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VISION

“Striving towards making a contribution to the South African economy that is increasing its levels of incomes, investment and employment.”

MISSION

“Creating an enabling environment for fair trade through customs tariff amendments, trade remedies and import and export control.”

CORE VALUES

The Commission is guided by the following set of core values:

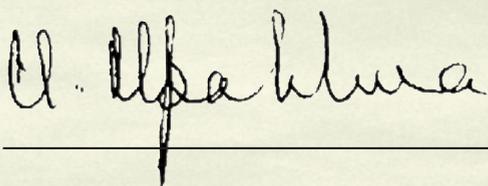
- **Integrity**
- **Trust**
- **Accountability; and**
- **Commitment**



Foreword by the Minister of Trade and Industry

Report of the International Trade
Administration Commission of
South Africa for the period
1 April 2006 to 1 March 2007.

I am honoured to be able to present the fourth Annual Report of the International Trade Administration Commission of South Africa for the year ended 31 March 2007, in accordance with Section 22 (4) of the International Trade Administration Act (No. 71 of 2002) and the Public Finance Management Act (No. 1 of 1999).



Mandisi Mpaahlwa, MP
Minister of Trade and Industry



Mr MANDISI MPAHLWA



REPORT OF THE CHIEF COMMISSIONER



Mr. ITUMELENG MASEGE

Our government's Accelerated and Shared Growth Initiative (ASGISA) enumerates the following clear areas where work needs to be done to increase our growth potential:

- To grow faster, we need to export more goods and services and accelerate investment in areas of competitive advantage;
- To grow faster, we need to raise our levels of productivity and enhance our ability to generate more low-skilled jobs;
- To grow faster, bureaucratic red tape that hobbles business needs to be tackled head on;
- To grow faster, the performance of the public sector needs to be improved so that the state can become an effective tool for reconstruction and development; and
- To grow faster, we need to enhance our infrastructure, especially in relation to telecommunications, rail, roads, ports, electricity and water.

Especially with regard to the first three areas listed, the International Trade Administration Commission of South Africa (ITAC), in the sphere of customs tariff administration, plays an important facilitative role in fostering an internationally competitive industrial sector.

Over the past year, ITAC has placed increased emphasis on enhancing its corporate governance structures and decision-making processes. A thorough review of the ITA Act and the anti-dumping regulations are in progress. The proposals to the Minister will be far-reaching and designed to introduce transparency and fairness into the trade administration system and to align the Act and regulations with the Commission's and **thedti's** strategic objectives.



Among a number of tariff and rebate applications that were considered and reported on in 2006, with recommendations to the Minister for approval and implementation, two should be mentioned in particular.

The first was an investigation of the tariff structure for maize and its downstream products, an important crop and staple food for the majority of South Africans. During its deliberations, the Commission considered the information at its disposal, including the industry's competitive position, international price comparisons and the cost-raising impact of customs duties on domestic producers and consumers. The Commission found that the South African maize and maize flour producers do not experience price disadvantages vis-à-vis foreign producers. Against a background of a steeply increased world maize price as a result of the high demand for maize used in bio-ethanol production, the Commission was concerned about the cost-raising impact that an increase in duty would have on consumers and industries such as the animal feed industry. The Commission concluded that an amendment to the existing variable tariff formula for maize that currently translates to a zero duty dispensation would not be in the interest of producers and consumers. However, it recommended that the future tariff implementation process be streamlined.

The second was an investigation of the bio-fuels industry and in particular the removal of the import duty on soya beans for extraction of soya bean oil to be used in the production of bio-diesel. The Commission recommended that a rebate of duty provision be created to facilitate this investment in bio-diesel production.

In the sphere of trade remedy investigations, the Commission's implementation of thorough investigative processes and a continued vigilance that these instruments are not used to ratchet up prices or otherwise raise the cost of doing business, have led to fewer initiations of investigations over the period under review. The fewer initiations are also partly the result of the depreciation of the Rand over the course of 2006. On a trade-weighted basis, the Rand depreciated by 15 per cent, making imports more expensive and domestic industries less inclined to apply for protection.

The Commission also signed a Record of Understanding with its counterparts in the People's Republic of China. The Record provides for an enhanced dialogue in matters relating to anti-dumping investigations to afford each country fair treatment concerning these trade measures.

The Commission has finalized an import and export control policy that will be submitted to the Minister for approval. The approach of the Commission is to remove those measures that are unnecessary. Many of the import control measures are applied on behalf of other government departments such as the Departments of Environment Affairs, of Minerals and Energy, and of Health. The Commission continued discussions with these departments with a view to rationalising the permit issuing process.



During the year under review, ITAC published sets of regulations governing its administration of the temporary quota restrictions on clothing and textile imports from China on behalf of **thedti**. The clothing and textile import restriction agreement was negotiated and agreed to between **thedti** and its counterparts in China. The deal, which is documented in a comprehensive Memorandum of Understanding on promoting bilateral trade and economic co-operation between our two countries, will provide temporary relief for the industry to allow it to restructure and become globally competitive. A committee comprising representatives of **thedti**, ITAC, the South African Revenue Service, labour unions, manufacturers, and retailers has been established to meet periodically to consider matters of concern that might arise in the course of administration of these measures and if necessary make appropriate recommendations to the Minister.

In a process that commenced in 2005, we are continuing our efforts in building capacity within SACU through providing training and technical assistance as far as tariff and trade remedy investigations are concerned. We will continue, as we did over the past year, to serve as the de facto tariff board for SACU until the establishment of the SACU Tariff Board.

Having received a request by the Minister to give effect to a policy decision to exclude dumpers with articulated chassis from the Motor Industry Development Programme (MIDP) with effect from 1 January 2007, the Commission considered the country's international trade obligations and maintenance of the integrity of the MIDP and recommended that these dumpers be excluded from the programme. The tariff investigation unit has otherwise continued its efficient administration of the MIDP as well as the Duty Credit Certificate Scheme (DCCS) for the textiles and clothing industry, awaiting the results of a review of these programmes.

I also wish to report that we are in the final stages of implementing an enhanced information technology infrastructure that will enable us to apply and administer our measures and instruments speedily and efficiently.

In conclusion, I am pleased to say that our outreach programme for communicating our instruments to stakeholders is progressing well. In addition to visiting various provinces, we have made presentations to Business Unity South Africa and the parliamentary portfolio committee on trade and industry. These engagements proved fruitful and further meetings with these and other institutions are envisaged.



ITUMELENG MASEGE
ACTING CHIEF COMMISSIONER



COMMENTARY BY THE COMMISSION'S CHAIRPERSON

In the year under review, the Commission reviewed the Anti-dumping Regulations which are expected to be implemented over the next financial year.

The Commission also entered into a Record of Understanding with the Bureau of Fair Trade for Imports and Exports of the Ministry of Commerce of the People's Republic of China to allow each other fair treatment during anti-dumping investigations.

The Commission's review of the customs duties applicable to paper and paper products were implemented by the South African Revenue Services (SARS) and it also reviewed the duty structure on maize, maize flour and downstream products thereof. Furthermore, the Commission recommended various reductions in duty and rebates of duties in order to improve the competitive position of manufacturers.

In co-operation with **thedti** and SARS, regulations were implemented to restrict the import of certain textiles, clothing, curtains and interior blinds, originating from the People's Republic of China, over the period from January 2007 to December 2008. The restrictions are administered by way of Special Import Permit Certificates. The Regulations were subsequently amended to provide for special strategic circumstances.

