



Annual Report (2010/2011) Presentation to the Portfolio Committee on Economic Development

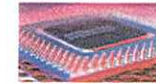
12 October 2011

Siyabulela Tsengiwe
Chief Commissioner



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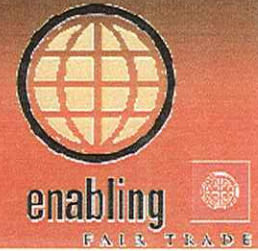


- Post financial crisis and economic recession, jobs continue to lag behind growth.
- The developmental approach to tariff setting is aimed at promoting domestic manufacturing; employment creation and international competitiveness.
- In the vast majority of our investigations we have met the new turnaround times without compromising on quality.
- Green goods sector, component suppliers to infrastructure programmes and the agriculture value chain.
- Conditionalities to tariff support.
- Acting swiftly against unfair trade.
- Litigation.





Key Strategic Objectives, Performance Areas & Services





Tariff Investigations

Completed During 2010\2011



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APPLICANT	PRODUCT	APPROVED AMENDMENT	TYPE OF AMENDMENT
Southern African Institute of Steel Construction (SAISC)	Lattice power masts	Free - 15%	Increase
Bell Equipment (Pty) Ltd	Articulated dump trucks (ADTs)	Declined	Increase
Aluminium Extruders Association (AEA)	Semi-fabricated aluminium extrusions	Free - 5%	Increase
SA Bioproducts (Pty) Ltd	Calcium propionate	Free - 15%	Increase
Orthochem (Pty) Ltd	Lysine & feed supplements	free - 10%	Increase
SAPPI Manufacturing (Pty) Ltd	Newsprint, kraft and paperboard	Declined	Increase
Rolfes Colour Pigments International (Pty) Ltd	Colour Pigments	free - 10%	Increase
Grain SA	Wheat	Reference price from \$157 – \$215/ton	Increase
Organic Chemical Products (Pty) Ltd	Glycerol	Free – 10%	Increase

APPLICANT	PRODUCT	APPROVED AMENDMENT	TYPE OF AMENDMENT
Hesto Harnesses (Pty) Ltd	Insulated electric cables for wiring harnesses	Declined	Rebate
Reutech Systems (Pty) Ltd	Components for set top boxes	Approved	Rebate
Bader SA (Pty) Ltd	Automotive leather articles	Approved	Rebate
ITAC Proactive Investigation	Deletion of rebate provision for television monitors	Approved	Rebate
Karbochem (Pty) Ltd	Complex petroleum oils used for the manufacture of tyres	Approved	Rebate



Tariff Investigations

Continued



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APPLICANT	PRODUCT	APPROVED AMENDMENT	TYPE OF AMENDMENT
Protea Mining Chemicals (Pty) Ltd	Caustic soda for the extraction of uranium ore	Approved	Rebate
Mondi Ltd	Caustic soda for hardwood pulp, liner board, and newsprint.	Approved	Rebate
ITAC Proactive Investigation	Worn overcoats	Approved	Rebate
Alpine (Pty) Ltd	Woven fabric for fake leather lounge suites	Declined	Rebate
AMKA Products (Pty) Ltd	Glycerol for various beauty care products	Declined	Rebate
PFG Building Glass	Float glass	Declined	Rebate
Nissan SA	Double cabs	Approved	Rebate

APPLICANT	PRODUCT	APPROVED AMENDMENT	TYPE OF AMENDMENT
Capco CC	Mineral Fibre Ceiling Panels	Declined	Reduction
DOT Steel (Pty) Ltd	Aluminum Blankets	Declined	Reduction
Canon SA (Pty) Ltd and New Teltron (Pty) Ltd	Print ribbons	Declined	Reduction
Masterparts (Pty) Ltd	Gaskets for motor vehicle engines	Declined	Reduction
Masterparts (Pty) Ltd	Plain shaft bearings	Declined	Reduction
Minox Fasteners (Pty) Ltd	Stainless steel nuts	10% to free of duty	Reduction



