



National Library of South Africa

ANNUAL REPORT 2016/17



2016/17

ADVANCING ACCESS TO INFORMATION



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.

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NLSA Impacting Lives

"The Reading Room has always been, and continues to be, of phenomenal help to me throughout my schooling years. The Librarian in the Reading Room assisted me to locate History textbooks which allowed me to realise my goal and achieve very good marks in my History exam. From the bottom of my heart, I thank the National Library of South Africa and all the Librarians for all that they do. I look forward to visiting the Library and working with the Librarians in the future."

Oarabile Mashigo
Library user, Pretoria



PART A: GENERAL INFORMATION





PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME:	National Library of South Africa
PHYSICAL ADDRESS:	228 Johannes Ramokhoase Street Pretoria 0001
POSTAL ADDRESS:	Private Bag X990 Pretoria 0001
TELEPHONE NUMBER:	+27 12 401 9700
FAX NUMBER:	+27 12 326 7642
EMAIL ADDRESS:	info@nlsa.ac.za
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	Interlending 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	On-line 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 Organization
WLIC	World Library and Information Congress



FOREWORD BY THE CHAIRPERSON OF THE BOARD

INTRODUCTION

This is our second Annual Report that I am presenting on behalf of the Board of the National Library of South Africa. There are a few punches that I would like to highlight. As an agent of promoting Social Cohesion, the NLSA plays a pivotal role in providing access to information and services to all South Africans and the rest of the world in terms of rare and special information that is used 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 field can meet the challenges of the future is illustrated by the conversation we have 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.

I have great pleasure in presenting the report of the Board of the National Library of South Africa for the year 2016/2017. 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 of the Board in ensuring that the NLSA achieves its vision and fulfils its legislative mandate. The Board

Committees meet regularly 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 in achieving the entity's mandate, objectives and targets as defined in the Annual Performance Plan.

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, and 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 South African Library Week 2016
- Launch of the ICT Internship Programme by the NLSA's Mzansi Libraries On-Line Project.
- The development of a National LIS Policy
- An exhibition on Struggle heroes: JB Marks and Moses Kotane in Moscow, Russia. This exhibition by the NLSA was part of the SA Russia Season hosted by the Minister of Arts and Culture Honourable Nathi Mthethwa. NLSA then donated the exhibition material to the South African Embassy in Moscow.

Strategic partnerships

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

The Board commends the NLSA for working closely with the Department of Arts and Culture and the Conditional Grant for Community Libraries Projects. The NLSA renders professional service to the Department of Arts and Culture in terms of Information and Communication Technology (ICT) connectivity; preservation training to safeguard the library collections; reprint of African Literary Classics; and inter-language translation that is intended to promote reading in indigenous languages.

The 7th Annual Funda Mzansi Reading Festival was held in collaboration with the Department of Correctional Services and George Municipality. The 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 (The 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 being trained as ICT Technicians to render ICT support 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 by ensuring the preservation of the writings of South Africans outside the borders of the country including South African struggle stalwarts.

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 the country. We plan to continue promoting a scholarly culture at the NLSA. One such initiative, is the publishing of The Bulletin of the National Library of South Africa, an NLSA publication that is accredited by the Department of Higher Education and Training. The Bulletin provides a platform for scholarly communication.

Appreciation

I wish to thank the Minister of Arts and Culture, Mr Nathi Mthethwa; and former Deputy Minister Ms Rejoice Mabudafhasi; Acting Director-General, Mr Vusi Ndima; 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. 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 the 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

It is with gratitude and pleasure that I present the Annual Report of the National Library of South Africa (NLSA) for the 2016/17 financial year. During this period the NLSA has, in accordance with the National Library of South Africa Act, Act No. 92 of 1998 successfully performed its functions. Namely to build our documentary heritage material; promote optimal access to its collections; render national bibliographic services; be the national preservation library; provide reference and information services nationally and internationally; promote the culture of reading in South Africa, as well as promote libraries in general. In addition, the NLSA continues to play a leadership role in rendering professional services through special projects, including the Conditional Grant to Public and Community Libraries Projects and the Mzansi Libraries On-Line (MLO) Project.

As a catalyst in the Library and Information Services Sector both nationally and internationally, the NLSA participated in forums, on platforms and in other thought leadership engagements, where we promoted the NLSA. Of great note was our participation at the following events:

- The launch of the OR Tambo Centenary Celebrations hosted by the Nelson Mandela Foundation in Soweto.
- Library and Information Services Policy Consultations hosted by the NLSA in all nine provinces.
- OCLC EMEAR Regional Council meeting in Berlin, Germany. The OCLC is a non-profit, membership, computer library services research organisation dedicated to furthering access to the world's information and reducing information costs.
- IFLA Secretary General's Global Vision meeting and workshop in Athens. This event was to begin a conversation to form a global vision of how a connected library sector can meet the challenges of the future.
- South African National Library and Information Consortium (SANLIC) Board meetings.
- Library and Information Association of South Africa (LIASA) Conference held in Durban in October 2016. The State of Conditional Grant Funded Libraries Publication formed part of the LIASA conference bag. The NLSA hosted an exhibition which showcased our programmes including the Conditional Grant Projects and the Mzansi Libraries On-line Project.



Recognising our role in building strategic partnerships, promoting Libraries and Information Services, and nurturing these relationships nationally and internationally is of paramount importance.

The NLSA's involvement in community projects is significant to our organisational mandate and we recognise the role of the NLSA, as an Agency of the Department of Arts and Culture, to contribute immensely towards social cohesion and nation building. The NLSA reports that during the 2016/17 financial year, key among others, was the hosting and participation in the following community-centred projects:

- We successfully launched the ICT Internship Programme in partnership with BCX. The programme aims to upskill and empower graduates with ICT skills. After the training the graduates will be deployed to community libraries across the country where they will render ICT services to library users.
- The NLSA participated in the launch of South African Library Week. This annual event was launched in the presence of the former Deputy Minister of Arts and Culture, Honourable Rejoice Mabudafhasi at the opening of the Peter Njapa Public Library in Hammanskraal, North of Pretoria, Gauteng.
- The 7th Funda Mzantsi Reading Championship was held in October 2016 in George, Western Cape. The Department of Correctional Services and the George Municipality partnered with the NLSA to host the Championship where 30 book clubs participated.

We will continue our efforts to advance these types of community centred projects while promoting libraries as centres of emancipation.

REVIEW OF THE ENTITY'S FINANCIAL POSITION

The NLSA continues to maintain and improve financial management practices thereby ensuring transparent, economical and efficient utilisation of resources. We have ensured a stable environment in the governance and operations of the NLSA. The management team remain focused and duty bound to fulfil their role in ensuring sound financial management and internal controls including budgetary prudence.

I am thankful for the continued support of the Department of Arts and Culture of the work of the NLSA, including the timely provision of the budget allocation which enables the NLSA to further its work. The Conditional Grant funding is a vital contribution to outreach projects hosted by the NLSA, which

contributes to nation building and social cohesion. These funds remain one of the primary sources of income for the NLSA.

Growth of the NLSA's primary revenue source is stagnant and this increases the pressure to maintain the NLSA's service offerings to the public. The Parliamentary Grant, which is the only active sustainable source of income for the NLSA, has grown below inflation rates in the past. The NLSA is projected to grow its allocation by about 5,4% over the three-year period till 2018/19, compared to a projected consumer basic inflation rate of about 5,5% in the same period as shown in the 2016 Expenditure National Estimates (ENE). Consumer inflation is hovering in and out of the target range which directly impacts the budget of the NLSA. In real terms, the government allocation to the NLSA is deflating thereby creating challenges for the NLSA to deliver effectively on its mandate.

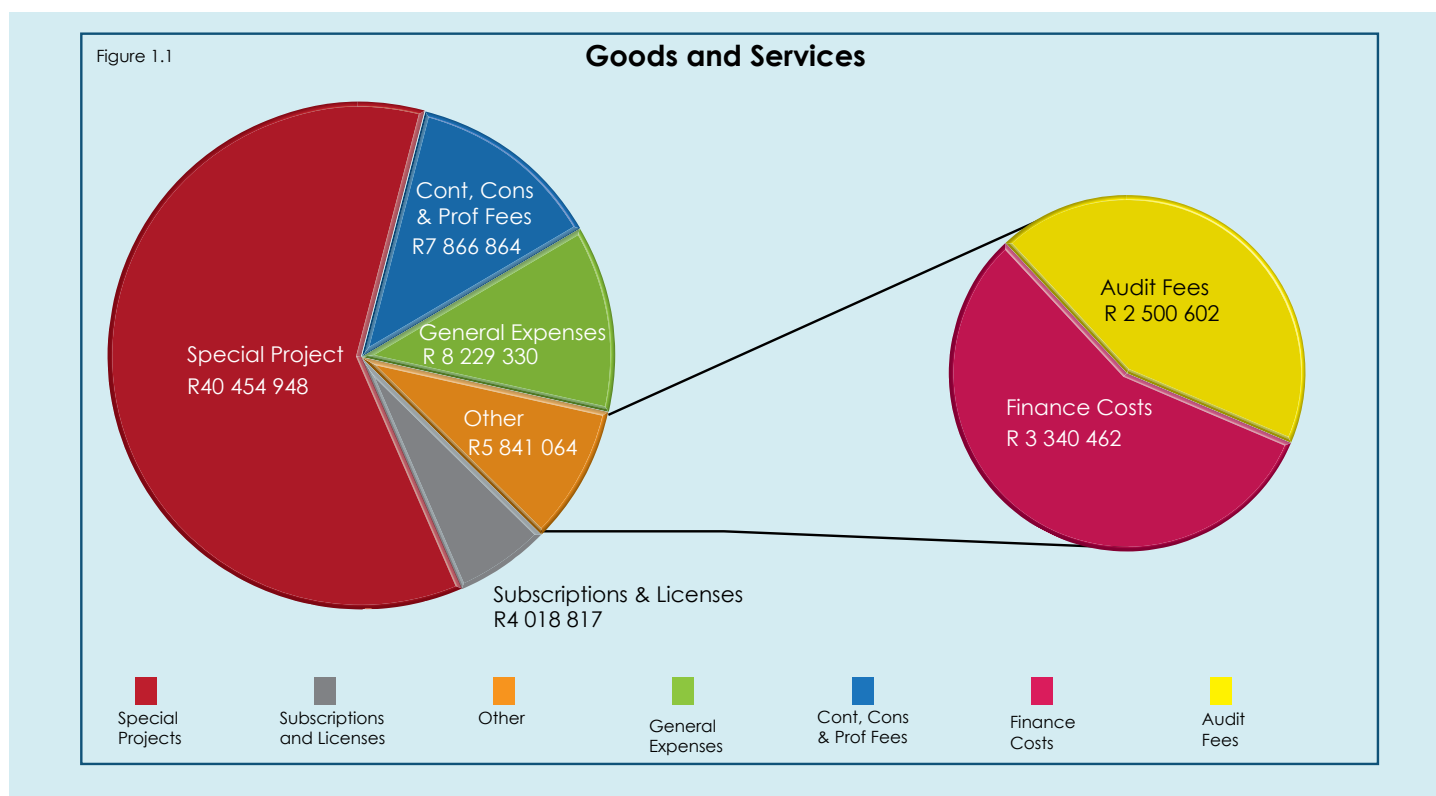
The effects of these financial pressures are felt by the NLSA. Our budget framework is threatened by the growth of personnel costs without an offsetting income growth. Core Programmes spend above 80% of the current budget on staff costs, with a minimal budget being available annually for goods and services to support the primary activities of the NLSA.

Price inflation, currency fluctuations, advances in technology and library methodologies exert increased pressure on the funding model of the organisation. The NLSA spent R86 Million (2015/16 – R77 Million) on operational costs (excluding special projects) compared to the Government allocation of R79 Million (2015/16 – R75 Million). The entity experienced a 12% increase in operational costs, which is attributed to price inflation on goods and services and increases in personnel costs; while the supporting income only grew by 5%. The entity had to offset the deficit from the Government allocation through other sources of income. Our operational budget is under-pressure and threatened by the below inflation growth of the Government Subsidy Income.

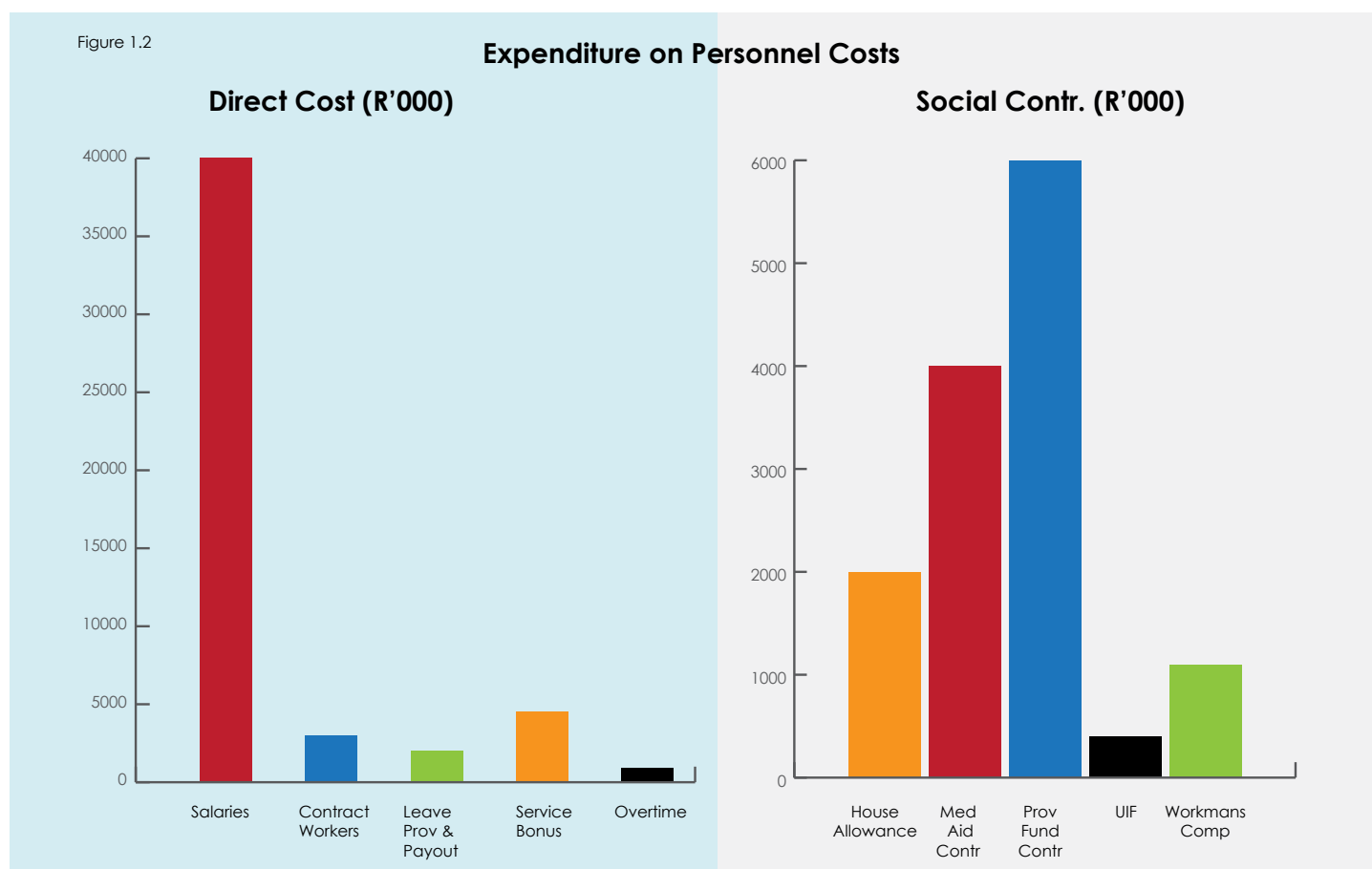
Figure 1.1 indicates the major elements of total expenditure for the financial year ended 31 March 2017. The majority of NLSA's spending was on Special Projects financed by Conditional Grants and donations. These cost elements are critical to the mandate of the NLSA.