The President re-appointed the following Commissioners whose term of office expired:

- Mr. M P McDonald
- Mrs. T N Eboka
- Ms. T Van Meelis

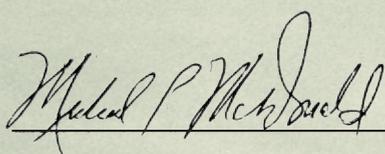


Mr. M P McDonald



He also appointed the following Commissioners:

- Dr. B E Maphumulo
- Ms. N Zondi
- Ms. N Tshabalala
- Mr. R J Otto



**MICHAEL MCDONALD
CHAIRPERSON**



List of Reports issued by the Commission in the period 1 April 2006 to 31 March 2007

Report No.	Title
150	Reduction in the rate of duty on bearing housings incorporating bearings used in drive and non drive axles for motor vehicles
151	Reduction in the rates of duty on paper and paperboard
153	Application for a reduction in the rate of duty on promensil and rimostil
154	Investigation into the alleged dumping of polyethylene terephthalate (PET) originating in or imported from the People's Republic of China, India, Indonesia, South Korea, Chinese Taipei and Thailand: Final determination
156	Reduction in the rate of duty on shotgun cartridges
157	Interim review of the anti-dumping duties on cold rolled steel originating in or imported from the Russian Federation
160	Investigation into the alleged dumping of stainless steel tubes and pipes originating in or imported from the People's Republic of China, India and Malaysia: Final determination
162	Investigation into the alleged dumping of refined sunflower oil originating in or imported from the Argentine Republic and the Federative Republic of Brazil: Final determination
163	Reduction in the rate of customs duty on trimethoprim
164	Reduction in the rate of duty on artificial flowers, foliage and fruit and parts thereof and articles made of artificial flowers, foliage or fruit, of materials other than plastics, from 20% ad valorem to free of duty
165	Termination of the anti-dumping duties on carbon black originating in or imported from South Korea
166	Application for rebate of the duty on silicon and braided silicon wires used in the manufacture of stoves
167	Investigation into the alleged circumvention of the anti-dumping duty on flat rolled products of iron or non-alloy steel, painted varnished or coated with plastic (colour coated steel products) originating in or imported from Australia, through imports from Malaysia
168	Investigation into the alleged dumping of unframed glass mirrors of a thickness of between 2 mm to 6 mm originating in or imported from India and Indonesia: Final determination
169	Sunset review of the anti-dumping duties on carbon black originating in or imported from Thailand: Final determination
171	Investigation into the alleged dumping of feed supplements, containing, by mass, 40 per cent or more lysine, whether or not containing added antibiotics or added melengestrol acetate commonly known as "l-lysine sulphate and its by products from fermentation (Biolys)" originating in or imported from United States of America (USA): Preliminary determination



List of Reports issued by the Commission in the period 1 April 2006 to 31 March 2007

Report No.	Title
172	Rebate of duty on flexible poly vinyl chloride sheets and films for the manufacture of lacquered and embossed flexible polyvinyl chloride sheets and films
173	Reduction in the rate of customs duty on diesel engines
175	Sunset review of the anti-dumping duties on suspension poly vinyl chloride (PVC) originating in or imported from the Republic of Korea, Thailand and India and countervailing duties on PVC originating in or imported from India
176	Application for a reduction in the rate of customs duty on preparations of a kind put up as mollusc food
177	Investigation into the alleged dumping of biaxially oriented polypropylene (BOPP) film originating in or imported from Brazil: Preliminary determination
178	Sunset review of the anti-dumping duties on printed and dyed bed linen originating in or imported from Malawi and printed bed linen originating in or imported from Pakistan: Final determination
181	Increase in the duty on certain hand tools
182	Investigation into the alleged dumping of tyres originating in or imported from the People's Republic of China: Preliminary determination
183	Reduction in the rate of customs duty on drinking straws and application for rebate of the duty on components used in the manufacture of drinking straws
184	Investigation into the alleged dumping of toughened glass for incorporation in vehicles originating in or imported from the People's Republic of China: Final determination
185	Rebate of the duty on fabrics knitted and woven from man-made synthetic staple fibres classifiable under tariff subheadings 5515.22; 5515.29 and 6005.3 used in the manufacture of men's peaked and tweed caps
186	Investigation into the alleged dumping of drawn and float glass originating in or imported from Indonesia: Final determination
187	Investigation into the alleged dumping of stainless steel tubes and pipes originating in or imported from Chinese Taipei: Final determination
188	Reduction in the rate of duty on lighting equipment
189	Application for a reduction in the rate of customs duty on salmon feed
190	Reduction in the rate of duty on match splints
192	Investigation into the alleged dumping of multi-ply paper and paperboard with a mass of 180g/m or more, but not exceeding 500g/m coated on one side with kaolin clay, commonly known as "white liner" or "grey back paperboard", originating in or imported from the Republic of Korea: Final determination



List of Reports issued by the Commission in the period 1 April 2006 to 31 March 2007

Report No.	Title
193	Investigation into the alleged dumping of feed supplements containing by mass 40% or more lysine, whether or not containing added antibiotics or added melengestrol acetate, commonly known as l-lysine sulphate and its byproducts from fermentation (biolys) originating in or imported from the United States of America: Final determination
194	Amendment of rebate item 310.01/2815.12/03.06
195	Sunset review of the anti-dumping duties on frozen meat of fowls of the species Gallus Domesticus cut in pieces with bone-in originating in or imported from the United States of America
196	Reduction in the rate of duty of customs duty on tenofovir disoproxil fumarate
197	Termination of the anti-dumping duties on PVC rolled goods originating in or imported from Germany, India, the Netherlands and Thailand
198	Sunset review of the anti-dumping duty on strip of polytetrafluoroethylene, non-cellular and not reinforced, laminated, supported or similarly combined with other materials, suitable for use as thread-sealing tape (PTFE tape) originating in or imported from the People's Republic of China
202	Investigation into the alleged dumping of chopped strand mats originating in or imported from Brazil and the People's Republic of China: Preliminary determination
203	Termination of the investigation into the alleged dumping of chopped strand mats originating in or imported from Brazil
204	Exclusion of dumpers with articulated chassis of tariff subheadings 8704.22.90 and 8704.23.90 from the Motor Industry Development Programme
206	Reduction in the rate of duty on twine, cordage, ropes and cables, whether or not plaited or braided and whether or not impregnated, coated, covered or sheathed with rubber or plastics, of jute or other bast textile fibres of heading 53.03
210	Investigation in to the alleged dumping of tyres originating in or imported from the People's Republic of China: Final determination



BACKGROUND ON THE COMMISSION

The International Trade Administration Commission of South Africa (ITAC) is a body governed by the provisions of the International Trade Administration Act, 71 of 2002 (ITA Act). The Act established the commission as a body accountable for encouraging economic growth in South Africa and within the broader customs union through the efficient and effective administration of international trade. The Commission makes recommendations to the Minister on its three core business areas namely:

- Tariff Investigations (Customs Duty Amendments and Rebates of Duty)
- Trade Remedies (Anti-Dumping, Countervailing Duties and Safeguard Measures)
- Import and Export Control

The legislation provides for a full-time Chief Commissioner who also serves as the Chief Executive Officer and is directly accountable to the Minister of Trade and Industry. The Chief Commissioner is assisted by a full-time Deputy Chief Commissioner and a maximum of ten (currently six) Commissioners who can be appointed to serve full-time or part-time. The six Commissioners were appointed on a part-time basis. The position of full-time Chief Commissioner is currently vacant and the Deputy Chief Commissioner performs the functions of the Chief Commissioner.

Interested parties can apply to the Commission for tariff amendments or for trade remedies. These applications are investigated by the Commission's investigating officers and their reports are submitted to the Commission for consideration at its meetings. The Commission submits a report on its findings, including a recommendation to the Minister of Trade and Industry for his approval and subsequent implementation.



