

# ANNUAL REPORT --- 2017/18



FINANCIAL  
AND FISCAL  
COMMISSION

For an Equitable Sharing  
of National Revenue







For an Equitable Sharing  
of National Revenue

# ANNUAL REPORT 2017/18

## **Financial and Fiscal Commission**

Montrose Place (2nd Floor), Bekker Street,  
Waterfall Park, Vorna Valley, Midrand,

Private Bag X69, Halfway House 1685

[www.ffc.co.za](http://www.ffc.co.za)

Tel: +27 11 207 2300

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# Chairperson's Foreword



It is a pleasure to present the Financial and Fiscal Commission's Annual Report for the 2017/18 financial year as required by section 222 of the Constitution 1996, sections 40 and 65 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) (as amended) and section 26 of the Financial and Fiscal Commission Act, 1997 (Act No. 99 of 1997) (as amended).

During the year under review the Commission fulfilled its mandate as a constitutional body in promoting a sustainable and equitable intergovernmental fiscal relations system. The Commission ensured timeous delivery of its constitutional and legislative submissions through tabling in parliament:

1. Division of Revenue;
2. Response to the Medium Term Budget Policy Statement (MTBPS);
3. Response to the Division of Revenue Bill (DoRB);
4. Appropriation Bill; and
5. Response to the Fiscal Framework and Revenue Proposals.

On 31 May 2017, the Financial and Fiscal Commission tabled its Annual Submission for the Division of Revenue in Parliament. This submission is part of the Commission's constitutionally defined mandate to advise Parliament and state organs on how money collected by national government should be allocated fairly and equitably among the three spheres of government. The recommendations by the Commission contribute to achieving the goals of the National Development Plan (NDP) by addressing the role of intergovernmental fiscal relations in achieving these goals.

The theme of the Annual Submission, *"The Intergovernmental Fiscal Relations System and Urban Development in South Africa"*, emphasised the need for greater impetus in urban development. This includes investment in housing, more compact cities, transport integration, support for the informal sector; improvements to productivity and industrial diversification; improvements in schooling; and the need for accelerated job creation. This is balanced against the need to guard against separating the urbanisation agenda from the overall development agenda and the necessity for government to continue making critical investments in non-urban areas. The technical report and policy briefs that informed the recommendations were published.

The Commission actively responded to submissions and requests by the three spheres of government on social, economic and fiscal policies.

The 2014-2019 Strategic Plan and Annual Performance Plan 2018/19 were tabled in compliance with the provisions of the Public Finance Management Act.

The year under review was also a period during which the term of office of one of the Commissioners, Dr Krish Kumar, came to an end on 28 February 2018, as well as the contract of the Acting Chief Executive Officer, Mr Velile Mbethe on 31 March 2018. I would like to thank them for providing sterling support to the Commission.

I take this opportunity to express my gratitude to the Deputy Chairperson, Commissioners, independent committee members, Chief Executive Officer, executive management team and all staff for ensuring that the Commission realised its 2017/18 Strategic goals.

A handwritten signature in black ink, appearing to read 'Daniel Plaatjies', is written over a horizontal dashed line.

**Prof Daniel Plaatjies (PhD)**

Chairperson

31 August 2018



# Chief Executive Officer's Overview



I was appointed as the Chief Executive with effect from 1 April 2018. The position was occupied by the Acting Chief Executive Officer, Mr Velile Mbethe during the period under review. It is therefore a privilege for me to present the report as a record of activities and achievements against our stated plans during the 2017/18 financial year.

I am pleased to report that a great part of the annual performance plan, with its programmes and activities, during the period under review has been achieved and in some cases exceeded. The annual performance plan testifies to the importance and enormity of the mandate of the Commission. The effort and commitment of staff to these achievements is highly valued.

The review of the Strategic Plan 2014-2019 and development of the Annual Performance Plan 2018/19 was successful, and culminated in the documents being successfully tabled in Parliament.

I am pleased to report that operationally the positions of Chairperson, Deputy Chairperson and Chief Executive Officer have now been

filled. New independent members to the audit and risk committee were appointed. The Commission is indebted to the outgoing independent members for their contribution to the Commission during their tenure. Permanent human capital management capacity has now been achieved, through appointments in this division. This will strengthen the management and capacity of human resources in the Commission.

The action plan regarding cost containment measures continues to be implemented and has been institutionalised in the Commission's policies. The Commission continues to enhance its internal controls around supply chain management and its zero-tolerance approach to non-compliance.

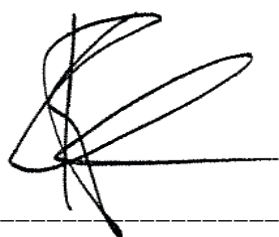
One of the greatest challenges to undertaking research has been gathering data. I am pleased that the Commission is now in the process of designing and developing a data warehouse to assist in sourcing data, to automate the models, business intelligence, and geographic information system capabilities. A security assessment of one of the premises occupied by the Commission was undertaken in conjunction with law enforcement authorities. The assessment resulted in vast improvements of security and access control. The Commission continues to ensure improved compliance to legislation and adherence to relevant corporate governance best practice. There is continuous monitoring and reporting according to the risk register to prevent incidents. The Commission's determination to demonstrate its values of accountability, honesty and transparency continue unabated.

I am confident in the future of the Commission and in its ability to deliver on its mandate. With the relevant governance structures in place, we have evaluated our external and internal



risk areas, and have successfully implemented the appropriate risk mitigating strategies, while also seeking to achieve operational efficiencies. We will continue to effectively execute the Commission's constitutional role in the ambit of the South African intergovernmental fiscal framework.

I wish to convey my gratitude to the Chairperson, Deputy Chairperson, Commissioners and independent committee members for their astute leadership. I would also like to thank the staff of the Commission including my Executive team for their hard work and commitment throughout the year. As we head to our next performance planning and new five year strategic planning horizon, we will utilise the opportunity presented by our new leadership for further critical evaluation and to strengthen the execution of our mandate.

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**Dr Kay Brown**

Chief Executive Officer

31 August 2018

## Statement of Responsibility and Confirmation of Accuracy of the Annual Report

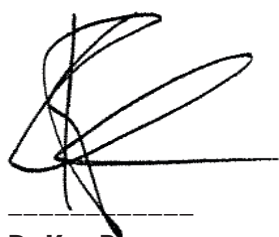
To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor-General. The annual report is complete, accurate and free from any omissions. The annual report has been prepared in accordance with the annual report guidelines issued by the National Treasury.

The annual financial statements included in this annual report were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP). The Commissioners are responsible for the fiduciary governance of the Commission.

The accounting officer is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resource information and the annual financial statements.

The annual report fairly reflects the operations, the performance information, the human resource information and financial affairs of the Financial and Fiscal Commission for the financial year ended 31 March 2018.

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

**Dr Kay Brown**

Chief Executive Officer

31 August 2018



For an Equitable Sharing  
of National Revenue

# Part A

## General Information



# Part A: General Information

## 1 CONSTITUTIONAL AND LEGISLATIVE MANDATE

The Financial and Fiscal Commission (Commission) derives its mandate from Chapter 13, Section 220 of the Constitution of the Republic of South Africa Act, 1996 (Act No. 108 of 1996) (the Constitution) (as amended). In addition the Commission's functions are also encompassed in sections 214(2), 221, 222, 228(2)(b), 229(5), 230(2), and 230A(2) of the Constitution which provides, among others, that the Commission is an independent and impartial advisory state institution, that government has to consult on the division of revenue among the three spheres of government and in the enactment of legislation pertaining to provincial taxes, municipal fiscal powers and functions, and provincial and municipal loans.

Its mandate is further enabled through the Financial and Fiscal Commission Act, 1997 (Act No. 99 of 1997) (as amended), Intergovernmental Fiscal Relations Act, 1997 (Act No. 97 of 1997), Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009), Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (as amended), Provincial Tax Regulation Process Act, 2001 (Act No. 53 of 2001), Intergovernmental Relations Framework Act, 2005 (Act No. 13 of 2005) and the Municipal Fiscal Powers and Functions Act, 2007 (Act No. 12 of 2007).

## 2 VISION AND MISSION

### 2.1 Vision

To provide influential advice for an equitable, efficient and sustainable intergovernmental fiscal relations (IGFR) system.

### 2.2 Mission

To provide proactive, expert and independent advice on promoting a sustainable and equitable IGFR system, through evidence-based policy analysis to ensure the realisation of our Constitutional values.

### 3 VALUES

To enable the Commission to deliver on its mandate, it subscribes to the following values:



**Professionalism**, which implies fairness and equal treatment, the free sharing of information, striving for quality, and time management



**Respect**, for each other as colleagues and for the diversity of the workforce



**Empowerment**, in employing policies to increase delegation rather than to stifle it, the tolerance of different views and ideas, and making resources available when required



**Teamwork**, which encourages cross-functional integration, voluntary mentorship and coaching, taking responsibility, and flexibility



**Innovation**, which allows intellectual space, provides systems to support innovation, and tolerates mistakes as opportunities for learning.

## 4 STRATEGIC OUTCOME-ORIENTED GOALS

The following strategic outcomes-oriented goals identify the areas of institutional performance that are critical to the achievement of the Commission's mandate.

Strategic outcome-oriented goals		
1	Goal 1	A stable and innovative IGFR system
	Goal statement	The system of intergovernmental fiscal relations (IGFR) is progressive, sustainable and equitable
2	Goal 2	Strategic foresight
	Goal statement	No surprises and future-oriented
3	Goal 3	Influential and informed policy advice
	Goal statement	Effective policies that are evidence-based result from comprehensive and value-added engagement
4	Goal 4	Knowledge management
	Goal statement	Relevant knowledge that enhances developmental impact is created and mobilised through the balance of internal and external specialist talent commensurate with the needs of the Commission
5	Goal 5	Success culture
	Goal statement	A dynamic, productive organisational culture is created and nurtured
6	Goal 6	Balance
	Goal Statement	The balancing of present and future demands, leading to effective performance within the constraints of available resources

## 5 COMPOSITION AND ORGANISATIONAL STRUCTURE

### 5.1 Commission

The Commission comprises the following nine persons:

1. Chairperson and Deputy Chairperson;
2. Three persons, appointed after consultation with the provincial premiers, from a list compiled in accordance with a process prescribed by national legislation;
3. Two persons, appointed after consultation with organised local government, from a list compiled in accordance with a process prescribed by national legislation; and
4. Two other persons.

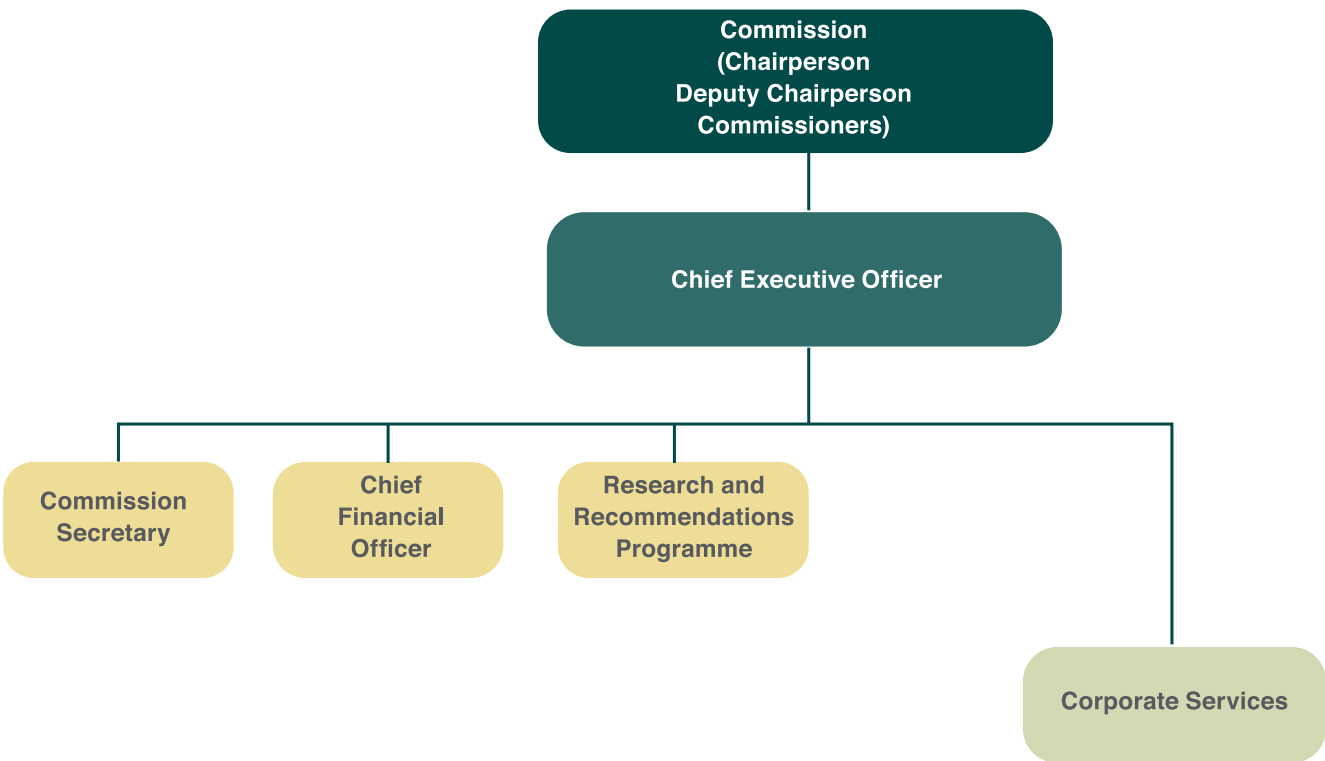
Commissioners are appointed in terms of section 221 of the Constitution and section 5 of the Financial and Fiscal Commission Act. All appointments are made by the President of the Republic of South Africa. A member of the Commission must have appropriate experience. The Chairperson is in the full-time employment of the Commission while the rest of the Commissioners, including the Deputy Chairperson are part-time. Commissioners are appointed for a term not exceeding five years, which is renewable for a further term.

Commissioners are entitled to remuneration, allowances and other benefits as determined by the President and approved by the National Assembly from time to time by notice in the Gazette taking into consideration the recommendations of the Independent Commission for the Remuneration of Public Office Bearers.

**5.2 Secretariat**

The Commission Secretariat has four divisions: Commission Secretary, Finance, Corporate Services and the Research and Recommendations programme. The executive management team (EMT) is chaired by the Chief Executive Officer. The EMT is committed to principles of transparency, accountability, efficiency and effectiveness, and the practical application of these principles to enable delivery of our constitutional mandate.

**STRUCTURE OF FFC**







# Part B

## Performance Information



# Part B: Performance Information

## 1 ACHIEVEMENTS

In line with its constitutional obligations to provide recommendations on financial and fiscal matters and in terms of its mandate according to the annual performance plan, the following table details the FFC's achievements during the 2017/18 financial year.

