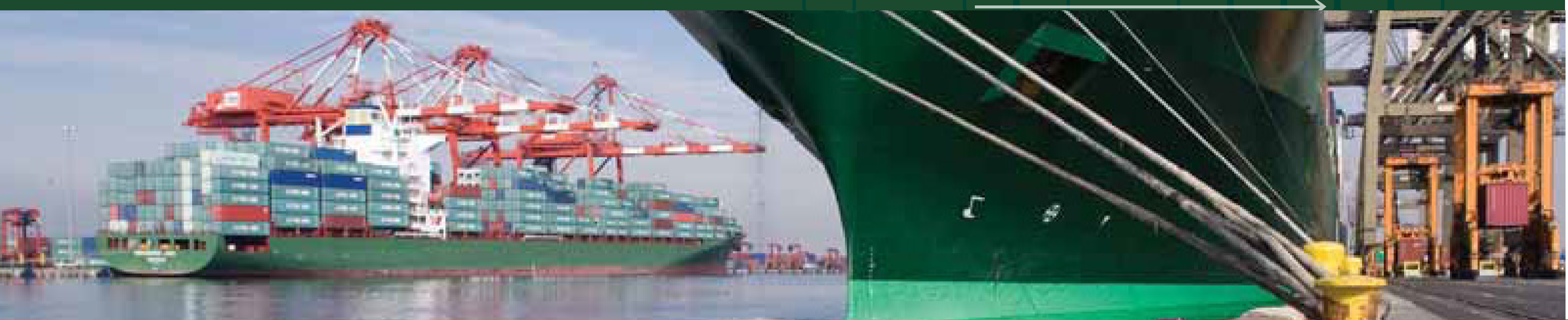
International Trade Administration Commission of South Africa

ANNUAL REPORT

2017/ 18



enabling

FAIR TRADE

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Vision, Mission and Core Values

Vision

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

Mission

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

Core Values

ITAC is guided by the following set of core values:

Integrity

Trust

Accountability

Commitment


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Foreword by the Minister

Ebrahim Patel
Minister of Economic Development

ITAC is a key economic regulator, responsible for administering South Africa's external trade framework. It is my pleasure to table in Parliament the Annual Report, which sets out the work undertaken by the Commissioners and staff of ITAC.

Trade is a key driver of overall economic development. Exports of goods and services enable local jobs to be created, investment to be attracted and forex to be earned. Imports can assist to secure capital goods and raw materials needed in the economy and provide consumers with greater choice. Our trade policies are currently geared towards promoting job-creation and industrial development.

ITAC carried out its mandate in a policy-constrained environment. Global trade policy has been volatile in the past year, with the rise of stronger forms of economic nationalism in some industrialised countries, like the United States. The US Administration has been retreating from economic openness and is resorting to a greater extent to domestic trade protection measures outside the framework of a rules-based system.

American protectionism affects South African exports to the USA and may lead to new surges of imports in the domestic economy as a result of trade diversion pressures by the trade partners of the USA. ITAC will need to carefully monitor trade flows and take appropriate action to ensure that the SA economy is not harmed by these measures.

During the period of the Annual Report, SA trade amounted to R2.7 trillion, made up of R 1.4 trillion in exports and R 1.3 trillion in imports. About 30% of SA's GDP is generated from exports.

The Report highlights a number of interventions by ITAC, including:

- tariff increases on structural steel, aluminium extrusions, types of gas stoves, welded link chains, forged grinding balls, wire netting gabions, prefabricated steel buildings and self-adhesive tapes;
- tariff rebates on some structural steel, specified components used in the manufacture of furniture, certain hot-rolled steel and stainless steel fasteners in order to off-set duties on these inputs that are not produced locally to assist manufacturers to become more internationally competitive;
- safeguard duties on hot-rolled steel; and
- maintenance of anti-dumping duties on chicken portions and on various glass items (unframed mirrors, clear float glass and glass frit), following 'sunset' reviews by ITAC.

In 2016, I issued a trade directive to ITAC to ensure that applicants for trade relief make commitments to invest, expand businesses and create jobs, so that industries focus on protection as a temporary measure and build deeper competitiveness within their firms. In the period ahead, I look to ITAC to deepen the commitments made by applicants and to monitor adherence to the commitments.

One impact of the trade policy measures introduced by ITAC was the reopening of the Highveld Steel Industrial complex in Mpumalanga, with the employment of 400 workers. Some firms affected by tariff relief shifted from loss-making status to profitable businesses that will be able to afford to invest in new technologies and upgraded operations.

The most significant challenge in trade administration has continued to be the import leakages that occur at ports of entry, with wide-scale smuggling of goods and illegal imports based on false invoicing. Government is committed to take firm steps to end these leakages that result in the trade policy regime being undermined, tax revenue being lost and jobs and industrial opportunity being undermined. ITAC will increasingly be drawn into efforts to assist the customs authorities in these efforts.

South Africa recently signed the Africa Continental Free Trade Agreement, which will create a market of more than a billion consumers. The success of the Agreement will rest on getting the detail of commitments technically right (such as rules of origin for specific products) and building a credible and effective customs control capability across the continent. ITAC is well placed to support the strengthening of institutions.

I welcome the new leadership of ITAC in office since January 2018 and wish Chief Commissioner Meluleki Nzimande and Deputy Chief Commissioner Dumisani Mbambo well in their term of office. They have a big responsibility to carry out and South Africans look to ITAC under their leadership to help ensure that policies to industrialise the country and create jobs, are supported by the trade policy measures we put in place. ITAC is blessed with a talented group of part-time Commissioners, led by Dr Faizel Ismail, who make their time and expertise available to ensure that ITAC can fulfill its mandate.

Ebrahim Patel
Minister of Economic Development

Report by the Chief Commissioner

Mr Meluleki Nzimande
Chief Commissioner

The International Trade Administration Commission of South Africa (ITAC) is a creature of the International Trade Administration Act, 2002 (ITA Act). The object of the ITA Act as set out in section 2 is "to foster economic growth and development in order to raise incomes and promote investment and employment, by establishing an efficient and effective system for the administration of international trade".

Consistent with this object, the Minister of Economic Development, Mr Ebrahim Patel, in his foreword to ITAC's Annual Performance Plan for the financial year ending March 2019, states that "given our focus on industrialization, it is clear that we need policy space on trade matters that enables short and medium term support to be given to industries with growth potential, whilst carefully weighing the costs thereof on consumers and competitiveness".

ITAC, an independent body, exercises its authority and carries out functions assigned to it in terms of the ITA Act or by the Minister, or as may arise in terms of South Africa's obligations under particular trade agreements. What is clear from the object of the ITA Act and Minister Patel's statement is that ITAC is enjoined to discharge its functions in a manner that not only fosters economic growth and development, but also enhances consumer welfare and industry competitiveness. This report highlights some of the important interventions which ITAC made in the economy in pursuance of this mandate in respect of the financial year ended March 2018 (2017/2018 financial year).

In the previous financial year (ended March 2017), ITAC reported that Minister Patel directed it to review aspects of the import tariff regime (variable tariff formula) applicable to wheat, sugar and maize. These are sensitive agricultural commodities which are subject to significant import competition. ITAC modified the method of calculating the import duty to include the Real Effective Exchange Rate, which takes account of the basket of currencies of some of South Africa's major trading partners, adjusted for the effects of inflation. In view of the technical and complex nature of these investigations, the short period within which ITAC completed them is commendable. In the 2017/2018 financial year ITAC's recommendations were accepted by the Minister of Trade and Industry and implemented by the Minister of Finance.

Tariffs are an instrument of industrial policy and are applied in a manner that seeks to achieve set economic goals. Applications for an increase or decrease in tariffs against imports are considered on a case-by-case basis, the idea being to support domestic producers, particularly those with potential to create considerable employment and produce value-added goods competitively. Import tariffs applied on products which are not manufactured locally and in respect of which there is no capacity or intention to manufacture locally generally have an unnecessary cost-raising effect. ITAC would ordinarily favourably consider applications for the reduction or rebate of such duties.

During the 2017/18 financial year, ITAC recommended increases in import tariffs on structural steel, aluminium extrusions, certain gas stoves for gas fuels, welded link chains, forged grinding balls, gabions of wire netting, prefabricated steel buildings, and self-adhesive tapes. ITAC also took special steps to support industries in distress, including revising investigation timeframes from 12 to 6 and 4 months for ordinary tariff investigations.

ITAC recommended tariff reductions in a few cases during the year. These included reduction of import tariffs on motor vehicles with an engine capacity not exceeding 1 000cm³, rack and pinions steering assembly, thermal transfer ribbons and cartridges and ignition coils. However, ITAC declined applications for tariff reductions on certain bars and rods which are not further worked than hot-rolled or extruded, automotive suspension parts, digital smart cards, and electric vehicles.

During the 2017/18 financial year a number of rebate provisions were created in order to off-set import tariffs payable on the importation of certain production inputs as part of ITAC's efforts to assist local producers in a number of sectors to reduce manufacturing costs and increase their international competitiveness. In this regard, rebate provisions were created in respect of certain structural steel in the form of U, I and H sections as well as imported goods used in the manufacture of furniture, greenhouses of iron or non-alloy steel. In addition to the rebate of import tariffs, ITAC recommended the creation of rebate facilities in respect of safeguard duties applicable to certain hot-rolled flat steel and stainless steel fasteners. A rebate facility was created in relation to the tariffs payable upon importation of vintage and internationally collectable motor vehicles.

A number of amendments were made to existing rebate provisions, including:

- amendments to rebate item 460.17 in order to reduce the period within which motor vehicles designed to transport physically disabled persons may be exchanged, sold or disposed of;
- the exclusion of adult diapers from rebate item 412.13 and amendments to rebate item 320.12. The latter provides for the rebate of duty on imports of raw materials used in the manufacture of baby diapers. The purpose of the amendment was to ensure that this rebate provision also covers imports of raw materials used in the manufacture of adult diapers. ITAC had regard to the fact that the local manufacturer of adult diapers is able to supply the local market with the range of adult diapers included under rebate item 412.13 and that the exclusion of adult diapers from that rebate provision would encourage the local manufacturer to increase its production capacity of these products, and
- the withdrawal of rebate item 311.12/54.07/03.04 which provided for a partial rebate of duty as it was no longer achieving the intended reduction in the import duty payable on goods imported under it.

ITAC rejected two applications for the creation of rebate facilities in respect of tariffs applicable to imports of certain hot-rolled coil and imports of bangles of base metal in an unfinished state to be incorporated into ostrich leather.

In terms of the Automotive Production and Development Programme (APDP), the South African Revenue Service reviewed the tariff classification of dumpers of a mass of less than 50 tonnes (Smaller Dumpers) following an application for a tariff determination by Bell Equipment SA (Pty) Ltd. This had the unintended consequence of excluding the components for these Smaller Dumpers from the existing APDP legislative provisions when they had in fact always been covered in the past. In order to address this problem ITAC instituted an investigation to reinstate the Smaller Dumpers into the APDP programme. This resulted in amendments to the Regulations and Part 1 of Schedule 1 to the Customs and Excise Act.

In line with its statutory duty to ensure that South Africa complies with its obligations under international trade agreements, ITAC effected technical corrections pertaining to the duties applicable to imports under tariff subheadings 0405.20, 3301.90.20 and 3301.90.30 in order to align them with South Africa's bound rates under World Trade Organisation (WTO).

ITAC administers trade remedy (anti-dumping, countervailling and safeguard) instruments in accordance with policy, domestic law and regulations, having regard to WTO rules. In the 2017/18 financial year ITAC conducted anti-dumping (sunset review) and safeguard investigations. Two safeguard investigations (in respect of imports of hot-rolled steel and cold-cold steel) were initiated and finalised. These were conducted in terms of South Africa's Amended Safeguard Regulations and the WTO Safeguards Agreement.

A further safeguard investigation on frozen chicken portions imported from the European Union was conducted during the 2017/18 financial year. When this investigation was initiated more than a year ago, it was conducted in terms of the Trade Development and Cooperation Agreement (TDCA) between South Africa, and the European Union and its Member States (EU). During the course of the investigation, the Economic Partnership Agreement between the EU and South Africa, Botswana, Lesotho, Namibia, Swaziland and Mozambique (EPA) came into force and the investigation was then continued under the EPA. The decision of the Minister of Trade and Industry on ITAC's final recommendation in this matter is still pending.

Three sunset review investigations were conducted during the period under review. These related to imports of frozen chicken portions from the USA, unframed glass mirrors, clear float glass (both from Indonesia) and glass frit from Brazil. The sunset review investigation pertaining to glass frit will continue into the next financial year.

Import and Export controls are, in the main, applied for health, safety, environmental and strategic reasons. During the reporting period, 20 192 import permits were issued, which was well in excess of the annual target of 16 000, while 13 411 export permits were adjudicated and approved, which was also well in excess of the annual target of 12 000.

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

Enforcement activities involve scheduled inspections, unscheduled or surprise inspections and investigations. During the financial year 2017/18, 482 scheduled inspections were conducted, 3 309 unscheduled inspections and 19 investigations were conducted. Industry sectors inspected were clothing, ferrous and non-ferrous scrap metals, automotive, pneumatic tyres, machinery and equipment.

In recent years government has adopted a coordinated approach to assisting industry, which approach seeks to use different but complementary measures to address challenges. This approach continued in the period under review and will continue into the future. ITAC continues to discharge its mandate to administer trade instruments in a manner that contributes to inclusive economic growth to enable South Africa to increase investment, employment and incomes. Consistent with this, ITAC will, going forward intensify its monitoring of compliance with reciprocal commitments by those industries which receive support from ITAC.

