

# Table of Contents



VISION, MISSION AND CORE VALUES	02
STATEMENT BY THE MINISTER OF TRADE AND INDUSTRY	03
REPORT OF THE CHIEF COMMISSIONER	04
COMMENTARY BY THE CHAIRPERSON OF THE COMMISSION	06
BACKGROUND TO ITAC	07
COMMISSIONERS	08
MANAGEMENT TEAM	09
LIST OF REPORTS ISSUED BY ITAC	11
PERFORMANCE AGAINST PREDETERMINED OBJECTIVES	14
TARIFF INVESTIGATIONS	20
TRADE REMEDIES	21
IMPORT AND EXPORT CONTROL	22
ANNUAL FINANCIAL STATEMENTS	25



# ITAC

International Trade Administration Commission of South Africa

## 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 dti and the Economic Development Department.**

### Core values:

**ITAC is guided by the following set of core values:**

Integrity;  
Trust;  
Accountability; and  
Commitment.

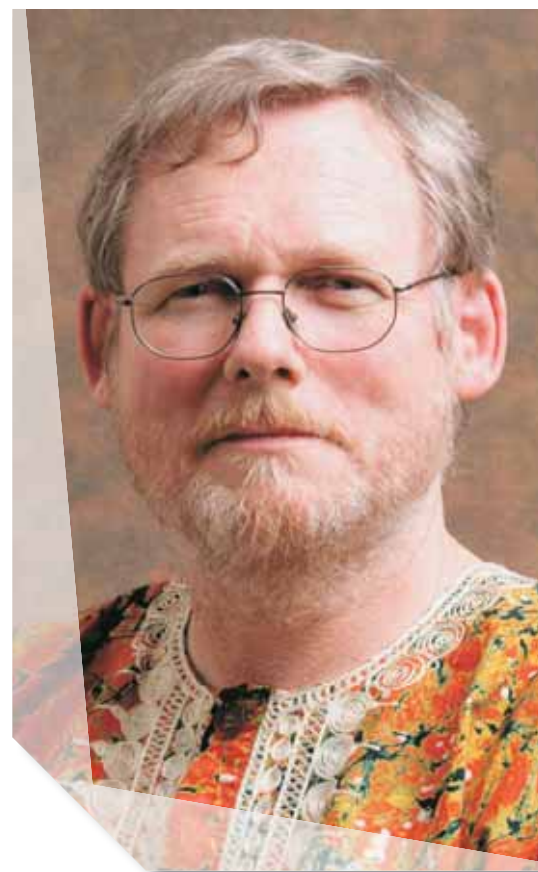
## Statement by the Minister of Trade and Industry, Honourable Dr Rob Davies, MP

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### Report of the International Trade Administration Commission of South Africa for the period 1 April 2009 to 31 March 2010.

I am honoured to present the sixth annual report of the International Trade Administration Commission of South Africa for the year ended 31 March 2010, in accordance with Section 22 (4) of the International Trade Administration Act (Act No. 71 of 2002) and the Public Finance Management Act (Act No. 1 of 1999).

**The Honourable Dr. Rob Davies, MP**  
Minister of Trade and Industry.



## Report of the Chief Commissioner

**T**he year under review began with the country still in the throes of recession but ended on a hopeful note with the economic recovery gaining traction.

In the aftermath of the recent economic shocks, the alignment of the work of ITAC to the high-impact industrial policy and the new trade policy framework, through its revised core business policies now in the final stages of completion, has been a priority. The new South African Trade Policy and Strategy Framework sets out the contribution that tariff and trade policies should make, in an increasingly competitive global economy, to advancing industrial development, upgrading and diversification along a growth trajectory that addresses structural constraints in the economy in order to produce and export increasingly sophisticated high-priced dynamic products characterised by increased returns, generating employment.

During the year under review, the Commission, in terms of its mandate of fostering economic growth and development and promoting investment and employment, considered a number of important tariff applications, ranging from increases in import duty support for the sensitive clothing and apparel sector to a review of the reference prices of the variable tariff formulae for the important agricultural commodities of wheat and sugar. The Commission's recommendations were designed to enable clothing manufacturers to retain existing job opportunities and increase market penetration and price competitiveness. The recommended price support for the mentioned agricultural commodities places the wheat producers, cane growers, and wheat and sugar millers on the same competitive footing as their counterparts abroad.

Subsidies offered in a number of developed countries to their agriculture sector and their impact on global supply, have the effect of depressing world prices to the disadvantage of domestic farmers. This depression in world prices is factored into the equation when determining an appropriate level of the tariff. Food security is one of the important objectives that guides the Commission in setting tariffs for agricultural products.

Comprehensive criteria for adjudicating tariff applications have been set. The processes are transparent and consistently



Mr Siyabulela Tsengiwe  
Chief Commissioner

applied across all sectors based on information obtained through comprehensive questionnaires and on-site verifications.

The adjudication process is rigorous and evidence-based, and is carried out on a case-by-case basis, considering the implications for the full value chain. The criteria are bounded by industrial policy objectives to promote domestic manufacture, job retention and creation, and international competitiveness. In the light of the pressing challenge of unemployment, it is critical that the criteria are applied in a manner that is sensitive to employment outcomes. The principle of reciprocity is applied, varying from one sector to the other. This means that tariff amendments are conditional on a commitment by beneficiaries on how they will perform against government's set policy objectives.



During the year under review, ITAC also initiated six anti-dumping investigations and reviews. The objectives of anti-dumping and other trade remedy investigations that are linked to the key strategic objective of promoting economic growth and development are: the retention and creation of job opportunities, sustainable industrialisation, and international competitiveness. The investigations have to be carried out in compliance with domestic law and South Africa's international obligations in terms of WTO Agreements. Being procedurally and substantively compliant in conducting trade remedy investigations cannot be overemphasised.

Litigation in respect of anti-dumping cases has been a challenge. Some jurisdictions elsewhere have tribunals or specialised courts for the jurisprudence needed in this highly specialised field. ITAC's recommendations and the decision by the Minister are in a few instances taken on judicial review. Encouragingly, ITAC recently won a landmark Constitutional Court decision. The Court determined that the setting, changing, or removal of anti-dumping duties is a policy-laden executive decision that flows from the power to formulate and implement domestic and international policy.

The Court elaborated that courts should give due weight to findings of fact and policy decisions made by those with special expertise and experience in the field and not attribute to itself superior wisdom in relation to matters entrusted to other branches of government. In this vein, ITAC submitted its comments on the draft Superior Courts Bill to the Department of Justice and Constitutional Development. ITAC submitted that there is an urgent need for the establishment of a Special Division of the High Court to deal with international trade administrative matters.

Trade negotiations on provisions that deal with trade remedies is an area in which ITAC has played an important role. A proper assessment of the challenges posed by regional integration (SACU) and inputs in respect of trade remedies into this process is of vital importance given the fact that ITAC has to remain responsive to the domestic industry and meet the time frames as set forth in the WTO Agreement and domestic regulations.

Out of the approximately 6 650 tariff lines in the South African version of the International Harmonised Commodity Description and Coding System, there are

276 lines under import control and 177 lines under export control. Import and export control measures are essentially applied to enforce health, environmental, safety and security, and technical standards in terms of domestic laws and international agreements. It should, however, be noted that import and export control measures do have trade and industrial policy implications.

Added to these are measures aimed at promoting domestic beneficiation of natural resources. In the enforcement of standards and curbing of illegal and fraudulent trade, ITAC will be positioning itself to play a more strategic role.

What will be pivotal in improving the provision of customs tariffs, trade remedies, and import and export control, will be the quality and turnaround times. ITAC will maintain the momentum in aligning the provision of its trade instruments to the developmental growth path, industrial and trade policies, and simultaneously speed up the delivery of the instruments.

If ITAC is to be more efficient and effective, modernise, and follow best practice in response to the challenge of adaptation and continued relevance, ITAC's business support to core business units has to be taken to greater heights. This will be done through a better alignment of business support to the core functions. ITAC's work is complex and requires investigative experience and auditing skills.

ITAC produces a wealth of knowledge in executing its core functions. The processes at ITAC require suitable people, skills development and retention, appropriate reward and recognition, and a proper performance management system. The renewed role of ITAC will also require an enhanced research capacity. ITAC needs to be a reputable and well-respected knowledge-based institution. In this regard, ITAC will raise its efforts to build technical and strategic capacities.



**SIYABULELA TSENGIWE**  
**CHIEF COMMISSIONER**

## Commentary by the Chairperson of the Commission

**D**uring the year under review, global economic activity was still at a depressed level, with a consequent sharp reduction in global trade volumes. South Africa slowly emerged from recession in late 2009 but the after-effects of the global economic downturn are expected to linger on for some time.

Given the depressed conditions, the Commission dealt with a number of tariff amendment and trade remedy applications, the majority of which were for rebate of duty applications on intermediate inputs for manufacturing purposes to enhance the competitive position of domestic firms in a fiercely competitive global trading arena.

In the light of recent trade and industrial policy developments, the Commission formulated a revised customs tariff policy. Firm criteria have been set by the Commission for adjudicating tariff applications. The adjudication process is rigorous and evidence-based and includes oral evidence by interested parties across the product value chain.

For transparency of its processes, the Commission has reviewed its trade remedy and tariff investigation regulations.

I wish to thank Commission members, all of whom have contributed to providing deliberated and expert advice on tariff-related matters to the Minister for his approval and final decision.

I also wish to thank our trusted staff for their dedication, their thorough analysis, and their well-argued and lucid reports that enabled the Commission to fulfill its mandate.



A handwritten signature in black ink, appearing to read 'Michael McDonald'.

MICHAEL McDONALD  
CHAIRPERSON

## Background to ITAC

ITAC was established through an Act of Parliament, the International Trade Administration Act, (Act 71 of 2002), which came into force on 1 June 2003.

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

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

There is currently a full-time Chief Commissioner and Deputy Chief Commissioner with six part-time Commissioners.

