ITAC

International Trade Administration Commission of South Africa

ANNUAL
REPORT 2016 - 2017

enabling
FAIR TRADE

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Vision and Mission

Vision

An institution of excellence in international trade administration, enhancing economic growth and development.

Mission

ITAC aims to create an enabling environment for fair trade through:
Efficient and effective administration of its trade instruments, and
Technical advice to the Economic Development Department and **the dti**.

Core Values

ITAC is guided by the following set of core values:

Integrity;

Trust;

Accountability; and

Commitment.

Foreword by the Minister

EBRAHIM PATEL
MINISTER OF ECONOMIC DEVELOPMENT

Trade, particularly export of value-added products, has been a key economic driver in South Africa.

In 2016 we exported R 1.1 trillion worth of goods and services, and we imported nearly the same amount. Almost one third of what we produced went abroad, and almost one third of what we consumed came from other countries.

Our exports to the rest of Africa alone supported about 240 000 direct jobs.

Trade matters, in other words, and trade can be a major driver of economic growth and job creation. It can provide more diversity and lower prices to consumers, more competitive inputs to producers, and can help drive an economy to faster structural transformation through access to international markets, skills transfer, and through the energizing effects of international competition.

But for an economy that seeks to industrialise, create more jobs and improve inclusive growth, trade also carries risks and costs – often borne by the most vulnerable and least skilled in a society - which have to be managed carefully. This is what the developmental trade agenda is about.

ITAC's role is central in this regard, given its legislated mandate to conduct tariff investigations, impose trade remedies and regulate imports and exports in order to foster economic growth and development.

I want to point to some of the work that ITAC undertakes and which is reflected in this Report.

In 2016/17, ITAC recommended tariff increases in sectors faced with global over-supply and increasing levels of imports. One example is on hot-rolled steel, which is used in many industrial applications, such as railway stock and mining equipment.

The tariff increase, from 0% to 10%, is intended to protect local productive capacity and jobs. On its own, it may simply provide a shield to dominant steel producers at the expense of smaller downstream users of steel. In the past year, as part of considering a steel tariff increase, Government engaged the major steel producer, ArcelorMittal on a comprehensive settlement that puts a cap on steel prices for local users, protects jobs, requires the company to invest R4,6 billion in new capital spending to improve its competitiveness and settles outstanding cases on anti-competitive conduct, with a R1,5 billion penalty. This is an example of integrated policy and regulatory measures directed at one sector.

ITAC also deals with trade remedies, which are measures to protect the economy from unfair or devastating competition. This past year anti-dumping sunset reviews were completed for unframed glass mirrors from India and for a polyester (PET) commonly used in plastics from India, China or Korea. In both cases the anti-dumping duties were maintained. Safeguards to protect local industry from unforeseen import surges were provisionally initiated for frozen chicken portions, with a 13.9% measure introduced.

In 2016 I issued a trade directive to ITAC providing detail on the factors it should consider when companies apply for tariff amendments. The aim of the directive was to enhance growth and development by aligning company commitments with national objectives and to transparently set out the criteria in order to encourage applicants for support to show how the overall objectives of trade policy would be achieved.

In this Annual Report, ITAC provides more detail on company commitments made, covering maintaining jobs, expanding training, increasing investment and improving production volumes.

These commitments can make an important contribution to government's goals on economic transformation and the economy's capacity to innovate and become more dynamic.

I would like to thank Chief Commissioner Siyabulela Tsengiwe who has led the institution in this critical period, the Commissioners who provide overall guidance and the staff for their work this past year.

Ebrahim Patel
Minister of Economic Development

Report by the Chief Commisioner

MR SIYABULELA TSENGIWE
CHIEF COMMISSIONER

The Minister of Trade and Industry, Dr Rob Davies, in the February 2017 SONA debate, provides a glimpse to changes in the global trade policy landscape. On how South Africa should respond, the Minister states, among others, that: *"As a small economy accounting for only 0.5% of world trade if we become overly protectionist, we risk being denied access to other markets on whom jobs and productive sectors in our country depend. If we break trade rules there will be consequences and we risk retaliation. But within these constraints, the emerging new circumstances call on us to be more resolute, and indeed smart in advancing and defending our own national interests. This will include defending our right to take tariff decisions based on our own needs and to deploy appropriate trade remedies...The Trade Policy adopted in 2012 identified tariffs as tools of industrial development. It said trade policy is subordinate to industrial policy and must be informed by the needs of industrial development. It says we must not hesitate to defend and use trade remedies and access dispute bodies when we are being unfairly treated".*

In the context of a new era in international trade relations this certainly provides ITAC with a vision on how to approach the administration of its trade instruments into the future.

Government is increasingly taking a holistic approach in its policy response to sectors in distress. This has been evident in the case of steel in which government co-ordinated a package of measures in response to challenges faced by the domestic steel industry due to changed global market conditions. We are currently seeing the same approach in the case of poultry, which really maximises value for the attainment of government's policy objectives.

This approach presents complexities that require flexibility, creativity and the third alternative on the part of ITAC.

The year under review saw the Minister of Economic Development, Mr Ebrahim Patel, direct ITAC to review the tariff regime for wheat, sugar and maize, in particular taking into account the impact on the price of bread, maize and sugar. This occurred at the back of the worst drought in 2015 that South Africa had ever experienced since the early 1980s, resulting in a decline in production of these commodities and therefore the necessity to import the shortage. The team that conducted these investigations faced a stringent time-frame of 4 months. I am grateful to this team for having met the set time-frame and doing so without compromising on quality on such highly technical and complex investigations. The three reports on these investigations have been approved by the Minister of Trade and Industry. As anticipated in these investigations the improved climatic conditions in 2017 are witnessing a bumper maize crop harvest that is expected to have the effect of reducing food prices in the value chain.

Since the 2008/09 economic crisis there has been a rise in applications for import tariff increases and positive determinations by the Commission, which is explained by the tough global market conditions and the shift towards a more developmental approach to tariff setting in utilising the policy space that government has in terms of its WTO binding commitments. During 2016/17 import tariffs were increased on hot-rolled steel, stainless steel flat products, forged and other steel bars and rods, steel wire, fasteners of steel, acrylic sanitary ware, and adhesive bandages.

A number of rebates of duty provisions have been recommended to reduce the cost of production for firms and increase their international competitiveness. Such rebates include provisions for woven fabrics for the manufacture of shirts; certain flat-rolled products of steel coated with aluminium-zinc alloys; and wire and switches used in the manufacture of electric blankets.

The reduction or removal of duties is considered, upon application and prudent investigation, in particular cases where goods are not manufactured domestically or unlikely to be manufactured domestically. Consequently, tariff reductions have been recommended on certain diesel and electric goods vehicles and on atrazine.

At the onset of the 2008/09 economic crisis there was an expectation that there would be a sharp rise in the use of trade remedies that include anti-dumping, countervailing measures and safeguards. This expectation has not materialised because of the stringent WTO rules and South Africa's respect for the rules-based global trading system as well as the country's bilateral trade arrangements. For the year under review, two sunset review investigations relating to imports of unframed glass mirrors from India and polyethylene terephthalate from Chinese Taipei, India and Korea were conducted. Two new sunset review investigations on unframed glass mirrors from Indonesia and chicken meat portions from the USA were initiated and are currently on-going. Two safeguard investigations in terms of the WTO Safeguards Agreement on hot-rolled steel and cold-rolled steel were initiated. There were no original anti-dumping and countervailing investigations initiated for the whole financial year of 2016/17, which highlights the challenges faced by domestic firms in meeting the requirements as well as South Africa's bilateral trade arrangements.

Import and Export controls are in the main applied for health, safety, environmental and strategic reasons. During the reporting period, 18 660 import and 12 870 export permits were adjudicated and approved. Amongst the key and strategic controls on exports, is the Price Preference System on the exportation of scrap metal. This system was introduced in order to promote the local beneficiation of scrap metal and jobs. In a four year legal battle, the Metal Recyclers Association and SA Metals Group had brought cases before the high courts in Gauteng and Western Cape, before going to the Supreme Court of Appeal and ultimately the Constitutional Court. In all cases brought forward, the courts ruled in favour of Minister of Economic Development and ITAC.

Enforcement is crucial in detecting contraventions of the Act, and the import and export control regulations and to ensure that there is compliance with the conditions and terms reflected in import, export and rebate permits. Enforcement activities are made up of scheduled inspections, unscheduled or surprise inspections and investigations. During the 2016/17 financial year, 505 scheduled inspections were conducted, 2 866 unscheduled inspections and 13 investigations were conducted. Industry sectors inspected were clothing, ferrous and non-ferrous scrap metals, automotive, pneumatic tyres and machinery and equipment.

In the 5th Administration, ITAC has placed more focus on measuring outcomes of its interventions. Whether ITAC's instruments have made a positive impact depends on the extent to which the support has resulted in increased domestic manufacturing, investment, employment, value addition and competitiveness after the support was given in comparison to the period before the support, using firm-level data.

Over the past three years impact studies were carried out pertaining to support for: parts for passenger aeroplanes; fabrics for the manufacture of home-textiles; television assembly; poultry industry; pasta; tower and lattice masts; blanket industry; and glass. Overall, the results show considerable gains in output, value addition, price competitiveness, investment and jobs.

ITAC has over the years become reputable and respected for being a knowledge-based institution in the execution of its core functions. The technical and strategic capacities it has built over the years place the institution in good stead into the future in its endeavours to make a meaningful contribution to inclusive growth.

Mr Siyabulela Tsengiwe
Chief Commissioner

Commentary by the Chairperson of the Commission

DR FAIZEL ISMAIL
CHAIRPERSON

A fragile global economy, exacerbated by political uncertainty in some advanced economies, and, on the domestic front, circumstances such as exchange rate volatility, low-priced competition from abroad, and increases in input costs experienced by the productive sector have had a significant impact on ITAC's work during the past year. Against this background, ITAC continued to successfully administer its core business instruments, i.e. tariff investigations, trade remedies, and import and export control.

The Commission follows a developmental approach to tariff setting with the objective of promoting domestic manufacturing activity, investment also in new technology, employment retention and creation, and international competitiveness.

In the past year, the Commission recommended tariff increases on hot-rolled steel including stainless steel, forged and other steel bars and rods, steel wire, fasteners of steel, acrylic sanitary ware, and adhesive bandages.

Such increases should improve the international price-competitive position of these industries in the face of fierce low-priced foreign competition especially from East Asia, and would allow these industries to fully utilise existing production capacity, thereby achieving cost advantages arising from increased output due to operational efficiencies.

A number of rebates of duty provisions have been recommended to reduce the cost of production for firms and increase their international competitiveness.

Such rebates include provisions for acrylic sheet used in the manufacture of plastic sanitary ware; certain flat-rolled products of steel coated with aluminium-zinc alloys; and wire and switches used in the manufacture of electric blankets.

The reduction or removal of duties is considered, upon application and prudent investigation, in particular cases where goods are not manufactured domestically or unlikely to be manufactured domestically. Consequently, tariff reductions have been recommended on certain diesel and electric goods vehicles and on atrazine.

Tariffs on products which are not manufactured domestically and applicable where there is no potential to manufacture the products domestically have an unnecessary cost-raising effect.

In May 2016, the Minister of Economic Development directed the Commission in terms of section 16(1)(d)(i) of the ITA Act to evaluate and investigate a review of the Dollar-based reference price system (DBRP) and variable tariff formulae for wheat, maize, and sugar. The directive was made in view of the fact that wheat, maize, and sugar are basic necessities used by South Africans, and that the country was in the grip of a drought with large exchange rate fluctuations.

The Commission completed its investigation of the DBRP and has submitted its findings and recommendations to the Ministers.

As far as trade remedies are concerned, two anti-dumping sunset review investigations relating to imports of unframed glass mirrors from India and polyethylene terephthalate (PET) originating in or imported from Chinese Taipei, Republic of Korea and India were completed. The Commission recommended that the antidumping duties be maintained.

Two new sunset review investigations on unframed glass mirrors from Indonesia and chicken meat portions from the USA were initiated and are currently in progress.

During the previous financial year, the Commission initiated a safeguard investigation in terms of Article 16 of the Agreement on Trade, Development and Co-operation between the European Community and its Member States and the Republic of South Africa (the TDCA) on frozen chicken portions.

A provisional measure on the imports of frozen chicken portions from the EU was imposed during the year under review. The investigation continues. A safeguard investigation, in terms of the WTO Safeguards Agreement, on hot-rolled steel which was initiated during the previous financial year, has been completed and a recommendation made to the Minister of Trade and Industry.

The Commission also initiated a safeguard investigation, in terms of the WTO Safeguards Agreement, on cold-rolled steel during the year under review. A preliminary determination has been made during the year as the investigation continued.

Safeguards are short-term measures to remedy serious injury to a SACU industry caused by a sudden surge in imports as a result of unforeseen events.

In conclusion, I thank all my fellow Commissioners and the staff of ITAC for their dedication and commitment to the values and objectives of ITAC and the excellent work done during the 2016/17 financial year.

I am particularly pleased to also thank ITAC for nurturing and building a cadreship of young dedicated and professional staff. I am both humbled and privileged to have served in my capacity as chairperson to deliver on the mandate of ITAC with such an excellent team during the past year.

Dr Faizel Ismail
Chairperson of the Commission

Background of ITAC

ITAC was established through an Act of Parliament, the International Trade Administration Act, 2002 (Act No. 71 of 2002), which came into force on 1 June 2003.

The aim of ITAC, as stated in the Act, is to foster economic growth and development in order to raise incomes and promote investment and employment in South Africa and within the Common Customs Union Area by establishing an efficient and effective system for the administration of international trade, subject to this Act and the Southern African Customs Union (SACU) Agreement. The core functions are: customs tariff investigations, trade remedies, and import and export control.

The ITA Act makes provision for a Chief Commissioner who serves as the Chief Executive Officer. The Chief Commissioner is assisted by a Deputy Chief Commissioner and a maximum of ten Commissioners who can be appointed to serve on a full or part-time basis. There is currently a full-time Chief Commissioner with nine part-time Commissioners.

The Commission meets once a month to evaluate investigations conducted by staff and make recommendations to the Minister of Trade and Industry. The Commissioners come from diverse backgrounds including: Economics, Finance, International Trade Law, Agriculture, Business and Labour.