Nzimande

Mr Meluleki Nzimande

Chief Commissioner

Commentary by the Chairperson of the Commission

Dr Faizel Ismail
Chairperson

The period 2017/18 witnessed an improved outlook for the world economy and a rise in economic activity in both advanced and emerging economies, as well as improved conditions in certain sectors of the South African economy, such as agriculture, mining, manufacturing and retail trade. However, the general economic environment in South Africa remained relatively weak. It should not come as a surprise, therefore, that the Commission was called upon to consider providing support in terms of its trade instruments for a number of different sectors.

Among the various investigations conducted by ITAC, the investigations into wheat, maize and sugar stand out for their importance and relevance to the average South African. The Minister of Economic Development directed ITAC to evaluate and investigate the Dollar-based reference price (DBRP) and the variable tariff formula for sugar, maize and wheat.

This system seeks to ensure food security for South Africa by providing domestic farmers of sugar, maize and wheat with tariff support when the international price of these products drops below a certain threshold, which price drop can lead to increased volumes of imports into South Africa.

At the same time, the Commission must consider the effect of potential tariff support on the downstream industries that use these products as inputs and, ultimately, on the South African consumer who buys the finished products, such as bread, of these downstream industries.

The Minister's Directive requesting ITAC to review the variable formulae for wheat, maize and sugar reflected concerns about recent and proposed increases in the rate of customs duties, in part because of the effect that large exchange rate fluctuations were having on the formulae. Added to this were concerns about the staple food value chain because of the severe drought being experienced by South Africa, which resulted in increased prices for everyday staples such as sugar and bread. The drought also necessitated greater imports. Higher duties on such imports would place additional cost burdens on consumers.

After thorough investigations, the Commission recommended that the DBRP for sugar and maize be maintained. As for wheat, the Commission recommended a lower DBRP. The Commission also recommended that a new component, termed the Real Effective Rand Exchange Rate Index, be incorporated into the variable formulae for all three products to mitigate the negative impact of large exchange rate fluctuations.

Also noteworthy was the Commission's continued sound administration of the Price Preference System (PPS) on the exportation of waste and scrap metal. Litigation in this regard has been successfully opposed allowing the Commission to continue to ensure access by domestic consuming industries to reasonably priced, quality waste and scrap metals.

To conclude, I would like to express my sincere appreciation to ITAC's professional staff for their hard work and diligence. I would also like to thank my fellow Commissioners for their support and advice. It is this dedication to the mandate of ITAC that saw the institution deliver on its mandate during the 2017/18 financial year.

Dr Faizel Ismail
Chairperson of the Commission

Background of ITAC

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

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

ITAC's main investigations involve Ordinary Customs Duties; Trade Remedies; and Import and Export Control.

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

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

Commissioners


Mr Meluleki Nzimande


Mr Dumisani Mbambo


Dr Faizel Ismail


Ms Tanya van Meelis


Mr Etienne Vlok


Mr Boikanyo Mokgatle


Mr Hendrik Langenhoven


Ms Grathel Motau


Ms Boipuso Modise


Mr Nkululeko Khumalo


Ms Asanda Languza

Executive & Senior Management Team


Meluleki Nzimande
Chief Commissioner


Dumisani Mbambo
Deputy Chief Commissioner


Phillip Semela
General Manager: Corporate Services


Ntsobe Nkoana
Chief Financial Officer


Rika Theart
Senior Manager: Tariff I


Nomonde Somdaka
Senior Manager: Tariff II


Carina Janse Van Vuuren
Senior Manager: Trade Remedies I


Zoleka Xabendlini
Senior Manager: Trade Remedies II


Marius Collins
Senior Manager: Import and Export Control


Alexander Amrein
Senior Manger: Policy and Research


Bhekithemba Kgomo
Senior Manager: Internal Audit


Averil Munsani
Senior Manager: Legal Services


Lihle Mndebele
Senior Manger: Human Resource


Russell Nelson
Chief Information Officer

List of Reports issued by ITAC in 2017/2018

REPORT NUMBER	REPORT TITLE
509	Increase of customs duty on structural steel.
520	Increase in the rate of customs duty on aluminium Extrusions.
534	Increase in the rate of customs duty on certain Gas Stoves for gas fuel.
538	Review of the Dollar-Based Domestic Reference Price and Variable Tariff Formula for Wheat.
540	Review of the Dollar-Based Domestic Reference Price and Variable Tariff Formula for Maize.
542	Review of the Dollar-Based Domestic Reference Price and Variable Tariff Formula for Sugar.
543	Amendment to the description of tariff subheading 8704.21.75.
544	Rebate provision for certain goods used in the manufacture of Furniture classifiable under tariff headings 94.01, 94.02 and 94.04.
546	Review of the rate of customs duty on Welded Link Chain and Forged Grinding Balls.
551	Investigation into remedial action in the form of a Safeguard against the increased imports of certain Flat Hot-rolled Steel products: Final Determination.
552	Review of the rate of customs duty on Gabions of Wire Netting.
553	Reduction in the rate of customs duty on Rack and Pinion Steering assemblies (excluding power-assisted types and those of subheading 8708.94.10).
554	Technical corrections to the SACU tariff structure on certain tariff lines.
555	Investigation into remedial action in the form of a Safeguard against the increased imports of Cold-rolled Steel products: Final Determination.
556	Reduction in the rate of customs duty on Thermal Transfer Printing Ribbons in cartridges.
557	Termination of the anti-dumping duties on Solar Glass originating in or imported from Indonesia.
558	Creation of a rebate provision for Vintage and/or internationally collectable Motor Vehicles classifiable under tariff heading 87.03.
559	Application for the creation of a rebate provision for Bangles of base metal whether or not plated with precious metal, classifiable under tariff subheading 7117.19, in an unfinished state, for the manufacture of imitation jewellery incorporating leather.
560	Review of the rate of customs duty on Prefabricated Steel Buildings.
561	Sunset review of the anti-dumping duty on Unframed Glass Mirrors of a thickness of 2mm or more but not exceeding 6mm originating in or imported from Indonesia: Final Determination.
562	Review of rebate item 311.12/54.07/03.04.
563	Creation of a temporary rebate facility for the importation of certain Structural Steel in the form of U, I, H and L Sections classifiable under tariff subheadings 7216.40 and 7228.70.
564	Sunset review of the anti-dumping duties on Frozen Bone-in portions of Fowls of the species Gallus Domesticus originating in or imported from the United States of America (USA): Final Determination.
565	Creation of a temporary rebate provision on Safeguard duty applicable to certain Hot-rolled Steel classifiable under tariff headings 72.08 and 72.25.
566	Increase in the rate of customs duty on Self-Adhesive Tapes.
567	Creation of a temporary rebate facility for the importation of certain Stainless Steel Fasteners, classifiable under tariff heading 73.18.
569	Exclusion of Adult Diapers under rebate item 412.13 and amendment of rebate item 320.12 which provides for the duty free importation of raw materials used in the manufacturing of Baby Diapers to also include Adult Diapers.

Tariff Investigations

Tariff investigations and other activities of the ITAC's Tariff Investigations Units are carried out with an eye towards promoting domestic manufacturing, supporting employment retention and creation and enhancing the international competitiveness of domestic companies. Tariff setting based on such a developmental approach is in line not only with the objectives of ITAC's enabling statute, the ITA Act, but also with government policy as enunciated in the New Growth Path and the Trade Policy and Strategic Framework.

While the above framework provides general parameters, ITAC's tariff setting in its investigations is grounded in a case-by-case approach. In other words, the facts of each investigation are carefully examined and analysed to determine whether tariff support (increases, decreases, rebates or drawbacks of general customs duties) should be recommended to support domestic producers.

Over the past year, the customs duty increases recommended by the Commission were implemented on structural steel, from free of duty to 10% *ad valorem*; aluminium extrusions from 5% to 15% *ad valorem*; certain gas stoves for gas fuels from 15% to 30% *ad valorem*; welded link chains from free of duty to 15% *ad valorem*; forged grinding balls from free of duty to 15% *ad valorem*; gabions of wire netting from free of duty to 30% *ad valorem*; prefabricated steel buildings from free of duty to 20% *ad valorem*; and self-adhesive tapes from free of duty and 10% *ad valorem* to 20% *ad valorem*, respectively.

The customs duty on heavy structural steel was recommended by the Commission in 2015. However, during the course of the investigation, EVRAZ Highveld Steel and Vanadium (Pty) Ltd (EVRAZ), the sole local manufacturer, was placed under business rescue and it temporarily ceased the manufacturing of heavy structural steel. The Commission found that imposing duty on heavy structural steel while EVRAZ has temporarily ceased its manufacturing operations would have an unnecessary cost-raising effect for the downstream industry. As such, the implementation of duties on heavy structural steel was suspended until such time that EVRAZ resumes manufacturing of the heavy structural steel in SACU.

Subsequently, as a result of government measures particularly tariff support, in 2017 a Contract Manufacturing Agreement for the manufacturing of heavy structural steel locally was concluded between ArcelorMittal South Africa Limited (AMSA) and EVRAZ. EVRAZ resumed manufacturing of heavy structural steel with AMSA supplying primary material (blooms and slabs) to the mill. The restarting of EVRAZ has resulted in the initial re-employment of 400 previously retrenched people, opportunity for import replacement resulting in improvement in balance of payments, and manufacturing of main line rails which were never rolled in South Africa previously.

The tariff support implemented on the cited downstream steel products emanated from the tariff review which was self-initiated by the Commission. The review was based on the recommendation by its Steel Committee which cited that the effects of the global steel crisis have been evident as domestic manufacturers across the entire steel value chain including the downstream steel industry are struggling to compete against increasing competition from low-priced imports.

The Minister of Economic Development, Mr Ebrahim Patel, directed ITAC to review the tariff regimes for wheat, sugar and maize, in particular taking into account the possible impact on the price of bread, maize and sugar. The Commission finalised these technical and complex investigations within a period of 4 months. Based on its findings, the Commission recommended the introduction of a new variable, the Real Effective Exchange Rate Index, into the variable tariff formulae applicable to wheat, maize and sugar, as it would address the negative impact of exchange rate fluctuations.

This new variable is factored into the variable tariff formula to ensure that producers are protected against real cost pressures and foreign currency denominated intermediate input costs, such as fertiliser and machinery parts, and not benefit unduly from exchange rate fluctuations.

This is accomplished by adjusting the duty with the Rand's Real Effective Exchange Rate Index as published by the South African Reserve Bank. The Real Effective Exchange Rate Index that is factored into the variable tariff formulae will support farmers proportionally against a depreciating or an appreciating currency by adjusting the nominal Rand exchange rate for price differentials between South Africa and its most important trading partners. This would ensure that windfall profits or unnecessary additional protection to producers due to exchange rate fluctuations do not accrue at the expense of food affordability. The Commission recommended to the Minister to maintain the variable tariff formula (incorporating the aforementioned new variable) for maize, sugar and wheat. The Commission recommended that the Dollar-Based Reference Price (DBRP) for maize be kept at its then current level of US$110/ton.

This was based on the fact that maize had been trading in an abnormal trading environment that resulted in the commodity moving from trading at export parity pricing to import parity pricing during the course of investigation, largely as result of the lingering effects of the 2015 drought. The Commission also recommended that the DBRP for sugar be maintained at its then current level of US$566/ton, due to the fact that the duty would place SACU sugar producers and their foreign counterparts on an equal competitive footing and is in line with the producer's production costs whilst simultaneously being sensitive to food affordability as well as the impact on downstream users. The DBRP for wheat was reduced from US$294/ton to US$279/ton based on the 5-year average USA Hard Red Wheat No.2 settlement price of wheat of US$295/ton, plus an adjustment for the distortion factor evident in the international wheat market of US$22/ton, less the average ocean transport cost of wheat to a South African port of US$38/ton.

In addition, a number of rebate of duty provisions have been recommended and implemented over the past year to reduce the cost of production for manufacturing firms and increase their international competitiveness, such as rebate of duty provisions on certain goods used in the manufacture of furniture; vintage and internationally collectable motor vehicles; greenhouses of iron or non-alloy steel; certain structural steel in the form of U, I and H sections; rebate facility on safeguard duties for certain hot-rolled steel classifiable under tariff headings 72.08 and 72.25; fasteners of stainless steel; rebate items 460.17/87.00/04.02 and 460.17/87.00/02.04 to reduce the period of disposal of motor vehicles designed for the transport of physically disabled persons from 5 years to 3 years; and raw materials for the manufacture of baby diapers as well as adult diapers.

Furthermore, certain existing rebate provisions were amended such as the exclusion of adult diapers from rebate item 412.13/00.00/01.00 and the withdrawal of rebate item 311.12/54.07/03.04 as the rebate item does not serve its intended purpose of providing tariff relief but only adds additional cost for possible rebate users.

The following applications for rebate provisions were rejected by the Commission: bangles of base metal in an unfinished state to be incorporated with ostrich leather; and certain hot-rolled coil classifiable under tariff subheadings 7208.27 and 7208.39.

In terms of the Automotive Production and Development Programme (APDP), ITAC amended Part 1 to Schedule No. 1 of the Customs and Excise Act by the substitution of tariff subheading 9801.00.40 to make provision for dumpers for off-highway use of less than 50 tons under the APDP. In accordance with the international classification of articulated dump trucks (ADTs) for off-highway use, certain ADTs of less than 50 tons were not included under APDP although they are similar in construction to those ADTs designed for highway use.