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



## Commissioners



**MICHAEL P. McDONALD**  
CHAIRMAN OF THE COMMISSION



**SIYABULELA TSENGIWE**  
CHIEF COMMISSIONER



**BRENDA MABASO CHIPEIO**  
DEPUTY CHIEF COMMISSIONER



**TANYA van MEELIS**  
COMMISSIONER



**TINA EBOKA**  
COMMISSIONER



**RIAAN de LANGE**  
COMMISSIONER



**RONNY MKHWANAZI**  
COMMISSIONER



**MATOME MOROKOLO**  
COMMISSIONER

## Management Team



**SIYABULELA TSENGIWE**  
CHIEF COMMISSIONER



**BRENDA MABASO CHIPEIO**  
DEPUTY CHIEF COMMISSIONER



**NONI KHUSE**  
GENERAL MANAGER: CORPORATE  
SERVICES



**CHRIS ARNOLD**  
SENIOR MANAGER: TECHNICAL  
ADVISORY SERVICES



**PHILLIP SEMELA**  
CHIEF INFORMATION OFFICER



**JUSTIN DANIEL**  
CHIEF FINANCIAL OFFICER



**PHILLIP SNYMAN**  
SENIOR MANAGER: IMPORT AND  
EXPORT CONTROL



**CARINA van VUUREN**  
SENIOR MANAGER: TRADE  
REMEDIES





## Management Team (Continued)



**ZOLEKA XABENDLINI**  
SENIOR MANAGER: TRADE REMEDIES II



**RIKA THEART**  
SENIOR MANAGER: TARIFF  
INVESTIGATIONS I



**NOMONDE SOMDAKA**  
SENIOR MANAGER: TARIFF  
INVESTIGATIONS II



**VIRGINIA MASHELE**  
SENIOR MANAGER: HUMAN  
RESOURCES



**NIKI KRUGER**  
SENIOR MANAGER: LEGAL SERVICES



**BHEKITHEMBA KGOMO**  
SENIOR MANAGER: INTERNAL AUDIT



**ALEXANDER AMREIN**  
SENIOR MANAGER: POLICY AND  
RESEARCH



## List of Reports issued by ITAC

Report No.	Title
300	Termination of the anti-dumping duties on tubes and pipes, welded of circular cross section of stainless steel, originating in or imported from Malaysia, Chinese Taipei and South Korea
301	Supplementary review of the tariff dispensation for products classifiable under chapters 51, 52, 53, 54, 55, 56, 57, 58 & 60
302	Reduction in the rate of duty on rubber bands in immediate packaging of 20 kg or more
303	Reduction in the rate of duty on educational posters
304	Rebate of the duty on cartridge cases and wads used in the manufacture of industrial cartridges
305	Rebate of the duty on electric heating resistors and solid plates for the manufacture of solid plate stoves, solid plate hobs and solid plate tabletop cookers
306	Sunset review of the anti-dumping duties on colour coated steel products originating in or imported from Australia: Final determination
307	Termination of the anti-dumping duties on acrylic fabrics originating in or imported from the People's Republic of China
308	Increase in the dollar-based reference price of sugar from the existing US\$330/ton to US\$358/ton
309	Increase in the rate of duty on shovels and spades
310	Reduction in the rate of duty on synthetic filament yarns classifiable under tariff headings 54.01 and 54.02
311	Rebate of duty on cotton not carded or combed classifiable under tariff heading 52.01
312	Reduction in the rate of duty on rope lights
313	Increase in the rate of duty on specific clothing categories classifiable under chapters 61 & 62



## List of Reports issued by ITAC

314	Investigation into alleged dumping of stainless steel kitchen sinks originating in or imported from the People's Republic of China; Dumping and subsidisation of stainless steel kitchen sinks originating in or imported from Malaysia: Final determination
315	Creation of a rebate facility for dried or crushed or ground fruits of the genus capsicum classifiable under tariff subheading 0904.20.30 used for the extraction of paprika oleoresin classifiable under tariff subheading 3301.90.80
316	Creation of a rebate provision for goods used in the construction of the multi-products pipeline for the transportation of petroleum products
317	Rebate of duty on certain fabrics for the manufacture of home textiles
318	Investigation into the alleged dumping of staple polyester fibre originating in or imported from the People's Republic of China: Preliminary determination
319	Reduction in the rate of customs duty on tubes, pipes and hoses of vulcanised rubber (excluding hard rubber), reinforced or otherwise combined only with metal, without fittings, with an inside diameter of 100 mm or less
320	Termination of the anti-dumping duties on acrylic fabrics originating in or imported from Turkey
321	Investigation into the alleged circumvention of anti-dumping duties on imports of tall oil fatty acid originating in or imported from Sweden, through importing from the United States of America: Final determination
322	Creation of a temporary rebate facility for mango juice concentrate
323	Rebate of the duty on polyethylene glycol used in the manufacture of paintballs
324	Review of the customs tariff dispensation for oil-cakes of tariff headings 23.04, 23.05 and 23.06
325	Sunset review of the anti-dumping duties on clear drawn and float glass originating in or imported from the People's Republic of China (PRC) and India: Final determination
326	Creation of a rebate facility for certain plug inserts and sockets for the manufacture of insulated electric cables
327	Interim review investigation of the anti-dumping duty on fresh or chilled garlic originating in or imported from the People's Republic of China (PRC): Final determination

## List of Reports issued by ITAC

328	Investigation into the alleged circumvention of anti-dumping duties on imports of tall oil fatty acid originating in or imported from Sweden, through importing from Finland: Final determination
329	Investigation into the alleged dumping of picks originating in or imported from India: Preliminary determination
330	Sunset review of the anti-dumping duties on acetaminophen originating in or imported from France
331	Review of the customs duty on liquefied petroleum gas cylinders of iron or steel
332	Investigation into the alleged dumping of staple polyester fibre originating in or imported from the People's Republic of China: Final determination
333	Increase in the domestic dollar-based reference price for wheat from US\$157/ton to US\$215/ton
334	Increase in the rate of customs duty on glycerol
335	Reduction in the rate of duty on self-copy paper



## Performance against predetermined objectives

Strategic objectives	Key performance area	Specific objectives	Activities	Success indicator	Targets	Result	Reasons for variance
<b>Tariff Investigations</b>							
Economic growth and development	International trade instruments	Reducing cost of production International competitiveness	Tariff Amendment Investigations: <ul style="list-style-type: none"> <li>- Reductions</li> <li>- Rebates</li> <li>- Reviews</li> </ul>	Gazetted <sup>1</sup> amendment to the relevant Schedule in the Customs and Excise Act	42 reactive submissions presented to Commission 9 proactive investigations	66 submissions were presented to Commission on 49 tariff investigations and 1 pro-active investigation on gas cylinders of which 26 were Gazetted	More applications received from industry, especially rebates to enable industries to lower input cost during the global economic crisis
		Sustaining jobs, investment, industrialisation and competitiveness	Tariff Amendment Investigations: <ul style="list-style-type: none"> <li>- Increases</li> </ul>	Gazetted amendment to the relevant Schedule in the Customs and Excise Act	4 reactive submissions presented to Commission	10 submissions were presented to Commission on 10 investigations of which 5 were Gazetted	More applications received from industry due to increased pressure from low priced imports during the economic crisis
		Administration of sectoral development programs (MIDP and TCIDP), and rebates, and drawbacks	Permits and certificates issued: <ul style="list-style-type: none"> <li>- MIDP certificates</li> <li>- TCIDP certificates</li> <li>- Export and industrial promotion permits</li> </ul>	Permits issued within the set time frames	MIDP: 3292 TCIDP: 1000 Export and Industrial promotion permits: 832	MIDP: 2 960 TCIDP: 1 427 Export and industrial promotion permits: 766 MIDP verifications: 227	MIDP: Decreased due to contraction in demand TCIDP: Increased due to more transfers from Lesotho Other: Decreased due to contraction in demand Verifications: Increased to strengthen control of program
Alignment and continued relevance	International trade technical advice	To provide technical advice to <b>the dti</b> on trade instruments	Contribute to the negotiating positions and policy inputs on customs tariffs	Approved policy input papers and submissions	Educational trip to Australia re. admin of APDP	Deferred	Awaiting finalisation of APDP review and authorization by <b>the dti</b> for development of APDP regulations
					IDZ Project regarding legislation for qualifying auto sector	Deferred	Dependent on finalisation of the IDZ legislation by <b>the dti</b>
					Attend Motor Industry Development Program (MIDP)/TCIDP review and sector meetings, prepare position papers advising on policy	Develop input papers on: <ul style="list-style-type: none"> <li>- TCIDP extension</li> <li>- WTO Trade policy review</li> </ul> Inclusion of dumpsters in MIDP program	
					Support and ensure implementation of South African Customs Union (SACU)/Southern African Development Community (SADC) Agreement and other international trade initiatives	Attend the following meetings: <ul style="list-style-type: none"> <li>-4 SACU Council &amp; Commission</li> <li>- 4 SACU Technical Liaison Committee meetings</li> <li>-SADC summit</li> <li>-SADC Technical Working Group meetings</li> </ul>	
					Participate in SACU / SADC meetings and sessions regarding the roadmap and establishment of institutions.	Developed draft framework between ITAC and SACU	

## Performance against predetermined objectives (Continued)

Strategic objectives	Key performance area	Specific objectives	Activities	Success indicator	Targets	Result	Reasons for variance
<b>Tariff Investigations</b>							
					4 Positions papers with regards to: a) TCIDP stats analysis b) Draft addressing economic crisis c) Extending the MIDP to include other products	Finalised Addressed through the NEDLAC framework Deferred	Awaiting finalisation of the MIDP review
Ensure ITAC organisational effectiveness and efficiency	Business support services	Conduct impact assessment studies on Tariff Instruments	Defining scope & TOR of impact assessment study on the use of some tariff instruments.	Approved Terms of Reference (TOR)	Approved TOR	Not completed	Redefined scope of project
			Review policies and procedures for administration of tariff instruments	Approved policy and procedures	Develop guidelines for new TCIDP program	Completed	
					Develop guidelines for rebate item 460.07	Completed	
					Develop guidelines for rebate item 412.00	Completed	
					Develop guidelines for 460.1/5512.59	Completed	
					Develop guidelines for new APDP program	Not completed	Awaiting instruction from the dti
			Review regulations	Gazetted regulations & questionnaire	Gazetted tariff regulations & questionnaire	Final stages of completion	Had to await finalisation and unveiling of IPAP2
			Map and document business processes	Approved and implemented business processes	Develop operational manual and process flow	Operational manual and process flow completed	
					Prepare statistical reports for MIDP Monitoring Group, TCIDP and other permits	Reports presented	
					Monitor Gautrain and Transnet rebate applications	Gautrain rebate: 6 permits Transnet rebate: 1 permit	
			Raising awareness		Presentations to Industry Participate in information-sharing workshops Present at road shows	All actions identified were completed	

1 Gazetted amendments refer to applications that have resulted in a tariff amendment and implemented by the Department of Finance (SARS)

2 Presented to Commission refers to applications that have been researched, analysed and presented to Commission, either for public comments or rejection. These may not reach the gazetted or implementation stage by SARS but extensive research and investigation work would have been done.