Performance against predetermined objectives

Goal	Key performance indicator	Target	Result	Reason for variance
Promotion of sustainable economic development	Increase in the customs tariff	8	6	Dependent on the number of applications received
Cost reduction and increase in global competitiveness	Reduction in the customs tariff	40	46	Dependent on the number of applications received
Cost reduction of inputs and increased global competitiveness.	Rebate of the customs tariff	36	37	Dependent on the number of applications received
Cost reduction on inputs for export market. Assistance to welfare, educational, health and religious organisations. Assistance to low income consumers.	Permits for rebate and drawback of the customs tariff	1000	1019	Dependent on the number of applications received
Improvement of global competitiveness of motor vehicle and component manufacturing industry.	Eligible export certificates	800	470	Dependent on the number of applications received
Improvement of global competitiveness of motor vehicle and component manufacturing industry	Import Rebate Credit Certificate	2700	2853	Dependent on the number of applications received
Improvement of global competitiveness of clothing and textile manufacturing industry	Duty Credit Certificate	1400	1400	Dependent on the number of applications received
Adjudicate permit applications in accordance with Act, regulations and policy	Permit Applications Adjudicated	27000	31963	Increase as a result of Chinese Quotas
Ensure that used imported goods do not erode SACU industry. Control for health, environment and security reasons. Safety and quality compliance.	Import Control Permits	16000	14789	Decrease in demand for import permits



Performance against predetermined objectives

Goal	Key performance indicator	Target	Result	Reason for variance
Assist in enhancement of beneficiation of goods prior to export and ensure compliance with provisions of international agreements. Enhance control over outflow of goods regarded as strategic, smuggled and stolen goods.	Export Control Permits	4000	5008	Increase in demand for export permits
Inspect imported goods to ensure compliance with import and 311.18 rebate permit provisions and goods destined for export	Enforcement-Unscheduled Inspections	460	897	Increased activity
Check imported containers to ensure that imported goods comply with permit descriptions	Enforcement-Container Inspections	460	1435	Increased demand
Investigate the import/exportation of goods in contravention of the provisions of the ITA Act	Enforcement-Investigations	32	59	Target met
Seize goods imported or goods destined for exportation in contravention of the ITA Act. Institute legal proceedings	Enforcement-Seizure and removal of illegally imported goods/ goods destined for export	12	13	Target met
Protection for SACU industry against unfair international trade practises. Investigate a surge of imports that results in serious injury to the SACU industry	Anti-dumping and countervailing investigations and reviews. Safeguard investigations.	30	14	Fewer applications lodged and accepted
Motor Industry Development Programme	Productive asset allowance certificates	60	57	Dependent on the number of applications received
Motor Industry Development Programme	On-site verifications	100	131	Number of verifications based on their complexity



IMPORT AND EXPORT CONTROL

The International Trade Administration Act, 71 of 2002 and in particular section 6 provides for the promulgation of import and export control regulations. The provisions of the Act with regard to import and export control underpin endeavours of ITAC to contribute towards the primary objectives of the Government, pertaining to raising incomes, growth and development.



The specific objectives of the Import and Export Control Unit which are interconnected to the broad primary objectives of the Government are to:

- support sustainable industrialization
- enhance international competitiveness

Import Control

In terms of the import control regulations, new goods of 299 tariff sub-headings are subject to import control measures. Import permits for the importation of these goods are issued in accordance with approved policies and procedures.

As ITAC conducts its business in the multilateral arena, it is imperative that the control measures in place are not in contravention of WTO rules pertaining to non-tariff barriers.

In addition to its function of ensuring that there is compliance with international agreements, the import control regime also supports strategies that relate to the protection of the environment as well as health and safety issues. It furthermore contributes to the creation of an economic climate in which businesses can grow and prosper.

In executing its core business, the Unit has established partnerships with various stakeholders that include various Government Departments and agencies. In this regard, a number of the import control measures and policies are influenced by the focus and strategies of these Departments and agencies.



Co-operation between the Unit and its stakeholders in particular the South African Revenue Service therefore occurs with regular frequency and the method and quality of interaction are continuously reviewed and enhanced.

Import control measures are maintained on a limited number of new goods as well as on used and second hand goods and on waste and scrap for a variety of purposes, such as:

- **Safety and security.** In this regard specific reference is made to the importation of firearms and ammunition by both dealers and private individuals. Co-operation is with the SAPS.
- **Social reasons.** In this regard, control is for instance exercised for the purpose of ensuring that import permits of gambling devices are only issued to Gambling Board license holders. Co-operation is with the National Gambling Board.
- **Technical and safety reasons.** Control is maintained to assist the SABS in ensuring compliance with safety and quality specifications on new pneumatic tyres. Permits are only issued once the SABS is satisfied that the tyres to be imported comply with the required quality and safety specification.
- **Strategic reasons.** The importation of hydrocarbons is monitored in co-operation with the Department of Minerals and Energy.
- **International agreements.** South Africa is a signatory to various international agreements such as the 1988 Convention against the Illicit Traffic in Narcotic Drugs and Psychotropic Substances and the Montreal Protocol. The Unit has the responsibility of controlling the importation of such chemicals in co-operation with the South African Police Service and the Department of Environmental Affairs and Tourism.
- **Health and environment.** In this regard control was exercised in co-operation with Department of Environmental Affairs and Tourism in terms of the Basel Convention, regulating the importation of waste and scrap to ensure that potentially hazardous or hazardous goods do not enter the local market.

Used and second-hand goods are subject to import control. These goods become available in the international market for various reasons such as the discontinuation of certain types of machinery and equipment as a result of specifications being upgraded or because the equipment reached the end of their life cycle. The result is that such goods usually become available from affluent societies at low prices. The uncontrolled importation of used goods such as used motor vehicles usually is to the detriment of the local manufacturing sector and job opportunities in that sector.

The importation of used and second-hand goods are therefore, as a general rule only allowed in the event of similar or substitute new goods not being available from local manufacturers.

In certain specifically defined circumstances however, the importation of used and second-hand goods is allowed if such goods are materials imported for manufacturing purposes and to augment the inadequate supply of such goods from local sources.



Export Control

Goods of 177 Tariff lines are subject to export control measures for various reasons. Export permits for the exportation of these goods are issued in accordance with approved policies and procedures.

As is the case with the import control regime, export control measures are in many instances also maintained at the request of other Government Departments and agencies in support of the strategies of such Departments or agencies.

Export control measures are therefore maintained on specific goods for a variety of purposes, such as:

- **Strategic reasons.** The exportation of hydrocarbons is controlled for strategic purposes and at the request and in co-operation with the Department of Minerals and Energy to assist in ensuring that sufficient stock levels are available locally during all times.
- **Environmental reasons.** Control is also exercised over the exportation of ferrous and non-ferrous waste and scrap, waste paper and paperboard in an effort to ensure that there is compliance with the provisions of the Basel Convention and furthermore to ensure that recyclers and foundries are given an opportunity to acquire raw material prior to exportation.
- **International agreements.** South Africa is a signatory to various international agreements that obligates compliance with the specific provisions that pertain to the exportation of goods listed in the agreements. In this regard, control is exercised in terms of the Montreal Protocol in co-operation with the Department of Environment Affairs and Tourism. Chemicals that can be used for the illegal manufacture of Narcotics and Psychotropic Substances are controlled in co-operation with the South African Police Service. Control is also exercised in terms of the Basel Convention, dealing with the trans-boundary movement of waste and scrap. Co-operation in this regard exists between the Unit and the Department of Environment Affairs and Tourism.
- **Beneficiation requirements.** Control measures on certain minerals and precious stones support strategies of beneficiation. Co-operation exists between the Import and Export Control Unit and the Department of Minerals and Energy in this regard.
- **Social reasons and combating crime.** The exportation of certain used vehicles was also controlled to assist law enforcement agencies such as the SAPS in curtailing the exportation of stolen vehicles.