Expenditure on Personnel Costs (Figure 1.2)

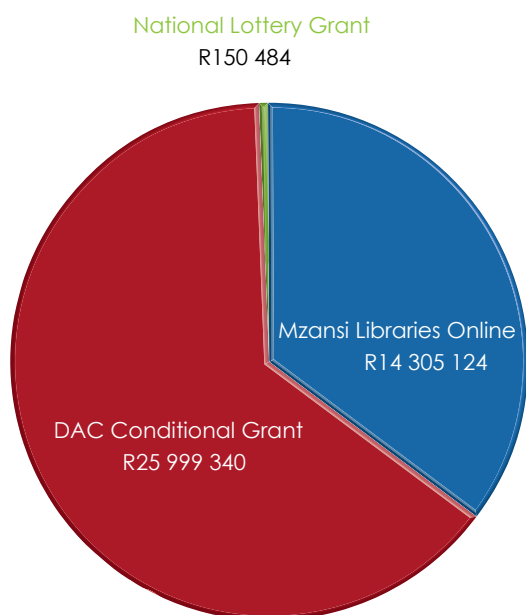
The highest consumer of the NLSA's budget for personnel costs is salaries, with low incentives for performance rewards. The NLSA faces challenges of remaining competitive in the job market and these erode the quality of the skills attracted by the organisation to fulfil its mandate.



Provisions for the welfare of our personnel were made and the entity was able to contribute towards the Staff Provident Fund. The Fund is aimed at providing income post-employment for the staff of the NLSA. Our efforts to improve the welfare of the staff remain important and we continuously review existing arrangements to ensure equitable contribution to social welfare across all levels of employment.



Funding for Special Projects



Expenditure on Special Projects

Grants contribute to the NLSA fulfilling its mandate to provide universal access to information and library services. The DAC Conditional Grant was appropriated by the Department of Arts and Culture to fund projects that support community libraries across South Africa, the promotion of a reading and publishing culture in South Africa, and the development of a National LIS Policy. I am pleased to report that our performance with regard to these initiatives was exemplary and we were able to meet the targets outlined in the Business Plan. Work continues on the Mzansi Libraries On-Line (MLO) Project. We are aware of the need to expedite delivery on the project's objectives against the tight deadlines agreed to with the funder. Deadlines were impacted by delays in the execution of deliveries agreed to by the NLSA and Provincial Libraries.

Budget Achievements and Compliance

I am pleased to report that during the 2016/17 financial year, the entity was able to remain within budget on expenditure and commitments. Funds were utilised for their intended purpose and no unauthorised expenditure was incurred by the NLSA.

Our efforts to eliminate Irregular Expenditure (IE) are yielding results; we reported IE of R2 Million in the financial year under review compared to R9 Million in the previous financial year. A total of R1, 3 Million of the current year's IE was due to one multi-year contract which was concluded in 2014 without complying with the bidding requirements prescribed by National Treasury Regulations. This contract will come to an end in the 2017/18 financial year.

REVIEW OF THE ENTITY'S PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

Our duty to fulfil the mandate of the organisation is enshrined in the strategic objectives contained in the NLSA's Strategic Plan. We regularly 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), National Treasury Regulations and are consistent with the National Library of South Africa Act.

The entity set a total of 55 targets against which each Programme reported performance during the 2016/17 financial year. 24 or 44% of the targets were over-achieved, 26 or 47% of the targets were met as planned, and 5 or 9% of the targets were not achieved. Two of the five performance indicators which were not achieved were in the Bibliographic Services and Collections Management Programme; one pertained to the Information Access Services Programme and two were in the Administration Programme. An explanation of the circumstances which prevented the NLSA from achieving these five performance indicators are reported in the narrative sections of the relevant programmes.

The table below depicts the performance statistics for the 2016/17 financial year.

Performance Statistics for the 2016/17 Financial Year

Programme	No. of Targets	Targets Over Achieved	Targets Achieved	Targets Not Achieved
Business Development	11 (100%)	8 (73%)	1 (9%)	2 (18%)
Public Engagement	12 (100%)	7 (58%)	4 (33%)	1 (8%)
Administration	32 (100%)	9 (28%)	21 (66%)	2 (6%)

CONCLUSION AND ACKNOWLEDGEMENTS

I wish to express my gratitude and special appreciation to the management and staff of the NLSA, for their commitment and dedication to fulfilling the mandate of the NLSA. I offer similar appreciation to the Board for their leadership, support and commitment in carrying out their oversight responsibilities as prescribed in the Public Finance Management Act, National Library of South Act and codes of good corporate governance. Special appreciation is noted to the Ministers of Arts and Culture, the Portfolio Committee on Arts and Culture, the acting Director General and the executive management of the Department of Arts and Culture who continue to enthusiastically support the work of the National Library of South Africa.

Prof. MD Rocky Ralebipi-Simela

National Librarian and Chief Executive Officer

NLSA Impacting Communities

The Community Library in Rietfontein, a town in the Northern Cape, was identified as an Mzansi Libraries On-Line pilot project library. The Rietfontein Public Library was upgraded with computers, tablets, e-readers and gaming facilities. Following the upgrade, the Library has experienced an increase in the number of library users. Most users can be found on the Internet researching business ideas suitable for their locality. Successful business ideas to date include accommodation rentals and refurbished horse and donkey carts which are used to transport tourists.



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 2017.



Prof. MD Rocky Ralebipi-Simela
National Librarian and Chief Executive Officer



Mr Themba Thomas Cyril Dlamini
Chairperson of the Board

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

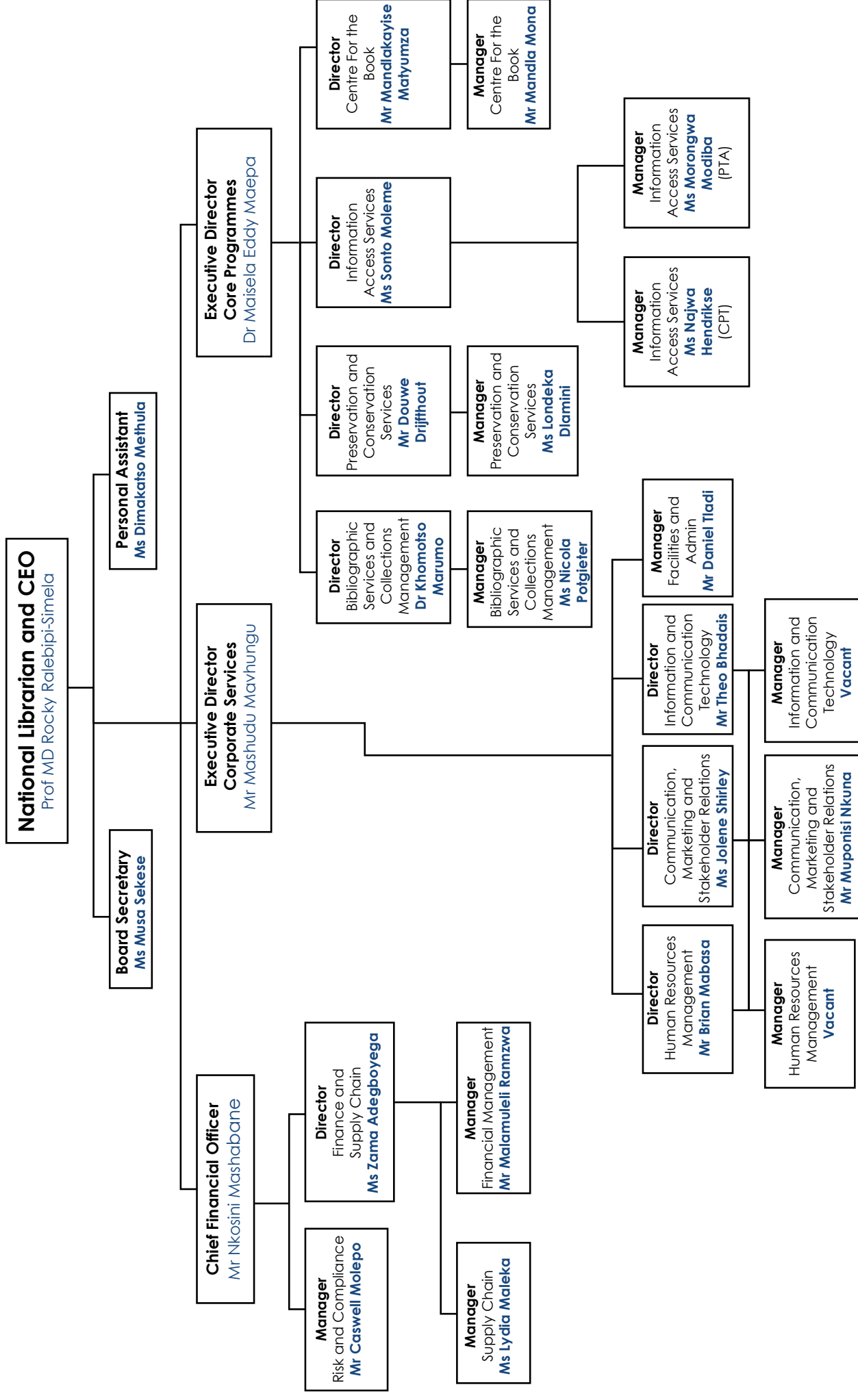
Section 4 of the NLSA Act No. 92 of 1998 sets out the functions of the NLSA: Subsection (1) deals with library functions and subsection (2) deals with the generic functions of a national cultural institution.

(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 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



NLSA Impacting Access to Information

A total of 280 new desktop computers for public use were installed across the Pretoria and Cape Town campuses. Internet Café software is installed on these computers to monitor and manage the internet usage.

The hardware and software enables the NLSA to advance access to information for our Library users as it allows for a greater number of users to conduct research, improve job seeking initiatives, update their resumes and explore various other computer/ internet services.



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 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, 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 1500 clients daily. The third site is the Centre for the Book 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 subprogrammes which are responsible for delivering the core business of the NLSA, as mandated by Section 4 of the NLSA Act. These subprogrammes 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; cataloging 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 Resources 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 the 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.

The NLSA has accordingly set itself the following strategic goals to enable it to fulfill its mandate.

Strategic Outcome Oriented Goal 1	Build a complete collection of South African intellectual heritage and render a national bibliographic service.
Goal statement	Collect South African published documents through the Legal Deposit Act and supplement the collection through other means.
Strategic Outcome Oriented Goal 2	Provide universal access to library and information services.
Goal statement	We make available our library collections and services to be accessed by everyone for information, research, inspiration and enjoyment.
Strategic Outcome Oriented Goal 3	Preserve, conserve and maintain the collections of the NLSA.
Goal statement	Apply preservation and conservation techniques and methods to preserve our intellectual heritage for posterity.
Strategic Outcome Oriented Goal 4	Develop a reading nation.
Goal statement	Render outreach programmes to promote the culture of reading, writing and publishing.
Strategic Outcome Oriented Goal 5	Sustained delivery on the NLSA mandate.
Goal statement	Provide resources that permit efficient and effective delivery of library and information services.
Strategic Outcome Oriented Goal 6	Serve as a catalyst of library and information services in the global arena.
Goal statement	Foster partnerships, collaborative engagements and provide strategic leadership to promote the development of library and information services in South Africa, Africa and the world.

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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 31.

FINANCE AND SUPPLY CHAIN MANAGEMENT

Refer to performance information on page 32.

HUMAN RESOURCE MANAGEMENT

Refer to performance information on page 33.

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 engagements, 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
- Jozi Book Fair
- LIASA Conference

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

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. It attracted over 500 visitors where marketing material was distributed to promote the visibility of the NLSA.

In terms of stakeholder relations, the Corporate and International Relations Unit co-hosted several literary events with external partners. These include the annual Poetry Slam event during Library Month, which was co-hosted with Speak Out Loud and Tshwane Poetry Association; International Mother Language Day with the United Nations Information Centre and the launch of the book, *Studying Under the Barrel of a Gun*, by Ernest Khosa.



In December 2016, the NLSA took advantage of the opportunity to create awareness and promotion of the NLSA internationally. Invited by the Department of Arts and Culture, the NLSA hosted an exhibition on struggle heroes, Moses Kotane and JB Marks, in Moscow during the SA-Russia Season. After the exhibition, the NLSA donated the exhibition to the South African Embassy in Moscow.

While in Russia, the NLSA's delegation visited the Boris Yeltsin Presidential Library (BYPL) to discuss the MOU currently in place between the two organisations. Through our participation in the SA-Russia Season, the NLSA enjoyed extensive media coverage on national broadcaster, SABC.

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

(NLSA)'s Information Communication Technology (ICT) in the financial year 2016/17 focused on the implementation of the recommendations of the NLSA's ICT Assessment conducted by Business Connexion (BCX) in 2015. The ICT Systems Review business model sets the context for the types of systems and technologies required to support the business.

Projects and activities were prioritised to address urgent business risks and constraints in our ICT environment. A total of 280 new desktop computers for public use were installed across the Pretoria and Cape Town campuses. The NLSA is in the final phase of installing Internet Café software to manage the internet usage on these computers. The software enables the NLSA to advance access to information for our library users as it allows for a greater number of users to conduct research, improve job seeking initiatives, update their resumes and explore various other computer/internet services.

The network across the Pretoria and Cape Town campuses was successfully refreshed resulting in the improvement of access points which allows for improved access to Wi-Fi for both the library users and staff. Through the NLSA's Disposal Committee, ICT equipment, such as computers, were donated to schools in need of technology to enhance learning in previously disadvantaged communities.

The NLSA was invited to be serve as a member on the newly formed Public Sector ICT Forum. This Forum focuses on improving collaboration and knowledge sharing among senior ICT decision-makers in the public sector. The NLSA is proud to be an instrumental stakeholder for ICT in the public sector.