## Performance against predetermined objectives

Strategic objectives	Key performance area	Specific objectives	Activities	Success indicator	Targets	Result	Reason for variance
<b>Trade Remedies</b>							
Economic growth and development	International trade instruments	Sustaining jobs, investment, industrialisation and competitiveness	Trade Remedies Investigations	Gazetted amendment to the relevant Schedule in the Customs and Excise Act or gazetted by ITAC when terminated or upon initiation	Investigations to be gazetted by either ITAC or SARS:	1 Sunset Review initiation	Less applications received than anticipated
			Sunset reviews		5 investigations	2 Sunset reviews finalised	
			Anti-dumping investigations		8 investigations	2 Anti-dumping initiations 1 Interim review initiation 2 Anti-dumping investigations finalised 1 Interim review finalised 2 Anti-circumvention review initiations 2 Anti-circumvention reviews finalised	



## Performance against predetermined objectives

Strategic objectives	Key performance area	Specific objectives	Activities	Success indicator	Targets	Result	Reason for variance
<b>Trade Remedies</b>							
			Countervailing investigations Safeguards		1 investigation • (gazetting by SARS & ITAC of the Commission's final recommendation)	1 Countervailing duty investigation finalised.	
Alignment and continued relevance	International trade technical advice		Develop and recommend negotiating positions and policy inputs on Trade Remedies	Approved negotiating texts and policy input papers and submissions			Less scheduled by WTO
			WTO Committee and technical group meetings		4 meetings	2 meetings	
			WTO Negotiation group on rules		4 meetings	3 meetings	
			SACU India negotiations		2 meetings	1 meeting	
			SACU		2 meetings	1 meeting	Less scheduled by the dti
Ensure ITAC organisational effectiveness and efficiency	Business support services		Review Trade Remedies policies and procedures	Approved policy and gazetted regulations	Revise questionnaires	Completed	
					Develop / review countervailing manual	Completed	
					Develop / review safeguard regulations	Not completed	Safeguard regulations deferred to the next financial year
			Ad hoc research projects	Approved research papers	Foreign exchange fluctuations Administrative reviews Significant price undercutting Refund Reviews Unsuppressed selling price	All research projects completed	
			Map and document business processes	Approved and implemented business processes	Operating electronic management system	Not completed	Service provider contracted did not finish project

## Performance against predetermined objectives

Strategic objectives	Key performance area	Specific objectives	Activities	Success indicator	Targets	Result	Reasons for variance
<b>Import and Export Control</b>							
Economic growth and development	International trade instruments	Sustaining jobs, investment, industrialisation and competitiveness	Import control administration	Import permits issued	Issue 12 000 import permits	14 482 import permits	Increase in permit demand compared to anticipated target
			Export control administration	Export permit issued	Issue 5 200 export permits	6 811 export permits	Same as above
			Enforcement of relevant ITA Act provisions	Container inspections completed	Conduct 1 200 scheduled inspections	723 inspections	As a result of limited capacity, the target was not reached
				Unscheduled inspections completed	Conduct 500 unscheduled inspections	498 inspections	As the focus was towards increased number of investigations, the target was not completely met.
				Investigations, seizure of goods and court cases	Conduct 10 investigations	26 investigations	Contraventions detected
Alignment and continued relevance	International trade technical advice	To provide technical advice on our instruments to the dti.	Develop and recommend negotiating positions and policy inputs on Import and Export Control at <ul style="list-style-type: none"> <li>Bilateral</li> <li>Regional, and</li> <li>WTO</li> </ul>	Signed cooperation agreements, implementation of new processes and procedures emanating from regulations.	Agreement reached between Department of Environmental Affairs (DEA) and Import/Export Control to sign Basel Convention Co-operation Agreement. Template completed.	Agreement reached between DEA and Import and Export Control.	
					Discussions with DEAT concluded regarding the implementation of the Tyre Waste Regulations.	Discussions with DEA concluded. Agreement reached that the matter will be further explored during the 2010-2011 financial year	
					Implementation of procedures emanating from Second- Hand Goods Act.	Not done	Although the Act was published by SAPS, regulations in terms of the Act not published yet.
					Signing of co-operation agreement with DoH	Not done	As a result of the restructuring of the Department and the various technical problems related to the control of radio active isotopes and x-ray equipment, the process has taken longer than anticipated.

## Performance against predetermined objectives

Strategic objectives	Key performance area	Specific objectives	Activities	Success indicator	Targets	Result	Reasons for variance
<b>Import and Export Control</b>							
					Signing of co-operation agreement with National Regulator for Compulsory Specifications (formerly SABS) Template completed.	Not done	Final draft with National Regulator for compulsory Specifications
Ensure ITAC organisational effectiveness and efficiency	Business support services	Provide business solutions	Review import and export policies and procedures	Approved policies and procedures	Policy guidelines on processes and procedures to export ferrous and non-ferrous waste and scrap placed on ITAC web and submitted to stake holders / interested parties.	Policy guidelines completed but not placed on ITAC web	As a result of a request by Business Against Crime to amend the permit control process, the guideline was not placed on the web pending the outcome of the discussions with BAC
					EDI process pertaining to import / export permits between Import and Export Control and SARS at land border posts implemented.	Not implemented	Agreement reached with SARS to implement. However, this is part of the SARS modernization programme that will be completed during the 2010 / 2011 financial year
					Visits to land border posts for purpose of information transfer completed.	Not done	SARS advised that as a result of restructuring the request to visit land border posts was not approved
					Visits to NPAs in provinces for purpose of briefing prosecutors on Act, regulations and policy completed.	Not done	Unable to secure appointments with NPA

## Tariff Investigations



The objectives of the Tariff Investigations Unit are to promote, in a complementary manner, domestic production, job retention and creation, and international competitiveness.

Increases in customs duties are considered for the purpose of granting relief for domestic producers that may be experiencing threatening import pressures to adjust and restructure so that in the medium to long term these industries could become internationally competitive without any support in the form of customs duties. This is made possible by the fact that there is a difference between the applied rates and the WTO bound rates. The WTO bound rates act as a ceiling beyond which customs duty increases cannot go.

Tariff support is tied to conditions related to economic performance over time and is reviewed after a specified period.

Apart from industrial policy considerations, in terms of which tariffs on upstream industries will be reviewed to lower input costs into labour-intensive downstream industries, a reduction or removal of duties is considered on a case-by-case basis, in instances where goods, (consumption goods, intermediate goods or capital goods) are not manufactured domestically or unlikely to be manufactured domestically.

Linked to customs duties as a trade policy instrument are duty rebate and drawback provisions for products for which detailed separate tariff lines are impracticable for tariff administration purposes. The primary aim of these provisions is to provide a customs duty waiver and therefore an availability at world competitive prices of products that attract duties but are not produced or insufficiently produced domestically as an industrial or agricultural input for certain critical applications, as a capital item, or as an agricultural product for consumption. Rebates and drawbacks form a key pillar of certain industrial development programmes, such as those for motor vehicles and textiles and clothing.

The tariff-setting process for agricultural products has its own unique requirements. Subsidies offered in a number of developed countries to their agriculture sector and their impact on global supply, have the effect of depressing world prices to the disadvantage of domestic farmers. This depression in world prices is factored into the equation when determining an appropriate level of the tariff.

In ITAC's investigations and recommendations careful consideration is given to the value chain for agricultural products. Not only the profitability and interests of primary producers are taken into account, but also those of value-added producers and the possible inflationary effects for the consumers of food, in particular the poor. These different parties across the spectrum of the value chain represent sometimes sharply opposing interests.

Comprehensive criteria for adjudicating tariff applications have been set and these are consistently applied across all sectors based on information obtained through comprehensive questionnaires and on-site verifications. The adjudication process is rigorous and evidence-based, and is carried out on a case-by-case basis considering the implications for the full value chain. In light of the pressing challenge of unemployment, the criteria are applied in a manner that is sensitive to employment outcomes.



## Tariff Investigations (Continued)

In the financial year 2009/2010, and in addition to its ongoing administration of the MIDP and TCIDP programmes in terms of which 2 960 import rebate credit certificates (MIDP), and 1 427 duty credit certificates (TCIDP) were issued, ITAC issued 766 rebate permits in terms of standing rebate provisions in Schedules No. 3, 4 and 5 of the Act, including the export promoting provisions in terms of which the duties on imported materials and components are rebated on condition that the final product manufactured domestically is exported.

The Commission considered and recommended an increase in the ordinary customs duty on a range of clothing items covering more than 120 tariff lines. In tandem with the range of support measures provided for in the Textiles and Clothing Rescue Plan, the increased tariff assistance will enable the clothing manufacturers to protect existing jobs, increase market penetration and price competitiveness by reducing unit cost of manufacture, and growing the domestic industry also in the export market. The Commission also recommended an increase in the reference prices of the variable tariff formulae for the important agricultural commodities of wheat and sugar. In addition, 50 applications for a reduction or rebate of the duty were considered.



