462 906	-	-	(52 548)	410 358
Office equipment	7 120 860	3 178 641	(130 923)	(1 193 066)	8 975 512
Computer equipment	14 620 255	1 132 635	(86 960)	(2 048 279)	13 617 651
	41 573 259	4 654 699	(235 845)	(4 237 929)	41 754 184

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Work in progress	Disposals	Depreciation	Total
Plant and machinery	13 587 131	-	-	-	(310 833)	13 276 298
Furniture and fixtures	6 598 143	133 014	-	(23 481)	(614 736)	6 092 940
Motor vehicles	256 756	397 537	-	(144 127)	(47 260)	462 906
Office equipment	4 012 142	2 020 928	1 795 289	(23 927)	(683 572)	7 120 860
Computer equipment	4 499 845	7 674 094	3 793 482	(169 711)	(1 177 455)	14 620 255
	28 954 017	10 225 573	5 588 771	(361 246)	(2 833 856)	41 573 259

Compensation received for losses on property, plant and equipment – included in operating surplus.

Motor vehicles	36 000	-
Computer equipment	-	55 500
	36 000	55 500

Reconciliation of Work-in-Progress 2018

	Included within Other PPE	Total
Opening balance	5 588 772	5 588 772
Transferred to completed items	(5 588 772)	(5 588 772)
	-	-

Notes to the Annual Financial Statements

7. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2017

	Included within Other PPE	Total
Opening balance	-	-
Additions/capital expenditure	5 588 772	5 588 772
	5 588 772	5 588 772
Expenditure incurred to repair and maintain property, plant and equipment		
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Repairs and maintenance	30 300	-

Items of leasehold improvements, which were previously classified as a separate asset group in the asset register are now disclosed in the furniture and fixtures groups. The changes are due to the occupancy arrangement with Public Works department on the building properties occupied by the NLSA that are not subject to a lease contract. The amount of leasehold improvements transferred to the Furniture and Fixtures groups as at 01 April 2017 are as follows: Leasehold improvements costs was R 2 318 643, Accumulated depreciated was (R 328 172) and the Carrying value R1 990 471.

Work in progress previously disclosed as a separate line item in the PPE are presented in Office equipment (R 1 795 289) and Computer equipment (R 3 793 483). The change in description did not affect the carrying value of PPE and/or the depreciation expense on PPE.

8. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	1 566 446	-	566 446	39 421	-	39 421
Computer software- work in progress	992 230	-	992 230	1 753 756	-	1 753 756
Total	2 558 676	-	2 558 676	1 793 177	-	1 793 177

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Transfers	Total
Computer software	39 421	439 703	1 087 322	1 566 446
Computer software- Work in progress	1 753 756	325 796	(1 087 322)	992 230
	1 793 177	765 499	-	2 558 676

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Transfers	Total
Computer software	518 221	-	(478 800)	39 421
Computer software- work in progress	-	1 753 756	-	1 753 756
	518 221	1 753 756	(478 800)	1 793 177

Notes to the Annual Financial Statements

8. Intangible assets (continued)

Other information

NLSA has fully impaired the InTouch system which was previously used for the maintenance of the Supplier database. This followed the abandonment of the system for The Central Supplier Database (CSD) maintained by the National Treasury and the purchase of the new ERP system which integrates with the CSD. The system has been redundant for the whole year which then led to NLSA assessing the recoverable amount as R0.

9. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Paintings and artworks	379 559	-	379 559	379 559	-	379 559
Library collections - Purchased	8 153 950	-	8 153 950	7 889 476	-	7 889 476
Legal deposit	9 032 459	-	9 032 459	7 897 013	-	7 897 013
Total	17 565 968	-	17 565 968	16 166 048	-	16 166 048

Reconciliation of heritage assets 2018

	Opening balance	Additions	Transfers
Paintings and artworks	379 559	-	379 559
Library collections - Purchased	7 889 476	265 423	8 153 950
Legal deposits	7 897 013	1 135 446	9 032 459
	16 166 048	1 400 869	17 565 968

Reconciliation of heritage assets 2017

Paintings and artworks	379 559	-	379 559
Library collections - Purchased	5 428 010	2 461 466	7 889 476
Legal deposits	6 916 556	980 457	7 897 013
	12 724 125	3 441 923	16 166 048

10. Other financial assets

At fair value

Unlisted shares held at Sabinet Online Ltd		
1,000,000 shares at R6.52 per share (2017: R5.17 per share)	6 520 000	5 170 000

Non-current assets

At fair value	6 520 000	5 170 000
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Notes to the Annual Financial Statements

10. Other financial assets (continued)

Fair value information and reconciliation

Information

The fair value of the financial assets was determined as follows:

- The fair value of the share investment with Sabinet is based on a valuation performed by an independent valuer.

The valuation was based on level 3: unobservable inputs. Fair values are determined annually at statement of financial position date.

A discounted cashflow based valuation was performed.

The following key variables : growth in turnover level of operating expenditure capital expenditure requirements and working capital requirements. Excess funds were treated as an investment and not part of the normal business. The discount rate used was weighted average cost of capital at 19.1%(2017:19%).

The fair value hierarchy have the following levels:

- Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.
- Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 applies inputs which are not based on observable market data.

The entity has not reclassified any financial assets from cost, or amortised cost to fair value; or from fair value to cost; or amortised cost during the current year or prior year.