Commisioners


Mr Siyabulela Tsengiwe


Dr Faizel Ismail

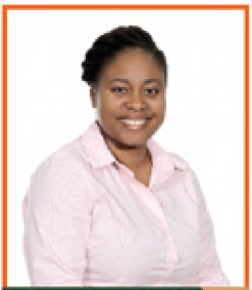

Mr Boikanyo Mokgatle


Ms Tanya van Meelis

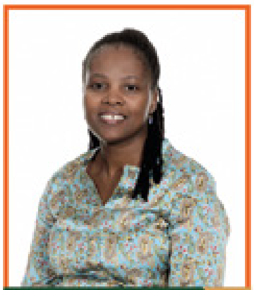

Mr Etienne Vlok


Mr Hendrik Langenhoven


Ms Grathel Motau


Ms Boipuso Modise

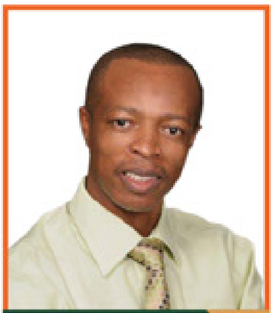

Mr Nkululeko Khumalo


Ms Asanda Languza

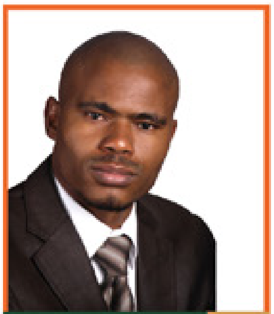
Executive & Senior Management Team

Mr Siyabulela Tsengiwe
Chief Commisioner

Chris Arnold
Senior Manager: Technical Advisory Services



Phillip Semela
General Manager: Corporate Services



Zanoxolo Koyana
Chief Financial Officer

Alexander Amrein
Senior Manager: Policy and Research

Lihle Mndebela
Senior Manager: Human Resources

Rika Theart
Senior Manager: Tariff Investigations I

Rizia Buckas
Senior Manager: Legal Services

Nomonde Somdaka
Senior Manager: Tariff Investigations II

Zoleka Xabendlini
Senior Manager: Trade Remedies II

Carina van Vuuren
Senior Manager: Trade Remedies I

Dr Moses Obinyeluaku
Chief Economist

Marius Collins
Senior Manager: Import and Export Control

Bhekithemba Kgomo
Senior Manager: Internal Audit

Russell Nelson
Chief Information Officer

List of Reports Issued by ITAC in 2016/17

Report Number	Report Title
519	Reduction in the rate of customs duty on diesel, petrol and electric passenger vehicles not exceeding 800kg, diesel goods vehicles not exceeding 1 100kg and petrol and electric goods vehicles not exceeding 800kg.
521	Increase in the rate of customs duty on adhesive bandages.
522	Creation of a rebate provision for woven fabrics used in the manufacture of shirts.
523	Reduction in the rate of customs duty on aluminium printing plates.
524	Increase in the rate of customs duty on hot-rolled steel.
525	Increase in the rate of customs duty on acrylic sanitary ware.
526	Increase in the rate of customs duty on other bars, rods and forges.
527	Application for an increase in the rate of customs duty on tinplate.
528	Termination of the anti-dumping duties on bolts and nuts of iron or steel originating in or imported from the People's Republic of China.
529	Sunset review of the anti-dumping duties on polyethylene terephthalate originating in or imported from Chinese Taipei, the Republic of Korea and India: Final Determination.
530	Sunset review of the anti-dumping duty on unframed glass mirrors originating in or imported from India: Final Determination.
531	Termination of the anti-dumping duties on paper insulated lead covered electric cable originating in or imported from India.
532	Creation of a rebate facility for the importation of flat-rolled products of iron or non-alloy steel classifiable under tariff subheadings 7210.61 and 7210.70.
533	Investigation into remedial action in the form of safeguard measures against the increased imports of flat hot-rolled steel products: Preliminary Determination.
535	Increase in the rate of customs duty on stainless steel flat products.
536	Creation of a rebate provision for switches and wire used in the manufacture of electric blankets.
537	Investigation into remedial action in the form of a safeguard measure against the increased imports of cold-rolled steel products: Preliminary Determination.
539	Application for rebate of duty on yarn of polyester staple fibers used in the manufacture of knitted fabrics.
541	Reduction in the rate of customs duty on atrazine.
545	Review of the rate of customs duty on steel wire products and steel fasteners.

Tariff Investigations

As enunciated in the New Growth Path and the Trade Policy and Strategic Framework, the Commission follows a developmental approach to tariff setting with the objective of promoting domestic manufacturing activity, investment, employment creation and retention, and international competitiveness.

An increase in customs duties is considered, on a case-by-case basis, to support domestic producers, particularly those that are important from an employment and, or value-addition perspective, and are also experiencing threatening import competition.

On a case-by-case basis, tariffs for mature resource-based capital-intensive upstream industries are selectively reviewed and in some cases reduced or removed in the interest of lowering input costs into labour-intensive employment-creating downstream activities.

Over the past year, customs duty increases recommended by the Commission were implemented on hot-rolled steel from free to 10% *ad valorem*; other bars, rods and forges, from free of duty to 10% *ad valorem*; flat-rolled stainless steel from free to 5% *ad valorem*; steel wire products from free to 10% *ad valorem*; steel fasteners from free, 10% and 20% to their respective WTO bound rates of 15% and 30% *ad valorem*; acrylic sanitary ware from 20% to 30% *ad valorem*; and adhesive bandages from free of duty to 10% *ad valorem*.

The application for a tariff increase on Polyethylene terephthalate was rejected by the Commission whilst the application for an increase in the rate of customs duty on tinplate was terminated.

A number of rebate provisions have been recommended and implemented over the past year to reduce the cost of production for manufacturing firms and increase their international competitiveness, such as rebate of duty provisions on acrylic sheet used in the manufacture of plastic sanitary ware; flat-rolled product of iron or non-alloy steel of a width of 600mm or more, painted, plated or coated, with aluminium-zinc alloys; wire and switches used in the manufacture of electric blankets.

The following applications for rebate provisions were rejected by the Commission: Flat-rolled steel used for corrugated roofing; yarn of synthetic staple fibres used for polyester knitted fabric; abrasive powder or grain on a base of paper or paperboard used for the cutting of sheets and Velcro disks; woven fabrics of synthetic filament yarn for fabrics interlayered or otherwise combined with Bentonite Clay; and a temporary rebate provision for black tea.

The team that conducted investigations on the review of the tariff regime for wheat, sugar and maize.
From left to right: Manini Masithela (Manager: Tariff Investigations I), Oatlhotse Madito (Senior Investigator: Tariff Investigations I) and Rika Theart (Senior Manager: Tariff Investigations I)

In terms of the Automotive Production and Development Programme (APDP), as per the policy directive, ITAC amended the administrative framework to reduce the minimum annual plant volume threshold for participation in the APDP from 50 000 to 10 000 units with effect from January 2016; the volume assembly allowance to commence at 10% for 10 000 units, increasing by one percentage point for every 5 000 units up to 18% at 50 000 units; and the production incentive for catalytic converters to remain at 2017 levels of 65% until 2020.

Apart from the industrial policy considerations in the case of the intermediate input materials manufactured by the resource-based capital-intensive industries mentioned above, a reduction or removal of duties is considered, upon application and investigation, in particular cases where goods, (consumption goods, intermediate or capital goods) are not manufactured domestically or unlikely to be manufactured domestically.

Consequently, a limited number of tariff reductions have been recommended over the past year, including on diesel goods vehicles not exceeding 1 100 kg, petrol and electric passenger vehicles not exceeding 800 kg and electric goods vehicles not exceeding 800 kg, from 25% *ad valorem* to free of duty; and Atrazine from 10% *ad valorem* to free of duty. Tariff reductions are considered for products which are not manufactured domestically and where there is no potential to manufacture, due to the fact that the duties have an unnecessary cost-raising effect from an industrial policy point of view.

The following applications for reduction were rejected by the Commission: Inlet and exhaust valves, blind rivets, polyester synthetic staple fibres, Titanium dioxide and Chrome oxide green in order to support and encourage domestic production.

The vast majority of applications for tariff support is as a result of a still fragile global and domestic economic environment, and are in response to relatively low-priced imports from emerging economies.

The following are highlights in respect of those investigations where domestic beneficiaries have made reciprocal commitments that will be monitored and evaluated by the Commission:

Increase in Customs Duty

1. Increase in the rate of customs duty on acrylic sanitaryware

Libra Bathrooms (Pty) Ltd applied for an increase in the rate of duty on baths, shower-baths, sinks and wash–basins, of plastics classifiable in tariff subheading 3922.10, from 20% ad valorem to 30% ad valorem.

Libra Bathrooms is a subsidiary of Distribution and Warehousing Network Limited (DAWN) comprising three sanitary ware brands: Libra, Plexicor and Vaal Sanitary ware. The applicant's plant is situated in Meyerton. Libra is one of three domestic producers of acrylic sanitary ware. The other producers are Sphinx (Pty) Ltd and Tub & Spa Manufacturers (Pty) Ltd.

As reasons for the application, the applicant, among others, stated that "The main reason for applying for an increase in the customs duty on tariff sub-heading 3922.10 from 20% to 30% is to cushion the domestic industry against low priced imports, to save jobs and to bring the domestic industry back to profitability".

Libra Bathrooms (Pty) Ltd currently has a total employment of 186. Employment has not been adversely affected by foreign competition in terms of retrenchments. However, employees' salaries have been reduced, owing to the change in working shifts, from 24 hours, double shifts, five days production per week to four days and single shift production, due to the increase of low priced imports into the bath market.

The Commission considered the application in light of the information at its disposal. In particular the Commission took the following factors into account:

- The industry manufacturing the subject products is in a position to meet a substantial portion of the market requirements for the subject products;
- The significant price disadvantages experienced vis-à-vis foreign manufacturers exporting the product to SACU;
- The rising level of imports and concomitant erosion of the applicant's market share; and
- The decline in the level of production, sales, profitability and capacity utilisation.

The Commission concluded that the recommended duty structure should enable the domestic manufacturing industry to return to profitability, utilise its existing under-utilised production capacity and achieve economies of scale resulting in security of volumes with a reduction in the marginal cost of production. Regarding its developmental plan, which is part of its reciprocity committments, Libra Bathrooms (Pty) Ltd submitted that it has embarked on a strategic development plan to cut costs and to become more competitive.

The plan is a holistic one which will assist in cutting electricity costs, the factory has been moved to operate under one roof, new staff is being trained and new product designs are also being developed.

Libra Bathrooms (Pty) Ltd already exports a significant volume of acrylic sanitary ware but can increase these export volumes, if it can achieve economies of scale with a larger portion of domestic sales volumes in order to spread fixed costs over high volume. Libra Bathrooms (Pty) Ltd envisages creating 12 additional permanent manufacturing jobs where employees can be skilled and learn a new trade should the production volumes increase.

The Commission therefore decided to recommend that the rate of customs duty on baths, shower-baths, sinks and wash-basins of plastics classifiable under tariff subheading 3922.10 be increased from 20% *ad valorem* to 30% *ad valorem*, to be reviewed after a period of three years from the date of implementation.

2. Increase in the rate of customs duty on hot-rolled steel

ITAC received an application from ArcelorMittal South Africa Limited (AMSA) for an increase in the rate of customs duty on hot-rolled steel, classifiable under tariff subheadings 7208.10, 7208.25, 7208.26, 7208.27, 7208.36, 7208.37, 7208.38, 7208.39, 7208.53, 7208.54, 7208.90, 7211.13, 7211.14, 7211.19, 7225.30, 7225.99, and 7226.91, from free of duty to 10% ad valorem. The applicant is the only domestic manufacturer of hot-rolled steel in SACU.

The major use of hot-rolled material includes the manufacturing of general engineering products such as containers, mining equipment, wheel rims, bore steel pipes, earth moving equipment, gas cylinders, truck trailers, water tanks and railway rolling stock. Hot-rolled steel coils are also used as the main input in the manufacture of coated and painted steel, which in turn is used predominantly in the roofing industry.

The reasons cited for the application include the oversupply of primary steel in the world market and that the domestic primary steel manufacturers have been at a significant price disadvantage compared to the imported product.

The applicant currently employs 5 040 people at its Vanderbijlpark and Saldanha plants. Employment has declined by 1 091 employees since 2012.

The applicant's estimated total investment dedicated to the manufacture of the subject products in 2014 was R4.9 billion and R2 billion in the Saldanha and Vanderbijlpark plants, respectively.

In terms of reciprocity, the applicant committed that it would increase investment by R1.6 billion in new plant, machinery, research and development, skills development and training in the next three years from 2016 to 2018.

The applicant committed to preserve jobs and not close any of its plants.

The Commission concluded that tariff support should enable the industry manufacturing hot-rolled steel to utilise its existing under-utilised production capacity, achieve economies of scale, resulting in security of volumes with a reduction in the marginal cost of production. The Commission, therefore, decided to recommend that the rate of customs duty on hot-rolled coils classifiable under tariff subheadings 7208.10, 7208.25, 7208.26, 7208.27, 7208.36, 7208.37, 7208.38, 7208.39, 7208.53, 7208.54, 7208.90, 7211.13, 7211.14, 7211.19, 7225.30, 7225.99 and 7226.91, be increased from free of duty to 10% *ad valorem*. The duty will be reviewed after three years from the date of implementation.

3. Increase in the rate of customs duty on other bars, rods and forges

ITAC received an application from AMSA for an increase in the general rate of customs duty on other bars and rods classifiable under tariff subheadings 7213.20, 7213.99, 7215.90, 7228.40, and 7228.80 and forges classifiable under tariff subheadings 7214.10, 7214.30, 7214.91 and 7214.99, from free of duty to 10% *ad valorem*. The applicant manufactures the subject products in its Vereeniging and Newcastle plants.

The subject products are intermediate products, which are further processed by means of drawing, peeling, grinding or machining using a cold forming process. The reasons cited for the application include the oversupply of primary steel in the world market and that the domestic primary steel manufacturers have been at a significant price disadvantage compared to the imported product.

The applicant currently employs 3 076 people that are directly involved in the manufacturing of the subject products. Employment declined by 548 jobs since 2012. The applicant's estimated total investment for the subject products in the Vereeniging plant was R82 million in 2014 and it increased by R2 million in 2015.

The investment in the Newcastle plant for the subject products was estimated at R95 million in 2014 and has increased by R1 million in 2015.

In terms of reciprocity, the applicant committed that it wolud invest an additional R1.2 billion for three years starting from 2016 to 2018 in new plant, machinery, and upgrading of machinery for the manufacturing of other bars and rods and forges. The applicant also committed to preserve jobs and not close any of its plants.

The Commission concluded that tariff support should enable the domestic industry manufacturing other bars and rods and forges to utilise its existing under-utilised production capacity, achieve economies of scale, resulting in security of volumes with a reduction in the marginal cost of production.

