

# CONTENTS

MINISTER'S FOREWORD	3
ACCOUNTING OFFICER'S OVERVIEW	4
ACCOUNTING OFFICER'S STATEMENT OF RESPONSIBILITY	6
<b>PART A: GENERAL INFORMATION</b>	<b>8</b>
Performance environment	10
<b>PART B: PERFORMANCE INFORMATION</b>	<b>18</b>
Situation analysis	19
Performance information per strategic outcome	21
<b>PART C: GOVERNANCE</b>	<b>46</b>
Governance	48
Audit Committee report	49
<b>PART D: HUMAN CAPITAL MANAGEMENT AND CORPORATE SUPPORT SERVICES</b>	<b>59</b>
Overview of human capital management and corporate services support matters	60
Statistical information	61
<b>PART E: FINANCIAL INFORMATION</b>	<b>93</b>
Report of the Auditor General to Parliament on the Government Technical Advisory Centre	94
Annual financial statements	100

# ABBREVIATIONS AND ACRONYMS

CBPEP	Capacity Building Programme for Employment Promotion
GTAC	Government Technical Advisory Centre
MANCO	Management Committee
MFIP	Municipal Finance Improvement Programme
mSCOA	Municipal Standard Chart of Accounts
NAWONGO	National Association of Welfare Organisations and Non-Governmental Organisations
PEPA	Public Expenditure and Policy Analysis
PER	performance and expenditure review
PPP	public-private partnership
SHERQ	safety, health, environment, risk and quality
SMS	Senior Management Services

# FOREWORD BY THE MINISTER OF FINANCE



In the May Budget address, I emphasised that ‘we need to rebuild confidence and trust that Government and our public entities exist to serve the people of South Africa, and that they strive to do so effectively, efficiently and honestly’. Building an effective, efficient and honest government requires us to strengthen governance practices, provide effective oversight and, importantly, continue to build the skills and capacity to manage public funds judiciously.

It is worth reminding ourselves that GTAC draws its mandate from the responsibility of the National Treasury to promote transparency and the effective management of public finances; it provides technical and advisory support to help the Treasury and other organs of state meet this mandate. GTAC is uniquely positioned to convene the relevant strategic role players in the interest of improving public financial management practices, because it draws on market expertise and deploys it to contribute to building fiscally sound state institutions. I look forward to the consolidation of this work as GTAC finds its place as an important entity on which centre-of-government

departments can depend, to help provide the critical skills needed to take South Africa forward. In a turbulent year, GTAC has stayed steadily on course, and has responded with savvy and innovation to provide continuing support to an increasingly fiscally constrained public sector.

Some of the highlights in the 2017/18 reporting period include GTAC support to the National Treasury in the development of the online budget data portal, Vulekamali. This portal is part of the National Treasury’s continued commitment to transparency and budget participation reforms. GTAC further produced eight provincial performance expenditure reviews, which provide insights into key constraints in implementation models, reporting systems, and the collection, availability and quality of data. Assistance with the budget facility for infrastructure is another sound example of how GTAC closely supports the National Treasury’s priorities. Finally, GTAC’s Public Economics Capacity Building Initiative is an important contribution to the national priority of stimulating youth employment. This forward-looking programme, which includes the Winter School, a bursary programme and an internship initiative, aims to equip and encourage young, talented economists for meaningful careers in the public sector. This year, GTAC awarded six bursaries to students who excelled in their applications; it expects these students to form part of the first cadre of interns into the Treasury in 2019. GTAC’s Winter School was held in July, with over 150 South African university students and young economists attending the event.

As Minister of Finance, I wholeheartedly support GTAC’s effort to bring inspired, highly skilled, new talent into the established Treasury family.

A handwritten signature in black ink, appearing to be 'NMN', enclosed within a hand-drawn oval.

NHLANHLA MUSA NENE  
**Minister of Finance**

# ACCOUNTING OFFICER'S OVERVIEW



## GTAC: MORE THAN THE SUM OF ITS PARTS

The past year has seen fundamental organisational changes across many state institutions, and GTAC has been no exception. The impact of these shifts has affected GTAC in three defining ways: it has helped us recognise that our business offering needed to be better articulated, our governance arrangements needed to better reflect this business model, and we had to better position ourselves to play the role of invested but independent convenor and clearly and unambiguously demonstrate our value proposition.

While we focus on developing the best institutional model, GTAC continues its work of delivering quality, incisive technical advisory services to the National Treasury and other centre-of-government departments. I believe this is evidenced in the information shared in this report.

An important shift this year has been our collective recognition that there is value and strength in our difference. The fact that GTAC is a model of different

service offerings is a technical and intellectual advantage. The unique service offerings of each business unit create the space to better leverage off one another's strengths and in so doing, deliver a much more rigorous end product for our clients. For instance, the sectoral expenditure reviews provide a technical baseline for the advisory work of the consulting business, as well as for the appraisal of capital projects. Lessons from the Municipal Finance Improvement Programme influence how we design and deliver other forms of support to local government. Leveraging off the research of external institutional partners allows us to prepare and successfully deliver better-informed, fit-for-purpose solutions. In short, in recognising the federated nature of its form, GTAC is creating increased value for its clients.

## Highlights of 2017/18

In terms of delivery, GTAC has been productively engaged. This year has seen important contributions in a number of areas. The annual GTAC Winter School has become a prestigious calendar event, drawing young graduates and professionals together for a week-long engagement with international and local experts on the challenges facing public policy decision-making.

The Transaction Advisory Services and Public-Private Partnership (PPP) unit worked on getting the Johannesburg Stock Exchange's approval for project bond listing requirements. Project bonds are widely used in developing countries to finance public service infrastructure. Through this intervention, they have now become available in South Africa. This important development has enhanced the ability to 'crowd in' private sector financing.

The Capital Projects Appraisals unit assisted the National Treasury in conceptualising the establishment of a budget facility for infrastructure. A part of ongoing budget reform processes, the facility is a critical intervention that helps to make decisions on infrastructure financing more rigorous.

This year, the Technical Consulting Services unit supported 80 projects that helped to build the institutional capacity of client departments. These included the development of a business case for a free port at the Port of Saldanha Bay, a readiness assessment to modernise deeds registration for the Department of Rural Development and Land Reform, and the development of a business case for a Special Economic Infrastructure Entity for the Western Cape Department of Economic Development and Tourism.

Finally, the Public Expenditure and Policy Analysis unit has for the first time conducted provincial expenditure reviews, providing a platform for testing the methodology beyond the national sphere of government. Eight of these reviews were done during the year under review. The focus on provincial functions has helped crystallise concerns about the degree of coordination across the spheres of government and the lack of consistency across provinces with regard to institutional configurations, implementation models, reporting systems, and the collection, availability and quality of data.

## Acknowledgements

In all likelihood, the next annual reporting period will bring with it finality around the position of a permanent head for GTAC. It has been an honour to have been entrusted with helping play my small part in this journey. I am grateful for the unwavering support and guidance provided by Andrew Donaldson and Shahid Khan over what has certainly been an eventful period. Their contributions and leadership have been indispensable in allowing me to provide consistent and considered direction to the organisation. The support from the management team has been robust, engaging and totally focused on delivering excellence. The GTAC family will continue to shape the institution as it evolves, and I would like to express my very special appreciation to every single person for their hard work and dedication over this year.



LINDIWE NDELELA

**Acting Head and Accounting Officer: GTAC**

# ACCOUNTING OFFICER'S STATEMENT OF RESPONSIBILITY

*Statement of responsibility and confirmation of accuracy for the annual report for the year ended 31 March 2018*

## **I CONFIRM THE FOLLOWING:**

- The information and amounts disclosed in this annual report are compiled from the records of GTAC and the National Treasury, and accurately reflect, subject to the limitations of these records, the activities of GTAC, functioning as an Agency of the National Treasury.
- To the best of my knowledge and understanding, the annual report is complete, accurate and free from material misstatements.
- The annual report has been prepared taking into account the relevant guidelines issued by the National Treasury. Following a determination by the Minister of Finance and approval by the Accountant-General, the annual financial statements (Part E) have been prepared in accordance with Generally Recognised Accounting Practice standards and the relevant frameworks and guidelines issued by the National Treasury.
- The accounting authority is responsible for preparing the annual financial statements and for judgments made in this information.
- The accounting authority is responsible for implementing a system of internal control designed to provide reasonable assurance on the integrity and reliability of the performance information, human resources information and annual financial statements.
- The external auditors are engaged to express an independent opinion on the annual financial statements. In my opinion, the annual report fairly reflects GTAC's operations, performance information and human resources in the year under review.

This report is submitted by the Acting Head of GTAC, Ms Lindiwe Ndlela, whose appointment took effect in February 2018. As the accounting officer, I am pleased to present this annual report..



LINDIWE NDELELA

**Acting Head and Accounting Officer: GTAC**

**‘GTAC recognises that engagements between research institutions and government are undeveloped. It therefore seeks partnerships to build bridges and connect independent research and development organisations with targeted government entities.’**

Lindiwe Ndlela,  
Acting Head and Accounting Officer

# GENERAL INFORMATION A



'The history of every nation will be  
written in its public accounts.'

South African Reserve Bank Governor

# GTAC HISTORY TIMELINE



**2012**

**GTAC is promulgated as a government component by the Minister of Finance**

- Mandate is to assist organs of state build their capacity for efficient, effective and transparent financial management.



**2013**

**Process underway to agree on the moving specified functions and staff from the Treasury**

- Development of a GTAC business plan



**2014**

**Setting up office with Acting Head and secondment from Treasury**

- Offices secured in Treasury
- Shared service level agreement
- Technical Assistance Unit, Public Private Partnership unit, National Capital Projects Appraisal Unit, and Employment Creation Facilitation (Jobs Fund) seconded to GTAC
- Expenditure Reviews programme seconded to Treasury from Department of Planning, Monitoring and Evaluation

**2015**

**Building GTAC**

- Consolidation phase of staff transfer completed
- Plans to refresh advisory panel
- Business units still operate independently
- Work begins to build a single GTAC



**2016**

**Open procurement of technical experts**

- Panel refreshed
- Long-term advisors appointed
- Business units continue to operate and generate business

**2017**



**First GTAC strategy and annual performance plan approved by Minister**

- Continued shared service agreement with treasury and building of resource team
- Consolidation and expansion of procurement team
- Clearer picture emerging of what kind of GTAC is needed



# 2018

- Idea of a 'federated' GTAC begins to emerge



## THE CURRENT STATE

Process of consolidating a 'single GTAC' is underway.

- GTAC is guided by a strategic intelligence that continuously maps its interventions against a changing environment.
- It responds creatively and strategically to new pressures and opportunities.
- Reflection and review are fundamental to the GTAC culture.



## A balancing act between

**Achieving  
greater  
operational  
efficiency**



**The value of  
the diverse  
experiences and  
competencies**



## THE FUTURE STATE



***Building a GTAC that is  
more than the sum of its parts***

# STRATEGIC OVERVIEW

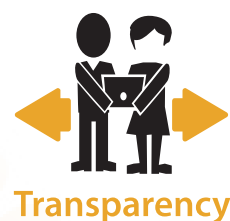
## VISION

To serve as a creative centre of excellence  
for shared learning and quality advisory  
support in public policy, fiscal and financial  
analysis and management.

## MISSION STATEMENT

The Government Technical Advisory Centre (GTAC) promotes transparency and the effective management of public finances by assisting organs of state in building capacity for efficient, effective and transparent financial management. Its operating model provides technical consulting services, specialised procurement support, infrastructure project advice, and associated knowledge management and shared learning opportunities to build public sector capacity. These functions are undertaken through active partnerships with development agencies, universities, research centres and others in the non-state sector. GTAC seeks to stimulate debate and promote public discourse and understanding of policy, public economics and public financial management through a range of communication methodologies. It also draws on a programme for young graduates to build and sustain capability within the organisation.

## VALUES



## INTEGRITY



## LEGISLATIVE MANDATES

### National Development Plan

In the context of government's National Development Plan and Medium-Term Strategic Framework, GTAC's primary contribution lies in helping to build a capable state. According to the National Treasury's annual performance plan for 2016, the National Development Plan 'charts a growth trajectory to reduce poverty and inequality, and envisages a country in which citizens have the capabilities to access available opportunities equitably. These capabilities include education and skills, decent accommodation, nutrition, safe communities, social security and transport, facilitated by a capable state and a growing, resilient economy.'

### Medium-Term Strategic Framework

The 2014–19 Medium-Term Strategic Framework directs government to invest in infrastructure development, create jobs, transform South Africa to a low-carbon economy, and bring about social transformation and unity. Within the current constraints in the fiscal environment, the National Treasury will continue to channel resources towards the critical outcomes of the National Development Plan and the Medium-Term Strategic Framework. The global economic crisis has caused a deceleration in economic growth, and South Africa's low growth continues to place the fiscus under considerable pressure. This compels the National Treasury to be vigilant in managing competing demands on public funds.

In developing its strategic plan over the medium term, GTAC takes its direction from the Minister of Finance, in keeping with the provisions of its founding Notice.

### Macro Economy

The macroeconomic challenges facing the public sector require a radical shift in terms of ensuring fiscal discipline and improving state competence. Given its mandate, model of delivery and emphasis on value for money, GTAC is well placed to help improve performance in the public sector. The focus on institutionalising effective knowledge management and shared learning platforms is an important contributory factor to delivering on GTAC's value proposition of becoming a customer-centric, valued partner for organs of state.

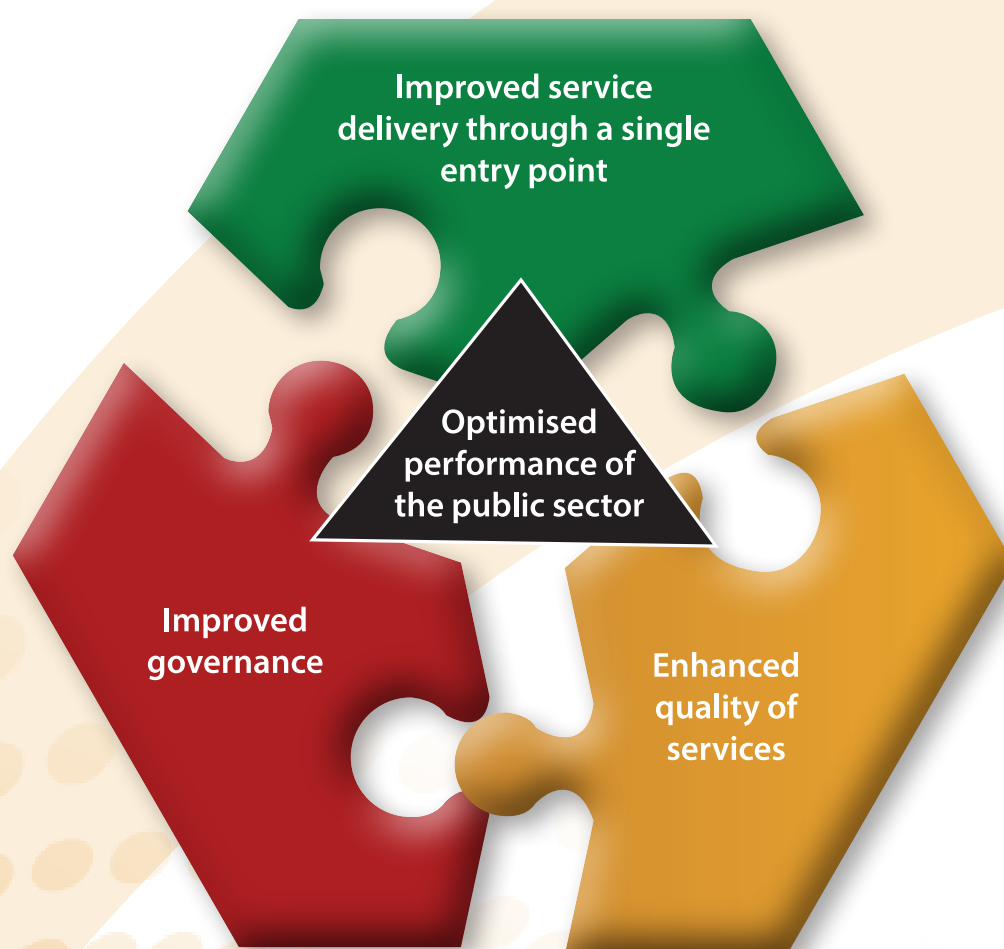
### National Treasury

GTAC draws its mandate from the responsibility of the National Treasury to promote transparency and the effective management of public finances and to assist organs of state in building their capacity for efficient, effective and transparent financial management, as set out in section 6 of the Public Finance Management Act.

## 1.4 RATIONALE FOR GTAC

The GTAC business case argues for the consolidation of advisory and support activities from the National Treasury within a dedicated centre with skilled expertise. The centre provides a resource and knowledge base that can respond flexibly and professionally to service delivery constraints in the public sector by deploying the necessary technical and advisory expertise to address these challenges. Figure 1 highlights the benefits of establishing of a separate component of the Treasury with the primary task of providing technical and management advisory expertise.

**Figure 1: Advantages of the central coordination of advisory functions<sup>1</sup>**



<sup>1</sup> GTAC Business Case, 2011.

### 1.4.1 GTAC Principles

- Activities are **client-focused** and **demand-driven**.
- **Diagnostic** and **management tools** are adapted to public sector needs.
- Capacity building is based on **partnerships** and **learning by doing**.
- **Evidence-based learning** and advice are promoted.
- Sound and **effective procurement** and **programme management** processes are supported.
- **Partnerships** are a **critical** aspect of GTAC's methodology.

GTAC is mandated to provide advisory services to organs of state in order to build their capacity for efficient, effective and transparent financial management. GTAC does this by<sup>2</sup>:



GTAC has been granted ministerial approval to operate as a schedule 3A entity for financial management purposes. It therefore follows Generally Recognised Accounting Practice in its financial reporting.

# ORGANISATIONAL STRUCTURE

The proposed organisational structure is being finalised and has been submitted to the Department of Public Service and Administration. GTAC will focus on consolidating its enabling capability (which includes all of the management support services) and ensuring that the financing model responds appropriately to clearly defined business priorities..

**Figure 2: Proposed organisational structure**



**LEGEND**  
 Programme 1: Management and Support Services  
 Programme 2: Transaction and Advisory Services  
 Programme 3: Programme Management Units

**PROGRAMME 1****Lindiwe Ndlela**

Acting Head of GTAC

**Subethri Naidoo**

Chief Director:  
Strategy, Management  
and Communication

**Besa Muthuri**

Chief Director:  
Human Capital Management  
and Corporate Support  
Services

**Markus Rautenbach**

Chief Director:  
Financial Management

**Graham Louw**

Chief Director:  
Professional Services  
Procurement

**PROGRAMME 2****Tumisang Moleke**

Chief Director:  
Transaction Advisory  
Services and PPPs

**Boitumelo Mashilo**

Chief Director:  
Capital Projects Appraisal

**Emmanuelle Gille**

Chief Director:  
Technical Consulting Services

**Ronette Engela**

Deputy Director-General:  
Public Expenditure and Policy  
Analysis

**PROGRAMME 3****Najwah Edries**

Deputy Director-General:  
Jobs Fund

**Xavier Mac Master**

Chief Director:  
Municipal Finance  
Improvement Programme

# PERFORMANCE INFORMATION B



# 1. PERFORMANCE ENVIRONMENT

## 1.1 SITUATION ANALYSIS

### **The Macro Environment**

Political uncertainty has resulted in institutional instability, with low growth rates affecting revenue generation and collection. Combined with relatively rapid growth in the public sector wage bill, this economic stress has led to resource constraints across government. In addition the impact of real and perceived levels of corruption has created an uneasy socio-political environment that together with the economic downturn, has made it challenging for government to expand its activities.

GTAC has been affected by these government-wide resource constraints, both directly, as its budget has been constrained, and indirectly, because the budget pressures facing its client departments has hampered their ability to commission work from GTAC.

### **Internal GTAC constraints**

GTAC's business model, which combines a core team of technical and management staff with advisory consultants, brings many advantages. Chief among these is that it allows for the flexible matching of dynamic teams to deliver cost-effective, quality advice to government clients. However, the model can only succeed if institutional, governance and managerial systems of leadership are effective. GTAC has been refining its institutional and governance arrangements, but the delay in finalising the appointment of the head of the institution has affected organisational culture and staff morale.

The question about how to best design an institutional model that is fit-for-purpose, delivering excellence to clients while providing sound governance, is foremost in GTAC's thinking. It is anticipated that the new strategic planning cycle will bring with it the opportunity to clarify institutional arrangements for the most appropriate business model. This will include considering the implications of GTAC's value proposition for the institutional model. An important governance issue to be resolved is the establishment of an Advisory Board to guide and oversee GTAC's business. The Board will be constituted in the next financial year. The oversight will be provided within clearly defined parameters, which include the appropriate use of professional services, the financing model and partnership arrangements.

## 1.2 STRATEGIC OUTCOME ORIENTED GOALS

### STRATEGIC OUTCOME 1

GTAC is recognised as a centre of excellence in utilising strategic partnerships to deliver shared learning opportunities and develop public economics and public policy capabilities.

GTAC's mandate includes a shared learning approach. The value of shared learning across government improves systemic efficiencies, as well as opportunities for better intergovernmental collaboration. This approach encompasses a focus on developing strategic partnerships, generating external publications, improving communications, and strengthening other knowledge management initiatives to optimise learning across government.

### STRATEGIC OUTCOME 2

***Advisory and technical support services are focused on improved public sector governance, analyses and capacity building. GTAC's advisory and technical support activities are organised as follows:***

- Transaction advisory services and PPPs
- Capital projects appraisal
- Technical consulting services
- Performance expenditure and policy analysis.

These areas of work are supported by internal professional and administrative staff, as well as long and short term technical expertise, contracted for specific assignments. Strategic partnerships with academic and research institutions contribute to expanding GTAC's knowledge base and are used strengthen its advisory and support interventions as well as generate shared learning opportunities.

### STRATEGIC OUTCOME 3

GTAC enables the efficient functioning of project management units, based on requests received by its principal, the National Treasury. GTAC support includes programme and project administrative and resourcing support. An important by-product of this support is the shared learning opportunities available to share across GTAC's business units as well as with client departments as appropriate.

The two project management units currently being managed include the Jobs Fund (JF) and the Municipal Finance Improvement Programme (MFIP). They each have very specific governance and financial accountability arrangements through which their programmatic decisions are made. The Jobs Fund Investment Committee has the responsibility for and authority over the content of the programme, including investment decisions and performance and governance oversight. The Office of the Accountant-General has the responsibility for and authority over the content of the MFIP, its governance arrangements as well as its performance.

GTAC's administration costs are reflected in its accounts and are recovered from the National Treasury. These two programmes form part of Programme 8 on the Treasury vote.

***Jobs Fund:*** This project management unit oversees a portfolio of grant-funded employment facilitation projects, undertaken by a range of private and public sector implementing partners.

***Municipal Finance Improvement Programme:*** This project management unit supports the national and provincial treasuries and targeted municipalities to strengthen municipal financial management.

## 2. PERFORMANCE INFORMATION PER STRATEGIC OUTCOME

### 2.1 PROGRAMME 1: MANAGEMENT AND SUPPORT SERVICES

#### Purpose

To provide proactive leadership that enables effective stakeholder management to optimise opportunities for shared learning and efficient knowledge management.

#### Outcome Statement

GTAC is recognised as a centre of excellence in utilising strategic partnerships to deliver shared learning opportunities and develop public economics and policy capabilities.

#### Overview

GTAC's mandate includes a shared learning approach. This encompasses a focus on leading in the development and management of strategic partnerships to deliver on its mandate; improving communications, including the generation of publications; and strengthening knowledge management systems for optimal shared learning.