Reconciliation of financial assets measured in level 3 - Non market observable inputs.

Reconciliation of financial assets at fair value through surplus or deficit measured in level 3 - 2018

	Opening balance	Gains or (losses) in surplus or deficit	Closing balance
Unlisted shares	5 170 000	1 350 000	6 520 000

Reconciliation of financial assets at fair value through surplus or deficit measured in level 3 - 2017

Unlisted shares	5 100 000	70 000	5 170 000
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11. Payables from exchange transactions

	2018	2017
Trade payables	10 976 380	11 286 326
Other payables	761 837	1 002 515
Sundry creditors	399 892	442 220
Accruals	628 998	1 830 693
	12 767 107	14 561 754

Creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken is less than 61 days.

Notes to the Annual Financial Statements

12. Employee benefit obligations

2018

2017

Defined Benefit Plan

Post Retirement Medical Aid Plan

The healthcare benefits that the National Library of South Africa gives to its employees are provided by two medical schemes, namely Discovery Health and Bonitas. On 31 March 2018 the aggregate membership of the funds was 65 (2017: 72) permanent employees and 42 (2017: 45) retired employees, a total of 107 (2017: 117) employees. QDI Consult conducted a valuation of the post-retirement liability as at 31 March 2018, taking into consideration the current service cost, interest costs and benefits paid.

At present, this liability does not have an impact on the going concern basis. However, in the highly unlikely event that all the library's employees go on retirement at once, the Library might not be able to settle this liability without the assistance of the Department of Arts and Culture.

Discount rate basis

The Discount rate was based on the yield of long term government bonds.

Medical cost trend

Given past trends, medical aid contribution inflation is expected to exceed general price inflation. A margin of 1.50% above price inflation has been applied for future medical aid contribution increases. A long term medical aid contribution increase rate of 7.38% per annum was therefore assumed at the current valuation date.

Long service award

The National Library of South Africa pays a long service award to employees who are in service for the following periods : 10 years, 20 years, 30 years, 40 years. An obligation has been recognised for this benefit based on the actuarial valuation. On 31 March 2018 the aggregate membership used for the valuation was 152 (2017: 168) with an average age of 44 years(2017: 43.3 years). QDI Consult conducted a valuation of the long service award liability as at 31 March 2018, taking into consideration the current service cost, interest costs and benefits paid.

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(35 967 761)	(35 056 349)
Present value of the Long service award obligation	(347 373)	(376 352)
	(36 315 134)	(35 432 701)
Non-current liabilities	(34 717 843)	(33 698 423)
Current liabilities	(1 597 291)	(1 734 278)
	(36 315 134)	(35 432 701)

Notes to the Annual Financial Statements

12. Employee benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

	2018	2017
Opening balance	35 056 349	33 648 275
Current service cost	879 768	1 078 514
Interest costs	3 317 010	3 340 318
Benefits paid	(1 514 718)	(1 494 373)
Actuarial (gain)/loss	(2 287 413)	(1 516 385)
Past service cost	516 764	-
	35 967 760	35 056 349

Changes in the present value of the long service award obligation are as follows:

Opening balance	376 352	-
Net expense recognised in the statement of financial performance	(28 979)	376 352
	347 373	376 352

Net expense recognised in the statement of financial performance (Post employment benefit)

Current service cost (included in employee costs)	879 768	1 078 514
Past service cost (included in employee costs)	516 764	-
Interest cost (included in finance cost)	3 317 010	3 340 318
Actuarial (gains) losses	(2 278 413)	1 516 385
	2 435 129	5 935 217

Net expense recognised in the statement of financial performance (Long service award)

Current service cost (included in employee costs)	37 345	-
Past service cost (included in employee costs)	-	376 352
Interest cost (included in finance cost)	27 197	-
Actuarial (gains) losses	11 479	-
	76 021	376 352

Key assumptions used (Post employment medical obligation)

Assumptions used at the reporting date:

Discount rates used		
Health care cost inflation	8,70 %	9,70 %
Net discount rate	7,38 %	8,35 %
Percentage married	1,30 %	1,24 %
Continuance assumption	80,00 %	80,00 %
	100,00 %	100,00 %

Key assumptions (Long service award)

Discount rate	7 %	8 %
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Notes to the Annual Financial Statements

12. Employee benefit obligations (continued)

2018	2017
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Assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Effect on the defined benefit obligation - 1% increase	(215 807)	455 732
Effect on the aggregate of the service cost and interest cost - 1% increase	286 611	381 907
Effect on the defined benefit obligation - 1% decrease	2 409 840	2 278 662
Effect on the aggregate of the service cost and interest cost - 1% decrease	(111 459)	595 943

Amounts for the current and previous four years are as follows:

	2018	2017	2016	2015	2014
Defined benefit obligation	35 967 760	35 056 349	33 648 275	30 373 333	26 545 318
Experienced adjustments on plan liabilities	1 514 718	(1 516 385)	1 228 898	1 707 721	(1 239 579)

13. Conditional grant income

Unspent conditional grants and receipts comprises of:

Conditional grant income received from Government and other grantors, to be recognised in future accounting periods:

Income related grants	107 041 074	102 078 761
See note 18 for reconciliation of grants.		