The following statistics pertain to the 2006/2007 financial years.

1. Export permits issued	5 008
2. Import permits issued	14 789
3. Permit applications declined	241
4. Unscheduled inspections	897
5. Container inspections	1 435
6. Seizure of goods	13
7. Investigations	59

Development

For the Unit to maintain a high level of quality service it is imperative that the development of systems and processes and interaction with stakeholders and clients occur continuously. The following interventions are examples of developments that took place over the period.

The Electronic Data Interchange (EDI) system with regard to the electronic transfer of export permit information to the SA Revenue Service was concluded and implemented.

Hard copy export permits are therefore no longer issued with the exception of permits for goods being exported via land border posts.

In this regard, discussions are taking place with the expectation that SARS will in due course enable land border posts to receive electronic import and export permit information.

The Unit also embarked on a process of developing an electronic information management system for its enforcement unit, enhancing the effectiveness and efficiency of the unit in dealing with matters related to detecting transgressions, processing information and tracking the status and progress of investigations.

User requirements and technical specifications were compiled for the design of a call centre/switchboard for Import and Export Control to address the problem of incorrectly placed calls and also to guide clients through a general enquiry process or in obtaining information of a general nature.

The Import and Export Control unit drafted various co-operation agreements that will formalize the processes between the Unit and its stakeholders. In this regard, co-operation agreements have already been signed with the Department of Minerals and Energy (Minerals) and with the South African Police Service (Narcotics).



Various other agreements are under consideration and in the process of being signed.

Import control measures were removed on used musical instruments of Chapter 92

Operations

For the unit to fulfil its mandate it is necessary that interaction with stakeholders and clients continuously be reviewed and upgraded. It is furthermore crucial that the sharing of information occurs on a regular basis and those stakeholders and clients are kept abreast of developments and changes. Working relationships were reconfirmed and strengthened over the period and new partnerships build. The administration of projects like the quota restriction on clothing and textiles originating in the PRC was assigned to ITAC and became the responsibility of the Unit.

Various public awareness exercises were embarked on in an effort to provide interested parties with current and general information that relate to the importation and exportation of goods.

Enforcement

The Unit also has an enforcement activity as part of its core business that is provided for in the specific provisions of the ITA Act. A sub-division in the Import and Export Control Unit is responsible for checking containers and inspecting premises of importers and exporters that have been issued with import or export permits to ensure that imported goods or goods destined for export comply with provisions contained in the import and export permits issued.

Inspections are also conducted to detect contraventions of the Act and regulations. In instances where contraventions are detected or where there is non-compliance, goods imported or destined for export are seized and removed for storage and criminal charges are laid against the transgressors.

The Unit also conducts scheduled and unscheduled inspections or pro-active inspections. Scheduled inspections emanate from an obligation on an importer that has been issued with an import permit to inform the Unit of the arrival of a shipping container.

The activities of the enforcement unit are aligned with that of other law enforcement agencies and in many instances joint operations are conducted where instances of cross border fraudulent activities are suspected. There are various information sharing sessions between the Unit, SARS, and the law enforcement agencies to ensure that information pertaining to strategies of crime prevention related to the trans boundary movement of goods is well known by parties and that the strategies are supportive of one another.

In many instances imported goods or goods destined for export are seized and removed for storage. Where transgressors are prosecuted and found guilty, there usually is a request that the goods in question be declared forfeited.

In such instances, these goods are destroyed.



TRADE REMEDIES

Introduction



The Trade Remedies Unit is responsible for all aspects relating to unfair international trade practises, including investigations and policy issues, as well as for safeguard action in cases of a surge of imports. These trade remedies or trade defence instruments are anti-dumping, countervailing measures and safeguards. These instruments are the subject of Agreements in the WTO and are generally accepted exceptions to trade liberalisation.

South Africa, as a signatory to the WTO, is authorised to use these measures to protect the South African economy from imports that are priced below the normal value in the exporting country (dumping) or are subsidised by the government of the exporting country or country of origin and that cause material injury to the SACU industry, or against a surge of imports from all other countries that causes serious injury to the SACU industry. Anti-dumping is covered under the WTO Agreement on Implementation of Article VI of GATT 1994 (the Anti-Dumping Agreement). Subsidised export is covered under the WTO Subsidies and Countervailing Measures Agreement, and a surge of imports is covered under the WTO Agreement on Safeguards. All three remedies are provided for in the International Trade Administration Act, 2002, while specific anti-dumping regulations were promulgated in November 2003 to ensure fairness and to provide more clarity and transparency in anti-dumping investigations. The anti-dumping regulations are also applicable, with the necessary changes, to countervailing (anti-subsidy) investigations. The anti-dumping regulations are WTO-consistent. In its investigations, ITAC is also subject to the Promotion of Administrative Justice Act, 2000, and the promotion of Access to Information Act, 2000.

ITAC plays a crucial role in protecting SACU industries against unfair trade. The Trade Remedies investigative units investigate allegations of injurious dumping; subsidised exports and/or a surge of imports and present its submissions to the Commission for its consideration. Where the Commission finds the presence of material injury caused by dumping, it may recommend that anti-dumping duties be imposed to offset the injury caused by such dumping, while it may recommend the imposition of a countervailing duty where it has found that subsidised exports are causing material injury. The remedy in the case of a surge of imports can be a duty and/or a quota, and as a result, it is called a measure.



Strategic Role of Anti-dumping Actions

Actions against unfair injurious dumping are a critical intervention to protect jobs and sustain investments. It is unfair competition in the form of injurious dumping that should be acted against and not fair foreign competition. The purpose is to level the playing field to ensure that foreign firms compete fairly with domestic firms. This premise is informed by South Africa's industrial policy, which places international competitiveness of domestic industries as one of the key objectives, whilst simultaneously recognising the need to protect jobs and investments as against a one sided view of the instrument that tended to prevail in the past.

The foregoing industrial policy objectives call for a careful balancing of the wider economic and conflicting interests in the use of the anti-dumping instrument. The policy approach therefore is to look at the value chain, striving for a balance.

There are costs and benefits to the use of anti-dumping measures in relation to the flow of trade and investments, which have a direct bearing on the contribution that the anti-dumping instrument makes towards the attainment of industrial policy objectives. Consequently, the anti-dumping instrument should not be used merely upon request by the domestic industry, but should be used in cases where the economic evidence weighs in favour of counteracting injurious dumping, and when it does not, action is not warranted.

ITAC has been revising its governing statute, the ITA Act, and its Anti-dumping Regulations. More than ever before, these will reflect a more sophisticated understanding of the benefits and costs and perceived benefits of anti-dumping investigations and the imposition of duties.