Subject	Parliament	Provincial legislatures	Local government	Other organs of state and stakeholders
2018/ 19 Submission for the Division of Revenue	Formal tabling and presentations	Formal tabling and presentations	Formal tabling and presentations	Presentations
2017 Medium Term Budget Policy Statement	Formal presentation			
Submission on the 2018 Division of Revenue Bill	Formal presentation			
Fiscal Frameworks and Revenue Proposals	Formal presentation			
Submission on Appropriation Bill	Formal presentation			
Commission annual report	Tabling and formal presentation			
Portfolio Committee on Small Business -expenditure and performance of the department and its entities	Formal presentation			
Portfolio Committee on Health - Analysis of the national Department of Health, provincial departments and their entities: strategic plans, annual performance plans and budget	Formal presentation			
Standing Committee on Appropriations — invitation to provide training	Training provided			

Subject	Parliament	Provincial legislatures	Local government	Other organs of state and stakeholders
Portfolio Committee on Higher Education and Training - revised Strategic plan 2015/16-2019/20, Annual Performance Plan and Budget 2017/18 for the department and its entities	Formal presentation			
Standing Committee on Appropriations - strategic plan review session	Formal presentation			
Portfolio Committee on Agriculture, Forestry and Fisheries - annual performance plans and budget	Formal presentation			
South African Local Government Association (SALGA) inaugural council of mayors meeting			Engagement	
SALGA municipal finance national working group			Engagement	
SALGA women's commission conference			Engagement	
SALGA 11th national municipal managers' forum			Engagement	
Portfolio Committee on Basic Education - budget review and recommendations report	Formal presentation			
Portfolio Committee on Basic Education -preparations for budget review and recommendations report	Formal presentation			
Portfolio Committee on Health - preparations for budget review and recommendations report	Formal presentation			

Subject	Parliament	Provincial legislatures	Local government	Other organs of state and stakeholders
Portfolio Committee on Rural Development and Land Reform - preparations for budget review and recommendations report	Formal presentation			
Portfolio Committee on Human Settlements - preparations for budget review and recommendations report	Formal presentation			
Chartered Institute of Government Finance, Audit and Risk Officers 88th annual conference				Formal presentation
Gauteng Legislature oversight committee on the Office of the Premier and the Legislature		Engagement		
Municipal Demarcation Board in collaboration with the Human Science Research Council - seminar on categorisation of municipalities into metropolitan municipalities				Engagement
Free State Legislature: presentation on provincial equitable share		Presentation		
SALGA: provincial members' assembly			Engagement	
Standing Committee on Appropriations - South African Airways debt relief and recapitalisation	Formal presentation			
Western Cape Provincial Treasury - annual municipal CFO lekgotla		Engagement		
Municipal Demarcation Board - extended boundaries power and functions committee				Engagement

Subject	Parliament	Provincial legislatures	Local government	Other organs of state and stakeholders
Free State Provincial Treasury - gender responsive budget project		Formal presentation		
Gauteng Provincial Legislature - oversight committee on the Office of the Premier and Legislature: analysis of the third quarter performance report for 2017/18		Engagement		
SALGA -consultation on salary and wage negotiations			Formal presentation	
SALGA -conceptual framework for the regional development approach			Engagement	
Department of Basic Education - heads of education department committee - subcommittee on finance - enhancement of identified projects				Engagement

## 2 COMMISSION SUBMISSION FOR THE 2018/19 DIVISION OF REVENUE

Every year the Commission makes recommendations to Parliament on the division of revenue among the three levels of government by submitting an annual submission to Parliament. These annual submissions are made in terms of Section 214(1) of the Constitution, Section 9 of the Intergovernmental Fiscal Relations Act and Section 4(4c) of the Money Bills Amendment Procedure and Related Matters Act. The Commission's annual submission for the 2018/19 Division of Revenue was tabled in Parliament on 31 May 2017 with a focus on the intergovernmental fiscal system and urban development in South Africa. The submission focused on the key role that cities play in South Africa's economic development, and the challenges and opportunities inherent in the rapid rate urbanisation in the country. The submission argued that by enhancing the economic performance of cities, the country will achieve faster, and more inclusive and sustainable economic growth. The Commission made several policy recommendations on how this can be achieved including-

- **Fiscal consolidation and infrastructure investment:** The Commission recommended that government continues with its programme of fiscal consolidation, including reducing the budget deficit moderately but consistently. Investment in public infrastructure that has a positive effect on productivity, innovation and employment should be actively pursued and urban-rural linkages should be enhanced through policy coordination, better targeted rural infrastructure investment and the promotion of productive social safety nets.
- **Building compact cities:** The development of compact cities will bring people closer to jobs and opportunities. The Commission recommended that the National Treasury establish an incentive grant to help make compact cities an enhanced feature of the urban agenda and to support moving away from apartheid spatial forms.
- **New income sources for public transport:** With quality public transport key to sustainable and equitable urban living, the Commission recommended that locally-earned fiscal revenue is ring-fenced for public transport. This could include the retention of a larger portion of the fuel levy generated in a municipal area for use by cities in the development of integrated transport.
- **Consolidation of public transport functions:** The Commission recommended that the Department of Transport approve and pilot the consolidation of public transport functions for metropolitan municipalities as provided for in the National Land Transport Act. This should include legal and institutional actions for the integration and management of different transport modes, including rail. In areas outside major cities, where resources and capacity are limited, new options for achieving integrated transport should be identified.
- **Human settlements:** A review of the finance linked individual subsidy programme was recommended to broaden the base of beneficiaries. Better alignment of infrastructure delivery between the human settlement, transport and education functions should also be undertaken.



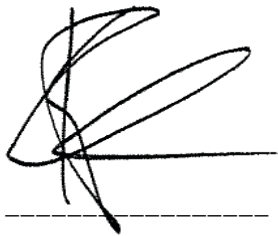
- **Growing city economies:** The Commission recommended the establishment of an economic diversification plan for cities together with the growth of the expanded public works programme in large towns and secondary cities. Funding programmes such as the Jobs Fund, informal and micro-enterprise support programme and the shared economic infrastructure facility should be decentralised to metropolitan municipalities and secondary cities. The Department of Small Business Development Support should address constraints to informal enterprise growth in cities.
- **Revenue diversification for urban municipalities:** The Commission recommended a range of measures to enable metropolitan municipalities to increase their access to financial resources such as joint bond issuance, public private partnerships, land value capture instruments and using grant funding to leverage private capital.

Dissemination activities proceeded well, in line with strategic objectives and thrust of the submission. The annual submission was presented to Parliament (Standing Committee on Appropriation and Select Committee on Appropriation separately) and to all provincial legislatures. The South African Local Government Association as well as certain metropolitan municipalities were visited and briefed. The metropolises visited were Johannesburg, Ekurhuleni, Tshwane and Nelson Mandela.

### **3 STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2018**

The Chief Executive is responsible for the preparation of the Commission's performance information and for judgments made on this information. This involves establishing, and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

The Auditor-General currently performs the necessary audit procedures on the performance information to provide assurance on audit conclusions. The audit conclusion on the performance against predetermined objectives is included in the report to management. In my opinion and as corroborated by the Auditor-General, the performance information fairly reflects the operations of the Commission for the financial year ended 31 March 2018.

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**Dr Kay Brown**

Chief Executive Officer

Date: 31 July 2018

## 4 MEASURABLE STRATEGIC OBJECTIVES

The measurable strategic objectives outlined in the Commission's strategic plan against which achievements of the Commission are assessed, are as follows:

1. To profile the Commission with a special focus on the Commission's mandate, vision, mission and role, the Commission's short- and long-term strategy, the Commission's position on specific issues, the Commission's challenges and achievements **(objective 5.1.1).**
2. To ensure that Commission research is converted to policy advice and recommendations written in a language that is accessible to policymakers **(objective 5.1.2).**
3. To ensure the generation of quality, innovative, pioneering research that informs key IGFR strategic debates and choices **(objective 5.1.3).**
4. To ensure the progressive and innovative management of human resources that attracts, develops and retains key talent, and leverages external expertise **(objective 5.2.1).**
5. To ensure the coordinated, coherent, high quality, innovative and cost effective approach to ICT that meets the needs of the Commission, the Commission Secretariat and stakeholders **(objective 5.2.2).**
6. To ensure the coordinated, cost effective and innovative management of Commission assets in support of delivery on the Commission's mandate **(objective 5.2.3).**
7. To ensure compliance with legislation and adherence to relevant corporate governance best practice **(objective 5.2.4).**
8. To ensure superior performance **(objective 5.2.5).**
9. To ensure the creation of new knowledge, the institutionalisation of such knowledge and its transfer to other role players within the intergovernmental fiscal relations system **(objective 5.3.1).**
10. To ensure prudent and transparent management of the financial resources of the Commission **(objective 5.4.1).**
11. To ensure access to alternative sources of funding **(objective 5.4.2).**

The detailed performance information provided below indicates that the Commission has made significant progress in relation to its medium-term goals while at the same time showing improvement in its financial condition, as reflected in the audited annual financial statements.

## 5 PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

Project/ activities (input)	Output (deliverable)	Key perfor- mance measure/ indicator	2016/17 actual	2017/18 annual target	2017/18 annual actual achieved	Variance/ explanation
<b>Measurable strategic objective 5.1.1: Profile the Commission with a special focus on the Commission's mandate, vision, mission and role; approach, the Commission's short- and long-term strategy; the Commission's position on specific issues; and the Commission's challenges and achievements</b>						
<b>Legislature and government plan</b>	Dissemination of Commission proffering, engagement with stakeholders and issues management	Number of briefings on 2018/19 submission for the Division of Revenue	2	2 Parliament	2	Achieved
			9	9 provincial legislatures	9	Achieved
			1	1 SALGA	1	Achieved
		Number of briefings on 2017 Medium Term Budget Policy Statement	4	2 Parliament	2	Achieved
		Number of briefings on Commission submission on the 2018 Division of Revenue Bill	1	1 Parliament	2	Target exceeded due to request for briefing by the Standing Committee on Appropriations and Select Committee on Appropriations
		Number of briefings on Fiscal Framework and Revenue Proposals	1	1 Parliament	1	Achieved
		Number of briefings on Commission submission on Appropriations Bill	1	1 Parliament	1	Achieved

Project/ activities (input)	Output (deliverable)	Key performance measure/ indicator	2016/17 actual	2017/18 annual target	2017/18 annual actual achieved	Variance/ explanation
<b>Legislature and government plan</b> <i>cont ...</i>	Dissemination of Commission profferings and engagement with stakeholders	Number of briefings on Commission annual report annually by financial year end	-			
		Number of TCF <sup>1</sup> meetings	5			
		Number of budget council meetings and forum meetings	3			
		Number of presentations on request by stakeholders	40	20	41	Target exceeded due to extraordinary <i>ad hoc</i> stakeholder requests

Project/ activities (input)	Output (deliverable)	Key performance measure/ indicator	2016/17 actual	2017/18 annual target	2017/18 annual actual achieved	Variance/ explanation
<b>Measurable strategic objective 5.1.2: To ensure that Commission research is converted to policy advice and recommendations written in language that policymakers can understand</b>						
<b>Use of official languages</b>	Accessible Commission profferings	Development of use of official languages policy	-			
		Communication policy reviewed		1	1	Achieved

<sup>1</sup> Technical Committee on Finance

Project/ activities (input)	Output (deliverable)	Key performance measure/ indicator	2016/17 actual	2017/18 annual target	2017/18 annual actual achieved	Variance/ explanation
<b>Measurable strategic objective 5.1.3: To ensure the generation of quality, innovative, pioneering research that informs key IGFR strategic debates and choices</b>						
<b>Research and Recommendations programme</b>	Better stewardship of public funds/value for Money	2018/19 Annual Submission for Division of Revenue in Q1	1	1	1	Achieved
		2017 Medium Term Budget Policy Statement Submission	1	1	1	Achieved
		2018 Division of Revenue Bill Submission	1	1	1	Achieved
		2018 Fiscal Frameworks and Tax Proposals Submission	1	1	1	Achieved
		2018 Appropriation Bill Submission	1	1	1	Achieved

Project/ activities (input)	Output (deliverable)	Key performance measure/ indicator	2016/17 actual	2017/18 annual target	2017/18 annual actual achieved	Variance/ explanation
<b>Measurable strategic objective 5.2.1: To ensure the progressive and innovative management of human resource that attracts, develops and retains key talent, and leverages external expertise</b>						
<b>Human Resource Management</b>	People organised effectively for performance	Human resource strategy reviewed by Q4	1	1	1	Achieved
		Number of human resource management policies and procedures reviewed	4			
		Remuneration of staff at rates not below DPSA published rates in 2014/15	SMS and non-SMS staff remuneration not below DPSA rates			
		Number of unoccupied but budgeted posts	No more than 15% of total number of budgeted positions			
		Number of rate of absenteeism <sup>2</sup>	-			
		Number of ratio of male to female staff	-			

<sup>2</sup> Total Days Absent/Total Working Days%



Project/ activities (input)	Output (deliverable)	Key performance measure/ indicator	2016/17 actual	2017/18 annual target	2017/18 annual actual achieved	Variance/ explanation
<b>Measurable strategic objective 5.2.2: To ensure the coordinated, coherent, high quality, innovative and cost effective approach to ICT that meets the needs of the Commission, the Commission Secretariat and stakeholders</b>						
<b>ICT management</b>	ICT organised effectively for performance	Number of ICT policies and procedures reviewed by Q4	4			
		Development of ICT strategy		ICT strategy developed	-	Not achieved. Input that informs ICT strategy is being awaited from State Information Technology Agency
		Disaster recovery plan (DRP) reviewed by Q4	-			
		Business continuity plan (BCP) reviewed by Q4	-			

Project/ activities (input)	Output (deliverable)	Key performance measure/indicator	2016/17 actual	2017/18 annual target	2017/18 annual actual achieved	Variance/ explanation
Measurable strategic objective 5.2.3: To ensure the coordinated, cost-effective and innovative management of Commission assets in support of delivery on the Commission’s mandate						
Facilities management	Space, infrastruc- ture, people and organisation effec- tively coordinated for performance	Number of facilities management poli- cies and procedures reviewed by Q4	4			
		Facilities manage- ment strategy reviewed		1	-	Not achieved. There is no facili- ties management strategy to be reviewed. The strategy will be compiled during the 2018/19 finan- cial year.
Measurable strategic objective 5.2.4: Compliance with legislation and adherence to relevant corporate governance best practice						
Compliance	Commitment to legal and ethical standards, and doing the right thing	Strategic plan to the National Treasury by due date	1			
			1			
			1	Final strategic plan to the National Treasury	1	Achieved
		Strategic plan to Parliament by due date	1	Final strategic plan to Parliament	1	Achieved
		Tabling of Submis- sion for the Division of Revenue per IGFR Act	1	Tabling of submission by May 2016	1	Achieved
		Submission of 2017/18 quarterly financial and non-financial perfor- mance information to National Treasury by due date	1	Q4 2016/17 reports to the National Treasury by 30 April 2017	1	Achieved
			1	Q1 2017/18 reports to the National Treasury by 31 July 2017	1	Achieved

Project/ activities (input)	Output (deliverable)	Key performance measure/indicator	2016/17 actual	2017/18 annual target	2017/18 annual actual achieved	Variance/ explanation
Compliance			1	Q2 2017/18 reports to the National Treasury by 31 October 2017	1	Achieved
			1	Q3 2017/18 reports to the National Treasury by 31 January 2018		Achieved
		Submission of 2016/17 financial and non-financial performance information to Auditor-General by due date.	1	Unaudited 2016/17 annual financial statements and performance information to Auditor-General by 31 May 2017		Achieved
		2017/18 MTEF Submission to National Treasury by due date	1	Submission to the National Treasury		Achieved
		Submission and tabling of 2016/17 annual report before Parliament, provincial legislatures, organised local government, National Treasury and Auditor-General by due date.	1	Submission of Draft 2016/17 annual report to Auditor-General in Q2	1	Achieved
			1	Submission of draft 2016/17 annual report to the National Treasury by 31 August 2017	1	Achieved
			1	Tabling of submission of draft 2016/17 annual report by 31 August 2017	1	Achieved
		2016/217 Budget Adjustment Estimates Submission to National Treasury by due date	1	Budget Adjustment Estimates to the National Treasury in Q2		Achieved
		Enterprise risk assessment	-			
		Estimates of National Expenditure (ENE) Submission to National Treasury by due date	1	ENE Submission to the National Treasury in Q3	1	Achieved