14. Tax

No provision was made for normal income tax as no liability is anticipated after taking into account that the NLSA is incorporated not for gain and established by the NLSA Act, Act No. 92 of 1998. The NLSA is exempted from income tax in terms of section 10(1)(cA)(i)(bb) of the Income Tax Act 58 of 1962, as amended

15. Revenue

Government Grant(Annual Appropriation)	85 934 000	79 729 000
Conditional grant income realised	114 358 541	46 447 028
Other income	2 248 311	2 748 271
Service in-kind income	56 107 837	61 183 290
Interest income-Investments	1 401 526	2 691 222
Donations	475 000	-
Gains from legal deposits	1 135 446	980 457
	261 660 661	193 779 268

The amount included in revenue arising from exchange transactions are as follows:

Other income	2 248 311	2 748 271
Interest received - investment	1 401 526	2 691 222
	3 649 837	5 439 493

Notes to the Annual Financial Statements

15. Revenue (continued)

2018

2017

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue

Government grant (Annual Appropriation)	85 934 000	79 729 000
Gains from legal deposits	1 135 446	980 457
Service in-kind income	56 107 837	61 183 290
Conditional grant income realised	114 358 541	46 447 028
Donations	475 000	-
	258 010 824	188 339 775

16. Gains from legal deposits

Gains from legal deposits	1 135 446	980 457
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Gains realised from legal deposits collection represents the equivalent value derived by the publisher or writers depositing with the NLSA.

17. Other income

Internet hosting income	8 993	507 232
Royalties received	217 370	221 532
Parking and venue hire	749 549	939 989
Salaries and bursaries recoveries	59 420	78 628
Dividends received	128 016	160 846
Bibliographic records uploads	387 010	320 237
Interlending income	273 282	39 955
Printing, copies, tenders and other sales	424 671	479 852
	2 248 311	2 748 271

Conditional grant income realised

DAC Conditional Grant	41 668 443	29 941 816
Deferred Income - MLO project	66 658 315	14 501 439
NLC digitisation project	1 870 602	2 003 773
GRAP 103 implementation project	4 161 181	-
	114 358 541	46 447 028

18. Grants and Subsidies

Government grant (Annual appropriation)	85 934 000	79 729 000
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Notes to the Annual Financial Statements

18. Grants and Subsidies Mzansi Libraries Online

	2018	2017
Balance unspent at beginning of year	71 183 818	80 688 560
Current-year receipts	46 460 700	-
BCX Funds for MLO trainees	957 000	-
Conditions met - transferred to revenue (expenses)	(66 548 592)	(14 311 733)
Interest capitalised to liability	3 934 693	4 996 697
Conditions met - transferred to revenue (assets purchased)	(109 722)	(189 706)
	55 877 897	71 183 818

The National Library of South Africa (NLSA) received a grant from the Bill and Melinda Gates foundation during 2014/2015 in support of a pilot project that was focusing on strengthening local communities through the provision of access to information, technologies and relevant training in 27 selected public libraries in South Africa as a precursor to a national large-scale implementation plan.

After the success of the pilot project, The NLSA received a further R63 million for the country grant implementation at 667 community libraries across the country in 2015-2016 financial year. The project has progressed well and is expected to be completed not later than October 2018. For detailed breakdown on expenditure, refer to note 20.2.

DAC Conditional Grant

Balance unspent at beginning of year	28 748 626	23 846 217
Current-year receipts	30 378 000	33 495 562
Interest capitalised to Liability	1 486 101	1 348 662
Conditions met - transferred to revenue (expenses)	(40 132 092)	(28 068 759)
Conditions met - transferred to revenue (assets)	(1 536 351)	(1 873 056)
	18 944 284	28 748 626

The DAC conditional grants includes the Community Libraries grant, the DAC Shelving grant and DAC Capital Works.

National Lottery Commission - Digitisation project grant

Balance unspent at beginning of year	2 146 317	3 883 020
Current year receipts	2 600 000	-
Interest capitalised to liability	49 043	267 070
Conditions met - transferred to revenue (expense)	(75 313)	(150 484)
Conditions met - transferred to revenue (Assets)	(1 795 289)	(1 853 289)
	2 924 758	2 146 317

NLSA received a grant from the National Lottery Commission for the newspaper digitisation project.

GRAP 103 Implementation Grant

Current-year receipt	32 000 000	-
Interest capitalised to liability	1 363 696	-
Conditions met - transferred to revenue (Expenses)	(3 220 602)	-
Conditions met - transferred to revenue (Assets)	(940 579)	-
	29 202 515	-

The NLSA received the grant from the National Government in 2017/2018 to implement the effective standard of GRAP
(GRAP 103: Heritage Assets)