**2.1.1 TABLE 1: STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS FOR PROGRAMME 1**

PROGRAMME 1 MANAGEMENT AND SUPPORT SERVICES				
#	KEY PERFORMANCE INDICATOR	2017/18 TARGET	2017/18 ACTUAL	REASON FOR DEVIATION
<b>SO1.1</b>	<b>Strengthen strategic partnerships to influence the quality and rigour of public policy advocacy efforts delivered through GTAC</b>			
1.1.1	Develop and implement a public policy capacity building programme	Deliver annual Winter School for public economics	Public economics annual Winter School successfully delivered	n/a
		Manage annual graduate bursary programme	Bursary programme managed	n/a
1.1.2	Develop a guideline for strategic partnerships	Finalise and approve partnership guideline	Partnership guideline finalised and approved	n/a
1.1.3	Implement delivery of a number of key partnerships	Sign 6 MoUs and MoGAs to meet business priorities and targets	4 Signed MoUs to meet business priorities and targets	Agreements are signed to reflect business priorities. The anticipated agreement with Global Affairs Canada was not signed as a no cost extension on the existing agreement was granted
1.1.4	Strategic management of partnerships to improve visibility and reach of GTAC's work	6 Stakeholder engagements with identified partner groups	6 Stakeholder engagements with identified partner groups	n/a

Legends	Definitions	Percentage range
Green	Achieved	100%
Orange	Partially Achieved	50% to 99%
Red	Not Achieved	0% to 49%

## 2.1.2 PROGRAMME 1 OUTPUTS

### Public Economics Building Initiative

GTAC's Public Economics Capacity Building Initiative, has, in partnership with the Treasury, successfully delivered the 2017/18 Annual Young Graduates Public Economics Winter School. The focus of this week-long event is to stimulate the interests of young economists in a career in the public sector, by exposing them to the realities and challenges of public policy decision-making. A range of global and local experts and practitioners convened in July 2017 to discuss, debate and encourage innovative thinking about how to deal with public policy challenges. 80 post-graduate economics students were selected to participate in this event, together with a host of young economists from across government, including the National Treasury, SARS and the SA Reserve Bank.

This year also saw the selection of a second tranche of recipients of a masters' bursary from GTAC. The six successful graduates competed in a rigorous process of selection and were awarded a bursary of R150,000 each for the two years of study. Upon the successful completion of their studies, they will be invited to complete a two year internship programme within the National Treasury and/or GTAC. In February 2018 an intensive two-day on-boarding session was held during which the students were introduced to their mentors, and learnt about the various divisions within the National Treasury. This mentorship programme has been thoughtfully constructed to assist the students on both a professional as well as personal basis, where they have access to individual coaching as part of the programme. A module has been developed which includes a comprehensive approach to the development of the Student mentorship programme. This work will be expanded as the programme grows and is institutionalised.

The Public Economics Capacity Building Programme (PECB) initiative is generously supported by the Government of Canada who are committed to supporting efforts to deal with the challenge of youth unemployment as well as building state capability. This programme forms an important contribution to government's efforts to building a pipeline of young professionals who may be recruited to work in the public sector.

Also within the reporting period, Global Affairs Canada provided its commitment to ongoing support by extending the framework agreement with GTAC and Department of Planning, Monitoring and Evaluation until March 2021. This extension provides an excellent opportunity for refining a work programme which more directly meets the priorities of both the South African government as well as those of the Government of Canada. An end of programme review will be undertaken within the current financial year, to assess the impact of the work funded to date, and may inform the design of new priorities within the broad frame of building state capability.

### Strategic Partnerships

GTAC developed guidelines to inform planning on how best to leverage off partnerships. The guidelines will be reviewed annually to reflect lessons learnt, capture shifts in partner priorities, and align with GTAC's emerging thinking and business prioritisation.

During the reporting period, GTAC signed four new memoranda of understanding with academic and research organisations to improve client delivery. These include:

- UNU-WIDER
- CSIR Meraka Institute
- The Centre for Affordable Housing Finance (CAHF) and
- The Western Cape Economic Development Partnership.

**International Development partners** include the Canadian government, the European Union, the Flanders government (piloting outcomes-based budgeting), and the German government (GIZ funding for a public finance project in the Treasury). Possible assistance from the UK Prosperity Fund is under discussion. Development partner agreements and priorities are discussed and agreed with the full participation of the National Treasury's International Development Cooperation directorate.

With the support of the European Union's Capacity Building Programme (CBPEP), GTAC initiated three institutional development projects during the year to build critical capacities: (1) knowledge management, (2) the development of partnering tools, and (3) strengthening its business model. The knowledge management strategy has already been launched. Communication across the organisation has started; this will form an important component of the design of GTAC's new strategy, which will be concluded in the current financial year.

### **Economies of Regions Learning Network (ERLN)**

GTAC manages the Economies of Regions Learning Network, a platform for communities of practice in the regional economic development space that focuses on the inclusive growth agenda. The Network supported the Cities Support Programme on two important programmes over the reporting period. First, it helped convene the 'Innovation in Public Employment in Cities' workshop to explore instruments and tools cities can use to enhance the implementation of the Expanded Public Works Programme. Second, it helped manage a series of policy dialogues on urbanisation. These drew on evidence-based analysis to identify the socio-economic and fiscal costs of the current urban spatial patterns; the challenges facing strategies for housing, transport and industrial development strategies; and their institutional and fiscal dimensions.

Another initiative was the hosting of a business seminar with the Buffalo City Municipal Development Agency on 'Stimulating the Potential of Coastal Cities'. The seminar focused on the opportunities available to coastal cities to enhance economic potential, including using City Improvement Districts as enablers of economic development. The Network also helped develop a Youth Conversations for Action Partnership to promote a basic package of support for youth development. The Universities of Cape Town and Johannesburg and the DG Murray Trust are among the lead partners in this initiative. Finally, the Network designed a programme on 'Innovations in Data' at the request of the Department of Planning, Monitoring and Evaluation in support of the United Nations' first African Monitoring and Evaluation Indaba. It helped identify recommendations on how to harness big data, administrative data and civic technology to inform decision-making by development practitioners.

## 2.2 PROGRAMME 2: TRANSACTION AND ADVISORY SERVICES

### Purpose

To contribute to identified organisational and advisory needs in government to address the broader challenges of public sector governance, analyses and capacity building.

### Outcome Statement

Advisory and technical support services are requested for improved public sector governance, analyses and capacity building.

### Overview

***GTAC's advisory and technical support activities are organised as follows:***

- Transaction advisory services and PPPs
- Capital projects appraisal
- Technical consulting services
- Performance expenditure and policy analysis.

These areas of work are supported by internal professional and administrative staff, long-term advisors and technical expertise contracted for specific assignments. Strategic partnerships with research institutions and other centres of expertise contribute to the development of advisory and support interventions and systematic management of knowledge and publications.

**2.2.1 TABLE 2: STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS FOR PROGRAMME 2**

PROGRAMME 2: TRANSACTION AND ADVISORY SERVICES				
#	KEY PERFORMANCE INDICATOR	2017/18 TARGET	2017/18 ACTUAL	REASON FOR DEVIATION
<b>SO 2.1</b>	<b>Provide advisory services to organs of state to plan, contract and execute PPPs in large or complex infrastructure transactions</b>			
2.1.1	Number of transaction advisory projects registered (cumulative)	15	19	Over performance is attributed to increase in user demand for the requests of transaction advisory projects
2.1.2	Number of PPP foundation capacity building events	4	4	n/a
2.1.3	Number of PPP municipal capacity building events biannually	2	2	n/a
2.1.4	Number of codes and rules updated	2	1	The listing requirement for project bonds code and rule was updated. The second code and rule, Tax increment financing code is in the process of being updated but not finalised yet
<b>SO 2.2</b>	<b>Assist the National Treasury in its review and assessment of infrastructure investment proposals and feasibility studies</b>			
2.2.1	Number of capital projects advisory reports completed (cumulative)	5	38	The significant over achievement on the target is largely attributed to work done under the Budget Facility for Infrastructure (BFI), which is a new initiative directed by Cabinet
<b>SO 2.3</b>	<b>Provide advice and support to centre-of-government departments and organs of state to strengthen capacity</b>			
2.3.1	Number of technical advisory projects supported (cumulative)	120	80	In the year under review GTAC selected medium term and more likely impactful projects, whilst building the capacity of client departments, hence the reduced number of projects supported

PROGRAMME 2: TRANSACTION AND ADVISORY SERVICES				
#	KEY PERFORMANCE INDICATOR	2017/18 TARGET	2017/18 ACTUAL	REASON FOR DEVIATION
SO 2.4	Provide analysis and insights into the performance, cost-effectiveness and expenditure trends of selected government programmes			
2.4.1	Number of performance and expenditure reviews completed	10	9	1 review terminated due to the lack of support from the Stakeholder department
2.4.2	Number of personnel expenditure analyses reported	5	5	n/a
2.4.3	Expenditure and performance manual completed	1	1	n/a
2.4.4	A master's level; semester course developed	1	0	No interest was received from the academics in a Masters level semester course  GTAC will stimulate the interest by publishing on peer review journals

Legends	Definitions	Percentage range
Green	Achieved	100%
Orange	Partially Achieved	50% to 99%
Red	Not Achieved	0% to 49%







## 2.2.2 PROGRAMME 2 OUTPUTS





### TRANSACTION ADVISORY SERVICES AND PPP UNIT

The Transaction Advisory Services unit provides specialised support for procuring infrastructure through both PPPs and conventional procurement mechanisms. Its support often extends beyond the conclusion of the procurement processes into project implementation. The unit also provides advisory support, on demand, in the planning, contracting and execution of PPPs and other large or complex infrastructure or public service transactions. Transaction support services include advice on regulatory requirements and good practice on a range of national, provincial and local government transactions, including precinct development and government accommodation projects, the implementation of alternative energy technologies, IT services, special economic zones and hospital services. Other service elements include monitoring and advice on project implementation and contract management of existing PPPs. The unit also seeks to improve arrangements for infrastructure financing to enhance the role of the private sector in the social and economic investment aspects of infrastructure procurement.

The unit's capacity building initiative on PPP legislation and regulations has attracted significant interest from foreign governments, including several African countries and the UK. Thus, for the third consecutive year, it held a biannual municipal PPP training event, which was well attended. Within South Africa, the unit continues to provide quarterly training and capacity building in the development and implementation of national and provincial PPPs.

During the year, the PPP unit registered 19 transaction advisory projects (against a target of 15), owing to a large increase in the demand for partnership projects. The 19 projects are:

	Sentech Pan African Satellite Dr Kenneth Kaunda: Biogas energy plant Govan Mbeki: Green energy Ilembe District Municipality: ICT/broadband infrastructure
	Northern Link College Polokwane: Student housing programme Establishment of an asylum processing centre in Lebombo Gauteng: Schools project
	Mtubatuba Local Municipality: Office building Limpopo: Legislature complex Limpopo: Commercialisation of provincial reserves
	Limpopo: Vehicle impound Free State provincial treasury: Weigh bridge
	Dr Kenneth Kaunda: Regional meat processing plant
	Free State: Xhariep solar

	South African Revenue Services: Track and trace project
	Witzenburg Municipality: Winelands Agro-port
	Free State: Parys Hospital
	Limpopo: State theatre mixed-used development

The unit also continues to oversee the implementation and contract management of existing infrastructure PPPs. This commonly includes revisions of or adjustments to PPP agreements to accommodate changing needs, sometimes with significant financial consequences. The Transaction Advisory Services unit assists in making the required changes efficiently and in accordance with Treasury Regulation 16. This year, its continuous specialised transaction support included:

- Advisor to the Gautrain Management Agency, providing transaction advisory services on the proposed procurement of 48 additional passenger coaches and the extension of the rapid rail system;
- Assisted the Johannesburg Stock Exchange with developing listing requirements for project bonds as a ring-fenced alternative for financing public services infrastructure (came to fruition in January 2018). The potential for tax increment financing as another alternative financing mechanism for infrastructure projects is also being explored.
- Assisted the Midvaal Local Municipality in undertaking a feasibility study for a competitive tender for the upgrade, rehabilitation and extension of the municipal electricity distribution system.
- Assisted the Department of International Relations and Cooperation in procuring office accommodation for South African representatives to the United Nations..
- Assisted the Department of Higher Education and Training in assessing the potential for acquiring student accommodation through PPP processes.
- Assisted the Department of Higher Education and Training in developing a combined loan/grant university student bursary scheme with 'wrap-around' support from the South African business and financial communities..
- Assisted the Department of Home Affairs in a request for qualifications tender for the redevelopment of six land ports of entry, the granting of a partial exemption from PPP requirements for its smart ID card programme, and the completion of a feasibility study on its Lebombo refugee processing centre.

## CAPITAL PROJECTS APPRAISAL UNIT

The Capital Projects Appraisal unit assists the National Treasury in its review and assessment of infrastructure investment proposals to ensure value for money, affordability and efficiency in infrastructure expenditure. It provides analytical and advisory capacity to facilitate the appraisal of large and complex projects in the energy, transport and water sectors. The demands on the unit are continually growing from various divisions of the National Treasury.

During the year under review, the unit assisted the Treasury in conceptualising a Budget Facility for Infrastructure, as part of the ongoing budget reforms. The facility aims to improve the rigour of technical assessment and budgeting for full lifecycle costs of projects. To institutionalise the facility, an initial call for submissions was made and a total of 38 projects met the submission requirements. The unit assessed 35 project proposals and prepared appraisal reports on them. The outcome of the assessment process highlighted the need for stronger project preparatory support to sponsoring departments.

The unit continued its support on transport sector issues and hosted three Transport Forum sessions; these are seminars on pertinent issues such as project appraisals, policy options and funding considerations of transport infrastructure and services. It completed a financial model of an Integrated Public Transport Network to help the National Treasury assess the rigour of budget applications received for Public Transport Networks Grant support. It also completed an analysing of the elements of the patronage guarantees on the existing phase of the Gautrain project; this was shared with the National Treasury. This work enabled the unit to respond rapidly to Treasury's request for assistance in considering the application for the Gauteng Rapid Rail Integrated Network route extensions.

The unit provided further support on energy matters, focusing on the disruptive potential of renewables. Its report concluded that while renewables have great potential to provide more cost effective energy, the challenge of curtailment and the need for steep ramping of supply during peak periods require further investigation.

## IN CONVERSATION WITH BOITUMELO MASHILO ON SUPPORT FOR CAPITAL BUDGETING AND FINANCE REFORM



Boitumelo Mashilo, head of GTAC's Capital Projects Appraisal unit, explains how the unit and the National Treasury collaborate to make decisions about government investment in infrastructure.

GTAC's legislative mandate comes from National Treasury's responsibility to promote transparency and the effective management of public finances and to assist organs of state in building their financial management capacity. Ongoing budget reforms to improve the quality of fiscal spend and build technical capacity to plan, procure and deliver infrastructure efficiently are part of this responsibility.

The Capital Projects Appraisal unit's latest strategic plan emphasises providing support for capital budgeting and financing reform. 'This focus area acknowledges that the way government plans and finances infrastructure must constantly be improved,' says Boitumelo Mashilo, head of the unit, 'and we are mandated to assist the National Treasury to conceptualise possible reforms.' This year, the unit assisted with the Treasury's budget facility for infrastructure. 'On any project we work on we're not just concerned with the fiscal impact, but rather with the broader elements that make infrastructure projects successful – including building financial management capacity in organs of state. Our approach is proactive and designed to build capacity as we engage. We actively engage organs of state; we publish guidelines and methodologies; and we workshop with stakeholders,' Mashilo says. 'But in the current reform initiative our impact is not just happening in the process of our doing business. We're playing an overt role in policy advisory work.'

**'We have this interesting relationship with the Treasury, but we're not the Treasury. GTAC was made a separate agency for good reasons.'**

## TECHNICAL CONSULTING SERVICES UNIT

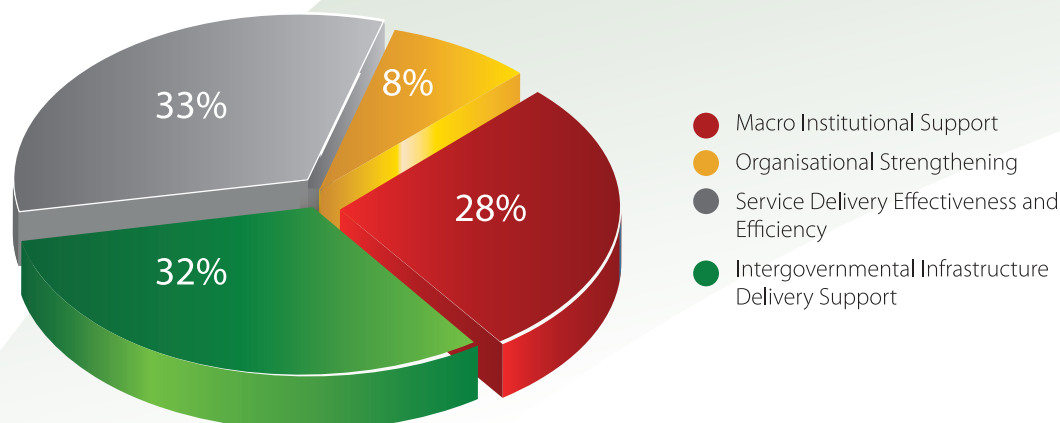
The Technical Consulting Services unit provides advisory support in response to requests from organs of state. The support is adapted to meet their specific requirements and build institutional capacity and accountability. The methodologies include support for strategic planning processes, facilitation, institutional strengthening, and the mapping of implementation modalities against government planning and policy frameworks. The rationale underpinning the selection of methodologies is a focus on outcomes-based planning. Advisory support is holistic and includes leadership guidance and the strengthening of performance management, monitoring and reporting systems.

**During the year under review, 80 projects were supported. These projects are organised into two main clusters:**

- Economic development
- Social development.

Across these clusters, support was provided in four areas: intergovernmental infrastructure delivery, macro institutional support, organisational strengthening services, and service delivery effectiveness and efficiency, as shown in Figure 3.

*Figure 3: TCS projects per cluster*



### **Economic Development Cluster**

Two of the 39 projects that were supported in this cluster are discussed below:

#### ***1. Saldanha Bay industrial development zone: Business case for a free port at the Port of Saldanha Bay (phase 1)***

The Saldanha Bay industrial development zone is a strategic government initiative, linked to the broader strategic framework driven by the National Development Plan and the National Growth Path and governed by the Special Economic Zones Act of 2014. Its unique value proposition is based on two characteristics – a sector-specific initial focus on an oil and gas and marine repair cluster, and the demarcation of a free zone (free port), which includes the Port of Saldanha Bay.

This value proposition is being developed via the Ease of Doing Business model. A best-practice benchmark study, the 5x5 Voice of the Customer, was conducted with the industry to define good practice and build a customer-centric model that will attract investment to the zone. The next step is to identify gaps and devise specific action plans to address these gaps across government. This requires understanding the mandate of the respective departments and the vision for the free port; identifying and mitigating associated risks; confirming the fiscal integrity in the model; and identifying how it could contribute to the national goals of job creation and economic growth.

To this end, the Saldanha Bay industrial development zone, supported by GTAC, started developing a business case for a free port in the area. Given the complexity of the project, this is being done in phases. The first phase of GTAC's support focused on defining the problem and addressing the tax issues around implementing a free

port. GTAC developed a discussion document setting out the free port concept and proposals to facilitate discussions with the South African Revenue Services and the National Treasury. The next phase of the project, which has now started, focuses on the Home Affairs port-of-entry issues.

To begin resolving some of the process bottlenecks, the project team has successfully initiated discussions with the Revenue Services on six areas:

- The global definition of a free port and reasons why the Saldanha Bay industrial development zone requires this definition;
- The content of the formal application and supporting documentation for a customs-controlled area;
- The extent of the customs-controlled area and the required security;
- The registration requirements for people having access to the customs-controlled area, and the requirements of business enterprises located within the area;
- The duties and functions of the special economic zone operator or a customs-controlled area enterprise; and
- The manner of processing goods through the customs-controlled area including potential customs and excise incentives.

## ***II. Western Cape Department of Economic Development and Tourism: Business Case for Special Economic Infrastructure Entity***

GTAC supported the Western Cape Department of Economic Development and Tourism in the development of a business case, for submission to the National Treasury, for a Special Economic Infrastructure Entity. The Department identified the need for a specific legal vehicle for project management and ongoing investment management of special infrastructure projects based on its experience in managing complex infrastructure projects (e.g. the Saldanha Bay industrial development zone, the Atlantis special economic zone, the Cape health technology park, and Design Hub). The Western Cape Government wishes to reduce the number of public entities, preferring to house all its economic infrastructure projects in a single umbrella entity. Such an entity could promote cost-efficiency and enhance synergies in the use of resources.

The business case provides a rationale for 'agencification', while taking into account:

- Significantly tighter fiscal constraints, given the reductions to budgets signalled in the 2016 Medium-Term Budget Policy Statement;
- The differences between the Department of Trade and Industry and the National Treasury's Public Entities Oversight unit around the appropriate corporate form for special economic zone entities and, hence, also for a special economic infrastructure agency.

In shaping the final business case, GTAC conducted extensive client engagements in the Western Cape government team to discuss the proposed responsibilities and functions of the entity in relation to the current responsibilities and functions of the various stakeholders.

**Project successes include:**

- Highlighting the policy differences between the Department of Trade and Industry and the National Treasury's Public Entities Oversight unit on the appropriate corporate form for special economic zone entities. This has highlighted the need to amend the Special Economic Zones Act to ensure alignment with the Treasury's approach to the consolidation of provincial development finance institutions.
- Assisting the Western Cape in its review of its provincial economic development entities, to understand the role of each entity in the regional economic development strategy and programmatic interventions.

**Social Development Cluster**

***Within this cluster, 41 projects were supported. Some highlights include:***

***I. Support to Aquaculture Development Fund and Interdepartmental Authorisation Committee initiatives with the Department of Agriculture, Forestry and Fisheries***

The Department of Agriculture, Forestry and Fisheries requested an investigation into the feasibility of establishing an aquaculture development fund, in support of the Aquaculture Development Fund working group. The working group is an interdepartmental structure set up after the Oceans Economy Phakisa to explore better financing to this sector, as commercial and emerging players alike struggle to secure grant and loan finance.

GTAC conducted a feasibility study, which confirmed that a range of private and public finance agencies are prepared to fund aquaculture ventures. However, it identified several constraints, the key one being the need for fit-for-purpose financing instruments. Different funders are better suited to fund different stages in this value chain, as their risk appetite and return requirements differ. GTAC also drafted an action plan for discussion with the Public Finance team to ensure that affordability and value-for-money considerations feature strongly in the final recommendations. Through this project, GTAC could make a modest contribution to closing the implementation gap, by combining process improvement methodologies with its knowledge and experience of development and public finance.

***II. Readiness Assessment for Deeds Registration Modernisation Programme for the Department of Rural Development and Land Reform***

GTAC assisted the Deeds Registration Branch of the Department of Rural Development and Land Reform in conducting a readiness assessment for the implementation of the deeds registration modernisation programme. The purpose of the assessment was to understand the current status of and alignment between the Branch's legislative mandate and strategy in relation to the existing service delivery model and the proposed programme. It also made preliminary recommendations for greater alignment and improved functionality in the context of implementing the programme. The in-depth assessment report highlighted the complex environment of the organisation and critically reviewed the draft business case of the programme. It gave a sobering account of the misalignment of existing initiatives and the work that still needs to be done. The analysis was well received, and the comments indicated that its quality and depth exceeded all previous reviews and that it provides useful advice on the way forward.



## CLIENTS SPEAK FOR THEMSELVES

‘The project was heavily influenced and surrounded by politics and GTAC was successful in dealing with this in a sensitive manner. The consultants smoothened the ground in the dealings when politicians needed to be consulted.’

‘The diagnostic was a very comprehensive and detailed report that covered most of the issues that we were both aware and not aware of. Everyone who came across the report has been satisfied with the overall quality of the report.’

‘The main lesson learnt was how to do proper project management. The GTAC personnel were very professional in their field and this rubbed off onto us. Initially, we were only concerned about the end product, but GTAC introduced the diagnostic phase which completely changed our perspective. Going forward, we will be applying the same approach to our other projects.’

‘GTAC support gave us a clear direction on what to focus on. The support also assisted us with understanding effective controls mechanisms and business process principles. The support also went beyond by giving us a greater understanding of the fiscal environment and fiscal needs that we will need to address going forward.’

## PUBLIC EXPENDITURE AND POLICY ANALYSIS

The Public Expenditure and Policy Analysis (PEPA) analysis of and insights into the performance, cost-effectiveness and expenditure trends of selected government programmes to assist responsible authorities and stakeholders in assessing the financing and service delivery implications of policies and programme design, for both current and new areas of service delivery.

Performance and expenditure reviews (PERs) are widely used internationally to assess the cost-effectiveness of public policy and spending in order to facilitate improvement. PERs are also sometimes used to cost the implications of legislative changes and policy choices.