Project/ activities (input)	Output (deliverable)	Key performance measure/indicator	2016/17 actual	2017/18 annual target	2017/18 annual actual achieved	Variance/ explanation
		Commission gover- nance as prescribed by the Financial and Fiscal Commission Act and approved committee terms of reference	4			
		Commission gover- nance as prescribed by the Financial and Fiscal Commission Act and approved committee terms of reference	10			
			12			
			12			
		Implementation of the Financial and Fiscal Commission Amendment Act 2015	-			
Measurable strategic objective 5.2.5: To ensure superior performance						
Performance Man- agement	Consistent attain- ment of organisa- tional goals	Number of 2015/16 performance targets achieved by Q4	-		-	
	Review performance management policy	Performance management policy reviewed		1	1	Achieved

Project/ activities (input)	Output (deliverable)	Key performance measure/indicator	2016/17 actual	2017/18 annual target	2017/18 annual actual achieved	Variance/ explanation
<b>Measurable strategic objective 5.3.1: To ensure the creation of new knowledge, the institutionalisation of such knowledge and its transfer to other role players within the intergovernmental fiscal relations system</b>						
<b>Information management, enterprise content management, and knowledge management</b>	Preserve institutional memory	Number of peer-reviewed publications in accredited journals as per research policy	4	4	1	1 Paper published 5 Papers under blind reviews in the following A-rated journals and manuscripts and editor notes and communication: <ul style="list-style-type: none"> <li>• World Development</li> <li>• South African Journal of Economics</li> <li>• South African Journal of Economics</li> <li>• Agrekon Development Southern Africa</li> </ul>
		Number of recognised book chapters or working papers or technical reports published as per research policy	19	8	11	Target exceeded Extensive efforts and mentorship to complete technical reports and submit for publication manuscripts to accredited working paper series and book chapters

Project/ activities (input)	Output (deliverable)	Key performance measure/indicator	2016/17 actual	2017/18 annual target	2017/18 annual actual achieved	Variance/ explanation
<b>Measurable strategic objective 5.4.1: To ensure prudent and transparent management of the financial resources of the Commission</b>						
<b>Financial management</b>	Organisational agility through the allocation of scarce resources amongst competing interests and opportunities	Financial manage- ment policy and procedure reviewed	1			
		Supply chain man- agement policy reviewed	1	Supply chain man- agement policies re- viewed and approved by Q4	1	Achieved
		AG audit report of 2015/16 AFS and performance infor- mation with no mat- ters of emphasis	1			
		Percentage devia- tion from budget al- location	11%			
<b>Measurable strategic objective 5.4.2: To ensure access to supplementary sources of funding</b>						
	Cooperating to cre- ate and/or acquire knowledge	Number of partner- ships, sponsorships, collaboration agree- ments or special projects by Q4	2	1	1	Achieved







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# Part C

## Corporate Governance



# Part C: Corporate Governance

## 1 INTRODUCTION

The Commissioners provide leadership and guidance when discharging the mandate of the Commission. The Commissioners are committed to ensuring that the values of the Commission are adhered to in all its strategic activities. As part of this commitment, the Commissioners support the highest standards of corporate governance and the development of best practice which is fundamental to its constitutional mandate. The FFC must at all times adhere to the current standards of good governance which involve the establishment of structures and processes with appropriate checks and balances. Governance practices and processes will continue to receive the Commission's and its committees' consideration and attention, in an effort to ensure that its operations are conducted ethically and within prudent risk parameters. Good corporate governance involves effective and ethical leadership, establishing an ethical culture in the organisation, control of the organisation through appropriate risk management, being driven by results with a focus on holding executives accountable for performance against strategic goals, and ensuring transparent reporting and disclosure of outcomes, value creation and impact on all types of capital (financial, intellectual, human, social, economy, environment) employed in the entity.

The Chief Executive Officer is the Accounting Officer of the FFC and is appointed by the Commission. The Chief Executive Officer is responsible for managing and directing the activities of the FFC, supervising staff and general administration, and for performing any functions assigned to her in terms of the Financial and Fiscal Commission Act, 1999 (Act No. 97 of 1999), Public Finance Management Act, 1999 (Act No. 1 of 1999) and relevant prescripts.

## 2 COMMISSIONERS



### 2.1 Full-time Chairperson

**Prof Daniel Plaatjies (appointed as commissioner on 1 September 2013)  
(appointed as Chairperson on 1 July 2017)**

Prof Daniel Plaatjies has a BSocSc (Hons) from University of Cape Town in Policy, Planning, Administration and Management, an MPhil in Policy, Planning and Management from University of Western Cape and a PhD in the study of Governance, Public Policy and Public Finance from the University of the Witwatersrand. He is a former special advisor in the ministry of public enterprises in the government of South Africa. Prof

Plaatjies is former head and director of the Witwatersrand School of Governance and is currently a Visiting Professor at the University of Free State School of Business. He has served in various senior and executive management positions, including special advisor within the South Africa national and provincial government's public service. He is the author and editor of "Future inheritance - building state capacity in democratic South Africa" (Jacana, 2011) and "Protecting the inheritance - governance and public accountability in democratic South Africa" (Jacana, 2013) and lead editor of Human Science Research Council's 2016 "State of the nation" publication. He has also authored a number of government publications and articles contributing to the public intellectual discourse on government, governance, public finance, public policies and public leadership, administration and management.



## **2.2 Part-time Deputy Chairperson**

**Dr Sibongile Muthwa (appointed as Commissioner on 28 July 2014)  
(appointed as Deputy Chairperson on 1 July 2017)**

Dr Muthwa obtained her BA (SW) (Fort Hare), BA (SW) Hons (Witwatersrand), MSc (SPPDC), PhD (London). She has international work experience in non-government, development, and public sectors, as well as in academia. Dr Muthwa is currently the Vice Chancellor: Institutional Support at the Nelson Mandela Metropolitan University.

## **2.3 Commissioners**

### **2.3.1 Mr Kenneth Fihla (Commissioner from 1 September 2013 - 31 August 2018)**



Mr Fihla is the Chief Executive of Standard Bank's Corporate and Investment Banking (CIB). A respected leader with extensive investment banking experience, he joined Standard Bank as head of investor services in September 2006. In March 2007, he was appointed to the executive committee of Standard Bank's Corporate and Investment Bank. In April 2008, he became head of transactional products and services South Africa. Mr Fihla ran client coverage and was also head of CIB in South Africa before being appointed Deputy Chief Executive of CIB in November 2016. Mr Fihla studied mechanical engineering at the Harare Polytechnic. He has an MSc in financial economics from the University of London and an MBA from the University of the Witwatersrand.



### **2.3.2 Mr Siphso Lubisi (28 July 2014 – 27 July 2019), Commissioner**

Mr Siphso Lubisi commenced work at TSB Sugar Holdings in 1981. He served as a shop steward of the Food and Allied Workers Union (FAWU) at TSB Sugar Holdings. He was elected chairperson of (FAWU) Nelspruit Branch from 1986 to 1988, and during the same period he served as the chairperson of COSATU for the Nelspruit local. He served as FAWU Transvaal regional treasurer from 1988 to 1990 and from 1990 to 1993 he served as the national treasurer of FAWU. He was the chairperson of the Congress of South African Trade Unions (COSATU) Eastern Transvaal region from 1989 to 1993 and also served as a member of central executive committee of COSATU. Mr Lubisi served as a

member of the African National Congress (ANC) provincial executive committee from 1992 to 2008. He was elected as the ANC provincial deputy chairperson in 2002 and served to 2005. From 2002 to 2007 he was a member of the South African Communist Party (SACP) central committee. He is currently serving as a member of the executive committee of the SACP in Mpumalanga province. Mr Lubisi was elected as a senator in the then Senate of the Republic of South Africa from 1994 to 1996, and served as the permanent delegate in the National Council of Provinces (NCOP) from 1996 to 1998. He joined the Mpumalanga Provincial Legislature and was elected as the Speaker of the Legislature from 1998 to 2004. He served as a member of the executive council (MEC) of the Mpumalanga Department of Health and Social Development in 2004 and 2005, and was an MEC for Economic Development and Planning from 2005 to 2007. In 2007 and 2008 he was reappointed as an MEC for Health and Social Development. From 2008 to 2009 Mr Lubisi served as a member of the Mpumalanga Provincial Legislature and as chairperson of the Portfolio Committee on Agriculture and Land Administration, and Economic Development and Planning. Mr Lubisi was the Speaker of the Mpumalanga Legislature from 2009 to 2014.



### **2.3.3 Prof Gilingwe Mayende (28 July 2014 - 27 July 2019), Commissioner**

Professor Gilingwe Mayende holds a BA (Sociology and History) from the University of Botswana, an MA in Development Sociology (1987) and PhD in Sociology from the University of Hull, United Kingdom (1990). He also holds a diploma in executive leadership (senior executive programme) from Harvard University. After completing his PhD in 1990, he was selected to the position of Visiting Fellow and Senior Associate Member of St Antony's College at Oxford University in the United Kingdom, where he conducted research on the land question in South Africa.

Between 1995 and 2005, Professor Mayende served as a senior public servant in the democratic South African government – a career which included a five year stint as the Director-General of the Department of Land Affairs from 2000 to 2005. He also served as the Deputy Director-General of the Eastern Cape Provincial Government between January 1999 and April 2000. From March 1995 to December 1998 he was the regional land claims commissioner for the Eastern Cape and Free State provinces. He is currently employed at the University of Fort Hare as a Deputy Vice Chancellor: institutional support.





#### **2.3.4 Prof Nico Steytler (1 September 2013 – 31 August 2018), Commissioner**

Prof Nico Steytler (BA LLB (University of Stellenbosch), LLM (University of London), PhD (University of Natal), Dr (honoris causa) University of Fribourg, Switzerland) is a professor of public law and the South African Research Chair in Multilevel Government, Law and Policy at the Dullah Omar Institute of Constitutional Law, Governance and Human Rights, the University of the Western Cape. Formerly he was the Director of the Community Law Centre, a research and advocacy institute that works on governance and human rights. His main field of research is multilevel government, including local government.

He has written extensively on the subject, including co-authoring the *Local Government Law of South Africa* (LexisNexis, annually updated). He has advised governments at all levels on constitutional and statutory design and implementation of multilevel governance. He was a member of the Municipal Demarcation Board from 2004 to 2014. He also works on multi-level government elsewhere in Africa, and with Professor Yash Pal Ghai edited *Kenya-South Africa Dialogue on Devolution* (Juta 2015). He was the past president of the International Association of Centres for Federal Studies (2010-2016)."



#### **2.4 Term ended**

#### **Dr Krish Kumar (1 March 2013 – 28 February 2018), Commissioner**

### 3 COMMISSION MEETINGS AND ATTENDANCE

Commission meetings are the highest decision-making structure of the Commission. The Commission meetings are chaired by the Chairperson, who is assisted by the Deputy Chairperson to carry out the functions of the Commission. The Commission meetings are held four times annually. The table below indicates the frequency of Commission meetings and attendance during 2017/18.

**Table 1**

Name of member	Position	Meetings attendance and dates				
		8/5/2017 <sup>1</sup>	27/7/2017	11/12/2017	15/3/2018	19/2/2018
Prof Daniel Platjies <sup>2</sup>	Chairperson	√	√	√	√	√
Dr Sibongile Muthwa <sup>3</sup>	Deputy Chairperson	A	√	A	A	√
Mr Kenneth Fihla	Commissioner	A	A	√	A	A
Dr Krish Kumar	Commissioner	√	√	√	#	#
Mr Sipho Lubisi	Commissioner	√	√	√	√	√
Prof Gilingwe Mayende	Commissioner	√	A	√	√	√
Prof Nico Steytler	Commissioner	√	√	√	√	√

√: Attended A: Apologies #: term expired

### 4 COMMITTEES

The Commission may appoint one or more committees to assist it in the performance of any of its functions or the exercise of any of its powers. The establishment of committees strengthens the overall governance of the Commission. The audit and risk committee is a mandatory committee that is established in terms of the PFMA. The Commission has further established the human capital management and remuneration, and research committees to ensure effective implementation of its objectives. Each committee has its own terms of reference that is regularly reviewed.

#### 4.1 Audit and risk committee

The audit and risk committee has ensured its independence in accordance with the PFMA and the legislative prescripts. The Chairperson is an independent member appointed by Commissioners. Refer to the table below for the other members. All members comply with statutory required competencies and have no conflict of interest. The Commission, with the assistance of the audit and risk committee, needs to ensure that an effective, efficient and transparent system of internal control is implemented and maintained so that the Commission can meet its strategic objectives and goals. The audit and risk committee was established primarily to assist the Commission in overseeing the quality and integrity of the financial statements, and its public disclosures, the scope and effectiveness of the external audit function, and the effectiveness of the Commission's internal controls and internal audit function.

(Footnotes)

**1** Special Commission Meeting

**2** Appointed on 1/7/2017

The audit and risk committee continues to operate within its approved terms of reference, which was reviewed and approved during the financial year under review. The audit and risk committee met four times during the financial year under review. In these meetings, the Accounting Officer and executive management were always represented. The Auditor-General and internal auditors are always invited to attend, thus ensuring that such meetings are as effective and transparent as possible. The assertions and assurance provided by internal and external audit are relied on to determine to the effectiveness of the internal control systems.

The table below indicates the audit and risk committee composition, frequency of meetings and attendance during 2017/18.

**Table 2**

Name of member	Position	Meetings attendance and dates			
		25/5/2017	20/7/2017	1/12/2017	1/3/2018
Mr Jerry Sithole	Independent, Chairperson	√	√	√	\$
Mr Duncan Ntuli	-Independent member -Appointed as Chairperson in January 2018	√	√	√	√
Mr Kenny Fihla	Commissioner, member	√	√	√	√
Mr Krish Kumar	Commissioner, member	A	√	A	#
Mr Sipho Lubisi	Commissioner, member	√	√	√	√
Ms Karen Muthen <sup>4</sup>	Independent member				√
Ms Mandisa Ramuedzisi <sup>5</sup>	Independent member				√
√: Attended A: Apologies \$: Resigned: # Term Expired					

#### 4.3 Research committee

The role of the research committee is to assist the Commission in overseeing the research and recommendations work of the Commission. The committee provides strategic support for the work of the Commission's Research and Recommendations programme. Meetings are held three times a year, or more frequently if needed. Activities involve monitoring research plans, outputs and external expertise utilised in reviewing research proposals, and ultimately providing strategic direction and guidance during the research process. Equally critical is the research committee's role in managing the policy impact of the Commission's recommendations.

<sup>4</sup> Appointed on 22/1/2018

<sup>5</sup> Appointed on 22/1/2018

The table below indicates the composition of the research committee, frequency of meetings and attendance during 2017/18.

**Table 3**

Name of member	Position	Meetings attendance and dates				
		22/6/2017	23/10/2017	26/1/2018	8/3/2018	20/3/2018
Professor Nico Steytler	Commissioner, Chairperson of committee	√	√	√	√	√
Professor Daniel Plaatjies	Chairperson of FFC, member	√	√	√	√	√
Professor Gilingwe Mayende	Commissioner, member	A	A	A	A	A
Dr Sibongile Muthwa	Commissioner, member	A	√	A	A	A

√: Attended A: Apologies

#### 4.2 Human capital management and remuneration committee

The role of the human capital management and remuneration committee is to provide guidance and make recommendations to the Commission on human capital management matters. The table below indicates the composition, frequency of meetings and attendance during 2017/18.