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

Consequently, a limited number of tariff reductions have been recommended over the past year on other motor vehicles with an engine capacity not exceeding 1 000 cm3 of tariff subheading 8704.21.75 (excluding the vehicles of subheading 8704.21.77); rack and pinion steering assembly (excluding power-assisted types and those of subheading 8708.94.10); thermal transfer ribbons and cartridges and ignition coils. Tariffs on products which are not manufactured domestically and where there is no potential to manufacture domestically tend to have an unnecessary cost-raising effect.

Technical corrections were made to adjust the duty structure for tariff subheadings on dairy spreads, extracted oleoresins obtained from extraction of Opium and from extraction of Liqourice to its respective WTO bound rate levels in order to ensure compliance with South Africa's WTO tariff binding commitments.

The following applications for a reduction in the rate of customs duty were rejected by the Commission: certain other bars & rods not further worked than hot-rolled or extruded; automotive suspension parts; digital smart cards and electric vehicles.

The Commission revised its timeframes, from 12 to 6 and 4 months respectively, for ordinary tariff investigations and those for sectors in distress. The vast majority of applications for tariff support were as a result of a fragile global and domestic economic environment and were in response to relatively low-priced imports from emerging economies.

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

1. Review of customs duty on gabions of wire netting

ITAC initiated a review of the customs duty on a number of downstream steel industry products. The review included gabions of wire netting classifiable under tariff heading 7326.

Following the publication of the review in the Government Gazette, Maccaferri (Pty) Ltd and Gabion Baskets SA (Pty) Ltd submitted information to the Commission motivating for an increase in customs duty applicable to gabions of wire netting classifiable under tariff subheadings 7326.20.10, from free of duty to the WTO bound rate of 30% *ad valorem*.

As motivation for the increase in customs duty, the industry cited that the gabion industry in South Africa has been under distress largely due to low priced import competition experienced from East Asian countries.

The domestic industry currently employs a total of 193 people in the manufacture of gabions of wire netting, Macafferi and Gabion Baskets employs 132 and 61, respectively.

In terms of reciprocity, the domestic industry committed to the creation of 54 additional jobs over a three-year period should the increase in duty be supported.

The Commission found that tariff support should enable the industry manufacturing gabions of wire netting to utilise its existing under-utilised production and create additional employment.

The Commission recommended that the rate of customs duty on gabion of wire netting classifiable under tariff subheadings 7326.20.10 be increased from free of duty to 30% *ad valorem*.

2. Review of customs duty on prefabricated steel buildings

On 22 July 2016, ITAC initiated a review of the general rate of customs duty on a number of downstream steel industry products in the Government Gazette. Following the publication of the review, Kwikspace Modular Buildings (Pty) Ltd (Kwikspace) submitted motivation for an increase in the general rate of customs duty applicable to prefabricated steel buildings, classifiable under tariff subheading 9406.90, from free of duty to the WTO bound rate of 20% *ad valorem*.

As motivation for the increase in the general rate of customs duty the industry cited, amongst other reasons, that the significant increase in low-priced imports of prefabricated steel buildings has placed the viability of the SACU industry at risk, and that should this trend continue, further job losses and plant closures will be inevitable.

The applicant's employment declined from 662 people in 2014 to 433 people in 2016. This translates to 229 people who lost their jobs.

In terms of reciprocity, Kwikspace committed to increase employment from the current 433 to 670 people within three years following tariff support; this will result in additional 237 jobs created.

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

- declining domestic manufacturer's production/ sales volumes, domestic industry's market share and capacity utilization during the investigating period;
- the domestic industry manufacturing prefabricated steel buildings is experiencing substantive price disadvantage vis-à-vis imports originating in East Asian countries;
- declining profitability coupled with escalating production cost experienced by the domestic industry;

- declining domestic industry employment and investment opportunities;
- greenhouses of iron or non-alloy steel classifiable under tariff subheading 9406.90.10 are not manufactured locally; and
- the fact that the subject product is designated in terms of the Preferential Procurement Policy Framework Act, and the impact of the customs duty on government social infrastructure.

The Commission concluded that tariff support should enable the industry manufacturing prefabricated steel buildings to utilise its existing under-utilised production capacity, thereby achieving cost advantages arising from increased output due to operational efficiencies. This would assist the industry in creating new investment and employment opportunities.

With regards to prefabricated buildings not made of steel, an 8-digit tariff subheading was formulated to exclude prefabricated buildings made of other materials. In addition, a temporary rebate provision was created for greenhouses of iron or non-alloy steel, which are not manufactured locally.

The dti, the Department of Basic Education (DBE) and the Department of Health (DoH) will establish a monitoring mechanism to monitor the performance of the local manufacturers in terms of quality and prices to ensure that tariff support will not be used as a tool to inflate prices.

The dti will facilitate on-going engagements with the DBE and DoH to ensure that the tender processes of the relevant departments are aligned with the prescripts of the designation policy.

The Commission recommended that the rate of customs duty on prefabricated steel buildings, classifiable under tariff subheading 9406.90, be increased from free of duty to 20% *ad valorem*, by way of creating a separate 8-digit tariff subheading. Furthermore, the Commission recommended the creation of a rebate facility for the importation of greenhouses of iron or non-alloy steel not manufactured locally.

3. Review of customs duty on Stranded wire and steel wire ropes and cables

On 22 July 2016, ITAC also initiated a review of the general rate of customs duty on a number of downstream steel industry products, as a result of significant number of SACU downstream steel industry role players expressing concerns regarding the lack of tariff protection against imports of finished products that often are imported at unsustainably low prices. The review included stranded wire and steel wire ropes and cables classifiable under tariff headings 73.12.

Following the initiation of the review, Scaw Metals South Africa (Pty) Ltd – Steel Wire Rope and Wire and Strand Division ("Scaw") submitted motivation for an increase in the rate of customs duty on stranded wire, ropes and cables classifiable under tariff subheadings 7312.10.20; 7312.10.25; 7312.10.40; 7312.10.90 and 7312.90, from free of duty and 5% *ad valorem* to the WTO bound rate of 15% *ad valorem*.

As motivation for the increase in the rate of customs duty the industry cited, amongst others, low-priced imports coupled with increasing import volumes of the subject products since 2012, which pose a risk to the viability of the SACU industry, and the decline in sales volumes, under-utilised production capacity, reduction in market shares, decreasing employment and low profit margins, as well as increasing production costs.

In 2016 Scaw employed a total of 1 074 people, with 717 and 357 people directly involved in the manufacture of steel wire ropes and cables and stranded wire, respectively. Over the period of investigation, a total of 113 jobs were lost in the relevant divisions.

In terms of reciprocity, Scaw submitted a written undertaking detailing plans to commence the manufacturing of additional 100 constructions of stranded wire ropes and cables. Scaw committed to creating 109 additional jobs and investment of R2 million, which will be spent on upgrading machinery that was previously mothballed.

The Commission found that tariff support should enable the industry manufacturing stranded wire, ropes and cables to utilise its existing under-utilised production capacity, achieve economies of scale, resulting in security of volumes and reduction in the marginal cost of production. This would assist the domestic industry in creating new investment and employment opportunities.

The Commission recommended an increase in the rate of customs duty on stranded wire, ropes and cables classifiable under tariff subheadings 7312.10.20; 7312.10.25; 7312.10.40; 7312.10.90 and 7312.90, from free of duty and 5% *ad valorem* to 15% *ad valorem*, by way of creating additional 8-digit tariff subheadings. Furthermore, the Commission recommended the creation of a rebate facility for certain steel wire ropes and cables and stranded wire not manufactured locally.

4. Increase in the rate of customs duty on self-adhesive tape

Sicad SA (Pty) Ltd (Sicad) applied for an increase in the rates of customs duty on biaxially oriented polymers of propylene (excluding those that are self-adhesive on both sides), of a width not exceeding 200 mm classifiable in tariff subheadings 3919.10.43 and 3919.10.41 from 10% *ad valorem* and free of duty, respectively, to 20% *ad valorem*, by also amending the scope of tariff subheadings 3919.10.43 and 3919.10.47.

Sicad is a subsidiary of the Sicad Group with its headquarters located in Italy. Sicad is a local manufacturer and distributor of a wide range of self-adhesive tapes in the Southern African Customs Union (SACU). The applicant's plant is situated in Germiston. Sicad is one of two domestic producers of self-adhesive tapes.

The other is Hon Shin Enterprise (Pty) Ltd, based in Bloemfontein. Self-adhesive tape is manufactured from BOPP film. Bopp film is produced from polypropylene, which is manufactured locally by Safripol and Sasol. Bopp film is manufactured locally by SRF Flexipak (Pty) Ltd (SRF) and Everest Flexibles (Pty) Ltd.

As reasons for the application Sicad stated, amongst other, that:

- The imports of similar products have had an adverse impact on its investment and employment opportunities due to fierce competition from low priced imports.
- The recent decision as contained in ITAC's Report No 518 of 2016, to withdraw the rebate item that made provision for a rebate of the duty on plates, sheets, film, foil and strip, of polymers of propylene, biaxially oriented, used for the manufacture of self-adhesive tape of subheading 3919.10, has resulted in an increase in the input cost of manufacturing the final product.

Sicad's request for the new tariff dispensation, in particular with regards to tariff subheading 3919.10.47, is to eliminate circumvention of the customs duty and to provide for a distinction between double-sided tape and single-sided self-adhesive tape. Sicad's total employment currently numbers 79 at its factory in Germiston and warehouses in Durban and Cape Town.

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

- the industry manufacturing the subject product is in a position to meet the full market requirements for the range of self-adhesive tapes as described in the tariff structure;
- significant price disadvantages are experienced vis-à-vis foreign manufacturers exporting the product to SACU;
- the domestic industry is unable to compete with imported products, given the existing duty structure, which adversely affects domestic investment and employment opportunities;
- levels of production, sales, profitability and capacity utilisation have declined; and
- the withdrawal of the rebate provision on Bopp film for the manufacture of self-adhesive tape to support domestic production of Bopp film, had a cost-raising effect for the downstream industry.

The Commission was of the view that, on balance, the recommended duty structure and increase to 20% *ad valorem* would enable the domestic industry manufacturing self-adhesive tapes to fully utilise existing under-utilised production capacity, thereby achieving cost advantages arising from increased output due to operational efficiencies.

The Commission also found that as a result of the recent withdrawal of the rebate provision on plates, sheets, film, foil and strip, of polymers of propylene, biaxially oriented, for the manufacture of self-adhesive tape of subheading 3919.10, the applicant is now sourcing its input requirement of Bopp films domestically, from SRF.

Regarding its developmental plan, Sicad submitted that the increase in the customs duty would create an opportunity for it to increase its sales volumes domestically, which in turn, would create an opportunity to employ approximately 11 additional staff. Additional staff would primarily consist of employees that fall within the youth category.

Sicad's production facility is currently not operating at full capacity. Therefore, an increase in employment would be achieved as the current workforce is sufficient only to produce at current production volumes.

Sicad also submitted that should its domestic sales volume increase it would source more raw materials from SRF, a local manufacturer of BOPP films.

The Commission therefore recommended that the rate of duty on biaxially oriented polymers of propylene (excluding that which is self-adhesive on both sides), of a width not exceeding 200mm classifiable in tariff subheadings 3919.10.43 and 3919.10.41 be increased from 10% *ad valorem* and free of duty, respectively, to 20% *ad valorem* by amending the scope of tariff subheading 3919.10.43 to the following: "Of biaxially oriented polymers of propylene (excluding that which is self-adhesive on both sides) and amend the description of tariff subheading 3919.10.47 to the following: "Other biaxially oriented polymers of propylene, self-adhesive on both sides" at free of duty.

5. Exclusion of adult diapers under rebate item 412.13 and amendment of rebate item 320.12, which provides for the duty free importation of raw materials used in the manufacturing of baby diapers, to also include adult diapers

Validus Medical (Pty) Ltd (Validus) applied for the exclusion of adult diapers under rebate item 412.13 and the amendment of rebate item 320.12, which provides for the duty free importation of raw materials used in the manufacturing of baby diapers, to also include the duty free importation of raw materials used in the manufacturing of adult diapers.

Validus is located in the Ekandustria Industrial Park, Bronkhorstspruit, with its head office in Bryanston, Johannesburg. It was founded in 2005, and has established itself as a producer of disposable medical products in South Africa. The product range includes adult diapers, sanitary pads, baby diapers, wipes, draw sheets and linen savers. Validus is the only manufacturer of adult diapers in the SACU market.

As reasons for the application, Validus stated, amongst other, that:

- "Validus mainly imports raw materials for purposes of manufacturing adult diapers;
- rebate item 412.13 of Schedule 4 to the Customs and Excise Act provides for a full rebate of duty on imported adult diapers. However, there is no concomitant provision to rebate the duty on the raw materials needed to manufacture these products (adult diapers); and
- local manufacturers find themselves in a situation where they must pay duties on raw materials to manufacture the product whilst the finished imported product (manufactured from the same raw materials) is duty free, putting the local manufacturers at a disadvantage."

Validus employs a total of 140 employees at its Bronkhorstspruit factory (Ekandustria Industrial Park) in Mpumalanga driven mainly by skilled and semi-skilled workers.

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

- Validus is the only local manufacturer of adult diapers;
- Validus is in a position to supply in the reasonable market requirements for the range of adult diapers as described in the rebate structure;
- significant price disadvantages are experienced vis-à-vis foreign manufacturers exporting the product to SACU;
- the domestic industry is unable to compete with imported products, given the existing rebate structure. This adversely affects domestic investment and employment opportunities;
- Validus's levels of profitability and capacity utilisation have declined;
- the exclusion of adult diapers under rebate 412.13 would serve as an encouragement to the domestic industry to increase its manufacturing capacity of the subject product; and
- amendment of rebate item 320.12 would assist the local manufacturer in addressing an anomaly that exists with regard to the importation of raw materials not manufactured locally that are used for the manufacturing of adult diapers on which duty has to be paid, whilst the end product is imported duty free.