Notes to the Annual Financial Statements

19. General expenses	2018	2017
Advertising	133 979	163 763
Bank charges	91 229	116 851
Consumables	937	98 010
Insurance	352 569	559 081
Conferences and seminars	92 205	99 400
Hosting of events	1 066 148	81 487
Computer expenses	63 092	609 567
Periodicals and serials	220 059	269 253
Motor vehicle expenses	102 439	132 209
Postage and courier	315 950	387 551
Printing and stationery	257 428	334 100
Protective clothing	1 149	4 910
NLSA funded special projects	669 996	893 699
Stationery	324 187	723 397
Telephone expenses	1 362 591	1 367 154
Training	112 890	172 905
Travel - local	995 558	1 453 586
Travel - overseas	469 392	817 791
Rentals	53 001	83 073
Water & electricity	2 219 000	9 211 426
Other general expenses	914 857	91 393
	9 818 656	17 670 606
20. Conditional grant expenditure		
20.1 DAC Conditional Grant		
Marketing and communication	820 616	2 662 959
Preservation training	521 134	300 324
Publishing and promotions	4 853 555	8 299 414
RDA	356 977	275 324
ICT support for libraries in the Eastern Cape	4 644 188	4 885 230
Project management (Employee costs)	2 261 019	1 954 313
Legal deposit and OPD	202 614	450 325
Library Information Policy development	1 746 926	1 678 208
Shelving project	2 337 894	3 459 337
Exhibitions	578 938	-
Capital works	20 808 231	2 303 327
	39 132 092	26 268 761
20.2 Mzansi Libraries Online		
Travel	1 459 279	1 618 958
Advertising and promotions	1 940 412	1 990 917
Computer expenses	7 470	8 060
Hosting of events and seminars	14 124	64 380
Consumables	18 976	116 985
Employee costs	5 085 323	4 776 200
Bank charges	13 737	10 303
Website development and maintenance	5 000	391 500
Training and internship expenses	20 608 410	1 818 962
ICT expenses (other libraries)	33 039 652	1 729 028
Consulting	996 503	1 724 119
Transfer to South African Library for the Blind.	3 340 759	-
Postage and courier	556	2 319
Legal fees	18 391	60 000
	66 548 592	14 311 731

Notes to the Annual Financial Statements

21. Operating surplus

2018	2017
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Operating surplus for the year is stated after accounting for the following:

Operating lease charges

Equipment

• Rental of copiers	424 298	35 358
Impairment on intangible assets	-	478 800
Depreciation on property, plant and equipment	4 237 930	2 833 858

22. Employee related costs

Service bonus	3 479 978	3 409 778
Bursaries	181 306	204 747
Cellphones	120 923	166 497
Contract workers	1 366 859	1 877 962
Housing allowance	2 176 355	2 090 760
Medical aid contributions	3 775 965	3 923 673
Project personel costs	2 329 296	-
Overtime	434 336	542 477
Provident fund contributions	6 432 447	5 853 895
Provision for leave & Leave payout	500 023	(802 112)
Salaries	44 830 044	40 311 494
Staff development	203 724	154 025
Travel and car allowances	791 830	814 614
Unemployment insurance fund	290 974	284 704
Service costs as a result of employment benefit obligation	1 433 877	1 517 366
	68 347 937	60 349 880

23. Interest received-Investment

Interest received

Short term Bank deposits	1 401 526	2 691 222
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24. Auditors' remuneration

External audit fees	668 547	1 548 988
Internal audit fees	540 493	951 614
	1 209 040	2 500 602

25. Contracts, Consulting and professional fees

Cleaning	2 068 519	1 976 639
Security	3 460 070	3 452 065
Consulting and professional fees	1 872 639	677 225
Board, audit comm fees and travel expenses	604 754	788 732
Network maintenance and service providers	684 385	978 065
	8 690 367	7 872 726

Notes to the Annual Financial Statements

	2018	2017
26. Subscriptions and licenses		
Software licenses	2 051 333	1 639 321
Subscriptions and memberships	2 493 890	2 379 497
	4 545 223	4 018 818
27. Rentals		
Operating lease expenses	424 298	35 358
Service in-kind - private owned property	6 635 938	6 177 465
Service in-kind - state owned properties	49 461 899	45 798 054
	56 522 135	52 010 877
28. Service in-kind income		
Rentals - privately owned properties	6 635 938	6 177 465
Municipal fees	-	9 207 770
Repairs and maintenance	10 000	-
Rentals - state owned properties	49 461 899	45 798 054
	56 107 837	61 183 289
29. Cash (used in) / generated from operations		
Surplus for the year	2 147 544	3 147 374
Adjustments for:		
Depreciation and amortisation	4 237 930	2 833 858
Deficit on disposal of assets	199 846	305 746
Fair value adjustments	(1 351 398)	(70 200)
Impairment deficit	-	478 800
Movements in retirement benefit assets and liabilities	882 433	1 784 426
Movements in provisions	2 357 073	(1 046 171)
Gains from legal deposits	(1 135 446)	(980 457)
Changes in working capital:		
Receivables from exchange transactions	(1 645 829)	215 655
Prepayments	4 588	76 911
Payables from exchange transactions	(1 794 647)	9 533 742
Conditional grant obligation - Grants received	4 962 312	(6 342 691)
	8 864 406	9 936 993
30. Commitments		
Authorised capital expenditure		
Contracted		
• Capital Expenditure: Intangible Assets	1 823 494	2 389 724
• Capital expenditure: Property Plant & Equipment	1 457 193	3 717 060
• Capital assets: Heritage assets	-	122 842
	3 280 687	6 229 626
Total capital commitments		
Already contracted for but not provided for	3 280 687	6 229 626

Notes to the Annual Financial Statements

30. Commitments (continued)

Authorised operational expenditure

Contracted

	2018	2017
• Special projects (Conditional grants)	55 895 157	10 774 044
• Security and cleaning	18 122 549	4 698 215
• Auditors' remuneration	1 576 902	709 814
• General expenditure	306 195	1 336 484
• Consulting and professional fees	221 379	213 697
	76 122 182	17 732 254

Total operational commitments

Already contracted for but not provided for	76 122 182	17 732 254
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Total commitments

Total commitments

Authorised capital expenditure	3 280 687	6 229 626
Authorised operational expenditure	76 122 182	17 732 254
	79 402 869	23 961 880

Operating leases - as lessee (expense)

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

- within one year
- in second to fifth year inclusive

424 296	424 296
388 938	813 234
813 234	1 237 530

The NLSA entered into an operating lease contract with BYTES Documents Solution for a three year period starting 17 February 2017 (date of signing) for the provision of printing equipment, technical services and maintenance.