**Table 4**

Name of member	Position	Meetings attendance and dates			
		17/11/2017	18/1/2018	15/2/2018	9/3/2018
Dr Sibongile Muthwa	Deputy Chairperson of FFC, Chairperson of committee	√	A	√	√
Mr Sipho Lubisi	Commissioner, member	√	√	√	√
Mr Caleb Mabaso	Independent member	√	√	√	√
Mr Andre Michaux	Independent member	A	√	√	A
Ms Nontobeko Scheppers	Independent member	A	A	√	A

√: Attended A: Apologies

## 5 COMPLIANCE WITH LEGISLATION

As the Executive Authority, the Chairperson is responsible for overall strategic and governance oversight. As the Accounting Officer, the Chief Executive Officer has the ultimate responsibility to monitor and ensure institutional and financial compliance. The function of ensuring regulatory compliance within the operational divisions is the responsibility of the Executive Manager.



## **6 RISK MANAGEMENT**

Risk management forms an integral part of the Commission's plan to deliver effectively and efficiently on its mandate. The Commission identifies and manages strategic risks associated with the objectives in its strategic plan, as well as operational risks in line with its mandate. The Commission maintains a risk register, which is reviewed to ensure that risk is managed within acceptable tolerance levels, and to identify new and emerging risks. Risk reports are tabled at the audit and risk committee. The risk register is also used by the internal auditors to plan their risk-based audits. The audit and risk committee monitors the implementation of risk management in a systematic and regular manner. Risk management underpins the Commission's strategic and operational management and is integrated into its activities at all levels, from planning, execution and oversight to control.

The Commission follows a structured approach to identifying, evaluating and managing opportunities, threats and uncertainty that may affect the achievement of its objectives.

## **7 FRAUD AND CORRUPTION PREVENTION**

There is a duty on all staff members to report knowledge or suspicion of fraud and corruption. The implementation and monitoring is done through the monthly management and executive committee meetings and is also part of the quarterly Commission committee meetings. The Commission has intensified the focus on fraud awareness and prevention, including reviewing and strengthening of internal controls as a result of the forensic investigation underway as discussed elsewhere in this annual report. The Commission also has a fraud prevention plan in place.

## **8 HEALTH, SAFETY AND ENVIRONMENTAL ISSUES**

The Commission cares for its employees and their work environment and seeks to ensure, as far as is reasonably possible, the health and safety of all employees in the workplace and of all other persons conducting business on its premises. The Commission is committed to the fulfilment of the requirements stipulated in the Occupational Health and Safety Act. No material health, safety or environmental issues were raised during the year.

## **9 HIV/AIDS AND HEALTH PROGRAMME**

The Commission has an HIV/AIDS policy that was developed and implemented in 2002. The policy makes a clear statement against discrimination and ensures protection of employees who are HIV-positive or perceived to be HIV-positive.

The human resources strategy includes staff HIV/AIDS awareness and health promotion programmes. The human resources strategy also includes the implementation of an employee assistance programme to address broader issues related to employee health and wellness matters.

## **10 INTERNAL CONTROLS**

The Chief Executive Officer is responsible for the formation and development of an efficient administration including the organisation, control, management and discipline of staff. The Chief Executive Officer is responsible for implementing the decisions of the Commission. The Secretariat has three divisions:-

### **10.1 Research and Recommendations programme**

With a need to be consistent with key messages and the Commission's standing, the responsibility of the Research and Recommendations programme is to translate and implement the Commission's strategic direction for research and recommendations. To this end, quality research is a critical core business enabler of evidence-based recommendations. However, excellence in research is unlikely to be impactful unless policy analysis is packaged in a way that is understood by stakeholders and adds value to their processes. Accordingly, effective dissemination of research insights and recommendations and effective stakeholder management is key to the programme's work. This includes follow-up on recommendation implementation and innovations in how we engage.

### **10.2 Finance**

The responsibility of the finance function is to support and assist the Commissioners and the Accounting Officer in the effective, efficient and transparent financial management of the resources of the Commission, including the exercise of sound budgeting and budgetary control practices, the ongoing implementation of internal controls and the timely production of financial reports.

Supply chain management falls in the responsibility of the finance function. During the period under review, the supply chain management policy and procurement procedures manual were reviewed to bring it in line with the PFMA and treasury regulations. The reviewed policy and procedures manual were approved by the Accounting Officer.

The internal controls are reviewed on a continual basis to ensure that they are efficient, effective and adequate.

### **10.3 Corporate services**

The responsibility of the corporate services function is to translate and implement the strategic direction of the Commission for HR management, ICT and facilities management. The ICT unit ensures the establishment of coordinated, coherent, high quality, innovative and cost effective systems and processes that meet the needs of the Commission. The facilities management unit continued to support a secure and conducive working environment.

## **11 SECRETARIAT MEETINGS**

### **11.1 Executive management team (EMT)**

The EMT is chaired by the CEO and is comprised of the CFO, research director and Commission secretary. The EMT assists in fulfilling the Commission's legal and strategic obligations and provides guidance and recommendations on operations, personnel, the budget, technology and governance. In pursuit of its mandate the EMT meets monthly. The EMT is assisted by a sub-committee called the information and technology committee.

The EMT is committed to the principles of transparency, accountability, efficiency and effectiveness and the daily practical application of these principles.

## **12 SUSTAINABILITY**

The funds of the Financial and Fiscal Commission consist of money appropriated by Parliament for the purposes of the Commission, interest earned on bank account balances, money obtained by the disposal of moveable property, money accruing to the Commission from any other source, and money otherwise becoming available to the Commission.



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# Part D

## Human Capital Management



# Part D: Human Capital Management

## 1. INTRODUCTION

The human capital management function plays a fundamental role in advancing the mission and the vision of the Commission. In order to achieve this, the human capital management function is guided by its long-term vision of creating a conducive environment in which employees are empowered and thrive in delivering the FFC's strategic organisational goals.

The Commission takes pride in the highly qualified employees that constitute the highest percentage of its headcount. High level of professional outputs support the achievement of the Commission's strategic goals. Through its robust performance management processes, the Commission began to pioneer a path in 2017/18 aimed at achieving a high performance culture with increased accountability.

The greater part of the 2017/18 financial year was dedicated to developing interventions that evolved the human capital management function from an administrative to a strategic value-adding component of the Commission. The first manifestation of this was a review of strategic human resource policies.

The human capital review project demonstrated considerable progress in achieving alignment between the human capital practices in the Commission and legislative compliance. Its success has also provided the foundation for the implementation of best human capital management practices and the capacitation of the human capital function.

The Commission continued to demonstrate its commitment to and support of the ethos of employment equity and transformation during the implementation of human capital processes. Furthermore, the Commission engaged employees through quarterly staff meetings. These quarterly staff meetings were part of other implemented efforts to improve the employee engagement level and the overall professionalism of the work environment within the organisation, which include but are not limited to ensuring a cadre of competent management and holding them accountable for employee engagements.

The remuneration philosophy and practices of the Commission hinge on the principles of internal and external equity, with the aim of attracting and retaining highly competent employees. The FFC showed its commitment to achieve a balance between the needs of its employees and the organisational goals by reviewing its remuneration philosophy.

The FFC has also put in place a voluntary and confidential employee wellness programme that provides a comprehensive range of preventative care and counselling services to all employees and their families. The implementation of the employee wellness programme empowers employees to take control of their wellbeing.

As part of its human capital management strategic priorities, the Commission has also established a continuous learning culture. This is evidenced from the Commission's capability development programmes, achieved through financial support of the skills development of its employees.

## 2. HUMAN RESOURCES OVERSIGHT STATISTICS

### 2.1 Workforce

This table provides a comparative analysis of the number of employees engaged during the year under review, focussing on permanent employees.

**Table 1 - Employment and vacancies by salary bands, 2017/18**

Salary band	Total Staff Establishment	Number of employees	Number of permanent employees	Vacancy rate %	Interns
Salary levels 1–2	1	1	1	0%	1
Salary levels 3–5	2	2	2	0%	
Salary levels 6–8	3	3	3	0%	
Salary levels 9–12	15	14	14	7%	
Senior management (13–16)	11	11	10	9%	2
<b>Programme total</b>	<b>32</b>	<b>31</b>	<b>30</b>	<b>6.25%</b>	<b>2</b>

### 2.2 Expenditure

The expenditure table gives an overview of the personnel costs by salary band, including the total personnel costs incurred by the Commission for the year ended 31 March 2018.

**Table 2 - Personnel costs by salary band, 2017/18**

Salary bands	Personnel expenditure	% of total personnel cost	Average personnel cost per employee
Salary levels 1–2	R158 144	0.56%	R158 144
Salary levels 3–5	R933 605	3.32%	R466 802
Salary levels 6–8	R1 422 949	5.05%	R474 316
Salary levels 9–12	R11 986 218	42.57%	R799 081
Salary levels 13–16	R13 657 699	48.50%	R1 138 142
<b>Total</b>	<b>R28 158 615</b>	<b>100%</b>	<b>R908 342</b>

**Table 3 - Salaries, overtime and medical assistance by salary bands, 2017/18**

This table shows a further breakdown of the personnel costs, which mostly is comprised salaries, overtime and medical contributions. The total salary costs amounted to R26 521 703 whereas medical assistance was R1 636 912.

Salary bands	Salaries		Medical contribution	
Salary bands	Amount	% of personnel cost	Amount	% of personnel cost
Salary levels 1–2	R96 668	61.13%	R61 476	38.87%
Salary levels 3–5	R780 206	83.57%	R153 399	16.43%
Salary levels 6–8	R1 318 159	92.64%	R104 790	7.36%
Salary levels 9–12	R11 242 673	93.80%	R743 545	6.20%
Salary levels 13–16	R13 083 997	95.80%	R573 702	4.20%
<b>Total</b>	<b>R26 521 703</b>		<b>R1 636 912</b>	

\*No overtime payments were made

## 2.3 Employment changes

**Table 4 - Annual turnover rates by salary band: 1 April 2017 to 31 March 2018**

Only Two employees left the employment of the Commission, resulting in a total annual turnover rate of 6.4%.

Salary bands	Number of employees per level as at 1 April 2017	Appointments and transfers In	Terminations and transfers Out
Salary levels 1–2	1	0	0
Salary levels 3–5	2	0	0
Salary levels 6–8	3	0	0
Salary levels 9–12	15	0	1
Senior management 13–16	10	1	1
<b>Total</b>	<b>31</b>	<b>1</b>	<b>2</b>

**Table 5 - Reasons for staff turnover**

One employee left the Commission through voluntary resignation and one as a result of dismissal following internal disciplinary processes. There was a total of two terminations. The total turnover rate for the financial year ending 31 March 2018, was 6.45%, which is lower than the average industry norm of 10%.

Termination type	Number	% of total turnover
Death	0	0
Resignation	1	3.2%
Expiry of contract	0	0
Dismissal	1	3.2%
Discharge due to ill-health	0	0
Retirement	0	0
Other	0	0
<b>Total</b>	<b>2</b>	<b>6.4%</b>

## 2.4 Total number of employees (Secretariat) per occupational level as at 31 March 2018

**Table 6 - Headcount**

The table below reflects the headcount of the FFC as at 31 March 2018. It also shows the proportional distribution between race and gender, in which male staff account for 39% and female staff for 61%.

Occupational bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	1								1
Senior management	5		1			1	2		9
Professionally qualified and experienced specialists and mid-management	3	1			4	2			10
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents					5	1		2	8
Semi-skilled and discretionary decision making	1				1				2
Unskilled and defined decision making					1				1
<b>Total permanent</b>	<b>10</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>11</b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>31</b>
<b>Persons with disabilities</b>									<b>0</b>

## 2.5 Training

**Table 7 - Skills Development: 1 April 2017 to 31 March 2018**

The skills development table below shows the number of training programmes which were offered to employees at different levels of the organisation. The training costs by occupational category and number of employees is also reflected.

Occupational category	Total training costs per occupational category	Number of employees
Senior management	R28 080	2
Professional	R15 400	1
Junior management	R2 604	1
Skilled -technical	R60 763	2
<b>Total</b>	<b>R106 847</b>	<b>6</b>

Different training programmes were financially supported by the Commission. These include academic qualification support, management development programmes and technical skills training.

## 2.6 Performance rewards

The tables below show the breakdown of the performance reward for non-management and senior management services respectively. The total cost of the performance reward is R464 225.84. The comparison of the payment for both level shows an equitable distribution.

**Table 8 - Performance reward by salary band for non-senior management service personnel: 1 April 2017 to 31 March 2018**

Salary band	Number of beneficiaries	Number of employees	% of total in Group	Cost	Average cost per employee	Total cost as % of total personnel cost
Salary levels 1–2	1	1	100%	R5 477	R5 477	3.46%
Salary levels 3–5	1	2	50%	R16 279	R16 279	1.74%
Salary levels 6–8	1	3	33%	R20 621	R20 621	1.45%
Salary levels 9–12	8	15	53%	R194 738	R24 342	1.62%
<b>Total</b>	<b>11</b>	<b>21</b>	<b>52%</b>	<b>R237 115</b>	<b>R21 556</b>	<b>8.28%</b>



**Table 9 - Performance rewards by salary band, for senior management service:  
1 April 2017 to 31 March 2018**

Salary band	Number of beneficiaries	Number of employees	% of total in Group	Cost	Average cost per employee	Total cost as % of total personnel cost
Salary levels 13–16	5	12	42%	R227 109	45 422	1.66%
<b>Total</b>	<b>5</b>	<b>12</b>	<b>42%</b>	<b>R227 109</b>	<b>45 422</b>	<b>1.66%</b>

## 2.7 Leave utilisation

This section shows the leave trends and usage within the Commission, in terms of sick leave, disability leave, annual leave and leave pay-out on termination.

**Table 10 - Sick leave: 1 April 2017 to 31 March 2018**

Salary band	Total days taken	Number of employees using sick leave
Salary levels 1–2	2	1
Salary levels 3–5	8	2
Salary levels 6–8	28	3
Salary levels 9–12	97	13
Salary levels 13–16	38	7
<b>Total</b>	<b>103</b>	<b>26</b>

**Table 11 - Disability leave (temporary and permanent): 1 April 2017 to 31 March 2018**

During the year under review, there was no disability leave, either on a temporary or permanent basis, given to employees.

<b>Disability leave</b>	<b>0</b>
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**Table 12 - Annual leave, 1 April 2017 to 31 March 2018**

Salary bands	Total days taken	Number of employees in grade	Average per employee
Salary levels 1–2	18	1	18
Salary levels 3–5	44	2	22
Salary levels 6–8	57	3	19
Salary levels 9–12	274	14	20
Salary levels 13–16	140	11	13
<b>Total</b>	<b>533</b>	<b>31</b>	<b>17</b>

**Table 13 - Leave pay-out on termination: 1 April 2017 to 31 March 2018**

The Commission recorded two leave pay-outs to employees whose employment contracts with the organisation ended.

Reason	Total amount	Number of employees	Average payment per employee
Termination of service	R112 426	2	R56 213
<b>Total</b>	<b>R112 426</b>	<b>2</b>	<b>R56 213</b>

## 2.8 Labour relations

**Table 14 - Disciplinary action: 1 April 2017 to 31 March 2018**

	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Disciplinary action		1				1			2

**Table 15 - Grievances lodged: 1 April 2017 to 31 March 2018**

As per this table, only one grievance was lodged and successfully resolved.

Number of grievances lodged	1
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**Table 16 - Precautionary suspensions: 1 April 2017 to 31 March 2018**

During the period under review, one employee was on pre-cautionary suspension.