PROGRAMME 2: BUSINESS DEVELOPMENT

PROGRAMME: BIBLIOGRAPHIC SERVICES AND COLLECTIONS MANAGEMENT

This is one of the core programmes of the National Library of South Africa; its primary functions are to build a complete collection of published documentary heritage material emanating from or relating to South Africa, maintain and extend other collections relating specifically to southern Africa, and create a national bibliography of the collections contained within the institution.

In its endeavour to achieve the NLSA's mission, as the primary resource and custodian of South African published documentary heritage material, the Bibliographic Services and Collections Management Programme is guided by two pieces of national legislation namely, the National Library of South Africa Act, Act No. 92 of 1998 and the Legal Deposit Act, Act No. 54 of 1997.

As one of five legal deposit libraries, the NLSA is mandated to "provide for the preservation of the national documentary heritage through legal deposit of published documents, to ensure the preservation and cataloguing of, and access to, documents emanating from, or adapted for, South Africa."

These collections, accumulated over a period of almost 150 years, provide a rare insight into South Africa as a country, its people, history, economy, society and culture.

Acquisitions

The purpose of the Acquisitions sub-programme is to supplement the legal deposit collection through the purchase of material published abroad, specifically that which is written about South Africa or by South African authors. The sub-programme is responsible for maintaining the existing Reference and Reading Room collections at both campuses that are directly accessed by our users, and to ensure the currency of the material contained therein.

The sub-programme also receives gifts, donations and bequests, which are added to existing collections at both campuses. An additional 2 527 monographs were purchased and added to the collections and 76 journal titles were renewed for the financial year under review.

Index to South African Periodicals (ISAP)

This sub-programme is responsible for the creation of the ISAP database. This is a citation based database of indexed records for articles published in scientific journals that are received by the National Library of South Africa through legal deposit. The database consists of some 700 000 indexed articles and is available for searching via the NLSA OPAC as well as the NISC and Sabinet Online databases. An additional 5 207 records were added to the database during the 2016/17 financial year.

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, and the facilitation of Standard Numbers for periodicals, 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 Agency uploads information pertaining to all allocated ISNs to the Global Register at the International ISBN Agency in London. A total of 13 534 ISBNs, 73 ISSN and 102 ISMNs were allocated to commercial publishers and 4 936 ISBNs were allocated to self-publishers during the year under review.

South African National Bibliography (SANB):

Legal Deposit Receipts and Cataloging

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 South African National Bibliography (SANB) sub-programme deals with the legal deposit receipt of all monographs, maps, kits, posters, charts, audio-visual and electronic publications including reprints thereof. Material received are captured on the Library's Heritage Asset Register and on both national and international databases for ease of access by users. Staff are responsible for ensuring legal deposit compliance through regular follow up of outstanding items with publishers.

A total of 10 555 items were added to the legal deposit collection in the 2016/17 financial year. The sub-programme is also responsible for the creation of bibliographic records for all material received. Bibliographic records are created to comply with set international standards and are contributed nationally to the Sabinet Online SACAT database and internationally to the OCLC and NISC databases. The sub-programme is also responsible for the creation and maintenance of authority records pertaining to South

African authors both personal, corporate and series. A total of 18 094 items were catalogued during the year under review.

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.

Staff are responsible for ensuring legal deposit compliance of publishers, through regular follow up of outstanding items, as well as the tracing of new titles published. A total of 20 657 issues were received by the NLSA during the 2016/17 financial year.

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.

Conservation

The purpose of Conservation is the optimal conservation treatment of the library's collections in line with NLSA's preservation policies and procedures. Activities include bookbinding, book repairs, advanced book restoration, de-acidification treatment of acidic materials, preparation for exhibitions, and disaster management. During the year under review the NLSA repaired 1014 books and bound 1365 volumes of newspapers and periodicals.



De-acidification

The significant part that acidity plays in the deterioration of paper has long been recognised. Over time acid causes paper to become brittle, and in many cases, results in the loss of valuable collections. De-acidification is the process whereby the acids in paper are neutralised, significantly slowing down the process of destruction and prolonging the life of paper. De-acidification treatment is reserved for books that are acidic and at risk of loss if no action is taken. The NLSA's de-acidification services are offered to other libraries and cultural entities. During the year under review, the NLSA managed to treat 10 077 items for de-acidification purposes.

Digitisation

The aim of Digitisation is the optimal reformatting of the Library's collections in line with NLSA's preservation policies and procedures and as required by users and clients of the Library. The digitisation service creates digital copies of materials for both preservation and access purposes. During the year under review, the NLSA digitised 35 145 pages of content, these were mostly from South African newspapers.

These included Imvo Zabantsundu (1897-1903), Indian Opinion (1930-1949), Cape Standard (1936-1947), and Izwi Lama Swazi (1949-1958). The NLSA has undertaken the digitisation of South African historical newspapers for the purpose of preserving brittle collection items and advancing access to information. In 2016 a significant grant was received from the National Lotteries Commission to strengthen the digitisation capacity at the NLSA. Activities include the procurement of two large format scanners, job creation and skills development.

Stack Management

The purpose of Stack Management is the optimal management and maintenance of the NLSA's collections. Activities include climate control, heritage asset management, shelving of collections, preparation for the binding of collections, and monitoring access to the Library's collections and stack rooms. During the past year the off-site storage facility for the Cape Town campus (Matrix House) was fitted with new shelving in preparation for the consolidation of the Library's collections in the Cape Town CBD.

Workshops and Training

The NLSA offered training in Preservation and Disaster Management for libraries. The purpose of workshops was to create awareness and share appropriate skills to enable library workers to preserve library and heritage collections in their care. Workshops covered topics ranging from library disaster prevention and recovery; proper cleaning and care of libraries and books; preservation management; risk management; digitisation and reformatting; climate control; book and paper conservation; basic book repairs; bookbinding; de-acidification; stack management; library re-locations and pest management. During the year under review the NLSA offered 12 Preservation Management Workshops, including workshops held in Vryburg; Lichtenburg; Richmond; Mthatha; East London; Port Elizabeth; Cape Town; Randfontein; and Vereeniging.

Staff at the NLSA's Cape Town campus were trained in Disaster Planning and Recovery on 15 March 2017. Six staff members attended extensive digitisation training at the University of Pretoria (26-30 September 2016) and two staff members attended training offered by the Africana Library Trust in Kimberley (21-25 August 2016).

The International Federation of Library Associations and Institution's (IFLA) Regional Preservation and Conservation Centre for Southern Africa is based at the National Library of South Africa. The purpose of the Centre is to raise awareness among library professionals, the public and authorities of the urgent need to preserve endangered library collections.

The IFLA News Media Section, in partnership with the Preservation and Conservation Regional Centre for Southern Africa and Information Training and Outreach Centre for Africa (ITOCA) presented a Digitisation and Digital Preservation Workshop at the University of Nairobi from 14 to 16 February 2017. The topics covered included the selection of materials, digitisation standards, workflow, quality assurance, preservation considerations, digitisation tools and hands-on activities. The workshop was attended by 38 participants from Kenya, Nigeria, Malawi, Tanzania and South Africa.

PROGRAMME 3: PUBLIC ENGAGEMENT

PROGRAMME: INFORMATION ACCESS SERVICES

The Information Access Services Programme is the entry point to the unique heritage, knowledge resources and collections held in the NLSA. The Programme promotes access to information on site, nationally and internationally.

Research

The National Library of South Africa supports and stimulates research of all kinds. We believe that a strong research base is vital to a growing economy. Therefore, in fulfilling our purpose as the national research library, the NLSA contributes directly to innovation that feeds economic growth, by putting our collections, expertise and space at the services of anyone who wishes to conduct research. The reference section assisted many academic researchers, students, as well as the general public. Both local and international researchers requested information. The Reader Services Section, one of the busiest sections of the Information Access Services programme, continued with high retrieval rates and copying services for the public. The number of reference queries satisfied totalled 55 000.

The Special Collections

The Special Collections section is a treasure-house of the National Library. Since 1800, numerous donations and bequests have added value to the Legal Deposit collections. The invaluable Grey, Faibridge, Bleek and Lloyd Collections, together with the pictures, newspaper, maps and manuscripts, are sought after by local and international researchers, publishers, film-makers and writers. The Special Collections Unit works in close collaboration with the Preservation and Conservation Programme to enhance the usage of the collections. A total of 35 700 special collection items were retrieved during the year under review. The number of reference queries satisfied totalled 35 622.

Partnership with National and International Institutions Rijks Museum

The National Library of South Africa generously agreed to loan fourteen unique items from our Special Collections to the Rijks Museum, Netherlands for an exhibition which explored the complex history of relations between the Netherlands and South Africa between the early seventeenth and twenty-first centuries. Eight ink drawings depicting scenes at the

Cape of Good Hope as well as the Khoikhoi dated 1700; a Vereenigde Oost-Indische Compagnie (VOC) contract copy dated 1673, with signatures of the hereditary Khoisan leaders of the Cape; a historically important painting, the Shipwreck of De Vis by Jurgen Leeuwenberg, painted in 1740; the photographic album of WC Palgrave dated 1876; and two twentieth century photographs of the Jan van Riebeeck Festival and the re-enactment of the landing of Jan van Riebeeck.

South Africa Russia Cultural Season

The Department of Arts and Culture invited the National Library of South Africa to participate in the South Africa Russia Season. The NLSA mounted an exhibition in Moscow in December 2016, on Struggle heroes John Beaver (JB) Marks and Moses Kotane. Exhibition material included relevant material regarding JB Marks, Moses Kotane, previously banned publications, and material relating to struggle stalwarts, who were in Russia during the struggle for freedom in South Africa. A variety of manuscript material and published items were scanned to create three large wall banners, which were translated into Russian. The NLSA gifted the exhibition banners to the South African Consulate in Moscow after the exhibition.

The Document Supply Services

The NLSA is the co-ordinator of the resource-sharing network known as the Southern African Inter-Lending Scheme, which 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. One of our objectives is to provide training on best practice in Inter-Lending. This is done by disseminating a quarterly Library Guide to all SAIS members. The subjects covered this year included publications not available at the supplying library; SAIS on-line database; delivery methods for Inter-Lending requests; and guidelines for the borrowing / requesting library. The NLSA assists academic, government, special research, public and museum libraries.

The Information Access Services Survey

An objective of this survey is to determine the level of satisfaction of our Library users with the services they receive from the NLSA. A positive response was received from Library users with 54% of surveyed users indicating that they were very satisfied, and 32% indicating that they were satisfied with the services offered by the NLSA. It was found that users recognised the importance of the NLSA as a whole. A total of 33% of surveyed users indicated that they visit the Library daily while 46% indicated that they visit the Library two to three times per week. With regards to the quality



of service received, 85% of users indicated that the NLSA's staff are pleasant and helpful. A total of 72% of surveyed users made use of the internet at the Library with 6% using the on-line catalogues.

PROGRAMME: CENTRE FOR THE BOOK

The purpose and mandate of the Centre for the Book at the National Library of South Africa is to promote, develop and advance a culture of reading, writing and publishing in all official languages and to encourage easy access to books for all. This mandate is achieved through four sub programmes namely the, Children's Literature Programme, Community Publishing Programme, Outreach and Advocacy Programme and the Reprint of South African Literary Classics in Indigenous languages Programme.

Children's Literature Programme

This sub-programme supports the promotion and development of children's literature and instil passion for reading among children. Through this programme, CFB facilitates projects in support of the development of children's literature and illustration. A total of 2 000 posters, to enhance the 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 the development of budding writers. Budding writers are guided in the skills of writing and eventually supported through a writer's grant to publish their works. During the year under review, a total of 16 budding authors were supported through the writers grant to publish their book in various languages. Four female 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 to impact and benefit communities. Through this programme, the NLSA hosted the World Book Day national celebration in the Limpopo Province. During the celebration, more than 5 000 books were distributed to schools, libraries, communities, old age centres and needy families. The 7th Funda Mzantsi Championship was hosted in George, Western Cape Province. This was held to re-energise and instil passion for leisure reading among the youth. More than 30 book clubs participated and the event was broadcast live on the Morning Live Show of the South African Broadcasting Corporation. The National Library of South Africa partnered with the Department of Correctional Services and the George Municipality to host the Championship.



Reprint of South African Classics in Indigenous Languages Programme

NLSA through CFB had managed the Reprint of South African Classics project since 2008. South African books which are considered classics in indigenous languages and are out of print are reprinted and distributed to libraries, schools and communities countrywide. In the year under review, 18 titles were reprinted with a total of 95 titles having been reprinted to date.

MZANSI LIBRARIES ON-LINE PROJECT

Mzansi Libraries On-Line (MLO) is a project of the National Library of South Africa, aimed at empowering South African communities by bridging the digital divide and providing free access to information and technology.

The MLO Project seeks to empower South African communities and to improve their lives through the provision of free access to information and technology, aimed at achieving the following outcomes:

- Increased access to ICT particularly by children; youth; the unemployed; women; the elderly; people living with disabilities, especially the visually impaired.
- Increased social and economic benefits through access to health, education and economic information.
- Enhance skills and capacity among the library staff for better service delivery to their communities.
- A sustainable public library sector that will continue to meet the developmental needs of the community into the future.

The MLO Pilot Project Grant was successfully implemented in 27 pilot sites from 2014 to 2015. Through the Pilot Project, the 27 public libraries received improved upgrades, resources and facilities. The communities around these pilot sites continue to benefit from increased access to information. The success of the Pilot Project led to the NLSA submitting a proposal to the Bill and Melinda Gates Foundation's Global Libraries Programme and subsequently being

awarded the Country Grant which is currently being implemented in 667 libraries across the country.

The MLO Project has contributed to increased leadership in the Library & Information Services profession as librarians who have participated in the MLO training programme have assumed leadership roles in their respective stations, thereby enhancing their career prospects. Mr Mxolisi Nkosi from the Emjindini Public Library in Mpumalanga, graduated from the MLO Project pilot training programme. Mxolisi was awarded the International Young Innovators Award and has been offered the opportunity to share his experiences with other innovators from across the world at the 2017 IFLA conference in Poland.

Through a multi-stakeholder partnership between the NLSA, BCX, Telkom, Microsoft SA, Lulaway and the University of Pretoria, 65 unemployed youth were taken through an ICT Internship Programme. The graduates were upskilled and then deployed to community libraries where they will provide ICT technical support to users. The ICT Internship Programme enhances the employability of these youth and allows them to contribute to the economy of their communities.

In another collaboration between the NLSA and SABINET, a group of 20 "Youth Change Agents" under the auspices of AfricaIgnite will benefit from ICT training in rural communities. The MLO Project's lessons, experiences and good practices have, and continue to be shared within the Continent, especially through the platforms offered by continental and international conferences. This is a direct contribution to the attainment of the ideals of the "Africa We Want".