Tariff Investigations

Continued



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APPLICANT	PRODUCT	APPROVED AMENDMENT	TYPE OF AMENDMENT
ITAC Proactive Investigation	Monitors with a screen with a side not exceeding 45cm	25% to free of duty	Reduction
Bridgestone South Africa (Pty) Ltd	Rubberized textile fabrics, tyre cord fabric and certain chemical compounds	22%, 15% and 10% respectively to free of duty.	Reduction
CHC Resources & Brunner Mond (Pty) Ltd	Soda Ash	Declined	Reduction
Deli Spices	Soya protein concentrate	Declined	Reduction
The Association of Meat Importers and Exporter	Fully cooked lamb shanks	Declined	Reduction
Ceres Fruit Juices	Kiwi-, Pomegranate-, Cherry-, Passion fruit- and Cranberry concentrates	Declined	Reduction
Lithotech (Pty) Ltd	Lever arch files	Declined	Reduction
Bodene (Pty) Ltd	Glass ampoules	10% to free of duty	Reduction
Masterparts (Pty) Ltd	Pistons for petrol motor vehicle engines	20% to free of duty	Reduction



MOTOR INDUSTRY DEVELOPMENT PROGRAM (MIDP)

- The MIDP is a rebate scheme based on customs duties that are phased down over time that can be rebated using Import Rebate Credit Certificates (IRCCs) which are issued based on economic performance of qualifying motor vehicles and components thereof. Furthermore, Productive Asset Allowance (PAA) certificates are issued based on investments in qualifying productive assets.
- **thedti** is the policy making authority for the MIDP & ITAC administers the program.
- The MIDP will be replaced by a new programme, the Automotive Production Development Programme (APDP), in 2013.
- Certificates issued under the MIDP
 - Import Rebate Credit Certificates(IRCCs) - 2206
 - Heavy Commercial Vehicle (HCVs) - 119
 - Eligible Export Certificate (EECs) – 66
 - Productive Asset Allowance Certificate(PAAs) – 70

TEXTILE & CLOTHING INDUSTRY DEVELOPMENT PROGRAM (TCIDP)

- The aim of the TCIDP was to assist the textile and clothing manufacturing industry in the Southern African Customs Union to obtain efficiency and to compete internationally. Specialization in export products is encouraged whilst the participant's domestic product range can be broadened by importation of certain prescribed textile and clothing products duty free, using the duty credit certificate.
- **thedti** is the policy making authority for the TCIDP & ITAC administers the program.
- The TCIDP expired on 31 March 2010. However, due to the 18 months qualifying period, certificates will still be processed until 30 September 2012. It has been replaced by Production Incentive (PI) - 10% Incentive on manufacturing value.
- A total of 920 certificates were issued for the reporting period, as follows:
 - Duty Credit Certificates (DCCs) issued to SA companies: **220**
 - DCCs)transferred from BLS to SA:
(Botswana: 26, Lesotho: 518 & Swaziland: 156)



Anti-Dumping Investigations



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ORIGINAL INVESTIGATIONS

Product	Country	Applicant	Type	Status and Duties
Staple polyester fibre	PRC	Hosaf	Anti-Dumping	Duties R0.93/kg and R5.83/kg - Residual
Picks	India	Lasher tools	Anti dumping	Terminated

REVIEWS

Product	Country	Applicant	Type	Status and Duties
Acrylic blankets	PRC and Turkey	Texfed	Sunset Review	Finalised 2834c/kg 691c/kg
Unframed mirrors	India	PFG	Sunset Review	Finalised, 68.74%
Paracetamol	PRC and USA	Fine Chemicals Association	Sunset Review	Finalised, 2 573c/kg and 2 371c/kg
Polyethylene Terephthalate (PET)	Chinese Taipei, India and the Republic of Korea	Hosaf	Sunset Reviews	Finalised, 75%, 54.1% and 19.7%

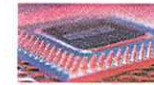
IMPORT PERMITS ISSUED

- During 2010/2011 import permits issued amounted to 15 489. The target was 12 000.
- Majority of the permits were for the following imported products:
 - Fish and crustaceans
 - Mineral fuels and oils
 - Chemicals
 - Rubber and tyres
 - Metals
 - Mechanical Appliances
 - Automotives

EXPORT PERMITS ISSUED

- Export permits issued in 2010/2011 amounted to 7284. The target was 6000.