This year, for the first time, the unit conducted a series of PERs on issues that fall under the constitutional authority of the provinces, providing a platform for testing the methodology beyond the national sphere of government. The focus on provincial functions has helped crystallise concerns about the degree of coordination across spheres of government and the lack of consistency across provinces with regard to institutional configurations, implementation models, reporting systems, and the collection, availability and quality of data.

By year-end, eight provincial PERs and one national PER had been conducted, analysing the organisational and institutional logic of the delivery of a range of services. The unit did not achieve its target of completing ten PERs, as an intended analysis of disaster management across the spheres of government (with a focus on local government) was discontinued because of a lack of support from the Department of Cooperative Governance.

***The key findings of the completed reviews were made available to the Treasury to initiate processes of policy reform with the appropriate departments. The following reviews were completed in the year:***

- Comparative spending review of catering, laundry and security services at provincial and district hospitals.
- Provincial health services revenue generation
- Cost implications of funding non-governmental organisations based on the National Association of Welfare Organisations and Non-Governmental Organisations (NAWONGO) court judgment
- Comparative spending review of provincial government office rental accommodation
- Cost of management of provincial protected areas and possible cost recovery mechanisms
- Comparative spending review of provincial road expenditure
- Expenditure analysis of provincial fleet management
- Comparative spending review of provincial government housing rental stock
- Review of the funding systems, mechanisms, and instruments adopted by government in funding research, development and innovation, including an international benchmark analysis..

The unit also compiled an expenditure and performance manual during the year. This manual provides methods and techniques for assessing baseline budgets by accurately costing programmes and policies relative to their actual or promised performance. While it has been tailored to the South African public sector, the approach is broadly applicable to any government programme. The manual provides a step-by-step guide for analysing baseline programme spending and performance, as well as for analysing options for implementing a new programme based on a new or revised policy. As with every policy problem, the resulting implementation programme(s) and the specific process of allocating public resources to address the problem are unique. Many examples are given to illustrate how the methodology can be used in different contexts.

PEPA produced a range of reports on personnel spending in government, with analyses for four specific sectors – police, defence, education, and health – as well as an overarching analysis of trends in the public service as a whole. The latter assisted the Budget Office during the latest round of wage negotiations and was also used in the 2017 Medium-Term Budget Policy Statement (where a summary appeared as an annexure) and the 2018 Budget.

The analyses identified areas of rapid expenditure growth by reviewing trends in remuneration expenditure, the number of personnel, and expenditure per person. The key drivers of expenditure growth were above-inflation increases to salaries through annual cost-of-living adjustments; the introduction of occupation-specific dispensations for teachers, nurses, police officers and others; the introduction of a new salary grading system in 2009 for public servants not receiving such dispensations; other human resource policies that contributed to an upward drift in the distribution of personnel across pay levels; and better conditions of service, including negotiated benefits, allowances and overtime.

PEPA supported the development of the Vulekamali online budget data portal. As part of the commitment to Open Government Partnerships, transparency and budget participation reforms, the National Treasury is working with Imali Yethu, an umbrella body representing citizen-based organisations, in developing the portal. While the Treasury already publishes extensive budgetary information, the portal makes the data available in a more user-friendly format to facilitate information sharing, analyses and research, and to enhance the involvement of civil society and the public in the budget process. The online budget portal, [vulekamali.gov.za](http://vulekamali.gov.za) was launched by the Minister of Finance on the day before the 2018 Budget Speech.

## IN CONVERSATION WITH RONETTE ENGELA ON A SPECIALISED, RELIABLE METHODOLOGY FOR COSTING SUSTAINABLE SERVICE DELIVERY

Over the past four years, PEPA has published around 40 groundbreaking PERs, which analyse spending and performance in a range of government institutions and programmes. Apart from the illuminating results, the intensive, iterative process of doing the reviews has delivered a refined methodology, honed for use in developing countries. “We’ve pioneered the methodology,” says Ronette Engela, head of PEPA. “We’re now satisfied that it is highly effective not only for assessing baselines but also for costing new policies.”



PEPA’s focus for 2018/19 will be on institutionalising performance and expenditure reviews in government. “It’s time for us to step back from doing the work,” Engela says. “The methodology has been thoroughly tested and refined. We can now offer comprehensive training on the techniques. And the true data of government spending is available through Vulekamali.”

### ***‘Any department now has access to learning how to do performance and expenditure reviews.’***

Civil society organisations have also expressed an interest in the methodology. PERs are labour-intensive and require technical skills along with active, repeated engagements with people and data. What they deliver, however, is very powerful for cost-efficient, effecting planning and budgeting: the concrete cost implications of policy choices.

### **The power of a PER**

A recent PER revealed that a small property portfolio of government housing rental stock is costing government nearly R1 billion. The stock originates from housing complexes in former homeland cities such as Mafikeng. About 80% of the units have been sold, but for the remaining 5 000 units, mostly residential flats, the average rental is R600 per month, while the costs to government are close to R2 000 per unit per month. This means that tenants get an unintended subsidy of R1 500 per year. To make matters worse, the average rental collection rate is only 43%. This is the kind of information a PER can deliver, at any scale and in any sector.

### ***‘You will be empowered to explore options and consequences before you push ahead with a policy.’***

To support making the reviews part of government’s financial management machinery, PEPA has developed a comprehensive training course. In 2015/16, it was delivered to selected budget analysts in the National Treasury. Two years later, there is evidence that components of the methodology have embedded themselves in several directorates. ‘Public finance training in South African universities is not geared to provide students of economics with these skills,’ Engela explains. ‘And the perspective is not established in the Treasury yet. PEPA’s training can augment the skills that Treasury officials have.’ This fits in with GTAC’s overarching goal of contributing to public finance education and training that can meet South Africa’s particular needs, as demonstrated in its annual Winter Schools and bursary programme for master’s students. In 2018/19, PEPA will be offering the PER training course to provincial treasuries. In time, PEPA will look at mechanisms to roll out the methodology in SADC and the rest of Africa.

Given the complex and technical nature of PERs, communicating the findings can be difficult. PEPA is experimenting with one-page, infographics-based summaries to highlight the findings of a PER.

## 2.3 PROGRAMME 3: PROGRAMME MANAGEMENT SERVICES

### Purpose

To support the establishment and operations of project management units.

### Outcome Statement

GTAC enables efficient functioning of PMUs.

### Overview

GTAC support comprises programme and project management, administrative, technical advisory and resourcing support. An important component of this support is the facilitation of the shared learning opportunities across PMUs, other GTAC business units, and government more broadly. The PMUs have very specific governance and financial accountability arrangements through which programmatic decisions are made. Administration costs are reflected in GTAC's accounts and are recovered from the National Treasury.

**Jobs Fund Project Management Unit:** This PMU oversees a portfolio of innovative grant-funded employment facilitation projects, undertaken by private, public and not-for-profit implementing partners. The Jobs Fund Investment Committee has the responsibility for and authority over the

**Municipal Finance Improvement Programme:** This PMU supports the national and provincial treasuries and targeted municipalities in strengthening municipal financial management. These programmes form part of Programme 8 on the Treasury vote. The Office of the Accountant-General has the responsibility for and authority over the content of the programme and its performance.

**2.3.1 TABLE 3: STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS FOR PROGRAMME 3**

PROGRAMME 3: PROGRAMME MANAGEMENT SERVICES				
#	KEY PERFORMANCE INDICATOR	2017/18 TARGET	2017/18 ACTUAL	REASON FOR DEVIATION
<b>SO 3.1</b>	<b>Provide administrative support to PMUs to meet their objectives</b>			
3.1.1	Meeting the resourcing criteria as a percentage	100%	100%	n/a
3.1.2	Administer 100% of approved payments on time	100%	100%	n/a
<b>SO 3.2</b>	<b>Utilise opportunities for collaboration learning and knowledge sharing support to PMUs</b>			
3.2.1	Number of learning initiatives supported per annum	2	2	n/a

Legends	Definitions	Percentage range
Green	Achieved	100%
Orange	Partially Achieved	50% to 99%
Red	Not Achieved	0% to 49%

### 2.3.2 PROGRAMME 3 OUTPUTS

Professional Services Procurement and Financial Management continued to support the establishment and operations of the project management units. The support included successfully processing their procurement requests and processing payments within the prescribed norm of 30 days.

#### MUNICIPAL FINANCE IMPROVEMENT PROGRAMME (MFIP)

The MFIP aims to co-operatively assist and support all three spheres of government in terms of Chapter 3 (section 41) of the RSA Constitution, 1996 (Act 108 of 1996) and the applicable provisions of the Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA) to effectively perform their responsibilities regarding local government financial management support, monitoring and oversight. In this manner, the MFIP contributes to the building of a capable state in terms of Chapter 13 of the National Development Plan (NDP) and supports Outcome 9 of Government's Medium Term Strategic Framework (MTSF) in advancing a responsive, accountable, effective and efficient developmental local government system as it relates to sound financial management.

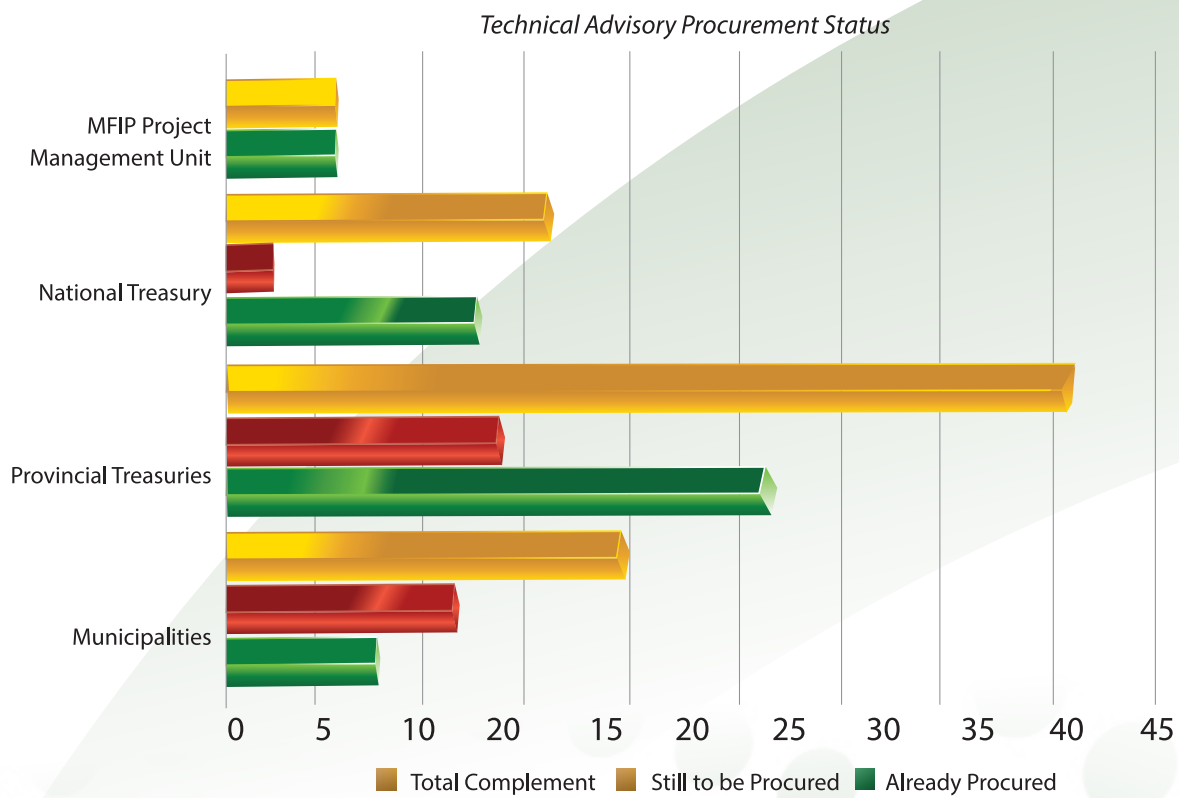
The overall strategic goals of the MFIP are to facilitate improved local government financial management capacity, enhanced budget and financial management practices and improved audit outcomes through the provision of direct technical capacity support. Accordingly, the MFIP is a strategically-driven programme of technical assistance aligned to the six LGFM game changers (funded budgets, revenue management, asset management, supply chain management, mSCOA and audit outcomes), designed to build the institutional and technical financial management capacity of NT, Provincial Treasuries (PTs) and Municipalities.

The current three-year phase of the Municipal Finance Improvement Programme (MFIP III) commenced on 1 April 2017 and is due for completion at the end of March 2020. Albeit the first batch of advisors was only placed at NT, PTs and municipalities during June 2017 which resulted in an effective implementation period of approximately only nine months for certain work streams in the first year of the programme.

Furthermore, several modifications have been made to the operating modalities of the MFIP during this phase intended to bolster the programme's overall effectiveness and efficiency. The said changes included elevating the strategic focus of the programme in line with the six adopted LGFM game changers, further embedding the institutionalisation of the MFIP within the Office of the Accountant-General (OAG), creating a permanent staff structure for the MFIP Programme Management Unit (PMU) against the GTAC post establishment to improve programme sustainability and continuity, and further fortifying the programme governance arrangements through the adoption of a comprehensive Programme Charter.

## Deployment of MFIP technical advisors

The MFIP procured and deployed 59 technical advisors during 2017/18 to provide support in the functional areas discussed above and to enhance programme management in the project management unit. However, five technical advisors exited the programme during the year.



As at 31 March 2018, the programme was providing support in the following areas:

- Direct capacity support to municipal in general financial management areas: eight (8) advisors were deployed in municipalities, with an eventual target of supporting 20 municipalities across the nine (9) provinces by the end of the next financial year.
- Direct capacity support to the Municipal Finance Units of Provincial Treasuries (PTs): 27 technical advisors were placed at the nine PTs providing general PT support (8); specialist SCM support (8); mSCOA support (6); specialist asset management support (3); and specialist revenue management support (2). It is envisaged that a total number of 41 technical advisors will be placed at the PTs by the end of the next financial year.
- Direct capacity support to two NT CDs, namely Local Government Budget Analysis and MFMA Implementation: 13 technical advisors were placed in the two CDs providing specialist support in FMCMM (2); Audit outcomes (1); mSCOA (3); Budgeting and Reporting (1); MFRS (5); and Revenue Management (1). An additional three (3) specialists for MFRS and mSCOA must still be procured in the next financial year which will increase the number of technical advisors placed at NT CDs to 16.
- The full complement of six (6) technical advisors were procured to provide programme and project management capacity support to the officials in the MFIP PMU.

### MFIP Capacity Building<sup>2</sup>

The capacity building training initiatives under the MFIP are essentially focused on supporting the various institutional and financial management functional areas identified in terms of the MFMA and the NT local government reform agenda. The number of initiatives undertaken reflects the emphasis that the programme places on building the technical financial management capacity in both PTs and municipalities. Whilst the MFIP capacity building training interventions are mostly informal and non-accredited it does however contribute to the ongoing development of practical on-the-job skills of officials involved in municipal financial management at PTs and municipalities.

The programme has been directly responsible for providing support in several MFMA functional areas in the PTs and municipalities during the 2017/18 financial year. A total of 404 capacity building sessions were completed since the placement of advisors in June 2017, with 1 008 officials participating including municipal councilors, financial management interns, municipal internal audit forum participants and attendees at various municipal CFO forums.

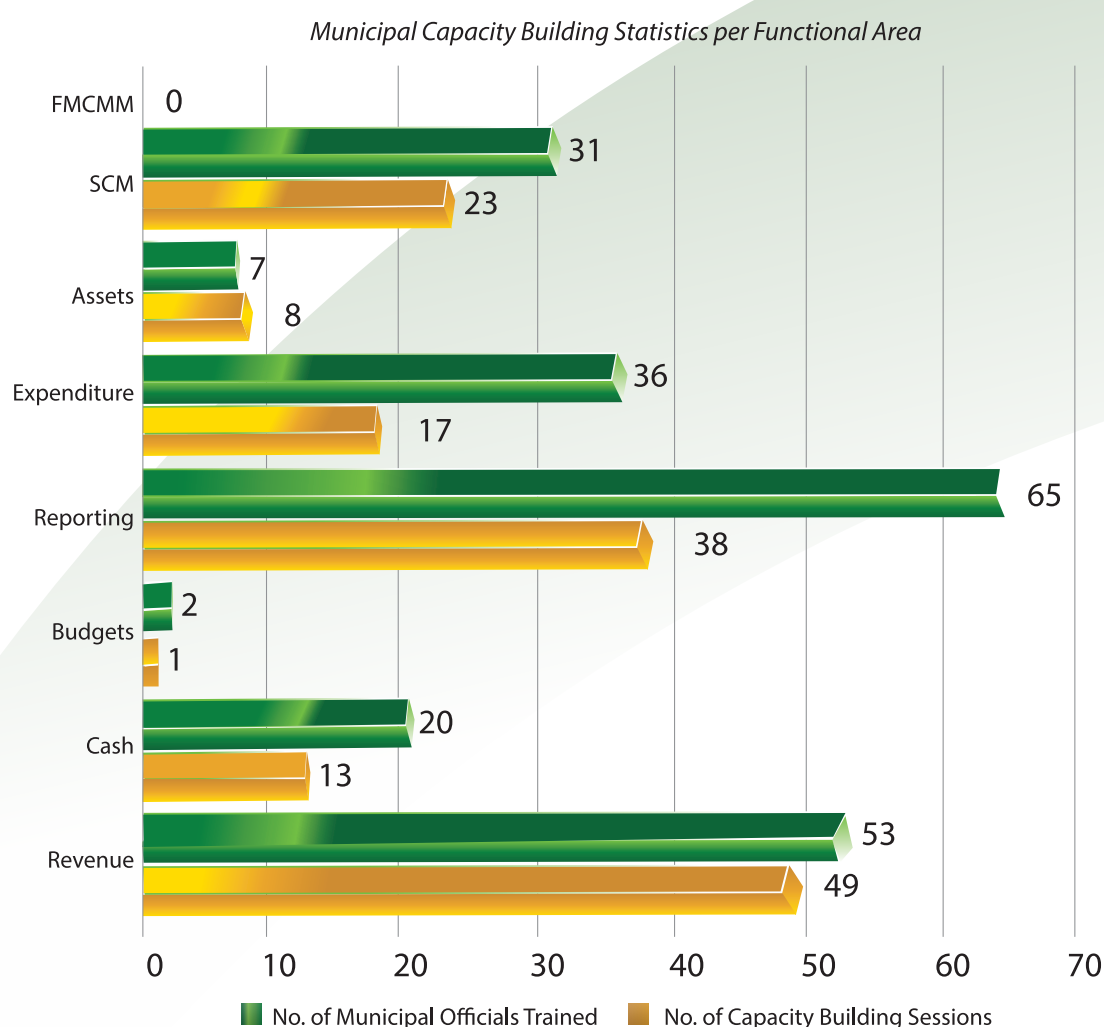
During the period under review, MFIP municipal advisors conducted 224 capacity building training sessions reaching 304 officials across the eight municipalities. A breakdown of the capacity building sessions per municipal financial management functional area is depicted in below.

In addition, PT advisors conducted 180 capacity building sessions involving 704 officials from both provincial treasuries and municipalities. A breakdown of the capacity building sessions organised per municipal financial management functional area is depicted below.

During the period under review, significant progress has been made with the implementation of measures to improve the overall effectiveness and efficiency of the programme. These processes included implementing the MFIP Knowledge and Information Management strategy and model to ensure increased efficiency in programme administration and enhance knowledge sharing and collaborative learning across the MFIP project work streams.

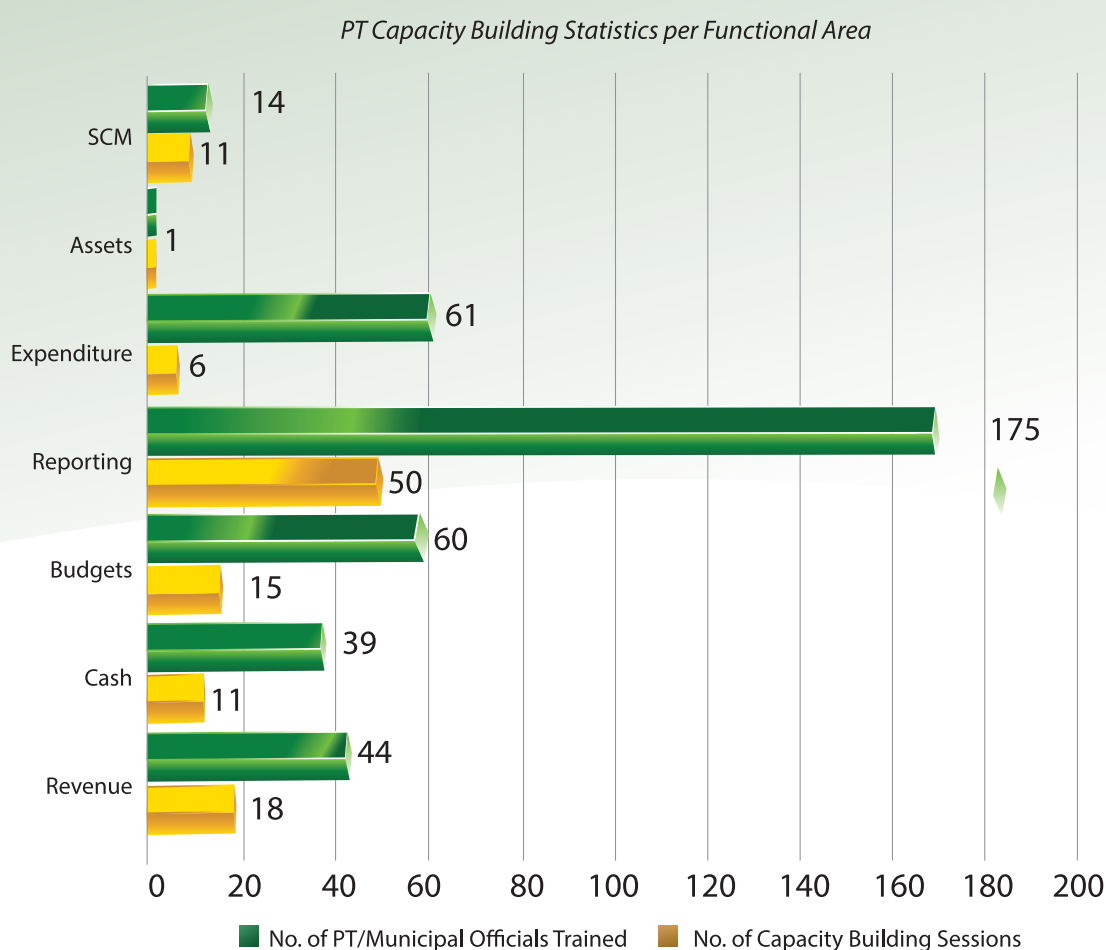
<sup>2</sup> Capacity building statistics highlighted and in the two graphs must still be updated with the Q4 figures

These critical initiatives will continue in the 2018/19 financial year to ensure that the expected return on the MFIP investment by the National Treasury is substantively realised. This will be complimented by a comprehensive mid-term programme evaluation that will assist in developing proposals for the further institutionalisation of the MFIP beyond the current phase ending in March 2020.



*Figure 8: Municipal Capacity Building Statistics per Functional Area*

In addition, PT advisors conducted 180 capacity building sessions involving 704 officials from both provincial treasuries and municipalities. A breakdown of the capacity building sessions organised per municipal financial management functional area is depicted in figure 9.



**Figure 9: PT Capacity Building Statistics per Functional Area**

During the period under review, significant progress has been made with the implementation of a range of measures to improve the overall effectiveness and efficiency of the programme. These processes included strengthening the institutionalisation of the modified MFIP business model; ongoing elucidation and advocacy of the revised governance and management arrangements with programme stakeholders; the appointment of PMU officials to further bolster programme accountability and sustainability; sourcing of the full complement of technical advisors to implement the entire spectrum of MFIP technical capacity support to programme beneficiaries; and implementing the MFIP Knowledge and Information Management strategy and model to ensure increased efficiency in programme administration and enhance knowledge sharing and collaborative learning across the MFIP project work streams.

These critical initiatives will continue in the 2018/19 financial year to ensure that the expected return on the MFIP investment by the National Treasury is substantively realised. This will be complimented by a comprehensive mid-term programme evaluation that will assist in developing proposals for the further institutionalisation of the MFIP beyond the current phase ending in March 2020.