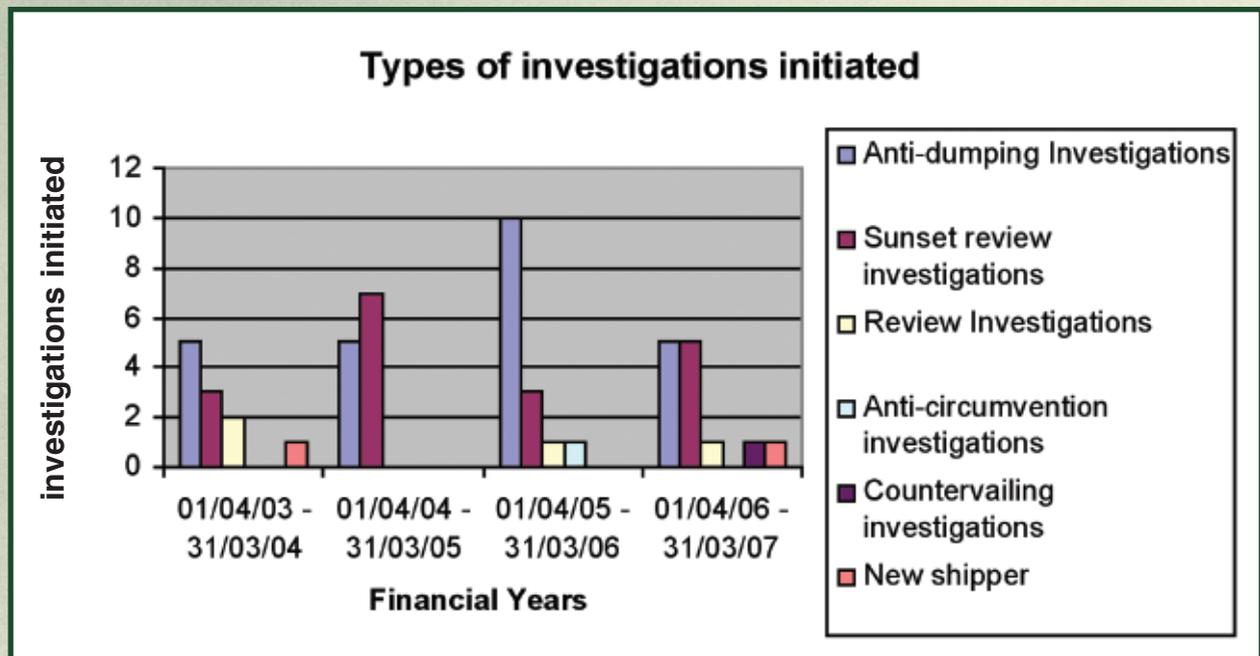
Anti-dumping, despite its name, has nothing to do with the importation of inferior or defective goods. Rather, anti-dumping involves a highly technical determination whether imported goods, typically commodity products such as steel and chemicals, but also everyday items such as tyres and A4 paper, are being sold at prices lower than in the country of origin and termed unfair prices, thereby causing financial injury to domestic producers of such goods. To remedy unfair pricing, ITAC may recommend the imposition of, at times, substantial duties on imports. Increased duties can assist domestic companies compete against low priced imports, but they also increase costs for domestic producers that use these imports as intermediate inputs, affecting their competitiveness.

Because of these varied effects that anti-dumping duties can have on economic activity, ITAC's has endeavoured to carry out investigations with rigour, but also circumspection, to ensure duties are imposed where warranted by the facts. To align its investigations with this objective more closely and to take advantage of the experience accumulated since its inception in 2003, ITAC is in the process of revising its anti-dumping regulations.

The regulations are formulated with international requirements in mind. As for hampering redress from unfair trade, ITAC has not hesitated to act where warranted, and the regulations do not change ITAC's ability or willingness to do so. But ITAC should not impose duties willy-nilly, given the potential cost of anti-dumping duties in terms of economic growth.



Trade remedies investigations and reviews from 1 April 2003 – 31 March 2007:
 The following graph indicates the types of investigations initiated since 1 April 2003:



Trade remedies investigations and reviews:
 01/04/06– 31/03/07

a) Anti-dumping investigations

(i) Brought forward from 2005/2006:

Table 1

Product	Country	Initiation	Stage
Sunflower oil	Argentina, Brazil	10/06/05	Final
BOPP film	Brazil	04/11/05	Prelim
Tyres	PRC	28/10/05	Prelim
Stainless steel pipes and tubes	PRC, India, Malaysia	10/06/05	Final
Stainless steel pipes and tubes	Chinese Taipei	10/06/05	Final
Polyethylene terephthalate (PET)	Indonesia, Thailand, PRC, Chinese Taipei, India, Korea	07/10/05	Final
Automotive glass	PRC	30/09/05	Prelim
L-Lysine Sulphate	USA	24/06/05	Prelim
Paperboard	Korea	05/08/05	Final
Unframed glass mirrors	Chinese Taipei, India	27/05/05	Final
Drawn and float glass	Indonesia	04/03/06	Final

* PRC = People’s Republic of China



(ii) Initiations

The following investigations were initiated during 2006/2007:

Table 2

Product	Country	Date initiated
Copped strand mats	China, Brazil	12/05/06
Self copy paper	USA	21/07/06
Citric acid	PRC	19/01/07
Chains	PRC	26/01/07
L-Lysine	USA	25/10/06

(iii) Preliminary decisions published

The following preliminary decisions were published during 2006/2007:

Table 3

Product	Country	Date published	Result
Tyres	PRC	28/07/06	No duty
Bopp film	Brazil	30/06/06	No duty

(iv) Finalised

The following investigations were finalised during 2006/2007:

Table 4

Product	Country	Date published	Result
Polyethylene Terephthalate	PRC, Indonesia & Thailand	15/06/06	No Duty
Polyethylene Terephthalate	Chinese Taipei, India & Korea	30/05/06	Duties imposed
Cold rolled steel (Review)	Russia	30/05/06	No duty
Sunflower oil	Argentina & Brazil	15/06/06	No duty
Stainless steel pipes	Chinese Taipei	22/09/06	No duty
Stainless steel pipes	PRC, India, Malaysia	15/09/06	No duty
Automotive Glass	PRC	06/10/06	No duty
Float glass	Indonesia	03/10/06	Duty imposed
Unframed Glass mirrors	India, Indonesia, Chinese Taipei	25/10/06	Duty imposed



Product	Country	Date published	Result
Chickens	USA	27/10/06	Duty imposed
Carbon black	Thailand	25/10/06	Duty imposed
Lysine Sulphate	USA	10/11/06	No duty
Paperboard	Korea	22/12/06	Duty imposed
Chopped strand mats	Brazil	09/02/07	No duty

(v) Brought forward to 2006/2007

Table 5

Product	Country	Initiation	Stage
Bopp Film	Brazil	04/11/05	Final
Tyres	PRC	28/10/05	Final
Self copy paper	USA	20/07/06	Prelim
Citric Acid	PRC	19/01/07	Prelim

(b) Countervailing investigations

Countervailing investigations are conducted to determine whether to impose countervailing duties to protect the SACU industry against unfair trade practices where foreign producers export their products to SACU at subsidised prices, thereby causing material injury to the SACU industry.

There were no countervailing investigations conducted during 2006/2007.

The following countervailing investigation was terminated during 2006/2007:

Table 6

Product	Country	Date initiated
Bed linen	Malawi & Pakistan	22/09/06

(c) Interim reviews

Interim reviews of anti-dumping and countervailing duties are conducted at the request of any interested party to determine whether the continued imposition of anti-dumping or countervailing duties is justified at the existing level. An interested party requesting an interim review must prove that there are changed circumstances that have led to the change in the margin of dumping, the margin of subsidy or the injury experienced by the SACU industry.



The following investigations were initiated during 2006/2007:

Table 7

Product	Country	Date initiated
Wire Rope	UK	04/08/06
Wire ropes and cables	India	19/01/2007

(d) New shipper reviews

New shipper reviews are conducted on request in cases where an exporter in a country that is subject to a residual anti-dumping duty, which did not export to SACU during the original investigation period, wishes to start exporting to SACU, and where such an exporter is not related to any other party in the exporting country specifically covered by the anti-dumping duties. The purpose of the review is to enable the new shipper to prove that it will not be dumping the product on the SACU market.

No new shipper reviews were initiated in the 2006/2007 fiscal year.

(e) Sunset reviews

Anti-dumping and countervailing duties remain in place for a period of five years after the imposition of the last substantive (margin of dumping and injury) review thereof, to determine whether there is a likelihood that the removal of the duty would lead to a continuation or recurrence of injurious dumping or injurious subsidised exports.