Precautionary suspensions for the period	1
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## 2.9 Injury on duty

**Table 17 - Injury on duty: 1 April 2017 to 31 March 2018**

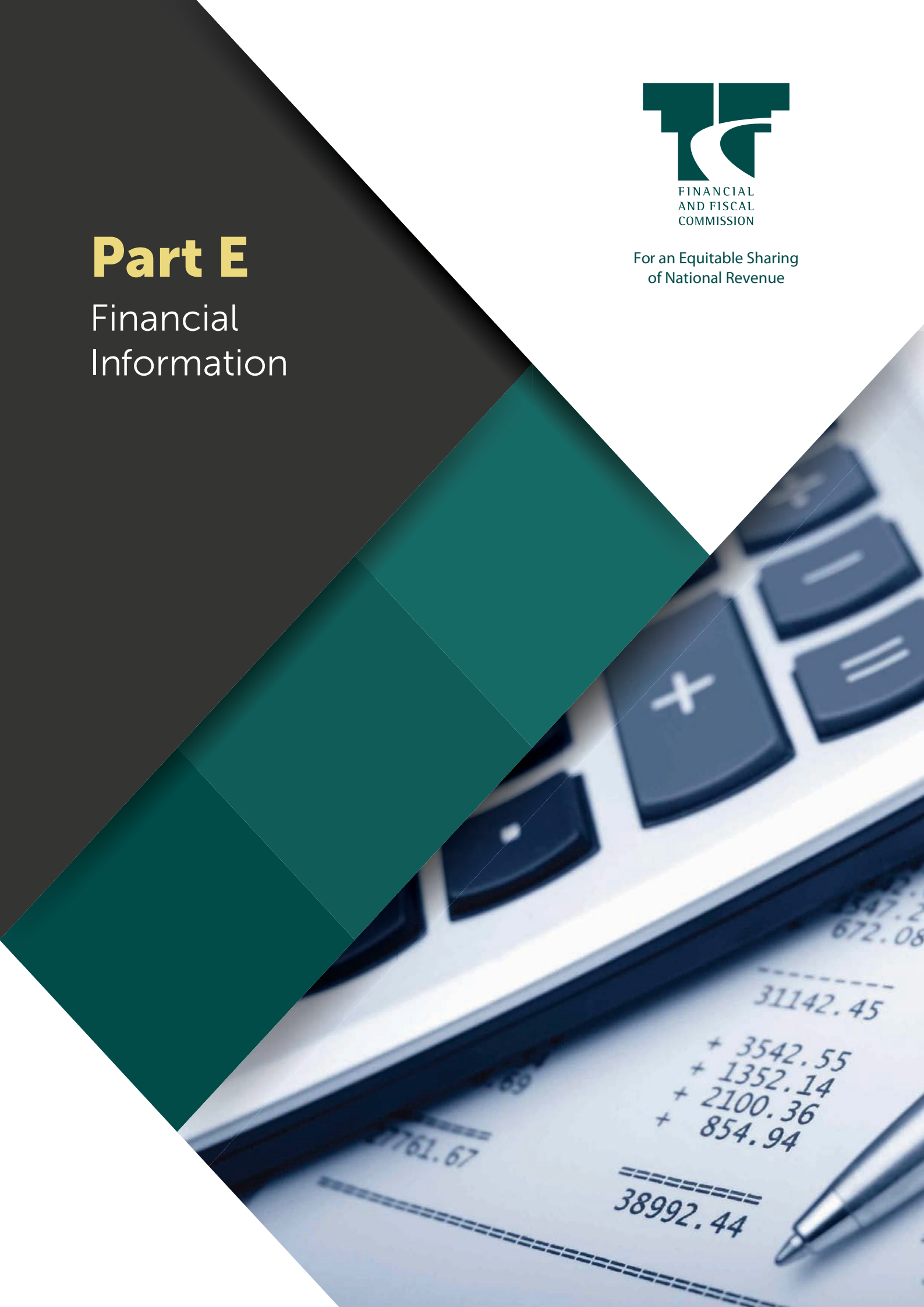
During the year under review, there was no injury on duty reported. This is as a result of measures taken by the Commission to ensure compliance with the Health and Safety Act.



For an Equitable Sharing  
of National Revenue

# Part E

## Financial Information



# Part E: Financial Information

## 1 STATEMENT OF RESPONSIBILITY AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

The Accounting Officer is responsible for the preparation of financial statements that fairly present the financial position, performance and cash flows for the period and for the related information contained in the annual report. In order for the Accounting Officer to discharge these responsibilities in terms of PFMA and other applicable legislation, the Commission has developed and maintained a system of internal controls.

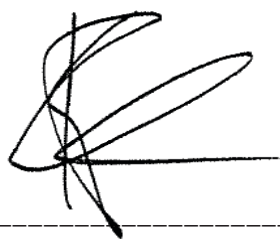
The Commission maintained adequate accounting records and an effective system of internal controls and risk management and complied in all material respects with applicable laws and regulations, except as reported by the Auditor-General. While operating risk cannot be fully eliminated, the Commission endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints. Monitoring of these controls includes regular review of the Commission's operations by the Accounting Officer and independent oversight by the audit and risk committee.

The Commission has prepared the annual financial statements presented on pages 69 to 106 using Standards of Generally Recognised Accounting Practice (GRAP). Appropriate accounting policies, supported by reasonable and prudent judgments and estimates, have been used consistently.

The external auditors are responsible for reporting on whether the financial statements are fairly presented. Their report is presented on page 69.

The Commission is financially dependent on a transfer payment from the nationally appropriated funds. On the basis that the transfer payment has been listed in the Estimates of National Expenditure, the Commission believes that it will continue to be a going concern in the year ahead. For this reason, the Commission prepared the annual financial statements on a going concern basis.

As the Accounting Officer, I have approved the annual financial statements for the year ended 31 March 2018 which were signed.



**Dr Kay Brown**

CEO

31 July 2018

## 2 REPORT OF THE AUDIT AND RISK COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018

### 1. Introduction

We are pleased to present our report for the financial year ended 31 March 2018.

### 2. Audit and risk committee members and attendance:

The audit and risk committee consisted of the members listed hereunder and met four times as per its approved terms of reference. All meetings took place during 2017/18.

Member	Designation		Number of meetings attended
Jerry Sithole*	Chairperson	External	3
Duncan Ntuli**	Member/ Chairperson	External	4
Kenny Fihla	Member	Commissioner	4
Sipho Lubisi	Member	Commissioner	4
Krish Kumar***	Member	Commissioner	1
Karen Muthen^	Member	External	1
Mandisa Ramuedzisi^	Member	External	1

\* Resigned December 2017

\*\* Appointed as Chairman in January 2018

\*\*\* Term as commissioner came to an end, therefore automatically ceased to be member of committee

^ Appointed as member in January 2018

### 3. Audit and risk committee responsibility

The audit and risk committee reports that it has complied with its responsibilities arising from section 38(1)(a) of the PFMA and Treasury Regulations 3.1.13. The audit and risk committee also reports that it has adopted the audit committee charter, has regulated its affairs in compliance therewith, and has discharged all its responsibilities as contained therein.

The audit and risk committee also familiarised itself with the strategic plan and annual performance plan of the organisation in order to improve its understanding of the objectives and deliverables of the organisation.

### 4. The effectiveness of internal control

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the requirements of the PFMA and the King IV Report on Corporate Governance, internal audit provides the audit and risk 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 controls and process.

The system of internal controls is effective as outlines in the various reports of the internal auditors.

Accordingly, we can report that the system of internal controls for the period under review was effective and efficient. However, as outlined in the auditor's report of the Auditor-General, there were material non-compliances with the relevant legislations identified in the year under review.

## **5. The quality of in-year management and monthly/quarterly reports submitted in terms of the PFMA**

The internal audit function of the organisation is outsourced. The previous professional service provider's contract ended in 31 March 2017. The appointment of a new professional service provider was entered on 1 July 2017. The internal audit function performs a risk-based audit. After its appointment the new service provider conducted a risk assessment in terms of Treasury Instruction 3.2.1.

After the risk assessment was conducted, the internal auditors prepared a coverage plan based on its assessment of key areas of risk. The audit and risk committee approved the plan on the 20 July 2017. The internal auditors immediately started with the audit.

The internal audit function completed all the planned audits except for the corporate governance audit, which was postponed, with the approval of the audit and risk committee to 2018/19.

A forensic audit investigation was performed by the National Treasury which pointed out weaknesses and irregularities in financial controls of the Commission. The Chief Financial Officer was placed on suspension pending the final investigation report.

The audit and risk committee is satisfied with the content and quality of the report prepared and issued by the internal audit function.

## **6. Risk management**

The audit and risk committee has oversight responsibility for the Commission's internal risk management processes. In the year under review the audit and risk committee monitored the implementation of risk management and reviewed progress quarterly.

Reviews and assessments of Commission strategic risk will continue to be done on a quarterly basis by the audit and risk committee and management.

## **7. Evaluation of financial statements**

The audit and risk committee has:

- Reviewed and discussed the audited annual financial statements to be included in the annual report with the Auditor-General and the Accounting Officer;
- Reviewed the Auditor-General's management letter and the management responses to it;
- Reviewed changes in accounting policies and practices.

The audit and risk committee concurs and accepts the conclusions of the Auditor-General on the

annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

**On behalf of the audit and risk management committee**



Chairperson of the audit and risk management committee

Date: 31 July 2018

### **3 STATEMENT OF RESPONSIBILITY OF THE ACCOUNTING OFFICER FOR THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

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

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

As the Accounting Officer, I acknowledge that I am ultimately responsible for the system of internal financial control established by the Commission which places considerable importance on maintaining a strong control environment. To enable meeting these responsibilities, the Commission sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the Commission and all employees are required to maintain the highest ethical standards in ensuring the Commission's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management in the Commission is on identifying, assessing, managing and monitoring all known forms of risk across the Commission. While operating risk cannot be fully eliminated, the Commission endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

As the Accounting Officer, I am of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I have reviewed the Commission's cash flow forecast for the year to 31 March 2019 and, in the light of this review and the current financial position, am satisfied that the Commission has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the Commission is a going concern and that the government has neither the intention nor the need to liquidate or curtail materially the scale of the Commission.

The Commissioners are accountable for the fiduciary governance and management of the Commission. The CEO as the Accounting Officer of the Commission is responsible for the financial affairs of the Commission.

The annual financial statements set out on pages 69 to 106, which have been prepared on the going concern basis, were approved and signed by myself as the Accounting Officer:



**Dr Kay Brown**

Accounting Officer

Date: 31 July 2018



## **4 REPORT BY THE ACCOUNTING OFFICER TO THE EXECUTIVE AUTHORITY AND PARLIAMENT OF THE REPUBLIC OF SOUTH AFRICA**

### **Report by the Accounting Officer to the Executive Authority and Parliament of the Republic of South Africa.**

#### **1. Review of activities**

During the previous financial year a forensic investigation was undertaken which produced a report in April 2017 that recommended, among other things, that the control environment at the Commission be re-organised to improve staff morale and change and improve processes, policies, procedures and the system of internal financial controls. The Commission has therefore embarked on an organisational renewal project to give effect to the forensic report recommendations.

The second recommendation was to strengthen internal controls regarding the audit findings that impacted in the prior years' audit report. During the 2017/18 financial year, the Commission continued the strengthening of internal controls.

Third was to ensure that all predetermined objectives are met, the research strategy is implemented, and general commission submissions are improved in quality and impact, which has substantively been addressed. The Commission has in some cases exceeded expectations in terms of its key objectives.

Fourth was the compliance to the legislative required submissions that were met according to the annual performance plans. Adherence to the approved reporting frameworks, responsibilities and accountability were accomplished during the period under review.

#### **2. Revenue received**

The Commission received a total of R53 569 381 in non-exchange revenue for the reporting period, which consisted of R50 647 000 in terms of government grant and R2 922 381 of services-in-kind income. The latter relates to an office rental refund of R1 926 410, which was paid by the Department of Public Works, and technical support in the form of staff seconded to the Commission by the National Treasury, the monetary value of which was R995 971. In addition, interest of R844 974 was earned on the positive bank balance.

#### **3. Donor funds**

No donor funding was received during the reporting period.

#### **4. Events before the reporting date**

An employee was suspended in October 2016 to enable the forensic investigation, which was conducted by the National Treasury, and subsequent further investigations by an initiator, who was appointed by the Commission, to prepare for possible disciplinary charges. The employee challenged the suspension at the CCMA and the High Court. The matter was successfully defended at the High Court and the Judge ruled against the employee with punitive costs. The employee has filed an appeal of the judgement at the High Court. The employee thereafter pursued his matter at the CCMA out of the prescribed time of 90 days. The matter was defended and the arbitrator found

on behalf of the FFC and directed the employee to apply for condonation of his late referral. The employee applied for condonation and the application was granted. The ruling of the CCMA is being challenged by the Commission at the Labour Court.

## **5. Major event expenditure**

The Commission did not incur any expenditure in respect of any major non-mandate event during the period under review.

## **6. Annual appropriation**

The total appropriation for the Commission for the year ending 31 March 2018 was R50 647 000.

## **7. Services rendered by the Commission**

The core business of the Commission is fully set out in Chapter 1 of this report. The Commission is not a service delivery institution and does not render services in the public domain on a cost recovery basis.

## **8. Constraints**

In a knowledge intensive domain, the Commission remains critically aware of the importance of its staff. Not only is suitable research expertise difficult to retain, but the specialist technical skills required mean there is not a large pool from which to recruit talent. The Commission continues to focus on developing critical mass of research experience. The attraction of talent, management and retention of staff remains a key priority of the Commission.

The cost of compliance with the prescripts of among others, the Copyright Act, 1978 (Act No. 98 of 1978), Electronic Communications and Transactions Act, 2002 (Act No. 25 of 2002), Promotion of Access to Information Act, 2000 (Act No. 2 of 2000), and the requirements and directives of the National Archives and Record Service of South Africa Act, 1996 (Act No. 43 of 1996) remains prohibitive.

## **9. Corporate governance arrangements**

### **9.1 Internal audit function**

The internal audit function (IAF) of the Commission is outsourced to Morar Inc after the contract with Nkonki Inc expired in March 2017. The IAF is an integral part of the Commission system of governance.

The IAF provides objective and independent assurance to management and the audit and risk committee on the adequacy and effectiveness of internal controls, risk management and governance processes within the Commission. In pursuing this activity, the IAF is guided by its own terms of reference, the internal audit charter, which was approved by the audit committee.

The head of the IAF has full access and a direct reporting line to the audit and risk committee and reports at each committee meeting on control weaknesses and other internal audit activities.

Through comprehensive engagement with internal stakeholders, the IAF formulated a comprehensive three-year rolling plan, incorporating the plan to address the matters raised in the Auditor-General's management report. The plan was approved by the audit and risk committee. The annual plan, forming part of the internal audit plan, was fully executed during the year under review.

## **9.2 Audit and risk committee**

The audit and risk committee continues to operate within its terms of reference, which are reviewed and approved by the Commissioners annually. The audit and risk committee met four times during the year. In these meetings, the Accounting Officer and executive management were represented. The Auditor-General of South Africa and his staff are always invited to attend, thus ensuring that such meetings are as effective as possible.

## **9.3 Risk management**

Because of its size, the Commission does not have a separate enterprise risk management (ERM) unit under the leadership of a chief risk officer (CRO). The discharge of this responsibility devolves to all members of executive management, and is coordinated by the Chief Financial Officer.

Management has reviewed the Commission's risk management strategy, which informed the continuous integration of risk management into the daily activities of the Commission.

Management has created awareness and instituted risk management processes and procedures in alignment with the Public Sector Risk Management Framework. The Commission updated its risk profile, which is monitored on an ongoing basis by internal governance structures, including the EMT and the audit and risk committee.

During the course of developing its risk profile, the Commission paid special attention to identifying and assessing the fraud and corruption risks. In line with the Commission's zero tolerance stance on fraud and corruption, activities to mitigate corruption risks have been incorporated into the reviewed fraud prevention plan for implementation by the responsible executive managers.