31. Related parties

Relationships

Shareholding: Sabinet Online Ltd	Refer to 29.1
Controlling National Department: Department of Arts and Culture	Refer to 29.2
Board member at NLSA also a Key executive at BCX: Business Connexion Ltd (BCX)	Refer to 29.2
Entity under common control: South African Library for the blind	Refer to 29.2

The NLSA has a 4% Shareholding with Sabinet .Signicant transactions with major influence on the operations of the NLSA were concluded with Sabinet .These are primary to the service delivery objective of the NLSA and is expected that the relationship will continue indefinitely.Management concluded that the nature of the relationship between the NLSA and Sabinet constitutes a related party relationship.

31.1 Related party balances

Other Financial Assets

Shares held at Sabinet Online Ltd	6 520 000	5 170 000
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Notes to the Annual Financial Statements

31. Related parties (continued)

31.2 Related party transactions

	2018	2017
Annual Appropriation from DAC	(85 934 000)	(79 729 000)
Purchase of capital assets from Sabinet Online Ltd	1 795 289	1 795 289
Donations received from Sabinet Online Ltd	(125 000)	-
ICT training programme in partnership with BCX Paid	11 984 500	-
ICT training programme in partnership with BCX Received	(957 000)	-
Dividends and other income received from Sabinet Online Ltd	(365 097)	(480 237)
Subscriptions and other expenses paid to Sabinet Online Ltd	2 810 314	2 187 539
Transfer to the South African Library for the Blind	3 340 759	-

32. Mzansi Libraries Online (Cash balance)

Mzansi Libraries Online Project

Opening Balance	72 140 490	81 135 815
Grant received	46 460 700	-
Interest earned as at 31 March	3 934 693	4 996 697
Less: Expenses paid: 31 March	(64 586 103)	(13 992 022)
	57 949 780	72 140 490

The cash balance disclosed hereon represents the cash available to the NLSA as at year end for the discharge of its obligations on the grant received from the Bill and Melinda Gates foundation, which is funding the Mzansi Libraries Online project administered by the NLSA.

33. Key Management Personnel Compensation

Executive Management

2018

	Emoluments	Service Bonus	Pension or provident fund	Other benefits*	Total
Chief Executive Officer	1 209 933	-	94 811	216 850	1 521 594
Executive Director: Core Programmes	1 093 751	30 247	91 336	123 252	1 338 586
Executive Director: Corporate services	911 398	10 425	119 936	126 792	1 168 551
Chief Financial Officer	1 048 635	-	78 700	-	1 127 335
Director: Finance and Supply chain Management	752 356	38 400	58 438	-	849 194
Director : Centre for the Book	643 645	43 733	97 351	130 200	914 929
Director : Preservation Services	821 450	-	79 632	81 384	982 466
Director: Bibliographic Services & Collections Management	751 764	-	63 594	108 000	923 358
Director : Information Access & Document Supply	594 464	34 800	89 460	118 951	837 675
Director : Corporate & International Relations	749 530	-	58 439	33 188	841 157
Chief Information Officer	816 851	61 454	-	-	878 305
Director: Human Resource Management	763 627	-	63 593	88 039	915 259
	10 157 404	219 059	895 290	1 026 656	12 298 409

Notes to the Annual Financial Statements

33. Key Management Personnel Compensation (continued)

2017

	Emoluments	Service Bonus	Pension or provident fund	Other benefits*	Total
Chief Executive Officer	1 323 945	43 268	92 765	36 137	1 496 115
Executive Director: Core programmes	1 136 456	-	88 564	24 089	1 249 109
Executive Director : Corporate Services	958 259	20 850	116 819	1 785	1 097 713
Chief Financial Officer	924 226	-	70 022	1 785	996 033
Director: Finance and Supply chain Management	168 774	8 402	14 184	446	191 806
Director : Centre for the Book	764 939	16 028	93 485	1 785	876 237
Director : Preservation Services	804 355	17 203	76 469	41 345	939 372
Director : Bibliographic Services & Collections Management	816 934	16 028	61 068	1 785	895 815
Director: Information Access & Document Supply	685 297	14 729	85 907	18 587	804 520
Director : Corporate & International Relations	586 571	-	47 280	24 307	658 158
Chief Information Officer	920 371	-	-	1 785	922 156
Director:Human Resource Management	774 970	-	61 068	23 266	859 304
	9 865 097	136 508	807 631	177 102	10 986 338

* Other benefits comprise UIF contributions, medical and termination benefits

Non-executive Directors

2018(Board and Board Committees)