## **JOBS FUND MANAGEMENT PROGRAMME**

The Jobs Fund is a sub-programme within the National Treasury's Programme 8: Technical Support and Development Finance; its activities are recorded under Employment Creation Facilitation. A programme management unit has been established within GTAC to implement the programme on behalf of the National Treasury. Through the Jobs Fund, Employment Creation Facilitation supports innovative partnership-based approaches to sustainable employment creation; it also supports research into employment, income distribution and inclusive growth.

The Jobs Fund operates on challenge fund principles and allocates matching grants following a competitive, open and transparent application process. Project allocations are made by an independent investment committee. To date, eight calls for proposals have been issued for initiatives that innovatively catalyse new employment creation models that can be replicated and scaled. The Fund offers once-off grants in the areas of enterprise development, infrastructure, support for work seekers, and institutional capacity building.

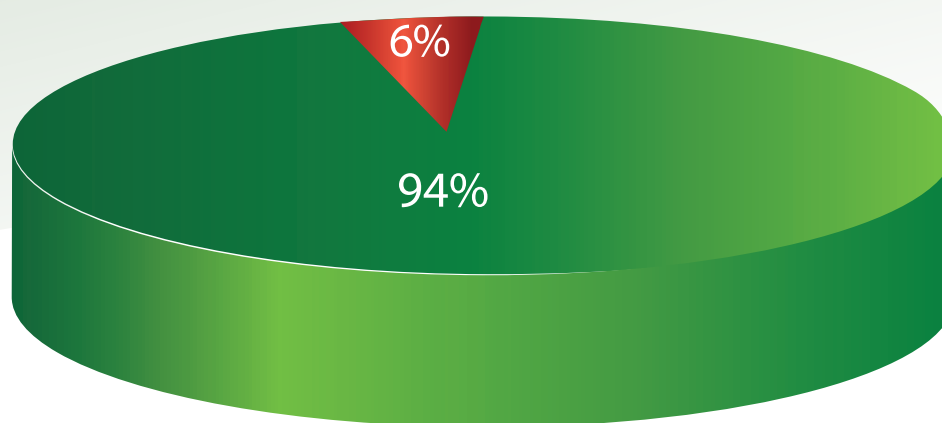
Since inception, 152 projects have been approved against a target of 130; 25 withdrew before contracting, leaving 127 on the approved portfolio. Of these, 116 are currently in implementation. The main determinant of the number of project approvals is the quality of proposals submitted.

In 2017/18, the seventh call for proposals, Industry Change for Scaling Inclusive Job Creation Models, was concluded. Three of these projects have been contracted and have started implementation. The Fund received 201 'concept note' applications for this round, with a total of 12 projects finally being approved; one withdrew afterwards. A total of R698.27 million has been allocated towards these projects, which has leveraged an additional R1.314 billion, to create 3 761 new permanent jobs and 5 248 placements in vacant positions over the project implementation period.

The Jobs Fund emphasises projects that address unemployment among women and youth. Job creation initiatives that improve the quality of labour supply by facilitating rapid access to work-related training and employment are a particular focus area. One such project is the CCI South Africa – Careerbox initiative, which provides an innovative value chain solution for youth skills development and employment in business process operations and other service-based industries. The business process operations industry has developed into a key job creator in South Africa but is challenged by a lack of skilled human resources. The availability of labour is a key determining factor for companies deciding on an offshore and outsourcing destination. The delivery model of this project enables it to source, recruit, train, and place large groups of candidates into employment within two to six weeks. Since its inception in October 2016, the project has created 1 409 new permanent jobs and placed 811 beneficiaries in vacant permanent positions with project partners. Another 2 974 beneficiaries completed training, which includes both contact centre and product-specific training.

## 2.4 OVERALL PERFORMANCE OVERVIEW FOR GTAC

Figure 10: GTAC 2017/18 Overall Performance Information



● Achieved ● Underachieved

GTAC's overall performance measure for 2017/18 was 94%, with 16 out of 17 indicators achieved.

# GOVERNANCE C

# 1. GOVERNANCE

## 1.1 INTRODUCTION

The hallmarks of GTAC's governance approach are integrity, a strong commitment to ethical culture, respecting the rule of law, and acting in the public interest at all times.

The creation of a professional advisory and support services environment that shares a common set of values and purpose is fundamental to the effectiveness of GTAC. GTAC's corporate governance arrangements help the organisation achieve its goals and objectives, while ensuring that it has the requisite capacity to perform at the highest level and maintain proper stewardship of its public finances and resources. In the year ahead, it is envisaged that GTAC's draft governance framework (as defined by the Constitution, the Public Service Act and the Public Finance Management Act) will be adopted for implementation. In line with its commitment to best practice, GTAC also considers the King IV corporate governance code as an additional guidance framework.

In the year under review, GTAC rolled out its first strategic plan, which helped it to successfully implement its first annual performance plan. While GTAC celebrates this milestone, it acknowledges that there are many lessons to be learnt in developing fit-for-purpose approaches to its business model. This year, GTAC continued to conduct its business affairs with the utmost integrity and with the necessary adherence to the principles of good corporate governance to deliver good results in a sustainable manner. Through proactive leadership and effective oversight, GTAC plans to enhance its organisational efficiency by finetuning operations to better align workflows, staffing and financial resources to maximise productivity and output. The organisation's commitment to compliance with legislation and best practices will be reflected in its governance system, which covers how it is managed, its corporate structures, its culture, its policies and processes, and the way it deals with stakeholders. GTAC delivered on in its commitment to openness and transparency in all aspects of its work, including regular and timely publication and dissemination of knowledge and research products on its projects, critical inputs into government policy and planning, and the development of relevant materials such as methodologies, toolkits, and trend analyses of project experiences.

During the year, GTAC focused on strengthening governance structures and convened governance committees with approved terms of reference. The Management Committee (MANCO) provides overall strategic direction and leads the implementation of the systems, policies, processes, decisions and behaviours necessary for good corporate governance. It is supported by, for example, the Projects and the Quarterly Review committees, which play a more hands-on role with administrative functions such as project allocation, financing, and the management of project performance and risk (including monitoring, evaluation and learning).

Good corporate governance is also about responsible leadership that builds relationships with key stakeholders and strategic partners that balance their legitimate, reasonable needs with their interests and expectations. In the

past year, a draft stakeholder engagement framework was developed to guide GTAC's extensive engagement with domestic and international parties, other government institutions, think tanks and experts. These engagements help GTAC keep abreast of changes and developments in the government and advisory environment, and bring new, innovative new methodologies and service offerings to its attention.

## **1.2 RISK MANAGEMENT**

In the year under review, GTAC developed and approved an enterprise risk management framework and a risk management policy and strategy, in consultation with the Risk Management Committee of the National Treasury. These risk governance documents describe the principles and components of an effective enterprise risk management process, setting out how risks should be identified, analysed, evaluated, responded to and controlled. They also emphasise how an effective strategy should identify not only the challenges but also the opportunities to enhance financial management and accountability. The documents clearly outline the roles and responsibilities of key stakeholders to enable a systematic assessment of the key risks associated with strategic objectives (including identifying new and emerging risks). The Risk Management Committee advises management on the overall system of risk management, oversees the effective implementation of the risk management strategy, and ensures adequate and effective mitigation strategies, especially of unacceptable levels of risk. It also assists management in reviewing and making recommends on the risk policy, strategy and implementation plan. The chairperson of the Risk Management Committee ensures reporting across the business units within GTAC and provides regular feedback to the Audit Committee, the accounting authority and the executive authority. In addition, the committee provides overarching oversight across all risk types, including reviewing the implementation of actions recommended by other assurance providers. In line with the approved terms of reference, the chairperson of the committee is external and independent. The committee meets at least four times a year; additional meetings may be scheduled as required.

The Internal Audit function provides independent and objective assurance of the overall adequacy and effectiveness of governance, risk management and controls, and makes recommendations for improvement. In line with the approved terms of reference, the Audit Committee oversees the financial and non-financial reporting process, the management of risk, the system of internal control, the audit process, and GTAC's process for monitoring compliance with laws, regulations and the code of conduct. Senior management promotes a strong risk culture and strategic risk assessment by overseeing the internal control environment and risk management in all units. Ongoing monitoring and management of risks through management reviews, self-assessments and risk management reports help to embed risk management in daily operations. To this end, management continues to make an active and visible commitment to the core principles of public sector governance and promotes them internally and externally, to encourage good governance practices in pursuit of the highest level of performance with accountability.

## **1.3 FRAUD AND CORRUPTION**

GTAC, as a component of the National Treasury, maintains a zero-tolerance approach towards fraud, corruption and unethical behaviour. Every staff member is required to minimise the possibility of fraud and corruption within GTAC. The Anti-Corruption Unit, which is part of the shared services with the National Treasury, liaises with the ethics officer and investigates all potential and reported conflicts of interest and unethical behaviour to ensure that adequate measures are taken if the ethical code and anti-corruption policy have been violated. The policy also provides for a fraud and corruption prevention plan, which includes whistle-blowing mechanisms with procedures for employees or the public to register complaints and anonymously disclose information on impropriety, fraud and corruption. The anti-corruption and ethics management plan was approved in May 2018 and its implementation is detailed on the anti-corruption and ethics management plan matrix. The plan is reviewed as required, but at least once a year. In the year ahead, appropriate fraud and corruption risk assessments will be conducted on an ongoing basis to assist management in prioritising areas for attention and in developing appropriate controls to mitigate identified exposures. In the year ahead, appropriate fraud and corruption risk assessments will be performed on an ongoing basis to help management prioritise areas

for attention and develop appropriate controls to mitigate identified exposures. The fraud and corruption risk register will be drafted and monitored on a regular basis and will be tabled in the quarterly meetings of the Risk Management Committee to ensure adequate oversight.

The mechanisms to report suspected fraud and corruption anonymously are the National Anti-Corruption Toll-free Hotline on 0800 701 701, the Chief Risk Officer on 012 315 5203, by email to [corruption@treasury.gov.za](mailto:corruption@treasury.gov.za), or by walking in at 240 Madiba Street Building, 3rd floor. GTAC is committed to investigating all unethical conduct in an independent and objective manner and to report all suspected criminal conduct to the law enforcement authorities. Protection of whistle-blowers remains a core principle, as prescribed in the Protected Disclosures Act of 2000, to ensure that any employee who reports suspected fraud and corruption or any acts of impropriety is adequately protected. The fraud and corruption case management framework sets out processes, remedies and actions to be taken in instances where officials are found guilty.

GTAC's ethics, fraud and corruption processes are periodically assessed independently by internal audit and oversight structures such as the Risk and Audit Committees, and any weaknesses or gaps are addressed and monitored. In the year ahead, GTAC will intensify its efforts to provide training and promote awareness among staff and external partners of ethical values, the code of conduct, and fraud and corruption prevention activities. Platforms such as induction programmes, engagement meetings, posters, newsletters, pamphlets and computer screensavers will be used. Resolutions taken by MANCO and other governance committees will be cascaded to ensure a stakeholder-inclusive approach and transparency on anti-fraud and corruption matters.

#### 1.4 MINIMISING CONFLICT OF INTEREST

GTAC management have an important stewardship role in exercising its powers and using public resources. It is therefore important for managers to govern GTAC in a way that sustains a strong capacity to serve government over time. This year management again set the tone for effective governance from the top, while setting an example to staff of good governance behaviours and demonstrating a commitment to achieving government objectives through accountable processes. GTAC's ethical code is based on the code of conduct for the public service in the Public Service Regulations. It is supported by the Public Sector Integrity Management Framework, which aims to strengthen measures and standards for ensuring integrity and ethical conduct. An ethics officer facilitates the development and implementation of GTAC's ethics strategy to embed an ethical culture through a strong and integrated approach. The strategy also addresses the management of key ethical risks and interaction with internal and external stakeholders. This will be accomplished with the support and oversight provided by the MANCO.

In the past year, GTAC continued to implement mechanisms for managing conflict of interest that may arise from financial interests, gifts, hospitality and other benefits. Post-GTAC employment and remunerative work outside of GTAC are monitored at least annually through the transversal system of the Department of Public Service and Administration. The recruitment process integrates pre-employment screening to ensure that GTAC selects people who can both provide quality services and uphold its organisational values. Employees must also be vetted by the National Intelligence Agency to obtain security clearance. In the year ahead, both new and existing contractors and service providers will be screened to ensure that no one is afforded scope to abuse the supply chain management system.

In the new year, MANCO will intensify its efforts to provide effective leadership based on a culture of honesty, ethical business practices and good governance, while protecting GTAC's best interests. This will include encouraging staff to raise any concerns about potential wrongdoing in the workplace and assuring them of the necessary protection and support. Employees at all levels must be aware of relevant compliance obligations and implement controls in their day-to-day business activities, including actively monitoring and reporting compliance issues and incidents. GTAC prohibits any form of discrimination or harassment based on race, colour, religion, national origin, age, physical disability, medical condition, gender, sexual orientation, marital status, or any other legally protected status. GTAC can only operate effectively if it has built strong relationships, based on trust, with all stakeholders; this drives its ethical culture and decision-making. It will remain steadfast in sustaining and fostering a culture and shared values that exemplify ethical behaviour and effective governance.

## 1.5 HEALTH SAFETY AND ENVIRONMENTAL ISSUES

GTAC endorses the stipulation of the Occupational Health and Safety Act of 1993 that requires an employer to provide a working environment that is safe and without risk to the health and safety of its employees, and to ensure that other people who may be directly affected by its activities are not exposed to health and safety hazards. GTAC's occupational safety and health activities are governed by the approved Safety, Health, Environment, Risk and Quality (SHERQ) policy, which is part of the shared services with the National Treasury. This programme deals with the intangible and tangible factors affecting the health and safety of employees; the safety of citizens; the sustainability of the environment; and the management of occupational and general risks and the quality of government products and services. The occupational health and safety programme aims to anticipate, communicate and control environmental stressors in the workplace that may affect staff and members of the community. These include biological, chemical, physical, ergonomic and psychosocial stressors, which are managed through ongoing, systematic identification, risk assessment and mitigation measures. An emergency management plan is in place to mitigate and respond to any emergency incidents, and is complemented by continuous awareness, testing and training campaigns.

Another part of the shared services with the National Treasury is the Siyaphila employee health and wellness programme, which is driven by professionals such as registered social workers, psychologists, nurses and medical practitioners. This worksite programme is designed to assist employees in identifying and resolving personal concerns, such as health, marital, family, financial, alcohol, drug, legal, emotional, stress or other personal issues that may affect job performance.

## 1.6 PORTFOLIO COMMITTEES

In the year under review, GTAC did not participate in any portfolio committees.

## 1.7 SCOPA RESOLUTIONS

In the year under review, there were no SCOPA resolutions affecting GTAC.

## 1.8 PRIOR MODIFICATIONS TO AUDIT REPORTS

There were no prior modifications to the GTAC audit reports.

## 1.9 INTERNAL AUDIT AND AUDIT COMMITTEES

Internal auditing is an independent and objective assurance and consulting activity that is guided by a policy of adding value to improve GTAC's operations. It brings a systematic and disciplined approach, including an annual and three-year rolling risk-based audit plan, to evaluate and improve the effectiveness of GTAC's governance, risk management and internal control. The function is a shared service with the National Treasury.

Internal Audit implemented its annual risk-based audit plan for 2017/18 as part of the three-year rolling plan approved by the National Treasury's Audit Committee. From the plan, 37 audits were planned, 11 audits were postponed to 2018/19 and 2 cancelled because of emerging risks, changes in the department, and requests from management (as approved by the Audit Committee). It conducted 24 planned audits, with an additional 12 ad hoc engagements. These 36 audits represented 100% completion of the approved 2017/18 annual plan. All audits were conducted in accordance with the International Standards for the Professional Practice of Internal Audit, issued by the Institute of Internal Auditors.

The Audit Committee is established as a statutory committee in terms of section 38(1)(a)(ii) of the Public Finance Management Act and Treasury Regulation 3.1.13. The committee performs an oversight and advisory role for GTAC and is accountable to the accounting officer, the executive authority and the public to properly consider and evaluate all matters as per its terms of reference.

The purpose of the committee is to assist the executive authority in fulfilling its oversight responsibilities and to assist the accounting officer in executive duties regarding the financial reporting process, the management of risk, the system of internal control, the audit process, and GTAC's process for monitoring compliance with laws, regulations and the code of conduct. The committee also has a primary responsibility to the public to form an opinion on the effectiveness of those issues within its ambit; it communicates this in the annual report in terms of the Treasury Regulations.

## AUDIT COMMITTEES REPORT

We hereby present our report for the financial year ended 31 March 2018.

### 1.10 BACKGROUND

- The Audit and Risk Committee (the Committee) is established as a statutory committee in terms of section 51 (1) (a) of the Public Finance Management Act and Treasury Regulation 27.1.
- The Committee has adopted formal terms of reference as its audit committee charter and has fulfilled its responsibilities for the year, in compliance with its terms of reference.
- GTAC has previously reported as part of National Treasury's operations and the Committee exercised its oversight based on the risk-based plans executed by internal audit. Since last year GTAC commenced to report its financial and performance information independently. The Committee continues to monitor progress made by management in setting up the necessary internal control systems and governance structures.

### 1.11 MEMBERSHIP AND ATTENDANCE

- The Committee consists solely of independent members who are financially literate and have the appropriate experience.
- The Committee met 6 times during the year.
- The following is a list of Committee members, qualifications and a record of their attendance:

Name of member	Qualifications	Appointment Date	Number of meetings attended
Ms Octavia Matloa	Chartered Accountant (SA), B.Com (Hons) and CTA.	1 March 2016	6 of 6
Ms Anna Badimo	B.Sc Computer Science B.Sc Hons Computer Science Master in Business Administration, Master of Science, CISM (Certified Information Security Manager), CGEIT (Certified in the Governance of Enterprise IT), CRISC (Certified in Risk and Information Systems Control), Cobol Programming Diploma, Project Management Diploma, Cert. IT Auditing, F. Inst D (IoDSA), COBIT5.	1 July 2015	6 of 6
Mr Ameen Amod	Master in Business Administration, Bachelor of Commerce, Certificate in Internal Audit (CIA), Certified Government Auditing Professional Auditor and Certification in Risk Management Assurance, Chartered Director (SA)	1 July 2015*	6 of 6
Mr Brandon Furstenburg	Master of Science (MSc) in Financial Management, Master of Commerce (MCom) in Economics, BCom Hons, Bcom and FAIS exams: RE1, RE3 & RE5. M.InstD	1 June 2016	5 of 6
Mr. Charl de Kock	Masters in IT Auditing, Honours degree in Accounting, Certified Information Systems Auditor (CISA), Certified Internal Auditor (CIA), South African Institute of Professional Accountants (SAIPA)	1 February 2017	6 of 6
Mr Luyanda Mangquku	Chartered Accountant (SA), Masters in Business Leadership, Honours Bachelor of Accounting and Honours Bachelor of Commerce, Advanced Company Law I & II	1 July 2015*	6 of 6

\*Contracts expired on 30 June 2018.

## 1.12 THE AUDIT COMMITTEE'S RESPONSIBILITIES

The Committee, in conjunction with the Risk Committee is satisfied that it has discharged its responsibilities in assisting the Accounting Officer with the following activities:

- The safeguarding of assets, the operation of adequate systems, control and reporting processes: and the preparation of accurate reporting and financial statements in compliance with the applicable legal requirements and accounting standards.
- Overseeing the activities of, and ensuring coordination between, the activities of internal and external audit.
- Providing a forum for discussing exposures to financial and enterprise-wide risks and monitoring of controls designed to minimize these risks.
- Reviewing the organisation's quarterly financial and performance information, annual report, including the annual performance information and annual financial statements, and any other public reports or announcements containing financial and non-financial information.
- Receiving and dealing with any complaints concerning the accounting practices, internal and external audit or the content and audit of its financial statements and performance reports, or related matters.
- Annually reviewing the Committee's work in line with the charter and making recommendations to the Accounting Officer to ensure the Committee's effectiveness.

## 1.13 RISK MANAGEMENT

- Management is responsible for the establishment and maintenance of an effective system of governance, risk management, the prevention and detection of fraud and internal controls.
- Internal audit was guided by the consolidated risk profile, critical audit areas and management's inputs in the formulation of its three-year strategic and annual plans.
- The organisation has a Risk Committee which is chaired by an independent member who reports directly to the Audit Committee.
- The Committee met 3 times during the year under review.
- A risk register is updated annually to ensure that all the major risks including emerging risks facing the organisation are effectively managed and the recent one was updated in the first quarter of 2017/18 financial year.

### 1.14 INTERNAL AUDIT

The Committee approved a risk based three year rolling strategic internal audit plan and an annual audit coverage plan for the period 1 April 2017 to 31 March 2020 covering the following key audit activities:

Type	Total Planned Audits	Total
Regularity audit and Compliance Audit	2	2 (100%)
Performance audit	1	1 (100%)
Information technology audit	1	1(100%)
Total planned audits	4	4(100%)
Postponed Audits	0	0
Ad hoc audits	0	0
<b>Total</b>	<b>4</b>	<b>100</b>

The Committee reviewed all the Internal Audit reports and is satisfied:

- With the activities of the Internal Audit function, including its annual work programme, co-ordination with the External Auditors, the reports of significant investigations and the responses of management to specific recommendations.
- That Internal Audit conducted its work in accordance with the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

### 1.15 ACCOUNTING AND AUDITING ACCOUNTING AND AUDITING CONCERNS IDENTIFIED BY INTERNAL AUDIT

There are no accounting concerns that have been noted and brought to our attention; and all the auditing concerns which were brought to our attention were discussed with management and the Accounting Officer.

### 1.16 OTHER IDENTIFIED CONCERNS

The Committee noted the following areas of concern:

- The position of the Head of GTAC which has been vacant since the establishment of GTAC in 2014.
- Non- compliance with the supply chain management laws and regulations.

Other than these matters, nothing significant has come to our attention to indicate any material breakdown in the functioning of controls, procedures and systems.

The Committee is therefore of the opinion that Internal Audit is independent, provided objective assurance and consulting activities that were designed to add value and improve an entity's operations.

### 1.17 THE ADEQUACY, RELIABILITY AND ACCURACY OF THE FINANCIAL AND PERFORMANCE INFORMATION

- The Committee noted:
  - The reported material misstatements, management's acceptance and amendment of the submitted annual financial statements.
  - The reported performance information for Management and Support Services and Transaction and Advisory Services are useful and reliable, in accordance with the applicable criteria as developed from the performance management and reporting framework.
- The Committee is of the opinion, based on the information and explanations provided by management as well as the results of audits performed by the Auditor-General, that the financial and performance information provided by management to users of such information is adequate, reliable and accurate.

### 1.18 EXTERNAL AUDIT

- The Committee has reviewed the independence and objectivity of the Auditor-General; and noted that there were no non-audit services rendered by them during the year.
- In line with the legislative requirements the Committee has also considered the Auditor-General's independence declaration in the auditors' report, "We are independent of the entity in accordance with the Independent Regulatory Board for Auditors' Code of professional conduct of registered auditors (IRBA code) and other independence requirements applicable to performing audits of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IESBA code and in accordance other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (parts A and B". The Committee is therefore satisfied with their independence.
- The Auditor-General attended 6 meetings of the Committee and we are satisfied that there are no unresolved issues of concern.
- The Committee reviewed and approved the external audit report and several accounting and auditing concerns were noted.
- The Committee has reported major concerns relating to the entity to the Accounting Officer, Executive Authority and the Auditor-General.

## 1.19 THE EFFECTIVENESS OF INTERNAL CONTROLS

The Committee:

- Considered all the reports issued by the various assurance providers e.g. internal and external auditors.
- Noted management's actions in addressing identified control weaknesses and is satisfied with the following achievements reported during the year:

Assurance provider	Total findings	Resolved	Unresolved findings
Internal audit*	4	2	2
External audit	31	22	9

*\* \*The figures indicate the statistics for a three year period: 2015/16; 2016/17 & 2017/18 as at 31 March 2018.*

In light of the above we report that the system of internal controls for the period under review is considered to have been adequate except for areas reported in the auditor's report.

### Compliance with Legal and Regulatory Provisions

- The Committee has reviewed the in-year management and quarterly reports submitted in terms of the Public Finance Management Act and the Division of Revenue Act and is satisfied that no material deviations were noted.
- The Committee also noted managements' policies and procedures to ensure compliance with applicable laws and regulations.
- The Committee has also taken note of concerns with the entity's non-compliance with some of the legislative requirements relating to procurement and contract management as reflected in the audit report.