PERFORMANCE INFORMATION BY PROGRAMME

1. Office of the National Librarian and CEO						
Strategic Objective	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	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	New target	10	15	5	Target exceeded. Additional activities scheduled and paid for by our partners.
Offer leadership in the promotion and development of Library and Information Services (LIS) in South Africa	Number of LIS Committees chaired by the National Librarian & CEO	New target	2	3	1	Target exceeded. National Librarian appointed to a new committee as CDNL Vice Chair.
Ensure compliance and governance	Number of Committees the National Librarian & CEO serves on	New target	4	12	8	Target exceeded. More committees held their meetings.
	Number of Board meetings organised	4	4	4	0	Target achieved
	Number of Board sub-committees meetings organised	20	20	20	2	Target not achieved. ICTS and HR and REMCO committee meetings not held in the fourth quarter as their business had been concluded in earlier quarters.
	Number of Management Team Quarterly Meetings held	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 Objective	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Variance	Comment on Variance
Prepare regular, accurate and complete financial reports	An approved annual budget for the NLSA by the Board	1	1	1	0	Target achieved
	Number of quarterly reports submitted to the DAC	4	4	4	0	Target achieved
	Number of DAC conditional grants quarterly reports submitted	4	4	4	0	Target achieved
	Unqualified audit report on the annual financial statements (AFS)	0	1	0	1	Target not achieved. A qualified audit outcome was received due to the reporting of heritage assets.
	Approved MTEF and ENE by the DAC and National Treasury	2	2	2	0	Target achieved
Implement sound procurement and supply chain practices	Report to the DAC on active contracts per quarter	4	4	4	0	Target achieved
Implementation of sound asset management practices	Complete and accurate asset register	2	2	2	0	Target achieved

It is a pleasure to report that the financial resources allocated to NLSA during the 2016/2017 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 adverse variances between budget and actuals have been covered by the positive variance from the interest income earned on short term investment accounts.

REVENUE COLLECTION

Other Income and Investment Revenue are approximately 8% of the total revenue. The strategy to increase revenue is based on depositing grants into interest bearing accounts and ensuring that the NLSA raises revenue through other activities. Overall, we have exceeded the target due to interest earned from the Mzansi Libraries On-line Project's short term deposit accounts.

CAPITAL INVESTMENT

Shelving

- In 2012, funding amounting to R6.9 million was received from DAC for the shelving project. Additional grant of R2 million was received for this.

The Cape Town campus was in need of shelving space for its collections, which resulted in the NLSA having to rent space in various locations in order to preserve its collections. Since the receipt of the funding, NLSA has found a centralised location. The Grant is meant for shelving at a new location and the moving of collections from the old locations to the new centralised location. More than half of the new location has been shelved and collections have been moved at a total cost of R4.5 million.

Some of the collections are still at the old locations pending a tenant vacating the new location. Once

this happens, the NLSA will be able to utilise the Grant's remaining balance of R2.4 million.

Newspaper Digitisation Project

- The National Lottery Commission granted the NLSA R6.5 million for a newspaper digitisation project. The NLSA received R3.9 million in cash during the 2015/16 financial year which was spent on the purchase of two digitisation scanners and training for the employees who will be working on the project.

Capital Works

- The NLSA started the financial year under review with R11.4 million, for the refurbishment of the Cape Town Campus. The following projects have been completed/are in progress:
 - Plumbing
 - Appointment of a Heritage architect to assist with the special requirements of the refurbishments of a heritage site.

- R9.2 million has been committed for the Gas Suppression System.
- During the year under review the NLSA received further funding of R16.8 million from the DAC for the management of facilities at the Pretoria Campus. The following have been accomplished from this Grant:
 - A project management company has been appointed at a cost of R7.8 million for three years.
 - Audio visual equipment, costing R2.2 million, has been purchased.
 - Fencing and refurbishment of the heritage house, costing R0.78 million.
 - A three year maintenance agreement of the Tele-lift System has been signed.
 - Funding of R0.9 million, has been committed for the cooling system and the flooring.
 - A Roofing tender for the Pretoria Campus, to the value of R2.5 million is committed.

3. Human Resources Management

Strategic Objective	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Variance	Comment on Variance
Build a high performance culture	Number of organisational performance evaluations sessions	2	2	2	0	Target achieved
Ensure sustainable talent management	Number of progress reports on talent management	2	2	2	0	Target achieved
Provide Induction and Orientation of employees	Number of induction sessions conducted	4	4	4	0	Target achieved
Enhance quality of work life through Employee Wellness	Number of wellness activities organised for employees	2	4	4	0	Target achieved
Invest in the learning and development of employees	Number of internal training sessions held	-	4	4	0	Target achieved

4. Information and Communication Technology (ICT)

Strategic Objective	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Variance	Comment on Variance
Alignment of all ICT resources with the NLSA business strategy objectives	Number of service level agreements with NLSA programmes	New target	3	3	0	Target achieved
Ensure ICT governance	Number of reports on usage and maintenance of ICT equipment and services	New target	4	4	0	Target achieved
Ensure business continuity / to implement the disaster recovery plan	Reports on the monitoring of internal and external Service Level Agreements	New target	3	3	0	Target achieved
	Number of progress reports on implementation of ICT Governance Framework	New target	4	4	0	Target achieved
	Number of ICT policies and procedures developed, reviewed and approved	New target	4	8	4	Target exceeded. More ICT policies were developed and approved.
	Number of reports on the implementation of the Business Continuity Plan	1	4	4	0	Target achieved

5. Corporate and International Relations (CIR)

Strategic Objective	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Variance	Comment on Variance
Create awareness of the NLSA's role, products and services	Number of media engagements	65	60	62	2	Target exceeded. The Majority of the media coverage focused on the various NLSA initiatives hosted to create awareness of the NLSA, its products and services.
	Number of exhibitions held	7	12	14	2	Target exceeded. Increased opportunities were identified for NLSA to exhibit.
Promote stakeholder engagements	Number of social media updates	New target	130	130	5	Target exceeded
	Number of website updates	New target	90	91	1	Target exceeded. An increased demand was experienced for vacancies to be uploaded onto the website.
	Number of events in partnership with external stakeholders	New target	8	8	0	Target achieved
Create corporate products and identity	Number of corporate publications produced	-	5	5	0	Target achieved
	Number of marketing materials/corporate products produced	6	6	8	2	Target exceeded. An increased demand for promotional material was experienced due to the events and exhibitions hosted by the NLSA.

6. Bibliographic Services and Collections Management

Strategic Objective	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Variance	Comment on Variance
Build a complete collection of South African published through Legal Deposit Act	Number of monographs received on legal deposit	10 731	10 000	10 555	555	Target exceeded. More items were received from publishers on legal deposit
Extend and supplement the NLSA collections by purchasing material	Number of serial issues received on legal deposit	21 731	19 600	20 657	1 057	Target exceeded. Project initiated to follow up on non-received items. Legal Deposit Symposiums resulted in more issues being deposited.
Creation of bibliographic records for legal deposit and new acquisitions	Number of books purchased	New target	3 000	2 527	473	Target not achieved. Reported on orders placed rather than items purchased.
	Number of serial publications purchased	New target	116	98	18	Target not achieved. Not all journal subscriptions were renewed due to high exchange rates between Rand and Dollar.
	Number of publications catalogued	14 526	15 000	18 094	3 094	Target exceeded. Publications in different languages were catalogued simultaneously. Additional e-pubs were received from Bessie Head Library.
Facilitate the training in South Africa to ensure compliance with international bibliographic standards	Number of training sessions provided to public librarians	4	8	7	0	Target achieved

7. Preservation and Conservation Services

Strategic Objective	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Variance	Comment on Variance
Applying techniques and methods to preserve library collections	Number of damaged books repaired / restored	1 273	1 000	1 014	14	Target exceeded. More demand for book repairs.
	Number of pages / images digitised	37 223	35 000	35 146	146	Target exceeded. A high demand for digitisation was experienced.
	Number of items de-acidified	10 275	10 000	10 077	77	Target exceeded. More items were received for de-acidification.
	Number of volumes bound	1 530	1 300	1 366	66	Target exceeded. More items received for binding.
Promote and develop preservation skills nationally	Number of preservation workshops / training sessions held nationally	9	7	12	5	Target exceeded. More demand was experienced for preservation training.

8. Information Access Services

Strategic Objective	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Variance	Comment on Variance
Ensure optimal access to information by public	Number of clients using Internet facilities	84 433	56 555	93 161	36 606	Target exceeded. More users accessed the Internet through the use of Wi-Fi and desktops.
	Number of clients visiting the library	391 655	266 000	379 264	113 264	Target exceeded. Students and the public use the material on the open shelves and also use the library as a place where they can do their own work.
Measurement of client satisfaction	Annual user satisfaction survey conducted	1	1	1	0	Target achieved
Provision of inter-lending service	Number of requests successfully delivered	1800	1 474	743	731	Target not achieved. Fewer materials were requested due to the #Fees must fall disturbances.
	Number of training library guides distributed to libraries	4	4	4	0	Target achieved

9. Centre for the Book

Strategic Objective	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Variance	Comment on Variance
Promote literacy and the development of a culture of reading in South Africa	Number of reading promotion events organised	12	12	13	1	Target exceeded. High demand for reading programmes.
	Number of books donated to the public	10 960	10 000	10 384	384	Target exceeded. High demand for reading resources.
	Number of international literacy day posters printed	2 000	2 000	2 000	0	Target achieved
	Number of book clubs established nationally	19	15	17	2	Target exceeded. More book clubs were established due to more book club establishment workshops conducted.
Promote and develop a culture of writing in South Africa	Number of workshops / training sessions organized nationally	14	16	17	1	Target exceeded. High demand for book club establishment workshops.
Promote the development of a culture of publishing in South Africa	Number of writer's grants allocated	12	10	16	6	Target exceeded. More writers' grants were allocated due to more manuscripts being received for funding.
	Number of Bulletins of the NLSA published	2	2	2	0	Target achieved

NLSA Impacting the Exhibition of Information

The NLSA is committed to the dissemination of information, and therefore generously loaned various items from its Special Collections to the Rijks Museum, Netherlands. The Rijks Museum planned a major exhibition, exploring the complex history of relations between the Netherlands and South Africa from the early seventeenth and up to the twenty-first century. Included in the exhibition from the NLSA, were eight Khoisan drawings dated to 1700; the VOC contract copy dated 1673 with signatures of the Khoi leaders; one of South Africa's most historically important paintings, namely the Shipwreck of De Vis dated 1740; the Photographic Album of WC Palgrave dated 1876; and two photographs of the Jan van Riebeeck Festival and the re-enactment of the landing of Jan van Riebeeck. The exhibition which ran from 18 February to 21 May 2017 had drawn 47 000 visitors by 14 March 2017.



PART C: GOVERNANCE



GOVERNANCE

Part A

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 practices

Board Charter

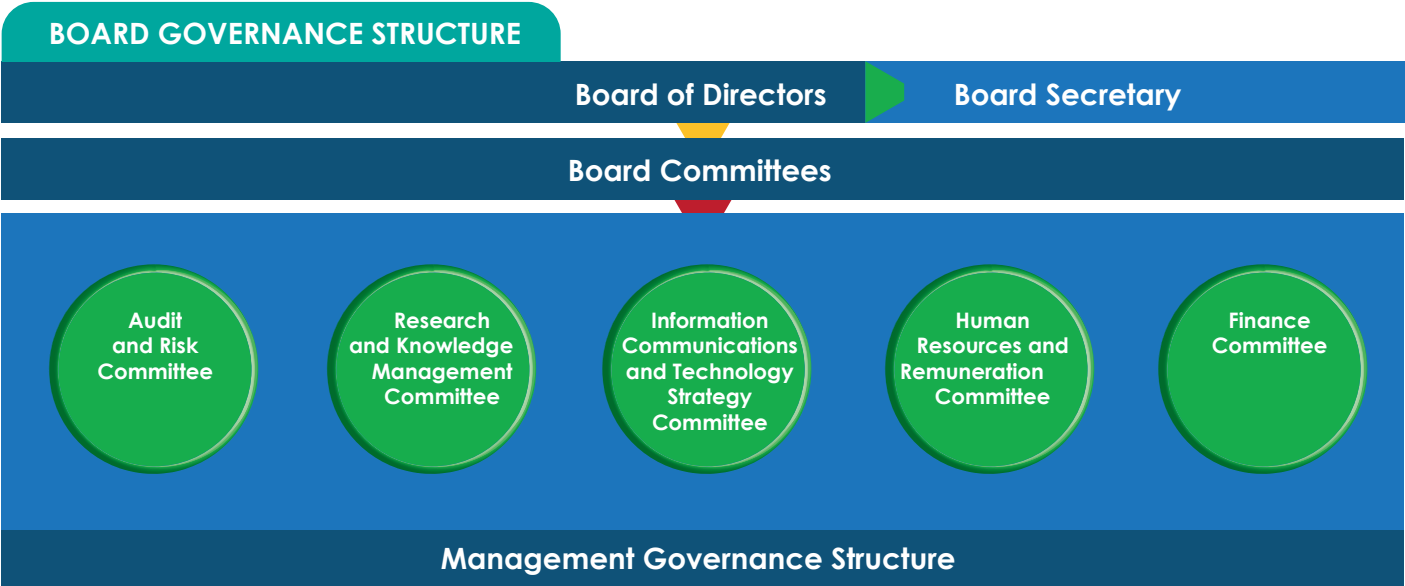
The Board has developed its Charter in accordance with the King Report on Corporate Governance. The Charter stipulates meeting procedures, role of the Board Secretary, remuneration of Board Members and the establishment of sub-committees.

Board Sub-Committees

The Board Sub-Committees ensure that the Board fulfils its duties and functions efficiently without renouncing its accountability. Membership of Committees is in terms of expertise 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 and Knowledge Management Committee
- Information Communications and Technology Strategy Committee
- Human Resources and Remuneration Committee
- Finance Committee



Meeting Attendance

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

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 Auditors, in order to optimise governance oversight, risk management and control. The Audit and Risk Committee and Board rely on the combined assurance providers 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 audit and have been

reasonable assured. 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 ARC, 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 addresses those risks inherent to our operations that would have significant consequence should they materialise.

An enterprise risk profile gives ExCo 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 ExCo 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 key risks continue to relate to our ability to sustain operations and our financial performance. We face critical challenges regarding inadequate funding and slow responses to rapid technological development. The skill set of our organisation is threatened by an aged workforce. Without effective skills transfer and development, our ability to render library and information services will be impaired. The introduction of the accounting standard on Heritage Assets GRAP 103, has brought to our knowledge 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 coverage audit plan and approved the budget thereof. In addition, the Internal Audit Charter was considered by the Committee. 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:

- Supply Chain Management Audit
- Internal Financial Controls Review
- Asset Management Review
- Audit on Pre-determined Objectives Q2 and Q4
- Follow up on Internal Audit and Auditor-General South Africa's previously reported matters
- ICT Security Assessment Review
- Human Resources Audit
- Annual Financial Statements Review

The Audit and Risk Committee is satisfied with the effectiveness of Internal Audit to mitigate risks\ work conducted included the assessment of the effectiveness of policies and processes relating to key

areas of ethical, reputational and financial risk.






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- ICT Security Assessment Review
- Human Resources Audit
- Annual Financial Statements Review





The Audit and Risk Committee is satisfied with the effectiveness of Internal Audit to mitigate risks.