## **9.4 Internal policy review**

During the period under review, the EMT approved, among others, the following governance policies and prescripts for implementation and final approval by the Accounting Officer:

- ☐ Supply chain management policies and procedures
- ☐ Disciplinary policy
- ☐ Leave policy
- ☐ Grievance policy

## **9.5 Other governance matters**

In addition to the governance arrangements listed above, the following governance issues were also given attention:

- Business continuity/disaster recovery plan

## **10. Discontinued activities**

No activities were discontinued during the course of the reporting period

## **11. New activities**

Except for requests received from stakeholders in terms of Section 3 of the Financial and Fiscal Commission Act, 1997, there were no other new activities during the course of the reporting period.

## **12. Asset management**

In terms of section 38(1)(b) of the PFMA, the Accounting Officer of the Commission is responsible for the effective, efficient, economical and transparent use of the resources.

In addition to the normal daily administration and management of the Commission's asset register, appropriate activities were undertaken to improve on the overall asset management environment of the Commission. The Commission ensured that all its assets are properly tagged, verified and accounted for and that any lost or redundant assets are identified and removed from the asset register on a timely basis. An asset verification process was also conducted during the current financial year, in order to ensure that Commission assets are accounted for and accurately reported in the annual financial statements.

## **13. Performance information**

Divisional heads have reported to the Accounting Officer on a regular basis on the progress made with regard to functional delivery and measurable objectives, as contained in the Commission's strategic plan.

## **14. Standing Committee on Public Accounts**

There were no SCOPA resolutions in 2017/18 relating to the Commission.

## **15. Prior modifications to audit reports**

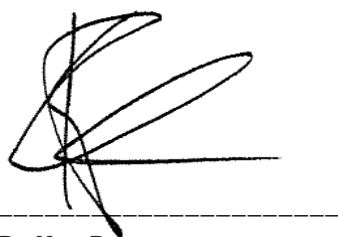
None

## **16. Audit outcomes**

I am satisfied that the annual financial statements and the report on performance against predetermined objectives of the Commission for the year ending 31 March 2018 are compliant with all applicable legislation and fairly present the financial affairs of the Commission. I am supported in this view by the Commission and the audit and risk committee of the Commission. All technical misstatements that were observed during the course of the audit were corrected. This was done with the assistance and support of the Auditor-General. I am indebted to the Auditor-General in this respect.

## **Approval**

The annual financial statements set out on pages 69 to 106 have been approved by myself as the Accounting Officer.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned above a dashed line.

**Dr Kay Brown**

Chief Executive Officer

31 July 2018

## 5. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL AND FISCAL COMMISSION

### Report on the audit of the financial statements

#### Opinion

1. I have audited the financial statements of the Financial and Fiscal Commission (FFC) set out on pages 69 to 106, which comprise the statement of financial position as at 31 March 2018, statement of financial performance, statement of changes in net assets, cash flow statement 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 FFC as at 31 March 2018 and its financial performance and cash flows for the year then ended in accordance with South Africa Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

#### Basis for 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 this auditor's report.
4. I am independent of the FFC in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

#### Restatement of corresponding figures

7. As disclosed in note 26 to the financial statements, the corresponding figures for 31 March 2017 were restated as a result of an error in the financial statements of the commission at, and for the year ended 31 March 2018.

#### Responsibilities of the accounting officer for the financial statements

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

9. In preparing the financial statements, the accounting officer is responsible for assessing the FFC's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting Officer either intends to liquidate the FFC or cease operations, or has no realistic alternative but to do so.

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

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

#### **Report on the audit of the annual performance report**

##### **Introduction and scope**

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

Objectives	Pages in the annual performance report
Objective 5.1.1: Profile the Commission, with a special focus on the Commission's mandate, vision, mission and role and approach, the Commission's short- and long-term strategy, the Commission's position on specific issues, and the Commission's challenges and achievements	24
Objective 5.1.2: To ensure that the Commission's research is converted into policy advice and recommendations written in language that policymakers can understand	25
Objective 5.1.3: To ensure the generation of quality, innovative and pioneering research that informs key intergovernmental fiscal relations (IGFR) strategic debates and choices	26
Objective 5.3.1: To ensure the creation of new knowledge, the institutionalisation of such knowledge and its transfer to other role players within the intergovernmental fiscal relations system.	32

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected objectives:

- Strategic objective 5.1.1: Profile the Commission, with a special focus on the Commission's mandate, vision, mission and role and approach, the Commission's short- and long-term strategy, the Commission's position on specific issues, and the Commission's challenges and achievements
- Strategic objective 5.1.2: To ensure that the commission's research is converted into policy advice and recommendations written in language that policymakers can understand
- Strategic objective 5.1.3: To ensure the generation of quality, innovative and pioneering research that informs key intergovernmental fiscal relations (IGFR) strategic debates and choices
- Strategic objective 5.3.1: To ensure the creation of new knowledge, the institutionalisation of such knowledge and its transfer to other role players within the intergovernmental fiscal relations system.

**Other matter**

17. I draw attention to the below.

**Achievement of planned targets**

18. Refer to the annual performance report on pages xx to xx 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 the audit of compliance with legislation****Introduction and scope**

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

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

**Procurement and contract management**

21. Some of the goods and services of a transaction value above R500 000.00 were procured without inviting competitive bids and deviations were approved by the accounting officer but it was practical to invite competitive bids, as required by treasury regulation 16A6.1.

**Expenditure management**

22. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R1 527 400 as disclosed in note 22 to the financial statements, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1.

23. Payments were not made within 30 days or an agreed period after receipt of an invoice, as required by treasury regulation 8.2.3.

**Other information**

24. The accounting officer is responsible for the other information. The other information comprises the information included in the annual 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.

25. My opinion on the financial statements and findings on the reported performance information and compliance with legislation does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.



26. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected 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.

27. I have nothing to report in this regard.

### **Internal control deficiencies**

28. 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 my opinion and the findings on compliance with legislation included in this report.

29. There were inadequate day-to-day controls to ensure that non-compliance transactions relating to expenditure management were prevented. Management was unable to consistently pay service providers or suppliers within 30 days as per relevant legislation. These transgressions have resulted in the material non-compliance with relevant legislation. The FFC did not have effective and appropriate steps to detect and prevent irregular expenditure.

*Auditor General*

Pretoria

31 July 2018



**AUDITOR - GENERAL**  
**SOUTH AFRICA**

*Auditing to build public confidence*

## **Annexure –Auditor-general’s responsibility for the audit**

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the FFC’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 FFC’s internal control.
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
  - conclude on the appropriateness of the accounting officer’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 FFC’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor’s report. However, future events or conditions may cause the FFC to cease operating as a going concern.
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### **Communication with those charged with governance**

- 3 I communicate with the accounting officer 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 officer that I have complied with relevant ethical requirements regarding independence and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

## Financial Statements for the year ended 31 March 2018

Figures in Rand	Note(s)	2018	2017 *Restated
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions	3	76 293	98 711
Cash and cash equivalents	4	15 436 962	8 403 913
		<b>15 513 255</b>	<b>8 502 624</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	6	1 591 663	1 533 860
Intangible assets	7	62 112	74 048
Deposits	5	143 862	143 862
		<b>1 797 637</b>	<b>1 751 770</b>
<b>Total Assets</b>		<b>17 310 892</b>	<b>10 254 394</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	8	1 847 090	2 026 832
Provisions	9	1 878 480	1 446 220
		<b>3 725 570</b>	<b>3 473 052</b>
<b>Non-Current Liabilities</b>			
Operating lease liability		-	77 838
<b>Total Liabilities</b>		<b>3 725 570</b>	<b>3 550 890</b>
<b>Net Assets</b>		<b>13 585 322</b>	<b>6 703 504</b>
Contributed capital		918 754	918 754
Accumulated surplus		12 666 568	5 784 750
<b>Total Net Assets</b>		<b>13 585 322</b>	<b>6 703 504</b>

## Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 *Restated
Revenue			
Revenue from exchange transactions			
Other income	14	-	3 054 127
Interest received		844 974	439 380
Gain on disposal of assets		-	1 010
<b>Total revenue from exchange transactions</b>		<b>844 974</b>	<b>3 494 517</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants	12	50 647 000	44 839 000
Services in kind	28	2 922 381	1 817 368
<b>Total revenue from non-exchange transactions</b>		<b>53 569 381</b>	<b>46 656 368</b>
<b>Total revenue</b>		<b>54 414 355</b>	<b>50 150 885</b>
<b>Expenditure</b>			
Employee costs	15	(31 541 364)	(28 126 623)
Depreciation and amortisation	13	(219 922)	(170 548)
Loss on disposal of assets and liabilities		(56 195)	-
Professional Services	17	(3 379 376)	(5 446 438)
Other operating expenses	18	(12 335 680)	(11 780 826)
<b>Total expenditure</b>		<b>(47 532 537)</b>	<b>(45 524 435)</b>
<b>Surplus for the year</b>		<b>6 881 818</b>	<b>4 626 450</b>

## Statement of Changes in Net Assets

Figures in Rand	Contributed capital	Accumulated surplus	Total net assets
<b>Balance at 01 April 2016</b>	<b>918 754</b>	<b>1 158 300</b>	<b>2 077 054</b>
Changes in net assets			
Surplus for the year	-	4 626 450	4 626 450
<b>Total changes</b>	<b>-</b>	<b>4 626 450</b>	<b>4 626 450</b>
Opening balance as previously reported	918 754	6 022 750	6 941 504
Adjustments			
Prior year adjustments		(238 000)	(238 000)
Restated * Balance at 01 April 2017 as restated*	<b>918 754</b>	<b>5 784 750</b>	<b>6 703 504</b>
Changes in net assets			
Surplus for the year	-	6 881 818	6 881 818
Total changes	-	6 881 818	6 881 818
<b>Balance at 31 March 2018</b>	<b>918 754</b>	<b>12 666 568</b>	<b>13 585 322</b>

## Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 *Restated
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Government grants		50 647 000	44 839 000
Interest received		844 974	439 380
Sundry income		-	3 054 127
		<b>51 491 974</b>	<b>48 332 507</b>
<b>Payments</b>			
Employee costs		(30 855 930)	(27 878 219)
Suppliers		(13 281 012)	(15 163 814)
		(44 136 942)	(43 042 033)
<b>Net cash flows from operating activities</b>	19	<b>7 355 032</b>	<b>5 290 474</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(321 983)	(548 705)
Proceeds from sale of property, plant and equipment	6	-	1 243
<b>Net cash flows from investing activities</b>		<b>(321 983)</b>	<b>(547 462)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>7 033 049</b>	<b>4 743 012</b>
Cash and cash equivalents at the beginning of the year		8 403 913	3 660 901
<b>Cash and cash equivalents at the end of the year</b>	4	<b>15 436 962</b>	<b>8 403 913</b>

## 6.5 Statement of comparison of budget and actual amount

Budget on cash basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of financial performance</b>						
<b>Receipts</b>						
<b>Revenue from exchange transactions</b>						
Interest received	461 343	-	<b>461 343</b>	844 974	<b>383 631</b>	2
<b>Revenue from nonexchange transactions</b>						
<b>Transfer revenue</b>						
Government grants	50 647 000	-	<b>50 647 000</b>	50 647 000	-	
Services in kind	-	-	-	2 922 381	<b>2 922 381</b>	1
<b>Total revenue from nonexchange transactions</b>	<b>50 647 000</b>	-	<b>50 647 000</b>	<b>53 569 381</b>	<b>2 922 381</b>	
<b>Total receipts</b>	<b>51 108 343</b>	-	<b>51 108 343</b>	<b>54 414 355</b>	<b>3 306 012</b>	
<b>Payments</b>						
Employee costs	(33 994 796)	-	<b>(33 994 796)</b>	(31 541 364)	<b>2 453 432</b>	3
Depreciation and amortisation	-	-	-	(219 922)	<b>(219 922)</b>	
Professional services	(5 478 100)	-	<b>(5 478 100)</b>	(3 379 376)	<b>2 098 724</b>	4
Other operating expenditure	(11 635 447)	-	<b>(11 635 447)</b>	(12 335 680)	<b>(700 233)</b>	5
<b>Total expenditure</b>	<b>(51 108 343)</b>	-	<b>(51 108 343)</b>	<b>(47 476 342)</b>	<b>3 632 001</b>	
<b>Operating surplus</b>	-	-	-	<b>6 938 013</b>	<b>6 938 013</b>	
Loss on disposal of assets and liabilities	-	-	-	(56 195)	<b>(56 195)</b>	
<b>Surplus</b>	-	-	-	<b>6 881 818</b>	<b>6 881 818</b>	
<b>Actual amount on comparable basis as presented in the budget and actual comparative statement</b>	-	-	-	<b>6 881 818</b>	<b>6 881 818</b>	

**Notes to the statement of comparison of budget and actual amount:**

1. The service-in-kind benefit relates to office rental and Chief Financial Officer costs recorded during the year. This was not budgeted for in the beginning of the year.
2. Interest is earned on a positive bank balance during the year. The reason for the positive variance is due to the higher bank balance which arose from the retention of the prior year surplus as approved by the National Treasury.
3. The variance in employee costs is due to the vacant positions of the Commission Chairperson in the first quarter, and the corporate services manager, senior researcher and executive PA for the entire financial year.
4. Savings in professional fees were due to the reduction in consultant usage during the year such as legal costs. Underexpenditure in commissioned research was due to non-usage of technical advisors and the late commencement of internal auditor's assignment in the year.
5. Overexpenditure in operating expenses is due to the recognition of rental cost benefit received from the Department of Public Works which was not budgeted for. In addition other positive variances were due to the reduction in publications, workshop and meetings costs and the reduction in the number of software licences.



## 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.

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.

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, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the Commission.

#### 1.2 Going concern assumption

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

#### 1.3 Property, plant and equipment

Property, plant and equipment are tangible noncurrent 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 Commission; 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.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

## Accounting Policies

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. The useful lives of items of property, plant and equipment have been assessed as follows:

Item		Average useful life
Furniture and fixtures	Straight line	25 years
Motor vehicles	Straight line	10 years
Office equipment	Straight line	25 years
Computer equipment	Straight line	10 years
Leasehold improvements	Straight line	Amortised over the period of the lease

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.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Commission. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

At each reporting date, the Commission assesses whether there is any indication that its expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the Commission revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

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

## Accounting Policies

### 1.4 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 Commission; and
- the cost or fair value of the asset can be measured reliably.

The Commission assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

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

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	10 years

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

## Accounting Policies

### 1.5 Financial instruments

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

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

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

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

A financial asset is:

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

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

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

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

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

### Recognition

The Commission recognises a financial asset or a financial liability in its statement of financial position when the Commission becomes a party to the contractual provisions of the instrument.

### Measurement

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

## Accounting Policies

### 1.5 Financial instruments (continued)

#### Financial assets

Trade and other receivables

Receivables from exchange transactions are categorised as loans and receivables and consist of prepaid expenses and rental deposits. These are initially measured at fair value, and subsequently measure at amortised costing being the initially recognised amount, plus any interest accrued, less any repayments, less any impairments.

#### Impairment of financial assets

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

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 surplus or deficit.

### 1.6 Tax

#### Current tax assets and liabilities

No provision for taxation has been made as the Commission is exempt from income tax in terms of the Section 10 of the Income Tax Act, 1962 (Act No. 58 of 1962).

### 1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Leases under which the risks and benefits of ownership are effectively retained by the lessor, are classified as operating leases. Obligations incurred under operating leases are charged to the statement of financial performance on a straight line basis over When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which the termination takes place.

## Accounting Policies

### 1.8 Employee benefits

Employee benefits are all forms of consideration given by the entity in exchange for service rendered by employees. The Commission operates a defined contribution plan, the assets of which are generally held in separate trustee administered funds. This plan is funded by payments from employees and the Commission.