### Evaluation of Financial Statements and Annual Report

The Committee has evaluated the annual financial statements and performance information for the year ended 31 March 2018 and duly recommended these for the Accounting Officer's approval prior to being submitted to the Auditor-General for audit.

The Committee reviewed the Auditors' management report and concurs with their conclusions. Thus, we accept the audit opinion and conclusion expressed by the external auditors on the annual financial statements, annual performance report and annual report.

We would like to express our appreciation to the acting Accounting Officer and management for the achievement of the same unqualified audit opinion with findings.



**Ms. Octavia M. Matloa**

**Chairperson**

**Date:**



# HUMAN CAPITAL MANAGEMENT D

# 1. HUMAN CAPITAL MANAGEMENT

## 1.1 INTRODUCTION

The Human Capital department provides strategic leadership, direction and support to business units in GTAC. It administers employee benefit programmes, coordinates workforce development in terms of training and formal studies, and ensures that GTAC's human capital is aligned to meet the strategic objectives of the organisation in a diverse and ever-changing environment.

'The Human Capital Management unit is dedicated to partnering with GTAC business units to maximise the potential of our greatest assets, our human capital. It focuses on delivering quality customer service and is committed to recruiting, developing, rewarding and retaining our workforce.'

The unit aims to achieve this mission by creating a work environment that:

- supports the efficient and effective delivery of GTAC services;
- responds to the demands of the GTAC operations and strategies;
- enables employees and stakeholders to be knowledgeable and informed;
- complies with public service legal and regulatory requirements; and
- attracts and retains expert human resources in the technical, operational and management fields.

In the year under review, the Human Capital Management unit successfully compiled and submitted for approval GTAC's first human resources plan. GTAC endorsed its organisational structure in line with the requirements of the Department of Public Services and Administration, and finalised its first establishment report.

## Budgetary Notes

GTAC's workforce expanded considerably during 2017/18, increasing employee-related costs to meet client demand. It is envisaged that this demand will remain high in the short to medium term, and GTAC will focus on employing the best candidates for new or vacant positions. The expansion of the workforce is expected to slow during 2018/19. The Human Capital Management and Financial units will continue to monitor employee-related costs to maximise the return on investment and increase efficiency and output accordingly.

## 1.2 EXPENDITURE

Departments budget in terms of clearly defined programmes. The following tables summarise final audited expenditure by programme (Table 4) and by salary band (Table 5).

*Table 4: Personnel costs by programme, 2017/18*

Programme	Total expenditure (R 000)	Personnel expenditure (R 000)	Training expenditure (R 000)	Professional and special services (R 000)	Personnel cost as % of total	Average personnel cost per employee (R 000)*
Programme 1 Management and Support Services	53,248	29,021	672	8,524	55%	764
Programme 2 Transaction and Advisory Services	185,198	31,270	-	139,480	17%	638
Programme 3 Programme Management Support	77,275	45,923	(31)	23,032	59%	866
<b>Total**</b>	<b>315,721</b>	<b>106,214</b>	<b>641</b>	<b>171,036</b>	<b>34%</b>	<b>2,268</b>

*\*Percentage of average personnel cost per employee calculated based on the number of employees in table.*

*\*\*Minister and Deputy Minister Personnel expenditure is not included in total.*

**Table 5: Personnel costs by salary band, 2017/18**

Salary bands	Personnel expenditure (R 000)	% of total personnel cost	No. of employees	Average personnel cost per employee (R 000)*
Lower-skilled (levels 1-2)	-	0%	-	-
Skilled (levels 3-5)	-	0%	-	-
Highly skilled production (levels 6-8)	9,045	9%	28	323
Highly skilled supervision (levels 9-12)	41,957	41%	69	608
Senior management (levels 13-16)	52,121	50%	53	983
<b>Total**</b>	<b>103,123</b>	<b>100%</b>	<b>150</b>	<b>1914</b>

\*Percentage of average personnel cost per employee calculated based on the number of employees in table.

\*\*Minister and Deputy Minister Personnel expenditure is not included in total.

The following tables summarises expenditure on salaries, overtime, the home owner's allowance and medical assistance per programme (Table 11) and salary band (Table 12). They also show the percentage of the personnel budget used for these items.

**Table 6: Salaries, overtime, home owner's allowance and medical assistance by programme, 2017/18 \***

Programme	Salaries		Overtime		Home owner's allowance		Medical assistance	
	Amount (R 000)	Salaries as % of personnel cost	Amount (R 000)	Overtime as % of personnel cost	Amount (R 000)	Allowance as % of personnel cost	Amount (R 000)	Medical assistance as % of personnel cost
Programme 1	23,332	80%	-	0%	283	1%	569	2%
Programme 2	27,513	88%	-	0%	187	1%	401	1%
Programme 3	43,809	95%	-	0%	34	0%	232	1%
<b>Total</b>	<b>94,654</b>	<b>89%</b>	<b>-</b>	<b>0%</b>	<b>503</b>	<b>0%</b>	<b>1,203</b>	<b>1%</b>

\*Percentages of personnel cost of salaries, overtime, home owner's allowance and medical assistance are calculated on the total personnel expenditure per programme in the table.

Table 7: Salaries, overtime, home owner's allowance and medical assistance by salary band, 2017/18

Salary bands	Salaries		Overtime		Home owner's allowance		Medical assistance	
	Amount (R 000)	Salaries as % of personnel cost	Amount (R 000)	Overtime as % of personnel cost	Amount (R 000)	Allowance as % of personnel cost	Amount (R 000)	Medical assistance as % of personnel cost
Lower-skilled (levels 1-2)	-	0%	-	0%	-	0%	-	0%
Skilled (levels 3-5)	-	0%	-	0%	-	0%	-	0%
Highly skilled production (levels 6-8)	7,337	74%	-	0%	241	2.43%	418	4.21%
Highly skilled supervision (levels 9-12)	38,290	88%	-	0%	172	0.40%	423	0.98%
Senior management (levels 13-16)	49,027	93%	-	0%	90	0.17%	361	0.68%
<b>Total*</b>	<b>94,654</b>	<b>89%</b>	<b>-</b>	<b>0%</b>	<b>503</b>	<b>0.47%</b>	<b>1,203</b>	<b>1.13%</b>

\*Minister and Deputy Minister Personnel expenditure not included in total.

### 1.3 EMPLOYMENT AND VACANCIES

The following tables summarise the number of posts in the organisation, the number of employees, the vacancy rate and additional posts filled by programme (Table 11) and by salary band (Table 12). Departments have identified critical occupations that need to be monitored. The vacancy rate reflects the percentage of posts that are not filled.

Table 8: Employment and vacancies by programme, 31 March 2018

Programme	Number of posts on approved establishment	Number of posts filled	Vacancy rate (%)	Number of employees additional to the establishment
Programme 1 Management and Support Services	49	43	12.24%	0
Programme 2 Technical and Advisory	40	38	5%	0
Programme 3 Programme Management Support	65	59	9.23%	0
<b>Total*</b>	<b>154</b>	<b>140</b>	<b>9.09%</b>	<b>0</b>

\*Minister and Deputy Minister not included in total.

Table 9: Employment and vacancies by salary band, 31 March 2018

Salary bands	Number of posts on approved establishment	Number of posts filled	Vacancy rate* (%)	Number of employees additional to the establishment
Lower-skilled (levels 1-2)	0	0	0	0
Skilled (levels 3-5)	1	1	0	0
Highly skilled production (levels 6-8)	1	1	0	0
Highly skilled supervision (levels 9-12)	1	1	0	0
Senior management (levels 13-16)	1	1	0	0
<b>Total</b>	<b>154</b>	<b>140</b>	<b>9.09%</b>	<b>0</b>

\*Vacancy rate reduced by additional appointments.

\*\*Minister and Deputy Minister not included in totals.

Table 10: Employment and vacancies by critical occupations, 31 March 2018

Critical occupation	Number of posts on approved establishment	Number of posts filled	Vacancy rate* (%)	Number of employees additional to the establishment
Monitoring, reporting, evaluation and learning specialists	11	2	18.18%	0
Quantitative data analytics *	1	1	0	0
Capital project appraisal analysts #	4	4	0	0

\* Two specialist positions were removed from the organisational structure following repeated failed attempts to recruit for the skill. The organisational structure is currently under review.

# This unit requires skilled econometricians and public servants who can analyse large capital and infrastructure projects. Seasoned analysts are not easy to attract at this level (Deputy Director), and junior positions are required to develop the skill internally. GTAC's resource requirements will be further explored in 2018/19.

#### 1.4 FILLING OF SENIOR MANAGEMENT SERVICE POSTS

The tables in this section show employment and vacancies related to Senior Management Services (SMS) by salary level. They also provide information on the advertising and filling of SMS posts, reasons for not complying with prescribed timeframes, and disciplinary steps taken.

Table 11: SMS post information as at 31 March 2018

SMS level	Total number of funded SMS posts	Total number of SMS posts filled	% of SMS posts filled	Total number of SMS posts vacant	% of SMS posts vacant
Director-General/ Head of Department*	1	0	0	1	100%
Salary level 16	0	0	0	0	0
Salary level 15	2	2	100%	0	0
Salary level 14	16	14	87.5%	2	12.5%
Salary level 13	36	33	91.67%	3	8.33%
<b>Total</b>	<b>55</b>	<b>49</b>	<b>89.09%</b>	<b>6</b>	<b>10.91%</b>

\*Head of GTAC, Acting resource currently appointed. Position envisaged for filling in the 2018/19.

Table 12: SMS post information as at 31 September 2017\*

SMS level	Total number of funded SMS posts	Total number of SMS posts		Total number of SMS posts vacant	% of SMS posts vacant
Director -General/ Head of Department	1	0	0%	1	100%
Salary level 16	0	0	0%	0	0%
Salary level 15	2	2	100%	1	0%
Salary level 14	16	15	93.75%	1	6.25%
Salary level 13	35	28	80%	7	20%
<b>Total</b>	<b>54</b>	<b>45</b>	<b>83.3%</b>	<b>9</b>	<b>16.67%</b>

\*Head of GTAC, Acting resource currently appointed. Position envisaged for filling in the 2018/19.

Table 13: Advertising and filling of SMS posts, 1 April 2017 to 31 March 2018

SMS level	Advertising	Filling of posts	
	Number of vacancies per level advertised within 6 months of becoming vacant	Number of vacancies per level filled within 6 months of becoming vacant	Number of vacancies per level not filled within 6 months but filled within 12 months
Director-General/Head of Department	0	0	1
Salary level 16	0	0	0
Salary level 15	0	0	0
Salary level 14	2	2	0
Salary level 13	8	8	0
<b>Total</b>	<b>10</b>	<b>10</b>	<b>1</b>

The Head: GTAC position has been vacant for more than 12 months. Eight director and two chief director positions were advertised and filled in 2017/18. No positions were filled outside the six-month period.

*Table 14: Reasons for not having complied with the filling of funded vacant SMS posts advertised within 6 months and filled within 12 months of becoming vacant, 1 April 2016 to 31 March 2017*

Reasons for vacancies not advertised within six months
Not applicable. Refer to table above.
Reasons for vacancies not filled within twelve months
As a result of the reshuffling of the Executive, the recruitment for the Head: GTAC position has been halted. The National Treasury will resume the recruitment of the position in the 2018/19.

*Table 15: Disciplinary steps taken for not complying with the prescribed timeframes for filling SMS posts within 12 months for the period 1 April 2016 and 31 March 2017*

Reasons for vacancies not advertised within six months
Not applicable. Refer to table above.
Reasons for vacancies not filled within twelve months
The President of the Republic of South Africa is to intervene in the delay of the appointment of the Head: GTAC. As it is a political appointment, this is the responsibility of the recruiting line manager, the Minister of Finance.

## 1.5 JOB EVALUATION

Within a nationally determined framework, executing authorities may evaluate or re-evaluate any job in their organisation. In terms of the regulation, all vacancies on or above salary level 9 must be evaluated before being filled. The following table summarises the number of jobs evaluated and the number of posts up- or downgraded during the period under review.

Table 16: Job evaluation, 1 April 2016 to 31 March 2017

Salary band	No. of posts*	No. of jobs evaluated	% of posts evaluated by salary bands	Posts upgraded		Posts downgraded	
				No.	% of posts evaluated	No.	% of posts evaluated
Lower-skilled (levels 1-2)	0	0	0	0	0	0	0
Skilled (levels 3-5)	1	0	0	0	0	0	0
Highly skilled production (levels 6-8)	26	4	15%	0	0	0	0
Highly skilled supervision (levels 9-12)	72	10	14%	0	0	0	0
SMS (band A)	36	2	1%	0	0	0	0
SMS (band B)	16	1	1%	0	0	0	0
SMS (band C)	2	0	0	0	0	0	0
SMS (band D)	1	1	100%	0	0	0	0
<b>Total</b>	<b>154</b>	<b>18</b>	<b>12%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\*All positions were benchmarked against positions in the GTAC or the National Treasury.

The following table shows the number of employees whose salary positions were upgraded due to their posts being upgraded. The number of employees might differ from the number of posts upgraded since not all employees are automatically absorbed into the new posts. Some of the upgraded posts could also be vacant because not all employees were automatically absorbed into the new posts.

Table 17: Profile of employees whose salary positions were upgraded due to their posts being upgraded, 1 April 2017 to 31 March 2018

Beneficiaries	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	0	0	0	0	0
Total	0	0	0	0	0
Employees with a disability	0	0	0	0	0

The following table presents the number of cases where remuneration levels exceeded the grade determined by the job evaluation, as well as the reasons for the deviation.

Table 18: Employees whose salary levels are higher than those determined by job evaluation per occupation 1 April 2017 to 31 March 2018

Occupation	Number of employees	Job evaluation level Remuneration level		Remuneration level Reason for deviation
Deputy Director-General	0	0	0	0
Chief Director	3	14	15	Retention
Director	2	13	14	Retention
Deputy Director	0	0	0	0
Assistant Director and below*	2	-	-	Reconfiguration of position and Resolution 3 of 2009
Total number of employees whose salaries exceeded the level determined by job evaluation in 2017/18				7
Percentage of total employment				5%

\* One employee's position (Level 8) was reconfigured to Level 7 following the introduction of an Office Support Model in the National Treasury in 2008. Employee transferred to GTAC with retention of service benefits.

\* One employee's salary (Level 6) was increased as a result of Resolution 3 of 2009: Automatic grade progression following 12 years of above-satisfactory performance.

The following table presents these employees in terms of race, gender and disability.

Table 19: Profile of employees who have salary levels higher than those determined by job evaluation, 1 April 2017 to 31 March 2018

Gender	African	Asian	Coloured	Whites	Total
Female	2	0	1	0	3
Male	3	0	0	1	4
<b>Total</b>	<b>5</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>7</b>

## 1.6 EMPLOYMENT CHANGES

This section provides information on changes in employment during the financial year. Turnover rates provide an indication of trends in GTAC's employment profile. The following tables summarise turnover rates by salary band and critical occupations.

Table 20: Annual turnover rates by salary band, 1 April 2017 to 31 March 2018

Salary band	Number of employees a beginning of period 1 April 2017	Appointments and transfers into department	Remuneration level Reason for deviation	Turnover rate %
Lower-skilled (levels 1-2)	0	0	0	0
Skilled (levels 3-5)	1	0	0	0
Highly skilled production (levels 6-8)	20	7	0	0
Highly skilled supervision (levels 9-12)	55	14	4	5.8%
SMS (band A)	28	8	5	13.9%
SMS (band B)	13	2	1	6.7%
SMS (band C)	2	0	0	0
SMS (band D)	0	0	0	0
<b>Total</b>	<b>119</b>	<b>31</b>	<b>10</b>	<b>6.7%*</b>

\*The turnover rate is the number of employees terminating or transferring from GTAC, expressed as a percentage of the total number of employees at 1 April 2017 plus appointments and transfers into the department.

Table 21: Annual turnover rates by critical occupation for the period 1 April 2017 to 31 March 2018

Critical occupation	Number of employees a beginning of period 1 April 2017	Appointments and transfers into department	Terminations and transfers out of department	Turnover rate %
Monitoring, reporting, evaluation and learning specialists	7	2	2	22.2%
Quantitative Data Analytics	1	0	0	0
Capital Project Appraisal Analysts	4	0	0	0

Table 22: Reasons for staff leaving the department, 1 April 2017 to 31 March 2018

Termination type	Number	% of total
Death	0	0
Resignation	9	90%
Expiry of contract	0	0
Dismissal – operational changes	0	0
Dismissal – misconduct	1	10%
Dismissal – inefficiency	0	0
Discharged due to ill health	0	0
Retirement	0	0
Severance package	0	0
Transfers to other public service departments	0	0
<b>Total</b>	<b>10</b>	<b>%</b>
<b>Number of employees who left as a % of total employment (as at 31 March 2017)</b>	<b>8.4%</b>	

Table 23: Promotions by critical occupation, 1 April 2017 to 31 March 2018

Occupation	Number of employees a beginning of period 1 April 2017*	Promotions to another salary level	Salary level promotions as a % of employees by occupation	Progressions to another notch within a salary level	Notch progression as a % of employees by occupation
Monitoring, reporting, evaluation and learning specialists	7	3	42.9%	0	0
Quantitative data analytics	1	0	0	0	0
Capital project appraisal analysts	4	0	0	0	0

Table 24: Promotions by salary band, 1 April 2017 to 31 March 2018

Salary band	Employees, 1 April 2017	Promotions to another salary level	Salary band promotions as % of employees by salary level	Progressions to another notch within a salary level	Notch progression as a % of employees by salary bands
Lower-skilled (levels 1-2)	0	0	0	0	0
Skilled (levels 3-5)	1	0	0	0	0
Highly skilled production (levels 6-8)	20	2	10%	0	0
Highly skilled supervision (levels 9-12)	55	6	10.9%	0	0
Senior management (levels 13-16)	43	1	2.3%	0	0
<b>Total</b>	<b>119</b>	<b>8</b>	<b>6.7%</b>	<b>0*</b>	<b>0</b>

\*Pay progressions affected were as a result of outcomes of the GTAC's performance management and development system. No salary progressions were approved for retention purposes for the reporting period.

## 1.7 EMPLOYMENT EQUITY

The tables in this section are based on the formats prescribed by the Employment Equity Act 1998.

*Table 25: Total number of employees (including employees with disabilities) in each of the following occupational categories as at 31 March 2018*

Occupational categories (SASCO)	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers (Salary Level 13-16)	21	1	3	5	10	1	1	7	49
Professionals (Salary Level 11-12)	17	2	0	1	20	3	0	8	51
Technicians and associate professionals (Salary Level 9-10)	6	0	0	0	7	0	0	1	14
Clerks (Salary Level 5-8)	2	0	0	0	21	3	0	0	26
Service and sales workers	0	0	0	0	0	0	0	0	0
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	0	0	0	0	0	0	0	0	0
Elementary occupations	0	0	0	0	0	0	0	0	0
<b>Total*</b>	<b>46</b>	<b>3</b>	<b>3</b>	<b>6</b>	<b>58</b>	<b>7</b>	<b>1</b>	<b>16</b>	<b>140</b>
Employees with disabilities	0	0	0	0	0	0	0	0	0

Table 26: Total number of employees (including employees with disabilities) in each of the following occupational bands as at 31 March 2018

Occupational bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management (levels 15-16)	0	0	0	0	0	1	0	1	2
Senior management (levels 13-14)	21	1	3	5	10	0	1	6	47
Professionally qualified and experienced specialists and mid-management (levels 11-12)	17	2	0	1	20	3	0	8	51
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents (levels 9-10)	6	0	0	0	7	0	0	1	14
Semi-skilled and discretionary decision-making (levels 6-8)	2	0	0	0	20	3	0	0	25
Unskilled and defined decision-making (levels 1-5)	0	0	0	0	1	0	0	0	1
<b>Total</b>	<b>46</b>	<b>3</b>	<b>3</b>	<b>6</b>	<b>58</b>	<b>7</b>	<b>1</b>	<b>16</b>	<b>140</b>

Table 27: Recruitment, 1 April 2017 to 31 March 2018

Occupational bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management (levels 15-16)	0	0	0	0	0	0	0	0	0
Senior management (levels 13-14)	3	1	0	1	4	0	0	1	10
Professionally qualified and experienced specialists and mid-management (levels 9-12)	9	0	0	1	3	1	0	0	14
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents (levels 6-8)	0	0	0	0	0	7	0	0	7
Semi-skilled and discretionary decision-making (levels 3-5)	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making (levels 1-2)	0	0	0	0	0	0	0	0	0
Total	12	1	0	2	7	8	0	1	31
Employees with disabilities	0	0	0	0	0	0	0	0	0

Table 28: Promotions for the period 1 April 2017 to 31 March 2018

Occupational bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management (levels 15-16)	0	0	0	0	0	0	0	0	0
Senior management (levels 13-14)	0	0	0	0	1	0	0	0	1
Professionally qualified and experienced specialists and mid-management (levels 9-12)	3	0	0	0	1	1	0	1	6
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents (levels 6-8)	1	0	0	0	1	0	0	0	2
Semi-skilled and discretionary decision-making (levels 3-5)	0	0	0	0	0	0	0	0	0
Unskilled and defined decision-making (levels 1-2)	0	0	0	0	0	0	0	0	0
Employees with disabilities	0	0	0	0	0	0	0	0	0
Total	4	0	0	0	3	1	0	1	9
Employees with disabilities	0	0	0	0	0	0	0	0	0

Table 29: Terminations for the period 1 April 2017 to 31 March 2018

Occupational bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management (levels 15-16)	0	0	0	0	0	0	0	0	0
Senior management (levels 13-14)	1	0	1	0	3	0	0	1	6
Professionally qualified and experienced specialists and mid-management (levels 9-12)	1	0	0	0	1	0	0	2	4
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents (levels 6-8)	0	0	0	0	0	0	0	0	0
Semi-skilled and discretionary decision-making (levels 3-5)	0	0	0	0	0	0	0	0	0
Unskilled and defined decision-making (levels 1-2)	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>10</b>

Table 30: Disciplinary action for the period 1 April 2016 to 31 March 2017

Disciplinary action	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
N/A	0	0	0	0	0	0	0	0	0

Table 31: Skills development for the period 1 April 2017 to 31 March 2018

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	9	0	4	3	9	0	1	2	28
Professionals	13	0	0	0	3	1	0	3	20
Technicians and associate professionals	4	0	0	1	21	0	0	0	26
Clerks	1	0	0	0	0	0	0	0	1
Service and sales workers	0	0	0	0	0	0	0	0	0
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	0	0	0	0	0	0	0	0	0
Elementary occupations	0	0	0	0	0	0	0	0	0
Total*	27	0	4	4	33	1	1	5	75
Employees with disabilities									

## 9.1 PERFORMANCE REWARDS

To encourage good performance, the department granted the following performance rewards during the year under review.