Chapter	Description	Permits Issued	Chapter	Description	Permits Issued
26	Ore, slag and ash	8	75	Nickel waste and scrap	15
27	Mineral fuels	425	76	Aluminium waste and scrap	620
28	Inorganic chemicals	723	78	Lead waste and scrap	71
29	Hydrocarbons	1079	79	Zinc waste and scrap	74
30	Human blood	8	80	Tin waste and scrap	11
47	Paper waste	41	81	Other base metal waste and scrap	119
72	Ferrous waste and scrap	893	87	Used motor vehicles	2255
74	Copper waste and scrap	942			



- 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 in accordance with the Public Finance Management Act, (No 1 of 1999 - PFMA).
- Supply Chain Management Delegations of Authority have been approved and the National Treasury Supply Chain Management framework has been implemented.

Internal financial controls

Internal financial control focus 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 the standards that have been set and the systems of internal control and accounting control that have been implemented are adequate to ensure the integrity and reliability of the financial statements and accountability of ITAC's assets. These systems are continuously monitored throughout the year by both Management and Internal Audit.



Corporate Governance

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RISK MANAGEMENT

- An independent risk management process is in place to enable management to effectively identify, evaluate and assess risks. The Internal Auditors monitor the prescribed procedures of risk management in line with Treasury Regulations.
- The Executive Committee has reviewed ITAC's systems of internal control and risk management for the year ended 31 March 2011, and is of the opinion that ITAC's systems of internal control and risk management were effective for the period under review.

AUDIT COMMITTEE REPORT

- The audit committee held 4 meetings in the year under review.
- According to the Audit Committee report:
 - The system of internal control applied by ITAC over financial risk and risk management is effective, efficient and transparent.
 - The Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Authority of ITAC during the year under review.
 - The Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to ITAC in its audit.

OPINION OF AUDITOR GENERAL

- The financial statements present fairly, in all material respects, the financial position of ITAC as at 31 March 2011, and its financial performance and its cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Public Finance Management Act of South Africa. ITAC received an unqualified audit report.

COMPLIANCE WITH LAWS AND REGULATIONS

- Procurement and Contract Management: Goods and Services with a value of R97 104 were procured without inviting at least 3 written quotations from prospective suppliers as per TR16A6.1.

IRREGULAR EXPENDITURE

- As disclosed in note 25 to the financial statements, irregular expenditure to the amount of **R97 104** was incurred. This was condoned in the 2010/2011 financial year.

FINDINGS: PREDETERMINED OBJECTIVES

- Reported indicators against predetermined objectives were not consistent with the approved strategic plan.
- For the selected objectives, 47% of the planned and reported indicators were not clear, as unambiguous data definitions were not available to allow for data to be collected consistently.
- For the selected objectives, valid performance management processes and systems that produce actual performance against planned indicators did not exist for 47 % of the indicators.



Operating results

- The surplus of ITAC for the period to 31 March 2011 was **R 2 675 920 (2010: R1 733 493)**. The interest received year to date is R1 357 215 (2010: R1 779 876).
- ITAC was granted permission by National Treasury to retain an amount of R14 136 205 being the 2008 accumulated surplus. Of this amount R10 400 000 was set aside for the Job Evaluation exercise and capital expenditure. (R1 227 137 was transferred to Other Income for depreciation recovery on capital items funded from the CAPEX approved portion of the retained surplus).
- ITAC submitted a request to National Treasury to retain the 2009 surplus of R4 143 268 and approval was granted.
- ITAC is still awaiting National Treasury approval to retain the 2010 surplus of R1 733 493 and the 2011 surplus of R 2 675 920.

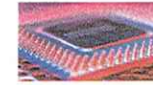




Statement of Financial Position
for the year ended 31 March 2011

ASSETS	<i>Notes</i>	2011 R	2010 R
<i>Current assets</i>		23 398 504	21 697 130
Inventory	2	48 885	51 205
Trade and other receivables	3	299 186	62 743
Prepayments	4	32 528	34 459
Cash and cash equivalents	5	23 017 905	21 548 723
<i>Non-current assets</i>		3 045 533	3 691 814
Property, plant and equipment	6	2 727 625	3 432 371
Intangible assets	7	317 908	259 443
Total assets		26 444 037	25 388 944
LIABILITIES			
<i>Current liabilities</i>		6 380 109	7 192 336
Finance lease obligation	9	194 190	-
Provisions	8	2 862 056	4 103 837
Trade and other payables	10	3 323 863	3 088 499
<i>Non-current liabilities</i>		2 652 703	2 234 167
Provisions	9	2 243 797	2 062 629
Finance lease obligation	10	408 906	171 538
Total Liabilities		9 032 812	9 426 503
Accumulated surplus		17 411 225	15 962 441
Total Net Assets and Liabilities		26 444 037	25 388 944