(i) Brought forward from 2005/2006:

The following sunset reviews, which all related to anti-dumping duties, were brought forward from the previous fiscal period:

Table 8

Product	Country	Date initiated
Uncoated Wood free A4 Paper	Brazil, Indonesia	02/04/04
Carbon Black	Thailand	26/08/05
Carbon black	Egypt, India	23/07/04
Chickens	USA	16/09/05



(ii) Initiations

The following investigations were initiated during 2006/2007:

Table 9

Product	Country	Date initiated
Door Locks and door handles	PRC	12/01/07
Lysine	USA	12/01/07
Garden Tools	PRC	07/03/07
Acetaminophenol	India	12/05/06
Woven Fabrics	PRC	19/01/07

(vi) Finalised

The following investigations were finalised during 2006/2007:

Table 10

Product	Country	Date published	Result
PVC Rolled Goods	Netherlands, Thailand & India	09/03/06	Duty Revoked
PTFE Tape	PRC	23/03/07	Duty revoked
Chickens	USA	27/10/06	Duty maintained
Carbon Black	Thailand	25/10/06	Duty maintained
Suspension PVC	India, Korea & Thailand	03/11/06	Duty revoked
Carbon Black	Korea	14/07/06	Duty revoked

(f) Anti-circumvention reviews

Anti-circumvention reviews are undertaken in cases where it is alleged that the anti-dumping duty or countervailing duties are being circumvented.

The following anti-circumvention review was terminated during 2006/2007:

Table 11

Product	Country	Date terminated
Coated products	Australia	28/07/06

(g) Refund reviews

In cases where a party can show that it had paid an anti-dumping duty in excess of the actual margin of dumping for the period, it may request a refund to the extent of the overpayment.

During the course of 2006/2007 no refund reviews were conducted.



TARIFF INVESTIGATIONS

The core business of the Tariff Investigations unit is to investigate applications for amendments to ordinary customs duties, rebate provisions and drawback provisions. The objective of this unit is to contribute towards interna-

tional competitiveness; encourage specialization and rationalization; support sustainable industrialization; reduce production costs and facilitate downstream value addition in a way that contributes to growth, employment and equity. This responsibility is carried out by providing operational customs tariff policy advice to the Commission. The unit conducts research and rigorous investigations into the industry, gathering data and information to enable the Commission to make informed recommendations to the Minister of Trade and Industry regarding the amendment of customs duties. These recommendations are effected through amendments to the Customs and Excise Act.



Besides the customs duty amendments stated above, the section administers various kinds of rebate and drawback provisions falling under Schedules 3, 4, and 5 of the Customs and Excise Act, 1964. This administration is done by issuing permits and certificates in accordance with the Customs and Excise Act, 1964 and setting guidelines, for a variety of industrial sectors, to clear imported goods free of duty. The unit's flagship programmes for the administration of these rebate provisions are two key industrial development programs of **thediti**, namely the Textile & Clothing Industry Development Program (TCIDP) and the Motor Industry Development Program (MIDP).

Tariff Investigation's Instruments

Customs duties administered under Schedule 1 of the Customs and Excise Act, 1964, are a tax on imported goods, whereas rebate provisions under Schedules 3 – 5 are a waiver provided for the domestic industries to be able to import goods duty free. Ordinary customs duties are distinguished from anti-dumping duties, countervailing duties; and safeguard measures in the sense that the former are used in respect of normal competition, whereas the latter are used in respect of unfair trade. The rebate provisions allow manufacturers to source inputs for downstream manufacturing at internationally competitive prices thereby promoting exports.



Schedule 1

Under Schedule 1 of the Customs and Excise Act, the section is responsible for tariff amendments, which include increases or reductions in the customs duties.

An increase in the rate of customs duty is a customs tariff intervention developed for protective purposes. This instrument is only used in exceptional cases, as the policy trajectory of our government is a managed reduction in duties, in line with our international trade obligations, to foster international competitiveness. A reduction in the rate of customs duty enables consumers and economic operators to have access to products at internationally competitive prices.

Schedule 3

Under Schedule 3 of the Customs and Excise Act, the section is responsible for the administration of industrial rebate provisions. A rebate provision is created to enable manufacturers to source input materials that are not satisfactorily available in the SACU from other markets, thereby enabling them to compete with similar imported end products. Over and above industrial rebates, the section is also responsible for the administration of a variety of permit rebates.

Schedule 4

Under Schedule 4 of the Customs and Excise Act, the section is responsible for the administration of rebate provisions, not necessarily for industrial inputs but for capital equipment etc.

The Motor Industry Development Programme: Positioning the Automotive Industry to Compete in a Global Economy

The MIDP was implemented in 1995 to assist the motor industry in the SACU to improve its domestic and international competitiveness in the face of imminent trade liberalization.

Motor vehicle manufacturers benefit from tariff protection against imported completely built-up motor vehicles. Automotive component manufacturers that supply components for fitment into domestically assembled motor vehicles are similarly protected by way of tariff protection. A duty free allowance allows motor vehicle manufacturers to import automotive components that cannot be economically produced in the SACU. This limits the cost-raising effect of import duties on components. Automotive components and motor vehicles manufactured in the SACU and exported to the global market, qualify for import rebate credit certificates (IRCCs). This is aimed at achieving longer production runs and consequently a lower cost of production per unit.

The programme comprises of four principal components:

- ❑ A gradual reduction in import duties on both vehicles and original equipment components;



- ❑ An export-import complementation scheme under which vehicle and component exporters can earn tradable IRCCs to rebate duties on imported vehicles and automotive components;
- ❑ A duty free allowance on imported original equipment components of 27 percent of the wholesale value of vehicles produced for the domestic market; and
- ❑ A productive asset allowance (PAA) for those motor vehicle manufacturers that have rationalised the range of motor vehicles manufactured in the SACU and produce motor vehicles for the global market. Automotive component manufacturers that supply components for the rationalised range of vehicles also benefit under the PAA.

Going forward, the MIDP is under review by **thedti** and the industry faces formidable challenges with regards to structural changes.

The Textile & Clothing Industry Development Programme (TCIDP) (Rebate item 460.11/00.00/07.00)

On 29 March 2006, the Minister of Trade and Industry announced the Interim Textile & Clothing Industry Development Programme (TCIDP), which replaced the Duty Credit Certificate Scheme (DCCS) with retrospective effect from 1 April 2005, to end at 31 March 2007. The TCIDP is similar to the DCCS except for the salient feature of restricting the tradability of duty credits to only textile and clothing manufacturers for the export period 2006/07.

The primary aim of the TCIDP was to make the South African textile and clothing manufacturers internationally competitive, by specialising in niche market products and to explore export markets. Specialization in export products is encouraged whilst the duty credit allocated would allow the importation of certain prescribed textile and clothing products duty free to supplement the range manufactured locally.

Over the past 2006/07 export year the textile and clothing industries in South Africa have been experiencing severe difficulties in competing both domestically and internationally. One of the challenges that the sector is experiencing is a surge in imports from China.