*Table 32: Signing of performance agreements by SMS members as on 31 May 2017*

SMS level	Total number of funded SMS posts	Total number of SMS members	Total number of signed performance agreements	Signed performance agreements as % of total number of SMS members
Director-General/ Head of Department	1	0	0	0
Salary level 16	0	0	0	0
Salary level 15	2	2	2	100%
Salary level 14	16	13	13	100%
Salary level 13	32	28	28	100%
Total	51	43	43	100%

*Table 33: Reasons for not having concluded performance agreements for all SMS members as on 31 March 2018*

Reasons
N/A

*Table 34: Disciplinary steps taken against SMS members for not having concluded performance agreements as on 31 March 2018*

Reasons
N/A

Table 35: Performance rewards by race, gender and disability, 1 April 2016 to 31 March 2017

	Beneficiary profile			Cost	
	No. of beneficiaries Total no. of employees		% of total within group	Cost (R 000)	Average cost per employee
African					
Male	27	36	72	489	19
Female	34	48	71	394	12
Indian					
Male	3	3	100	48	16
Female	1	1	100	28	28
Coloured					
Male	2	2	100	33	16
Female	5	6	83	119	24
White					
Male	3	4	40	84	28
Female	16	19	84	307	19
<b>Total</b>	<b>91</b>	<b>119</b>		<b>1,501</b>	

\*2016/17 performance rewards results are reported during 2017/18 annual report

Table 36: Performance rewards by salary band for personnel below SMS, 1 April 2016 to 31 March 2017

Salary band	Beneficiary profile			Cost		
	No. of beneficiaries	No. of employees	% of total within salary band	Total cost (R 000)	Average cost per employee (R 000)	Total cost as % of total personnel expenditure
Lower-skilled (levels 1-2)	0	0	0	0	0	0
Skilled (levels 3-5)	1	1	100	10	10	
Highly skilled production (levels 6-8)	17	20	90	141	8	
Highly skilled supervision (levels 9-12)	43	55	78	572	13	
<b>Total</b>	<b>61</b>	<b>76</b>		<b>723</b>		

Table 37: Performance rewards by critical occupation for the period 1 April 2016 to 31 March 2017

Critical Occupation	Beneficiary profile			Cost	
	No. of beneficiaries	No. of employees	% of total within occupation	Total cost (R 000)	Average cost per employee (R 000)
Monitoring, reporting, evaluation and learning specialists	5	7	71%	54	11
Quantitative data analytics	1	1	100%	18	18
Capital project appraisal analysts	4	4	100%	58	14

Table 38: Performance-related rewards (cash bonus), by salary band, for SMS for the period 1 April 2016 to 31 March 2017

Salary band	Beneficiary profile			Cost		Total cost as % of total personnel expenditure
	No. of beneficiaries	No. of employees	% of total within band	Total cost (R 000)	Average cost per employee	
Band A	18	28	54	395	22	18
Band B	10	13	77	276	27	10
Band C	2	2	100	107	53	2
Band D	0	0	0	0	0	0
<b>Total</b>	<b>30</b>	<b>43</b>		<b>778</b>		<b>30</b>

## 9.1 FOREIGN WORKERS

Table 39: Foreign workers by salary band, 1 April 2017 to 31 March 2018

Salary band	1 April 2017		31 March 2018		Change*	
	No.	% of total	No.	% of total**	No.	% change
Lower-skilled (levels 1-2)	0	0	0	0		
Skilled (levels 3-5)	0	0	0	0		
Highly skilled production (levels 6-8)	0	0	0	0		
Highly skilled supervision (levels 9-12)	8	14.5%	8	12.3%	0	0
Senior management (levels 13-16)	6	13.95%	7	14.3%	1	16.66%
<b>Total</b>	<b>14</b>	<b>%11.76%</b>	<b>15</b>	<b>10.71%</b>	<b>1</b>	<b>16.66%</b>

Table 40: Foreign workers by major occupation, 1 April 2017 to 31 March 2018

Major occupation	1 April 2017		31 March 2018		Change*	
	No.	% of total	No.	% of total**	No.	% change
Senior management	6	13.95%	7	14.3%	1	16.66%
Professional qualified	6	14.63%	6	12.24%	0	0
Skilled technical	2	14.29%	2	13.33%	0	0
Semi-skilled	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0
<b>Total</b>	<b>14*</b>	<b>11.76%</b>	<b>15#</b>	<b>10.71%</b>	<b>1</b>	<b>16.66%</b>

- \* This table includes 5 employees without permanent residency and 9 with permanent residency who have non-South African citizenship identity documents.
- # This table includes 3 employees without permanent residency and 12 with permanent residency who have non-South African citizenship identity documents.

Leave utilisation for the period 1 January 2017 to 31 December 2017

The Public Service Commission has identified the need for careful monitoring of sick leave within the public service. The following tables indicate the use and estimated cost of sick leave (Tables 46) and disability leave (Table 47).

Table 41: Sick leave, 1 January 2017 to 31 December 2017

Salary band	Total days	% days with medical certification	No. of employees using sick leave	% of total employees using sick leave	Average days per employee	Estimated cost (R 000)
Lower-skilled (levels 1-2)	0	0	0	0	0	0
Skilled (levels 3-5)	5	40%	1	100%	5	6
Highly skilled production (levels 6-8)	159	76.7%	21	84%	8	228
Highly skilled supervision (levels 9-12)	488	84%	53	82%	9	1,347
Senior management (levels 13-16)	274	84%	40	82%	7	1,090
<b>Total</b>	<b>926</b>	<b>83%</b>	<b>115</b>	<b>82%</b>	<b>8</b>	<b>2,670</b>

Table 42: Disability leave (temporary and permanent), 1 January 2017 to 31 December 2017

Salary band	Total days	% days with medical certification	No. of employees using disability leave	% of total employees using sick leave	Average days per employee	Estimated cost (R 000)
Lower-skilled (levels 1-2)	0	0	0	0	0	0
Skilled (levels 3-5)	0	0	0	0	0	0
Highly skilled production (levels 6-8)	0	0	0	0	0	0
Highly skilled supervision (levels 9-12)	26	100%	1	1.5%	26	81,27
Senior management (levels 13-16)	61	100%	1	2%	61	225,2
<b>Total</b>	<b>87</b>	<b>100%</b>	<b>2</b>	<b>1.4%</b>	<b>44</b>	<b>306,5</b>

The table above represent applications for temporary incapacity leave, short (26 days) and long (61 days), respectively. The applications were approved in line with the Procedure for Incapacity Leave and Ill-health Retirement.

Table 43: Annual leave, 1 January 2017 to 31 December 2017

Salary bands	Total days taken	Number of employees using annual leave	Average per employee
Lower-skilled (levels 1-2)	0	0	0
Skilled (levels 3-5)	32	1	32
Highly skilled production (levels 6-8)	479	24	20
Highly skilled supervision (levels 9-12)	1165	60	19
Senior management (levels 13-16)	939	47	20
<b>Totals</b>	<b>2615</b>	<b>132</b>	<b>20</b>

Table 44: Capped leave, 1 January 2017 to 31 December 2017

Salary bands	Total days of capped leave taken	Number of Employees using capped leave	Average number of days taken per employee	Average capped leave per employee as at 31 December 2017
Lower-skilled (levels 1-2)	0	0	0	0
Skilled (levels 3-5)	0	0	0	0
Highly skilled production (levels 6-8)	0	0	0	0
Highly skilled supervision (levels 9-12)	0	0	0	0
Senior management (levels 13-16)	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The following table summarises payments made to employees as a result of leave not taken.

Table 45: Leave pay-outs, 1 April 2017 to 31 March 2018

Reason	Total amount (R 000)	No. of employees	Average payment per employee (R 000)
Leave pay-out for 2017/18 due to non-utilisation of leave for the previous cycle	0	0	0
Capped leave pay-outs on termination of service for 2017/18	0	0	0
Current leave pay-outs on termination of service for 2017/18	100.639	6	16.77
<b>Total</b>	<b>100.639</b>	<b>6</b>	<b>16.77</b>

## 9.1 HIV/AIDS AND HEALTH PROMOTION PROGRAMMES

Table 46: Steps taken to reduce the risk of occupational exposure

Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any)	Key steps taken to reduce the risk
N/A	N/A
Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any)	Key steps taken to reduce the risk
N/A	N/A

Table 47: Details of health promotion and HIV/AIDS programmes\*

Question	Yes	No	Details, if yes
1. Has the department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations (2001)? If so, provide her/his name and position.	X		<p>Besa Muthuri Chief Director: Human Capital Management and Corporate Support Services GTAC Email: besa.muthuri@gtac.gov.za</p> <p>GTAC and the National Treasury entered into a shared service agreement, with the Treasury rendering full counselling support to GTAC on employee wellness. GTAC also holds physical wellness and awareness events independent of the Treasury. GTAC employees can access the Treasury's Siyaphila wellness programme, which provides counselling services and an on-site clinic (for family planning, voluntary HIV/AIDS testing, tuberculosis screening and health risk assessments). The healthcare services are offered by Metropolitan Health.</p>
2. Does the department have a dedicated unit or has it designated specific staff members to promote the health and well-being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	X		<p>GTAC's Human Capital Management's Human Resources Administration unit is dedicated to providing wellness services to staff. These services are implemented by the Deputy Director: Human Resources Administration and the Assistant Director: Human Resources Management. GTAC has an annual budget of R500 000 for this purpose.</p>

Question	Yes	No	Details, if yes
3. Has the department introduced an Employee Assistance or Health Promotion Programme for employees? If so, indicate the key elements/services of this programme.	X		<p>The National Treasury provides employee assistance programmes through the <i>Siyaphila</i> wellness programme, a confidential, free, 24-hour, 365-day personal support line for Treasury employees and their immediate family members. Services include counselling, wellness management, HIV/AIDS management, primary healthcare services and productivity management. This service is fully extended to GTAC.</p> <p>GTAC also offers staff quarterly health risk assessments free of charge, assisted by the Government Employees Medical Scheme. In addition, service providers provide wellness services at annual wellness events, including the promotion of physical health and a healthy lifestyle, cancer prevention and testing, stress management, and 16 days of activism against women and children abuse. GTAC also commemorates World Aids Day. GTAC envisages appointing a service provider to render services to staff independently of the Treasury in 2018/19.</p>
4. Has the department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.		X	
5. Has the department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.	X		<p>The HIV/AIDS and tuberculosis management policy was approved as part of the National Treasury's Employee Wellness Programme Policy. GTAC adopted all Treasury health and wellness policies. GTAC does not request medical testing at appointment, and none of its positions stipulate that an employee's HIV status should be disclosed. Based on testing, if positive, employees are registered on the <i>Siyaphila</i> programme and referred to their nearest healthcare facility to obtain treatment and manage their health accordingly.</p>
6. Has the department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.	X		<p>Metropolitan Health professionals are sworn to secrecy based on their health professions code of conduct. Employee records are dealt with confidentially, and new infections are managed as stated above.</p>

Question	Yes	No	Details, if yes
7. Does the department encourage its employees to undergo voluntary counselling and testing? If so, list the results that you have achieved.	X		The National Treasury has a primary healthcare clinic on site. A nurse is available twice a week, for four hours a day, and a doctor once a week, for an hour. These free services give employees an opportunity for voluntary counselling and testing. In addition, GTAC hosts quarterly events with professional nurses, where employees can undertake voluntary testing. During 2017/18, GTAC used healthcare services from the Government Employees Medical Scheme to render these services.
8. Has the department developed measures/ indicators to monitor and evaluate the impact of its health promotion programme? If so, list these measures/indicators.	X		<ul style="list-style-type: none"> <li>• Absenteeism rate and utilisation of sick leave</li> <li>• Complaints of fatigue and tardiness.</li> <li>• Incapacity and ill-health leave applications.</li> <li>• Nature of referrals to service providers.</li> <li>• Employee wellness programme utilisation and attendance of events.</li> <li>• Feedback received from service providers on the health risk assessments of staff.</li> </ul>

## 1.9 LABOUR RELATIONS

Table 48: Collective agreements, 1 April 2017 to 31 March 2018

Subject matter	Date
N/A	N/A

The following table summarises the outcome of disciplinary hearings conducted within GTAC for the year under review.

*Table 49: Misconduct and disciplinary hearings for the period 1 April 2017 to 31 March 2018*

Outcome of Disciplinary hearings	Number	% of total
Correctional counselling	0	0%
Verbal warning	0	0%
Written warning	2	50%
Final written warning	0	0%
Suspended without pay	0	0%
Fine	0	0%
Demotion	0	0%
Dismissal	1	25%
Not guilty	0	0%
Case withdrawn	1	0%
<b>TOTAL</b>	<b>4</b>	<b>0%</b>

*Table 50: Types of misconduct addressed at disciplinary hearing, 1 April 2017 to 31 March 2018*

Type of Misconduct	Number	% of total
N/A	0	0
N/A	0	0

*Table 51: Grievances lodged, 1 April 2016 to 31 March 2017*

Grievances	Number	% of total
Number of grievances resolved	1	50%
Number of grievances not resolved	1	50%
<b>Total number of grievances lodged</b>	<b>2</b>	<b>100%</b>

Table 52: Disputes lodged with councils, 1 April 2017 to 31 March 2018

Grievances	Number	% of total
Number of disputes upheld resolved	0	0
Number of disputes dismissed	0	0
<b>Total number of disputes lodged</b>	<b>0</b>	<b>0</b>

Table 53: Strike action for, 1 April 2017 to 31 March 2018

Total number of persons working days lost	0	0
Total costs working days lost	0	0
Amount recovered as a result of no work no pay (R'000)	0	0

Table 54: Precautionary suspensions, 1 April 2017 to 31 March 2018

Total number of people suspended	0	0
Total number of people whose suspension exceeded 30 days	0	0
Average number of days suspended	0	0
Cost of suspension (R'000)	0	0

## 1.10 SKILLS DEVELOPMENT

This section summarises GTAC's work to develop staff skills.

Table 55: Training needs identified, 1 April 2017 to 31 March 2018

Occupational categories	Gender	No. of employees as at 1 April 2017	Training needs identified at start of reporting period			
			Learnerships	Skills programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	6	0	5	3	14
	Male	1	0	17	0	18
Professionals	Female	6	0	5	3	14
	Male	1	0	17	0	18
Technicians and associated professionals	Female	18	0	4	0	22
	Male	3	0	1	0	4
Clerks	Female	0	0	1	0	1
	Male					
Service and sales workers	Female					
	Male					
Skilled agriculture and fishery workers	Female					
	Male					
Craft and related trades workers	Female					
	Male					
Plant and machine operators and assemblers	Female					
	Male					
Elementary occupations	Female					
	Male					
Subtotal	Female	28	0	10	3	41
	Male	13	0	20	2	35
<b>Total</b>		<b>41</b>	<b>0</b>	<b>30</b>	<b>5</b>	<b>76</b>

Table 56: Training provided, 1 April 2016 to 31 March 2017

Occupational categories	Gender	No. of employees as at 1 April 2017	Training provided within the reporting period			
			Learnerships	Skills programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	17	0	4	2	6
	Male	26	0	0	4	4
Professionals	Female	31	0	11	8	19
	Male	10	0	1	1	2
Technicians and associated professionals	Female	9	0	2	2	4
	Male	5	0	3	4	7
Clerks	Female	17	0	5	4	9
	Male	4	0	0	1	1
Service and sales workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Elementary occupations	Female	0	0	0	0	0
	Male	0	0	0	0	0
Subtotal	Female	74	0	22	14	38
	Male	45	0	4	10	14
<b>Total</b>		<b>119</b>	<b>0</b>	<b>26</b>	<b>24</b>	<b>52</b>

## 9.1 SEVERANCE PACKAGES

Table 57: Granting of employee initiated severance packages, 1 April 2016 to 31 March 2017

Salary band	Number of applications received	Number of applications referred to the MPSA	Number of applications supported by the MPSA	Number of packages approved by the GTAC
Lower-skilled (levels 1-2)	0	0	0	0
Skilled (levels 3-5)	0	0	0	0
Highly skilled production (levels 6-8)	0	0	0	0
Highly skilled supervision (levels 9-12)	0	0	0	0
Senior management (levels 13-16)	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

# FINANCIAL INFORMATION E

# Report of the auditor-general to Parliament on the Government Technical Advisory Centre

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Government Technical Advisory Centre set out on pages 101 to 139, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison between budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Government Technical Advisory Centre as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of 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 government component 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

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

### Restatement of corresponding figures

6. As disclosed in note 31 to the financial statements, the corresponding figures for 31 March 2017 were restated as a result of errors in the financial statements of the government component at, and for the year ended, 31 March 2018.

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE GOVERNMENT TECHNICAL ADVISORY CENTRE

## Irregular expenditure

7. As disclosed in note 29 to the financial statements, the government component incurred irregular expenditure of R 74 million, as management did not follow a proper tender process. Irregular expenditure of R 63 million that was incurred in the previous years was not properly investigated.

## 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 the SA Standards of 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 Government Technical Advisory Centre'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 government component or to 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 the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 this auditor's report.

## Report on the audit of the annual performance report

### Introduction and scope

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the government component. 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 was engaged to evaluate the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the government component for the year ended 31 March 2018:

Programmes	Pages in annual performance report
Programme 1: management and support services	21 to 24
Programme 2: transaction and advisory services	25 to 38

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE GOVERNMENT TECHNICAL ADVISORY CENTRE

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. The material findings in respect of the usefulness of the selected programmes are as follows:

## Programme 1: management and support services

17. I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined nature and required level of performance. This was due to a lack of technical indicator descriptions. I was unable to test whether the target for these indicators were clearly defined by alternative means for the indicators listed below:

Indicator description	Target description
1.1.1 Develop and implement a public policy capacity building programme	Manage annual graduate bursary programme
1.1.3 Implement delivery of a number of key partnerships	Sign 6 MoUs and MoGAs to meet business priorities and targets

## Programme 2: transaction and advisory services

### Indicator 2.1.4 – number of codes and rules updated

18. I was unable to obtain sufficient appropriate audit evidence for target 2.1.4 number of codes and rules updated, that clearly defined the predetermined nature and required level of performance. This was due to a lack of technical indicator descriptions and formal standard operating procedures. I was unable to test whether the target for this indicator was clearly defined by alternative means.

### Other matters

19. I draw attention to the matters below.

### Achievement of planned targets

20. Refer to the annual performance report on pages 22 to 47 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness of the reported performance information in paragraphs 17 to 18 of this report.

### Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of management and support services and transaction and advisory services. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE GOVERNMENT TECHNICAL ADVISORY CENTRE

## Report on the audit of compliance with legislation

### Introduction and scope

22. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the government component with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
23. The material findings on compliance with specific matters in key legislations are as follows:

### Annual financial statements

24. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and as required by section 40(1)(b) of the PFMA. Material misstatements of intangible asset and interest revenue identified by the auditors in the submitted financial statement were corrected resulting in the financial statements receiving an unqualified opinion.

### Procurement and contract management

25. Some of the goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by treasury regulations 16A6.1. Similar non-compliance was also reported in the prior year.
26. Invitations for competitive bidding were not advertised in at least the government tender bulletin, as required by treasury regulation 16A6.3(c). In some instances, invitations for competitive bidding were not always advertised for a required minimum period.
27. Some of the competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with the policies of the government component, as required by treasury regulations 16A6.2 (a), (b) and (c).
28. A contract was awarded to a bidder who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with treasury regulation 16A8.3.
29. A contract was awarded to a bidder based on evaluation criteria that differed from those stipulated in the original invitation for bidding, in contravention of treasury regulations 16A6.3(a). Similar non-compliance was also reported in the prior year.
30. Contracts were awarded to bidders based on preference points that were not allocated in accordance with the requirements of the Preferential Procurement Policy Framework Act, 2000 (Act No.5 of 2000) and its regulations.
31. Some of the contracts were awarded to bidders based on functionality criteria that were not stipulated in the original invitation for bidding, as required by the 2017 preferential procurement regulation (PPR) 5(6) and (7).
32. Some of the bid documentation for procurement of commodities designated for local content and production, did not meet the stipulated minimum threshold for local production and content as required by the 2017 PPR 8(2).
33. Some of the IT goods and services, classified as mandatory, were not procured through SITA as required by treasury regulation 16A6.3(e) and section 7(3) of the SITA Act.

### Expenditure management

34. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R74 million, as disclosed in note 29 to the annual financial statements, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. All of the irregular expenditure was as a result of the supply chain management (SCM) processes not being followed.
35. Expenditure was incurred without the approval of the accounting officer or a properly delegated officer as required by treasury regulation 8.2.1.

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE GOVERNMENT TECHNICAL ADVISORY CENTRE

## Other information

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

## Internal control deficiencies

40. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.
41. The accounting officer did not exercise oversight responsibility and review compliance with legislation especially supply chain management related regulations. The Accounting officer also did not adequately review the annual financial statements and the annual performance report. There were vacancies in key positions.
42. Management did not prepare financial statements that were free from material misstatements. This was mainly due to staff not fully and adequately reviewing compliance with the applicable accounting standards. Management also did not prepare performance information reports that were free from material misstatements. This was mainly due to staff not fully understanding the performance reporting requirements.
43. No adequate measures were put in place by management to ensure that there is compliance with SCM regulations to avoid the recurrence of irregular expenditure due to a misinterpretation of SCM regulations, inconsistent application of processes and also lack of review and monitoring of compliance with the all the SCM regulation.

*Auditor-General*

Pretoria

31 July 2018



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE GOVERNMENT TECHNICAL ADVISORY CENTRE

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

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

### **Financial statements**

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

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

3. I communicate with the accounting 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.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

The reports and statements set out below comprise the financial statements of the Government Technical Advisory Centre (GTAC), established as a Government Component in terms of the Public Service Act. GTAC functions as an agency of the National Treasury, under the executive authority of the Minister of Finance.

<b>The reports and statements set out below comprise of:</b>	<b>Page</b>
Statement of Financial Position	102
Statement of Financial Performance	103
Statement of Changes in Net Assets	104
Cash Flow Statement	105
Statement of Comparison of Budget and Actual Amounts	106
Accounting Policies	107
Notes to the Financial Statements	116

The financial statements set out on pages 101 to 139, which have been prepared on the going concern basis, were approved and signed on the 31st July 2018.

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### STATEMENT OF FINANCIAL POSITION

			Restated
		R	R
	Notes	2018	2017
<b>ASSETS</b>			
<b><i>Non-current assets</i></b>			
Property, plant and equipment	4	4,192,807	4,426,846
Intangible assets	5	2,120,762	-
		<b>6,313,569</b>	<b>4,426,846</b>
<b><i>Current assets</i></b>			
Receivables from exchange transactions	6	57,655,963	15,833,753
Receivables from non-exchange transactions	7	2,553,740	-
Cash and cash equivalents	8	855,230,658	554,516,968
		<b>915,440,361</b>	<b>570,350,721</b>
<b>Total assets</b>		<b>921,753,930</b>	<b>574,777,567</b>
<b>LIABILITIES</b>			
<b><i>Current liabilities</i></b>			
Trade and other payables from exchange transactions	9	78,341,267	74,222,964
Payables from non-exchange transactions	10	595,359,309	280,840,709
Bank overdraft	8	-	2,021,602
Provisions	11	4,143,536	2,188,776
<b>Total liabilities</b>		<b>677,844,112</b>	<b>359,274,051</b>
<b>NET ASSETS</b>		<b>243,909,818</b>	<b>215,503,516</b>
Accumulated surplus		243,909,818	215,503,516
<b>NET ASSETS</b>		<b>243,909,818</b>	<b>215,503,516</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### STATEMENT OF FINANCIAL PERFORMANCE

			Restated
		R	R
	Notes	2018	2017
<b>REVENUE</b>			
<i>Revenue from exchange transactions</i>			
Administration fees received		360,000	-
Cost recovery revenue	12	190,095,153	137,773,407
Interest revenue	13	28,653,540	28,361,064
Royalties and sundry income		187,343	210,489
<b>Total revenue from exchange transactions</b>		<b>219,296,036</b>	<b>166,344,960</b>
<i>Revenue from non-exchange transactions</i>			
Appropriated funding	14	83,222,625	109,858,932
Donor funding	15	31,777,534	15,854,669
<b>Total revenue from non-exchange transactions</b>		<b>115,000,159</b>	<b>125,713,601</b>
<b>TOTAL REVENUE</b>		<b>334,296,195</b>	<b>292,058,561</b>
<b>EXPENDITURE</b>			
Goods and services	16	195,566,586	165,062,157
Compensation of employees	17	107,807,159	90,553,860
Depreciation and amortisation	18	2,516,148	2,156,651
<b>Total expenditure</b>		<b>305,889,893</b>	<b>257,772,668</b>
<b>SURPLUS FOR THE YEAR</b>		<b>28,406,302</b>	<b>34,285,893</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### STATEMENT OF CHANGES IN NET ASSETS

	Restated
	R
	Reserves
<b>Balance at 1 April 2014</b>	–
Net assets transferred on 1 April 2014	596,170,402
Correction of prior year errors	(517,440,852)
<b>Balance at 1 April 2014 (restated)</b>	<b>78,729,550</b>
Net surplus for the year ended 31 March 2015	220,698,430
Correction of prior year errors	(186,434,127)
<b>Balance at 31 March 2015 (restated)</b>	<b>112,993,853</b>
Net surplus for the year ended 31 March 2016	(371,236,820)
Correction of prior year errors	439,460,590
<b>Balance at 31 March 2016 (restated)</b>	<b>181,217,623</b>
Net surplus for the year ended 31 March 2017	34,285,893
<b>Balance at 31 March 2017</b>	<b>215,503,516</b>
<b>Balance at 1 April 2017</b>	<b>215,503,516</b>
Net surplus for the year ended 31 March 2018	28,406,302
<b>Balance at 31 March 2018</b>	<b>243,909,818</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### CASH FLOW STATEMENT

			Restated
		R	R
	Notes	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Receipts</i>			
Government funding and other sources		708,409,102	211,978,318
Interest income	19	28,538,462	27,643,087
		<b>736,947,564</b>	<b>239,621,405</b>
<i>Payments</i>			
Grants and project payments		325,952,875	466,235,594
Compensation of employees		103,834,807	92,419,459
		<b>429,787,682</b>	<b>558,655,053</b>
<b>Net cash flows from operating activities</b>	20	<b>307,159,882</b>	<b>(319,033,648)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	4	(2,290,645)	(1,053,177)
Purchase of intangible assets	5	(2,133,945)	-
<b>Net cash flows from investing activities</b>		<b>(4,424,590)</b>	<b>(1,053,177)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at the beginning of the year		552,495,366	872,582,191
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	8	<b>855,230,658</b>	<b>552,495,366</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

R	R	R	R	R	
Approved Budget	Adjustments	Adjusted Budget	Actual	Variance Over / (Under)	Notes

#### STATEMENT OF FINANCIAL PERFORMANCE

##### Revenue

##### Revenue from exchange transactions

Cost recovery revenue	303,525,909	(16,414,408)	287,111,501	190,095,153	(97,016,348)	25
Interest revenue	8,000,000	-	8,000,000	28,653,540	20,653,540	25
Royalties and administration fees	693,000	-	693,000	547,343	(145,657)	
<b>Total revenue from exchange transactions</b>	<b>312,218,909</b>	<b>(16,414,408)</b>	<b>295,804,501</b>	<b>219,296,036</b>	<b>(76,508,465)</b>	

##### Revenue from non-exchange transactions

Appropriated funding	90,818,000	-	90,818,000	83,222,625	(7,595,375)	25
Donor funding	28,026,000	-	28,026,000	31,777,534	3,751,534	25
<b>Total revenue from non- exchange transactions</b>	<b>118,844,000</b>	<b>-</b>	<b>118,844,000</b>	<b>115,000,159</b>	<b>(3,843,841)</b>	

<b>Total revenue</b>	<b>431,062,909</b>	<b>(16,414,408)</b>	<b>414,648,501</b>	<b>334,296,195</b>	<b>(80,352,306)</b>	
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##### Expenditure

Goods and services	312,502,968	(15,155,970)	297,346,998	195,566,586	101,780,412	25
Compensation of employees	111,999,941	(1,258,438)	110,741,503	107,807,159	2,934,344	25
Depreciation and amortisation	2,770,000	-	2,770,000	2,516,148	253,852	
Transfers	90,000	-	90,000	-	90,000	

<b>Total expenditure</b>	<b>427,362,909</b>	<b>(16,414,408)</b>	<b>410,948,501</b>	<b>305,889,893</b>	<b>105,058,608</b>	
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<b>Surplus for the year</b>	<b>3,700,000</b>	<b>-</b>	<b>3,700,000</b>	<b>28,406,302</b>	<b>24,706,302</b>	25
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# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### ACCOUNTING POLICIES

#### 1. PRESENTATION OF FINANCIAL STATEMENTS

GTAC is established as a Government Component in terms of the Public Services Act.