	Members' fees	Travel	Other fees (library policy Consultancy fees)	Total
Mr TTC Dlamini (Chairperson of the Board)	10 224	480	-	10 704
Mr N Cronje (Audit Committee Chairperson)	46 438	698	-	47 136
Mr H Sithole (Chairperson ICT committee)	20 614	125	-	20 739
Dr. D.S. Selematsela(Board member)	24 258	216	-	24 474
Prof. L.J. Teffo#(Board member)	40 079	754	-	40 833
Ms N.E. Dick (Board member & Audit Comm member)	68 239	4 480	-	72 719
Mr J.R. Morakile(Board member)	30 178	1 221	-	31 399
Ms S.A Kunene(Board member)	32 422	9 940	-	42 362
Ms M.M Nkomo (Board member & Audit Committee member)	33 326	1 450	-	34 776
Ms S. Makhathini (Audit Committee member)	23 530	1 794	-	25 324
Ms K Khumalo*(Audit Committee member)	7 059	2 899	-	9 958
Dr B Mbambo-Thata(Board member)	22 148	516	-	22 664
Ms C Bertram (Board member)	34 054	253	-	34 307
Prof M Nassimbeni(Board member)	22 442	144	340 000	362 586
	415 011	24 970	340 000	779 981

Notes to the Annual Financial Statements

33. Key Management Personnel Compensation (continued)

2017(Board and Board Committees)

	Members' fees	Travel	Other fees (library policy Consultancy fees)	Total
Mr TTC Dlamini (Chairperson of the Board)	66 840	1 471	-	68 311
Mr N Cronje (Audit Committee Chairperson)	59 810	1 152	-	60 962
Mr H Sithole(Chairperson ICT committee)	10 224	952	-	11 176
Dr. D.S. Selematsela(Board member)	3 408	226	-	3 634
Prof. L.J. Teffo(Board member)	45 875	816	-	46 691
Ms N.E Dick (Board member & Audit Committee member)	64 324	4 856	-	69 180
Mr J.R. Morakile(Board member)	40 964	2 275	-	43 239
Ms S.A Kunene (Board member)	35 600	3 595	-	39 195
Ms MM Nkomo (Board member & Audit Committee member)	35 500	2 016	-	37 516
Ms S. Makhathini(Audit Committee member)	20 778	2 119	-	22 897
Dr B Mbambo-Thata (Board member)	33 514	1 134	-	34 648
Ms C Bertram (Board member)	25 427	962	-	26 389
Prof M Nassimbeni (Board member)!	35 160	42	60 000	95 202
	477 424	21 616	60 000	559 040

Notes

Resigned February 2018

! consultancy fees paid for the development of the LIS policy

*Appointed 1 January 2018

34. Prior period errors

Rental expenses

The rental expenses were understated by R4 342.00 in 2016/2017, as a result of the operating lease expenditure schedule, which was incorrectly calculated. The calculation error was due to an omission of the VAT portion on the invoice amounts. The restatement resulted in an increase in rental expenses and an increase in payables from exchange transactions of R4 342 for the same period.

Conditional grant obligation

Conditional grant income realised & special project expenses were understated by R1 820 and R153 836 in 2015/2016 and 2016/2017 respectively, with a corresponding overstatement of the conditional grant obligation. The misstatement was due to an error of omission created by late submission of invoices by Atlantis (the Travel agent). The errors were subsequently identified in the current year while clearing the account backlog. The restatement resulted in

- A net increase in the opening balance for accumulated surplus of R1 820 in 2016/2017, with a corresponding decrease in conditional grant obligation.
- An increase in conditional grant income realised of R153 836 in 2016/2017, with a corresponding decrease in conditional grant obligation.

Payables from exchange transactions

The misstatement was due to an error of omission created by late submission of invoices by Atlantis (the Travel agent). The errors were subsequently identified in the current year while clearing the account backlog. The restatement resulted in

- A decrease in the opening balance of accumulated surplus of R3 640 in 2016/2017, with a corresponding increase in payables from exchange transaction.

Notes to the Annual Financial Statements

34. Prior period errors (continued)

2018

2017

- An increase in special project expenditure of R153 836 in 2016/2017, with a corresponding increase in payables from exchange transactions.
- An increase in general expenses and contracts, consulting & professional fees of R37 256 & R920 respectively in 2016/2017, with a corresponding increase in payables from exchange transactions

Interest received - investment

Interest income was overstated by R6 612 429, with a corresponding understatement of the deferred income liability in 2016/2017. An error of judgment occurred on the utilisation of the interest earned from grant funding received from the department of Arts and Culture, the National Lottery and the Bill and Melinda Gates Foundation. This was previously recognised as income, however subsequent confirmation which were not stipulated in the Grant terms and conditions, indicates that the interest earned is only available to the project expenses. Interest earned on the grant funding is capitalised to the deferred income liability. The restatement resulted in

- A net decrease in the opening balance for accumulated surplus of R4 707 577, with a corresponding increase in conditional grant obligation.
- A decrease in interest income of R6 612 429 in 2016/2017, with a corresponding increase in conditional grant obligation.

Heritage assets

Carrying amount for purchased library collection items was understated by R10 920 in 2016/2017, as a result of an omission of invoice processing, which was discovered in the current reporting year. The restatement resulted in an increase in the carrying value of Heritage assets, and a corresponding increase in payables from exchange transactions.