The Commission found that, on balance, the recommended amendments on the rebate provisions concerned would enable the applicant manufacturing adult diapers to fully utilise existing under-utilised production capacity, thereby achieving cost advantages arising from increased output due to operational efficiencies.

The Commission also found that rebate item 320.12 provides for a full rebate of duty for similar raw materials, which are used for the manufacture of disposable diapers for babies. The investigation demonstrated that in terms of baby and adult diapers, the composition and construction is fundamentally the same, the only difference being attributed to size. Both baby and adult diapers use similar raw materials.

Regarding its developmental plan, Validus submitted that the amendment of rebate items 320.12 and 412.13 would create an opportunity for it to increase its sales volumes domestically, which in turn, would create an opportunity to employ approximately 20 additional staff. The latter would primarily consist of employees that fall within the youth category. Validus's production facility is currently not operating at full capacity.

Therefore, an increase in employment would be achieved as the current workforce is sufficient only to produce at current production volumes. Validus committed to invest significantly. On average, Validus' production of the end product is expected to increase by 12.7 per cent during the period 2018 to 2020. Furthermore, Validus intends to slightly increase its export volumes to neighbouring countries.

Trade Remedies

ITAC is responsible for conducting trade remedy investigations in accordance with policy, domestic law and regulations and consistent with World Trade Organisation (WTO) rules. Trade Remedies consists of anti-dumping, countervailing and safeguard instruments. In the 2017/18 period the instruments utilised were anti-dumping (sunset reviews) and safeguard.

Safeguard investigations

A safeguard investigation is conducted where the Commission determines that there is a surge of imports due to unforeseen circumstances causing or threatening to cause serious injury to the SACU industry. It is considered a fair trade action taken to enable the domestic industry to adjust.

Safeguard investigations conducted and finalised in 2017/18 were all initiated in the previous financial years. These relate to various steel products (certain flat hot-rolled steel products and certain flat cold-rolled steel products) and frozen chicken portions.

Certain flat hot-rolled steel products

The safeguard investigation on imports of certain flat hot-rolled steel products which was initiated during the financial year (2015/16) was finalised in the 2017/18 financial year.

The Minister of Trade and Industry approved the Commission's recommendation to impose safeguard duties, which duties (12% first year, 10% second year and 8% third year) were imposed in August 2017.

Certain flat cold-rolled steel products

The safeguard investigation on imports of certain flat cold-rolled steel products, which was initiated during the 2016/17 financial year, was finalised in the 2017/18 financial year. It was concluded that the Applicant was not experiencing a price disadvantage when comparing its unsuppressed selling price with the landed price of the imports. The investigation was finalised and the Minister of Trade and Industry approved the Commission's recommendation that the investigation be terminated with no safeguard duties imposed.

Frozen bone-in chicken portions

The safeguard investigation on imports of certain frozen chicken portions was finalised in 2017/18. This investigation was initiated in terms of the TDCA but later conducted in terms of the EPA following directives received from the Minister of Trade and Industry. The Commission made a final recommendation to the Minister and approval is pending.

Summary of Safeguard Investigations

Product	Country	Initiation	Finalisation	Outcome
Certain flat hot-rolled steel product	All	24/03/2016	11/08/2017	Duties imposed (12% first year, 10% second year and 8% third year)
Certain flat cold-rolled steel product	All	29/07/2016	29/09/2017	No duty
Frozen bone-in portions of fowls (chickens)	All Countries	19/02/2016		A final recommendation was made to the Minister and is pending approval by the Minister

Sunset reviews

Anti-dumping duties have a life span of 5 years. A sunset review is undertaken when the SACU industry concerned submits prima facie evidence that the expiry of the anti-dumping duties after the five years of existence, would likely lead to the continuation or recurrence of dumping and continuation or recurrence of material injury.

Four sunset review investigations relating to imports of frozen chicken portions; unframed glass mirrors, clear float glass and glass frit were conducted.

Frozen bone-in chicken portions

An application was lodged by South African Poultry Association on behalf of the SACU producers. A sunset review investigation on the anti-dumping duties on frozen bone-in chicken portions originating in or imported from the United States of America was initiated in March 2017.

The Commission's recommendation to the Minister of Trade and Industry, that the anti-dumping duty on frozen chicken portions originating in or imported from USA be maintained, was approved. The investigation was finalised in November 2017.

Unframed glass mirrors

An application was lodged by PFG Building Glass, a division of PG Group (Pty) Ltd the sole producer of unframed glass mirrors in the SACU. The Commission's recommendation to the Minister of Trade and Industry that the anti-dumping duty on unframed glass mirrors originating in or imported from Indonesia be maintained, was approved. The investigation was finalised in October 2017.

Clear float glass

An application was lodged by PFG Building Glass (Pty) Ltd, the sole producer of clear float glass within the SACU. The investigation was initiated in July 2017. The Commission's recommendation to the Minister of Trade and Industry, that the anti-dumping duty on float glass originating in or imported from Indonesia be maintained, was approved. The investigation was finalised in February 2018.

Glass Frit

An application was lodged by Ferro South Africa (Pty) Ltd, the major producer of glass frit in SACU. The investigation was initiated in December 2017. The investigation is on-going.

Summary of Sunset reviews

Product	Country	Initiation	Finalisation	Outcome
Frozen bone-in chicken portions	USA	24/03/2017	24/11/2017	Duties maintained (R9.40)
Unframed glass mirrors	Indonesia	17/02/2017	06/10/2017	Duties maintained (6,61%)
Clear float glass	Indonesia	21/07/2017	02/02/2018	Duties maintained (10% - 30,5%)
Glass frit	Brazil	15/12/2017	In progress	

Summary of investigations conducted

The Table below presents a summary of the investigations conducted during the financial year 2017/18.

Product	Country	Initiation	Finalisation	Outcome
Certain flat hot-rolled steel product	Safeguard	All	11/08/2017	Duties imposed (12% 1st year, 10% 2nd year, 8% 3rd year)
Certain flat cold-rolled steel product	Safeguard	All	29/09/2017	No duty
Frozen bone-in chicken portions	Safeguard	All	Pending	Pending
Frozen bone-in chicken portions	Sunset review	USA	24/11/2017	Duties maintained (R9.40)
Unframed glass mirrors	Sunset review	Indonesia	06/10/2017	Duties maintained (6,61%)
Clear float glass	Sunset review	Indonesia	02/02/2018	Duties maintained (10% - 30,5%)
Glass frit	Sunset review	Brazil	In progress	

Import and Export Control

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

Import control measures or restrictions in a more globally integrated economy are limited to those allowed under the relevant World Trade Organisation (WTO) Agreements. Import control measures are essentially for health, safety, environmental and strategic reasons. In this regard, ITAC contributes to the green economy.

In the enforcement of standards and the curbing of illegal and fraudulent trade, ITAC has positioned itself to play a more strategic role with regard to import and export control measures and enforcement.

Minerals beneficiation has been identified as one of the areas for job creation and this has required an alignment of ITAC's export control measures to give support to beneficiation. ITAC has strengthened its export control measures on scrap metal through the introduction of a price preference system to promote investment and employment opportunities in the domestic metals beneficiation and fabrication industries. This followed a policy directive by the Minister of Economic Development aimed at enabling affordable access to quality scrap metal by the domestic consuming industry. Because ITAC is administering such a system for the first time, the focus has been on ensuring its effective administration and on managing litigation.

During the reporting period, 20 192 import and 13 411 export permits were issued. As can be seen from the table below, the bulk of the import permits, namely 3 807, were issued for the importation of machinery and mechanical appliances, equipment and parts thereof of chapter 84 of the Harmonized Customs Tariff. The next largest categories of imports permits are also detailed in the table below:

IMPORTED GOODS	HARMONIZED CUSTOMS TARIFF CLASSIFICATION	NUMBER OF IMPORT PERMITS
Machinery and mechanical appliances, equipment and parts thereof	Chapter 84	3 807
Rubber and articles thereof, including tyres	Chapter 40	2 461
Marine resources	Chapter 03	2 226
Vehicle and parts thereof	Chapter 87	1 820
Arms and ammunition	Chapter 93	1 697
Mineral fuels, mineral oils and products of their distillation	Chapter 27	1 541
Electrical machinery and equipment and parts thereof	Chapter 85	1 271
Metals	Chapter 72 to 81	1 053
Organic and inorganic chemicals	Chapters 28 and 29	642

As detailed in the table below, the bulk of export permits were issued for the exportation of used motor vehicles of chapter 87 namely 6 911 export permits. The next largest categories of export permits are also set forth in the table.

EXPORTED GOODS	HARMONIZED CUSTOMS TARIFF CLASSIFICATION	NUMBER OF EXPORT PERMITS
Used motor vehicles	Chapter 87	6 911
Ferrous and non-ferrous waste and scrap	Chapters 72 to 81	4 261
Organic and inorganic chemicals	Chapters 28 and 29	1 418
Mineral fuels and products of their distillation	Chapter 27	569

The enforcement component of the Import and Export Control Unit conducts enforcement activities in terms of Section 41 of the International Trade Administration Act, (71 of 2002). Enforcement is crucial in detecting contraventions of the ITA Act and the Import and Export Control Regulations, and to ensure that there is compliance with the conditions and terms reflected in import, export and rebate permits.

Enforcement activities are made up of scheduled inspections, unscheduled or surprise inspections and investigations. During the 2017/18 financial year, 482 scheduled inspections were conducted, 3309 unscheduled inspections and 19 investigations were conducted. Industry sectors inspected were clothing, ferrous and non-ferrous scrap metals, automotive, pneumatic tyres and machinery and equipment.

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

Performance against predetermined objectives

STRATEGIC OBJECTIVE 1

STRATEGIC OBJECTIVE 1	MEASURABLE OBJECTIVES	PERFORMANCE INDICATORS	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2018	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
To ensure contribution to employment creating growth and development through effective delivery of international trade instruments.	**Customs Tariff Reduction Investigations:**				
	Investigations under consideration.	Turnaround times of Customs Tariff Reduction Investigations.	80% of the final decision within 6 months.	11% of the final decisions were made within 6 months.	Target not achieved. Protracted engagements with applicants, interested parties.
	Customs Tariff Increase Investigations:				
	Investigations under consideration.	Turnaround times of Customs Tariff Increase Investigations.	80% of the final decision within 6 months.	40% of the final decisions were made within 6 months.	Target not achieved. Protracted engagements with applicants, interested parties, as well as litigation during the process of investigation.
	Customs Tariff Rebates Investigations:				
	Investigations under consideration.	Turnaround times of Customs Tariff Rebate Investigations.	80% of the final decision within 6 months.	69% of the final decisions were made within 6 months.	Target not achieved. Protracted engagements with applicants, interested parties, as well as litigation during the process of investigation.
	Customs Duty Rebate and Drawback permits:				
	Rebate and drawback permits.	Turnaround times of Customs Duty Rebate and Drawback Permits.	80% of the permits issued within 2 weeks.	97% of the permits issued were within 2 weeks.	Target achieved. The process of permit administration was improved. Permits are allocated to units in such a manner that capacity utilisation is optimal i.e. if one unit has more capacity available, more permit applications are allocated to it, resulting in quicker turnaround times.

STRATEGIC OBJECTIVE 1	MEASURABLE OBJECTIVES	PERFORMANCE INDICATORS	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2018	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
To ensure contribution to employment creating growth and development through effective delivery of international trade instruments.	**Automotive Production Development Programme (APDP):**				
	Eligible Production Certificates (EPCs).	Turnaround times of EPCs.	80% of the certificates issued within 10 days after technical working group or factory visit and all outstanding information is submitted.	99% of the certificates were issued within 10 days after technical working group or factory visit.	Target achieved. The process of permit administration was improved. Permits are allocated to units in such a manner that capacity utilisation is optimal i.e. if one unit has more capacity available, more permit applications are allocated to it, resulting in quicker turnaround times.
	Production Rebate Credit Certificates (PRCCs).	Turnaround times of PRCCs.	80% of the certificates issued within 30 days.	99% of the certificates issued were within 30 days.	Target achieved. The process of permit administration was improved. Permits are allocated to units in such a manner that capacity utilisation is optimal i.e. if one unit has more capacity available, more permit applications are allocated to it, resulting in quicker turnaround times.
	APDP Verifications conducted to ensure compliance to the programme.	Turnaround times of APDP Verifications.	80% of the verifications completed within 3 months.	94% of the verifications finalised were completed within 3 months.	Target achieved. The compliance level of applications received was high resulting in quicker turnaround times.
	Anti-Dumping Investigations:				
	Investigations under consideration.	Turnaround times of Anti-Dumping investigations.	80% of Preliminary determination within 6 months of initiation. 80% of Final determinations within 10 months of initiation.	No preliminary or final determinations were made.	No Anti-Dumping investigations were carried over from the previous financial year, and no new investigations were initiated in 2017/18 financial year.
	New investigations initiated.	Turnaround time from acceptance of properly documented application to initiation of Anti-Dumping investigations.	80% of properly documented application accepted, initiated within 2 months.	No new investigations were initiated during this period.	No investigations were initiated as no properly documented applications were received.