The Commission, therefore, decided to recommend that the rate of customs duty on other bars, rods and forges classifiable under tariff subheadings 7213.20, 7213.99, 7215.90, 7228.40, and 7228.80 and forges classifiable under tariff subheadings 7214.10, 7214.30, 7214.91 and 7214.99, be increased from free of duty to 10% ad valorem. The duty will be reviewed after three years from the date of implementation.

4. Increase in the rate of customs duty on flat stainless steel

Columbus Stainless (Pty) Ltd (Columbus Stainless) applied for an increase in the rate of customs duty on stainless steel flat products, classifiable under tariff headings 72.19 and 72.20, from free of duty to 10% *ad valorem*.

Columbus Stainless is the sole manufacturer of the subject products in Africa. The Industrial Development Corporation (IDC) holds a 24% shareholding in Columbus Stainless (Pty) Ltd. It manufactures stainless steel flat products at its plant in Mpumalanga (Middelburg).

As reasons for the application, Columbus Stainless stated that the increase in duties would improve the local industry's competitive position against low-priced imports, especially imports from East Asian countries; and it would curb further job losses as retrenchments have already taken place. The cost of manufacturing continues to rise due to declining plant utilization; and it would encourage further investment and employment over the entire value chain by making the domestic industry more competitive and sustainable.

Columbus Stainless currently employs 1 489 people that are directly involved in the manufacturing of stainless steel flat products. 108 jobs were lost between 2013 and 2015. Total capital investment between 2013 and 2015 amounted to approximately R439 million.

In terms of reciprocity, the applicant submitted that, it would invest in additional plant and machinery to increase the efficiency of its operations.

Investment over the three years period is expected to be R797 million. Production volume of the subject products is expected to increase and additional employment of 190 people in the factory will be created over the next 3 years.

The Commission considered the application in light of the information at its disposal. In particular, the Commission took the following factors into account:

- The rising level of imports and concomitant erosion of the market share of the domestic stainless steel manufacturer;
- Under-utilised production capacity;
- The price disadvantages experienced by the domestic industry manufacturing the subject products;
- Escalating cost structures facing the industry combined with low profit margins; and
- Declining employment levels.

Although the vast majority of the products are manufactured locally, the Commission found that the applicant does not manufacture all flat-rolled products of stainless steel. The Commission decided to exclude products which are not locally manufactured from its recommendation.

The Comission concluded that the 5% *ad valorem* tariff support would improve the competitive position of the local industry, attract investment and enable the industry manufacturing stainless steel flat products to utilise its existing under-utilised capacity and achieve economies of scale with the reduction in marginal cost of production.

The Commission recommended that the rate of customs duty on flat-rolled products of stainless steel, of a width exceeding 600 mm but not exceeding 1574 mm (excluding those of a thickness of less than 0,3 mm), classifiable in heading 72.19 and flat-rolled products of stainless steel, of a width of less than 600 mm, classifiable in heading 72.20, be increased from free of duty to 5% *ad valorem*.

5. Review of the customs duty on steel wire products

On 22 July 2016, ITAC initiated a review of customs duty on a number of downstream steel industry products. The review included steel wire products classifiable under tariff heading 7217.10 and 7217.20. Cape Gate submitted information requesting an increase in customs duty on the subject products from free of duty to the WTO bound rate of 10% *ad valorem*. Cape Gate manufactures steel wire products at its plant situated in Gauteng (Vanderbijlpark).

One of the reasons cited as motivation for an increase in customs duty is that the current low price levels of similar imported steel wire products, coupled with an increase in import volumes, has put the viability of the SACU industry at risk.

Cape Gate currently employs 607 people who are directly involved in the manufacturing of steel wire products and 47 jobs were lost between 2013 and 2015. Total capital investment between 2013 and 2015 amounted to approximately R116 million.

In terms of reciprocity, the applicant submitted that it would continue to increase investment in plant and machinery as well as the supply side measures over a three year period.

Production volume of the subject products is expected to increase and additional employment of 47 people in the factory will be created over the next 3 years following tariff support.

The Commission considered the comments received during the review. In particular, the Commission took the following factors into account:

- There has been a material increase in low-priced imports of the subject products and imports originating from China have been the most significant. These low-priced imports have resulted in price disadvantage for domestic producers;
- Declining domestic industry's total production/ sales of the subject products over the three year period;
- The declining profitability of the domestic industry also as a result of a relatively high production cost structure; and
- Diminishing domestic employment and investment opportunities.

The Commission concluded that tariff support should enable the industry manufacturing steel wire products to utilise its existing under-utilised production capacity, achieve economies of scale, resulting in security of volumes with a reduction in the marginal cost of production.

The Commission recommended that the rate of customs duty on steel wire products classifiable under tariff subheadings 7217.10 and 7217.20, be increased from free of duty to 10% *ad valorem*.

6. Review in the customs duty on steel fasteners

On July 2016, ITAC initiated a review of customs duty on a number of downstream steel industry products. The review included steel fasteners, classifiable under tariff heading 73.18. Following the publication of the review in the Government Gazette, a number of domestic steel fastener manufacturers submitted information to the Commission motivating for an increase of customs duty applicable on steel fasteners to the WTO bound rates of 15% and 30% *ad valorem* depending on their classification.

CBC Fasteners (Pty) Ltd (CBC) located in Krugersdorp, Ebenhaeser Engineering (Pty) Ltd (Ebenhaeser) located in Meyerton, and Transvaal Pressed Nuts, Bolt and Rivets (Pty) (Transvaal) Ltd located in Ladysmith submitted their information through the South African Iron and Steel Institute (SAISI). Tel-Screw Products (Pty) Ltd (Tel-Screw) also submitted their information.

CBC and Transvaal specifically requested customs duty increases for tariff subheadings 7318.15.39, 7318.15.43 and 7318.16.30, Ebenhaeser for tariff subheading 7318.15.41, and Tel Screw requested increases for tariff subheadings 7318.11, 7318.13, 7318.15.26, 7318.15.35, 7318.15.90, 7318.16.90, 7318.19, 7318.23, 7318.24, and 7318.29.

The domestic industry manufacturing the various fastener products currently employs a combined number of 440 people. About 185 jobs were lost in the industry over the period 2013 to 2015 due mainly to forced retrenchments owing to increasing production costs. The combined additional investment by the four manufacturers was approximately R3.6 million in 2015.

In terms of reciprocity, all the manufacturers have committed to increasing production volumes and to continue investing into the domestic fasteners manufacturing industry for medium to long term sustainability. This will in turn result in the creation of 127 jobs within three years of tariff support. The Commission considered the comments received during the review. In particular, the Commission took the following factors into account:

- There have been increases in imports of the subject products. These low-priced imports have resulted in the price disadvantage for the domestic producers. This takes place at the back of escalating cost structures;

- The domestic industry's market share has declined and its capacity utilisation has fallen significantly below its potential;
- The domestic industry's production and sales volume declined over the investigation period; and
- Total industry employment declined significantly over the investigation period.

The Commission concluded that tariff support should enable the industry manufacturing steel fasteners to utilise its existing under-utilised production capacity, achieve economies of scale, resulting in security of volumes with a reduction in the marginal cost of production.

The Commission recommended that the customs duties applicable to the fasteners products be increased to their respective bound rates, as requested by the domestic industry.

Rebate Provisions

1. Creation of a rebate provision for the importation of flat-rolled products of iron or non-alloy steel classifiable under tariff subheadings 7210.61 and 7210.70

Defy Appliances (Pty) Ltd (Defy) applied for the creation of a temporary rebate provision for flat-rolled products of iron or non-alloy steel, classifiable under tariff subheadings 7210.61 and 7210.70 The applicant's manufacturing facilities are in KwaZulu-Natal (Durban and Ladysmith) and in the Eastern Cape (East London). It manufactures a wide range of products, including white goods such as refrigerators, chest freezers and tumble dryers. The applicant uses the subject products mainly in the manufacture of white goods.

As reason for the application, the applicant stated, among others, that the aluminium-zinc coated steel and painted steel that it imports for the manufacture of domestic household appliances are not manufactured locally.

Defy currently employs a total of 2 737 people across its three facilities, 1 983 of whom are directly involved in the production processes and its total investment across the three factories was estimated at R244 837 676 in 2014.

In terms of reciprocity, the applicant submitted that it would retain existing employment. And that as part of its long-term plan, it would invest an additional R73.5 million in its Ezakheni (Ladysmith) plant in 2017. With regards to its East London factory, the applicant will invest an additional R44.5 million in 2017.

The Commission found that the domestic steel producers cannot manufacture the products in question on a sustainable basis. The local industry is in the process of investing in new equipment that would enable it to manufacture the subject products.

The Commission recommended the creation of a rebate provision on flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, classifiable under tariff subheadings 7210.61 and 7210.70, subject to a permit issued by ITAC, provided that the products are not satisfactorily available in the SACU market.

2. Rebate provision on wire and switches used in the manufacture of electric blankets classifiable under 6301.10

Stingray Accessory Manufacturers (Pty) Ltd (Stingray) applied for the creation of a rebate provision on wire and switches used in the manufacture of electric blankets classifiable under 6301.10. The applicant is the sole manufacturer of electric blankets in the SACU region.

As motivation for the application, the applicant stated that the domestic industry is faced with increasing production costs and the rebate provision would assist in lowering the cost of production.

Stingray currently employs a total of 131 people at its plant, 72 are permanent employees directly involved in the manufacturing of electric blankets. The applicant's total investment in property, plant and equipment was approximately R2.7 million in 2015.

In terms of reciprocity, the applicant committed to increase its exports and also to create 150 additional jobs.

The Commission recommended the creation of a rebate provision for switches and wire classifiable in tariff subheadings 8536.50.50 and 8544.49.90 for the manufacture of electric blankets classifiable in tariff subheading 6301.10.

Trade Remedies

ITAC is responsible for conducting trade remedy investigations in accordance with policy, domestic law and regulations, and consistent with World Trade Organisation (WTO) rules. Applications to ITAC, in the main, are for anti-dumping action. Anti-dumping action is a critical trade instrument to protect jobs and industries against unfair competition from abroad. However in the past two years there has been more interest in safeguards.

The international rules governing the right of contracting parties to apply anti-dumping measures are contained in Article VI of the General Agreement on Tariffs and Trade 1994 (GATT 1994) and in the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (commonly referred to as the WTO Anti-Dumping Agreement).

The World Trade Organisation Anti-Dumping Agreement (ADA) and ITAC's Anti-Dumping Regulations (ADR) provide that anti-dumping duties may be imposed where dumped imports have caused material injury to the SACU industry or a threat of material injury exists as a result of the dumping.

Dumping occurs where foreign producers are exporting their goods to South Africa at prices (called the "export price") lower than what they charge for the same product in their country (called the "normal value"). Thus if the export price is lower than the normal value, dumping has occurred. Safeguards measures are taken against a surge of imports due to unforeseen developments that cause serious injury to the domestic industry.

Anti-Dumping Sunset reviews

Two sunset review investigations relating to imports of unframed glass mirrors and polyethylene terephthalate were conducted:

Unframed glass mirrors (India)

The applicant, PFG, lodged a sunset review application claiming that if anti-dumping duties on unframed glass mirrors from India were removed there was likelihood of continuation and or recurrence of material injury to the SACU industry. The investigation was initiated on 19 February 2016 and completed on 05 August 2016. The Commission recommended that the duties be maintained.

Polyethylene Terephthalate (PET)

A sunset review on the anti-dumping duties on polyethylene terephthalate (PET) originating in or imported from Chinese Taipei, India and Korea was initiated in January 2016 after an application was received from Hosaf. The investigation was completed on 8 July 2016 and the Commission recommended that the anti-dumping duties be maintained.

Other Sunset reviews

Two new sunset review investigations on unframed glass mirrors from Indonesia and chicken meat portions from the USA were initiated and are currently on-going.

Safeguard Investigations

During the 2016/17 financial year, the Trade Remedies Unit initiated the first safeguard investigation in terms of Article 16 of the Agreement on Trade, Development and Co-operation between the European Community and its Member States and the Republic of South Africa (the TDCA) on frozen chicken portions.

The Commission made a preliminary recommendation to the Minister of Trade and Industry in November 2016. The Minister requested the Commission to impose a provisional measure of 13,9% on the imports of frozen chicken portions from the EU. The provisional measure was imposed on 15 December 2016. The investigation is still on-going.

A safeguard investigation in terms of the WTO Safeguards Agreement on hot-rolled steel which was initiated during the previous financial year, was completed and a recommendation has been made to the Minister of Trade and Industry.

The Commission also initiated a safeguard investigation in terms of the WTO Safeguards Agreement on cold-rolled steel during the year under review. A preliminary determination was made during November 2016 and the investigation is still on-going.

Import and Export Control

ITAC administers an import and export control regime in terms of the provisions of the International Trade Administration Act, 71 of 2002 (the Act). In this regard, the cross border-movement of certain goods are controlled in terms of a permit system, for example, for the purpose of complying with international agreements such as, inter alia, the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and the Montreal Protocol on Substances that Deplete the Ozone Layer.

Import control measures or restrictions in a more globally integrated economy are limited to those allowed under the relevant World Trade Organization (WTO) Agreements. Import control measures are essentially for health, safety, environmental and strategic reasons. In this regard, ITAC makes a contribution to the green economy. In the enforcement of standards and the curbing of illegal and fraudulent trade, ITAC has positioned itself to play a more strategic role with regard to import and export control measures, and enforcement. Minerals beneficiation has been identified as one of the areas where jobs will be created and this has required an alignment of ITAC's export control measures to give support to beneficiation.

ITAC has strengthened its export control measures on scrap metal through the introduction of a Price Preference System (PPS) to promote investment and employment opportunities in the domestic metals beneficiation and fabrication industries.

This followed a policy directive by the Minister of Economic Development aimed at enabling affordable access to quality scrap metal by the consuming industry. Since ITAC is administering such a system for the first time, the focus has been on ensuring its effective administration and managing litigation. There are signs of positive effects of the PPS and an impact assessment will be finalised during the second half of 2017.

During the reporting period, 18 660 import and 12 870 export permits were issued. 3 624 import permits were issued for the importation of machinery and mechanical appliances, equipment and parts thereof of chapter 84 of the Harmonized Customs Tariff.

A total of 1 588 import permits were issued for the importation of vehicles and parts thereof of chapter 87, a total of 1 771 import permits to import marine resources of chapter 03, a total of 2 510 permits were issued to import rubber and articles thereof, including tyres of chapter 40, a total of 1 662 permits were issued to import arms and ammunition of chapter 93, a total of 1 297 permits were issued to import electrical machinery and equipment and parts thereof of chapter 85, a total of 879 permits were issued to import metals of chapter 72 to 81, a total of 1 473 permits were issued to import mineral fuels, mineral oils and products of their distillation of chapter 27, and a total of 638 import permits were issued to import organic and inorganic chemicals of chapter 28 and 29.