## Trade Remedies

ITAC is responsible for conducting investigations of anti-dumping actions, countervailing duties to counteract subsidisation in foreign countries, and safeguard measures when a surge of imports is threatening to overwhelm a domestic producer, in accordance with domestic law and regulations, and consistent with WTO rules.

These instruments are a critical government intervention to retain jobs and promote investments.

Relative to the other two trade remedies, applications to ITAC, in the main, are for anti-dumping protection, as was the case during 2009/2010.

In the context of international trade, dumping is defined as a situation where imported goods are being sold in our market at prices lower than in the country of origin. If such discriminatory pricing is causing material injury to domestic producers of like goods, ITAC may recommend the imposition of additional duties on imports, duties that are equivalent to the dumping margin (or to the margin of injury, if this margin is lower).

## Trade Remedies (Continued)

ITAC carries out its investigations speedily and with rigour. It revised its timelines for finalising its investigations which has resulted in significantly shorter completion periods, on average within 10 months of the date of initiation.

During the year under review, six trade remedy investigations and reviews were initiated (of which two were anti-circumvention reviews that were terminated), compared to five initiations in the previous year. This quite marginal increase occurred despite the effective appreciation of the Rand during the year under review, which has made imports less expensive, affecting the competitive position of domestic industries. On a trade-weighted basis, the Rand depreciated by 15 per cent, 9 per cent, and 8 per cent in 2006/2007, 2007/2008 and 2008/2009, respectively, but appreciated by more than 20 per cent during 2009/2010. The effect of the appreciation in the value of the Rand on the number of applications received was significantly diminished as a result of the sharp fall in global economic activity and aggregate demand and hence overall global trade activity due to the economic downturn.

Eight investigations and sunset reviews were completed during the year under review, three of which were brought forward from the previous year. Only three investigations were carried over.

## Import and Export Control

Import and export control measures are applied to enforce health, environmental, safety, and technical standards that arise from domestic laws and international agreements, such as the Montreal Protocol on Substances that Deplete the Ozone Layer, the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal, and the 1988 UN Convention Against the Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

To fulfill its mandate, ITAC established partnerships with other government departments and agencies such as the Departments of Environmental Affairs (DEA), Mineral Resources, Energy, Health, Agriculture, Forestry and Fisheries, and the National Regulator for Compulsory Specifications (NRCS).

These co-operative agreements provide a stable legal foundation on which to operate. They also reflect the responsibilities of all the parties in the process of control and compliance checking.

Agreements have been signed with the SAPS with regard to chemicals listed in the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances; the Department of Agriculture, Fisheries and Forestry regarding the exportation of Yellowwood, Stinkwood, Blackwood and Wattle Seed; the Department of Mineral Resources regarding the exportation of Tiger's eye and Sugulite; the Department of Environment Affairs regarding chemicals with an ozone-depleting potential listed in the Montreal Protocol.





## Import and Export Control (Continued)

Agreements are also in the process to be signed with the Department of Environment Affairs regarding the retransboundary movement of hazardous waste in terms of the Basel Convention and movement of chemicals in terms of the Rotterdam and Stockholm Conventions. Further agreements are to be signed with the National Regulator for Compulsory Specifications regarding the control over the movement of radioactive sources and the Coastal Management branch of the DEA regarding the importation and exportation of certain marine products.

### Some of the products subject to import control include:

- **Radioactive chemical elements**  
Control is exercised to assist the Department of Health (radiation control) to control and monitor the importation of radioactive isotopes and chemical elements for medical and industrial purposes.
- **New pneumatic tyres**  
Control is exercised to assist the National Regulator for Compulsory Specifications (NRCS) in ensuring that all new pneumatic tyres comply with the safety/quality specification and that tyres have been subjected to a process of homologation.
- **Chemicals listed in the 1988 Convention**  
Control is exercised to assist the SAPS in ensuring that importers/exporters of listed chemicals are recorded and the movements of these chemicals are adequately monitored as required by the Convention.
- **Fossil fuels**  
Fossil fuels are controlled to assist the Department of Mineral Resources in regulating the industry for purposes of promoting efficient manufacturing, wholesaling and retailing of petroleum products, creating an environment for investment, and creating small business and employment opportunities in the industry.
- **Arms and ammunition**  
Arms and ammunition is controlled to assist the SAPS with maintaining safety and security.
- **Gambling devices**  
Gambling devices are controlled for social reasons and quality. To assist the National Gambling Board in the development of the industry with specific reference to manufacturing and Information Technology. Also, to ensure compliance with NRCS specifications.

### Used goods

- **Used electronic equipment**  
Used electronic equipment is controlled to assist the Department of Environment Affairs to address the problem of dumping of electronic waste.
- **Used medical equipment**  
Used medical equipment is controlled to assist the Department of Health to address the problem of inferior quality used medical equipment being imported, such as used x-ray machines.

## Import and Export Control (Continued)

- **Used aircraft**

The importation of used aircraft is controlled to assist the Civil Aviation Authority and ensuring that the requirements of airworthiness have been complied with.

- **Waste and scrap**

Waste and scrap is controlled as the generation of waste and scrap exceeds recycling programmes resulting in many developed countries paying developing countries for receiving waste and scrap for purpose of landfill.

However, in many instances the importation of waste and scrap is allowed as a raw material for manufacturing purposes such as waste paper, glass, rubber or lead. In all these instances, the provisions of the Basel Convention must be complied with.

**Some of the products subject to export control measures include:**

- **Tiger's eye and sugulite**

The exportation of precious stones, such as tiger's eye and sugulite is controlled to assist the Department of Mineral Resources with strategies of domestic beneficiation.

- **Raw materials for manufacturing**

The exportation of ferrous and non-ferrous waste and scrap, for example, inter alia is controlled to assist the local foundries in acquiring ferrous and non-ferrous waste and scrap prior to its exportation.

- **Assisting strategies for crime prevention**

The exportation of used motor vehicles is controlled to assist law enforcement agencies in curtailing the exportation of used, stolen motor vehicles.

- **Control in terms of international agreements**

Export control measures are also exercised to comply with the provisions of the mentioned international agreements.

During 2009/2010, a total of 14 482 import permits and 6 811 export permits were issued after adjudication.

# Table of Contents

## Annual Financial Statements

for the year ended 31 March 2010

STATEMENT OF RESPONSIBILITY	26
CORPORATE GOVERNANCE REPORT	27
REPORT OF THE AUDIT COMMITTEE	28
REPORT OF THE AUDITOR GENERAL	30
REPORT OF THE ACCOUNTING AUTHORITY	33
STATEMENT OF FINANCIAL PERFORMANCE	35
STATEMENT OF FINANCIAL POSITION	36
STATEMENT OF CHANGES IN NET ASSETS	38
CASH FLOW STATEMENT	39
ACCOUNTING POLICIES	40
NOTES TO THE ANNUAL FINANCIAL STATEMENTS	46



# ITAC

International Trade Administration Commission of South Africa

## Statement of Responsibility for the year ended 31 March 2010

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 year ended 31 March 2010 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 Statements of Generally Recognised Accounting Practice (GRAP) as disclosed in the accounting policies. Consequently the annual financial statements have been prepared in accordance with GAAP and GRAP and as required by the International Trade Administration Act, 2002. These annual financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgements.

The annual financial statements for the year ended 31 March 2010 are the responsibility of the Chief Commissioner. The Auditor-General is responsible for independently auditing and reporting on the financial statements.

The Chief Commissioner has reviewed the Commission's budgets and cash flow forecasts for the year ended 31 March 2010. On the basis of this review, and in view of the current financial position and existing resources of the Department of Trade and Industry (**the dti**) by way of transfer payments to ITAC, the Chief Commissioner has every reason to believe that ITAC will be a going concern in the year ahead and the going concern-basis has therefore been adopted in preparing the financial statements.

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

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

The Executive Committee has reviewed ITAC's systems of internal control and risk management for the year ended 31 March 2010, 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 on the results of ITAC for the year ended 31 March 2010.



Siyabulela Tsengiwe  
Chief Commissioner  
Date: 30 July 2010



## Corporate Governance Report for the year ended 31 March 2010

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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 control

Internal financial controls 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 Unit.

### 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 Internal Audit Unit has direct access to the Chief Commissioner, the Audit Committee and Management.

A Materiality Framework was developed and approved by the Accounting Authority. The only known incident of fraud is stated in note 22.

## Report of the Audit Committee in terms of Treasury Regulations

### Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2010.

#### Audit Committee members and attendance:

The Committee consists of the members listed hereunder and should meet at least five (5) times per annum as per its approved terms of reference. During the current year, five (5) meetings were held.

Name of member	Number of meetings attended
S. Hari (Chairperson)	5
M. Nembambula	4
M. Manyama- Matome (Contract ended 31 July 2009)	2
K. Singh (Appointed 1 April 2009)	5
P.R. Mnisi (appointed 1 June 2009)	3
S. Tsengiwe (Chief Commissioner)	5

#### Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 38(1)(a) of the PFMA and Treasury Regulations 3.1

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

#### The effectiveness of internal control

The system of internal control applied by ITAC over financial risk and risk management is effective, efficient and transparent.

In line with the PFMA and the King II Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and Management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and the Management Report of the Auditor-General, it was noted that no matters were reported indicating any material deficiencies in the system of internal control or any deviations therefrom.



## Report of the Audit Committee in terms of Treasury Regulations (Continued)

Accordingly, we can report that the system of internal control for the period under review was efficient and effective.

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

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

### **Evaluation Financial Statements**

The Audit Committee has:

- Reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report, with Auditor-General and the Account Officer
- Reviewed the Auditor-General's Management Report and Management's response thereto.
- Reviewed changes in accounting policies and practices
- Reviewed changes in accounting policies
- Reviewed ITAC's compliance with legal and regulatory provisions, and
- Reviewed significant adjustments resulting from the audit.

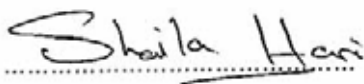
The Audit Committee concurs and accepts the Auditor-General's conclusions on the Annual Financial Statements, and is of the opinion that the Annual Financial Statements be accepted and read together with the Report of the Auditor-General.