Our Top Priority-level Risks

The table below details the top strategic risks and provide 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)
The National Library is the primary resource and custodian of South Africa's documentary heritage with a large size of heritage books, maps and other material.	Cost or fair value of collections and acquisitions may not be reliably measured for external financial reporting in accordance with GRAP 103.	Critical	
Funding priorities of the Department of Arts and Culture do not fully accommodate the strategic goal and vision of the NLSA.	This limits the rolling out of programmes supporting the organisational vision, mission and national priorities such as nation building and social cohesion.	High	
Lack of collaborative efforts and partnerships with other stakeholders in the sector who are promoting a culture of reading, writing and publishing.	a) Unnecessary competition for target audience. b) Duplication of efforts to attain same objectives/ outcomes.	Medium	
Lack of appropriate backup systems, disaster recovery and business continuity planning.	The NLSA may not recover from a disaster/system outage.	Critical	
ICT infrastructure is ageing and requires regular maintenance or component replacements.	Loss of productive hours due to system downtimes. Delays in business processes due to poor responses by communication networks.	High	

<p>The talent management systems and skills development do not provide for:</p> <ul style="list-style-type: none"> a) Skills transfer b) Quality management training c) Adequate internship opportunities to feed the staff establishment of the Library. <p>Inadequate LIS qualified people in the job market.</p>	<p>Business continuity and client relations may be adversely affected by staff retirements and resignation which may results in reputational damages and loss of income.</p>	High	
<p>A formal programme/activity to communicate fraud and corruption prevention strategies to all employees does not exist.</p>	<p>Employees may not be aware of how to detect, prevent and/or report fraud and corruption in the organisation.</p>	Critical	
<p>The NLSA is a Schedule 3A Public Entity listed in the PFMA and is required to comply with a number of laws and regulations including the PFMA, Treasury Regulations, NLSA Act etc.</p>	<p>Increased exposure to non-compliance with laws and regulations have adverse effects on the business of the NLSA.</p>	Medium	
<p>No Asset Plan to fund the long term employee benefit obligations emanating from the post-employment medical aid subsidy provided.</p>	<p>Operational budget of the NLSA may be adversely affected when the post-employment benefit obligation falls due, resulting in financial disaster.</p>	High	
<p>There is no risk management strategy in place to guide and direct risk management policies and plans in the organisation.</p>	<p>Threats to the organisation may not be identified and managed to mitigate non-achievement of strategic objectives.</p>	High	

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

NLSA Impacting the World

The South Africa-Russia Cultural Season is based on a reciprocal arrangement between the South African Government and the Russian Federation, where each party is offered the opportunity to showcase its arts and culture. The National Library of South Africa (NLSA) participated in the South Africa-Russia Season 2016. The NLSA staged an exhibition of struggle heroes, Moses Kotane and J B Marks in Moscow in December 2016.

The exhibition displayed relevant material such as: previously banned publications, material relating to the struggle stalwarts who were in Russia during the struggle for freedom in South Africa, manuscript material and published items. The exhibition material was translated into Russian and donated to the South African Embassy in Moscow after the exhibition.



NLSA Impacting Preservation of Information

The NLSA has undertaken the Newspaper Digitisation Project, where South African historical newspapers are digitised to preserve the brittle collection items and to advance access to information for all.

Newspapers are important records of societal and cultural life. The newspapers selected for digitisation represent the early emerging African press in South Africa. The Newspaper Digitisation Project is of immense value in educating and informing South Africa youth about the writings of African intellectuals dating back to as early as 1884.

In 2016, the NLSA received a significant grant from the National Lotteries Commission to strengthen the NLSA's digitisation capacity. The NLSA has procured two large format scanners, ensured skills development and conducted conservation work.



PART D: HUMAN RESOURCES 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 2016/17. 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 continue to enhance, monitor and evaluate the effectiveness and implementation of our performance management. Further to the success of the past performance year, which was the implementation of the realigned organisational structure, 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 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. The NLSA hosted consultations with the Unions on the New Recognition Agreement and Constitution, new Leave Management Policy and Medical Aid Policy, which were subsequently approved by the Board.

The Induction and Orientation Training Programme continues on a quarterly basis to enable newly appointed staff members to enter the organisation with sound knowledge and understanding of the core values and the service offering of the NLSA. 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 remains one of the major challenges faced by the entity.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

Employment and Vacancies

During the year under review, the NLSA filled all Senior Management and highly skilled supervisory level positions. The NLSA also filled many other critical priority positions emanating from the new approved structures. 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.

Personnel Cost by Programme/Activity/Objective

Programme /Activity/ Objective	Total Expenditure for the Entity	Personnel Expenditure (R'000)	Personnel Exp. as a % of Total Exp. (R'000)	No. of Employees	Average Personnel Cost per Employee
Administration	R41 041 660.46	R22 131 319.74	53.92%	57	R388 268.76
Business Development	R26 191 728.13	R20 647 736.58	78.83%	73	R282 845.70
Community Engagement	R18 734 046.18	R16 835 697.54	89.86%	48	R350 743.69

Employment Changes

During the year under review, the NLSA adopted and implemented various retention strategies such as talent management, promotions, performance bonuses, annual notch increases for high performers and secondments to reduce staff turnover. However, young librarians still find better opportunities outside of the NLSA. Whilst 7 terminations resulted from the expiry of fixed term contracts, only 11 resignations were experienced among permanent positions, compared to the previous year's total of 19. Besides terminations as a result of people leaving the organisation, we also

experienced certain changes within employment levels as a result of certain positions and titles that were reviewed and newly re-classified. These positions were accordingly re-classified as either professional, skilled or semi-skilled and therefore such reduction or addition into an employment level were not due to new appointments but the changes in job titles and re-classification of positions into job levels.

Salary Band Employment at Beginning of Period
Appointments Terminations Employment at End of the Period.

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	R4 838 969.10	8.60%	4	R1 209 742.27
Senior Management	R6 705 312.60	11.92%	8	R838 164.07
Professional Qualified	R21 579 893.75	38.36%	55	R392 361.70
Skilled	R6 619 990.11	11.77%	21	R315 237.62
Semi-skilled	R16 497 829.78	29.33%	90	R183 309.21
Unskilled	0	0	0	0
TOTAL	R56 241 995.34	99.98%	178	R315 966.26

Performance Rewards

Programme/Activity/Objective	Performance Rewards	Personnel Expenditure (R'000)	% of Performance Rewards to Personnel Cost (R'000)
Top Management	R64 118.00	R4 838 969.10	0.01%
Senior Management	R63 989.30	R6 705 312.60	0.95%
Professional Qualified	R165 833.53	R21 579 893.75	0.76%
Skilled	R59 261.61	R6 619 990.11	0.89%
Semi-skilled	R161 019.94	R16 497 829.78	0.97%
Unskilled	0	0	0
TOTAL	R470 954.38	R56 241 995.34	3.58%

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. One case resulted in dismissal.

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. During the year under review, the NLSA increased its number of people with disabilities with a new addition within the Skilled Employment level.

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	R22 409 990.69	R104 388.40	0.46%	12	R8 699.03
Business Development	R20 678 610.15	R32 361.10	0.15%	13	R2 489.31
Community Engagement	R16 177 301.05	R17 275.20	0.10%	22	R785.23

Employment and Vacancies

Programme /Activity/ Objective	2015/2016 No. of Employees	2016/2017 Approved Posts	2016/2017 No. of Employees	2016/2017 Vacancies	% of Vacancies
Administration	46	60	57	3	40.3 %
Business Development	74	81	73	8	9.8 %
Community Engagement	61	59	48	11	18.6 %
TOTAL	181	200	178	22	11 %

Employment and Vacancies

Programme/Activity/ Objective	2015/2016 No. of Employees	2016/2017 Approved Posts	2016/2017 No. of Employees	2016/2017 Vacancies	% of Vacancies
Top Management	4	4	4	0	0
Senior Management	6	8	8	0	0
Professional Qualified	42	67	55	12	17 %
Skilled	35	24	21	3	12.5 %
Semi-skilled	80	97	90	7	7.2 %
Unskilled	0	0	0	0	0
TOTAL	167	200	178	22	11 %

Employment Changes				
Salary Band	Employment at Beginning of Period	Appointments	Terminations	Employment at End of the Period
Top Management	4	0	0	4
Senior Management	6	2	0	8
Professional Qualified	42	6	5	55
Skilled and Academically Qualified	35	3	4	21
Semi-skilled	80	12	2	90
Unskilled	0	0	0	0
Total	167	23	11	178

Reasons for Staff Leaving		
Reason	Number	% of Total No. of Staff Leaving
Death	1	4.3
Resignation	11	47.8
Dismissal	1	4.3
Retirement	3	13
Ill Health	0	0
Expiry of Contract	7	30.4
Other	0	0
Total	23	100

Labour Relations: Misconduct and Disciplinary Action	
Nature of Disciplinary Action	Number
Verbal Warning	0
Written Warning	2
Final Written Warning	0
Dismissal	1
TOTAL	3

Equity Target and Employment Equity Status								
Levels	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	3	2	0	0	0	0	0	0
Senior Management	2	0	1	0	0	0	1	0
Professional Qualified	12	5	0	1	0	0	2	0
Skilled	5	0	0	0	0	2	3	1
Semi-skilled	32	0	11	1	0	0	1	0
Unskilled	-	-	-	-	-	-	-	-
TOTAL	54	7	12	2	0	2	7	1

Equity Target and Employment Equity Status								
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	0	0	0	0	0	0
Professional Qualified	21	3	4	1	0	0	16	0
Skilled	10	3	3	0	0	3	0	0
Semi-skilled	38	0	8	2	0	1	0	0
Unskilled	-	-	-	-	-	-	-	-
TOTAL	73	6	15	3	0	4	16	0

Equity Target and Employment Equity Status				
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	0	0	0
Unskilled	-	-	-	-
TOTAL	1	1	1	1

NLSA Impacting Communities

The National Library of South Africa (NLSA) hosted a cycle tour as part of the World Book Day 2017 celebrations. Cycling enthusiast, Lindsay Van der Byl, cycled approximately 419 km from Pretoria to Nquthu, KwaZulu-Natal, over three days.

Lindsay's journey included visits to community libraries where the NLSA hosted motivational talks, book donations and the promotion of a reading culture.

The cycle tour culminated in Nquthu, where World Book Day was celebrated on 24 and 25 April 2017.



PART E: FINANCIAL INFORMATION



AUDIT COMMITTEE 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 two 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 regards to the annual financial statements and the report on performance information.
- 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, and 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 is to assist the Board to discharge its responsibilities including among others, the evaluation of the performance, independence and effectiveness of External Auditors, 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.

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 and 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 occurred during the period under review. The Committee has noted the effectiveness of the compliance checklist in reducing procurement related audit findings. This checklist was developed and implemented by Management to ensure compliance with Supply Chain Management prescripts thereby preventing irregular expenditure. Controls to monitor and respond to cases of detected irregular expenditure were designed and implemented during the reporting year. The Committee notes the efforts of management to strengthen internal controls within financial management thereby preventing irregular, fruitless and wasteful expenditure.

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 met 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, especially the management of heritage collections and the impact of the post-employment 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 in the entity.

Membership and Meeting Attendance

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

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	31 December 2019
Ms MMD Nkomo	Board member	• MCOM • BCom Honors • BCom	1 January 2016	5	31 December 2019
Ms S Makhathini	Independent member	• CA (SA)	1 January 2016	4	31 December 2019
Ms N Dick	Board member	• CA (SA)	1 January 2016	5	31 December 2019

Evaluation of the Financial Statements 2016/17

The Audit Committee has:

- Reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report with the Auditor-General SA and the National Librarian and CEO.
- Reviewed the Audit Report of the Auditor-General SA.
- Reviewed the Auditor-General SA's Management Report.
- Noted and reviewed the Auditor-General's assessment of the usefulness and reliability of the performance information examined.
- Reviewed the NLSA's compliance with legal and regulatory provisions.
- Reviewed the adjustments resulting from the Audit.

The Committee considers that the financial statements comply with the requirements of the PFMA and the Generally Recognised Accounting Practice (GRAP), except for the matters raised in the Auditor's Report as it pertains to the accounting for Heritage Assets.

Auditor's Report

The Committee evaluated the independence of the Auditor General and is satisfied that the Auditor General was and maintained independence throughout the period of the audit review, and has acted in accordance with ethical requirements.

The Committee concurs and accepts the conclusions of the Auditor General on the annual financial statements and the report of the achievement against predetermined objectives. The Committee is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor General South Africa.

The Committee has reviewed the entity's implementation plan for audit issues raised 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 funds to address the accounting for Heritage Assets was received in the financial year 2017/2018. Management is implementing the plan to comply with the Standard on Heritage Assets, GRAP 103.



Mr Nic Cronje

Chairperson: Audit Committee

Report of the auditor-general to Parliament on 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 (NLSA) set out on pages 66 to 106 which comprise the statement of financial position as at 31 March 2017, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with 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 matter 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 2017, its financial performance and cash flows for the year then ended in accordance with 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. The entity did not recognise all heritage assets at a cost or appropriate fair value as required by GRAP 103. Legal deposits 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. Consequently, I was not able to determine the full extent of the understatement of heritage assets stated at R16 155 128 (2016: R12 724 125) in note 9, as it was impracticable to do so.
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 R980 457 (2016: R1 767 549) 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.
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 separate financial statements section of my 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.

Responsibilities of accounting authority for the financial statements

8. The board of directors, which constitutes 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.
9. In preparing the financial statements, accounting authority is responsible for assessing the NLSA'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 there is an intention either to liquidate the entity or to cease operations, or there is no realistic alternative but to do so.

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

10. 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 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.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

12. 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.
13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2017:

Programmes	Pages in the annual performance report
Programme 2 - Business development	25 – 27
Programme 3 – Public engagements	28 – 30

15. 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.
16. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes:
- Programme 2 - Business development
 - Programme 3 – Public engagements

Other matter

17. I draw attention to the matter below:

Achievement of planned targets

18. Refer to the annual performance report on pages 31 to 37 for information on the achievement of planned targets for the year and explanations provided for the under and overachievement of a number of targets.

Report on audit of compliance with legislation

Introduction and scope

19. 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 entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

20. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Annual financial statements

21. The financial statements submitted for auditing were not prepared fully in accordance with the prescribed financial reporting framework as required by section 55(1) (b) of the PFMA. Material misstatements in heritage assets identified by the auditors were not corrected, which resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

22. Effective steps were not taken to prevent irregular expenditure amounting to R 2 million as disclosed in note 35 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 an inadequate record keeping management system and non-compliance to the entity's delegation of authority.

Assets management

23. 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

24. The NLSA's 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 thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.
25. 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.
26. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. No material inconsistencies were identified.

Internal control deficiencies

27. 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 thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

Financial and performance management

- Management did not ensure that the entity has a complete heritage assets register and assets are correctly valued in terms of GRAP 103.
- There are no adequate controls in place to ensure that the entity is in compliance with the prescribed laws and regulations to prevent irregular expenditure.