The cost of short term employee benefits, which are those payable within 12 months after the service is rendered, such as annual leave, sick leave and bonuses, are recognised in the period in which the service is rendered and are not discounted.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Vested employee benefits are employee benefits that are not conditional on future employment.

### 1.9 Provisions

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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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.

A provision is used only for expenditures for which the provision was originally recognised.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

### 1.10 Commitments

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

The Commission has included disclosures in respect of unrecognised contractual commitments.

## Accounting Policies

### 1.11 Revenue recognition

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.

An exchange transaction is one in which the Commission receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Nonexchange transactions are those transactions where an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the Commission and these benefits can be measured reliably. Revenue comprises government grants, other income, gains on disposals and interest received.

Government grants are the Commission's main source of revenue and are treated with reference to the guidance provided by GRAP 23: Revenue from nonexchange transactions. The Commission has developed an appropriate accounting policy for this basis, namely that revenue from nonexchange sources is only recognised to the extent that a corresponding asset satisfies the recognition criteria, but limited to the amount of any outstanding obligation in the form of conditions attached to the grant. Donor funds received are managed by the Commission in order to enable facilitation of research projects. The funds are recognised as revenue.

### Rendering of services

Other income is recognised in the reporting period in which the services are rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

The gain arising from the derecognition of an item of property, plant and equipment is included in revenue when the item is derecognised. The gain 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. Interest is recognised on a time proportion basis, taking into account the principal outstanding or invested and the effective rate over the period to maturity when it is determined that such income will accrue to the Commission.

### 1.12 Revenue from non-exchange transactions

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

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

## Accounting Policies

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

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Nonexchange transactions are transactions that are not exchange transactions. In a nonexchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from nonexchange transactions, other than taxes.

### Services in kind

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



## Accounting Policies

### 1.12 Revenue from nonexchange transactions (continued)

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

### 1.13 Comparative figures

Where necessary, comparative figures have been restated or reclassified to achieve fair presentation and to conform to changes in presentation that arise due to changes in accounting policies, errors, reporting standards and legislation.

### 1.14 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.

### 1.15 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 2008/09 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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

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

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

## Accounting Policies

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

### 1.16 Budget information

The Commission are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

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

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

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

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period has been included in the statement of comparison of budget and actual amounts.

The annual financial statements and the budget are not on the same basis of accounting. A reconciliation between the statement of financial performance and the budget has therefore been included in the annual financial statements. Refer to note 29.

### 1.17 Related parties

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

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

## Accounting Policies

### 1.17 Related parties (continued)

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

### 1.18 Events after reporting date

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

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (nonadjusting events after the reporting date).

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

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

## Accounting Policies

### 1.19 Use of estimates

The preparation of financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statement. Estimates are based on current conditions and on other assumptions that are believed to be reasonable under the circumstances. Significant items subject to judgement and such estimates include estimated useful lives and the recoverability of the carrying value of assets.

## Notes to the Annual Financial Statements

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Commission has not adopted standards and interpretations that are effective for the current financial year and that are relevant to its operations.

#### 2.2 Standards and interpretations issued, but not yet effective

The Commission has not applied the following standards and interpretations, which have been published and are mandatory for the Commission's accounting periods beginning on or after 01 April 2018 or later periods:

##### **GRAP 37: Joint Arrangements**

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.  
It is unlikely that the standard will have a material impact on the Commission's annual financial statements.

##### **GRAP 38: Disclosure of Interests in Other Entities**

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Nonqualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the Commission's annual financial statements.

##### **GRAP 20: Related parties**

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

## Notes to the Annual Financial Statements

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a postemployment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

## Notes to the Annual Financial Statements

### 2. New standards and interpretations (continued)

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the Commission, but may result in more disclosure than is currently provided in the annual financial statements.

#### **GRAP 108: Statutory Receivables**

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the Commission's annual financial statements.

#### **GRAP 109: Accounting by Principals and Agents**

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principalagent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principalagent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

## Notes to the Annual Financial Statements

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the Commission, but may result in more disclosure than is currently provided in the annual financial statements.

### **IGRAP 19: Liabilities to Pay Levies**

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the interpretation is not yet set by the Minister of Finance.



## Notes to the Annual Financial Statements

### 2. New standards and interpretations (continued)

The entity expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

The adoption of this interpretation is not expected to impact on the results of the Commission, but may result in more disclosure than is currently provided in the annual financial statements.

#### **GRAP 12 (as amended 2016): Inventories**

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other assetrelated Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016. The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in nonexchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2018.

The entity expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the Commission's annual financial statements.

#### **GRAP 16 (as amended 2016): Investment Property**

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other assetrelated Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in nonexchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a nonmonetary asset or assets, or a combination of monetary and nonmonetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owneroccupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The entity expects to adopt the amendment for the first time in the 2019 annual financial statements.

## Notes to the Annual Financial Statements

It is unlikely that the amendment will have a material impact on the Commission's annual financial statements.

### **GRAP 17 (as amended 2016): Property, Plant and Equipment**

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in nonexchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a nonmonetary asset or assets, or a combination of monetary and nonmonetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The entity expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the Commission's annual financial statements.

### **GRAP 21 (as amended 2016): Impairment of noncashgenerating assets**

Amendments to the Standard of GRAP on Impairment of Noncash Generating Assets resulted from changes made to IPSAS 21 on Impairment of NonCashGenerating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The entity expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the Commission's annual financial statements.

## Notes to the Annual Financial Statements

### 2. New standards and interpretations (continued)

#### **GRAP 26 (as amended 2016): Impairment of cashgenerating assets**

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of CashGenerating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The entity expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the Commission's annual financial statements.

#### **GRAP 31 (as amended 2016): Intangible Assets**

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other assetrelated Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in nonexchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a nonmonetary asset or assets, or a combination of monetary and nonmonetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and to clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The entity expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the Commission's annual financial statements.

#### **GRAP 103 (as amended 2016): Heritage Assets**

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other assetrelated Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in nonexchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a nonmonetary asset or assets, or a combination of monetary and nonmonetary assets

## Notes to the Annual Financial Statements

The effective date of the amendment is for years beginning on or after 01 April 2018.

The entity expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the Commission's annual financial statements.

### **Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities**

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. "Generally accepted accounting practice" has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the directive is for years beginning on or after 01 April 2018.

The entity expects to adopt the directive for the first time in the 2019 annual financial statements.

It is unlikely that the directive will have a material impact on the Commission's annual financial statements.

## Notes to the Annual Financial Statements

Figures in Rands	2018	2017
<b>3. Receivables from exchange transactions</b>		
Prepayments	75 040	71 619
Other receivables	1 253	27 092
	<b>76 293</b>	<b>98 711</b>
<b>4. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	16 682	723
Bank balances	15 420 280	8 403 190
	<b>15 436 962</b>	<b>8 403 913</b>
<b>5. Deposits</b>		
Rental Deposit	143 862	143 862

Deposits relate to rental deposits on the premises occupied by the Commission.

### 6. Property, plant and equipment

	2018			2017		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	2 491 392	(2 133 149)	358 243	2 449 449	(2 159 629)	289 820
Motor vehicles	236 829	(219 944)	16 885	236 829	(208 266)	28 563
Computer equipment	1 933 475	(793 575)	1 139 900	1 979 033	(862 113)	1 116 920
Leasehold improvements	461 054	(423 225)	37 829	475 942	(416 191)	59 751
Artwork	38 806	-	38 806	38 806	-	38 806
<b>Total</b>	<b>5 161 556</b>	<b>(3 569 893)</b>	<b>1 591 663</b>	<b>5 180 059</b>	<b>(3 646 199)</b>	<b>1 533 860</b>

### Reconciliation of property, plant and equipment 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	289 820	95 069	(2 903)	(23 743)	358 243
Motor vehicles	28 563	-		(11 678)	16 885
Computer equipment	1 116 920	226 914	(53 292)	(150 642)	1 139 900
Leasehold improvements	59 751	-		(21 922)	37 829
Artwork	38 806	-		-	38 806
	<b>1 533 860</b>	<b>321 983</b>	<b>(56 195)</b>	<b>(207 985)</b>	<b>1 591 663</b>

## Notes to the Annual Financial Statements

### Reconciliation of property, plant and equipment 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	284 798	24 198	(233)	(18 943)	289 820
Motor vehicles	37 466	-	-	(8 903)	28 563
Computer equipment	702 696	524 507	-	(110 283)	1 116 920
Leasehold improvements	81 673	-	-	(21 922)	59 751
Artwork	38 806	-	-	-	38 806
	<b>1 145 439</b>	<b>548 705</b>	<b>(233)</b>	<b>(160 051)</b>	<b>1 533 860</b>

### 7. Intangible assets

	2018			2017		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	244 310	(182 198)	62 112	244 310	(170 262)	74 048

### Reconciliation of intangible assets 2018

	Opening balance	Amortisation	Total
Computer software	74 048	(11 936)	62 112

### Reconciliation of intangible assets 2017

	Opening balance	Amortisation	Total
Computer software	84 545	(10 497)	74 048

### 8. Payables from exchange transactions

	2018	2017
Trade payables	452 094	256 510
Accrued expense	1 394 996	1 770 322
	<b>1 847 090</b>	<b>2 026 832</b>

## Notes to the Annual Financial Statements

### 9. Provisions

#### Reconciliation of provisions 2018

	Opening balance	Additions	Utilised during the year	Total
Performance bonus	732 701	849 870	(464 226)	1 118 345
Leave benefits	713 519	160 878	(114 262)	760 135
	<b>1 446 220</b>	<b>1 010 748</b>	<b>(578 488)</b>	<b>1 878 480</b>

#### Reconciliation of provisions 2017

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Bonus	639 846	732 701	(639 846)	-	732 701
Leave benefits	1 031 457	-	(168 077)	(149 861)	713 519
	<b>1 671 303</b>	<b>732 701</b>	<b>(807 923)</b>	<b>(149 861)</b>	<b>1 446 220</b>

In terms of the Financial and Fiscal Commission's leave policy, employees are entitled to accumulated vested leave pay benefits not taken within a leave cycle, provided that any leave pay benefits not taken within a period of one year after the end of a leave cycle are forfeited.

The performance bonus provision of R849 870 (2017:R732 701) recognised is in accordance with the Commission's performance management policy.

### 10. Operating lease liability

Accrual in respect of straight line operating lease

2018	2017
-	77 838

### 11. Contributed capital

#### Issued

Value of Assets received from National Treasury at the establishment of the Commission.

918 754	918 754
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### 12. Government grants

#### Operating grants

Revenue comprises amounts received from National Treasury

50 647 000	44 839 000
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## Notes to the Annual Financial Statements

### 13. Depreciation and amortisation

	2018	2017
Property, plant and equipment	207 985	160 051
Intangible assets	11 937	10 497
	<b>219 922</b>	<b>170 548</b>

### 14. Other income

Sundry income	-	3 054 127
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Sundry income in the previous year relates to funds recovered from Dipula Property in respect of overpaid rental costs.

### 15. Employee costs

Basic	29 713 964	26 721 437
Performance bonus	849 870	738 943
Leave pay provision charge	46 615	(317 937)
UIF	57 990	61 075
Longservice awards	197 380	260 211
Other personnel costs	675 545	662 894
<b>Total</b>	<b>31 541 364</b>	<b>28 126 623</b>

The cost of shortterm employee benefits, which are those payable within 12 months after the service is rendered, such as annual leave, sick leave and bonuses, are recognised in the period in which the service is rendered and are not discounted.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.



## Notes to the Annual Financial Statements

### 16. Related parties

All National Departments of Government and National Statecontrolled entities are regarded as related parties in accordance with IPSAS 20. The Financial and Fiscal Commission is a constitutional institution reporting to Parliament from which it received grants in the current and prior years. Transactions with related parties that are on the same terms as those generally available in the sector and related to transactions in the ordinary course of business are not disclosable in terms of IPSAS 20. Payments to Commissioners and Management are reflected below.

	2018	2017
<b>Executive Commissioner B Khumalo ( for the period 1 April 2016 31 August 2016)</b>		
Annual Salary	-	882 562
Other Contributions	-	53 436
<b>Total</b>	<b>-</b>	<b>935 998</b>
<b>Non-Executive Commissioner S Muthwa</b>		
Commissioner fees	81 082	21 408
<b>Total</b>	<b>81 082</b>	<b>21 408</b>
<b>NonExecutive Commissioner S Lubisi</b>		
Commissioner fees	160 521	57 018
Travel expenses	30 134	5 294
<b>Total</b>	<b>190 655</b>	<b>62 312</b>
<b>Non-Executive Commissioner N Steytler</b>		
Commissioner fees	24 612	112 915
Travel expenses	5 399	1 901
<b>Total</b>	<b>30 011</b>	<b>114 816</b>
<b>Commission Chairperson D Plaatjies</b>		
Commissioner fees	365 716	438 248
Travel expenses	-	536
<b>Total</b>	<b>365 716</b>	<b>438 784</b>
<b>Non-Executive Commissioner K Kumar</b>		
Travel expenses	27 425	17 748
<b>Total</b>	<b>27 425</b>	<b>17 748</b>
<b>NonExecutive Commissioner G Mayende</b>		
Commissioner fees	17 790	20 076
Travel expenses	7 916	-
<b>Total</b>	<b>25 706</b>	<b>20 076</b>

## Notes to the Annual Financial Statements

### 31 March 2018

	Salary	Performance Bonus	Other	Long service award	Total
Daniel Plaatjies, Chairperson (from 1 July 2017)	1 445 623	-	-	-	1 445 623
Velile Mbethe, Acting Chief Executive Officer	1 370 974	-	1 530	-	1 372 504
Ramos Mabugu, Research Director	1 560 313	94 394	6 791	-	1 661 498
Ansuyah Maharaj, Commission Secretary	1 203 262	36 334	1 360	-	1 240 956
Mavuso Vokwana, Chief Financial Officer	1 273 729	-	-	-	1 273 729
	<b>6 853 901</b>	<b>130 728</b>	<b>9 681</b>	<b>-</b>	<b>6 994 310</b>

### 31 March 2017

	Salary	Performance Bonus	Other	Long service award	Total
Ramos Mabugu, Research Director	1 480 539	61 544	2 794	84 716	1 629 593
Mavuso Vokwana, CFO	1 206 529	25 077	99 230	-	1 330 836
Anton van Niekerk, Corporate Services Manager	958 230	-	331	-	958 561
Ansuyah Maharaj, Commission Secretary	1 139 779	23 690	6 286	-	1 169 755
Velile Mbethe, Acting Chief Executive Officer (from 1 September 2016)	729 720	-	-	-	729 720
	<b>5 514 797</b>	<b>110 311</b>	<b>108 641</b>	<b>84 716</b>	<b>5 818 465</b>

### 17. Professional services

	2018	2017
Legal Fees	198 800	900 880
External Audit Fees	1 149 907	1 387 710
Risk Management and Financial consulting	363 675	236 782
Internal Audit Fees	308 323	834 309
Commissioned Research	259 755	1 138 246
Commissioners fees	458 740	706 068
Human Resource Consultant	640 176	242 443
	<b>3 379 376</b>	<b>5 446 438</b>

## Notes to the Annual Financial Statements

### 18. Other operating expenditure

	2018	2017
Software licences	525 921	573 672
Internet Connection	490 607	545 358
IT Support	605 955	548 892
Workshops and Meetings	123 744	651 048
Printing and Publications	1 185 546	1 274 742
Communications and Cellphones	1 247 628	1 163 851
Office Rent	2 438 183	2 389 534
Travel Expenses	3 936 244	2 293 547
Other operating expenditure	1 781 852	2 340 182
	<b>12 335 680</b>	<b>11 780 826</b>

### 19. Cash generated from operations

Surplus	6 881 818	4 626 450
<b>Adjustments for:</b>		
Depreciation and amortisation	219 922	170 548
Loss (gain) on sale of assets and liabilities	56 195	(1 010)
Movements in operating lease assets and accruals	(77 838)	(51 496)
Movements in provisions	432 260	(225 083)
<b>Changes in working capital:</b>		
Receivables from exchange transactions	22 418	(90 775)
Payables from exchange transactions	(179 740)	861 840
	<b>7 355 032</b>	<b>5 290 474</b>

### 20. Commitments

#### Authorised capital expenditure

#### Commitments

The entity has entered into a lease agreement for office premises in Cape Town. Commitments regarding the lease are as follows.