### **Internal Audit**

The Audit Committee is satisfied that the Internal Audit function is operating effectively and that it has addressed the risks to ITAC in its audit.

### **Auditor-General South Africa**

The Audit Committee met the Auditor-General South Africa to ensure that there are no unsolved issues.



Shaila Hari

Chairperson of the Audit Committee

Date: 31 May 2010.

## Report of the Auditor-General to Parliament on the Financial Statements of the International Trade Administration Commission of South Africa for the year ended 31 March 2010

### Report on the Financial Statements

#### Introduction

I have audited the accompanying financial statements of the International Trade Administration Commission of South Africa (ITAC), which comprise the statement of financial position as at 31 March 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 25 to 73.

#### Accounting Authority's responsibility for the financial statements

The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor-General's responsibility

As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa and section 24(9) of the International Trade Administration Act, 2002 (Act No. 71 of 2002), my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



## Report of the Auditor-General to Parliament on the Financial Statements of the International Trade Administration Commission of South Africa (Continued) for the year ended 31 March 2010

### Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of ITAC as at 31 March 2010, 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.

### Emphasis of matter

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

### Irregular expenditure

As disclosed in note 23 to the financial statements, irregular expenditure to the amount of R155 622 was incurred, as the correct procurement process had not been followed.

## Report on other Legal and Regulatory Requirements

In terms of the PAA of South Africa and General notice 1570 of 2009, issued in Government Gazette No. 32758 of 27 November 2009, I include below my findings on the report on predetermined objectives, compliance with the Public Finance Management Act of South Africa, International Trade Administration Act and financial management (internal control).

### Findings

#### Predetermined objectives

#### Reliability of reported information

The following criteria were used to assess the usefulness of the planned and reported performance:

- Validity: Has the actual reported performance occurred and does it pertain to the entity, that is, can the reported performance information be traced back to the source data or documentation?
- Accuracy: Amounts, numbers and other data relating to reported actual performance has been recorded and reported appropriately.
- Completeness: All actual results and events that should have been recorded have been included in the reported performance information.

The following audit findings relate to the above criteria:

#### Reported indicators not reliable or not valid when compared to source information

For the selected objectives (economic growth and development), 33% of the reported indicators were not valid on the basis of the source information or evidence provided to support the reported indicators.

## Report of the Auditor-General to Parliament on the Financial Statements of the International Trade Administration Commission of South Africa (Continued) for the year ended 31 March 2010

### Internal control

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the PFMA and International Trade Administration Act, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported are limited to the deficiencies identified during the audit.

#### • Leadership

The internal performance information policy and procedures of ITAC did not adequately address the processes pertaining to the planning and monitoring of performance information at the overall performance management level.

*Auditor-General*

Pretoria

31 July 2010



## Report of the Accounting Authority for the year ended 31 March 2010

### 1. Introduction

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

### 2. Operating results

The surplus of ITAC for the period to 31 March 2010 was R1 733 491 (2009: R4 245 923). The interest received year to date is R1 779 876. During the year under review, R3 657 902 was transferred from the retained surplus to Other Income to fund operating expense and R487 011 in respect of depreciation on assets funded from the 2008 retained surplus was transferred to Other Income from Deferred Income.

### 3. Review of operations

ITAC's primary source of revenue is the quarterly transfer of funds from **the dti**. Funds were applied to defray personnel and operating expenses, as well as costs involved in the establishment and maintenance of ITAC's infrastructure, and the costs of litigation. The costs for running ITAC are increasing annually as a result of the increased human resource costs which is in excess of the year-on-year growth of the government grants. Legal costs are increasing due to the complex nature of the cases dealt with by ITAC as well as an increase in the number of new cases.

	2010	2009
	R	R
Total operating costs	65 093 171	55 771 900
ITAC budget allocation from <b>the dti</b>	60 885 000	58 427 000

### 4. Review of financial position

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, whilst R3 657 902 was transferred to Other Income. ITAC submitted a request to National Treasury to retain the 2009 surplus of R4 143 268. The approval was received subsequent to the financial year end.

### 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 54(2) of the PFMA. The materiality amount for the year is R308 860. This represents 0.5% of ITAC's total approved revenue budget for the financial year under review.

### 6. Executive Management remuneration

Disclosure of the Executive Management remuneration is detailed in note 5 to the annual financial statements.

## Report of the Accounting Authority (Continued) for the year ended 31 March 2010

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**7. Business address:**

DTI Campus (Building E)  
77 Meintjies Street  
Sunnyside  
PRETORIA

**8. Approval of the financial statements**

The financial statements set out on pages 35 to 73 have been approved by the Executive Committee and signed on its behalf by the Chief Commissioner.



Siyabulela Tsengiwe  
Chief Commissioner  
Date: 30 July 2010



## Statement of Financial Performance for the year ended 31 March 2010

Restated

	Notes	2010	2009
		R	R
<b>Revenue</b>			
Government grants	1	60 885 000	58 427 000
Interest income	2	1 779 875	1 511 303
Other income	3	4 161 787	79 520
<b>Total revenue</b>		<b>66 826 662</b>	<b>60 017 823</b>
<b>Expenses</b>			
Personnel		(42 649 237)	(35 678 288)
Administrative		(21 045 451)	(18 093 408)
Depreciation and amortisation		(1 343 383)	(1 841 846)
Finance costs	4	(55 100)	(158 359)
<b>Total expenses</b>		<b>(65 093 171)</b>	<b>(55 771 900)</b>
<b>Surplus for the year</b>	5	<b>1 733 491</b>	<b>4 245 923</b>

## Statement of Financial Position for the year ended 31 March 2010

Restated

		2010	2009
		R	R
<b>ASSETS</b>			
	<b>Notes</b>		
<b>Current assets</b>		<b>21 697 128</b>	<b>25 543 325</b>
Inventory	6	51 205	56 639
Accounts receivable	7	62 741	106 552
Prepayments	8	34 459	26 967
Cash and cash equivalents	9	21 548 723	25 353 167
<b>Non-current assets</b>		<b>3 700 080</b>	<b>1 861 646</b>
Property, plant and equipment	10	3 440 636	1 394 235
Intangible assets	11	259 444	467 411
<b>Total assets</b>		<b>25 397 208</b>	<b>27 404 971</b>

**Statement of Financial Position (Continued)**  
**for the year ended 31 March 2010**

**Restated**

		2010	2009
		R	R
	Notes		
<b>LIABILITIES</b>			
<b><i>Current liabilities</i></b>		<b>7 363 874</b>	<b>6 838 880</b>
Trade and other payables	12	3 177 084	2 776 480
Provisions	13	4 015 252	3 688 348
Finance lease obligation	14	171 538	374 052
<b><i>Non-current liabilities</i></b>		<b>2 062 628</b>	<b>2 183 963</b>
Provisions	13	2 062 628	2 012 426
Finance lease obligation	14	-	171 537
<b>Total Liabilities</b>		<b>9 426 502</b>	<b>9 022 843</b>
Accumulated surplus	15	15 970 706	18 382 128
<b>Total Net Assets and Liabilities</b>		<b>25 397 208</b>	<b>27 404 971</b>

## Statement of Changes in Net Assets for the year ended 31 March 2010

	Note	Accumulated surplus
		<b>R</b>
Accumulated surplus as at 31 March 2008		14 136 205
Surplus for the year ended 31 March 2009		4 245 923
As previously reported		4 143 268
Prior period error	16	102 655
Accumulated surplus as at 31 March 2009		18 382 128
Surplus approved by National Treasury and transferred to other income for depreciation recovery		(487 011)
Surplus approved by National Treasury and transferred to other income		(3 657 902)
Balance at 01 April 2009		14 237 215
Surplus realised in 2010		1 733 491
<b>Balance as at 31 March 2010</b>		<b>15 970 706</b>

Included in the balance as at 31 March 2010 is the 2009 surplus of R4 143 268 that was approved by National Treasury after the financial year-end.

## Cash Flow Statement for the year ended 31 March 2010

		2010	2009
	Notes	R	R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Government grants		60 885 000	58 427 000
Interest received		1 779 876	1 511 303
Other income		16 872	76 820
<b>Payments</b>			
Employee costs		(42 649 237)	(35 678 288)
Suppliers		(20 174 975)	(16 540 435)
Finance costs		(55 100)	(158 359 )
Net cash flows from operating activities	17	<b>(197 564)</b>	<b>7 638 041</b>
<b>Cash flows from investing activities</b>			
Acquisition of computer equipment, furniture, fittings and equipment		(3 225 984)	(116 281)
Acquisition of intangible assets		(6 874)	(279 899)
Proceeds from sale of assets		-	2 700
Net cash utilised from investing activities		<b>(3 232 858)</b>	<b>(393 480)</b>
<b>Cash flows from financing activities</b>			
Repayments on finance lease liability		(374 022)	(327 090)
Net cash flow used in financing activities		<b>(374 022)</b>	<b>(327 090)</b>
Net change in cash and cash equivalents		(3 804 444)	6 917 471
Cash and cash equivalents at beginning of year		25 353 167	18 435 696
Cash and cash equivalents at end of the year	9	<b>21 548 723</b>	<b>25 353 167</b>

## Accounting Policies for the year ended 31 March 2010

### 1. Basis of preparation

The Annual Financial Statements have been prepared in accordance with Statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 55 of the Public Finance Management Act (Act no. 29 of 1999). The Annual Financial Statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board. Assets, liabilities, revenues and expenses have not been offset except where offsetting 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 Financial Statements are set out below.

### 2. Presentation currency

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

### 3. Revenue

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

#### • Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. 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.

#### • Interest Income

Interest received is recognised on a time proportionate basis by reference to the principal cash investment and the interest rate applicable.

#### • Other Income

Other income is recognised on an accrual basis.

### 4. Irregular, fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including:

- the PFMA as amended, or
- any national legislation providing for procurement procedures.

Fruitless and wasteful expenditure means expenditure that was made in vain and could have been avoided had reasonable care been exercised.