The bulk of export permits were issued for the exportation of used motor vehicles of chapter 87 namely 6 800 export permits, 3 806 were issued for the exportation of ferrous and non-ferrous waste and scrap of chapters 72 to 81 of the Harmonized Customs Tariff.

1 346 export permits were issued for the exportation of organic and inorganic chemicals of chapters 28 and 29, and 496 export permits were issued for the exportation of mineral fuels and products of their distillation of chapter 27.

The enforcement component of the Import and Export Control Unit conducts enforcement activities in terms of Section 41 of the Act.

Enforcement is crucial in detecting contraventions of the Act, and the import and export control regulations and to ensure that there is compliance with the conditions and terms reflected in import, export and rebate permits.

Enforcement activities are made up of scheduled inspections, unscheduled or surprise inspections and investigations. During the 2016/17 financial year, 505 scheduled inspections were conducted, 2 866 unscheduled inspections and 13 investigations were conducted. Industry sectors inspected were clothing, ferrous and non-ferrous scrap metals, automotive, pneumatic tyres and machinery and equipment.

Investigations conducted were based on prima facie evidence of contraventions of the Act and import and export regulations. The Enforcement Unit also successfully participated in enforcement activities with other agencies such as the South African Revenue Service.

Economic Impact Assesments

During the 2016/17 financial year, three impact assessments were carried out for the two larger and one smaller broiler meat producers in South Africa (Rainbow Chicken Limited, Astral Operations as well as Sovereign Foods). The review reaffirms the commitment of ITAC to fulfil its mandates in promoting manufacturing-based value addition and job creation for sustainable economic growth and development.

The poultry industry is the largest segment of the South African agricultural sector, contributing more than 16 per cent of the sector's share of gross domestic product. It provides employment, directly and indirectly, for about 138 000 people throughout its value chain and related industries.

However, low-priced poultry imports and rising costs of production have posed major problems for the domestic industry, especially in recent years. Some small and medium sized producers have been forced to shut down. Certain large producers have reduced their workforce and forecast further job losses.

In light of this, ITAC increased the general rate of customs duty in September 2013.[1] The aim of the tariff support is to enable the poultry industry to recapture the domestic market, create and retain jobs.

The current impact evaluation gauges performance of the South African poultry industry with respect to progress made on the utilisation of the support against these objectives. The realisation of these policy objectives remains critical in ensuring that ITAC's trade instruments are efficiently and effectively utilised towards the realisation of the NGP targets and IPAP.

Key highlights of the study are presented below:

- There has been a positive growth in the consumption of poultry meat as a source of protein. This presents an opportunity for the poultry industry to produce more so as to bridge the local demand-production gap. Moreover, taking advantage of the rapidly growing exports in Africa to address underutilisation in this industry is essential for expanding and sustaining domestic production and employment.
- Despite the tariff support, imports are landed on the South African market at prices below domestic ex-factory prices. The level of the tariff support could be low to prevent imports. It should also be noted that the import tariffs imposed in 2013 did not apply to the EU because of the TDCA between South Africa and the EU. Tariff support must be complemented by other measures aimed at improving the competitiveness position of the industry.
- Broiler feed costs, which constitute about 60 - 70 per cent of total production costs have been increasing, putting pressure on margins and competitiveness, especially when part of it has to be sourced internationally. The long-term cost competitiveness of the industry depends on low cost supplies of maize and soya.
- One of the reasons for import penetration is that overseas players make their margins on fresh fillet meat and sell the bone-in portions (which are not in high demand in overseas markets) at costs that simply cover the logistics cost of shipping the meat to export destinations.

1 It is also important to note that anti-dumping duties on bone-in chicken against USA that were imposed in 2000 have been maintained through sunset reviews in 2006 and 2012. Further anti-dumping duties were also imposed against Germany, the United Kingdom and the Netherlands in 2015.

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

Strategic Objective 1

Strategic Objective 1	Measurable Objectives	Performance Indicators	Targets/Outputs To Be Delivered By 31 March 2017	Annual Performance	Reasons For Variance
To ensure contribution to employment creating growth and development through effective delivery of international trade instruments	**Customs Tariff Reduction Investigations:**				
	Investigations under consideration	Turnaround times of Customs Tariff Reduction Investigations.	80% of the final decision within 6 months.	80% of the final decisions were made within 6 months.	Target met. Investigations were executed efficiently without complications.
	Customs Tariff Increase Investigations:				
	Investigations under consideration	Turnaround times of Customs Tariff Increase Investigations.	80% of the final decision within 6 months.	50% of the final decisions were made within 6 months.	Target not met. Protracted engagements with applicants, interested parties, as well as litigation during the process of investigation.
	Customs Tariff Rebates Investigations:				
	Investigations under consideration	Turnaround times of Customs Tariff Rebate Investigations.	80% of the final decision within 6 months.	70% of the final decisions were made within 6 months.	Target not met. Protracted engagements with applicants, interested parties, as well as litigation during the process of investigation.
	Customs Duty Rebate and Drawback permits				
	Rebate and drawback permits	Turnaround times of Customs Duty Rebate and Drawback Permits.	80% of the permits issued within 2 weeks.	99% of the permits were issued within 2 weeks.	Target met. The process of permit administration was improved. Permits are allocated to units in such a manner that capacity utilisation is optimal i.e. if one unit has more capacity available, more permit applications are allocated to it, resulting in quicker turnaround times.

Strategic Objective 1	Measurable Objectives	Performance Indicators	Targets/Outputs to be delivered by 31 March 2017	Annual Performance	Reasons for Variance
To ensure contribution to employment creating growth and development through effective delivery of international trade instruments	**Automotive Production Development Programme (APDP)**				
	Eligible Production Certificates (EPCs)	Turnaround times of EPCs.	80% of the certificates issued within 10 days after technical working group or factory visit and all outstanding information is submitted.	94% of the certificates were issued within 10 days after technical working group (TWG) or factory visit.	Target met. The process of permit administration was improved. Permits are allocated to units in such a manner that capacity utilisation is optimal i.e. if one unit has more capacity available, more permit applications are allocated to it irrespective of the sector, resulting in quicker turnaround times.
	Production Rebate Credit Certificates (PRCCs)	Turnaround times of PRCCs.	80% of the certificates issued within 30 days.	99% of the certificates issued within 30 days.	Target met. The process of permit administration was improved. Permits are allocated to units in such a manner that capacity utilisation is optimal i.e. if one unit has more capacity available, more permit applications are allocated to it, resulting in quicker turnaround times.
	APDP Verifications conducted to ensure compliance to the programme	Turnaround times of APDP Verifications.	80% of the verifications completed within 3 months.	99% of the verifications completed within 3 months.	Target met. The compliance level of applications received was high resulting in quicker turnaround times.
	Anti-Dumping Investigations:				
	Investigations under consideration	Turnaround times of Anti-Dumping investigations.	80% of Preliminary determination within 6 months of initiation. 80% of Final determinations within 10 months of initiation.	No preliminary determination or final determinations were made.	No Anti-Dumping investigations were carried over from the previous financial year, and no new investigations were initiated in 2016/17 financial year.
	New investigations initiated	Turnaround time from acceptance of properly documented application to initiation of Anti-Dumping investigations.	80% of properly documented application accepted, initiated within 2 months.	No new investigations were initiated during this period.	No investigations were initiated as no properly documented applications were received.

Strategic Objective 1	Measurable Objectives	Performance Indicators	Targets/Outputs to be delivered by 31 March 2017	Annual Performance	Reasons for Variance
To ensure contribution to employment creating growth and development through effective delivery of international trade instruments	**Countervailing Investigations:**				
	Investigations under consideration	Turnaround times of Countervailing investigations.	80% of Preliminary determination within 6 months of initiation. 80% of Final determinations within 10 months of initiation.	No preliminary determination or final determinations were made.	No Countervailing investigations were carried over from the previous financial year, and no new investigations were initiated in this financial year.
	New investigations initiated	Turnaround time from acceptance of properly documented application to initiation of countervailing investigation.	80% of properly documented application accepted, initiated within 2 months.	No new investigations were initiated during this period.	No investigations were initiated as no properly documented applications were received.
	Sunset Review Investigations:				
	Investigations under consideration	Turnaround times of Sunset Review investigations.	80% of Final determinations within 10 months of initiation.	100% of final determinations were made within 10 months of initiation.	Target met. Investigations were executed efficiently with no complications. • Unframed mirrors: Initiated on 19 February 2016 and finalised on 8 August 2016. • PET: Initiated on 28 January 2016 and finalised on 8 July 2016.
	New investigations initiated	Turnaround time from acceptance of properly documented application to initiation of Sunset Review investigation.	80% of properly documented application accepted, initiated within 2 months.	100% new sunset reviews initiated within 2 months of acceptance.	Target met. The process of initiating investigations was executed efficiently with no delays resulting in quicker turnaround times. Investigations initiated: PET, & Unframed Glass Mirrors India, Chicken USA and unframed mirrors Indonesia initiated within 2 months of acceptance.

Strategic Objective 1	Measurable Objectives	Performance Indicators	Targets/Outputs to be delivered by 31 March 2017	Annual Performance	Reasons for Variance
To ensure contribution to employment creating growth and development through effective delivery of international trade instruments	**Safeguard Investigations:**				
	Investigations under consideration	Turnaround times Safeguard investigations.	80% of Preliminary determination within 6 months of initiation. 80% of Final determinations within 10 months of initiation.	100% of Preliminary determinations were made within 6 months of initiation. No final determinations were made.	Target met. Preliminary investigations were executed efficiently with no complications: • Cold-rolled steel preliminary determination was made on 4 November 2016 within 3 months of initiation. • Hot Rolled Steel: Preliminary determination (22 July 2016) published within 4 months of initiation (24 March 2016). No final determinations were made. Investigations were still on-going as at 31 March 2017.
	New investigations initiated	Turnaround time from acceptance of properly documented application to initiation of Safeguard investigation.	80% of properly documented application accepted initiated within 2 months.	100% of new safeguard investigations were initiated within 2 months of acceptance.	Target met. The process of initiating investigations was executed efficiently with no delays resulting in quicker turnaround times. Cold Rolled Steel: Initiated (29 July 2016) within 2 months of receipt (28 July 2016).
	Import Control Permits:				
	Import Control Permits	Number of import control permits issued.	16 000	18 660	Target met. Increase in the number of permit applications received.
	Export Control Permits:				
	Export Control Permits.	Number of export control permits issued.	12 000	12 828	Target met. Increase in the number of permits applications received.

Strategic Objective 1	Measurable Objectives	Performance Indicators	Targets/Outputs to be delivered by 31 March 2017	Annual Performance	Reasons for Variance
	Enforcement of Import and Export Control Permit Conditions:				
	Inspections and Investigations	Number of Scheduled Import and Export Control Permit inspections.	500	505	Target met. Increase in the number of scheduled inspections that had to be conducted.
		Number of Unscheduled Import and Export Control Permit inspections.	500	2 866	Target met. Increase in the number of unscheduled inspections conducted was recorded due to additional capacity received.
		Number of Import and Export Control Investigations.	20	13	Target not met. The number of investigations depends on the number of detected contraventions. There were few contraventions detected by ITAC in 2016/17 financial year.

Strategic Objective 2

Strategic Objective 2	Measurable Objectives	Performance Indicators	Targets/Outputs to be delivered by 31 March 2017	Annual Performance	Reasons for Variance
To ensure strategic alignment with and continued relevance to the Economic Development Department and National Agenda, particularly the New Growth Path	Participation in multilateral negotiations	Input papers regarding multilateral negotiations finalised and presented to relevant stakeholders, and participation in engagements with relevant stakeholders.	ITAC staff provides input into and attend 80% of **the dti** arranged multilateral negotiations engagements.	ITAC staff provided inputs into and attended 100% of **the dti** arranged multilateral negotiations engagements.	Target met. ITAC attended all of **the dti** arranged multilateral engagements.
	Participation in bilateral negotiations	Input papers regarding bilateral negotiations finalised and presented to relevant stakeholders and participation in engagements with relevant stakeholders.	ITAC staff provides input into and attend 80% of **the dti** arranged bilateral negotiations engagements.	ITAC staff provided inputs into and attended 100% of **the dti** arranged bilateral negotiations engagements.	Target met. ITAC attended all of **the dti** arranged bilateral engagements.
	Technical advice provided regarding international trade instruments	Participate in meetings and provide specific input when requested.	8 engagements for Tariff Investigations Unit. 8 engagements for Trade Remedies Unit. 8 engagements for Import and Export Control Unit.	8 engagements for Tariff Investigations Unit. 8 engagements for Trade Remedies Unit. 8 engagements for Import and Export.	Target met. No variance recorded.

Strategic Objective 3

Strategic Objective 3	Measurable Objectives	Performance Indicators	Targets/Outputs to be delivered by 31 March 2017	Annual Performance	Reasons for Variance
To ensure organisational efficiency and effectiveness of ITAC	Reviewed Trade Remedies Policy and/or Regulations.	Reviewed Trade Remedies Policy and/or Regulations submitted to Minister of Economic Development for approval.	Safeguard Regulations finalised and submitted to Minister of Economic Development for approval.	Reviewed Safeguard Regulations have not been submitted to Minister for approval.	Target not met. The review process was delayed because more research was required before it could be finalised.
	Reviewed Import & Export Control Policy and Regulations.	Reviewed Import Control and/or Export Control Policy and/or Import Control and/or Export Control Regulations submitted to Minister of Economic Development for approval.	1 (This target is subject to policy directive from EDD/ Other National departments)	Import and Export Control Regulations were amended and approved by the EDD Minister.	Target met. No variance recorded.
	Ad-hoc research papers (Reviewed Import and Export Control)	Finalised research papers submitted to the Chief Commissioner for approval.	1	Finalised Research project/paper (on local manufacture of rolling stock, containers of iron or steel and green power equipment) was approved by the CC for implementation.	Target met. No variance recorded.
	Conduct impact assessments of ITAC's instruments.	Reports presented to relevant stakeholders, and the final annual consolidated impact evaluation report submitted to the EDD and the dti.	3 product specific impact assessments.	3 impact assessment reports have been presented to the relevant stakeholders and the final annual consolidated impact report has been released: • Impact of customs duty increase on Poultry in South Africa: The Case of Rainbow Chicken Farms. • Impact of customs duty increase on Poultry in South Africa: The Case of Astral Operations. • Impact of customs duty increase on Poultry in South Africa: The Case of Sovereign Foods.	Target met. No variance recorded.