Other frequently used rebate provisions under the 4th schedule are:

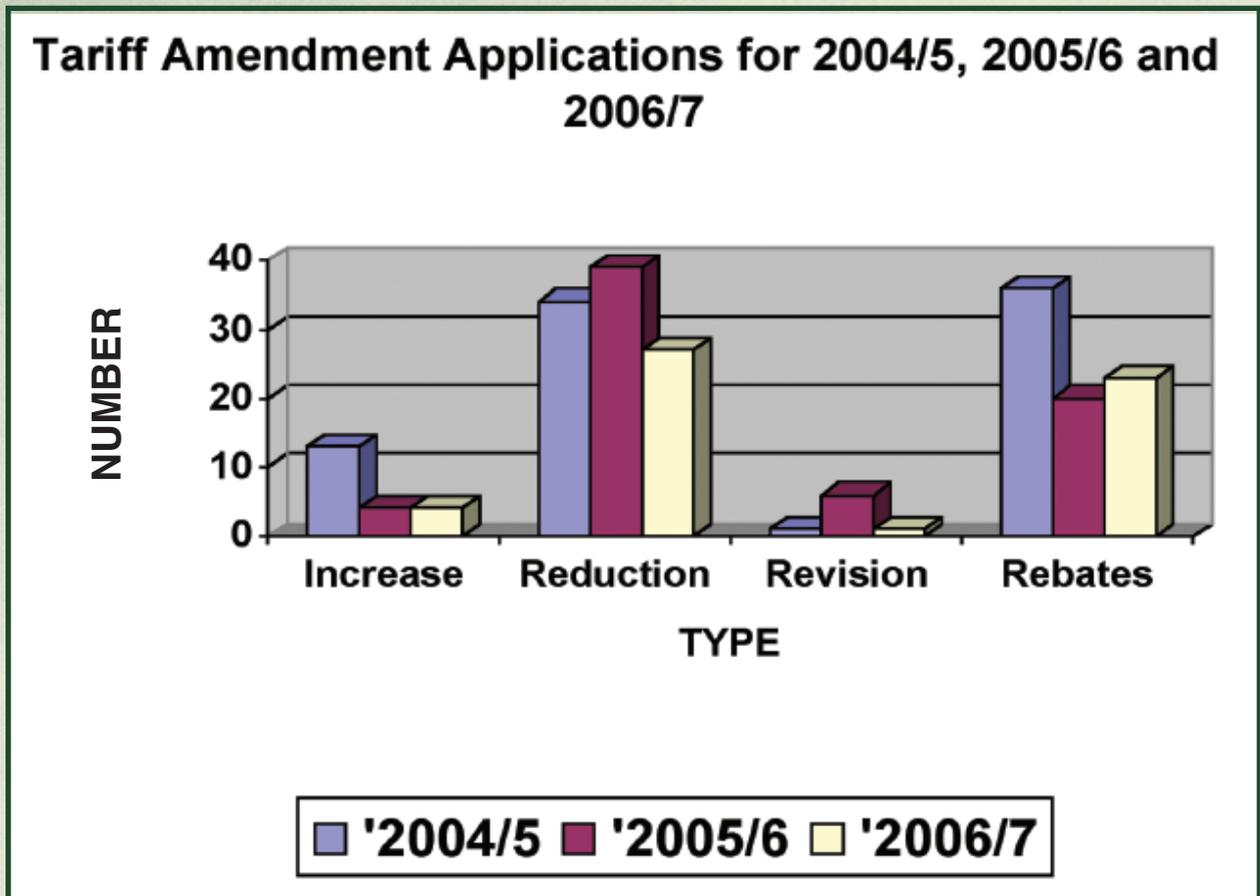
- ❑ Rebate item 470.03 which promotes manufacturing for purposes of export by removing the duty on inputs that are used in the manufacture of goods for the export market;
- ❑ Rebate item 405.04, which rebates duties on donated goods from abroad. It allows for the clearing of such goods without paying the customs duty. There is a strong social dimension in this rebate provision in terms of addressing, in particular, the needs of the poor.



Schedule 5

Schedule 5 provides for drawbacks and refunds of customs duties. Under this schedule, the unit is responsible for the administration of drawback item 521.00, which promotes manufacturing for purposes of export by refunding the duty on input materials that were used in the manufacture of goods for the export market.

PERFORMANCE OVERVIEW OF INSTRUMENTS ADMINISTERED BY TARIFF INVESTIGATIONS



Schedule 1

Table 1: Increase applications

APPLICANT	SECTOR	PRODUCTS	COMMENTS
SAPPO	Agro-Processing	Pork and pork products	Rejected
Gedore Tools SA (Pty) Ltd	Metals & Machinery	Steel spanners	Decision: Duty increased from 0% to 20% on certain hand tools TH: 8206.00
Seagull Industries (Pty) Ltd	Metals & Machinery	PVC swimming pools	In process: Preliminary phase
Validus Medical	Textile, clothing and footwear	Adult diapers	Rejected
Chamotte	Chemicals	Epson salts	Rejected
Cordustex	Textiles, clothing and footwear	Spun fabrics	Rejected

Table 1 reveals that for the year 2006/2007, the Commission considered six applications for ordinary customs duty increases. Four applications were rejected, whilst one is still in process. Only one increase was recommended and this pertained to the reinstatement of previously existing duties on certain hand tools. These results are reflective of the customs tariff policy in which the general rule is to reduce duties. Increases are only considered under exceptional circumstances. The intention is to lower cost of production, thereby increase international competitiveness and diversify the product range available to consumers. The Commission is rigorous and circumspect in assessing applications for specific products to increase duties.



Table 2: Reduction applications

APPLICANT	SECTOR	PRODUCTS	COMMENTS
Deloitte o b o Marine Growers	Agro-Processing	Abalone feed	Rejected
The Lion Match	Agro-Processing	Match splints	Decision: Duty reduced from 20% to free TH: 4421.90.90
Salmon Salar Farm	Agro-Processing	Salmon feed	Decision: Duty reduced to 20% to free TH: 2309.90.90
Savoury Food Industries	Agro-Processing	Natural beef stock	Rejected
National Brands	Agro-Processing	Potato flakes	Rejected
Afriplex	Agro-Processing	Grape seed extract	Rejected
Villa Crop	Agro-Processing	Mancozeb	In process: Final phase
Nutribase	Agro-Processing	Megalac	In process: Preliminary phase
thedti	All sectors	Industrial & agricultural products	In process: Final phase
Phillip Morris	Agro-Processing	Tobacco	Withdrawn
Kirsch Pharma	Chemicals	Trimethoprim	Decision: Duty reduced from 10% to free TH: 2933.59.90 (Additional 8-digit)
Unistraw	Chemicals	Drinking straw system	Decision: Duty reduced from 20% to free TH: 2106.90 (Additional 8-digit)
Kodak SA	Chemicals	X-ray film	Rejected
Aspen	Chemicals	Tenofofir Desproxil	Decision: Duty reduced from 10% to free TH: 2933.59.90 (Additional 8-digit)
Brittan Health Care	Chemicals	PVL tubing	Withdrawn
IWD Strapping	Chemicals	PET strapping	Rejected
Eli Lilly	Chemicals	Paylean 20 premix	Decision: Duty reduced from 20% to free TH: 2309.90.90
Columbit	Chemicals	Bottle closures	In process: Preliminary phase



APPLICANT	SECTOR	PRODUCTS	COMMENTS
Future Packaging	Chemicals	Document protectors	Rejected
Pilot Tools	Chemicals	Plastic boxes	Rejected
Plastrip	Chemicals	Flexible PVC strips	Rejected
Daniel Sharpsmart	Chemicals	Disposable safety boxes	Rejected
Daimler Chrysler	Motors	Separate tariff for vehicle	Rejected
Hudaco	Motors	Bearing housing	Decision: Duty reduced from 20% to free TH: 8708.50.90 & 8708.60.90
ZF SA (Pty) Ltd	Motors	Gearbox parts	Withdrawn
SARS	Motors	Track links and parts	Decision: Duty reduced from 20% to free TH: 8708.99.40
Toyota	Motors	Minibuses	In process: Preliminary phase
Bell Equipment	Metals & Machinery	Diesel engines	Decision: Duty reduced from 15% to free TH: 8408.90.90
Prosound	Metals & Machinery	Theatre lights	Decision: Reduced from 20% to free TH: 9405.40.90
Harold J Drinn	Metals & Machinery	Shotgun cartridges	Decision: Reduced from 15% to free TH: 9306.21
Agaricus	Metals & Machinery	Sparkplugs for gas engines	Rejected
Airtronics Spares (Pty) Ltd	Metals & Machinery	Fractional HP electric motors	Decision: Reduced from 20% to free TH: 8501.40.90
Bonesa (Pty) Ltd	Metals & Machinery	Compact fluorescent lights	Withdrawn
Lechoba Medicals (Pty) Ltd	Metals & Machinery	Safety syringes	Rejected
Owa Ceiling Systems	Metals & Machinery	Owacoustic mineral fibre ceiling panels	In process: Publication phase
Recoil (Pty) Ltd	Metals & Machinery	Copper tubes	In process: Preliminary phase
Swift Heat	Metals & Machinery	Thermocouple cables	Withdrawn
Silk By Design	Textile, clothing and Footwear	Artificial flowers	Decision: Duty reduced from 20% to free TH: 6702.90
Kevin Bates	Textile, clothing and Footwear	Carpet tiles	Rejected