## Accounting Policies (Continued) for the year ended 31 March 2010

Any irregular, fruitless or wasteful expenditure is charged against income in the period in which it is incurred.

### 5. Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation is charged to depreciate assets to their residual values over their estimated useful lives, using the straight-line method.

The period over which various categories of assets are depreciated is detailed as below:

Item	Average Useful Life
IT Servers	5 to 7 years
Personal computers	3 to 5 years
Office furniture, fittings and equipment	6 to 8 years
Leased assets	3 to 5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. 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 Commission 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 estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance. A previously recognized impairment loss is reversed when there is an indication that it may no longer exist or may have decreased, however not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment been recognized in prior years.

### Disposals

Any gain or loss arising from the disposal or retirement of an asset is determined as the difference between the carrying amount of the asset and the proceeds from the sale of the asset. The difference is recognised as an income or an expense in the statement of financial performance.

### 6. Intangible assets

The only intangible assets owned by ITAC are computer software. Computer software that are not an integral part of the hardware and which can be identified and separated are capitalized as intangible assets.



## Accounting Policies (Continued) for the year ended 31 March 2010

Costs associated with developing or maintaining in-house computer software programmes are capitalised when they are incurred. Intangible assets are stated at historical cost less accumulated amortisation and are amortised over a period of two years on the straight-line method. Expenditure that enhances or extends the performance of software programmes beyond their original specifications is recognised as a new acquisition.

At each reporting date, ITAC reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are immediately recognised as an expense, unless the relevant asset is carried at a re-valued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under the standard. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

### 7. Employee benefits

#### Short-term employee benefits

The cost of all short-term employee benefits, such as salaries, bonuses, housing allowance, medical and other contributions is recognised during the period in which the employee renders the related service.

#### Post-employee benefit plan

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 the Commission. The Commission's contributions to the GEPF are charged to the statement of financial performance in the year to which they relate. The Commission 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.

### 8. Medical

No contributions to the medical aid of retired employees are made by ITAC.

The vesting portion of long-term benefits is recognised and provided for at the reporting date, based on current salary rates.

### 9. Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Commission recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal



## Accounting Policies (Continued) for the year ended 31 March 2010

or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If the benefit falls due more than 12 months after reporting date, it is discounted to present value.

### 10. Inventory

Inventory, consist mainly of stationery and consumables. Inventory is valued at the lower of cost and net realisable value determined on the weighted average basis. The weighted average method is considered to be more appropriate in valuing inventory. Inventory on hand at the reporting date is measured at cost.

### 11. Financial instruments

#### Classification

Financial instruments carried on the statement of financial position include cash and bank balances, receivables and payables. These financial instruments are generally carried at their estimated fair value, which is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

#### Recognition

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

#### Measurement

Financial instruments are initially measured at fair value plus transaction costs. Subsequent to initial recognition these instruments are measured as set out below;

#### 11.1 Receivables

Receivables are stated at the nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. The carrying amount of these receivables approximates fair value because of the short period to maturity of these instruments.

#### 11.2 Trade and other payables

Trade and other payables are stated at their nominal value. The carrying amount of these payables approximates fair value because of the short period to maturity of these instruments.

#### 11.3 Cash and bank balances

Cash and cash equivalents are initially and subsequently recorded at fair value.

#### 11.4 Comparative figures

Where necessary, comparative figures have been adjusted to changes in presentation in the current year.

## Accounting Policies (Continued) for the year ended 31 March 2010

### 12. Provisions and Contingencies

Provisions are recognised when the Commission 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 the Commission's financial position, liquidity or cash-flow.

### 13. Leases

Leases are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised as assets at their fair value at the inception of the lease or, if lower the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the surplus or deficit in the statement of financial position.

Leases, in which a significant portion of the risk and rewards of ownership are retained by the lessor, are classified as operating leases and are charged to the Statement of Financial Performance on a straight line basis over the period of the lease.

### 14. Taxation

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

### 15. Significant estimates and judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented 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:

#### - Loans and Receivables

The entity assesses its loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in the Statement of Financial Performance, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment for loans and receivables is calculated on a portfolio basis after removing individually impaired items, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

## Accounting Policies (Continued) for the year ended 31 March 2010

### • Available-for-sale financial assets

The entity follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the entity evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

### • Fair value estimation

Unquoted financial assets are measured at fair value using valuation techniques. Inherent to these techniques are certain uncertainties like time of cash flows and interest rates used for discounting.

### 15. New GRAP standards issued but not yet effective

The following new standards of GRAP has been issued but is not yet effective and was therefore not yet adopted by ITAC:

- GRAP 18:** Segment reporting - will not have an impact on the financials of ITAC.
- GRAP 21:** Impairment of non-cash generating assets - will not have an impact on the financials of ITAC.
- GRAP 23:** Revenue from non-exchange transactions - This standard is in line with IAS 20 and will have no significant impact on financials of ITAC.
- GRAP 24:** Presentation of budget information in Financial Statements - A reconciliation between budget and statement of financial performance is disclosed in note 26.
- GRAP 25:** Employee benefits - This standard is in line with the IAS 19 which is applied and therefore there will be no significant impact in the period of initial application of GRAP 25.
- GRAP 26:** Impairment of cash-generating assets - IAS 36 is currently applied and therefore there will be no significant impact in the period of initial application of GRAP 26.
- GRAP 103:** Heritage assets – This standard is not applicable to ITAC and will have no significant impact on the financials of ITAC.
- GRAP 104:** Financial instruments - As this standard has used the IFR standards as development basis it will not have a significant impact on the financials in the period of initial application.

## Notes to the Annual Financial Statements for the year ended 31 March 2010

	2010	2009
<b>1. Funds received</b>	<b>R</b>	<b>R</b>
Funds received comprise transfer payments received from <b>the dti</b>	60 885 000	58 427 000
<b>2. Interest Income</b>		
Call account (Standard Bank)	1 779 876	1 511 303
<b>3. Other income</b>		
	4 161 787	79 520
Sales of disposed assets and tenders	16 874	8 300
Depreciation recovery (refer note 15)	487 011	-
Transfer from retained income	3 657 902	-
Recovery from Fraud (refer note 22)	-	71 220
<b>4. Finance cost</b>	55 100	158 359
<b>5. Included in surplus are the following:</b>		
External audit fees	1 143 343	794 299
Audit committee	85 045	111 326
- Remuneration	82 315	109 255
- Expenses	2 730	2 071

**Notes to the Annual Financial Statements (Continued)**  
**for the year ended 31 March 2010**

	2010	2009
	R	R
Depreciation and amortisation	1 343 383	1 841 845
- Computer equipment and peripherals	627 783	605 024
- Office furniture and fittings	152 638	68 177
- Computer software	214 838	820 520
- Leased assets	348 124	348 124
Internal audit fees	717 275	724 590
Operating lease payments	2 681 809	2 480 383
- Buildings	2 348 662	2 105 590
- Motor vehicles	322 345	377 096
- Leasing Charges Equipment	10 801	(2 303)
Legal costs	2 666 507	2 307 086
Staff costs	42 649 237	35 678 288
Technical Support	1 195 158	923 460
Stock Write Off	31 271	-

**Notes to the Annual Financial Statements (Continued)**  
**for the year ended 31 March 2010**

	2010	2009
	R	R
<b>Executive Management remuneration</b>		
ITAC remunerates its employees in line with the DPSA salary dispensation. Personnel costs include gross remuneration of the following Executive Managers		
<b>Chief Commissioner</b>	<b>1 129 706</b>	<b>832 836</b>
- Basic	866 259	593 011
- Vehicle allowance	120 000	120 000
- Bonus	49 612	41 432
- Pension	73 295	64 633
- Medical	20 540	13 760



**Notes to the Annual Financial Statements (Continued)**  
**for the year ended 31 March 2010**

	2010	2009
	R	R
<b>Deputy Chief Commissioner (resigned 30 April 2008)</b>	<b>0</b>	<b>68 465</b>
- Basic	-	41 622
- Vehicle allowance	-	9 166
- Bonus	-	11 812
- Pension	-	4 645
- Medical	-	1 220
The previous Deputy Chief Commissioner resigned on 30 April 2008		
<b>Deputy Chief Commissioner (appointed 1 March 2009)</b>	<b>815 750</b>	<b>62 292</b>
- Basic	550 313	41 082
- Vehicle allowance	189 998	15 000
- Pension	60 329	4 850
- Medical	15 110	1 360
A new Deputy Chief Commissioner was appointed on 1 March 2009		

## Notes to the Annual Financial Statements (Continued) for the year ended 31 March 2010

	2010	2009
	R	R
<b>General Manager: Corporate Services (resigned on 15 October 2008)</b>	<b>0</b>	<b>1 028 052</b>
- Basic	-	278 547
- Vehicle allowance	-	72 000
- Severance package	-	628 526
- Pension	-	31 159
- Medical	-	17 820
The previous General Manager received a severance package on 15 October 2008		

	2010	2009
	R	R
<b>General Manager: Corporate Services</b>	<b>780 879</b>	<b>0</b>
- Basic	623 474	-
- Vehicle allowance	88 000	-
- Bonus	6 534	-
- Pension	62 871	-
A new General Manager was appointed on 01 April 2009		

Number of employees at year end

119

114

## Notes to the Annual Financial Statements (Continued) for the year ended 31 March 2010

	2010	2009
	R	R
<b>6. Inventory</b>		
Stationery and consumables	51 205	56 639
<b>7. Accounts receivable</b>		
Staff debtors	11 207	4 838
Other Debtors	36 032	0
Subsistence and travel	15 502	101 714
	<b>62 741</b>	<b>106 552</b>

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

Management considers that all the above financial assets are of good quality. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. None of the receivables defaulted in the year under review. None of the financial assets that are fully performing have been renegotiated in the last year.

There are no receivables past due but not impaired.

Other receivables impaired in the year under review was R717.