#### Operating leases as lessee (expense)

#### Minimum lease payments due

- within one year	226 316	565 789
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Operating lease payments represent rentals payable by the entity for its office premises. Leases are negotiated for an average term of five years and have an 8% escalation clause. No contingent rent is payable.

## Notes to the Annual Financial Statements

### 21. Going concern

We draw attention to the fact that at 31 March 2018, the Commission had an accumulated surplus of R 12 666 568 and that the Commission's total assets exceed its liabilities by R 13 585 322.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Commission to continue as a going concern depends largely on the continued support of government through means of annual appropriation. The Commission will make a submission and request approval from the National Treasury to retain part of or the entire cash surplus of R6 643 818.

### 22. Irregular expenditure

	2018	2017
Opening balance	638 822	-
Add: Irregular Expenditure current year	1527 400	2 231 362
Add: Irregular Expenditure prior year (detected in 2016/17 financial year)	-	4 738 726
Less: Amounts condoned	(28 560)	(6 331 266)
	<b>2 137 662</b>	<b>638 822</b>

### Analysis of expenditure awaiting condonation per age classification

Current year	1 498 840	542 116
Prior years	638 822	96 706
	<b>2 137 662</b>	<b>638 822</b>

### Details of irregular expenditure

Courier Services	Irregular expenditure under investigation	1 214
Office contents insurance	Partly condoned, see below for details	109 295
Venue hire	Irregular expenditure under investigation	5 150
Catering Services	Irregular expenditure under investigation	2 166
Editorial services	Irregular expenditure under investigation	746 415
Financial consulting services	Irregular expenditure under investigation	650 000
Telephone management system	Irregular expenditure under investigation	13 160
		<b>1 527 400</b>

The irregular expenditure identified above relates to noncompliance with procurement procedures in the current and previous financial years. A forensic investigation has been concluded on these matters and the Commission is in the process of instituting disciplinary procedures against the implicated personnel. Additional controls have been put in place to avoid such irregular expenditure in future.

## Notes to the Annual Financial Statements

### 22. Irregular expenditure

2018	2017
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#### Details of irregular expenditure condoned

Office content insurance	Procurement without competitive bidding	28 560
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The condoned irregular expenditure regarding insurance services relate to the use of the service provider without undertaking competitive bidding. The condonement has been granted primarily on the basis that value has been received notwithstanding the noncompliance.

### 23. Fruitless and wasteful expenditure

Cancellation of travel visa costs	-	1 890
Cancellation of travel ticket costs	-	1 881
Traffic fines	-	1 000
	-	<b>4 771</b>

The Commission has not recovered debt arising in the previous year which were identified during the forensic investigation as the disciplinary procedures are ongoing.

## 24. Financial risk management

### Financial risk management

The entity's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

#### Liquidity risk

The Commission's risk to liquidity is a result of the funds available to cover future commitments. Considering the Commission's current funding structures and availability of cash resources, the Commission regards this risk to be low provided National Treasury approves the retention of the surplus.

Financial liabilities which potentially subject the Commission to concentrations of liquidity risk are trade and other payables. The Commission's risk to liquidity is a short fall in funds available to pay its payables. The payables are all due within the short term. The Commission manages its liquidity risk by holding sufficient cash in the bank account.

#### At 31 March 2018

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	1 847 091	-	-	-

#### 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	2 026 83	-	-	-

## Notes to the Annual Financial Statements

### Credit risk

Financial assets which potentially subject the Commission to concentrations of credit risk is principally of receivables. Loans and receivables are of a sundry nature and the credit risk is therefore limited, the credit risk is managed through periodic reviews of the level of bad debts. Accordingly the Commission has no significant concentration of credit risk.

	2018	2017
Trade and other receivables	76 293	98 711

### Market risk

#### Interest rate risk

The Commission has cash and cash equivalents placed with financial institutions and is therefore exposed to interest rate fluctuations and such changes in market interest rates affect the fair value of cash. The interest rate risk embodies not only the potential for loss but also the potential for gain and is managed through the cash management policy.

### Fair values

At 31 March 2018 the carrying amounts of accounts payable and accounts receivable approximated their fair value due to the short term maturities of these assets and liabilities. Since the Commission does not undertake any significant investment there is no significant sensitivity to fair value fluctuations of financial instruments.

### Foreign currency risk

The Commission transacts with foreign persons from time to time. The Commission is relatively insensitive to subsequent fluctuations in currency since most transactions are settled in advance, resulting in there being few monetary items that would again require translation at reporting date. The Commission's management will continue to assess the frequency and nature of these transactions to determine whether further foreign currency risk management strategies are required but at this stage the risk is limited.

## 25. Retirement benefit information

### Defined contribution plan

During the year, the Financial and Fiscal Commission contributed to Momentum Provident Fund for all its employees. This constituted a defined contribution fund governed by the Pension Fund Act (Act 24 1956, as amended). In terms of the rules of the fund, the Commission is committed to contribute 12.5% of pensionable emoluments towards the retirement fund and 3.5% of pensionable emoluments towards an accident compensation fund. An amount of R2 638 240 (2017: R3 608 322) was recognised as an expense during the year for contributions to the retirement fund. FFC has no liability to members beyond what is contributed to the fund.

## Notes to the Annual Financial Statements

### 26. Prior period errors

Current liabilities in relation to a supplier invoice were understated by R238 000 during the 2016/17 financial year. As a result the accumulated surplus was overstated by the same amount.

The correction of the error results in adjustments as follows:

	2018	2017
<b>Statement of financial position</b>		
Accruals		238 000
Opening accumulated surplus	(238 000)	
<b>Statement of financial performance</b>		
Commissioned Research		238 000

### 27. Contingent liabilities

The accumulated surplus of R12 million in the current year has been classified as a contingent liability as at 31 March 2018 as there is no approval received to retain the surplus as yet. In terms of National Treasury Instruction note 6 of 2017/18 all constitutional institutions must declare and surrender all surpluses realised to the National Revenue fund.

The Commission has received enquiries from staff that their leave days are being forfeited on the automated leave system. The FFC is investigating the matter. The value of the forfeited leave, if any, will only be determined after the completion of the investigation.

Litigation is in the process against the suspended Chief financial officer relating to a labour dispute. The Commissioner's lawyers and management envisage that the legal fees for the labour court review and arbitration will be R200 000.

### 28. Services-in-kind

Office Rental	1 926 410	1 817 368
Staff Secondment	995 971	620 000
	<b>2 922 381</b>	<b>2 437 368</b>

The Commission has recognised services in kind related to the office accommodation in Midrand. The Department of Public Works has traditionally entered into contractual agreements and paid for the rental on behalf of the Commission.

During the current financial year the Commission received technical assistance in the form of staff secondment from National Treasury.

## Notes to the Annual Financial Statements

### 29. Reconciliation between budget and statement of financial performance

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

	2018	2017
Net surplus per the statement of financial performance	6 881 818	4 626 450
<b>Adjusted for:</b>		
Increase in Sundry income	(3 306 012)	(5 463 332)
(Under) expenditure in Employee costs	(2 453 432)	(1 832 881)
(Under) expenditure in Professional services	(2 098 724)	(229 420)
Over expenditure in other operating expenditure	920 155	2 899 183
	56 195	-
<b>Net surplus per approved budget</b>	<b>-</b>	<b>-</b>

### 30. Budget differences

#### Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The annual financial statements are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The annual financial statements are for the fiscal period from 2017/04/01 to 2018/03/31. The annual financial statements differ from the budget, which is approved on the cash basis.



# Appendix A

## Full year publications and dissemination

### 1 Written submissions to Parliament

1. South Africa. FFC (Financial and Fiscal Commission). 2017. *Submission for the Division of Revenue, 2018/19*. Midrand: FFC.
2. South Africa. FFC (Financial and Fiscal Commission). 2017. *Submission on the 2017 Medium Term Budget Policy Statement*. Midrand: FFC.
3. South Africa. FFC (Financial and Fiscal Commission). 2018. *Submission on the 2018 Division of Revenue Bill*. Midrand: FFC.
4. South Africa. FFC (Financial and Fiscal Commission). 2018. *Submission on the 2018 Fiscal Framework and Revenue Proposal*. Midrand: FFC.
5. South Africa. FFC (Financial and Fiscal Commission). 2018. *Submission on the 2018 Appropriation Bill*. Midrand: FFC.

### 2 Peer reviewed journal publications and book chapters

1. Mabugu, R., 2017. The Impact of the Great Recession on South Africa's Intergovernmental Fiscal Relations System, Chapter 10 in book by Ecclestone and Krever (eds), *Future of Federalism*, Cheltenham: Edward Elgar Publishers
2. Rakabe, E., (2018), Prospects for Stimulating Township Economies: A Case Study of Two Midrand Townships, Chapter 11 in book by Fourie (ed), *The South African Informal Sector: Creating Jobs Reducing Poverty*, Cape Town: HSRC Press
3. Vacu, N.P, and Odhiambo, N.M., 2017. A Review of Import Structure and Reforms in Tanzania, *Socio-economica – The Scientific Journal for Theory and Practice of Socio-economic Development*, Issue 1: pp 179-196.

### 3 Working papers, technical reports and policy briefs published

1. South Africa. FFC (Financial and Fiscal Commission). 2017. Technical Reports: *Submission for the Division of Revenue, 2018/19*. Midrand: FFC.
2. Mabugu, R., Fofana, I., and Chitiga, M. 2018. *South Africa Milestones to Achieving SDGs on Poverty and Hunger*, International Food Policy Research Institute (IFPRI) Working Paper 597, Washington DC., 2016, 21pp
3. 11 policy briefs published.

#### 4 Op-eds and newspaper articles

1. Rakabe, E., and Mtantato, S. 2017. Housing Bank Must Keep an Eye on Debt, *Business Day*, 6 June 2017. Available at: <https://www.businesslive.co.za/bd/opinion/2017-06-06-housing-bank-must-keep-an-eye-on-debt/>
2. Dawood, G. 2017. Public Transport: Are We Getting it Right? *Mail and Guardian*, 24 July 2017. Available at: <https://mg.co.za/article/2017-07-24-00-public-transport-are-we-getting-it-right>
3. Dawood, G. 2017. Cash boost for cities on the move will drive public transport, *Business Day*, 14 August 2017. Available at: <https://www.businesslive.co.za/bd/opinion/2017-08-14-cash-boost-for-cities-on-the-move-will-drive-public-transport/>
4. Rakabe, E. 2017. The state expects too much from township economies, *Business Day*, 18 August 2017. Available at: <https://www.businesslive.co.za/bd/opinion/2017-08-18-the-state-expects-too-much-from-township-economies/>
5. Rakabe, E. 2017. Time to choose: Free water for the poor or poor municipalities, *Business Day*, 20 December 2017. Available at: <https://www.businesslive.co.za/bd/opinion/2017-12-20-time-to-choose-free-water-for-the-poor-or-poor-municipalities/>
6. Rakabe, E. 2018. "Admission patterns plague schools", *Mail and Guardian*, 2-8 February 2018
7. Rakabe, E. 2018. "Foster fair markets and tighten competition laws to achieve transformation", *Mail and Guardian*, 31 January 2018. Available at: <https://mg.co.za/article/2018-01-31-00-foster-fair-markets-and-tighten-competition-laws-to-achieve-transformation>
8. Rakabe, E. 2018. "Build Cooperation into schools", *Mail and Guardian*, 05 April 2018, Available at: <https://mg.co.za/article/2018-04-06-00-build-co-operation-into-school-sector>

#### 5 Conference presentations

1. Thembe Ntshakala presented a paper and attended the SAAPAM conference in Richards Bay, 3-5 May 2017.
2. Mkhululi Ncube presented a paper and attended the SAAPAM conference in Richards Bay, 3-5 May 2017.
3. Hammed Amusa presented a paper and attended the conference on "Inequality in Africa: Economic Vulnerability, Environmental Risks, and Inequitable Access to Justice" organised by the Southern African Institute for Policy and Research (SAIPAR) in conjunction with Cornell University's Institute for African Development (IAD). The conference was held on 3-4 August 2017 in Livingstone, Zambia.
4. Ramos Mabugu invited to be a guest speaker at CIGFARO 88<sup>th</sup> Annual Conference, 11 October 2017.
5. In celebration of a decade of debating public administration and management issues in an era of multiple challenges and constraints, the School of Public Management and Administration (SPMA) at the University of Pretoria hosted the 10<sup>th</sup> Annual SPMA International Conference on Public Administration at the Burgerspark Hotel from 26 to 27 October 2017. There were two papers by FFC researchers presented at this conference, co-authored by Thembe Ntshakala, Mkhululi Ncube and Nomonde Madubula.
6. Ramos Mabugu invited to be a guest speaker at Western Cape MEC Finance Symposium on Fiscal Policy, 3 November 2017
7. Hammed Amusa attended and presented at the Paul H. Nitze School of Advanced International Studies (SAIS) at Johns Hopkins University's workshop with the theme "Public Management and Public Finance in Developing Countries".

## Acronyms

<b>APP</b>	<b>Annual performance plan</b>
<b>BCP</b>	<b>Business continuity plan</b>
<b>CEO</b>	<b>Chief Executive Officer</b>
<b>COE</b>	<b>Compensation of employees</b>
<b>COSATU</b>	<b>Congress of South African Trade Unions</b>
<b>CRO</b>	<b>Chief risk officer</b>
<b>DoRA</b>	<b>Division of Revenue Act</b>
<b>DoRB</b>	<b>Division of Revenue Bill</b>
<b>DRP</b>	<b>Disaster recovery plan</b>
<b>EMT</b>	<b>Executive management team</b>
<b>ENE</b>	<b>Estimates of National Expenditure</b>
<b>ERM</b>	<b>Enterprise risk management</b>
<b>FFC</b>	<b>Financial and Fiscal Commission</b>
<b>GAAP</b>	<b>Generally Accepting Accounting Practice</b>
<b>GRAP</b>	<b>Generally Recognised Accounting Practice</b>
<b>HR</b>	<b>Human resources</b>
<b>IAF</b>	<b>Internal audit function</b>
<b>IESBA</b>	<b>International Ethics Standards Board for Accountants</b>
<b>IFRS</b>	<b>International Financial Reporting Standards</b>
<b>IGFR</b>	<b>Intergovernmental fiscal relations</b>
<b>IPSAS</b>	<b>International Public Sector Accounting Standards</b>
<b>ISA</b>	<b>International Standards on Auditing</b>
<b>MEC</b>	<b>Member of the executive council</b>
<b>MTBPS</b>	<b>Medium Term Budget Policy Statement</b>
<b>NCOP</b>	<b>National Council of Provinces</b>
<b>NDP</b>	<b>National Development Plan</b>
<b>PFMA</b>	<b>Public Finance Management Act</b>
<b>SACP</b>	<b>South African Communist Party</b>
<b>SALGA</b>	<b>South African Local Government Association</b>



**FINANCIAL AND FISCAL COMMISSION**

Montrose Place (2nd Floor), Bekker Street,  
Waterfall Park, Vorna Valley, Midrand.

Private Bag X69, Halfway House 1685

Tel: +27 11 207 2300

**[www.ffc.co.za](http://www.ffc.co.za)**

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