Employee benefit obligation

Long service award obligation was previously not recognised in the annual financial statements. The restatement resulted in an increase in the Employee benefit obligation and a related increase in Employee costs of R 376 352 in 2016/2017

Service in-kind income

Service in-kind income in relation to Rental and Municipal charges was previously not recognised in the AFS. The restatement resulted in the increase in Service in-kind income (R 61 183 289) and a related increase in Rentals (R 51 975 519) and Water and electricity (R 9 207 770) in 2016/2017. Which in turn has no impact on the reported surplus for the year.

Statement of financial position

Conditional grant obligation	-	11 164 350
Payable from exchange transactions	-	210 910
Accumulated surplus	-	4 709 397
Heritage assets	-	10 920
Employee benefit obligation	-	376 352

Statement of Financial Performance

General expenditure	-	37 256
Rentals	-	51 975 519
Special project cost	-	153 836
Consultants, consulting and professional fees	-	920
Interest income	-	6 612 429
Conditional grant income realised	-	153 836
Service in-kind income	-	61 183 289
Water and electricity	-	9 207 770
Employee costs	-	376 352

Notes to the Annual Financial Statements

35. Risk management

Financial risk management

The NLSA is exposed to a variety of financial risks which includes market risk (i.e currency risk, interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

Liquidity risk is the risk that the NLSA would not be able to meet its financial obligations as they fall due. The NLSA manages liquidity risk through the compilation and monitoring of cash flow forecasts as well as ensuring that there are adequate banking facilities. The maturity profiles of the financial instruments are summarised as follows:

	Less than 1	Between 1 and Between 2 and Years	Between 2 and Between 5 and Years	Over 5 years
At 31 March 2018				
Trade and other payables	12 767 107	-	-	-
At 31 March 2017				
Trade and other payables	14 561 754	-	-	-

Interest rate risk

The NLSA's interest rate risk arises from borrowings and cash held in the bank. Borrowings and cash at variable rates expose the NLSA to cash flow interest rate risk. Borrowings and cash at fixed rates expose the NLSA to fair value interest rate risk.

The Entity's Interest rate profile of interest-bearing financial instruments at 31 March 2018 was:

	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Total
Short term fixed deposits	7,55 %	60 152 064	-	-	-	60 152 064

The Entity's interest rate profile of interest-bearing financial instruments at 31 March 2017 was:

Short term fixed deposits	7,20 %	34 253 654	-	-	-	34 253 654
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Credit risk

At year end, the NLSA considers if there is any significant concentration of credit risk which had not been insured or adequately provided for.

Potential concentrations of credit risk consist mainly of cash and cash equivalents and trade receivables.

The NLSA limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high quality credit standing. The credit exposure to any one counterparty is managed by monitoring transactions.

Trade and other receivables are shown net of impairment. In the current year no impairment occurred on trade receivables.

The NLSA is exposed to credit related losses in the event of non-performance by counterparties. The NLSA continually monitors its positions and the credit rating of its counterparties and limits the extent to which it enters into transactions with any one party.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at year end were as follows:

Notes to the Annual Financial Statements

35. Risk management (continued)

	2018	2017
	NLSA - 2018 0 - 12 months	NLSA - 2017 0 - 12 months
Trade and other receivables	2 326 415	680 586
Cash and cash equivalents	120 964 313	117 748 580

Fair value of financial instruments

In the opinion of management the carrying value of financial instruments approximates their fair values.

Financial instruments traded in an active market

Financial instruments traded in an organised financial market are measured at the current quoted market price, adjusted for any transaction costs necessary to realise the assets or settle the liabilities.

Foreign exchange risk

Foreign currency exposures arise from the purchase of books. Forward exchange contracts are not utilised to manage exposures relating to confirmed commitments.

Forward exchange contracts - recognised transactions

No forward exchange contracts were entered into during the financial year ended 31 March 2018

Uncovered foreign exchange exposure

At year end the NLSA was not exposed to any material foreign currency denominated assets and liabilities for which no forward cover had been taken out.

Sensitivity analysis

As the NLSA has no significant foreign currency exposure at year end, the effect of a 1% strengthening or weakening of the Rand against the foreign currencies at balance sheet date is not considered material.

36. Going concern

The annual financial statements have been prepared on the expectation that the NLSA will continue to operate as a going concern for at-least the next twelve months. The Audit and risk committee with the support of internal audit has reviewed the going concern basis and the effectiveness of the internal controls at the NLSA. The committee evaluated the annual financial statements and recommended their approval to the board.

Management performed an assessment of the NLSA to continue in operations at-least in the foreseeable future. Management reviewed the operational performance and financial position of the NLSA, budgets & cash flow forecast, the legislative and political environment relevant to the NLSA, technological changes and economic factors impacting the business of the NLSA. Internal audit, Audit & Risk Committee and the Finance Committee of the board evaluated the assessment performed by Management and the conclusions thereof.