## Notes to the Annual Financial Statements (Continued) for the year ended 31 March 2010

	2010	2009
	R	R
<b>8. Prepayments</b>		
Suppliers paid in advance	34 459	26 967
<b>9. Cash and cash equivalents</b>		
Cash and cash equivalents comprise cash and short-term, highly liquid deposits that are held with Treasury approved banking institutions, with maturities of three months or less and that are subject to insignificant interest rate risk. Cash and cash equivalents are measured at realisable value. ITAC was exempted by the National Treasury from the requirement of Treasury Regulation 31.3 to invest surplus funds with the Corporation for Public Deposits.		
Cash at bank	179 002	761 784
Call account	21 367 464	24 589 586
Cash on hand	2 257	1 797
<b>Cash and cash equivalents</b>	<b>21 548 723</b>	<b>25 353 167</b>

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. The cash and cash equivalents were not pledged as security for any financial liabilities.

**Notes to the Annual Financial Statements (Continued)**  
**for the year ended 31 March 2010**

10. Property, plant and equipment	Leased Assets	Computer equipment	Office furniture	Total
	R	R	R	R
<b>2010</b>				
<b>Cost</b>				
Opening amount	1 536 689	3 783 101	1 182 862	6 502 652
Additions	-	3 085 840	140 144	3 225 984
Disposals and losses	(492 213)	(3 343 507)	(233 644)	( 4 069 364)
Closing amount	<b>1 044 476</b>	<b>3 525 434</b>	<b>1 089 362</b>	<b>5 659 272</b>
<b>2010</b>				
<b>Accumulated Depreciation</b>				
Opening amount	1 043 327	3 454 013	611 105	5 108 445
Charge	348 124	627 783	152 638	1 128 545
Disposals and losses	(492 213)	(3 304 621)	(221 520)	(4 018 354)
Closing amount	<b>899 238</b>	<b>777 175</b>	<b>542 223</b>	<b>2 218 636</b>
<b>Net carrying amount</b>	<b>145 238</b>	<b>2 748 259</b>	<b>547 139</b>	<b>3 440 636</b>

**Notes to the Annual Financial Statements (Continued)**  
**for the year ended 31 March 2010**

10. Property, plant and equipment (Continued)	Leased Assets	Computer equipment	Office furniture	Total
	R	R	R	R
<b>2009</b>				
<b>Cost</b>				
Opening amount	1 536 689	3 768 111	1 081 571	6 386 371
Additions	-	14 990	126 776	141 766
Disposals and losses	-	-	(25 485)	( 25 485)
Closing amount	<b>1 536 689</b>	<b>3 783 101</b>	<b>1 182 862</b>	<b>6 502 652</b>
<b>2009</b>				
<b>Accumulated depreciation</b>				
Opening amount	695 285	2 848 989	543 191	4 087 465
Charge	348 124	605 024	68 177	1 021 325
Disposals and losses	-	-	(373)	(373)
Closing amount	<b>1 043 409</b>	<b>3 454 013</b>	<b>610 995</b>	<b>5 108 417</b>
<b>Net carrying amount</b>	<b>493 280</b>	<b>329 088</b>	<b>571 867</b>	<b>1 394 235</b>

**Notes to the Annual Financial Statements (Continued)**  
**for the year ended 31 March 2010**

		2010	2009
<b>11.</b>	<b>Intangible assets – Software</b>		
	<b>Cost</b>		
	Opening amount	3 226 528	3 203 129
	Additions	263 374	23 399
	Disposals	(3 052 648)	-
	Closing amount	<b>437 254</b>	<b>3 226 528</b>
	<b>Accumulated amortisation</b>		
	Opening amount	3 015 617	2 195 097
	Charge	214 839	820 520
	Disposals	(3 052 646)	-
	Closing amount	<b>177 810</b>	<b>3 015 617</b>
	Net carrying amount	259 444	210 911
	Development costs	-	256 500
	<b>Total Intangible Assets</b>	<b>259 444</b>	<b>467 411</b>



## Notes to the Annual Financial Statements (Continued) for the year ended 31 March 2010

	2010	2009
	R	R
<b>12. Trade and other payables</b>	<b>3 177 084</b>	<b>2 776 479</b>
Rental	-	235 560
IT and Technical Support	301 387	184 609
Training	114 000	348 840
Internal Audit Fee	305 258	387 930
Consultants	-	191 127
Legal Fees	2 007 930	100 759
Other Accruals	448 509	1 327 654
All creditors are paid within 30 days of receipt of invoice and there is no default in terms of payment.		

<b>13. Provisions</b>	<b>Leave Pay</b>	<b>Performance Bonus</b>	<b>Workmens Compensation</b>	<b>Service Bonus</b>	<b>Legal Fees</b>	<b>Total</b>
	R	R	R	R	R	R
2010						
Opening balance	3 127 576	534 392	-	778 806	1 260 000	5 700 774
Raised during the year	323 701	679 659	138 244	926 753	986 000	3 054 356
Utilisation during the year	(104 053)	(534 392)	-	(778 806)	(1 260 000)	(2 677 251)
Less current portion	(1 284 596)	(679 659)	(138 244)	(926 753)	(986 000)	(4 015 251)
Long Term portion	<b>2 062 628</b>	-	-	-	-	<b>2 062 628</b>

## Notes to the Annual Financial Statements (Continued) for the year ended 31 March 2010

13. Provisions (continued)					
	Leave Pay	Performance Bonus	Service Bonus	Legal Fees	Total
2009	R	R	R	R	R
Opening balance	2 888 397	581 057	651 139	1 179 992	5 300 585
Raised during the year	337 118	534 392	778 806	1 069 291	2 719 607
Utilisation during the year	(97 939)	(581 057)	(651 139)	( 989 283)	(2 319 418)
Less current portion	(1 115 150)	(534 392)	(778 806)	(1 260 000)	(3 688 348)
Long Term portion	2 012 426	-	-	-	2 012 426

The details of the provisions above are as follows;

- **Leave pay**

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

- **Performance bonus**

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

- **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 for the 2009/10 tax year.

- **Service bonus**

Service bonus represents the amounts payable to employees on their birthday month which amounts are deducted throughout the year.

- **Legal fees**

Legal Fees represent amounts payable in respect of counsel fees for trade administration litigation matters in progress.

**Notes to the Annual Financial Statements (Continued)**  
**for the year ended 31 March 2010**

	2010	2009
	R	R
<b>14. Finance lease obligation</b>		
Amount payable under finance lease:		
Within one year	177 530	426 072
In the second to fifth year inclusive	-	177 530
	177 530	603 602
Less future finance charges	5 992	58 042
Within one year	5 992	52 051
In the second to fifth year inclusive	-	5 991
Present value of minimum lease payments	171 538	545 560
Within one year	171 538	374 023
In the second to fifth year inclusive	-	171 539
Less amounts due for settlement within 12 months	(171 538)	(374 023)
	-	171 539

## Notes to the Annual Financial Statements (Continued) for the year ended 31 March 2010

ITAC is leasing the above equipment on finance leases with effect from 1 September 2007. There are no restrictions imposed on ITAC in terms of the lease. The lease obligation is secured by the lessors' title to the leased assets. The leases expire on 31 August 2010. The total monthly instalment of these leases amounts to R 35 506.

### 15. Accumulated surplus

Included in accumulated surplus are the following ring-fenced amounts in respect of specific projects in progress that were approved by National Treasury as part of the 2008/09 retained surplus and which is to be utilised by the Commission in line with its Business Plan in the next three years;

Project	Budget	Costs to Date	Balance
	R	R	R
Job Evaluation Exercise	3 000 000	-	3 000 000
File Plan System	500 000	-	500 000
Core Business Information Technology System	3 000 000	-	3 000 000
Computer Refresh Program	3 500 000	477 475	3 022 525
Furniture and Equipment	400 000	9 536	390 464
	<b>10 400 000</b>	<b>* 487 011</b>	<b>9 912 989</b>

\* The costs to date in the amount of R487 011 represent depreciation for computer assets and furniture and equipment purchased in the current year. The balance of the depreciation will be expensed and recovered over the useful lives of the respective category of assets.

## Notes to the Annual Financial Statements (Continued) for the year ended 31 March 2010

### 16. Prior period errors

In compliance with the pronouncements of Generally Recognised Accounting Practice 17 (GRAP 17) relating to the assessment of useful lives and residual values of property, plant and equipment at the end of each financial year, ITAC has, during the year under review, embarked on an exercise to assess the useful lives of its assets in accordance with GRAP 17. This resulted in a decision to extend the useful lives of some of the assets. GRAP 3 requires that a change in accounting estimate be applied prospectively. As the depreciation was recalculated from the acquisition date of the affected assets, this exercise gave rise to a prior year error which necessitated a retrospective prior year adjustment. The adjustment was done by restating comparative figures (2008/09) for both the statement of financial performance as well as the statement of financial position.

The effect of the prior year errors on the results of 2008/09 are shown below:

	2008/09
<b>Statement of Financial Performance:</b>	
	<b>R</b>
Decrease in depreciation	102 655
Increase in profit for the year	102 655
Surplus for 2008/09 previously stated	4 143 268
Surplus for 2008/09 restated	<b>4 245 923</b>
<b>Statement of Financial Position:</b>	<b>2008/09</b>
Increase in property, plant and equipment	102 655
Increase in Equity for the year	102 655

**Notes to the Annual Financial Statements (Continued)**  
**for the year ended 31 March 2010**

<b>17. Reconciliation of surplus on cash generated from operating activities</b>		
	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
Surplus	1 733 491	4 245 923
<b>Adjustment for non cash items</b>		
Depreciation and amortisation	1 343 383	1 841 846
(Profit) on sale of assets	-	(2 700)
Transfer from retained surplus	(3 657 902)	-
Transfer from deferred income	(487 011)	-
Loss on disposal of assets	51 012	-
(Increase)/Decrease in Inventory	5 434	18 251
(Increase)/Decrease in Prepayments	(7 493)	100 567
(Increase)/Decrease in accounts receivable	43 812	45 166
Increase/(Decrease) in trade and other payable	400 605	988 798
Increase/(Decrease) in provisions	377 106	400 189
	<b>(197 564)</b>	<b>7 638 040</b>

## Notes to the Annual Financial Statements (Continued) for the year ended 31 March 2010

### 18. Contingent liabilities

	2010	2009
	R	R
<b>Housing Guarantees</b>	-	26 000
<p>These were contingent liabilities in respect of guarantees given by <b>the dti</b> in terms of the public service assistance for staff housing loans which were transferred to ITAC. At reporting date, these liabilities were fully redeemed.</p> <p><b>Current year surplus</b></p> <p>In terms of the PFMA, all surplus funds at year end may be forfeited to National Treasury should an application for retention of surplus funds be denied. ITAC will submit a request to National Treasury to retain its current year surplus of R 1 733 491.</p> <p>(The approval for the retention of the 2008/09 surplus of R4 143 268 million was received after the 2009/10 year end).</p>		



## Notes to the Annual Financial Statements (Continued) for the year ended 31 March 2010

### 19. Operating lease arrangements

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. There is no lease agreement between ITAC and the dti for the premises being occupied, thus the rate has been applied as if no increases will take place annually.