Auditor – General

Pretoria

31 July 2017



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

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

Financial statements

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

Communication with those charged with governance

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

THE ANNUAL FINANCIAL STATEMENTS 2016/17

National Library of South Africa

Annual Financial Statements for the year ended 31 March 2017

Index

The 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 Audit Committee:

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National Library of South Africa

Annual Financial Statements for the year ended 31 March 2017

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 is engaged to express an independent opinion on the annual financial statements and is given unrestricted access to all financial records and related data.

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

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

The Board acknowledges that they are ultimately responsible for the system of internal financial control 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 system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Board has reviewed the NLSA's cash flow 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 operational existence for the foreseeable future.

The NLSA is wholly dependent on the state grant 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 the NLSA.

The annual financial statements set out on pages 66 to 106, which have been prepared on the going concern basis, were approved by the Board on 31 July 2017 and are signed on its behalf by:



Prof Rocky M.D. Ralebipi-Simela
National Librarian & CEO



Mr Themba T.C. Dlamini
Chairperson of the Board

National Library of South Africa

Monday, 31 July 2017

National Library of South Africa

Annual Financial Statements for the year ended 31 March 2017

Statement of Financial Position as at 31 March 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	5	634 026	896 240
Prepayments	4	899 657	976 568
Bequests related investments	3	600	400
Cash and cash equivalents	6	117 748 580	127 785 644
		119 282 863	129 658 852
Non-Current Assets			
Property, plant and equipment	7	41 573 261	28 954 017
Intangible assets	8	1 793 177	518 221
Heritage assets	9	16 155 128	12 724 125
Other financial assets	10	5 170 000	5 100 000
		64 691 566	47 296 363
Non-Current Assets		64 691 566	47 296 363
Current Assets		119 282 863	129 658 852
Total Assets		183 974 429	176 955 215
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	14 350 840	5 028 012
Post employment benefit obligation	12	1 629 278	1 477 460
Deferred income - Grants received	13	90 914 412	103 712 042
Provisions	38	4 316 925	5 363 096
		111 211 455	115 580 610
Non-Current Liabilities			
Post employment benefit obligation	12	33 427 071	32 170 815
Non-Current Liabilities		33 427 071	32 170 815
Current Liabilities		111 211 455	115 580 610
Total Liabilities		144 638 526	147 751 425
Assets		183 974 429	176 955 215
Liabilities		(144 638 526)	(147 751 425)
Net Assets		39 335 903	29 203 790
Reserves			
Non distributable reserves		7 897 013	6 916 556
Accumulated surplus		31 438 890	22 287 234
Total Net Assets		39 335 903	29 203 790

National Library of South Africa

Annual Financial Statements for the year ended 31 March 2017

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Other income	17	2 748 271	2 712 266
Interest received - investment	23	9 257 091	5 032 097
Total revenue from exchange transactions		12 005 362	7 744 363
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	18	79 729 000	75 716 000
Gains from legal deposits	16	980 457	1 767 549
Deferred income realised	17	46 293 192	34 641 428
Total revenue from non-exchange transactions		127 002 649	112 124 977
Total revenue	15	139 008 011	119 869 340
Expenditure			
Personnel Costs	22	(59 973 528)	(54 946 662)
Depreciation and amortisation		(2 833 858)	(2 926 144)
Impairment loss		(478 800)	-
Finance costs		(3 340 781)	(2 459 160)
Rentals		(31 016)	-
Repairs and maintenance		(294 377)	(271 437)
General expenses	19	(8 275 096)	(6 942 800)
Special projects costs	20	(40 577 140)	(32 650 075)
Audit fees	24	(2 500 602)	(2 088 603)
Contracts and consulting & professional services	25	(7 871 806)	(6 758 923)
Subscriptions and licenses	26	(4 018 818)	(4 028 223)
Total expenditure		(130 195 822)	(113 072 027)
Operating surplus	21	8 812 189	6 797 313
Gain/(Loss) on disposal of assets		(305 746)	(303 012)
Gain/(Loss) on foreign exchange		39 085	(189 459)
Fair value adjustments		70 200	890 200
Actuarial gains/(loss)	12	1 516 385	(1 228 898)
Coupons realised to income		-	241 521
		1 319 924	(589 648)
Surplus for the year		10 132 113	6 207 665

National Library of South Africa

Annual Financial Statements for the year ended 31 March 2017

Statement of Changes in Net Assets

Figures in Rand	Non Distributable reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	5 149 007	17 903 370	23 052 377
Adjustments			
Prior year adjustments	-	(56 252)	(56 252)
Balance at 01 April 2015 as restated*	5 149 007	17 847 118	22 996 125
Changes in net assets			
Surplus for the year	-	6 207 665	6 207 665
Transfer of gains from legal deposits from the accumulated surplus to NDR	1 767 549	(1 767 549)	-
Total changes	1 767 549	4 440 116	6 207 665
Restated* Balance at 01 April 2016	6 916 556	22 287 234	29 203 790
Changes in net assets			
Surplus for the year	-	10 132 113	10 132 113
Transfer of gains from legal deposits from the accumulated surplus to NDR	980 457	(980 457)	-
Total changes	980 457	9 151 656	10 132 113
Balance at 31 March 2017	7 897 013	31 438 890	39 335 903

National Library of South Africa

Annual Financial Statements for the year ended 31 March 2017

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Grants		126 022 192	110 357 428
Interest income		9 257 091	5 032 097
Mzansi Libraries Online		-	70 518 541
Other income		2 748 271	2 712 266
		<u>138 027 554</u>	<u>188 620 332</u>
Payments			
Employee costs		(59 973 528)	(54 946 662)
Suppliers		(64 787 166)	(56 013 793)
Finance costs		(3 340 781)	(2 459 160)
		<u>(128 101 475)</u>	<u>(113 419 615)</u>
Total receipts		138 027 554	188 620 332
Total payments		(128 101 475)	(113 419 615)
Net cash flows from operating activities	27	<u>9 926 079</u>	<u>75 200 717</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(15 814 345)	(1 422 136)
Proceeds from sale of property, plant and equipment	7	55 500	66 120
Purchase of other intangible assets	8	(1 753 756)	-
Purchases of heritage assets	9	(2 450 542)	(1 420 830)
Net cash flows from investing activities		<u>(19 963 143)</u>	<u>(2 776 846)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(10 037 064)</u>	<u>72 423 871</u>
Cash and cash equivalents at the beginning of the year		127 785 644	55 361 773
Cash and cash equivalents at the end of the year	6	<u>117 748 580</u>	<u>127 785 644</u>

National Library of South Africa

Annual Financial Statements for the year ended 31 March 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% of actual to adj. budget 31 March 2017
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Other income	3 384 000	-	3 384 000	2 748 271	(635 729)	78%
Interest received - investment	1 898 000	752 000	2 650 000	9 257 091	6 607 091	349%
Total revenue from exchange transactions	5 282 000	752 000	6 034 000	12 005 362	5 971 362	

Revenue from non-exchange transactions

Transfer revenue

Government grants & subsidies	79 729 000	-	79 729 000	79 729 000	-	100%
Deferred income realised: Mzansi Libraries Online	76 337 636	-	76 337 636	14 501 440	(61 836 196)	19%
Gains from legal deposits	-	-	-	980 457	980 457	-100%
Deferred income realised- National Lottery Commission	3 879 257	-	3 879 257	2 003 773	(1 875 484)	52%
Deferred income realised- DAC	32 896 000	16 863 562	49 759 562	29 787 979	(19 971 583)	60%
Total revenue from non-exchange transactions	192 841 893	16 863 562	209 705 455	127 002 649	(82 702 806)	

'Total revenue from exchange transactions'	5 282 000	752 000	6 034 000	12 005 362	5 971 362	199%
'Total revenue from non-exchange transactions'	192 841 893	16 863 562	209 705 455	127 002 649	(82 702 806)	60%
Total revenue	198 123 893	17 615 562	215 739 455	139 008 011	(76 731 444)	

Expenditure

Personnel	(63 810 000)	2 606 856	(61 203 144)	(59 973 528)	1 229 616	97%
Impairment loss/ Reversal of impairments	-	-	-	(478 800)	(478 800)	-100%
Finance costs	-	-	-	(3 340 781)	(3 340 781)	-100%
General Expenses	(23 753 000)	(2 606 856)	(26 359 856)	(25 825 573)	534 283	97%
Project Expense: DAC	(31 096 000)	(16 863 562)	(47 959 562)	(27 987 979)	19 971 583	58%
Conditional Grant - Community Libraries						
Project Expense: Mzansi Libraries Online (Gates Foundation)	(76 337 636)	-	(76 337 636)	(14 501 440)	61 836 196	19%
National Lottery Commission grant	(3 879 257)	-	(3 879 257)	(2 003 773)	1 875 484	3%
Total expenditure	(198 875 893)	(16 863 562)	(215 739 455)	(134 111 874)	81 627 581	

	198 123 893	17 615 562	215 739 455	139 008 011	(76 731 444)	64%
	(198 875 893)	(16 863 562)	(215 739 455)	(134 111 874)	81 627 581	62%
Operating surplus	(752 000)	752 000	-	4 896 137	4 896 137	
Loss on disposal of assets and liabilities	-	-	-	(305 746)	(305 746)	-100%
Gain on foreign exchange	-	-	-	39 085	39 085	-100%
Fair value adjustments	-	-	-	70 200	70 200	100%
Actuarial gains/losses	-	-	-	1 516 385	1 516 385	-100%

National Library of South Africa

Annual Financial Statements for the year ended 31 March 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% of actual to adj. budget 31 March 2017
Figures in Rand						
	-	-	-	1 319 924	1 319 924	
	(752 000)	752 000	-	4 896 137	4 896 137	100%
	-	-	-	1 319 924	1 319 924	100%
Surplus	(752 000)	752 000	-	6 216 061	6 216 061	
Net Surplus for the year	(752 000)	752 000	-	6 216 061	6 216 061	100%
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(752 000)	752 000	-	6 216 061	6 216 061	
Reconciliation						
Format and classification difference						
Capital expenditure from conditional grants				3 916 052		
Actual Amount in the Statement of Financial Performance				10 132 113		

1. Disclosure

1.1. The budget is approved on accrual basis by economic classification. The approved budget covers the fiscal period from 01 April 2016 to 31 March 2017.

2. Material differences between budget versus actual amounts.

2.1. Revenue from exchange transactions: The increase in revenue of 199% was mainly due to the interest earned from both DAC and MLO conditional grants short term deposits accounts.

2.2. Project : The Mzansi Libraries Online project spent a total of 19% of the estimated budget. The underspending was a result of timing differences between the receipt and spending of the funds.

2.3. Project : DAC Conditional Grant realised only 58% of the estimated because the facilities grant was only approved during the third quarter and the planning could only start after the approval. The funds have been committed to various projects by 31 March 2017. Community libraries grant realised at more than 80% by year end and the remaining balance is committed to the Eastern Cape ICT cabling project.

2.4 Project: National Lottery Commission Grant realised only 52% to income due the delay in the delivery of one of the two ordered scanners (digitization equipment). They were only delivered after the year end.

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Accounting Policies

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.

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 based on the expectation that the NLSA will continue to operate as a going concern for at least the next 12 months.

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.

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 years
Motor vehicles	Straight line	5-10 years
Office equipment	Straight line	5-10 years
Computer equipment	Straight line	5-10 years
Leasehold improvements	Straight line	15-25 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each 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.

National Library of South Africa

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.2 Property, plant and equipment (continued)

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.

1.3 Intangible assets

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.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

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

Intangible assets are carried at cost less accumulated amortisation and any impairment losses.

The carrying value of the intangible assets is reviewed annually to assess if conditions exists 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. The assesement was significantly influenced by the legal permission on the software, whereon there are no limitations on the use of it and the software does not expire and there are no user restrictions. The NLSA has determined to keep the assets in use for an indefinte period.

National Library of South Africa

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Accounting Policies

1.4 Heritage assets

Scope

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

Initial Recognition

The NLSA shall recognise as a heritage asset, an item acquired either through legal deposit, purchase, bequests or donation if, and only if:

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

Reasonable judgements are made by the NLSA 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 the time of the initial recognition

If NLSA is in possession of an asset that might be regarded as a heritage asset which meet the definition, but does not meet the recognition criteria of the 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

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, which may or may not be the date of acquisition.

The cost of the heritage asset comprises:

- a) Its purchase price, including import duties and non-refundable purchase taxes after deducting trade discounts and rebates, and
- b) 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 collections acquired through non-exchange transactions, such as legal deposits and donations, its deemed cost shall be its fair value at the date of acquisition. If it is impractical to ascertain the fair value at acquisition, the deemed cost shall be the current open market value at the date of acquisition.

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Accounting Policies

1.4 Heritage assets (continued)

The NLSA shall measure the cost of an item of heritage assets acquired in exchange for non-monetary assets, or a combination of monetary and non-monetary assets 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 (acquisition date) and the total payment is recognised as interest over the period id credit, unless such interest is recognised in the carrying amount at 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.

The 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 and Derecognition

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.

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 or disposal

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.

Presentation and Disclosure

The financial statements shall disclose, for each class of heritage assets recognised in the financial statements:

- a) the measurement bases used for determining the gross carrying amount, of which bases is selected to be costs less accumulated impairment
- b) the gross carrying amount aggregated with accumulated impairment losses at the beginning and end of the period;
- c) a reconciliation of the carrying amount at the beginning and end of the period showing
 - additions;
 - disposals;
 - acquisitions through a transfer of functions between entities under common control, a transfer of functions between entities not under common control or a merger;

National Library of South Africa

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.4 Heritage assets (continued)

- increases or decreases resulting from revaluations under paragraphs .37, .54 and .55 and from impairment losses recognised or reversed directly in net assets in accordance with the Standards of GRAP on Impairment of Non-cash-generating Assets or Impairment of Cash-generating Assets, as appropriate;
- impairment losses recognised in surplus or deficit in accordance with the Standards of GRAP on Impairment of Non-cash-generating Assets or Impairment of Cash-generating Assets, as appropriate;
- impairment losses reversed in surplus or deficit in accordance with the Standards of GRAP on Impairment of Non-cash-generating Assets or Impairment of Cash-generating Assets, as appropriate;
- transfers to and from property, plant and equipment, investment property, inventories or intangible assets; and
- Other changes.

The financial statements shall also disclose for each class of heritage assets recognised in the financial statements:

- the existence and amounts of restrictions on title and disposal of heritage assets;
- heritage assets pledged as securities for liabilities;
- the amount of contractual commitments for the acquisition, maintenance and restoration of heritage assets; and
- if it is not disclosed separately on the face of the statement of financial performance, the amount of compensation from third parties for items of heritage assets that were impaired, lost or given up that is included in surplus or deficit.

Heritage assets shall be presented as a separate line item on the face of the statement of financial position

When a heritage asset is not recognised, or a class of heritage assets is not recognised as a result of reliable measurement not being possible on initial recognition, the entity shall disclose the following for each heritage asset or class of heritage assets:

- a description of the heritage asset or class of heritage assets;
- the reason why the heritage asset or class of heritage assets could not be measured reliably; and
- on disposal of the heritage asset or class of heritage assets, the compensation received and the amount recognised in the statement of financial performance.