Based on the assessment, the board is satisfied that the NLSA has access to adequate resources to continue its operations at-least in the next foreseeable future, accordingly the board continues to adopt the going concern basis in the preparation of the annual financial statements

Notes to the Annual Financial Statements

37. Irregular expenditure

	2018	2017
Opening balance	3 832 197	3 160 745
Irregular Expenditure - current year	1 487 039	2 067 165
Less: Amounts condoned	(2 946 968)	(1 395 713)
Less: Amounts recoverable (not condoned)	(5 215)	-
	2 367 053	3 832 197

Analysis of expenditure awaiting condonation

Irregularities on ICT procurement	1 249 384	1 249 384
Goods & services were procured without inviting competitive quotes	465 011	374 474
Three quotations were not obtained and the supplier was not registered on the NLSA supplier database	39 205	28 067
Three quotations were not obtained for the acquisitions, and deviation was not approved	24 268	-
Compliance documents(i.e SBD forms, Tax clearance certificates, BBBEE Certificate) were not obtained	393 387	286 890
No evidence that point scoring system was applied, the selected supplier did not submit the lowest bid	26 239	26 239
	2 197 494	1 965 054

Details of irregular expenditure under investigation

Prior year IE under investigation	77 605	315 888
The lowest bidder was not selected, and deviation was not approved by the relevant authority	11 315	-
Additional work performed without following SCM processes	15 051	-
Requisition and purchase order not approved	25 710	-
Contract with service provider concluded by SCM manager without following approved SCM Policy	-	874 831
Non-compliance with the board delegation of authority	-	676 424
Alleged irregularities on the awarding of contract	2 519 465	-
Services acquired without sourcing three quotation	34 075	-
	2 683 221	1 867 143

Details of irregular expenditure-Current year

Lowest bidder not selected, nor was the deviation approved by the delegated authority	5 215	11 400
Unauthorised scope extension on purchase order	15 051	68 037
Required number of quotations not obtained	45 351	50 831
Purchase order not approved by the delegated authority	25 710	541 185
Tender awarded to a supplier not on the tender submission register	1 395 712	1 395 712
	1 487 039	2 067 165

Details of irregular expenditure condoned

SCM related costs: Non compliance with National Treasury regulations(National Treasury)	1 395 713	1 395 713
SCM related costs: Non compliance with the approved delegation of authority & procedure(NLSA Accounting Authority)	1 551 255	-
	2 946 968	1 395 713

The Irregular Expenditure-current year amount for 2016/17 was overstated by R23 434 as a result of duplications, the current year opening balance has been restated by R23 434.

Notes to the Annual Financial Statements

37. Irregular expenditure (continued)

2018

2017

Officials who incurred irregular expenditure of R 92 110 in the current financial year were charged with financial misconduct in terms of the PFMA.

Officials who incurred irregular expenditure with identifiable loss of R5 215 in the current year, were charged with financial misconduct and a recoverable debt raised against them.

Official who caused the NLSA to incur irregular expenditure of R1 395 712 in the current year, was dismissed by the NLSA.

Irregular expenditure under investigation

One case of suspected irregular expenditure (R 2 519 465) was identified during the audit, however the investigation was not concluded as at completion of the audit. The matter is under investigation to confirm irregular expenditure.

38. Fruitless and wasteful expenditure

1. Unauthorised use of work Cellphones and data for private purposes, on the account of the NLSA	88 129	76 513
2. Unauthorised flight trip taken by staff for non-official purposes	-	9 255
3. Interest and penalties	-	88 129
4. Unauthorised changes which resulted to double charge effected on the same trip	15 938	2 000
Debtor raised against those who committed the expense	(15 938)	(87 768)
	88 129	88 129

Disciplinary steps taken against those who incurred

Fruitless and wasteful expenditure amount of R15 938, incurred in the current year were recovered from the officials concerned in accordance with the policy of the NLSA.

Interest and penalties were charged by SARS as a result of late submission of PAYE returns as well as late payment.

Additional text

39. Events after the reporting date

Management is not aware of any significant events that took place after the reporting period

Notes to the Annual Financial Statements

40. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Total
Leave provision	2 985 169	4 383 202	(4 177 838)	3 190 533
Service Bonus	1 331 756	2 926 911	(2 994 202)	1 264 465
Provision for Municipal charges	2 219 000	-	-	2 219 000
	4 316 925	9 529 113	(7 172 040)	6 673 998

Reconciliation of provisions - 2017

Leave provision	4 170 999	5 148 702	(6 334 532)	2 985 169
Service bonus	1 192 097	2 885 287	(2 745 628)	1 331 756
	5 363 096	8 033 989	(9 080 160)	4 316 925

Provision for Municipal charges represents the government allocation for municipal services which were not billed by the Department of Public works and/or the Local Municipality as at 31 March 2018.

Employees' entitlement to annual leave and service bonus is recognised when it accrues to the employee. A provision is made for the estimated liability for annual leave and service bonus due as a result of services rendered by employees up to reporting period.

As at reporting date the timing of settlement of these liabilities was uncertain.

41. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

2018

	At Amortised cost	At fair value	Total
Receivables from exchange transactions	2 362 415	-	2 362 415
Bequest related investments	-	1 998	1 998
Cash and cash equivalents	120 964 313	-	120 964 313
Other financial assets(Sabinet shares)	-	6 520 000	6 520 000
Payables from exchange transactions	12 782 105	-	12 782 105
	136 108 833	6 521 998	142 630 831

2017

Receivables from exchange transactions	680 586	-	680 586
Bequest related investments	-	600	600
Cash and cash equivalents	117 748 580	-	117 748 580
Other financial assets(Sabinet shares)	-	5 170 000	5 170 000
Payables from exchange transactions	14 561 754	-	14 561 754
	132 990 920	5 170 600	138 161 520

42. Contingent Liabilities

As at 31 March 2018 there were no contingent liabilities.

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