STRATEGIC OBJECTIVE 1	MEASURABLE OBJECTIVES	PERFORMANCE INDICATORS	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2018	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
To ensure contribution to employment creating growth and development through effective delivery of international trade instruments.	**Countervailing Investigations:**				
	Investigations under consideration.	Turnaround times of Countervailing investigations.	80% of Preliminary determination within 6 months of initiation. 80% of Final determinations within 10 months of initiation.	No preliminary or final determinations were made.	No Countervailing investigations were carried over from the previous financial year, and no new investigations were initiated in 2017/18 financial year.
	New investigations initiated.	Turnaround time from acceptance of properly documented application to initiation of countervailing investigation.	80% of properly documented application accepted, initiated within 2 months.	No new investigations were initiated during this period.	No investigations were initiated as no properly documented applications were received.
	Sunset Review Investigations:				
	Investigations under consideration.	Turnaround times of Sunset Review investigations.	80% of Final determinations within 10 months of initiation.	100% of final determinations were made within 10 months of initiation.	Target achieved. Two sunset review Investigations were executed efficiently with no complications. • Unframed glass mirrors from Indonesia: initiated on 17/2/17 and finalised on 6/10/17. • Frozen bone in pieces of chicken from the USA: Initiated on 24/3/17 and finalised on 24/11/17.
	New investigations initiated.	Turnaround time from acceptance of properly documented application to initiation of Sunset Review investigation.	80% of properly documented application accepted, initiated within 2 months.	100% of properly documented applications accepted, were initiated within 2 months of acceptance.	Target achieved. The process of initiation was executed efficiently with no delays resulting in quicker turnaround times. Clear float glass; and Glass frit investigations were initiated within 2 months of acceptance. • clear float glass (accepted on 11/7/17, and initiated on 21/7/17) and • glass frit (accepted on 22/11/17 and initiated on 15/12/17).

STRATEGIC OBJECTIVE 1	MEASURABLE OBJECTIVES	PERFORMANCE INDICATORS	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2018	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
To ensure contribution to employment creating growth and development through effective delivery of international trade instruments.	**Safeguard Investigations:**				
	Investigations under consideration.	Turnaround times Safeguard investigations.	80% of Preliminary determination within 6 months of initiation. 80% of Final determinations within 10 months of initiation.	No preliminary determinations were made during the period under review. No final determinations were made within 10 months of initiation.	Target not achieved. Two final determinations were made but not within 10 months of initiation during the period under review namely: Hot rolled steel (initiated on 24/3/16 and finalised on 11/8/17) and Cold rolled steel (initiated on 29/7/16 and finalised on 28/9/17). Hot rolled steel: the finalisation was delayed due to lengthy consultations undertaken. Cold rolled steel: the finalisation was delayed due to lengthy consultations undertaken and since the publication of the final determination had to be delayed until after the publication of the finalisation of the hot rolled steel investigation.
	New investigations initiated.	Turnaround time from acceptance of properly documented application to initiation of Safeguard investigation.	80% of properly documented application accepted initiated within 2 months.	No new investigations were initiated during this period.	No investigations were initiated as no properly documented applications were received.
	Import Control Permits:				
	Import Control Permits.	Number of import control permits issued.	16 000	20 192	Target achieved. Increase in the number of permit applications received.
	Export Control Permits:				
	Export Control Permits.	Number of export control permits issued.	12 000	13 411	Target achieved. Increase in the number of permit applications received.

STRATEGIC OBJECTIVE 1	MEASURABLE OBJECTIVES	PERFORMANCE INDICATORS	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2018	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
	Enforcement of Import and Export Control Permit Conditions:				
To ensure contribution to employment creating growth and development through effective delivery of international trade instruments.	Inspections and Investigations.	Number of Scheduled Import and Export Control Permit inspections.	500	482	Target not achieved. The number of scheduled inspections declined due to the increase of unscheduled inspections.
		Number of Unscheduled Import and Export Control Permit inspections.	500	3 309	Target achieved. Unscheduled inspections increased due to temporary increase in enforcement capacity.
		Number of Import and Export Control Investigations.	20	19	Target not achieved. The number of investigations depends on the number of detected contraventions. There were few contraventions detected by ITAC in 2017/18 financial year despite the high number of unscheduled inspections conducted.

STRATEGIC OBJECTIVE 2

STRATEGIC OBJECTIVE 2	MEASURABLE OBJECTIVES	PERFORMANCE INDICATORS	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2018	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
To ensure strategic alignment with and continued relevance to the Economic Development Department and National Agenda, particularly the New Growth Path.	Participation in the dti's multilateral negotiations.	Input papers finalised and presented to the dti. Participation in the dti's multilateral engagements.	ITAC staff provides input into and attend 80% of **the dti** arranged multilateral engagements.	ITAC staff provided inputs into and attended 100% of **the dti** arranged multilateral engagements.	Target achieved. ITAC provided inputs into and attended all of **the dti** arranged multilateral engagements.
	Participation in the dti's bilateral negotiations.	Input papers finalised and presented to the dti. Participation in the dti's bilateral engagements.	ITAC staff provides input into and attend 80% of **the dti** arranged bilateral engagements.	ITAC staff provided inputs into and attended 100% of **the dti** arranged bilateral engagements.	Target achieved. ITAC provided inputs into and attended all of **the dti** arranged bilateral engagements.
	Technical advice provided regarding international trade instruments.	Participate in strategic departmental and agency meetings providing technical inputs as requested.	8 engagements for Tariff Investigations Unit. 8 engagements for Trade Remedies Unit. 8 engagements for Import and Export Unit.	8 engagements for Tariff Investigations Unit 8 engagements for Trade Remedies Unit. 8 engagements for Import & Export Control unit.	Target achieved. No variance recorded.

STRATEGIC OBJECTIVE 3

STRATEGIC OBJECTIVE 3	MEASURABLE OBJECTIVES	PERFORMANCE INDICATORS	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2018	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
To ensure organisational efficiency and effectiveness of ITAC.	International Trade Administration Amendment Bill.	Submission of the International Trade Administration Amendment Bill to the Minister for approval.	International Trade Administration Amendment Bill submitted to the Minister for approval.	International Trade Administration Amendment Bill was submitted to the Minister for approval.	Target achieved. No variance recorded.
	Reviewed Trade Remedies Policy and Regulations.	Reviewed Policy and/or Regulations submitted to Minister of Economic Development for approval.	Reviewed Anti-Dumping Regulations submitted to the Minister for approval.	Reviewed Anti-Dumping Regulations were submitted to EDD for the Minister's approval.	Target achieved. No variance recorded.
	Reviewed Import and Export Control Policy and Regulations.	Reviewed Import Control and/or Export Control Policy and/or Import Control and/or Export Control Regulations submitted to Minister of Economic Development for approval.	1 This target is subject to policy directive from EDD\Other National departments.	0 This target is subject to policy directive from EDD/Other National departments.	No directive or changes have been received.
	Ad - hoc research papers (Reviewed Import and Export Control).	Finalised research papers submitted to Chief Commissioner for approval.	1 research paper finalised and submitted to the Chief Commissioner for approval.	1 research paper was finalised and submitted to the Chief Commissioner for approval.	Target achieved. The research paper on local manufacture of rolling stock, green power generation equipment and containers was finalised and submitted to the CC for signature.
	Conduct impact assessments of ITAC's instruments.	Reports presented to relevant stakeholders and the final annual consolidated impact evaluation report submitted to EDD and the dti.	5 product specific impact assessments.	2 product specific impact assessment reports were issued.	Target not achieved. The following 2 impact reports were issued: • The Scrap Metal Impact Assessment report; and • Steel report The Chief Economist who is responsible for delivering this target resigned prior to the conclusion of the relevant work.

STRATEGIC OBJECTIVE 3	MEASURABLE OBJECTIVES	PERFORMANCE INDICATORS	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2018	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
To ensure organisational efficiency and effectiveness of ITAC.	Trade Monitoring reports.	Annual and quarterly Trade Monitoring Reports.	Annual and quarterly Trade Monitoring Reports.	There were no Annual and quarterly Trade Monitoring Reports finalised in the period under review.	Target not achieved. The Chief Economist who is responsible for delivering this target resigned prior to the conclusion of the relevant work.
	Strengthen systems on reciprocal commitments by tariff adjustment beneficiaries on new investment, job creation and industrial expansion.	Bi-Annual report on the performance of the selected sector against reciprocal commitments by tariff adjustment beneficiaries on new investment, job creation and industrial expansion.	Bi-Annual report on the performance of the selected sector against reciprocal commitments by tariff adjustment beneficiaries on new investment, job creation and industrial expansion.	A report on the performance of the selected sector against reciprocal commitments by tariff adjustment beneficiaries on new investment, job creation and industrial expansion was issued.	Target not achieved. One report was made to the Commission on concept of reciprocity and its linkage with tariff amendment instruments.
	Provide for improved systems to monitor and regulate scrap metal exports as part of government's action to reduce theft of metal and cables from the country's infrastructure system.	Reviewed scrap metal Regulations and Guidelines to incorporate measures that contribute to better export risk management of scrap metal.	Reviewed scrap metal Regulations and Guidelines submitted to the Minister for approval.	Reviewed guidelines submitted to EDD in the previous financial year.	Target not achieved. Awaiting feedback on reviewed guidelines from EDD.
	Administration of scrap metal price preference system to achieve intended objectives, as well as successfully opposing litigation against the system.	Reports (Bi-Annual) on the administration of scrap metal price preference system to achieve intended objectives, as well as litigation outcomes against the system.	Reports (Bi-Annual) on the administration of scrap metal price preference system to achieve intended objectives, as well as litigation outcomes against the system.	Reports (Bi-Annual) on the administration of scrap metal price preference system to achieve intended objectives, as well as litigation outcomes against the system were finalised and submitted to the Chief Commissioner. Litigation successfully finalised.	Target achieved. No variance recorded.

Human Resources Management

Human Resources Management

The Human Resources Unit (HR Unit) endeavours to infuse workplace vitality in an environment that supports and develops the well-being and professional skills of ITAC's employees. The HR Unit seeks to deliver on this goal by providing quality services in the areas of employee relations, employee wellness through the wellness programme, recruitment and retention, organisational development and performance management. The HR unit develops and communicate policies that balance the needs of employees and the employer while ensuring compliance with relevant legislation.

Workforce planning

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

With regards to current employees, a Workplace Skills Plan has been developed and is implemented on an on-going basis as a means to enhance the employees' professional skills, thereby improving workplace efficiency and performance.

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

Employee performance management

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

Employee Health and Wellness

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

Employment

ITAC's workforce as at 31 March 2018 was 119 and comprises of the following:

Core Business	Support Services
68	51

As at the end of 31 March 2018, there were 12 vacant positions, excluding contract positions. This scenario makes the vacancy rate for the period under review to be 9.16%.

Employment Equity (EE)

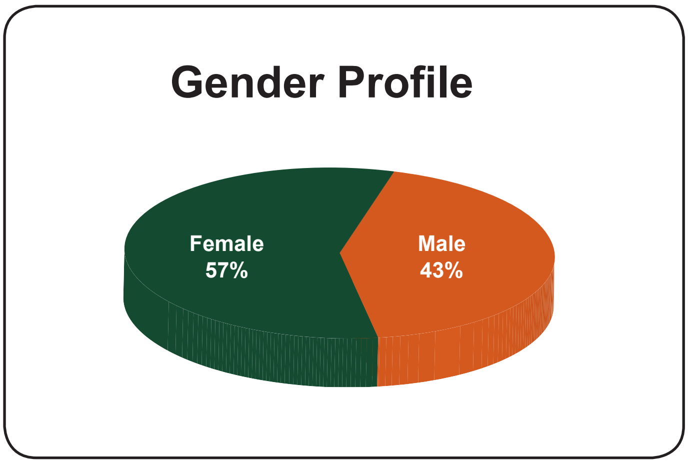
In accordance with the Employment Equity Act, of 1998, ITAC is committed to providing and transforming a workforce that is equitably representative of the demographics of South Africa united, in diversity through the appointment of suitably qualified people from designated groups in all occupational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

The highlights of the year under review include: a proper functioning EE committee; the implementation of a 3 year EE plan (2016 - 2019); and reporting the EE progress against the EE plan to the Department of labour.