Strategic Objective 3	Measurable Objectives	Performance Indicators	Targets/Outputs to be delivered by 31 March 2017	Annual Performance	Reasons for Variance
	Trade Monitoring reports.	Annual and quarterly Trade Monitoring Report.	Annual and quarterly Trade Monitoring Reports.	The following trade monitoring reports were released: • Agro-processing markets and related trade trends: opportunities and challenges for South Africa • Monitoring and Analysis of South African Steel Imports.	Target not met. Information required to successfully produce the Trade monitoring report in the 3rd quarter was not received from the industry. This affected the final annual trade monitoring report.
	Strengthen systems on reciprocal commitments by tariff adjustment beneficiaries on new investment, job creation and industrial expansion.	Bi-Annual report on the performance of the selected sector against reciprocal commitments by tariff adjustment beneficiaries on new investment, job creation and industrial expansion.	Bi-Annual report on the performance of the selected sector against reciprocal commitments by tariff adjustment beneficiaries on new investment, job creation and industrial expansion.	One report on steel was issued in the year under review.	Target not met. Various steel products were considered in the year under review. Therefore, only one report on steel was issued.

Strategic Objective 3	Measurable Objectives	Performance Indicators	Targets/Outputs to be delivered by 31 March 2017	Annual Performance	Reasons for Variance
	Provide for improved systems to monitor and regulate scrap metal exports as part of government's action to reduce theft of metal and cables from the country's infrastructure system.	Effective actions that contribute to better export risk management of scrap metal.	Effective action that contributes to reduced trade in uninspected scrap metal consignment.	The following actions were taken by ITAC in the year under review for the purpose of reducing trade in uninspected scrap metal consignment: • Intensified scrap metal inspections as a result of increased capacity. • Proposed amendments to the PPS on the exportation of scrap metal guidelines provided to EDD.	Target met. Various actions that contribute to better export risk management of scrap metal were initiated which include among others, amendments to the PPS guidelines.
	Effective administration of scrap metal price preference system to achieve intended objectives, as well as successfully opposing litigation against the system.	Reports (Bi-Annual) on the administration of scrap metal price preference system to achieve intended objectives, as well as litigation outcomes against the system.	Reports (Bi-Annual) on the administration of scrap metal price preference system to achieve intended objectives, as well as litigation outcomes against the system.	No reports on the administration of scrap metal price preference system were issued. Litigation against the price preference system has been successfully opposed to date. Two litigation matters were finalised, Groupwreck matter withdrawn and SA Metals successfully defended in the SCA.	Target not met. Reports on the administration of scrap metal price preference system were not issued because of the delay in the procurement process for the service provider to evaluate the impact of price preference system, whether it has achieved its intended objectives.

HUMAN RESOURCE MANAGEMENT

Human Resources Management

The Human Resources Unit (HR Unit) endeavours to permeate workplace vitality in an environment that upholds organisational values, supports and develops the well-being and professional skills of ITAC's employees. The HR Unit seeks to deliver on this goal by providing quality services in the areas of employee relations, employee wellness through the wellness programme, recruitment and retention, organisational development and performance management.

The HR Unit develops and communicates policies that balance the needs of employees and the employer while ensuring compliance with relevant legislation. Moreover, ITAC has complemented its human capital development initiatives by advancing a positive culture that resulted in various interventions being executed to enhance organisational effectiveness.

Workforce planning

The framework for ITAC's workforce planning is underpinned by a commitment to deploy a highly committed and capable workforce. This is achieved, in a first instance, by attracting and retaining a skilled and capable workforce. Attracting skilled employees is achieved through a competency-based recruitment and selection process. In this regard, a combination of values, knowledge, skills, personality attributes and future potential are key determinants in selecting successful candidates.

Also central to ITAC's workforce planning strategy is achieving a diverse workforce, as diverse backgrounds contribute to improved innovation, creativity and knowledge generation which is beneficial in delivering on ITAC's mandate. This is complemented by implementing an array of affirmative policies to promote access to equal employment opportunities and benefits.

Organisational Development

ITAC's internship programme was initiated in 2011 and serves as a gateway to employment for young graduates, through bridging the gap between the theoretical and practical working experience, required to enter into formal employment.

The internship programme is designed to respond directly to the country's major problem of unemployment especially among women and the youth, which is aggravated by lack of skills and formal work experience because jobs are not being created as quickly as desired.

It is through ITAC's effective and well-organised systems in place that the fast paced placement of interns has resulted in almost 90% of them securing permanent and contract employment, both within and outside the organisation before the end of their internship contracts.

Employee performance management

In conjunction with ITAC workplace planning, ITAC's performance management involves more than simply providing a periodic review for each employee. It is also about identifying strengths and weaknesses in an employee's performance and how to assist such employee to be a more productive and effective worker. In line with this goal, ITAC provides recognition for employees who have attained above-average performance levels. In addition to financial rewards, which are limited by budgetary constraints, ITAC has introduced a non-monetary performance scheme. The purpose is to provide ITAC with additional means to cultivate excellence, boost the moral and motivate its employees.

Training and Development

Human Capital development is central to ITAC's strategy to harness professional skills within the organisation. The HR Unit develops a Workplace Skills Plan on an annual basis to address performance deficiencies, which may be identified during each performance cycle. The Workplace Skills Plan also caters for long term training to address key training needs within the organisation. Mentoring and coaching by well experienced ITAC personnel is another vital human development tool that ITAC uses to transfer skills, improve employees' career prospects and ensure continuous improvement and sustainability within the organisation.

Employee Health and Wellness

The HR Unit seeks not only to enhance the professional skills of employees, but also to ensure their well-being. This is achieved by creating a supportive working environment and through the establishment of ITAC's Employee Health and Wellness programme. The purpose of the programme is to provide preventative, consultative and information services to all employees of ITAC and their families who may encounter personal problems.

Employment

ITAC's workforce as at 31 March 2017 was 126 and comprises the following:

Core Business	Support Services
70	56

As at the end of 31 March 2017, there were five vacant positions, excluding contract positions. This scenario makes the vacancy rate for the period under review to be 3.82%.

Employment Equity

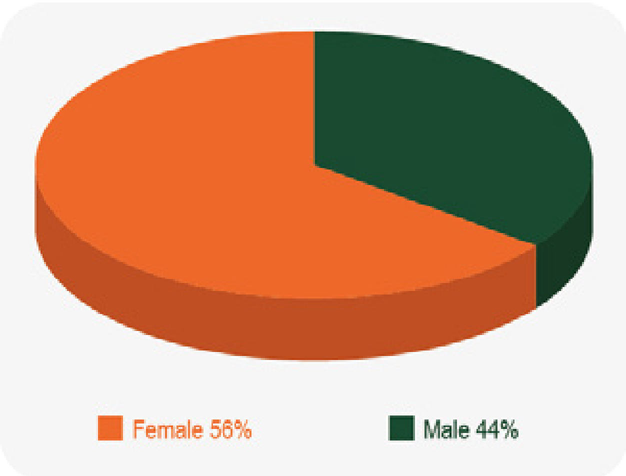
In accordance with the Employment Equity Act, of 1998, ITAC is committed to providing and transforming a workforce that is equitably representative of the demographics of South Africa, united in diversity through the appointment of suitably qualified people from designated groups in all occupational levels and categories.

The highlights of the year under review includes: the development of a successive 3 year EE plan (2016 - 2019) that takes into account the new amendments of the Employment Equity Act, and reporting the EE progress against the EE plan to the department of labour.

Employee Profile

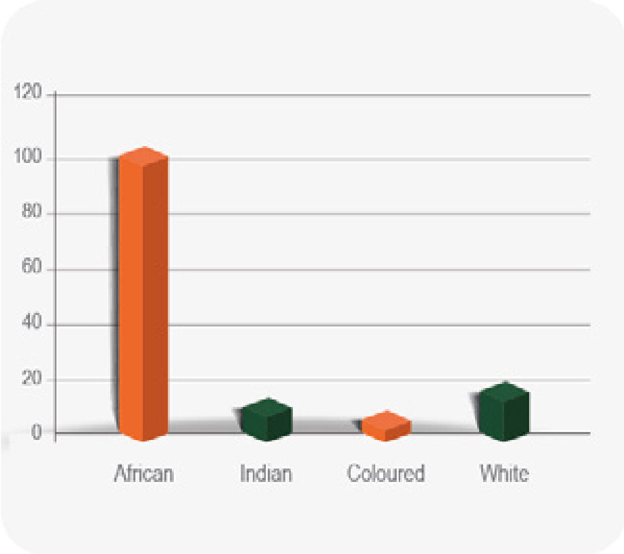
The following graphs present ITAC's employee profile in terms of (a) gender; (b) race; and (c) Job classifications.

a. Gender Profile



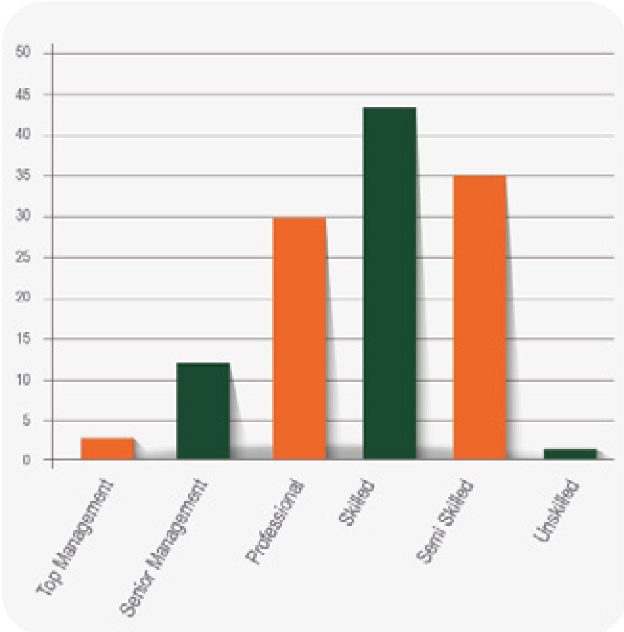
The above graph depicts gender representation of employees who are currently employed by ITAC, during the 2016/17 financial year. The current status in terms of gender representation is also a consideration in terms of setting up targets for the employment equity plan.

b. Race Profile



The above graph depicts racial representation of employees who are currently employed by ITAC, during the period under review. ITAC is currently in a process of strengthening its recruitment mechanisms to attract racial groups that are not sufficiently represented.

c. Job Profile



The above graph depicts percentages of employees at different occupational categories that are currently employed by ITAC, during the period under review. This also informs ITAC's Employment Equity Plan in terms of ensuring that employees are equally represented at all occupational categories.

ANNUAL FINANCIAL **STATEMENTS**

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Schedule 3A Public Entity
Nature of business and principal activities	The aim of ITAC, as stated in the Act, is to foster economic growth and development in order to raise incomes and promote investment and employment in South Africa and within the Common Customs Union Area by establishing an efficient and effective system for the administration of international trade subject to this Act and the Southern African Customs Union (SACU) Agreement.
Business address	DTI Campus (Building E) 77 Meintjies Street Sunnyside Pretoria 0001
Postal address	Private Bag X 753 Sunnyside Pretoria 0001
Website	www.itac.org.za
Bankers	Standard Bank
Auditors	Auditor-General of South Africa

Table of Content

The reports and statements set out below comprise the annual financial statements presented to the parliament:

Index

Abbreviations

EDD	Economic Development Department
SEFA	Small Enterprise Finance Agency
IDC	Industrial Development Corporation of South Africa
DTI	Department of Trade and Industry
GRAP	Generally Recognised Accounting Practice
ITAC	International Trade and Administration Commission of South Africa
DPSA	Department of Public Service and Administration

Corporate Governance Report

ITAC adheres to a comprehensive set of policies designed in accordance with input from all appropriate stakeholders. This contributes towards the effectiveness of corporate governance strategies and it is in accordance with the Public Finance Management Act, (No 1 of 1999).

1.Internal Financial Control

Internal Financial control focuses on the critical risk areas, which are identified by Management and reviewed by the Audit Committee. The Executive Committee and the governing structures are confident that policies, procedures and systems are in place and have been implemented to provide reasonable assurance of the integrity and reliability of the financial statements and to adequately protect, verify and maintain accountability of ITAC's assets. The effectiveness of these systems are continously monitored throughout the year by both Management and Internal Audit.

2.Risk Management

An independent risk management process is in place to enable management to effectively identify, evaluate and assess risks. The Internal Audit monitors the prescribed procedures of risk management in line with Treasury Regulations. The Internal Audit unit has direct access to the Chief Commissioner, the Audit Committee and Management. ITAC has a comprehensive risk register for each division from which a consolidated register is prepared and monitored.

A materiality framework was developed and approved by the Accounting Authority.

Accounting Authority's Responsibilities and Approval

The International Trade Administration Act, (Act No. 71 of 2002)(ITA Act), requires the Chief Commissioner to ensure that the International Trade Administration Commission of South Africa (ITAC) maintains full and proper records of its financial affairs. The Annual financial statements for the period ending 31 March 2017 fairly present the state of affairs of ITAC, its financial performance and its financial position as at the end of the year in terms of Standards of Generally Recognised Accounting Practice (GRAP) as disclosed in the accounting policies. These annual financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgements.

The annual financial statements for the period ending 31 March 2017 are the responsibility of the Chief Commissioner. The Auditor-General South Africa is responsible for independently auditing and reporting on the financial statements and performance information.

The Chief Commissioner has reviewed ITAC's budgets and cash flow forecasts for the period ending 31 March 2017. On the basis of this review, and in view of the current financial position and existing resources of the Economic Development Department (EDD) by way of transfer payments to ITAC, the Chief Commissioner has every reason to believe that ITAC will be a going concern in the year ahead and the going concern-basis has therefore been adopted in preparing the financial statements.

To enable the Chief Commissioner to meet the above responsibilities, the Executive Committee sets standards and implements systems of internal control and risk management that are designed to provide reasonable, but not absolute assurance against material misstatements and losses. ITAC maintains internal financial controls to provide assurance regarding the safeguarding of assets against unauthorised use or disposal.

The internal controls contain self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. Even an effective system of internal control, no matter how well designed, has inherent limitations, including the possibility of circumvention or the overriding of controls. An effective system of internal control, therefore, aims to provide reasonable assurance with respect to the reliability of financial information and, in particular, financial statement presentation. Furthermore, because of changes in conditions, the effectiveness of internal controls may vary over time.

The Executive Committee has reviewed ITAC's systems of internal control and risk management for the period ending 31 March 2017, and is of the opinion that ITAC's systems of internal control and risk management were effective for the period under review.

I am satisfied that these financial statements represent a fair reflection of the results of ITAC for the period ending 31 March 2017.