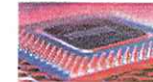




Statement of Financial Performance for the year ended 31 March 2011

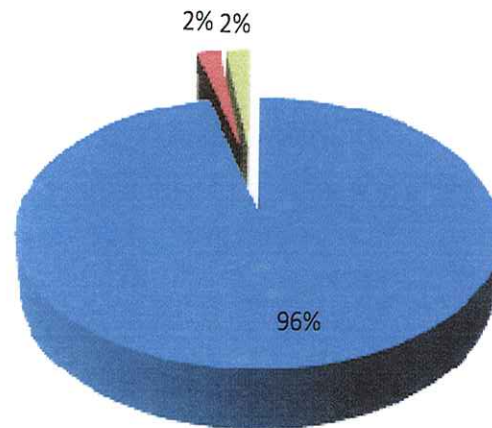
	Notes	2011 R	2010 R
Revenue			
Government Grants	11	64 343 000	60 885 000
Interest income	12	1 357 215	1 779 876
Other income	13	1 283 177	4 161 787
Total revenue		66 983 392	66 826 663
Expenditure			
Personnel Costs	14	47 696 987	42 649 237
Depreciation and Amortisation		1 703 106	1 343 383
Finance costs	15	44 827	55 100
Repairs and Maintenance		11 191	11 383
Operating Costs		14 851 361	21 034 067
Total expenditure		64 307 472	65 093 170
Surplus for the year	16	2 675 920	1 733 493





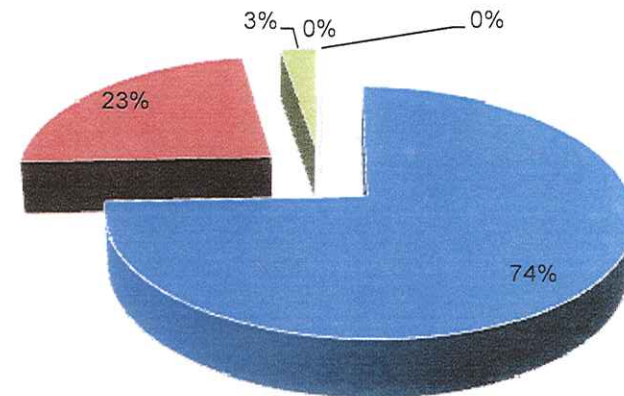
REVENUE

- Government grants
- Interest income
- Other income



EXPENSES

- Personnel
- Operating Costs
- Depreciation and amortisation
- Repairs and Maintenance
- Finance costs





Statement of Changes in Net Assets for the year ended 31 March 2011

Accumulated surplus at 31 March 2010	15 970 706
Adjustments	
Depreciation funded from surplus	(1 227 137)
Change in estimate of useful life of assets	464
	<hr/>
Balance as at 01 April 2010 restated	14 744 033
Change in Net Assets	
2010 Accumulated Depreciation Adjustment	(8 728)
Surplus realised in 2011	2 675 920
	<hr/>
Balance at 31 March 2010	17 411 225



FRUITLESS AND WASTEFUL EXPENDITURE

- Fruitless and wasteful expenditure means expenditure that was made in vain and could have been avoided had reasonable care been exercised. Any irregular, fruitless or wasteful expenditure is charged against income in the period in which it is incurred.
- The Commission incurred some expenditure that is considered as fruitless and wasteful as follows:
 - **R2 858** being SARS interest and penalties.

(Nb: The above arose as a result of a calculation error in the VIP payroll generated report, hence SARS charged interest and penalty on a short payment of R13 000)

IMPLEMENTATION OF AUDIT RECOMMENDATIONS

- All recommendations relating to the 2009/10 audit findings have been implemented, and all matters were resolved in the financial period under review.
- All audit recommendations relating to the 2010/2011 financial year have been addressed where applicable.



Thank You

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