Employee Profile

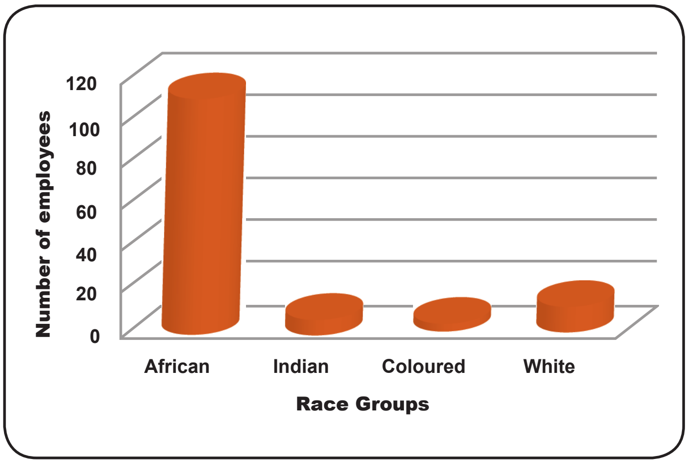
The following graphs present ITAC's employee profile in terms of a) gender; b) race; and c) Job classifications.

a. Gender profile



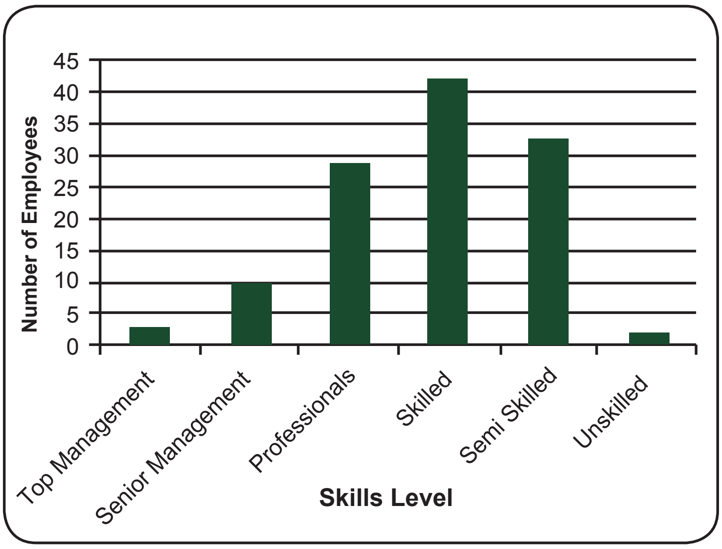
The above graph depicts gender representation of employees who are currently employed by ITAC in the period under review. The current status in terms of gender representation is also a consideration in terms of setting up targets for the employment equity plan.

b. Race Profile

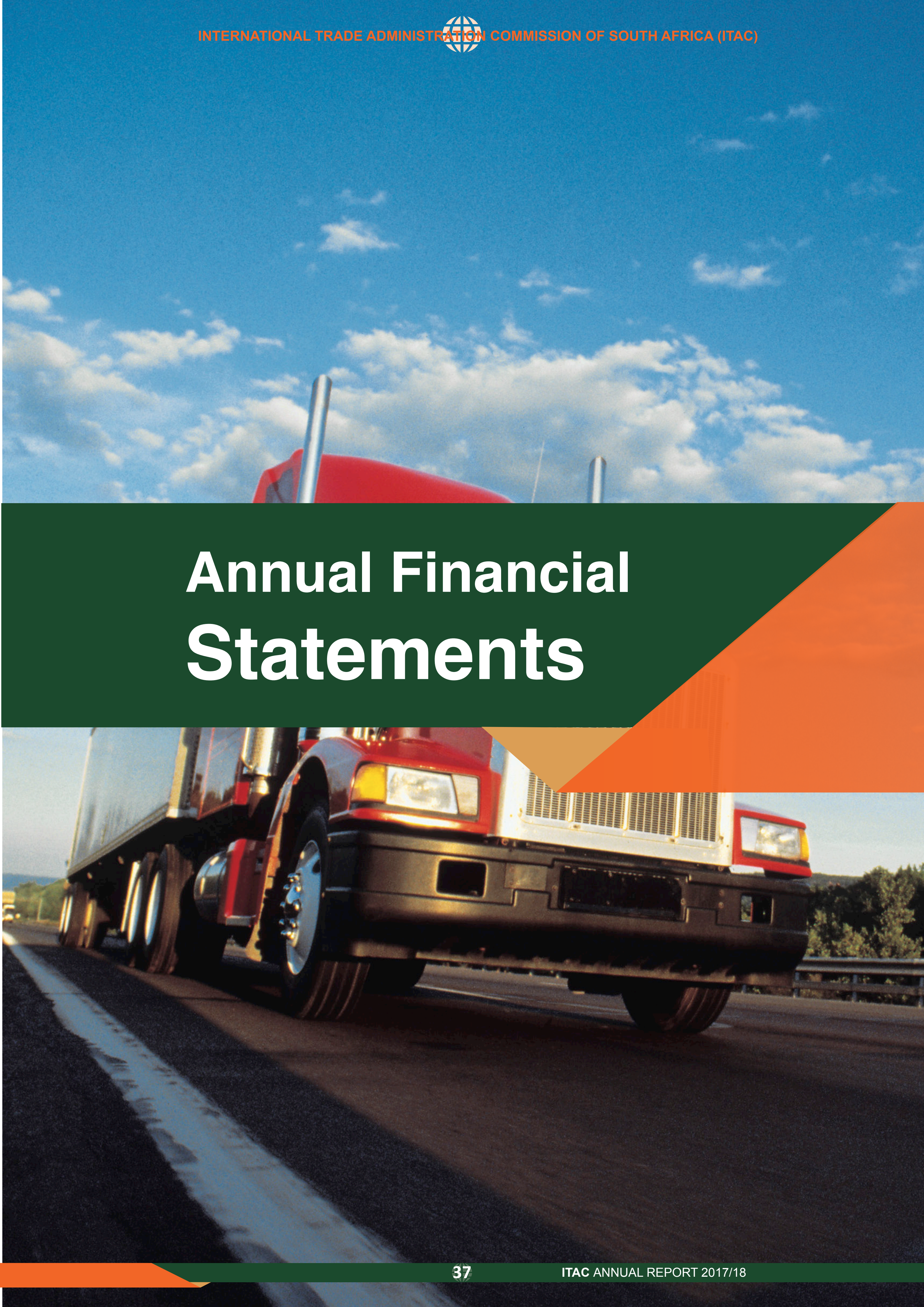


The previous graph depicts racial representation of employees who are currently employed by ITAC in the period under review. ITAC is currently in a process of strenghting its recruitment mechanisms to attract racial groups who are not sufficiently represented.

c. Job Profile



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



Annual Financial Statements

General Information

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

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

Corporate Governance Report

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

1. Internal controls

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

2. Risk Management

ITAC has a Risk Management Framework and Policy that are reviewed annually to ensure that they are relevant and suitable for the organisation in line with emerging risks and trends.

Risks are monitored and reviewed quarterly in line with organisation's Risk Management Implementation Plans. ITAC has a Risk Management Committee which is an internal structure aimed at proactively monitoring and evaluating the effectiveness of organisation's risk management activities.

The following achievements can be highlighted amongst others:

- The review and approval of the risk policy, framework, and implementation plan
- The organisation's risk maturity assessment was Level 5,
- The annual risk identification and assessment,
- Quarterly monitoring of strategic and operational risk registers.

3. Internal Audit and Audit Committee

The primary function of Internal Audit is to give objective assurance to the Accounting Authority and Audit Committee that adequate management processes are in place to identify, monitor and manage risks. Internal Audit independently audits and evaluates the effectiveness of the organisation's risk management, internal controls and governance processes.

During the year 2017/18, Internal Audit performed audits in the following areas per the approved annual plan.

- Performance Against Predetermined Objectives
- Financial Statements
- Financial and Supply Chain Management
- Core Business
- Human Resources Management

The Audit Committee members' profile.

Name	Qualifications	Internal or external	Date appointed	Date Resigned
P Mvulane (Chairperson)	CA (SA), RA	External	August 2011	N/A
R Nhlapo (Chair of Risk Management Committee)	M Tech	External	August 2016	N/A
B Maditse	CA (SA)	External	August 2016	December 2017
L Maqekoane	ACCA, CPA	External	August 2016	February 2018

4. Compliance with laws and regulations

ITAC has an approved Compliance Policy and Framework and both are reviewed annually. Compliance with the relevant legislations is monitored on a quarterly basis by the Risk Management Committee.

5. Fraud and Corruption

ITAC has a Fraud Prevention Policy and a Fraud Prevention Plan which are reviewed on an annual basis. The implementation of the Fraud Prevention Plan is monitored by the Risk Management Committee on a quarterly basis.

Accounting Authority's Responsibilities and Approval

The International Trade Administration Act, Act No. 71 of 2002 (ITA Act), requires the Chief Commissioner to ensure that the International Trade Administration Commission of South Africa (ITAC) maintains full and proper records of its financial affairs. The annual financial statements for the period ending 31 March 2018 fairly present the state of affairs of ITAC, its financial performance and its financial position as at the end of the year in terms of Standards of Generally Recognised Accounting Practice (GRAP) as disclosed in the accounting policies. These annual financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgements.

The annual financial statements for the period ending 31 March 2018 are the responsibility of the Chief Commissioner. The Auditor-General South Africa is responsible for independently auditing and reporting on the financial statements and performance information.

The Chief Commissioner has reviewed ITAC's budget and cash flow forecasts for the period ending 31 March 2019. On the basis of this review, and in view of the current financial position and existing resources of the Economic Development Department (EDD) by way of transfer payments to ITAC, the Chief Commissioner has every reason to believe that ITAC will be a going concern in the year ahead and the going concern-basis has therefore been adopted in preparing the financial statements.

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

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

The Executive Committee has reviewed ITAC's systems of internal control and risk management for the period ending 31 March 2018, and is of the opinion that ITAC's systems of internal control and risk management were effective for the period under review.

I am satisfied that these financial statements represent a fair reflection of the results of ITAC for the period ending 31 March 2018.

Mr Meluleki Nzimande
Chief Commissioner

Accounting Authority's Report

1. Introduction

Report by the Accounting Authority on the financial performance, financial position and cash flow statement of International Trade Administration Commission of South Africa (ITAC) for the period ending 31 March 2018.

2. Operating results

The deficit of ITAC for the period to 31 March 2018 was R7 491 213 (2017: R11 583 796). The interest received for the period is R 757 546 (2017: R1 436 195).

3. Review of activities

Main business and operations

The aim of ITAC, as stated in the International Trade Administration Act, Act 71 of 2002 (ITA Act, is to foster economic growth and development in order to raise incomes and promote investment and employment in South Africa and within the Common Customs Area by establishing efficient and effective systems for the administration of international trade subject to ITA Act and the Southern African Customs Union (SACU) Agreement. The core functions of ITAC are to conduct tariff and trade remedies investigations, and import and export control. ITAC's primary source of revenue is the quarterly transfer of funds from Economic Development Department (EDD). Funds were applied to cover personnel and operating expenses, including the costs of litigation. ITAC's operating costs are increasing annually as a result of annual increases in human resource costs which often are well in excess of the "year on year" increase in transfers received from EDD. It should be noted in this regard that human resource costs account for a large portion of the budget. Further, legal costs are also increasing due to the litigious and complex nature of the matters dealt with by ITAC, as well as an increase in the number of of new court cases, not withstanding ITAC's success record in this regard.

The table below reflects actual revenue and expenditure amounts for the 2017/18 financial year.

	2018	2017
Total revenue (actual)	101 724 637	92 703 379
Total expenditure (actual)	(109 215 850)	(104 287 175)

4. Executive Management emoluments

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

5. Materiality and significant framework

ITAC has developed and adopted a materiality and significant issues framework for reporting losses through criminal conduct, irregular, fruitless or wasteful expenditure, as well as for significant transactions envisaged per section 55(2) of the Public Finance Management Act (Act 29 of 1999). The materiality amount for the year under review was R554 170. This represents 0.5% of ITAC's total approved revenue budget for the financial year. ITAC's total approved revenue budget for the period was R110 834 011.

6. Approval of the annual financial statements

The annual financial statements set out on pages 37 to 81 have been approved by the Audit Committee and signed by the me.

Nzimande

Mr M. Nzimande
Chief Commissioner
Date: 31/07/2018

Audit Committee Report

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

Audit Committee members and attendance

The Audit Committee consists of the members listed hereunder and should meet at least four times per annum as per its approved terms of reference. During the current year, five meetings were held, 4 ordinary quarterly meeting and 1 special meeting to consider the annual report before issue to Auditor General South Africa.

Name of member	Number of meetings attended
PMvulane (Chairperson)	5
R Nhlapo	4
B Maditse	4
L Maquekoane	4

Audit Committee responsibilities

The Audit Committee reports that it has complied with its responsibilities arising from section 51 (1)(ii) and 76(4)(d) of the PFMA and Treasury Regulation 27.1.

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

The effectiveness of internal control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted at ITAC revealed certain weaknesses, which were then raised with the entity.

The internal audit work completed during the year under review is detailed in page 40 of the governance report. The unit had 22 audit areas identified however 1 project in human resources was not performed because of budget constraints and other 2 projects were related to Information Technology which management will only be ready for audit in 2018/9. Therefore the unit achieved 95% in execution of the operation plan for the year.

The following amongst others, were areas of concern which indicates that some controls were partially effective: Contract Management under Supply Chain; and Quarterly Performance Reporting.

Based on the above, the systems of internal control applied by ITAC over governance including financial reporting risk and risk management have improved however, there are still concerns that require management's attention. In line with the PFMA and best practice in public sector, the Internal Audit Unit has provided the Audit Committee and Management with appropriate assurance that the internal controls are appropriate and effective, hence the year-end audit improved. The Accounting Authority has committed to specific actions which will be monitored by Audit Committee on a quarterly basis.

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

The Audit Committee reviewed the quarterly reports i.e. financial statements and performance information of predetermined objectives prepared and issued by the Accounting Authority of the entity during the year under review, and is satisfied with the content and quality thereof. There has been a notable improvement especially on the quality of financial statements.

Evaluation of Annual Financial Statements

The Audit Committee has:

- reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report, with the Auditor-General South Africa and the Accounting Authority; and made certain recommendations for improvement;
- reviewed the Auditor-General South Africa's Management Report and management's response thereto; and also

The Audit committee would like to commend the management on the Annual Financial Statements issued which were free of material misstatements. The Audit Committee concurs with and accepts the Auditor-General South Africa's report on the Annual Financial Statements, and is of the opinion that the audited Annual Financial Statements should be accepted and read together with the report of the Auditor-General South Africa.

Audit Committee Report

Internal audit

The Audit Committee is satisfied that the Internal Audit function is operating independent and effectively and that it has addressed the risks pertinent to ITAC with the support of the co-sourced Internal Audit function. The Audit Committee is of a view that the function was sufficiently resourced based on the approved plan.