The Minister of Finance has indicated that for the purposes of financial management, GTAC must operate as a public entity listed in Schedule 3A to the Public Finance Management Act (PFMA), 1999 (Act No 1 of 1999).

Thus the financial statements were prepared in accordance with the Standard of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act No 1 of 1999), rather than the Modified Cash Basis normally applicable to Departments and Government Components.

GTAC's financial statements are prepared on an accrual basis of accounting with historical cost as the basis of measurement, unless specified otherwise.

The principle accounting policies which have been applied in the preparation of these financial statements are disclosed below.

#### 2. PRESENTATION CURRENCY

These financial statements are presented in South African Rand, which is GTAC's functional currency. Amounts are rounded off to the nearest Rand.

#### 3. COMPARATIVE FIGURES

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

#### 4. GOING CONCERN

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

#### 5. PROPERTY, PLANT AND EQUIPMENT

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

Property, plant and equipment under R5,000 is written off in the year of acquisition.

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

## ANNUAL FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2018

The useful life of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Office equipment	5 years
Computer equipment	3 years
Furniture and fittings	10 years

The residual value, the useful life and depreciation method of each asset are reviewed at least at each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

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

Where the carrying amount of an item of property, plant and equipment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (i.e. impairment losses are recognised).

## 6. INTANGIBLE ASSETS

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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

Item	Useful life
Computer software	5 years

The estimated useful life of intangible assets are reviewed at the end of each annual reporting period.

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

Where the carrying amount of an intangible asset is greater than its estimated recoverable service amount, it is written down immediately to its recoverable amount (i.e. impairment losses are recognised).

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### 7. FINANCIAL INSTRUMENTS

#### Initial recognition

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

#### Financial assets

All financial assets are categorised as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### Cash and cash equivalents

Cash and cash equivalents are stated at amortised cost, which, due to their short-term nature, closely approximate their fair value.

#### Financial assets at amortised cost

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "financial assets at amortised cost". These financial assets are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate.

#### Effective interest method

The effective interest rate is the rate that exactly discounts estimated future cash receipts and allocates interest income through the expected life of the financial asset, or, where appropriate, a shorter period, to equal the initial cost of a financial asset.

#### Impairment testing and uncollectability of financial assets

Financial assets are assessed for indicators at impairment of each year-end.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the surplus or deficit.

Evidence of impairment may include the following indicators: The debtors or a group of debtors are experiencing significant financial difficulty; Default or delinquency in interest or principal payments; The probability that debtors will enter financial reorganisation.

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial asset) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- GTAC has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) GTAC has transferred substantially all the risks and reward of the asset, or (b) GTAC has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

### Financial Liabilities

All financial liabilities of GTAC are recognised at amortised cost. The classification of financial liabilities depends on their nature and purpose and is determined at the time of initial recognition.

### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

### Other Financial Liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

## 8. TAX

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

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### 9. EMPLOYEE BENEFITS

The cost of employee benefits is recognised during the period in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the reporting date.

Termination benefits are recognised and expensed only when the payment is made.

Liabilities for annual service bonus and long service bonus are recognised as they accrue to employees. GTAC recognises these bonus obligation during the vesting period based on the best available estimate of these bonuses expected to vest. Due to uncertainty regarding the fiscal constraints the bonus liability is recognised as a provision.

Liabilities for annual leave are recognised as they accrue to employees. GTAC recognises the leave obligation during the vesting period based on the best available estimate of the accumulated leave expected to vest. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee. The leave liability is recognised as an accrual as it is certain that employees will take all their leave within 6 months of the next calendar year to avoid forfeiting.

No provision has been made for retirement benefits as GTAC does not provide for retirement benefits for its employees

### 10. REVENUE FROM EXCHANGE TRANSACTIONS

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

#### 10.1 Administration fees received

GTAC is providing financial administrative services to the Neighbourhood Development Programme and is receiving an administration fee for these services provided. These fees are recognised once the services have been provided as per the service level agreement.

#### 10.2 Cost Recovery Revenue

Revenue for services rendered is recognised as cost recovery revenue when it is associated with identified services provided to a client or counterparty, the costs incurred in providing these services can be reliably measured, the stage of completion of the services at the end of the reporting period can be determined and the costs and revenue can be appropriately apportioned between completed and to-be-completed services.

#### 10.3 Interest Revenue

Interest revenue is interest income that accrues on a time-proportionated basis, taking into account the principal amount outstanding and the effective interest rate over the period to maturity.

#### 10.4 Royalties

GTAC has entered into an agreement with the Taylor & Francis Group for publishing a Journal, Development Southern Africa. GTAC receives a royalty of 20% on the sale of these Journals and is accounted for as exchange revenue when the receipts can be measured reliably.

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### 11. REVENUE FROM NON-EXCHANGE TRANSACTIONS

Non-exchange revenue transactions enable GTAC to mobilise resources to give effect to its mandate, in keeping with approved strategic and performance plans and usually in accordance with binding arrangements.

When GTAC receives resources as a result of a non-exchange transaction, GTAC recognises an asset and revenue in the period that the arrangement becomes binding and when it is probable that GTAC will derive economic benefits or service potential that can reliably be measured.

Where the resources transferred to GTAC are subject to the fulfilment of specific conditions, it recognises an asset and a corresponding liability. As and when the conditions are fulfilled, the liability is reduced and revenue is recognised.

The asset and the corresponding revenue are measured on the basis of the fair value of the asset on initial recognition.

#### 11.1 Appropriated Funding

GTAC receives an allocation of funds appropriated in the National Treasury vote for its operational expenditure. GTAC also receives appropriated funds transferred for specified programmes and activities. These funds are required to be returned if unspent by the end of the financial year, unless approval is obtained for their retention.

Appropriated funding is recognised immediately on receipt except where it is allocated to a specific programme or project where it is matched with expenditure.

#### 11.2 Donor Funding

GTAC recognised donor funds as revenue on the date the draw-down requisition becomes effective if the expenditure associated with the revenue has been incurred.

If donor funds are subject to the fulfilment of specific conditions, an asset and a corresponding liability are recognised on transfer as and when the conditions are fulfilled, the liability is reduced and revenue is recognised.

### 12. FRUITLESS AND WASTEFUL EXPENDITURE

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

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, the recovery is subsequently accounted for as revenue in the statement of financial performance.

### 13. 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) the PFMA; 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 legislation providing for procurement procedures.

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### 14. RELATED PARTIES

GTAC has financial relationships with other entities and departments on a national sphere of government. Transactions between GTAC and other organs of state on a national sphere are governed by project-specific agreements and are undertaken on terms and conditions that are not at arms' length for such transactions as only the direct cost are recovered and not full cost recovery.

### 15. SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of annual financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, revenue and expenses.

Estimates are made based on the best available information at the time of preparation of the Annual Financial Statements. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision on future periods if the revision affects current and future periods.

#### 15.1 Useful life and residual values of property, plant and equipment

Management made certain estimates with regard to the determination of estimated useful life and residual values of items of property, plant and equipment, as discussed further in Note 4. An annual assessment and review of estimated useful life and residual values is performed and any significant change is accounted for as a change in accounting estimate in accordance with GRAP 3.

### 16. PUBLIC SECTOR PRACTICES AND POLICIES

#### 16.1 Inter-relationship with other government entities

GTAC has been established as a Government Component in terms of the Public Service Act, and is an agency of the National Treasury.

#### 16.2 Public Finance Management Act reporting requirements

In keeping with Section 55(2)(b) of the Public Finance Management Act, material losses due to criminal conduct or unauthorised expenditure or irregular expenditure are disclosed in the Annual Financial Statements.

### 17. EVENTS AFTER REPORTING DATE

GTAC's financial statements include disclosure of events with material financial implications, either favourable or unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events are identified:

- (a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- (b) Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### 18. BUDGETS

A comparison of the budget estimates for GTAC's programmes and activities and the realised outcome (actual) amounts is included in the financial statements.

The comparison of budget and actual amounts shows:

- (a) Approved and final budget amounts;
- (b) Actual amounts on a comparable basis; and
- (c) By way of note disclosure, an explanation of material differences between budget estimates and actual amounts.

### 19. TRANSFERS UNDER COMMON CONTROL

Several functions were transferred to GTAC on 1 April 2014 by National Treasury, which is GTAC's principal department. With effect on this date the National Treasury:

- (a) Derecognised in its financial statements, all the assets transferred and liabilities relinquished at their carrying amounts.
- (b) Recognised the difference between the carrying amounts of the assets transferred and the liabilities relinquished in its accumulated surplus or deficit.

### 20. CONTINGENT LIABILITIES AND PROVISIONS

GTAC identifies contingent liabilities as:

- (a) A possible obligation arising from past events, to be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of GTAC; or
- (b) A present obligation that arises from past events but is not recognised because:
  - i. It is not probable that an outflow of resources will be required to settle the obligation; or
  - ii. The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the financial statements, but are disclosed in the notes.

Provisions are recognised when:

- (a) GTAC has a present obligation as a result of past events
- (b) It is probable that an outflow of economic benefits will be required to settle the obligation
- (c) A reliable estimate can be made of the obligation

### 21. COMMITMENTS

A commitment is a future expense for which GTAC is contractually liable, but in respect of which a payment obligation has not yet been incurred at the reporting date.

Commitments are not recognised in the financial statements, but are disclosed in the notes.

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### 22. ACCOUNTING BY PRINCIPALS AND AGENTS

GTAC undertakes the management of programmes and or projects and or cash management on behalf of the National Treasury or other organs of state on a principal-agent basis.

These programmes and projects or cash management results from binding agreements in which GTAC (the agent) acts on and for the benefit of the National Treasury or other organs of state (the principal), in undertaking transactions with third parties. In these programmes and projects, GTAC:

- (a) Does not have the power to determine the significant terms and conditions of the transactions.
- (b) Does not have the ability to use the resources that result from the transaction for its own benefit.
- (c) Is not exposed to variability in the results of the transaction.

The principal recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement.

GTAC recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal.

Assets and liabilities arising from principal-agent programmes and projects are recognised in accordance with the requirements of these programmes and projects and relevant standards.

GTAC acts as an agent of the National Treasury in managing project funds of the Employment Facilitation Programme known as the Jobs Fund. The Jobs Fund is administered by a project management unit within GTAC.

By agreement between the National Treasury, the Department of Energy and the DBSA, GTAC manages and accounts for the Independent Power Procurement (IPP) Programme bank account, and reimburses expenditure of the Independent Power Procurement (IPP) Office to the DBSA.

GTAC also makes payments on behalf of the Neighbourhood Development Programme (NDP) unit within National Treasury to various service providers contracted by municipalities.

GTAC has been appointed by the Department of Rural Development and Land Reform (DRDLR) as an agent for the implementation of the PPP project for procuring office accommodation.

The Office of the Accountant-General within National Treasury has requested GTAC to assist with the roll out of the Municipal Finance Improvement Programme.

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. ESTABLISHMENT OF GTAC

The Government Technical Advisory Centre (GTAC) is established as a Government Component in terms of the Public Services Act, through Government Notice 261 of 30 March 2012.

The objective of GTAC is to assist Organs of State in building their capacity for efficient, effective and transparent financial management. Its functions are:

- (a) to render technical consulting services to Centre of Government Departments and Organs of State;
- (b) to provide specialised procurement support for high-impact government initiatives;
- (c) to render advice on the feasibility of infrastructure projects;
- (d) to provide knowledge management for projects undertaken; and
- (e) anything ancillary to these functions.

#### 2. TRANSFER OF FUNCTIONS TO GTAC

With effect from 1 April 2014, the establishment of GTAC was implemented as a sub-programme of Programme 8 of the National Treasury, through a transfer of the functions of the former Technical Assistance Unit, the Public-Private Partnerships Unit, the Jobs Fund Project Management Unit and the Performance and Expenditure Review programme and the National Capital Projects Approval unit.

With effect from 1 April 2015, the positions and personnel associated with these functions were transferred to GTAC.

#### 3. NEW STANDARDS AND INTERPRETATIONS

##### 3.1 Standards Issued, but not yet effective

At the date of authorisation of these financial statements, there are standards and interpretations in issue but not yet effective.

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

#### Standard / Interpretation:

GRAP 20:	Related Party Disclosure
GRAP 32:	Service Concession Arrangements: Grantor
GRAP 34:	Separate Financial Statements
GRAP 35:	Consolidated Financial Statements
GRAP 36:	Investments in Associates and Joint Ventures
GRAP 37:	Joint Arrangements
GRAP 38:	Disclosure of Interest in Other Entities
GRAP 108:	Statutory Receivables
GRAP 109:	Accounting by Principals and Agents
GRAP 110:	Living and Non-living Resources
IGRAP 17:	Service concession arrangements where a grantor controls a significant residual interest in an asset
IGRAP 18:	Interpretation of the standard of GRAP on recognition and derecognition of land
IGRAP 19:	Liabilities to pay levies

The effective date for the above has not yet been determined.

The adoption of these Standards of GRAP, when they become effective, is not expected to have a significant impact on the financial statements. GTAC does not participate in the transactions covered by GRAP 32, 34, 35, 36, 37, 38, 108, 110, IGRAP 17, IGRAP 18 and IGRAP 19.

The following approved standard is being applied but the effective date is yet to be determined by the Accounting Standards Board:

GRAP 20:	Related-party disclosure
GRAP 109:	Accounting by Principals and Agents

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## NOTES TO THE FINANCIAL STATEMENTS

### 4. PROPERTY, PLANT AND EQUIPMENT

	R 2018			R 2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Office equipment	673,344	108,378	564,966	178,386	36,287	142,099
Computer equipment	8,080,740	4,754,254	3,326,486	6,686,450	2,401,703	4,284,747
Furniture and fittings	320,690	19,335	301,355	-	-	-
<b>Total</b>	<b>9,074,774</b>	<b>4,881,967</b>	<b>4,192,807</b>	<b>6,864,836</b>	<b>2,437,990</b>	<b>4,426,846</b>

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Accumulated depreciation	Total
Office equipment	178,386	494,958	-	108,378	564,966
Computer equipment	6,686,450	1,474,997	80,707	4,754,254	3,326,486
Furniture and fittings	-	320,690	-	19,335	301,355
	<b>6,864,836</b>	<b>2,290,645</b>	<b>80,707</b>	<b>4,881,967</b>	<b>4,192,807</b>

#### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Accumulated depreciation	Total
Office equipment	73,813	104,573	-	36,287	142,099
Computer equipment	5,760,646	948,604	22,800	2,401,703	4,284,747
	<b>5,834,459</b>	<b>1,053,177</b>	<b>22,800</b>	<b>2,437,990</b>	<b>4,426,846</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

#### Net carrying value

Office equipment  
Computer equipment  
Furniture and fittings

R	R
2018	2017
564,966	142,099
3,326,486	4,284,747
301,355	-
<b>4,192,807</b>	<b>4,426,846</b>

No repairs and maintenance costs were incurred on property, plant and equipment.

#### 5. INTANGIBLE ASSETS

	2018			2017		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	<b>2,133,945</b>	<b>13,183</b>	<b>2,120,762</b>	-	-	-

#### Reconciliation of Intangible assets – 2018

	Opening balance	Additions	Amortisation	Total
Computer software	-	<b>2,133,945</b>	<b>13,183</b>	<b>2,120,762</b>

#### Net Carrying Value

Computer software

2018	2017
<b>2,120,762</b>	-

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

#### 6. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	R	Restated R
	2018	2017
Trade Receivables	49,181,997	6,430,025
VAT receivables	641,856	1,686,695
Interest accrued	7,832,110	7,717,033
	<b>57,655,963</b>	<b>15,833,753</b>

No debtor older than 6 months has been impaired. Debtors past due have not been impaired due to no history of defaults and management is of the opinion that the monies will be recovered.

#### 7. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Other receivables	<b>2,553,740</b>	-
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This relates to Canadian monies (donor funding) that needs to be drawn down from the Reconstruction and Development Programme (RDP) account to reimburse GTAC for funding the "Building a Capable State" projects from GTAC funds.

#### 8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

##### Bank accounts:

- Government Technical Advisory Centre (GTAC)	4,999	3,000
- Building a Capable State Programme (BCS)	1,500	1,500
- Project Development Facility (PDF)	1,500	1,424
- Neighbourhood Development Programme (NDP)	1,500	1,500
- Independent Power Procurement Programme (IPPP)	1,500	1,348
- Jobs Fund Partner Funds (JF)	1,500	1,352
- Paymaster-General Account (PMG)	104,260	-
	<b>116,759</b>	<b>10,124</b>

##### Call accounts:

- Government Technical Advisory Centre (GTAC)	702,705,415	294,280,243
- Building a Capable State Programme (BCS)	2,554,612	9,056,958
- Project Development Facility (PDF)	95,225,405	101,413,239
- Neighbourhood Development Programme (NDP)	12,812,589	14,446,988
- Independent Power Procurement Programme (IPPP)	177,942	135,308,416
- Jobs Fund Partner Funds (JF)	41,637,936	1,000
	<b>855,113,899</b>	<b>554,506,844</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

## NOTES TO THE FINANCIAL STATEMENTS

		Restated	
		R	R
		2018	2017
<b>Overdraft:</b>			
-	Paymaster-General Account (PMG)	-	(2,021,602)
<b>Total cash and cash equivalents</b>		<b>855,230,658</b>	<b>552,495,366</b>

Cash and cash equivalents comprise cash held by GTAC and short-term bank deposits on call. The carrying amount of these assets approximates their fair values. During 2017/2018 funds were invested in call accounts with Nedbank to maximise the interest earned (6.3 - 7.5% p.a.)

## 9. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	29,261,594	25,573,537
Other payables	2,776,895	1,861,171
Leave accrual	3,796,258	1,778,668
Income received in advance – Cost Recovery:		
- Infrastructure Improvement Programme	4,408,132	5,558,077
- Department of Public Works	38,098,388	39,451,511
	<b>78,341,267</b>	<b>74,222,964</b>

The average credit period taken is less than 30 days. The carrying amount of trade and other payables approximate their fair value due to the relatively short-term maturity of these financial liabilities.

## 10. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Income received in advance		
- Employment Creation Facilitation Fund	21,817,985	24,222,609
- General Budget Support	1,831,429	21,647,366
- Building a Capable State	2,951	9,406,325
Unspend government funding		
- Jobs Fund partner funds*	42,014,894	472,613
- Neighbourhood Development Programme*	12,893,781	14,533,016
- Development Bank of Southern Africa (Independent Power Producer Procurement Programme)	195,972	135,629,455
- Department Rural Development and Land Reform	445,878,269	-
- Municipal Finance Improvement Programme **	69,110,095	73,745,174
Interest received on Donor funds	1,613,933	1,184,151
	<b>595,359,309</b>	<b>280,840,709</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

	Restated
R	R
2018	2017

\* Jobs Fund and Neighbourhood Development Programme surrenders the unspent funds to the revenue fund. NDP has approval from National Treasury to retain funds derived from interest to be used for internal projects.

\*\* Municipal Finance Improvement Programme relates to MFIP III in current year and MFIP II in prior year.

#### 11. PROVISIONS

Provision for Bonuses

<b>4,143,536</b>	<b>2,188,776</b>
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#### Reconciliation of employee provisions – 2018

	Opening balance	Provided	Utilised	Total
Bonus provisions	2,188,776	5,586,428	(3,631,668)	4,143,536

#### Reconciliation of employee provisions – 2017

	Opening balance	Provided	Utilised	Total
Bonus provisions	586,257	4,488,507	(2,885,988)	2,188,776

The provision represents management's best estimate of the entity liability for provision.

The performance bonuses provision is based on the anticipated performance of employees. This anticipated performance is based on experience with the employees of the entity, taking into account performance trends in the prior periods.

Management is of the opinion that the bonus provision might be utilised within the next twelve months depending on the fiscal constraints.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## NOTES TO THE FINANCIAL STATEMENTS

### 12. COST RECOVERY REVENUE

	R	Restated R
	2018	2017
Technical Advisory Services	111,487,161	58,403,703
Infrastructure Delivery Improvement Programme (IDIP)	1,149,944	1,988,731
Employment Facilitation (Jobs Fund Project Management Unit)	68,093,780	72,635,520
Municipal Finance Improvement Programme III (MFIP)	8,011,144	-
Specialised Procurement Support	1,353,124	4,745,453
	<b>190,095,153</b>	<b>137,773,407</b>

### 13. INTEREST REVENUE

Interest: GTAC	<b>28,653,540</b>	<b>28,361,064</b>
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The interest is derived from the funds in the GTAC and PDF call accounts (refer note 8). The other call accounts' interest do not accrue to GTAC and is as such disclosed as payables from non-exchange transactions (refer note 10).