	Up to 1 year	2 to 5 years	Total
	R	R	R
<b>2010</b>			
Premises – rent	2 513 059	15 463 643	17 976 702
Vehicles	129 710	-	129 710
<b>2009</b>			
Premises – rent	2 337 636	9 350 544	11 688 180
Vehicles	311 304	129 710	441 014

## Notes to the Annual Financial Statements (Continued) for the year ended 31 March 2010

### 20. Related parties

During the current period, ITAC entered into the following transactions with other Government institutions:

Related Party	Relationship
<ul style="list-style-type: none"> <li>- The Department of Trade and Industry</li> <li>- SA Revenue Services Services</li> <li>- Department of Justice and Constitutional Development</li> <li>- Government Employees Pension Fund</li> <li>- Government Printing Works</li> <li>- Palama</li> </ul>	<ul style="list-style-type: none"> <li>- National Department in National Sphere</li> <li>- Public Commission in National Sphere</li> <li>- National Department in National Sphere</li> <li>- National Department in National Sphere</li> <li>- National Department in National Sphere</li> <li>- National Department in National Sphere</li> <li>- Public Commission in National Sphere</li> </ul>

	2010	2009
	R	R
<b>Department of Trade and Industry (the dti)</b>		
Transfer payments received	60 885 000	58 427 000
Expenditure:		
Rent	2 532 439	2 105 590
Telephone and Internet	830 746	400 959
Due at year-end	55 827	-
<b>SARS</b>		
Payments	7 907 330	6 343 323
Due at year-end	-	-

## Notes to the Annual Financial Statements (Continued) for the year ended 31 March 2010

	2010	2009
	R	R
<b>Department of Justice and Constitutional Development</b>		
Legal costs	2 019 336	976 157
Due at year-end	986 000	50 000
<b>Government Employees Pension Fund</b>		
Pension contributions	5 696 145	4 870 103
<b>Government Printing Works</b>		
Publications	307 158	265 722
Due at year-end	30 427	-
<b>Palama</b>		
Training	114 022	-

### 21. Financial risk management

The main risks arising from the ITAC's financial instruments are market risk, liquidity risk and credit risk.

#### Credit risk

ITAC trades only with recognised, creditworthy third parties. It is the ITAC's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the result that the ITAC's exposure to bad debts is not significant. The maximum exposure is the carrying amounts as disclosed in Note 7. There is no significant concentration of credit risk within ITAC.

With respect to credit risk arising from the other financial assets of the ITAC, which comprise cash and cash equivalents, ITAC's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. ITAC's cash and cash equivalents are placed with high credit quality financial institutions therefore the credit risk with respect to cash and cash equivalents is limited.

## Notes to the Annual Financial Statements (Continued) for the year ended 31 March 2010

### Exposure to credit risk

The maximum exposure to credit risk at the reporting date from financial assets was:

	2010	2009
	R	R
Cash and cash equivalents	21 548 723	25 353 167
Other receivables	97 200	133 519
<b>Total</b>	<b>21 645 923</b>	<b>25 486 686</b>

### Concentration of credit risk

The maximum exposure to credit risk for financial assets at the reporting date by credit rating category was as follows:

2010	AAA and Government	Unrated
	R	R
Cash and cash equivalents	21 548 723	-
Other receivables	-	160 047
2009	AAA and Government	Unrated
	R	R
Cash and cash equivalents	25 353 167	-
Other receivables	-	133 519

## Notes to the Annual Financial Statements (Continued) for the year ended 31 March 2010

The following table provides information regarding the credit quality of assets which may expose ITAC to credit risk

2010				
	Neither past due nor impaired	Past due but not impaired – less than 2 months	Past due but not impaired – more than 2 months	Carrying value
	R	R	R	R
Cash and cash equivalents	21 548 723	-	-	21 548 723
Other receivables	97 200	-	-	97 200

2009				
	Neither past due nor impaired	Past due but not impaired – less than 2 months	Past due but not impaired – more than 2 months	Carrying value
	R	R	R	R
Cash and cash equivalents	25 353 167	-	-	25 353 167
Other receivables	133 519	-	-	133 519

### Market risk

Market risk is the risk that changes in market prices, such as the interest rate will affect the value of the financial assets of ITAC.

### Interest rate risk

ITAC is exposed to interest rate changes in respect of returns on its investments with financial institutions and interest payable on finance leases contracted with outside parties.

## Notes to the Annual Financial Statements (Continued) for the year ended 31 March 2010

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

2010			
	Change in Investments	Increase / (decrease) in net surplus for the year	
		R Upward change	R Downward change
Cash and cash equivalents	1%	215 487	(215 487)
Finance lease	1%	(1 715)	1 715
2009			
Cash and cash equivalents	1%	253 531	(253 531)
Finance lease	1%	(5 456)	5 456

## Notes to the Annual Financial Statements (Continued) for the year ended 31 March 2009

### Liquidity risk

Liquidity risk is the risk that ITAC would not have sufficient 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.

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

2010				
	Carrying amount	Total cash flow within 1 year	Contractual cash flow within 1 year	Contractual cash flow between 1 and 5 years
	R	R	R	R
Other financial liabilities	19 339 491	19 339 491	7 368 874	19 339 491

2009				
	Carrying amount	Total cash flow within 1 year	Contractual cash flow within 1 year	Contractual cash flow between 1 and 5 years
	R	R	R	R
Other financial liabilities	9 022 843	9 022 843	6 838 880	9 022 843

## Notes to the Annual Financial Statements (Continued) for the year ended 31 March 2009

### Financial instruments

The following table shows the classification of ITAC's principal instruments together with their carrying value:

Financial instrument	Categories	Carrying amount 2010 R	Carrying amount 2009 R
Cash and cash equivalents	Loans and receivables	21 548 723	25 353 167
Receivables	Loans and receivables	97 200	133 519
Payables	Financial liabilities at amortized cost	3 177 084	2 776 479
Surplus payable	Financial liabilities	-	-
Finance leases	Financial liabilities measured at amortised cost	171 538	545 560

### 22. Loss through fraud

#### Amounts withdrawn from bank accounts

A net amount of R 1 716 262 was fraudulently withdrawn from the bank accounts through online transfers to fraudulent beneficiaries in the 2007/08 financial period. The matter has been handed over to the South African Police Services.

Forensic investigation into services procured from certain service providers

A forensic investigation was conducted into the appointment of five service providers to determine whether any conflict of interest and/or undeclared interest existed between these suppliers and a supply chain management official. The findings of the investigation revealed that ITAC suffered a financial loss of R12 268.22 as a result of (i) price increases without motivation and (ii) the lowest quotation excluded without foundation.

### 23. Irregular expenditure

ITAC did not comply with Treasury Regulation 16 A 6.4 relating to the procurement of goods and services. If in a specific case it is impractical to invite competitive bids, the accounting officer or accounting authority may procure the goods or services by other means, provided that the reasons for deviating from inviting competitive bids must be recorded and approved by the accounting officer or accounting authority.



## Notes to the Annual Financial Statements (Continued) for the year ended 31 March 2009

	R
Opening balance 31 March 2009 (restated)	1 023 294
Condoned in the current year	-
Added in the current year	155 622
Closing balance 31 March 2010	1 178 916

### 24. 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:

	2010	2009
	R	R
SARS (Interest and penalties paid)	3 839	59 376
	3 839	59 376

## Notes to the Annual Financial Statements (Continued) for the year ended 31 March 2009

### 25. Commitments

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

Contract Description	Commitment up to Year 1	Commitment after Year 1
	R	R
Internal Audit Services	550 000	632 500
Employee Health & Wellness Programme	44 173	-
Fraud Hotline Services	30 000	-
Human Resources Investigation	123 391	-
	747 564	632 500

### 26. Reconciliation of budget surplus/deficit with the surplus in the statement of financial performance

	R
<b>Net surplus per the statement of financial performance</b>	<b>1 733 491</b>
Adjusted for:	
Profit on Sale of Assets	(9 389)
Transfer from retained income	(3 657 904)
Transfer from retained income for depreciation recovery	(487 011)
Finance activities – higher than budgeted return on call account	(892 876)
Increase in Provisions	325 416
Payroll Expenditure in excess of budget	793 839
Operational Expenditure in excess of budget	2 194 434
<b>Net Surplus (Deficit) per approved budget</b>	<b>-</b>



## Notes to the Annual Financial Statements (Continued) for the year ended 31 March 2009

### 27. Expenditure relating to Soccer World Cup

World Cup Expenditure			
		2010	2009
	Quantity	R	R
Tickets acquired		-	-
Purchase of other world cup apparel		-	-
Travel Costs		-	-
<b>Total world cup expenditure</b>		-	-
	Quantity	R	
<b>Tickets acquired after year-end (30 June 2010)</b>	-	-	
	Quantity	R	
Tickets acquired	-	-	
<b>Tickets acquired</b>	-	-	

ITAC did not incur any expenditure relating to the 2010 Soccer World Cup.