Auditor-General South Africa

The Audit Committee has reviewed the ITAC implementation plan for audit issues raised in the prior year and is satisfied that those matters were adequately resolved except for the possible Irregular Expenditure. This matter will be dealt together with the Department of Justice since the finding is based on their SCM processes in procurement of legal services for ITAC.

The Audit Committee has analysed the root causes of the new findings and management responses in the Auditor General South Africa's Management Report to ensure that they address the key risk areas. The management has committed to compile the action plan to strengthen controls for the future based on the recommendations by Auditor General South Africa. The actions plans will be prioritised and monitored on quarterly basis.

Conclusion

The Audit Committee wishes to congratulate the Management Team of ITAC for their commitment in striving towards excellence that has resulted in ITAC receiving an unqualified audit opinion with no findings for the 2017/8 financial year. All our efforts are combined to strive towards excellence to learn, grow and serve ITAC.

Precious Mvulane CA (SA), RA
Chairperson of the Audit Committee
Date: 31 July 2018

Report of the Auditor-General to Parliament on ITAC

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the International Trade Administration Commission set out on pages 49 to 81 which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the International Trade Administration Commission as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for 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 public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Responsibilities of the accounting authority for the financial statements

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

7. In preparing the financial statements, the accounting authority is responsible for assessing the International Trade Administration Commission's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

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

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

Report of the Auditor - General

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

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

12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2018:

Objectives	Pages in the annual performance report
Objective 1 -To ensure contribution to employment creating growth and development through effective delivery of International trade instruments	26 - 30
Objective 3 - To ensure organisational efficiency and effectiveness of ITAC	32 - 33

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

14. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected objectives indicated in paragraph 12 above.

Other matters

15. I draw attention to the matters below.

Achievement of planned targets

16. Refer to the annual performance report on pages 26 to 33 for information on the achievement of planned targets for the year.

Adjustment of material misstatements

17. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of *Objective 3 - To ensure organisational efficiency and effectiveness of ITAC.* As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

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

19. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Report of the Auditor - General

Other information

20. The accounting authority 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 and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

21. 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.

22. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

23. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

24. 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. I did not identify any significant deficiencies in internal control.

Auditor - General

Pretoria
31 July 2018

AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Report of the Auditor - General

Annexure - Auditor-general's responsibility for the audit

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

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority

- conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the International Trade Administration Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Statement of Financial Position as at 31 March 2018

	Note(s)	2018 R	2017 R
Assets			
Current Assets			
Inventories	5	116 946	135 649
Receivables from exchange transactions	6	439 887	401 253
Receivables from non-exchange transactions	25	-	9 340
Cash and cash equivalents	7	12 789 885	19 150 976
		13 346 718	**19 697 218**
Non-Current Assets			
Property, plant and equipment	2	2 092 151	3 419 368
Intangible assets	3	375 756	644 051
		2 467 907	**4 063 419**
Total Assets		**15 814 625**	**23 760 637**
Liabilities			
Current Liabilities			
Operating lease liability		550 366	-
Payables from exchange transactions	10	3 149 954	3 701 094
Trade and other payables from non-exchange transactions	26	324 144	231 000
Unspent conditional grants and receipts	8	-	1 591 011
Provisions	9	9 654 301	8 115 240
		13 678 765	**13 638 345**
Non-Current Liabilities			
Operating lease liability	24	1 216 431	1 711 650
Total Liabilities		**14 895 196**	**15 349 995**
Net Assets		**919 429**	**8 410 642**
Accumulated surplus		919 429	8 410 642

Statement of Financial Performance

	Note(s)	2018 R	2017 R
Revenue			
Revenue from exchange transactions			
Other income	11	311 080	410 202
Interest received - call account	11	757 546	1 436 195
Total revenue from exchange transactions		**1 068 626**	**1 846 397**
Revenue from non-exchange transactions			
Conditional grant	11&12	1 591 011	3 855 982
Government grants & subsidies	11	99 065 000	87 001 000
Total revenue from non-exchange transactions		**100 656 011**	**90 856 982**
Total revenue		**101 724 637**	**92 703 379**
Expenditure			
Employee related costs	15	(85 165 842)	(79 692 956)
Depreciation and amortisation	13	(1 658 284)	(1 631 427)
Lease rentals on operating lease	30	(7 219 259)	(7 042 599)
Debt Impairment	27	(18 646)	-
General Expenses	14	(15 153 819)	(15 920 193)
Total expenditure		**(109 215 850)**	**(104 287 175)**
Deficit for the year		**(7 491 213)**	**(11 583 796)**

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 April 2016	**19 994 438**	**19 994 438**
Changes in net assets		
Deficit for the year	(11 583 796)	(11 583 796)
Total changes	(11 583 796)	(11 583 796)
Balance at 01 April 2017	**8 410 642**	**8 410 642**
Changes in net assets		
Deficit for the year	(7 491 213)	(7 491 213)
Total changes	(7 491 213)	(7 491 213)
Balance at 31 March 2018	**919 429**	**919 429**

Statement of Cash Flows

	Note(s)	2018 R	2017 R
Cash flows from operating activities			
Receipts			
Grants		99 065 000	90 856 982
Interest income		757 546	1 436 195
Other receipts		231 662	394 152
		100 054 208	**92 687 329**
Payments			
Employee costs		(84 651 218)	(79 692 956)
Suppliers		(21 735 716)	(24 655 048)
		(106 386 934)	(104 348 004)
Net cash flows from operating activities	17	**(6 332 726)**	**(11 660 675)**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(78 488)	(3 976 643)
Purchase of other intangible assets	3	-	(66 848)
Proceeds from sale of assets		50 124	16 050
Net cash flows from investing activities		**(28 364)**	**(4 027 441)**
Net increase/(decrease) in cash and cash equivalents		**(6 361 090)**	**(15 688 116)**
Cash and cash equivalents at the beginning of the year		19 150 976	34 839 092
Cash and cash equivalents at the end of the year	7	**12 789 886**	**19 150 976**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	R
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other income	205 000	-	**205 000**	311 080	**106 080**	22 & 23
Revenue from surpluses	8 400 000	-	**8 400 000**	-	**(8 400 000)**	22 & 23
Interest received - call account	1 573 000	-	**1 573 000**	757 546	**(815 454)**	22 & 23
Total revenue from exchange transactions	**10 178 000**	**-**	**10 178 000**	**1 068 626**	**(9 109 374)**	
Revenue from non-exchange transactions						
Conditional grant	1 591 011	-	**1 591 011**	1 591 011	**-**	22 & 23
Government grant & subsidies	99 065 000	-	**99 065 000**	99 065 000	**-**	
Total revenue from non- exchange transactions	**100 656 011**	-	**100 656 011**	**100 656 011**	**-**	
Total revenue	**110 834 011**	-	**110 834 011**	**101 724 637**	**(9 109 374)**	
Expenditure Employee related costs	(89 689 721)	-	**(89 689 721)**	(85 165 842)	**4 523 879**	22 & 23
Depreciation and amortisation	-	-	**-**	(1 658 284)	**(1 658 284)**	22 & 23
Lease rentals on operating lease	(5 608 348)	-	**(5 608 348)**	(7 219 259)	**(1 610 911)**	22 & 23
Debt Impairment	-	-	**-**	(18 646)	**(18 646)**	
General Expenses	(15 535 942)	-	**(15 535 942)**	(15 153 819)	**382 123**	22 & 23
Total expenditure	**(110 834 011)**	-	**(110 834 011)**	**(109 215 850)**	**1 618 161**	
Deficit for the year	-	-	**-**	**(7 491 213)**	**(7 491 213)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	**-**	**(7 491 213)**	**(7 491 213)**	

Accounting Policies

1. Basis of preparation

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. Accounting policies for material transactions, events or conditions not covered by GRAP reporting framework, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and hierarchy approved in Directive 5 issued by the Accounting Standards Board. In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

1.1 Presentation currency

These annual financial statements are presented in the South African Rand, as that is the currency in which the majority of ITAC's transactions are denominated. Unless otherwise stated, financial figures have been rounded off to the nearest R1.

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

Fair value estimation

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

Impairment testing

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

Provisions

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

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of Property,Plant and Equipment

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

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value or the cost. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

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

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

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

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

Item	Depreciation method	Average useful life
Furniture and fittings	Straight line	6 to 8 years
IT equipment	Straight line	
• Computer equipment		3 to 5 years
• Servers		5 to 7 years
• Ipads		2 to 3 years
Office equipment	Straight line	3 to 8 years

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

1.5. Intangible assets

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired for no or nominal consideration, the cost is deemed to be equal to the fair value of the asset on the date of acquisition.

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

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

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

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

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

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

1.6 Financial instruments

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

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

Accounting Policies

1.6 Financial instruments (continued)

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

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

Classification

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

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

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

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

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

Impairment and uncollectibility of financial assets

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

Accounting Policies

1.6 Financial instruments (continued)

Financial assets measured at amortised cost:

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

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

Derecognition

Financial assets

ITAC derecognises financial assets using trade date accounting.

ITAC derecognises a financial asset only when:

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

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

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

Financial liabilities

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

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

Presentation

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

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

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

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

Accounting Policies

1.7 Statutory Receivables

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

Recognition

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

Measurement

Initial Measurement:

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

Subsequent Measurement:

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

Impairment of Statutory Receivables

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

Derecognition

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

Presentation and Disclosure

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

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

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

1.8 Tax

Tax expenses

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

Accounting Policies

1.9 Leases

Operating leases - lessee

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

1.10 Inventories

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

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

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

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

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

1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

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

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

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

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

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

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use. Useful life is either:

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

1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

Accounting Policies

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

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

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

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

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

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

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.
Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

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

1.13 Employee benefits

Short-term employee benefits

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

ITAC's short-term employee benefits include items such as:

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

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

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

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

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

Accounting Policies

1.13 Employee benefits (continued)

Post-retirement benefits: Defined contribution plan

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

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

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

1.15 Revenue from exchange transactions

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

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

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

Measurement

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

Interest received from call account

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

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

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

Other income

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

Accounting Policies

1.16 Revenue from non-exchange transactions

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

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increases in net assets, other than increases relating to contributions from owners. ITAC revenue from non- exchange transactions consists of transfers received from the Economic Development Department.

Recognition

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

Measurement

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

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

Government grants and subsidies

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

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

1.17 Events after reporting date

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

1.18 Comparative figures

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

Prior Year Errors

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

1.19 Unauthorised expenditure

Unauthorised expenditure means:

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

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

Accounting Policies

1.20 Fruitless and wasteful expenditure

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

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

1.21 Irregular expenditure

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

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

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

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

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

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

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

1.22 Conditional grants and receipts

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

1.23 Budget information

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

ITAC provide financial reports providing information on whether resources were obtained and used in accordance with the legally adopted budget.

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

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

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

Accounting Policies

1.24 Related parties

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

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

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

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

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

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

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

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

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

1.25 Events after reporting date

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

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

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

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

Accounting Policies

1.26 New GRAP standards issued but not yet effective

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

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

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

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

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

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

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

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

Notes to the Annual Financial Statements

2. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Office furniture	1 025 545	(688 879)	336 666	971 125	(534 691)	436 434
IT equipment	4 762 095	(3 006 610)	1 755 485	4 780 778	(1 797 844)	2 982 934
Total	**5 787 640**	**(3 695 489)**	**2 092 151**	**5 751 903**	**(2 332 535)**	**3 419 368**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Office furniture	436 434	54 419	-	(154 187)	336 666
IT equipment	2 982 934	24 069	(15 716)	(1 235 802)	1 755 485
	3 419 368	**78 488**	**(15 716)**	**(1 389 989)**	**2 092 151**

Reconciliation of property, plant and equipment - 2017

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

Property, plant and equipment is not pledged as security for any financial liabilities.

ITAC has minor fully depreciated items of property, plant and equipment that need to be replaced but are still in use. The entity will continue to use the items until funds are available to replace.

An amount of R33 545 was received from the insurance company for lost items of IT equipment, the amount is included in the deficit.

3. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	**2 311 169**	**(1 935 413)**	**375 756**	**2 311 169**	**(1 667 118)**	**644 051**

Notes to the Annual Financial Statements

3. Intangible assets (continues)

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software	644 051	(268 295)	375 756

Reconciliation of intangible assets - 2017

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

Intangible assets were not pledged as security for any financial liabilities.

4. Financial assets and liabilities by category

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

2018

	Loans and receivables / payables at amortised cost	Total
Trade and other receivables	405 000	405 000
Cash and cash equivalents	12 789 886	12 789 886
Trade and other payables	3 171 861	3 171 861
	16 366 747	**16 366 747**

2017

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

	2018 R	2017 R
5. Inventories		
Stationery and consumables	**116 946**	**135 649**
6. Receivables from exchange transactions		
Cellphones	39 851	43 018
Bursaries	193 803	153 713
Other debtors	335 995	315 638
Provision for bad debts	(129 762)	(111 116)
	439 887	**401 253**

Notes to the Annual Financial Statements

	2018 R	2017 R

6. Receivables from exchange transactions (continues)

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

Trade and other receivables past due but not impaired
The ageing of amounts past due but not impaired is as follows:

	2018 R	2017 R
1 month past due	857	15 286
2 months past due	14	13 461
3 months past due	413 944	312 663
Trade and other receivables neither past due nor impaired		
Current	154 834	115 958

As of 31 March 2018, trade and other receivables of R18 646 were impaired and provided for.

The amount of the provision was R-129 762 as of 31 March 2018 (2017: R-111 116).

7. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current and call accounts that are held with a National Treasury approved banking institution, with immediate access and are subject to insignificant interest rate risk. Cash and cash equivalents are measured at realisable value. ITAC was exempted by the National Treasury from the requirement of Treasury Regulation 31.3 to invest surplus funds with the Corporation for Public Deposits.

	2018 R	2017 R
Cash on hand	7 900	7 900
Current account	78 745	207 381
Call account	12 703 240	18 935 695
	12 789 885	**19 150 976**

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

8. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2018 R	2017 R
Unspent conditional grants and receipts		
EDD scrap metal grant	-	1 591 011
Movement during the year		
Balance at the beginning of the year	1 591 011	5 446 993
Income recognition during the year	(1 591 011)	(3 855 982)
	-	**1 591 011**

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

Notes to the Annual Financial Statements

9. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Total
Legal fees	2 421 502	3 285 171	(2 088 839)	3 617 834
Performance bonus	1 233 111	1 345 346	(1 233 111)	1 345 346
Leave pay	4 337 952	4 452 203	(4 421 612)	4 368 543
Workmen's Compensation	122 675	199 903	-	322 578
	8 115 240	**9 282 623**	**(7 743 562)**	**9 654 301**

Reconciliation of provisions - 2017

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

Non-current liabilities	-	-
Current liabilities	9 654 301	8 115 240
	9 654 301	**8 115 240**

Legal fees

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

Performance bonus

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

Leave pay

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

Workmen's compensation

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

Notes to the Annual Financial Statements

	2018 R	2017 R
10. Payables from exchange transactions		
Trade payables	1 088 236	1 580 426
Service bonus	1 731 280	1 652 709
Other payables	330 438	467 959
	3 149 954	**3 701 094**

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

11. Revenue

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

	2018 R	2017 R
Other income	311 080	410 202
Interest received - call account	757 546	1 436 195
	1 068 626	**1 846 397**

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

	2018 R	2017 R
Conditional grant	1 591 011	3 855 982
Government subsidies	99 065 000	87 001 000
	100 656 011	**90 856 982**

12. Conditional grants

	2018 R	2017 R
Conditional grant	1 591 011	3 855 982
EDD Rental grant		
Balance unspent at beginning of year	-	1 736 019
Conditions met - transferred to revenue	-	(1 736 019)
	-	-

Notes to the Annual Financial Statements

12. Conditional grants (Continues)

Rental grant is for payment of short-fall of rental expense paid to the **dti** for two financial years 2015/2016 and 2016/2017.

	2018 R	2017 R
EDD Scrap metal grant		
Balance unspent at beginning of year	1 591 011	3 710 974
Conditions met - transferred to revenue	(1 591 011)	(2 119 963)
	-	**1 591 011**

Conditions still to be met therefore amount remain liabilities (see note 8).

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

13. Depreciation and Amortisation

	2018 R	2017 R
Office Furniture	154 187	152 285
IT Equipment	1 235 802	1 128 776
Computer software - Licenced	268 295	350 366
	1 658 284	**1 631 427**

Notes to the Annual Financial Statements

	2018 R	2017 R
14. Included in operational expenses are:		
Advertising	277 714	324 824
Auditors remuneration	1 536 161	1 484 834
Bank charges	38 120	40 413
Cleaning	-	3 867
Consulting and professional fees	947 920	599 196
Catering	138 257	205 157
Loss arising from fraud	-	189 430
Repairs and maintenance	22 865	19 119
Flowers	62 880	60 610
Insurance	386 666	381 957
IT expenses	29 491	268 175
Promotions and sponsorships	32 212	70 991
Legal fees	3 292 628	3 235 934
Motor vehicle expenses	105 363	98 898
Recruitment and resettlement expenditure	22 175	14 691
Postage and courier	106 865	106 734
Printing and stationery	593 255	701 685
Research and development costs	828 210	-
Employee wellness	85 516	114 515
Subscriptions and membership fees	893 318	448 224
Telephone and fax	747 289	872 400
Training	166 992	364 261
Travel - local	2 683 377	3 813 924
Travel - overseas	256 986	162 545
Minor assets	526	50 936
Protective clothing	-	6 611
Staff Bursaries	164 365	616 377
Offsite storage - documents	170 007	146 216
Internal Audit	1 154 658	748 463
Audit Committee remuneration	141 994	191 466
Part-time Commissioners remuneration	241 235	452 760
Workshops and conferences	11 058	83 649
Loss on Disposal of Assets	15 716	41 331
	15 153 819	**15 920 193**

Repairs and maintenance relating to items of property, plant and equipment amounts to R8 097.

Notes to the Annual Financial Statements

	2018 R	2017 R
15. Employee related cost		
13th Cheques	4 049 863	3 726 608
Basic	62 977 617	59 007 259
Bonus	1 353 746	1 349 595
Car allowance	452 100	489 273
Group Life	207 658	172 241
Housing benefits and allowances	1 232 874	1 295 712
Leave pay provision charge	343 700	(101 979)
Long-service awards	-	92 910
Medical aid - company contributions	871 814	767 162
Non-pensionable cash allowance	6 071 643	5 830 465
Post-retirement benefits expense	7 160 841	6 698 302
Unemployment Insurance Fund	244 083	246 066
Workmen's Compensation	199 903	119 342
	85 165 842	**79 692 956**

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

16. Operating lease

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

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

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

2018	Up to 1 year	2 to 5 years	Total
Premises - rent	6 110 277	6 110 277	12 220 554
Vehicles	50 168	-	50 168
	6 160 445	**6 110 277**	**12 270 722**

2017	Up to 1 year	2 to 5 years	Total
Premises - rent	6 110 277	12 220 554	18 330 831
Vehicles	184 724	50 168	234 892
Office Equipment	602 023	-	602 023
	6 897 024	**12 270 722**	**19 167 746**

Notes to the Annual Financial Statements

17. Cash used in operations

	2018 R	2017 R
Deficit	(7 491 213)	(11 583 796)
Adjustments for:		
Depreciation and amortisation	1 658 284	1 631 427
Debt impairment	18 646	-
Movements in operating lease assets and accruals	55 147	605 613
Movements in provisions	1 539 061	1 365 015
Other non cash items	(18 645)	-
Loss on disposal of assets	15 716	25 281
Proceeds from insurance	(50 124)	-
Changes in working capital:		
Inventories	18 703	(31 187)
Receivables from exchange transactions	(38 634)	76 663
Prepayment	9 340	311 856
Payables from exchange transactions	(551 140)	(336 365)
Trade and other payables from non-exchange transactions	93 144	130 800
Unspent conditional grants and receipts	(1 591 011)	(3 855 982)
	(6 332 726)	**(11 660 675)**

18. Commitments

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

Contract Description	Commitment up to Year 1	Commitment after Year 1
Employee health & wellness programme	61 008	386 338
Records Management	144 000	342 099
Supply of fresh flowers	48 600	137 700
Parking	9 935	-
EOH Mthombo	710 510	-
Vodacom	677 566	-
	1 651 619	**866 137**

Notes to the Annual Financial Statements

	2018 R	2017 R

19. Related parties

Relationships	
Economic Development Department (EDD)	Parent Department
Department of Trade and Industry	National Department in National Sphere
Department of Justice and Constitutional Development	National Department in National Sphere
Entities under EDD control:-	
IDC	Public Entity in National Sphere
Competition Commission	Public Entity in National Sphere
Competition Tribunal	Public Entity in National Sphere
Members of key management	Members of Executive Management

Related party transactions

	2018 R	2017 R
Department of Trade and Industry (the dti)		
Rental payments	6 110 277	5 504 664
Telephone and internet payments	400 102	414 417
Economic Development Department		
Transfer payments received from EDD	(99 065 000)	(87 000 000)
Grants payments from EDD	(1 591 011)	(3 855 982)
Department of Justice and Constitutional Development		
Legal costs incurred	3 292 628	3 235 934
Related party balances		
Department of Trade and Industry (the dti)		
Payable at year-end	(45 832)	(57 871)
Department of Justice and Constitutional Development		
Payable at year-end	(805 667)	(444 486)

Notes to the Annual Financial Statements

19. Related parties (continued)

Remuneration of management

Executive management

2018

Name	Basic salary	Performance bonus	13th Cheque	Pension contributions	Unemployment Insurance Fund	Car allowance	Other benefits	Housing allowance	Total
Mr. Siyabulela Tsengiwe (Chief Commissioner - Resigned December 2017)	995 122	-	76 080	89 013	1 487	-	98 046	-	1 259 748
Mr. Meluleki Nzimande (Chief Commissioner - Appointed February 2018)	148 660	-	-	14 882	149	-	-	-	163 691
Mr. Dumisani Mbambo (Deputy Chief Commissioner - Appointed December 2017)	284 432	-	-	27 994	446	24 000	-	-	336 872
Mr. Phillip Semela (General Manager: Corporate Services)	1 000 321	21 762	74 081	115 566	1 785	79 992	-	-	1 293 507
Dr. Moses Obinyeluaku (Chief Economist)	720 208	43 525	49 634	77 044	1 334	-	92 874	-	984 619
Mr. Zanoxolo Koyana (Chief Financial Officer - Resigned September 2017)	394 899	19 427	-	43 560	1 041	-	47 579	120 000	626 506
Ms. Ntsobe Nkoana (Chief Financial Officer - Appointed February 2018)	159 320	-	-	13 478	297	-	-	-	173 095
	3 702 962	**84 714**	**199 795**	**381 537**	**6 539**	**103 992**	**238 499**	**120 000**	**4 838 038**

2017

Name	Basic salary	Performance bonus	13th Cheque	Pension contribution	Unemployment Insurance Fund	Car allowance	Housing allowance	Total
Mr. Siyabulela Tsengiwe (Chief Commissioner)	1 259 745	-	72 113	113 183	1 785	-	-	1 446 826

Notes to the Annual Financial Statements

19. Related parties (continued)

Mr. Phillip Semela (General Manager: Corporate Services)	951 529	26 673	69 181	108 570	1 785	60 000	-	1 217 738
Dr. Moses Obinyeluaku (Chief Economist)	1 011 530	26 673	70 843	108 570	1 785	-	-	1 219 401
Mr. Zanoxolo Koyana (Chief Financial Officer)	794 867	24 177	-	83 372	1 785	-	184 000	1 088 201
	4 017 671	**77 523**	**212 137**	**413 695**	**7 140**	**60 000**	**184 000**	**4 972 166**

20. Risk management

Financial risk management

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

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

Liquidity risk

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

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

At 31 March 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	3 171 861	-	-	-
Other financial liabilities	11 745 242	-	-	-
At 31 March 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	3 701 094	-	-	-
Other financial liabilities	9 937 251	-	-	-

Interest rate risk

Notes to the Annual Financial Statements

20. Risk management (continued)

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

Sensitivity analysis

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

2018	Change in investments	Increase / (decrease) in net surplus for the year Upward change	Increase / (decrease) in net surplus for the year Downward change
Cash and cash equivalents	1%	127 899	-
2017	Change in Investments	Increase / (decrease) in net surplus for the year Upward change	Increase / (decrease) in net surplus for the year Downward change
Cash and cash equivalents	1%	191 510	191 510

Credit risk

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

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

	2018 R	2017 R
Financial instrument		
Call account	12 789 885	18 935 695
Current account	78 745	207 381
Receivables from exchange transactions	404 381	401 253

21. Irregular expenditure

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

*The matter relating to legal fees and travel management services contract extension have been referred to the National Treasury for advice.

Notes to the Annual Financial Statements

22. Reconciliation between budget and statement of financial performance

	2018 R	2017 R
Net deficit per the statement of financial performance	(7 491 213)	(11 583 796)
Adjusted for:		
Revenue from surpluses	8 400 000	10 527 123
Conditional grant	-	(171 210)
Other income	(106 080)	(215 202)
Interest income	815 454	61 805
Payroll expenditure in excess of / (lower than) of budget	(4 523 879)	(2 333 661)
Operational expenditure in excess of / (lower than) of budget	(382 123)	1 477 488
Depreciation	1 658 284	1 631 427
Lease rental on operating lease	1 610 911	606 026
Debt impaired	18 646	-
Net surplus per approved budget	**-**	**-**

23. Variance explanations between budget and actual income and expenditure

Material differences between budget and actual amounts

Conditional grant was received from Economic Development Department for payment of contractors working on scrap metal.

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

24. Operating lease liability

	2018 R	2017 R
Non-current liabilities	(1 216 431)	(1 711 650)
Current liabilities	-	-
	(1 216 431)	**(1 711 650)**

25. Prepayment

	2018 R	2017 R
Parking	-	9 340

26. Trade and other payables from non-exchange transactions

	2018 R	2017 R
Housing allowance scheme	324 144	231 000

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

Notes to the Annual Financial Statements

27. Debt impairment

	2018 R	2017 R
Debt impairment	18 646	-

28. Change in estimate

Property, plant and equipment

The useful life of servers was increased with 2 years. The effect of this revision has decreased the depreciation charges for the current and future periods by R 34 043.

29. Prior period error

The error relates to the correction in respect of other financial liabilities which were incorrectly disclosed in the risk management diclosure note. Other financial liabilities were overstated with R83 805.

30. Lease rental and operating lease

Equipment	595 689	602 809
Motor vehicle	513 293	329 513
Premises	6 110 277	6 110 277
	7 219 259	**7 042 599**

The operating leases have been disclosed separately from General expenses.

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CONTACT US

Physical Address

DTI Campus (Building E)
77 Meintjies street
Sunnyside
Pretoria
0002

Telephone

+27 (0) 12 394 3688

Fax

+27 (0)12 394 0516

E-mail

info@itac.org.za

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