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Siyabulela Tsengiwe
Chief Commissioner
31 July 2017

Audit Committee Report

We are pleased to present our report for the financial year ended 31 March, 2017.

Audit Committee members and attendance

The Audit Committee consists of the members listed hereunder and should meet at least four times per annum as per its approved terms of reference. During the current year, four meetings were held.

Name of member	Number of meetings attended
P Mvulane (Chairperson)	4
R Nhlapo	2
B Maditse	2
L Maqekoane	2
S Hari (Retired)	2
P Mnisi (Retired)	2
K Singh (Retired)	2

Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 51 and 76(4) of the PFMA and Treasury Regulation 27.1.

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal control applied by ITAC over financial risk and risk management is effective, efficient and transparent. In line with the PFMA and the King Report on Corporate Governance requirements, the Internal Audit Unit provides the Audit Committee and Management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and Management Report of the Auditor-General, it was noted that there were matters reported indicating material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control for the period under review was operating not effectively and management has committed to specific actions which will be monitored by Audit Committee on a quarterly basis.

The quality of in year management and quarterly reports submitted in terms of the PFMA

The Audit Committee is satisfied with the content and quality of quarterly reports prepared and issued by the Accounting Authority of ITAC during the year under review.

Evaluation of Annual Financial Statements

The Audit Committee has:

- Reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report, with the Auditor-General South Africa and the Accounting Authority; and made certain recommendations for improvement;
- Reviewed the Auditor-General South Africa's Management Report and management's response thereto;
- Reviewed changes in accounting policies and practices;
- Reviewed the entity's compliance with legal and regulatory provisions;
- Reviewed significant adjustments resulting from the audit; and
- Reviewed the Annual Report and Pre – determined objectives prior to submission to the Auditor General and final publication.

The Audit Committee concurs with and accepts the Auditor-General South Africa's report on the Annual Financial Statements, and is of the opinion that the audited Annual Financial Statements should be accepted and read together with the report of the Auditor-General South Africa.

Audit Committee Report

Internal audit

The Audit Committee is satisfied that the Internal Audit function is operating effectively and that it has addressed the risks pertinent to ITAC with the support of the co-sourced Internal Audit function.

Auditor-General South Africa

The Audit Committee has met with the Auditor-General South Africa to ensure that there are no unresolved issues. Management has taken note of the findings from Auditor-General South Africa and has put in place an action plan not only to address the findings but to strengthen controls for the future.

Closure

The Audit Committee wishes to congratulate the Chief Commissioner and the Management Team of ITAC for their commitment in striving towards excellence that has resulted in ITAC receiving an unqualified audit report for the 2016/2017 financial year. All our efforts are combined to strive towards excellence to learn, grow and serve ITAC.

Precious Mvulane
Chairperson of the Audit Committee
Date: 31 July 2017

Report of the auditor-general to Parliament on ITAC

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the International Trade Administration Commission set out on pages 49 to 81, which comprise the statement of financial position as at 31 March 2017, and the statement of financial performance, statement of changes in net assets and statement of cash flows and statement of comparison of budget information with actual information 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, the financial statements present fairly, in all material respects, the financial position of the International Trade Administration Commission as at 31 March 2017 and its financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practise (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs).

   My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.

4. I am independent of the auditee in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with 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.

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

Responsibilities of the accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP standards and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

7. In preparing the financial statements, the accounting authority is responsible for assessing the International Trade Administration Commission'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

8. 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

9. 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

10. 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 objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

11. 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/measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

12. 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 objectives presented in the annual performance report of the entity for the year ended 31 March 2017:

Objectives	Pages In the annual performance report
Objective 1 -To ensure contribution to employment creating growth and development through effective delivery of International trade Instruments.	23-27
Objective 3- To ensure organisational efficiency and effectiveness of ITAC.	29-31

13. 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.
14. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:

    - Objective 1 - To ensure contribution to employment creating growth and development through effective delivery of International trade instruments.

15. The material findings in respect of the usefulness and reliability of the selected objectives are as follows:

Objective (3) - To ensure organisational efficiency and effectiveness of ITAC.

- Effective actions that contributes to better export risks management.

Other matter

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

Achievement of planned targets

Refer to the annual performance report on page(s) 23 to 27, and 29 to 31 for information on the achievement of planned targets for the year and explanations provided for the overachievement of a significant number of targets.

Report on audit of compliance with legislation

Introduction and scope

16. 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.

17. I did not identify any instances of material non-compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

Other information

18. The International Trade Administration Commission's accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the executive authority's report the audit committee's report and the accounting authority's report. The other information does not include the financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.

19. 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.

    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 objectives 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 misstatements noted at date of signing the report.

Internal control deficiencies

20. 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 my opinion.

Leadership

21. Leadership of the entity did not always exercise adequate oversight responsibility in certain instances regarding financial and performance reporting as well the related internal controls.

Financial and performance management

22. Management did not closely monitor compliance with laws and regulations when procuring goods and services.

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 objectives and on 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, accounting authority.

- conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the International Trade Administration Commission 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 entity to cease to continue 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.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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 here applicable, related safeguards.

Accounting Authority's Report

1. Introduction

Report by the Accounting Authority on the financial performance, financial position and cash flow statement of ITAC for the period ending 31 March 2017.

2. Operating results

The deficit of ITAC for the period 31 March 2017 was R 11 583 796 (2016: R4 074 831). The interest received for the period is R1 436 195 (2016: R1 712 497).

3. Review of activities

Main business and operations

The aim of ITAC, as stated in the Act, is to foster economic growth and development in order to raise incomes and promote investment and employment in South Africa and within the common customs union area by establishing efficient and effective systems for the administration of international trade subject to this Act and the Southern African Customs Union(SACU) Agreement. The core functions are: customs tariff investigations, trade remedies and import and export control. ITAC's primary source of revenue is the quarterly transfer of funds from Economic Development Department. Funds were applied to defray personnel and operating expenses, as well as costs involved in the establishment and maintenance of ITAC's infrastructure, and the costs of litigation. The costs for running ITAC are increasing annually as a result of the increased human resource costs which is in excess of the "year on year" growth of the government grants. Legal costs are increasing due to the complex nature of the cases dealt with by ITAC as well as an increase in the number of new cases.

	2017	2016
Total revenue	92 703 379	88 609 847
Total expenditure	(104 287 175)	(92 684 678)

4. Executive Management emoluments

Disclosure of the Executive Management remuneration is detailed in note 19 of the annual financial statements.

5. Materiality and significant framework

ITAC has developed and adopted a materiality and significant issues framework for reporting losses through criminal conduct, irregular, fruitless or wasteful expenditure, as well as for significant transactions envisaged per section 55(2) of the PFMA. The materiality amount for the year was R443 470. This represents 0.5% of ITAC's total approved revenue budget for the financial year under review. ITAC's total approved revenue budget for the period was R88 694 000.

6. Approval of the annual financial statements

The annual financial statements set out on pages 49 to 81 have been approved by the Audit Committee and signed by the Chief Commissioner.

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Siyabulela Tsengiwe
Chief Commissioner
Date: 31 July 2017

Statement of Financial Position as at 31 March 2017

		2017	2016
	Note(s)	R	R
Assets			
Current Assets			
Inventories	5	135 649	104 462
Receivables from exchange transactions	6	401 253	477 916
Prepayments	25	9 340	321 196
Cash and cash equivalents	7	19 150 976	34 839 092
		19 697 218	35 742 666
Non-Current Assets			
Property, plant and equipment	2	3 419 368	765 117
Intangible assets	3	644 051	927 569
		4 063 419	**1 692 686**
Total Assets		**23 760 637**	**37 435 352**
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	3 701 094	4 037 459
Trade and other payables from non-exchange transactions	26	231 000	100 200
Unspent conditional grants and receipts	8	1 591 011	3 717 910
Provisions	9	8 115 240	6 750 225
		13 638 345	**14 605 794**
Non-Current Liabilities			
Operating lease liability	24	1 711 650	1 106 037
Unspent conditional grants and receipts	8	-	1 729 083
		1 711 650	**2 835 120**
Total Liabilities		**15 349 995**	**17 440 914**
Net Assets		**8 410 642**	**19 994 438**
Accumulated surplus		8 410 642	19 994 438

Statement of Financial Performance

		2017	2016
	Note(s)	R	R
Revenue			
Other income	11	410 202	329 963
Interest received - investment	11	1 436 195	1 712 497
Conditional grant	11&12	3 855 982	1 866 387
Government subsidies	11	87 001 000	84 701 000
Total revenue		**92 703 379**	**88 609 847**
Expenditure			
Employee related costs	15	(79 692 956)	(71 342 056)
Depreciation and amortisation	13	(1 631 427)	(911 718)
Lease rentals on operating lease	29	(7 042 599)	(7 033 636)
Debt Impairment		-	(50 863)
General Expenses	14	(15 920 193)	(13 346 405)
Total expenditure		**(104 287 175)**	**(92 684 678)**
Deficit for the year		**(11 583 796)**	**(4 074 831)**

Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
	R	R
Balance at 01 April 2015	**24 069 269**	**24 069 269**
Changes in net assets		
Surplus for the year	(4 074 831)	(4 074 831)
Total changes	(4 074 831)	(4 074 831)
Balance at 01 April 2016	**19 994 438**	**19 994 438**
Changes in net assets		
Deficit for the year	(11 583 796)	(11 583 796)
Total changes	(11 583 796)	(11 583 796)
Balance at 31 March 2017	**8 410 642**	**8 410 642**

Statement of Cash Flows

	Note(s)	2017 R	2016 R
Cash flows from operating activities			
Receipts			
Grants		90 856 982	86 567 387
Interest income		1 436 195	1 712 497
Other receipts		394 152	329 963
		92 687 329	**88 609 847**
Payments			
Employee costs		(79 692 956)	(71 342 056)
Suppliers		(24 655 048)	(14 833 330)
		(104 348 004)	(86 175 386)
Net cash flows from operating activities	**17**	**(11 660 675)**	**2 434 461**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(3 976 643)	(173 235)
Purchase of other intangible assets	3	(66 848)	-
Proceeds from sale of assets		16 050	-
Net cash flows from investing activities		**(4 027 441)**	**(173 235)**
Net increase/(decrease) in cash and cash equivalents		**(15 688 116)**	**2 261 226**
Cash and cash equivalents at the beginning of the year		34 839 092	32 577 866
Cash and cash equivalents at the end of the year		**19 150 976**	**34 839 092**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis	Approved budget	Adjust-ments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	R
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other income	195 000	-	195 000	410 202	**215 202**	22 & 23
Revenue from surpluses	10 527 123	-	10 527 123	-	**(10 527 123)**	22 & 23
Interest received - investment	1 498 000	-	1 498 000	1 436 195	**(61 805)**	22 & 23
Total revenue from exchange transactions	**12 220 123**	-	**12 220 123**	**1 846 397**	**(10 373 723)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	3 684 772	-	3 684 772	3 855 982	**171 210**	22 & 23
Other transfer revenue	87 001 000	-	87 001 000	87 001 000	**-**	
Total revenue from non-exchange transactions	**90 685 772**	-	**90 685 772**	**90 856 982**	**171 210**	
Total revenue	**102 905 895**	-	**102 905 895**	**92 703 379**	**(10 202 516)**	
Expenditure						
Personnel	(82 026 617)		(82 026 617)	(79 692 956)	**2 333 661**	22 & 23
Depreciation and amortisation	-		-	(1 631 427)	**(1 631 427)**	22 & 23
Lease rentals on operating lease	(6 436 573)		(6 436 573)	(7 042 599)	**(606 026)**	22 & 23
General Expenses	(14 442 705)		(14 442 705)	(15 920 193)	**(1 477 488)**	22 & 23
Total expenditure	**(102 905 895)**		**(102 905 895)**	**(104 269 175)**	**(1 381 280)**	
Deficit before taxation	**-**	**-**	**-**	**(11 583 796)**	**(11 583 796)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**(11 583 796)**	**(11 583 796)**	

Accounting Policies

1. Basis of preparation

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).

These 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. Accounting policies for material transactions, events or conditions not covered by GRAP reporting framework, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and hierarchy approved in Directive 5 issued by the Accounting Standard Board. In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenue and expenses have not been offset except when off-setting is required or permitted by a standard of GRAP. These accounting policies are consistent with the previous period, unless explicitly stated. The details of any chnages in accounting policies are explained in the relevant policy. The principal accounting policies adopted in the preparation of these Annual Financial Statements are set out below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, as that is the currency in which the majority of ITAC's transactions are denominated.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The entity assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Fair value estimation

Unquoted financial assets are measured at fair value using valuation techniques. Inherent in these techniques are certain uncertainties like time of cash flows and interest rates used for discounting. The carrying value of trade receivables are assumed to approximate their fair value.

Impairment testing

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are recognised when ITAC has a present legal or constructive obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be reliably estimated. The determination of provisions, in particular legal provisions remains a key area where management's judgement is required. The resulting provisions could also be influenced by changing economic and statutory considerations. It is envisaged that, based on the current information available, any additional liability in excess of the amounts provided, will not have a material adverse impact on ITAC's financial position, liquidity or cash flow.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of Property,Plant and Equipment

ITAC's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with any changes in estimates accounted for on a prospective basis. The estimate is based on the condition and use of the individual assets, in order to determine the remaining period over which the asset can and will be utilised.

1.4 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 entity; 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.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition. Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value or the cost. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up. When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset.

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
Office, furniture and fittings	Straight line	6 to 8 years
IT equipment	Straight line	
• Computer equipment		3 to 5 years
• Servers		5 to 7 years
• Ipads		2 to 3 years
Equipment	Straight line	3 to 8 years

Where the carrying amount of an asset is greater than its recoverable amount, it is written down immediately to its recoverable amount. Estimated useful lives, residual values and the depreciation method are reviewed at the end of the reporting date.If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimates.

Accounting Policies

1.4 Property, plant and equipment (continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

ITAC tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the recoverable amount or recoverable service amount and an impairment loss is charged to the Statement of Financial Performance. A previously recognised impairment loss is reversed when there is an indication that it may no longer exist or may have been decreased, however, not to an amount higher than the carying amount that would have been determined (net of depreciation) had no impairment been recognised in prior years.

The assets of the entity 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 management 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.

1.5 Intangible assets

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 entity; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

ITAC intangible assets include computer software and the development cost of the website. Computer software that is not an integral part of the hardware and that can be identified and seperated is capitalised as an intangible asset. Costs associated with development or mantaining in-house computer software programmes are capitalised when they are incurred.