Accounting Policies

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 using the effective interest method of any 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 (see the Standard of GRAP on Revenue from Exchange Transactions), 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 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.

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Accounting Policies

1.5 Financial instruments (continued)

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.

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.

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.

Accounting Policies

1.5 Financial instruments (continued)

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.

Presentation

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

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 as the entity 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 exempt from tax, in terms of section 10(1)(cA)(i)(bb) of the Income Tax Act 58 of 1962.

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 - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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Accounting Policies

1.8 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
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity 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 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 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 entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

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.

Accounting Policies

1.8 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity 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 entity during a reporting period, the entity 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 entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity 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 entity 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:

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Accounting Policies

1.8 Employee benefits (continued)

- 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 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, an NLSA shall attribute benefit 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.

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 [OR is not] 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.

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Accounting Policies

1.8 Employee benefits (continued)

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 take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.9 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 should be 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.

1.10 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 37.

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Accounting Policies

1.11 Revenue from exchange transactions

Revenue from exchange transactions is recognised when it is probable that future economic benefits will flow to the enterprise 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 recognised when it is earned.

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.

Dividend income from investments is recognised when the right to receive payment has been established.

Government transfer payments are recognised when the income is received.

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.

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.

1.12 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an 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 arises 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 NLSA without directly giving approximately equal value in exchange, or gives value to another NLSA 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.

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Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

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.

1.13 Government grants

Government grants are recorded as deferred income when they become receivable and are then recognised as income on a systematic basis over the periods necessary to match the grants with related costs which they are intended to compensate

- Income-related grants subsidising expenses are credited to the statement of financial performance as other income when the related expense is recognised.
- Asset related grants are capitalised in the statement of financial position as and when the grant funded asset is acquired, unless the economic benefits are not expected to accrue to NLSA

1.14 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.15 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.

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Accounting Policies

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.17 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.18 Fruitless and wasteful expenditure

Fruitless expenditure as 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.

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

1.19 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.

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Accounting Policies

1.20 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the NLSA has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

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 a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016/04/01 to 2017/03/31.

Comparative information is not required.

1.22 Related parties

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 and reporting to Department of Arts and Culture 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.

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
- 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.

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2. New standards and interpretations

2.1 Standards and interpretations not yet effective

The following standards and interpretations have been published and are mandatory for the NLSA's accounting periods beginning on or after 01 April 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> GRAP 20: Related parties 	01 April 2017	The adoption of this standard is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the annual financial statements.

3. Bequest related investments

Medium to Long-term Investments

Price per share as at 31 March 2017.

SA Reserve Bank

200 shares at R3.00 per share (2016: 200 shares at R2.00 per share)

600

400

4. Prepayments

Prepayments (2017/18 portion of the annual subscriptions paid during the year)

899 657

976 568

5. Receivables from exchange transactions

Trade debtors

394 812

611 769

Other receivables

-

55 000

Accrued interest

-

102 945

Personnel debtors

239 214

126 526

634 026

896 240

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.

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 31.

Fair value of trade and other receivables

The fair value of trade and other receivables (at initial recognition) approximates the invoice amounts related to these receivables.

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6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	14 439	15 042
Bank balances	3 003 009	1 300 467
Short-term fixed deposits	34 235 654	43 491 662
Call deposits	8 354 988	1 842 658
Bank balance - Mzansi Libraries Online (note 27)	72 140 490	81 135 815
	117 748 580	127 785 644

Bankers: ABSA and Standard Bank.

7. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Plant and machinery	15 581 642	(2 305 344)	13 276 298	15 581 642	(1 994 511)	13 587 131
Furniture and fixtures	7 910 407	(3 807 937)	4 102 470	7 827 860	(3 313 282)	4 514 578
Motor vehicles	827 778	(364 872)	462 906	737 556	(480 800)	256 756
Office equipment	8 892 165	(3 566 594)	5 325 571	9 211 019	(5 198 877)	4 012 142
Computer equipment	14 894 571	(4 067 798)	10 826 773	8 318 394	(3 818 549)	4 499 845
Leasehold improvements	2 318 643	(328 172)	1 990 471	2 318 643	(235 078)	2 083 565
Work in progress	5 588 772	-	5 588 772	-	-	-
Total	56 013 978	(14 440 717)	41 573 261	43 995 114	(15 041 097)	28 954 017

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Plant and machinery	13 587 131	-	-	(310 833)	13 276 298
Furniture and fixtures	4 514 578	133 014	(23 481)	(521 641)	4 102 470
Motor vehicles	256 756	397 537	(144 127)	(47 260)	462 906
Office equipment	4 012 142	2 020 928	(23 927)	(683 572)	5 325 571
Computer equipment	4 499 845	7 674 094	(169 711)	(1 177 455)	10 826 773
Leasehold improvements	2 083 565	-	-	(93 094)	1 990 471
Work in progress	-	5 588 772	-	-	5 588 772
	28 954 017	15 814 345	(361 246)	(2 833 855)	41 573 261

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Plant and machinery	13 897 964	-	-	(310 833)	13 587 131
Furniture and fixtures	5 042 502	-	(5 485)	(522 439)	4 514 578
Motor vehicles	322 323	-	(10 499)	(55 068)	256 756
Office equipment	4 500 086	411 868	(13 336)	(886 476)	4 012 142
Computer equipment	4 885 438	1 010 268	(339 927)	(1 055 934)	4 499 845
Leasehold improvements	2 176 660	-	-	(93 095)	2 083 565
	30 824 973	1 422 136	(369 247)	(2 923 845)	28 954 017

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7. Property, plant and equipment (continued)

Proceeds received for disposal on property, plant and equipment – included in operating surplus.

Computer equipment	55 500	66 120
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8. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	39 421	-	39 421	518 221	-	518 221
Work in progress - Computer software	1 753 756	-	1 753 756	-	-	-
Total	1 793 177	-	1 793 177	518 221	-	518 221

Reconciliation of intangible assets - 2017

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

Reconciliation of intangible assets - 2016

	Opening balance	Total
Computer software	518 221	518 221

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

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Paintings and artworks	379 559	-	379 559	379 559	-	379 559
Library collections - Purchased	7 878 559	-	7 878 559	5 428 010	-	5 428 010
Legal deposit	7 897 013	-	7 897 013	6 916 556	-	6 916 556
Total	16 155 131	-	16 155 131	12 724 125	-	12 724 125

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9. Heritage assets (continued)

Reconciliation of heritage assets 2017

	Opening balance	Additions	Total
Paintings and artworks	379 559	-	379 559
Library collections - Purchased	5 428 010	2 450 542	7 878 559
Legal deposits	6 916 556	980 457	7 897 013
	12 724 125	3 430 999	16 155 131

Reconciliation of heritage assets 2016

	Opening balance	Additions	Total
Paintings and artworks	379 559	-	379 559
Library collections - Purchased	4 007 180	1 420 830	5 428 010
Legal deposits	5 149 007	1 767 549	6 916 556
	9 535 746	3 188 379	12 724 125

10. Other financial assets

Designated at fair value

Unlisted shares held at Sabinet Online Ltd	5 170 000	5 100 000
1,000,000 shares at R5.17 per share (2016: R5.10 per share)		
	5 170 000	5 100 000

Non-current assets

Designated at fair value	5 170 000	5 100 000
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Fair value information and reconciliation

Information

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

- The fair values on listed investments are based on current quoted market value of each individual share. Fair values are determined annually at 'statement of financial position' date.

Disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. 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.

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10. Other financial assets (continued)

Reconciliation of financial assets measured in level 1

Reconciliation of financial assets measured in level 1 - 2017

	Opening balance	Gains or (losses) in surplus or deficit	Closing balance
Listed shares	5 100 000	70 000	5 170 000

Reconciliation of financial assets measured in level 1 - 2016

	Opening balance	Gains or losses in surplus or deficit	Closing balance
Listed shares	4 210 000	890 000	5 100 000

11. Payables from exchange transactions

Trade payables	11 286 322	3 797 875
Other payables	1 002 515	325 347
Sundry creditors	442 220	451 117
Accruals	1 619 783	453 673
	14 350 840	5 028 012

Creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken is less than 30 days.

12. Post Employment Benefit Obligations

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 2017 the membership of the fund was 72 (2016: 77) permanent employees and 45 (2016: 44) retired employees, a total of 117 (2016: 121) employees. QDI Consult conducted a valuation of the post-retirement liability on 31 March 2017, 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. 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.

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(35 056 349)	(33 648 275)
Non-current liabilities	(33 427 071)	(32 170 815)
Current liabilities	(1 629 278)	(1 477 460)
	(35 056 349)	(33 648 275)

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12. Post Employment Benefit Obligations (continued)

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

Opening balance	33 648 275	30 373 333
Current service cost	1 078 514	952 488
Interest costs	3 340 319	2 451 757
Benefits paid	(1 494 373)	(1 358 201)
Actuarial (gain)/loss	(1 516 385)	1 228 898
	35 056 350	33 648 275

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,70 %	10,15 %
Health care cost inflation	8,37 %	9,15 %
Net discount rate	1,24 %	0,92 %
Percentage married	80,00 %	80,00 %
Continuance assumption	100,00 %	100,00 %

13. Deferred income - Grants received

Unspent conditional grants and receipts comprises of:

Deferred income comprised Government and other grants received, to be recognised in future accounting periods:

Income related grants	90 914 412	103 712 042
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See note 18 for reconciliation of grants.

14. Taxation

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

15. Revenue

Government grant related to income represents transfer payment received from the Department of Arts and Culture as 100% subsidy for carrying out normal business operations of the NLSA	79 729 000	75 716 000
Deferred income realised	46 293 192	34 641 428
Other income	2 748 271	2 712 266
Interest received	9 257 091	5 032 097
Gains from legal deposits	980 457	1 767 549
	139 008 011	119 869 340

The amount included in revenue arising from exchanges of goods or services are as follows:

Other income	2 748 271	2 712 266
Interest received - investment	9 257 091	5 032 097
	12 005 362	7 744 363

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15. Revenue (continued)

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

Transfer revenue

Government grant	79 729 000	75 716 000
Gains from legal deposits	980 457	1 767 549
Deferred income realised	46 293 192	34 641 428
	127 002 649	112 124 977

16. Gains from legal deposits

Gains from legal deposits	980 457	1 767 549
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Gains realised from legal deposits collection represents the equivalents value derived by the publisher or writers depositing with the National Library.

17. Other income

Internet hosting income	507 232	386 077
Sponsorships	-	300 000
Royalties received	221 532	192 144
Parking and venue hire	939 989	771 798
Salaries and bursaries recoveries	78 628	100 350
Dividends received	160 846	128 952
Bibliographic records uploads	320 237	282 521
Interlending income	39 955	160 525
Printing, copies, tenders and other sales	479 852	388 816
De-acidification income	-	1 083
	2 748 271	2 712 266

Deferred income realised

DAC Conditional grants	29 787 980	18 072 468
MLO Conditional grants	14 501 439	16 548 218
National Lotteries Commission grant	2 003 773	20 743
	46 293 192	34 641 429

18. Government grants and Subsidies

Government grant	79 729 000	75 716 000
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National Library of South Africa

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18. Government grants and Subsidies (continued)

Conditional grants reconciliation

Mzansi Libraries Online

Balance unspent at beginning of year	76 337 636	22 367 313
Current-year receipts	-	70 518 541
Conditions met - transferred to revenue (expenses)	(14 311 733)	(16 477 825)
Conditions met - transferred to revenue (assets purchased)	(189 706)	(70 393)
	61 836 197	76 337 636

The National Library of South Africa (NLSA) received a two-year planning grant in support of a pilot project that focuses 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 planning grant, NLSA received further R63 million for full implementation to 667 libraries across the country in 2015-2016 financial year. The project has progressed well and is expected to be completed in the next one and half years.

For detailed breakdown on expenditure, refer to note 19.

DAC Conditional Grant

Balance unspent at beginning of year	23 495 689	15 423 157
Current-year receipts	33 495 562	26 145 000
Conditions met - transferred to revenue (expenses)	(27 914 924)	(17 642 973)
Conditions met - transferred to revenue (assets)	(1 873 056)	(429 495)
	27 203 271	23 495 689

The DAC conditional grants includes the Community Libraries grant, the DAC Shelving grant and DAC Capital Works. The prior year line on DAC conditional grant- "conditions met - transferred to revenue (expense)" has been restated to match the total in the statement of financial performance.

National Lottery Commission - Digitisation project grant

Balance unspent at beginning of year	3 879 257	-
Current-year receipts	-	3 900 000
Conditions met - transferred to revenue (expense)	(150 484)	(20 743)
Conditions met - transferred to revenue (Assets)	(1 853 289)	-
	1 875 484	3 879 257

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

National Library of South Africa

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Figures in Rand	2017	2016
19. General expenses		
Advertising	163 763	158 760
Bank charges	116 851	96 847
Consumables	98 010	24 306
Insurance	559 081	613 537
Conferences and seminars	99 400	93 738
Hosting of events	81 487	63 401
Computer expenses	609 567	26 805
Periodicals and serials	269 253	439 850
Motor vehicle expenses	132 209	160 684
Postage and courier	386 482	452 519
Printing and stationery	334 100	240 088
Protective clothing	4 910	10 326
NLSA funded special projects	893 699	845 014
Stationery	723 397	363 850
Telephone expenses	1 367 154	1 592 098
Training	22 421	19 825
Travel - local	1 427 724	1 388 101
Travel - overseas	807 466	223 057
Rentals	83 073	78 988
Water & electricity	3 656	14 479
Other services (incl commercial binding)	91 393	36 527
	8 275 096	6 942 800
20. Special Projects		
20.1 DAC Conditional Grant		
Marketing and communication	2 659 974	2 990 901
Preservation training	297 385	318 419
Publishing and promotions	8 297 095	4 230 915
RDA	274 404	148 469
ICT support for libraries in the Eastern Cape	4 883 910	5 863 371
Project management (personnel costs)	1 954 312	954 458
Legal deposit and OPD	450 325	2 545
Library Information Policy development	1 539 076	-
Shelving project	3 459 337	830 109
Capital works	2 299 107	806 330
	26 114 925	16 145 517
20.2 Mzansi Libraries Online		
Travel	1 618 958	1 537 669
Advertising and promotions	1 990 917	396 395
Computer expenses	8 060	7 265 125
Hosting of events and seminars	64 380	89 402
Consumables	116 985	77 642
Personnel costs	4 776 200	3 136 858
Bank charges	10 303	23 727
Website development and maintenance	391 500	266 500
Training for other libraries	1 818 962	2 920 484
ICT expenses (other libraries)	1 729 028	-
Consulting	1 724 119	635 463
internal audit fees	-	101 289
Postage and courier	2 319	33 262
Legal fees	60 000	-
	14 311 731	16 483 816