### 14. APPROPRIATED FUNDING (NATIONAL TREASURY VOTE)

GTAC – Contribution to Operations	80,818,000	88,006,000
Project allocations:		
- Employment Creation Facilitation (Jobs Fund) – Projects	2,404,625	21,852,932
	<b>83,222,625</b>	<b>109,858,932</b>

### 15. DONOR FUNDING

General Budget Support	19,815,937	7,053,813
- Funding from the European Union through National Treasury for institutional transformation		
Building a Capable State	10,850,422	8,800,856
- Funding from the Canadian Department of Foreign Affairs, Trade and Development		
Support to the National Treasury in National Health Insurance Design	1,111,175	-
- Funding from the German Department Deutsche Gesellschaft für Internationale Zusammenarbeit		
	<b>31,777,534</b>	<b>15,854,669</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

#### 16. GOODS AND SERVICES

	R	Restated R
	2018	2017
Accounting fees	31,190	45,103
Administration fees	3,029,005	1,187,619
Advertising	371,495	117,091
Assets less than capitalisation threshold	514,084	151,666
Audit committee fees	505,205	-
Audit fees	2,614,613	1,177,895
Bank charges	43,414	45,929
Bursaries	510,893	557,047
Bursaries – Public Economics Capacity Building (donor funded)	1,213,975	391,384
Catering	293,999	161,464
Communication	460,036	260,319
Computer services	960,025	547,235
Consumables and maintenance	1,500,808	227,729
Contractors general management	92,381	-
Courier services	1,098	-
Entertainment	5,761	3,463
Gifts and promotions	192,235	-
Legal services	72,300	150,674
License fees	555,966	147,565
Losses and damages	21,420	41,678
Operating leases	579,809	513,238
Parking services	4,454	-
Project expenditure:		
- Building a Capable State (Canadian Government funding)	6,313,133	7,527,361
- Institutional Transformation (Funded from GBS)	20,340,730	7,053,813
- Technical Advisory Services	102,419,770	76,750,928
- Infrastructure Delivery Improvement Programme (IDIP)	1,014,166	1,988,731
- Employment Facilitation – Jobs Fund Operations	20,340,178	26,255,202
- Employment Facilitation – Jobs Fund Projects	2,398,456	21,852,932
- Specialised Procurement – Project Development Facility	15,170,104	7,569,150
- Capital Projects Appraisals	382,013	55,944
- Support to National Treasury in National Health Insurance Design	1,248,260	-
Resettlement cost	22,407	19,127
Security services	3,500	4,505
Stationery and printing	316,376	158,367
Subscriptions	77,998	33,952
Training	644,079	626,119
Transfers – Winter School	-	450,000
Travel and subsistence	10,501,346	8,182,375
Venues and facilities	799,904	806,552
	<b>195,566,586</b>	<b>165,062,157</b>

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## NOTES TO THE FINANCIAL STATEMENTS

### 17. COMPENSATION OF EMPLOYEES

	R	Restated R
	2018	2017
Salaries and wages	55,790,911	46,297,620
UIF, pensions and medical Aid	7,266,634	5,977,557
Performance and other bonuses	3,106,441	1,197,494
Other employee related costs	4,648,049	3,654,722
Non pensionable and housing allowances	36,995,124	33,426,467
	<b>107,807,159</b>	<b>90,553,860</b>

### 18. DEPRECIATION AND AMORTISATION

Office equipment	72,091	19,353
Computer equipment	2,411,539	2,137,298
Furniture and fittings	19,335	-
Computer software	13,183	-
	<b>2,516,148</b>	<b>2,156,651</b>

### 19. INTEREST INCOME

Interest income at the beginning of the year	7,717,032	6,999,055
Interest income received per the Statement of Financial performance	28,653,540	28,361,064
Accrued net interest income at the end of the year	(7,832,110)	(7,717,032)
	<b>28,538,462</b>	<b>27,643,087</b>

### 20. NET CASH FLOWS FROM OPERATING ACTIVITIES

Surplus for the year	28,406,303	34,285,892
<b>Adjustments for:</b>		
Depreciation and amortisation	2,516,148	2,156,651
Loss on disposal of assets	21,718	21,892
Increase in salary provisions and accruals	3,972,350	1,602,519
Increase/(Decrease) in unspent government funding from non-exchange transactions	345,712,753	(346,612,023)
(Decrease) / increase in income received in advance	(34,127,003)	819,138
- From Exchange Transactions	(2,503,068)	(42,355,410)
- From Non-Exchange Transactions	(31,623,935)	43,174,548

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

#### Changes in working capital

	R	Restated R
	2018	2017
(Increase) in receivables from exchange transactions	(41,822,210)	(6,384,149)
(Increase) in receivables from non-exchange transactions	(2,553,740)	-
Increase/(Decrease) in payables from exchange transactions	4,603,781	(5,576,660)
Increase in payables from non-exchange transactions	429,782	653,093
	<b>307,159,882</b>	<b>(319,033,647)</b>

### 21. COMMITMENTS

#### Operating Commitments

Contractual commitments	<b>346,645,012</b>	<b>369,741,717</b>
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These contractual commitments are made up of contracts with service providers of which some end within the next 12 months and others more than 12 months but not exceeding 33 months.

### 22. RELATED PARTIES

During the financial year, GTAC entered into various transactions with related parties.

#### Relationship

National Treasury is the Principal entity to GTAC.

#### Related party balances

##### Receivables

Council for Built Environment	449,281	-
Department of Human Settlements	3,254,541	-
Department of Public Works	4,915,606	423,818
Department of Science and Technology	360,000	-
Department of Tourism	1,683,344	-
Department of Co-operative Governance & Traditional Affairs	2,874,069	-
Marine Living Resource Fund	-	1,418,964
Municipal Infrastructure Support Agency	5,998,135	-
National Skills Authority	1,680,000	-
National Treasury	2,436,218	1,008,161
South African National Bio Diversity Institution	741,483	-
Wholesale and Retail Sector Education and Training Authority	-	339,864
	<b>24,392,677</b>	<b>3,190,807</b>

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## NOTES TO THE FINANCIAL STATEMENTS

### Trade and other payables

National Treasury

	R	Restated R
	2018	2017
- Infrastructure Delivery Improvement Programme	4,408,132	5,558,076
- Employment Creation Facilitation Programme	21,817,985	24,222,610
- Municipal Finance Improvement Programme	69,110,095	73,745,174
- Neighbourhood Development Programme	12,893,781	14,533,016
- Jobs Fund	42,014,894	472,613
Department of Public Works	38,098,388	39,451,511
Department of Rural Development and Land Reform	445,878,269	-
Development Bank of Southern Africa Ltd (Independent Power Producer Procurement Programme)	195,972	135,629,455
National School of Government (inter departmental claim)	39,182	-
Department of Higher Education and Training (inter departmental claim)	25,086	-
	<b>634,481,784</b>	<b>293,612,455</b>

These funds have been committed against projects except for the inter-departmental claims.

### Related party transactions

#### Funding provided by relating parties

National Treasury:

- GTAC	80,818,000	88,006,000
- Municipal Finance Improvement Programme	125,756,000	122,671,000
- Neighbourhood Development Programme	22,959,440	15,189,721
	<b>229,533,440</b>	<b>225,866,721</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

	Restated	
	R	R
	2018	2017
<b>Revenue received for services provided</b>		
Civilian Secretariat of Police Services	-	273,080
Council for Built Environment	673,921	-
Department of Agriculture, Forestry and Fisheries (Branch Fisheries)	6,602,904	248,581
Department of Co-operative Governance and Traditional Affairs	3,918,875	-
Department of Higher Education and Training	4,139,101	-
Department of Home Affairs	735,943	-
Department of Human Settlements	3,254,541	1,440,000
Department of Public Service Administration	1,000,832	250,208
Department of Public Works	5,460,514	9,737,595
Department of Rural Development and Land Reform	3,050,304	-
Department of Women Children and People with Disabilities	-	75,000
Department of Science and Technology	2,235,787	-
Department of Tourism	1,683,344	2,780,256
Housing Development Agency	-	261,040
Manufacturing and engineering related Services Sector Education and Training Authority	-	139,577
Marine Living Resource Fund	-	1,418,964
Municipal Infrastructure Support Agency	9,918,754	3,225,232
National Health Laboratory Services	625,518	-
National Treasury	100,907,644	52,769,562
National Skills Authority	1,680,000	420,000
Office of the Tax Ombudsman	250,000	-
Public Service Commission	300,000	-
South African National Bio Diversity Institution	2,224,448	-
Wholesale and Retail Sector Education and Training Authority	-	339,864
	<b>148,662,430</b>	<b>73,378,959</b>

GTAC has also rendered similar services to other organs of state on provincial and local level.

#### Services received at no cost

Financial Intelligence Centre	85,502	86,639
National Treasury	11,715,782	8,842,000
	<b>11,801,284</b>	<b>8,928,639</b>

These costs at fair value relate to office space occupied by GTAC and associated municipal services.

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

#### Key management personnel

Name	Designation	2018				
		Basic	Performance bonus	Pension	Other allowances	Total
		R	R	R	R	R
LO Ndlela	Head of GTAC (Acting) (2 months)	198,213	-	19,843	14	218,070
SM Khan	Head of GTAC (Acting) (10 months)	1,213,054	-	76,538	215,980	1,505,572
SPM Rautenbach	Chief Director: Financial Management	1,342,538	37,265	134,401	82	1,514,286
LO Ndlela	Chief Director: Technical Consulting (10 months)	891,960	-	89,294	61	891,315
TP Moleke	Chief Director: Transaction Advisory Services and PPP (5 months)	495,875	-	42,234	3,383	541,492
SR Maganedis	Chief Director: Transaction Advisory Services and PPP (Acting) (7 months)	647,913	41,172	54,812	49	743,946
N Allie-Edries	DDG: Employment Facilitation	1,313,775	66,419	140,541	90,172	1,610,907
R Engela	DDG: Public Expenditure and Policy Analysis	1,314,643	40,833	136,418	48,118	1,540,012
N Prins	Chief Director: Capital Projects Appraisal (9 months)	815,166	24,974	68,962	61	909,163
B Mashilo	Chief Director: Capital Projects Appraisal (Acting) (3 months)	214,022	-	22,895	30,260	267,177
EC Gille	Chief Director: Technical Consulting Services	1,039,402	23,512	87,932	82	1,150,928
S Naidoo	Chief Director: Strategy, Management and Communications	1,225,222	27,687	122,657	82	1,375,648
NA Mazibuko	Chief Director: Professional Services Procurement (Acting)	956,574	27,221	95,762	82	1,079,639
B Muthuri	Chief Director: Human Capital Management and Corporate Support Services	932,544	15,462	98,001	45,503	1,091,510
XYZ Mac Master	Chief Director: Municipal Finance Improvement Programme (9 months)	752,099	-	80,456	28,886	861,441
		<b>13,353,000</b>	<b>304,545</b>	<b>1,270,746</b>	<b>462,815</b>	<b>15,391,106</b>

These designations have changed during the year to be in line with the Department of Public Service Administration requirements.

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

#### Key management personnel

Name	Designation	2017				
		Basic	Performance bonus	Pension	Other allowances	Total
		R	R	R	R	R
AD Donaldson	Head of GTAC (Acting)(10 months)	995,365	35,579	100,969	127,271	1,259,184
SM Khan	Head of GTAC (Acting)(2 months)	201,976	-	17,447	53,837	273,260
SPM Rautenbach	Head of Finance	1,280,824	31,800	127,653	74	1,440,351
TP Moleke	Head: Transaction Advisory Services and PPP	1,197,406	37,715	101,979	32,701	1,369,801
N Allie-Edries	Head: Employment Facilitation	1,338,505	39,548	134,026	6,015	1,518,094
R Engela	Head: Public Expenditure and Policy Analysis	1,220,426	40,716	128,160	51,601	1,440,903
N Prins	Head: Infrastructure Advisory Services	1,021,103	24,902	86,384	6,062	1,138,451
EC Gille	Senior Manager: Professional Services	974,016	22,230	82,400	4,430	1,083,076
S Naidoo	Senior Manager: Management Strategy and Communications (9 months)	871,011	-	87,197	2,499	960,707
ACF Smit	Senior Manager: Knowledge Management and Auxiliary Services	940,547	21,259	92,169	9,427	1,063,402
NA Mazibuko	Acting Senior Manager: Human Capital Management & Corporate Support Services	856,449	26,531	85,739	74	968,793
B Muthuri	Director: Human Resources Management and Corporate Support (7 months)	454,815	-	48,963	34,323	538,101
		<b>11,352,443</b>	<b>280,280</b>	<b>1,093,086</b>	<b>328,314</b>	<b>13,054,123</b>

### 23. RISK MANAGEMENT

GTAC seeks to identify, assess, manage and monitor all material forms of risks across all its programmes and activities. While operating risk cannot be fully eliminated, management endeavours to minimise it by ensuring that the appropriate infrastructure, controls, systems and ethical standards are applied throughout the entity and managed within predetermined procedures and constraints.

As GTAC receives funding in advance from National Treasury and other organs of state for its principal activities it does not have borrowed funds (except for the PMG account), and does not have significant exposure to credit, liquidity, interest and market risk.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## NOTES TO THE FINANCIAL STATEMENTS

### Credit Risk

In its holding of cash and cash equivalents, and deposits with banks and financial institutions, GTAC makes use of only highly reputable financial institutions.

#### 2018

	Carrying amount	Current	30 days	60 days	90 days	120 days and more
	R	R	R	R	R	R
Trade receivables	<b>49,181,997</b>	9,145,152	23,296,243	3,941,067	-	12,799,535

#### 2017

Trade receivables	<b>6,430,024</b>	4,282,942	1,026,032	1,121,050	-	-
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### Liquidity Risk

GTAC's exposure to liquidity risk is limited by the National Treasury's management framework for meeting short, medium and long term funding requirements.

#### 2018

Trade payables	<b>29,261,594</b>	29,261,594	-	-	-	-
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#### 2017

Trade payables	<b>25,573,537</b>	25,414,987	158,550	-	-	-
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### Interest rate risk

GTAC interest rate risk is limited as funds are invested with one of the four major banks and this is assessed annually.

### Market risk

No significant market events occurred during the year that materially affected GTAC. GTAC's activities are mainly of an administrative or support service nature, with limited exposure to market movements.

## 24. EVENTS AFTER THE REPORTING DATE

No material events after the reporting date.

## 25. NOTES TO STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

All variances over R 1 million are seen as material and have been reported on.

### Adjustments to the Approved Budget

The significant budget adjustments were on the Jobs Fund and MFIP budgets. Jobs Fund budget was adjusted with R 7.4 million due to delays encountered while appointing the service providers for project evaluation services and project audits. Funds were allocated towards the appointment of transition advisors which was due to assist potential Jobs Fund Partners to attract an equity partner. An open tender followed and no proposals were received, as a result the budget was rescheduled.

The budget for MFIP was adjusted with R 9 million as a result of the slow start to the programme.

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

#### **Cost Recovery Revenue**

##### *Under budget*

Under recovery was due to the PMUs (Jobs Fund and MFIP) underspending as well as the recovery of technical advisors expenditure under the MFIP incorrectly budgeted for as GRAP 109 applies. Thus the expenditure on the advisors cost was not recognised although budgeted for.

#### **Interest Revenue**

##### *Over budget*

Higher interest revenue due to government funding received quarterly in advance resulted in higher interest earned than anticipated. Also the lack of spending in the MFIP PMU resulted in higher cash balances.

#### **Appropriated Funding**

##### *Under budget*

The actual was lower than the budget due to lower spending on the Economies and Regional Learning Network funded from appropriated funds resulting in lower revenue recognition.

#### **Donor Funding**

##### *Over budget*

The overall over spend was due to the Budget Portal projects that was not budgeted for.

#### **Goods and Services**

##### *Under budget*

Overall underspend was due to the PMUs underspent. There was a delay in the start of MFIP programme resulted in appointments being later than anticipated. The expenditure on the technical advisors were also budgeted for but the actual expenditure was not accounted for due to GRAP 109 applied.

#### **Compensation of Employees**

##### *Under budget*

Lower spending on compensation of employees due to existing vacant positions to be filled in the next financial year.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## NOTES TO THE FINANCIAL STATEMENTS

### 26. FINANCIAL INSTRUMENTS

#### Categories of financial instruments 2018

##### *Financial assets*

Receivables from exchange transactions  
Receivables from non-exchange transactions  
Cash and cash equivalents

##### *Financial liabilities*

Trade and other payables from exchange transactions  
Payables from non-exchange transactions

2017

##### *Financial assets*

Receivables from exchange transactions  
Cash and cash equivalents

##### *Financial liabilities*

Trade and other payables from exchange transactions  
Payables from non-exchange transactions

R
2018

At amortised costs	Total
57,655,963	57,655,963
2,553,740	2,553,740
855,230,658	855,230,658
<b>915,440,361</b>	<b>915,440,361</b>

At amortised costs	Total
78,341,267	78,341,267
595,359,309	595,359,309
<b>673,700,576</b>	<b>673,700,576</b>

At amortised costs	Total
15,833,753	15,833,753
554,516,968	554,516,968
<b>570,350,721</b>	<b>570,350,721</b>

At amortised costs	Total
74,222,964	74,222,964
280,840,709	280,840,709
<b>355,063,673</b>	<b>355,063,673</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

#### 27. RETENTION OF CASH SURPLUS

	R	Restated R
	2018	2017
Cash and cash equivalents	855,230,658	552,495,366
Receivables	60,209,703	15,833,753
Less: Payables	(677,844,112)	(357,252,449)
Less: Commitments	(346,645,012)	(369,741,717)
<b>Deficit</b>	<b>(109,048,763)</b>	<b>(158,665,047)</b>

The deficit will be made up of future cost recovery, donor funds and interest.

R70 million surplus relating to the Municipal Finance Improvement Programme II was returned for the year ending 31 March 2017.

#### 28. FRUITLESS AND WASTEFUL EXPENDITURE

To the best of our knowledge no fruitless and wasteful expenditure have been incurred during the current year.

#### 29. IRREGULAR EXPENDITURE

Opening balance	62,835,739	9,149,314
Irregular Expenditure that relates to prior year non-compliance	55,628,233	47,523,673
Irregular Expenditure identified during the current year	18,382,828	6,162,752
<b>Irregular expenditure to be condoned</b>	<b>138,846,800</b>	<b>62,835,739</b>

The Internal Audit unit of the National Treasury has been task to investigate the cases of non-compliance that led to irregular expenditure. Based on the outcome of the investigation, management will decide on the actions required.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## NOTES TO THE FINANCIAL STATEMENTS

		Restated
	R	R
	2018	2017

### 30. ACCOUNTING BY PRINCIPALS AND AGENTS

#### Employment Creation Facilitation: Implementation of the Jobs Fund on behalf of National Treasury

GTAC undertakes the administration of the Employment Creation Facilitation sub-programme on behalf of National Treasury. The programme is administered by a Project Management Unit, whose costs are recovered from National Treasury. Disbursements to Jobs Fund Partners for the implementation of approved projects is undertaken by GTAC, as agent, on behalf of the National Treasury, as principal.

Bank Balance	41,639,436	2,352
Assets – interest receivable	375,458	466,486
Liability*	42,014,894	472,613
Difference – inter account transfer between GTAC and the Jobs Fund account. Corrected in the next financial year	-	(3,775)

\* This final balance must be returned to the National Treasury in the 2018/19 financial year.

Revenue	- Appropriated funds	524,964,000	682,872,000
	- Interest accrued	6,885,935	5,135,344
Expenditure	- Jobs Fund partner payments	490,306,727	643,029,974
	- Bank charges	927	1,804

#### Independent Power Producers Procurement Programme – DBSA

GTAC manages and account for the IPPP bank account, make payments to the DBSA, cooperate with and provide such project-specific information in its possession to the IPPPP office when requested, provide general technical support in line with the GTAC's mandate in respect of the IPP Procurement Programmes and interventions and facilitate execution of the National Treasury's role and responsibilities in terms of the Memorandum of Agreement between DoE, NT and DBSA.

Bank Balance	179,442	135,309,764
Assets – interest receivable	16,530	319,691
Liability*	(195,972)	(135,629,455)
	-	-

Revenue	- Development & request for proposal fees	30,318,991	115,549,600
	- Interest accrued	3,132,151	17,270,189
Expenditure	- Technical Advisory Services	23,398,491	108,622,066
	- Salaries and overheads	145,484,784	141,261,112
	- Bank charges	1,351	876

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

#### *Neighbourhood Development Programme – National Treasury*

GTAC manages and account for the NDP bank account, make payments to the service providers contracted by municipalities on behalf of NDP within National Treasury.

	R	Restated R
	2018	2017
Bank Balance	12,814,089	14,448,488
Assets – interest receivable	79,692	77,917
Liability*	(12,893,781)	(14,533,016)
Difference – inter account transfer between GTAC and the NDP account. Corrected in the next financial year.	-	(6,611)

Revenue	-	Appropriate funds*	22,959,440	15,189,721
	-	Interest accrued	1,292,061	1,487,413
Expenditure	-	Payments to service providers	25,609,501	13,900,450
	-	Administration fees	360,000	-
	-	Bank charges	927	804
	-	Venues and Facilities	-	18,900

\*Appropriate funds relate to funds received from National Treasury less returned before year end.

#### **Department of Rural Development and Land Reform**

GTAC has been appointed by the Department of Rural Development and Land Reform (DRDLR) as an agent for the implementation of the PPP project for procuring office accommodation.

Funds available	445,878,269	-
Liability	(445,878,269)	-
	-	-
Expenditure – Payments to service providers	2,042,465	-
Interest received – included in Liability	9,236,734	-

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

#### Office of the Accountant-General – National Treasury

The Office of the Accountant-General within National Treasury has requested GTAC to assist with the roll out of the Municipal Finance Improvement Programme.

	R	Restated R
	2018	2017
Funds available	69,110,095	73,745,174
Liability	(69,110,095)	(73,745,174)
Expenditure - Payments to service providers	51,596,935	158,292,225

### 31. PRIOR PERIOD ERRORS

#### (1) Error in disclosure of prior year commitments

Two service provider contracts were omitted from the commitment schedule, long-term advisers annual increases were also not taken into account, four service providers expenditure incorrectly captured against the wrong contracts and subsequently corrected as well as corrections due to expenditure not taken into account. This resulted in an error in the prior year calculations. These errors were corrected.

Increase in commitments	10,027,049
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Refer to Note 21.

#### (2) Error in disclosure of MFIP transactions with third parties

Payments to third parties were incorrectly accounted for as expenditure and the cost recovered from National Treasury under appropriated funds. As GTAC acts as an agent of the National Treasury for the roll out of the Municipal Finance Improvement Programme the prior years has been restated to correct the error and the effect of the restatement of the financial statements is summarised below:

#### Cash flow statement

Decrease in government funding and other sources	(158,292,225)
Decrease in grants and project payment	(158,292,225)

#### Statement of Financial Performance

Decrease in revenue for MFIP II	(158,292,225)
Decrease in expenditure for MFIP II	(158,292,225)

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

Restated

R

2017

Due to the principal agent standards (GRAP 109) being applicable, all commitments relating to contracts entered into between GTAC and technical advisors are being disclosed in the National Treasury's Annual Financial Statements and the impact is shown below:

Decrease in commitments

Refer to Note 21.

2,524,368

The irregular expenditure incurred on the Municipal Finance Improvement Programme is to be disclosed in National Treasury's AFS and the impact is as follows:

Opening balance

(11,798,331)

Irregular Expenditure that relates to prior years non-compliance

(23,285,397)

Irregular Expenditure identified during the current year

(1,252,042)

**(36,335,770)**

Refer to note 29.

#### (3) Error in disclosure of revenue from MFIP

The cost recovery for the MFIP PMU operational costs was incorrectly classified as appropriated funds and not as cost recovery and the restatement is summarised below:

##### Statement of Financial Performance

Increase in cost recovery

-

Decrease in appropriated funds

-

Refer to notes 12 and 14. This amount is after the correction of point 2.

#### (4) Error in disclosure of related parties transaction

The transactions with the Department of Provincial Planning and Treasury Eastern Cape has been disclosed under related parties although the department is a provincial department

2,731,476

The related party transactions with National Treasury has been corrected to include the transactions relating to MFIP.

See Note 22 on Related Parties.

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

Restated

R

2017

#### (5) Error in disclosure of unspent government funding

The unspent funds of the Jobs Fund, Neighbourhood Development Programme, the Independent Power Producers Programme and Municipal Finance Improvement Programme have incorrectly been disclosed under income received in advance instead of unspent government funding and the impact is summarised below:

##### Cash flow statement

Increase in unspent government funding from non-exchange transactions	224,380,258
Decrease income received in advance from non-exchange transactions	(224,380,258)

##### Statement of Financial Position

Increase in government spending	224,380,258
Decrease in income received in advance	(224,380,258)

Refer to notes 10 and 20.

#### (6) Error in disclosure of irregular expenditure

Expenditure that related to a contract that was deemed to be irregular was erroneously captured against another contract for the same company	745,332
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Refer note 29.

#### (7) Error in disclosure of leave liability

Leave has been incorrectly disclosed as a provision and has been corrected to be disclosed as an accrual and the impact is as below:

##### Statement of Financial Position

Increase in payables from exchange transactions	1,778,668
Decrease in provisions	(1,778,686)

## NOTES