Intangible assets are carried at cost less any accumulated amortisation and impairment losses. Intangible assets are amortised over a period of five years on the straigt - line method. Expenditure that enhances or extends the performace of software programme beyond their original specifications is recognised as a new acquisition.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. If any such indication exists, the recoverable amount of assets is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable is determined for the cash generating unit to which the asset belongs. If the recoverable amount is estimated to be less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are immediately recognised as an expense, unless the relevant asset is carried at a revalued amount under the standard.Where an impairment loss subsequently reserves, the carrying amount of the asset is increased to the revised estimated of its recoverable amount, so that the increased carrying amount does not exceed, the carrying amount that would have been determined had an impairment loss been recognised for the asset in prior years.

Item	Depreciation method	Average useful life
Computer software	Straight line	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in management or deficit when the asset is derecognised.

Accounting Policies

1.6 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.

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.

Classification

ITAC has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position and in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at fair value
Trade and other receivables from exchange transactions	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables	Financial liability measured at fair value

Initial recognition

Financial assets and liabilities are recognised in the statement of financial position when ITAC becomes a party to the contractual provisions of the instrument.Financial instruments are initially recognised at fair value. Financial assets are recognised using trade date accounting.

Initial measurement of financial assets and financial liabilities

The initial measurement depends on the category to which a financial instrument has been classified. The category of the financial assets and financial liabilities depends on the purpose for which the financial instruments were obtained or incurred.

Subsequent measurement of financial assets and financial liabilities

Financial assets and liabilities are subsequently measured at fair value or amortised cost. ITAC assesses which financial instruments are subsequently measured at fair value, amortised cost based on the definition of financial instruments at fair value or financial instruments at amortised cost as per relevant standard.

All financial assets measured at amortised cost are subject to an impairment review.

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 entity 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.

Accounting Policies

1.6 Financial instruments (continued)

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.

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Derecognition

Financial assets

ITAC derecognises financial assets using trade date accounting. ITAC derecognises a financial asset only when:

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in management or deficit in the period of the transfer.

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

Financial liabilities

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

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in management or deficit.

Accounting Policies

1.6 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in management 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 management 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 entity does not offset the transferred asset and the associated liability.

1.7 Statutory Receivables

Statutory receivables arise from legislation, supporting legislation, by-laws or similar means; and require settlement by another entity in cash or another financial asset. The example of statutory receivables includes; taxes, fines, penalties, appropriation/ grants, fees charged to regulated activities. ITAC's statutory receivables will most likely be the appropriation/ grants as the dominant legislated transactions emanate from the budget allocation that comes via EDD. Accordingly ITAC transactions are accounted for as non-exchange in nature or exchange nature whichever is applicable.

Recognition

ITAC will recognise statutory receivables as per the nature of the transaction in relation to the applicable standards, depending whether the transaction is exchange or non-exchange in nature, and also as per the GRAP on statutory receivables. But if the transaction does not fall within the requirements of GRAP standards on exchange or non-exchange transaction or any other GRAP standards, then the receivable is recognised when the requirements of an asset are met.

Measurement

Initial Measurement:

ITAC will initially measure its statutory receivables at their transaction amount as per the relevant accounting standard, depending on the nature of the transaction whether it is exchange or non-exchange.

Subsequent Measurement:

ITAC statutory receivables will be subsequently measured using the cost method to change initial measurement to reflect: interest or other charges as per applicable legislation, (e.g. interest can be simple or compounded); impairment losses and amount derecognised.

Impairment of Statutory Receivables

ITAC will assess the statutory receivables for impairment on every reporting date in terms of the applicable standard for this type of receivable, assessment of the receivables to be done individually or as a group. The transactions from non-exchange transactions are unlikely to be impaired as they originate from another state institution, example is the appropriation. But statutory receivables from exchange transactions, then guidelines as per applicable standard will be applied to assess for impairment. Accordingly when the GRAP standard on statutory receivable becomes effective ITAC will develop an appropriate methodology to categorise the statutory receivable and will accumulate information about their collectability. Where there is evidence that statutory receivable will be impaired and carrying amount is higher than the estimated future cash flow, then the impairment loss which is the difference between carrying amount and estimted future cash flow shall be recognised in surplus or loss in the statement of financial performance.

Derecognition

ITAC will derecognise statutory receivables when:- the receivable is settled, expire, waive; when ITAC transfer to another party the reward and risk of the receivable; or when ITAC retained the reward and risk, but transfers the control to the statutory receivable to another party.

Accounting Policies

1.7 Statutory Receivables (continued)

Presentation and Disclosure

Disclosure by ITAC will be done in line with GRAP standard on statutory receivables, as well as in terms of other relevant applicable standard of GRAP.

The disclosure of the carrying amount of statutory receivables shall be done seperately in the notes to the financial statements of ITAC, clearly distinguishing statutory receivables from receivables which are financial assets and other receivables.

ITAC will disclose information about the key indicators and assumptions used to assess and calculate whether statutory receivables were impaired during a particular reporting period.

1.8 Tax

Tax expenses

ITAC is currently exempt from Income Tax in terms of Section 10 (1)(a) of the Income Tax Act, 1962.

1.9 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.

1.10 Inventories

ITAC inventory consists of stationery and consumables. Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity, it generates a commercial return.

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

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

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

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Accounting Policies

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

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation and Amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

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

1.12 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.

ITAC's 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 such as employer contribution to medical aid, and subsidised 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-retirement benefits: Defined contribution plan

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.

Accounting Policies

1.12 Employee benefits (continued)

ITAC provides a defined benefit scheme for its employees, which is the Government Employees Pension Fund (GEPF). The fund is funded by payments from employees and ITAC. ITAC's contributions to the GEPF are charged to the statement of financial performance in the year to which they relate. ITAC is not liable for any deficit due to the difference between the present value of the benefit obligations and the fair value of the assets managed by the GEPF. Any potential liabilities are disclosed in the financial statements of the National Revenue Fund and not in the financial statements of ITAC.

1.13 Provisions and contingencies

Provisions are recognised when:

- the entity 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 recognised when ITAC has a present legal or constructive obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be reliably estimated. The determination of provisions, in particular legal provisions remains a key area where management's judgement is required. The resulting provisions could also be influenced by changing economic and statutory considerations. It is envisaged that, based on the current information available, any additional liability in excess of the amounts provided, will not have a material adverse impact on ITAC's financial position, liquidity or cash-flow.

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.

ITAC does not recognize a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is disclosed where an inflow of economic benefits is probable.

1.14 Revenue from exchange transactions

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

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

ITAC's revenue from exchange transactions consists of revenue from interest on call accounts, staff debtors and other income.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Interest from call account

Revenue arising from the use by others of entity assets yielding interest income is recognised when:

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

Interest is recognised, in management or deficit, using the effective interest rate method.

Other income

Other income from service rendered telephone, cellphone and bursary recovery is recognised on an accrual basis.

1.15 Revenue from non-exchange transactions

Revenue is recognised when it is probable that future economic benefits will flow to ITAC and these benefits can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

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

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

ITAC revenue from non-exchange transactions consists of transfers received from the Economic Development Department.

Recognition

Revenue is recognised when it is probable that future economic benefits will flow to ITAC and these benefits can be measured reliably.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity. When, as a result of a non-exchange transaction, the entity 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 taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Government grants and subsidies

Government grants are recognised in the year to which it relates, once reasonable assurance has been obtained that all conditions of the grant have been complied with and grants have been received.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

1.16 Events after reporting date

Recognised amounts in the financial statements are adjusted to reflect events arising after the reporting date where there is evidence that indicates that the condition existed at the reporting date. Any event that occurred after the reporting date and that a condition arose after the reporting date are dealt with by way of a note.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retropectively as far as is practicable, and the prior year comparatives are restated accordingly.

Prior Year Errors

Prior year period errors are omissions from and mistatements in the entity financial statements for one or more prior periods arising from failure to use reliable information that was available when the financial statements for those period were authorised for issue. Such error include the effect of mistake in applying the accounting policy, oversight or misrepresentation of fact and correction will be done retrospetively.

1.18 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.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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.

Accounting Policies

1.20 Irregular expenditure

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

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/ or before finalisation of the annual 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 annual 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 annual 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 annual 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 annual financial statements and updated accordingly in the irregular expenditure register.

1.21 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity 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.

1.22 Budget information

ITAC is subject to budgetary limits in the form of budget appovals from the National Treasury via the Economic Development Department.

ITAC provide financial reports providing 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.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 22 & 23.

Accounting Policies

1.23 Related parties

GRAP 20 for related parties have been issued and not yet effective, therefore IPSAS 20 is applied.

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence or joint control over the other party in making financial and operational decisions. A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

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

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity 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 entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.24 New GRAP standards issued but not yet effective

GRAP 109: Accounting by Principals and Agents - This standard is not applicable to ITAC and will not have an impact on the financials on ITAC.

GRAP 18: Segment reporting - will not have an impact on the financials of ITAC.

GRAP 20: Related party disclosure - The standard was early adopted by ITAC in the 2010/2011 financial year. Note 19 disclosed.

GRAP 32: Service Concession Arrangement Grantor - This standard will not have impact on financials of ITAC as it is not involved in concession agreements.

GRAP 105: Transfer of functions between entities under common control - This standard is not applicable to ITAC and will not have an impact on the financials on ITAC.

GRAP 106: Transfer of functions between entities not under common control - This standard is not applicable to ITAC and will not have an impact on the financials on ITAC.

GRAP 107: Mergers - This standard is not applicable to ITAC and will not have an impact on the financials of ITAC.

GRAP 108: Statutory Receivables - The accounting policies related to this standard has been developed and it will be early adopted if the transaction relating to it arise.

Notes to the Annual Financial Statement

2. Property, plant and equipment

	2017			2016		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Office furniture	971 125	(534 691)	436 434	900 503	(568 649)	331 854
IT equipment	4 780 778	(1 797 844)	2 982 934	2 295 429	(1 862 166)	433 263
Total	**5 751 903**	**(2 332 535)**	**3 419 368**	**3 195 932**	**(2 430 815)**	**765 117**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Office furniture	331 854	257 016	(151)	(152 285)	436 434
IT equipment	433 263	3 719 627	(41 180)	(1 128 776)	2 982 934
	765 117	**3 976 643**	**(41 331)**	**(1 281 061)**	**3 419 368**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Office furniture	278 531	173 235	-	(119 912)	331 854
IT equipment	880 476	-	(1 637)	(445 576)	433 263
	1 159 007	**173 235**	**(1 637)**	**(565 488)**	**765 117**

Notes to the Annual Financial Statement

3. Intangible assets

	2017			2016		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	2 311 169	(1 667 118)	644 051	2 244 320	(1 316 751)	927 569

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	927 569	66 848	(350 366)	644 051

Reconciliation of property, plant and equipment - 2016

	Opening balance	Amortisation	Total
Computer software	1 273 799	(346 230)	927 569

4. Financial assets and liabilities by category

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

2017

	Loans and receivables / payables at amortised cost	Total
Trade and other receivables	401 253	401 253
Cash and cash equivalents	19 150 976	19 150 976
Trade and other payables	3 701 094	3 701 094
	23 253 323	**23 253 323**

Notes to the Annual Financial Statement

	2017 R	2016 R
4. Financial assets and liabilities by category (continued)		
2016		
	Loans and receivables / payables at amortised cost	**Total**
Trade and other receivables	477 916	477 916
Cash and cash equivalents	34 839 092	34 839 092
Trade and other payables	4 037 459	4 037 459
	39 354 467	**39 354 467**
5. Inventories		
Stationery and consumables	135 649	104 462
6. Receivables from exchange transactions		
Cellphones	43 018	48 750
Bursaries	153 713	3 677
Other debtors	315 638	536 605
Provision for bad debts	(111 116)	(111 116)
	401 253	**477 916**

No trade and other receivables were pledged as security for any financial liability.

An amount of R189 430 written-off related to fraud against ITAC by unknown people. The matter has been reported to SAPS whose investigation is still on-going.

Trade and other receivables past due but not impaired

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

1 month past due	15 286
2 months past due	13 461
3 months past due	312 663

Trade and other receivables neither past due nor impaired

Current	115 958

7. Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term, highly liquid deposits that are held with Treasury approved banking institutions, with maturities of three months or less and that are subject to insignificant interest rate risk. Cash and cash equivalents are measured at realisable value. ITAC was exempted by the National Treasury from the requirement of Treasury Regulation 31.3 to invest surplus funds with the Corporation for Public Deposits.

Notes to the Annual Financial Statement

	2017 R	2016 R
7. Cash and cash equivalents (continued)		
Cash on hand	7 900	7 900
Current account	207 381	21 692
Call account	18 935 695	34 809 500
	19 150 976	**34 839 092**

Management considers that all the above cash and cash equivalent categories are of good quality. The maximum exposure to credit risk at the reporting date is the fair value of each class of cash and cash equivalent mentioned above. During the year cash and cash equivalents were kept in the call and current account and daily interest earned was 6.40%. The cash and cash equivalents were not pledged as security for any financial liabilities.

8. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2017 R	2016 R
Unspent conditional grants and receipts		
EDD Rental grant	-	1 736 019
EDD scrap metal grant	1 591 011	3 710 974
	1 591 011	**5 446 993**
Movement during the year		
Balance at the beginning of the year	5 446 993	-
Additions during the year	-	7 313 380
Income recognition during the year	(3 855 982)	(1 866 387)
	1 591 011	**5 446 993**
Non-current liabilities	-	1 729 083
Current liabilities	1 591 011	3 717 910
	1 591 011	**5 446 993**

Rental grant is for payment of short-fall of rental expense paid to **the dti** for two financial years 2015/16 and 2016/17.

Scrap metal grant is for the appointment of inspectors in ITAC to improve enforcement of scrap metal for a period of 2 years from February 2016 to February 2018.

Notes to the Annual Financial Statement

9. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Legal fees	1 210 779	3 896 071	(2 685 348)	-	2 421 502
Performance bonus	1 072 269	1 233 111	(1 072 269)	-	1 233 111
Leave pay	4 235 233	2 479 687	(2 376 968)	-	4 337 952
Workmens Compensation	231 944	122 675	(228 611)	(3 333)	122 675
	6 750 225	**7 731 544**	**(6 363 196)**	**(3 333)**	**8 115 240**

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Legal fees	1 411 323	1 748 649	(1 510 791)	(438 402)	1 210 779
Performance bonus	992 460	1 072 269	(992 460)	-	1 072 269
Leave pay	5 020 099	2 564 205	(3 349 071)	-	4 235 233
Workmens Compensation	418 518	231 944	(282 260)	(136 258)	231 944
	7 842 400	**5 617 067**	**(6 134 582)**	**(574 660)**	**6 750 225**

Non-current liabilities	-	-
Current liabilities	8 115 240	6 750 225
	8 115 240	**6 750 225**

Legal fees

Legal fees represent amounts payable but not yet invoiced in respect of counsel fees for trade administration litigation matters in progress.