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Figures in Rand	2017	2016
20. Special Projects (continued)		
20.3 National Lottery Commission grant		
Training	150 484	20 743
	150 484	20 743
21. Operating surplus		
Operating surplus for the year is stated after accounting for the following:		
Operating lease charges		
Equipment		
• Rental of copiers	31 016	-
Impairment on intangible assets	478 800	-
Depreciation on property, plant and equipment	2 833 858	2 926 144
Coupons realised to income	-	241 521
22. Employee related costs		
Service bonus	3 409 778	3 188 354
Long service awards	62 500	85 000
Bursaries	204 747	210 657
Cellphones	166 497	211 268
Contract workers	1 877 962	1 782 312
Housing allowance	2 090 760	1 716 300
Medical aid contributions	3 923 673	3 779 477
Overtime	542 477	491 042
Provident fund contributions	5 853 895	5 612 313
Provision for leave & Leave payout	(802 112)	(70 620)
Salaries	40 311 494	35 521 394
Staff development	154 025	325 456
Travel and car allowances	814 614	772 077
Unemployment insurance fund	284 704	275 413
Workmens compensation(including service costs as a result of post employment obligation)	1 078 514	1 046 219
	59 973 528	54 946 662
Misclassification error has been corrected from contract workers line to the cellphone allowance line in the prior year. The value of the error is R1 681. This correction has no effect in these financial statements nor in the previous year's financial statements.		
23. Investment revenue		
Interest received		
Bank	4 260 394	2 757 892
Bank - Mzansi Libraries Online	4 996 697	2 274 205
	9 257 091	5 032 097
24. Auditors' remuneration		
External audit fees	1 548 988	1 143 489
Internal audit fees	951 614	945 114
	2 500 602	2 088 603

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25. Contracts, Consulting and professional fees

Cleaning	1 976 639	1 796 605
Security	3 452 065	3 456 487
Consulting and professional fees	677 225	613 828
Board, audit comm fees and travel expenses	787 812	478 664
Network maintenance and service providers	978 065	413 339
	7 871 806	6 758 923

26. Subscriptions and licenses

Software licenses	1 639 321	2 024 846
Subscriptions and memberships	2 379 497	2 003 377
	4 018 818	4 028 223

27. Cash (used in) / generated from operations

Surplus	10 132 113	6 207 665
Adjustments for:		
Depreciation and amortisation	2 833 858	2 926 144
Deficit on disposal of assets	305 746	303 012
Fair value adjustments	(70 200)	(890 200)
Impairment deficit	478 800	-
Movements in retirement benefit assets and liabilities	1 408 074	3 274 942
Movements in provisions	(1 046 171)	(965 725)
Gains from legal deposits	(980 457)	(1 767 549)
Changes in working capital:		
Receivables from exchange transactions	262 214	(113 935)
Prepayments	76 911	861 482
Payables from exchange transactions	9 322 821	(557 225)
Deferred income - Grants received	(12 797 630)	65 922 106
	9 926 079	75 200 717

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28. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Capital Expenditure: Intangible Assets	2 389 724	-
• Capital expenditure: Property Plant & Equipment	3 717 060	-
• Capital assets: Heritage assets	122 842	11 776
	6 229 626	11 776

Total capital commitments

Already contracted for but not provided for	6 229 626	11 776
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Authorised operational expenditure

Already contracted for but not provided for

• Special projects (Conditional grants)	10 774 044	7 855 593
• Security and cleaning	4 698 215	10 369 932
• Auditors' remuneration	709 814	1 820 651
• General expenditure	1 336 484	1 017 445
• Consulting and professional fees	213 697	-
	17 732 254	21 063 621

Total operational commitments

Already contracted for but not provided for	17 732 254	21 063 621
---	------------	------------

Total commitments

Total commitments

Authorised capital expenditure	6 229 626	11 776
Authorised operational expenditure	17 732 254	21 063 621
	23 961 880	21 075 397

Included above are the commitments longer than 12 months at the valued of R 7 373 108.

NLSA has entered into a three year contract with the project management company to facilitate the repairs and maintenance at Pretoria Campus. The value of the contract is R 7 832 370 and included in the special projects under operational expenditure commitments is R 6 807 839 pertaining to this contract.

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	372 191	-
- in second to fifth year inclusive	713 367	-
	1 085 558	-

29. Related parties

Relationships

Shareholder: Sabinet Online Ltd
Controlling National Department: Department of Arts and Culture

Refer to 29.1
Refer to 29.2

National Library of South Africa

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

29. Related parties (continued)

29.1 Related party balances

Other Financial Assets

Shares held at Sabinet Online Ltd	5 260 000	5 100 000
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29.2 Related party transactions

The Department of Arts and Culture provides 100% funding to the National Library of SA for its activities.	(79 729 000)	(75 716 000)
Purchase of capital assets from Sabinet Online Ltd	1 795 289	-
Dividends and other income received from Sabinet Online Ltd	(480 237)	(511 473)
Subscriptions and other expenses paid to Sabinet Online Ltd	2 187 539	1 853 638

30. Mzansi Libraries Online (Cash balance)

Mzansi Libraries Online Project

Opening Balance	81 135 815	25 269 340
Grant received	-	70 518 541
Interest earned as at 31 March	4 996 697	2 274 205
Less: Expenses paid: 31 March	(13 992 022)	(16 926 271)
Balance as per note 5	72 140 490	81 135 815

After the success of the pilot project with the 27 libraries, The Bill and Melinda Foundation has granted the NLSA further funding to extend the projects across the nine provinces. 667 beneficiary libraries have been identified and the project was launched on 31 March 2016 and is expected to be completed in the next one and half years.

31. Key Management Personnel Compensation

Executive Management

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

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Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

31. Key Management Personnel Compensation (continued)

2016

	Emoluments	Service Bonus	Pension or provident fund	Other benefits*	Total
Chief Executive Officer	1 321 277	25 412	89 008	33 457	1 469 154
Executive Director: Core programmes	919 253	-	71 836	18 266	1 009 355
Executive Director : Corporate Services	940 089	15 629	105 816	1 785	1 063 319
Chief Financial Officer	530 131	-	61 637	76 328	668 096
Chief Financial Officer	287 981	-	22 343	595	310 919
Director : Centre for the Book	700 061	55 051	86 888	1 785	843 785
Director : Preservation Services	786 164	16 078	71 073	38 003	911 318
Director : Bibliographic Services & Collections Management	666 542	31 210	63 917	33 711	795 380
Director : Information Access & Document Supply	612 689	31 900	75 252	14 831	734 672
Director : Corporate & International Relations	341 515	39 441	41 640	268 360	690 956
Chief Information Officer	122 651	-	-	297	122 948
	7 228 353	214 721	689 410	487 418	8 619 902

* Other benefits comprise UIF contributions, medical and termination benefits

.^ Director: Finance and Supply Chain Management appointed 01 January 2017

Director: Communications and International Relations appointed 01 June 2016.

Non-executive Directors

2017 (Board and Audit Committee)

	Members' fees	Travel	Other fees (library policy Consultancy fees)	Total
Dr. D.S. Selematsela !	3 408	226	-	3 634
Prof. L.J. Teffo !	45 875	816	-	46 691
Ms N.E. Dick (Board member, Audit Comm Member & Finance Committee Chairperson)	64 324	4 856	-	69 180
Mr J.R. Morakile	40 964	2 275	-	43 239
Ms S.A. Kunene (Board member & finance committee 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
Mr N. Cronje (Audit Committee Chairperson)	59 810	1 152	-	60 962
Mr TTC Dlamini(Board Chairperson)	66 840	1 471	-	68 311
Dr B Mbambo-Thata (Board member)#	33 514	1 134	-	34 648
Mrs C Bertram (Board member)	25 427	962	-	26 389
Prof M Nassimbeni(Board member)	35 160	42	60 000	95 202
	467 200	20 664	60 000	547 864

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Notes to the Annual Financial Statements

31. Key Management Personnel Compensation (continued)

2016 (Board and Audit Committee)

	Members' fees	Travel	Total
Ms E.R Tise (Chairperson of the Board)	14 140	-	14 140
Mr P. Coates	6 956	230	7 186
Mr L.A.O Ebrahim	20 951	3 134	24 085
Ms R. Kalidass	11 368	7 443	18 811
Dr. W.P Rowland	15 760	2 767	18 527
Dr. D.S. Selematsela	18 666	3 384	22 050
Prof. L.J. Teffo	26 390	6 072	32 462
Ms N.E Dick (Board member, Audit Comm member & Finance Committee member)	6 018	702	6 720
Mr J.R. Morakile	21 672	9 632	31 304
Mr K.P. Madumo *	-	8 022	8 022
Ms S.A Kunene (Board member & Finance Committee member)	2 088	-	2 088
Ms MM Nkomo (Audit Committee Chair)	18 416	3 335	21 751
Mr K. Moloko (Audit Comm)	4 592	787	5 379
Mr P. Nel (Audit Comm)	-	1 849	1 849
Mr. N. Cronje (Audit Comm)	9 504	3 413	12 917
Mr Themba T.C Dlamini (Board Chairperson)	3 408	-	3 408
Dr B Mbambo-Thata (Board member)	2 088	53	2 141
Mrs C Bertram (Board member)	2 088	82	2 170
Prof M Nassimbeni (Board member)	5 880	1 470	7 350
	189 985	52 375	242 360

Notes

- The three year term ended in 30 September 2015

! - Reappointed for further three years

32. Prior period errors

Other creditors

A late submission and payment of PAYE & UIF due to SARS resulted in NLSA incurring penalties and interests. This resulted in the increase in other payables of R182 026, decrease in accumulated surplus of R179 659, increase in UIF expenditure of R1 964 and an increase in finance costs of R403.

Property Plant and Equipment

A computer equipment was incorrectly classified as software expenses in the previous years which resulted in the understatement of the PPE. The costs of the computer equipment has been recapitalised and the resulting depreciation has been processed accordingly. This resulted in an increase in computer equipment of R152 898, an increase in accumulated depreciation of R81 910, an increase in accumulated surplus of R 92 831 and increase in depreciation of R21 843.

Assets identified on the floor during the assets verification were added to the fixed assets register. This resulted in increase in the Property Plant and Equipment of R79 166, an increase in Accumulated depreciation of R56 320, an increase in Accumulated surplus of R30 576 and an increase in depreciation of R7 730.

Statement of financial position

Increase in Computer equipment	-	226 496
Increase in the Accumulated depreciation	-	(138 230)
Increase in other payables	-	(182 026)
Decrease in Accumulated surplus	-	56 252
Increase in Furniture	-	5 568

National Library of South Africa

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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32. Prior period errors (continued)

Statement of Financial Performance

Increase in finance costs	-	403
Increase in employee costs	-	41 602
Increase in depreciation	-	29 573

33. Risk management

Financial risk management

The nlsa's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

Liquidity risk is the risk that the Library would not be able to meet its financial obligations as they fall due. The Library 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:

At 31 March 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	14 350 840	-	-	-
Post-retirement medical aid obligation	1 629 278	-	-	33 427 071
At 31 March 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	5 028 012	-	-	-
Post-retirement medical aid obligation	1 477 460	-	-	32 170 815

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 group 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 2017 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	7,20 %	104 078 627	-	-	-	108 785 874

The Entity's interest rate profile of interest-bearing financial instruments at 31 March 2016 was:

	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due after three years	Total
Short term fixed deposits	7,00 %	108 785 874	-	-	-	108 785 874

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Annual Financial Statements for the year ended 31 March 2017

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Figures in Rand	2017	2016
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33. Risk management (continued)

Credit risk

At 31 March 2017, the NLSA considered 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 National Library 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 Library is exposed to credit related losses in the event of non-performance by counterparties. The Library 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:

	NLSA - 2017 0 - 12 months R	NLSA - 2016 0 - 12 months R
Trade and other receivables	634 026	896 241
Cash and cash equivalents	117 748 580	127 785 644

Fair value of financial instruments

In the opinion of management the carrying value of financial instruments approximates their fair value except for available for sale investments.

Financial instruments not traded in an active market

At 31 March 2017 the carrying amounts of cash and short term deposits, accounts receivable, investments (except for available for sale investments), accounts payable and short term borrowings approximated their fair values due to the short term maturities of these assets and liabilities.

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 2017

Uncovered foreign exchange exposure

At year end the Library 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 Library 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.

34. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

National Library of South Africa

Annual Financial Statements for the year ended 31 March 2017

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Figures in Rand	2017	2016
35. Irregular expenditure		
Opening balance	3 160 745	3 138 745
Irregular Expenditure - current year	2 090 599	9 423 744
Plus: Irregular expenditure incurred in the prior year identified in the current year	-	625 124
Less: Amounts condoned	(1 395 713)	(10 026 868)
	3 855 631	3 160 745

Analysis of expenditure awaiting condonation

Irregularities on ICT procurement	1 249 384	1 249 384
Goods & services were procured without inviting competitive quotes	126 584	126 584
Three quotations were not obtained and the supplier was not registered on the NLSA supplier database	28 067	28 067
Three quotations were not obtained for the acquisitions, and deviation was not approved	707 776	656 945
Compliance documents(i.e SBD forms, Tax clearance certificates, BBBEE Certificate) were not obtained	295 363	295 363
Expenditure transactions was not approved by the appropriate delegation	785 695	153 039
No evidence that point scoring system was applied, the selected supplier did not submit the lowest bid	37 638	26 239
2014/15 irregular expenditure identified in 2015/16 and carried forward	625 124	625 124
	3 855 631	3 160 745

Details of irregular expenditure – current year

Non compliance with the SCM policy of the NLSA, the delegation of authority and the Treasury regulations	2 090 599
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Details of irregular expenditure condoned

SCM related costs: Non compliance with National Treasury regulations	1 395 713
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36. Fruitless and wasteful expenditure

1. Unauthorised use of work cellphone and data for private purposes, on the account of the NLSA	76 513	-
2. Unauthorised flight trip taken by staff for non-official purposes	9 255	-
3. Interest and penalties	88 129	7 000
4. Unauthorised changes which resulted to double charge effected on the same trip	2 000	-
Debtor raised against those who committed the expense	(87 768)	-
	88 129	7 000

37. Events after the reporting date

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

National Library of South Africa

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38. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Leave provision	4 170 999	-	(1 185 830)	2 985 169
Service Bonus	1 192 097	139 659	-	1 331 756
	5 363 096	139 659	(1 185 830)	4 316 925

Reconciliation of provisions - 2016

	Opening Balance	Utilised during the year	Total
Leave provision	5 101 643	(930 644)	4 170 999
Service bonus	1 227 178	(35 081)	1 192 097
	6 328 821	(965 725)	5 363 096

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.

37. Contingent Liabilities

As at 31 March 2017 there were no contingent liabilities

NLSA Impacting Skills Development

The National Library of South Africa in partnership with BCX, Microsoft SA, Netcampus and Lulaway have implemented an ICT Internship Programme. The pilot project saw the recruitment 65 unemployed ICT graduates who then embarked on an intensive ICT training programme. At the end of the training, successful graduates were deployed to render ICT technical support services at community libraries which are part of the MLO Project. Increasing ICT support in community libraries will ensure that communities have much needed access to information and technology.



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