Performance bonus

Performance bonus represents amounts that may be payable to qualifying employees who meet the predetermined performance targets for the period under review.

Leave pay

Leave pay provision represents the potential liability in respect of leave outstanding at year end

Workmens compensation

Workmen's compensation represents an estimate of the amount payable to the Workmen's Compensation Commissioner on receipt of the final assessment.

Notes to the Annual Financial Statement

	2017	2016
	R	R
10. Payables from exchange transactions		
Trade payables	1 580 426	1 857 492
Service bonus	1 652 709	1 530 593
Other payables	467 959	649 374
	3 701 094	**4 037 459**

Creditors are paid within 30 days of receipt of invoice. Trade and other payables are interest free and unsecured.

	2017	2016
11. Revenue		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Other income	410 202	329 963
Interest received - call account	1 436 195	1 712 497
	1 846 397	**2 042 460**
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Conditional grants	3 855 982	1 866 387
Government subsidies	87 001 000	84 701 000
	90 856 982	**86 567 387**
12. Conditional grants		
Conditional grant	**3 855 982**	**1 866 387**
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
EDD Rental grant	1 736 019	1 577 361
EDD Scrap metal grant	2 119 963	289 026
	3 855 982	**1 866 387**
EDD Rental grant		
Balance unspent at beginning of year	1 736 019	3 313 380
Conditions met - transferred to revenue	(1 736 019)	(1 577 361)
	-	**1 736 019**

Rental grant is for payment of short-fall of rental expense paid to the the DTI for two financial years 2015/16 and 2016/17.

Notes to the Annual Financial Statement

	2017	2016
	R	R
12. Conditional grants: (continued)		
EDD Scrap Metal grant		
Balance unspent at beginning of year	3 710 974	4 000 000
Conditions met - transferred to revenue	(2 119 963)	(289 026)
	1 591 011	**3 710 974**

The conditions of the grant are still to be met, therefore the amount remains liabilities (see note 8).

Scrap metal grant is for the appointment of inspectors in ITAC to improve enforcement of scrap metal for a period of 2 years from February 2016 to February 2018.

	2017	2016
13. Depreciation and Amortisation		
Office furniture	152 285	119 912
IT Equipment	1 128 776	445 576
Computer software - Licenced	350 366	346 230
	1 631 427	**911 718**

Notes to the Annual Financial Statement

	2017 R	2016 R
14. Included in operational expenses are:		
Advertising	324 824	261 612
Minor assets	50 936	1 499
Audit Committee remuneration	191 466	151 545
Auditors remuneration	1 484 834	1 087 026
Bank charges	40 413	36 163
Catering	205 157	136 443
Cleaning	3 867	1 902
Consulting and professional fees	599 196	1 342 219
Employee wellness	114 515	191 337
Flowers	60 610	81 270
Gifts	-	4 000
IT expenses	268 175	457 463
Insurance	381 957	222 294
Internal Audit	748 463	872 508
Legal fees	3 235 934	2 253 447
Loss arising from fraud	189 430	-
Loss on Disposal of Assets	41 331	1 637
Motor vehicle expenses	98 898	81 597
Offsite storage - documents	146 216	148 564
Part-time Commissioners remuneration	452 760	284 833
Postage and courier	106 734	77 622
Printing and stationery	701 685	647 000
Promotions and sponsorships	70 991	86 122
Protective clothing	6 611	-
Recruitment and resettlement expenditure	14 691	40 493
Repairs and maintenance	19 119	12 719
Staff Bursaries	616 377	539 027
Subscriptions and membership fees	448 224	235 418
Telephone and fax	872 400	952 403
Training	364 261	286 915
Travel - local	3 813 924	2 013 609
Travel - overseas	162 545	829 818
Workshops and conferences	83 649	7 900
	15 920 193	**13 346 405**

Notes to the Annual Financial Statement

	2017	2016
	R	R
15. Employee related cost		
13th Cheques	3 726 608	3 491 399
Basic	59 007 259	52 573 974
Bonus	1 349 595	1 127 790
Car allowance	489 273	468 669
Group Life	172 241	87 154
Housing benefits and allowances	1 295 712	1 041 972
Leave pay provision charge	(101 979)	(83 913)
Long-service awards	92 910	-
Medical aid - company contributions	767 162	757 372
Non-pensionable cash allowance	5 830 465	5 371 273
Post-retirement benefits expense	6 698 302	6 177 720
Unemployment Insurance Fund	246 066	232 960
Workmens Compensation	119 342	95 686
	79 692 956	**71 342 056**

ITAC remunerates its employees in line with the DPSA salary dispensation.

16. Operating lease

At year end there were outstanding commitments under non-cancellable operating leases, which fall due as follows :

Vehicles are classified as operating leases as they do not meet the criteria for classification as finance leases. Rent is for premises occupied by ITAC on the DTI campus for a period of five years in terms of an operating lease agreement starting from 01 April 2015. The lease agreement is not renewable at the end of the lease term. A new contract for office equipment was entered into from 01 April 2015 for a period of 36 months.

Lease payments for motor vehicles and office equipment are fixed over the lease term and therefore no equalisation of payments was done. The lease payments for rent escalation is 10% and straightlining was done.

2017	Up to 1 year	2 to 5 years	Total
Premises - rent	6 110 277	12 220 554	18 330 831
Vehicles	184 724	-	184 724
Office equipment	602 023	-	602 023
	6 897 024	**12 220 554**	**19 117 578**

2016	Up to 1 year	2 to 5 years	Total
Premises - rent	5 504 664	20 042 482	25 547 146
Vehicles	316 670	184 724	501 394
Office Equipment	602 023	602 023	1 204 046
	6 423 357	**20 829 229**	**27 252 586**

Notes to the Annual Financial Statement

	2017	2016
	R	R
17. Cash (used in) generated from operations		
Deficit	(11 583 796)	(4 074 831)
Adjustments for:		
Depreciation and amortisation	1 631 427	911 718
Debt impairment	-	50 863
Movements in operating lease assets and accruals	605 613	1 106 037
Movements in provisions	1 365 015	(1 092 175)
Other non-cash items	25 281	(1 637)
Changes in working capital:		
Inventories	(31 187)	(14 219)
Receivables from exchange transactions	76 663	(145 022)
Provision for bad debts/ Bad debts impaired	-	(50 863)
Prepayment	311 856	(313 690)
Payables from exchange transactions	(336 365)	511 087
Trade and other payable from non-exchange	130 800	100 200
Unspent conditional grants and receipts	(3 855 982)	5 446 993
	(11 660 675)	**2 434 461**

18. Commitments

ITAC had the following commitments other than lease commitments at year end.

Contract Description	Commitment Up to 1 year	Commitment after 1 year
Internal audit services	1 970 676	-
Employee health & wellness programme	39 337	-
Records Management	144 000	512 106
Telecommunication	150 610	-
Price Preference System Research Study	828 210	-
Supply of fresh flowers	40 850	-
Parking	14 774	-
	3 188 457	**512 106**

Notes to the Annual Financial Statement

	2017	2016
	R	R

19. Related parties

Relationships	
Economic Development Department (EDD)	National Department in National Sphere
Entities under EDD control: -	
SEFA	Public Entity in National Sphere
IDC	Public Entity in National Sphere
Competition Commission	Public Entity in National Sphere
Competition Tribunal	Public Entity in National Sphere
The Department of Trade and Industry	National Department in National Sphere
Department of Justice and Constitutional Development	National Department in National Sphere
Members of key management	Mr. S.T Tsengiwe (Chief Commissioner) Mr. P. Semela (General Manager: Corporate Services) Dr. M Obinyeluaku (Chief Economist) Mr. Z.C Koyana (Chief Financial Officer)

ITAC is a schedule 3A public entity as outlined in the Public Finance Management Act, reporting to the Economic Development Department.

	2017 R	2016 R
Related party transactions		
Department of Trade and Industry (the dti)		
Rental payments	5 504 664	5 004 240
Telephone and internet payments	414 417	445 148
Economic Development Department		
Transfer payments received from EDD	(87 000 000)	(84 701 000)
Grants payments from EDD	(3 855 982)	(1 866 387)
Department of Justice and Constitutional Development		
Legal costs incurred	3 235 934	2 150 176

	2017 R	2016 R
Remuneration of Executive Management		
Mr. Siyabulela Tsengiwe (Chief Commissioner)		
Basic salary	1 259 745	1 226 982
13th Cheque	72 113	70 355
Pension contribution	113 183	109 753
Unemployment Insurance Fund	1 785	1 785
	1 446 826	**1 408 875**
Mr. Phillip Semela (General Manager: Corporate Services)		
Basic salary	951 529	909 704
13th Cheque	69 181	62 097
Car allowance	60 000	60 000
Performance bonus	26 673	27 146
Pension contribution	108 570	103 734
Unemployment Insurance Fund	1 785	1 785
	1 217 738	**1 164 466**

Notes to the Annual Financial Statement

	2017	2016
	R	R
19. Related parties (continued)		
Dr Moses Obinyeluaku (Chief Economist)		
Basic salary	1 011 530	969 703
13th Cheque	70 843	66 496
Performance bonus	26 673	27 146
Pension contribution	108 570	103 734
Unemployment Insurance Fund	1 785	1 785
	1 219 401	**1 168 864**
Mr. Zanoxolo Koyana (Chief Financial Officer)		
Basic salary	794 867	872 362
13th Cheque	-	48 245
Housing allowance	184 000	42 500
Pension contribution	83 372	79 402
Performance bonus	24 177	-
Unemployment Insurance Fund	1 785	1 785
	1 088 201	**1 044 294**

Related party balances

Department of Trade and Industry (the dti)		
Payable at year-end	(57 871)	(1 141 930)
Department of Justice and Constitutional Development		
Payable at year-end	(444 486)	(884 292)

20. Risk management

Financial risk management

The main risks arising from the ITAC's financial instruments are liquidity risk, market risk and credit risk. ITAC policies and procedures are used to manage its risks and the approach is consistent with prior years.

ITAC's overall risk management approach involves the work done by Internal Audit and the Chief Risk Officer,who report to the Audit and Risk Committee on risks,internal control,financial management and compliance matters.

Liquidity risk

ITAC's risk to liquidity is as a result of the funds available to cover future commitments. ITAC regards this risk to be low; taking into consideration ITAC's current funding structures and availability of cash resources. ITAC manages the liquidity risk through an ongoing review of commitments and maintaining of sufficient cash resources.

Notes to the Annual Financial Statement

	2017	2016
	R	R

20. Risk management (continued)

The following reflects ITAC's exposure to liquidity risk from financial liabilities:

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	3 701 094	-	-	-
Other financial liabilities	10 020 556	-	-	-

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	4 037 459	-	-	-
Other financial liabilities	14 605 794	-	-	-

Interest rate risk

ITAC is exposed to interest rate changes in respect of returns on its investments with financial institutions . ITAC's exposure to interest risk is managed by investing, on a short term basis, in call accounts with Standard Bank.

Sensitivity analysis

A change in the market interest rate at the reporting date would have increased/ (decreased) the surplus for the year by the amounts below:

2017	Change in investments	Increase/ (decrease) in net surplus for the year upward change	Increase/ (decrease) in net surplus for the year downward change
Cash and cash equivalents	1%	191 510	191 510

2016	Change in investments	Increase/ (decrease) in net surplus for the year upward change	Increase/ (decrease) in net surplus for the year downward change
Cash and cash equivalents	1%	348 390	348 390

Notes to the Annual Financial Statement

	2017	2016
	R	R

20. Risk management (continued)

Credit risk

ITAC's credit risk consists mainly of cash deposits, cash and cash equivalents and receivables from exchange transactions. ITAC only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. ITAC's exposure to credit risk is very minimal.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument		
Call account	18 935 695	34 809 500
Current account	207 381	21 692
Receivables from exchange transactions	401 253	477 916

21. Irregular expenditure

Opening balance	364 693	119 120
Add: Irregular Expenditure *	-	364 693
Less: Amounts condoned	-	(119 120)
Less: Amounts written off (not condoned)	(364 693)	-
	-	**364 693**

Accounting Authority granted the write-off of Irregular expenditure as per National Treasury guidelines on Irregular expenditure. The matter relating to legal fees has been referred to the National Treasury for advise on how to treat it because the use of the State Attorney by public entities is legislated.

22. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net deficit per the statement of financial performance	(11 583 796)	(4 074 831)
Adjusted for:		
Revenue from surpluses	10 527 123	-
Conditional grant	(171 210)	(1 866 387)
Other income	(215 202)	(144 963)
Interest income	61 805	(292 497)
Payroll expenditure in excess/(lower than) of budget	(2 333 661)	(142 533)
Operational expenditure in excess/ (lower than) of budget	1 477 488	6 521 211
Depreciation	1 631 427	-
Lease rental on operating lease	606 026	-
Net surplus per approved budget	**-**	**-**

Notes to the Annual Financial Statement

	2017	2016
	R	R

23. Variance explanations between budget and actual income and expenditure

Material differences between budget and actual amounts

Conditional grant was received from Economic Development Department for payment of short-fall in rent expense and contractors working on scrap metal.

The general expenditure is higher than budget, the short fall will be financed from the surplus and the variance on the personnel expenditure is dependent on the filled or vacant positions in the current year.

24. Operating lease liability

	2017	2016
Non-current liabilities	(1 711 650)	(1 106 037)
Current liabilities	-	-
	(1 711 650)	**(1 106 037)**

25. Prepayments

	2017	2016
Parking	9 340	13 122
Medical aid	-	308 074
	9 340	**321 196**

26. Trade and other payables from non-exchange transactions

	2017	2016
Housing allowance scheme	**231 000**	**100 200**

The Housing allowance scheme balance relates to amount set aside for participation in the Housing Allowance Scheme.

27. Change in estimate

Property, plant and equipment

The useful life of servers was estimated in 2016 to be 5 years. In the current period management have revised their estimate to 7 years. The effect of this revision has decreased the depreciation charges for the current and future periods by R 74 862.

28. Prior period reclassification

The effect of the reclassification on the 2016 results is as follows:

	2017	2016
Statement of financial position		
Non-current liabilities - Operating lease liability	-	(1 106 037)
Current liabilities - Operating lease liability	-	1 106 037
Statement of Financial Performance		
Lease rental and operating expense	-	7 033 636
General expenses	-	(7 033 636)

Notes to the Annual Financial Statement

	2017	2016
	R	R
29. Lease rental and operating lease		
Equipment	602 809	600 957
Motor vehicle	329 513	322 402
Premises	6 110 277	6 110 277
	7 042 599	**7 033 636**

The operating leases have been disclosed separately from General expenses.

Notes

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