APPLICANT	SECTOR	PRODUCTS	COMMENTS
Fascination wigs	Textile, clothing and Footwear	Human hair wigs/ hair pieces	Rejected
Trident Yute & Hessian	Textile, clothing and Footwear	Cable yarn	Decision: Duty reduced from 15% to free TH: 5607.10
Schellenberg	Textile, clothing and Footwear	Mosquito nets	Rejected
Cadema Industries	Textile, clothing and Footwear	Other woven fabrics	Withdrawn
No. 1 Enterprize	Textile, clothing and Footwear	Woven baby booties	In process: Final phase
De Nim Textiles	Textile, clothing and Footwear	Cotton	Withdrawn
R & R Marketing	Textile, clothing and Footwear	Seamless underwear	In process: Preliminary phase

Table 2 shows that the Commission considered 46 customs reduction applications, fourteen were approved and sixteen rejected; as they could not be justified in terms of the customs tariff policy. Nine applications are still in the process of being finalized and seven applications have been withdrawn.

In the context of the Customs Tariff Policy, tariff relief created the opportunity for the growth of the metals and machinery sector through the encouragement of efficiency in the sustainable supply of goods. The reductions were effected to serve developmental and broader economic objectives, which are expected to manifest in price reduction and/or price stability.

Table 3 Applications regarding revision of the customs duty

APPLICANT	SECTOR	PRODUCTS	COMMENTS
ITAC	Agro-Processing	Maize	In process: Final phase
PIFSA	Agro-Processing	Paper and paperboard	Due to large number of tariff lines affected, the details of the decision is available on request
ITAC	Metals and Machinery	Iron & steel	Due to large number of tariff lines affected, the details of the decision is available on request
ITAC	Metals and Machinery	Electric arc furnaces	Withdrawn



APPLICANT	SECTOR	PRODUCTS	COMMENTS
ITAC	Metals & Machinery	Chapter 84	In process: Preliminary phase

Table 3 shows applications for a revision of the tariff regime for specified products. When ITAC reviews duty structures, the objective is to make an encompassing intervention for the value chain in its entirety.

Four of the five revisions were initiated by ITAC. Two revisions have been finalised, one withdrawn and two are still in process.

Schedule 3

Table 4: Industrial rebates & refunds

APPLICANT	SECTOR	PRODUCTS	COMMENTS
Sasol	Agro-Processing	Soya beans for bio-diesel	In process: Final phase
ITAC	Agro- Processing	Soya oil cake	In process: Final phase
Phillip Morris	Agro- Processing	Tobacco	In process: Preliminary phase
Vynide	Chemicals	Flexible PVC sheet	Decision: Rebate granted TH: 3920.43
Unilever	Chemicals	Caustic soda for soaps	Decision: Rebate provision granted TH: 2815.11 & 2815.12
SAPIA	Chemicals	Reformate	Decision: Rebate granted TH: 2710.11.90
Pailpac	Chemicals	Heat transfer labels	In process: Final phase
SARS	Chemicals	Rebate item 307.05	Decision: Rebate amended TH: 39.16
AECI	Chemicals	Chemicals for automotive paint	In process: Preliminary phase
Morlite Industries	Chemicals	Palm stearine for candles	In process: Preliminary phase
Unilever	Chemicals	Alcohol ethoxylatus	In process: Preliminary phase
ITAC	Motors	Refund for motor vehicles	Decision: Drawback item 537.02/87.00/01.04 created
Smiths Manufacturing	Motors	Hoses for automotive air conditioners	Decision: Rebate provision granted TH: 4009.31



APPLICANT	SECTOR	PRODUCTS	COMMENTS
Delphi	Motors	Catalytic converters	In process: Preliminary phase
Smiths Manufacturing	Motors	Hollow profiles of aluminium	Decision: Rebate provision granted TH: 7604.10.65 & 7604.21.15
The dti	Motors	Exclusion of dumpers with articulated chassis from the MIDP	Decision: Chapter 98 and rebate item 317.07 amended
ITAC	Motors	Amendment of the export import complementation ration of motor vehicles not fitted with an engine or gearbox, automotive components, automotive tooling and medium and heavy motor vehicles when used to rebate or draw back the duty on imported specified motor vehicles.	In process
ITAC	Motors	Amendment of the productive asset allowance rebate and drawback provision to exclude leased buildings	In process
Defy	Metals and Machinery	Heating resistors	Decision: Rebate provision extended TH: 8516.90.30
Jasco Trading	Metals and Machinery	Silicon wire	Rejected
Jikelele Material Handling	Metals and Machinery	Crane components	Decision: Rebate provision granted TH: 8301.40; 7302.10; 8544.20.90; 8537.10.90; 9401.80; 8501.51.90; 8504.34; 8501.52.90
Bombela Consortium	Metals and Machinery	Components for Gautrain rapid rail link	In process: Final phase
Greif SA (Pty) Ltd	Metals and Machinery	Threaded bungs & gaskets	Decision: Rebate provision granted TH: 8309.90.05 and 84.84.10.90



APPLICANT	SECTOR	PRODUCTS	COMMENTS
Haygrove Tunnels	Metals and Machinery	Horticultural tunnels	In process: Final phase
Lechoba Medicals	Metals and Machinery	Safety syringes	In process: Final phase
Nu World	Metals and Machinery	Various for manufacturing of electrical equipment	In process: Final phase
Seagull Industries (Pty) Ltd	Metals and Machinery	Plates, sheets, film, foil, tape and strip of polymers for swimming pools	In process: Preliminary phase
Whirlpool	Metals and Machinery	Seamless tube of circular cross sectional steel	In process: Preliminary phase
SARS	All sectors	Schedules 3 & 4	In process: Preliminary phase
National Cap	Textiles, Clothing and Footwear	Wrapped knitted fabrics of synthetic fibres	Decision: Rebate granted TH: 5515.12, 5515.29 and 6005.3
National Cap	Textiles, Clothing and Footwear	Woven fabrics of man-made and synthetic staple fibres	Combined as 1 application
Polydye	Textiles, Clothing and Footwear	Yarn	Withdrawn
ITAC	Textiles, Clothing and Footwear	Textiles	Decision: Certain rebate withdrawn & swimwear & foundation garments to be re-investigated in 2007 TH: Available on request
Textile Federation	Textiles, Clothing and Footwear	Fabrics	Withdrawn
Nampak	Textiles, Clothing and Footwear	Raw materials for diapers	Rejected
Spilo	Textiles, Clothing and Footwear	Yarn	In process: Final phase
Cadema Industries	Textiles, Clothing and Footwear	Fabrics	In process: Preliminary phase
Southern Ropes	Textiles, Clothing and Footwear	Filament yarn	In process: Preliminary phase



Rebate provisions are only considered in instances where it is not possible to make a customs tariff intervention under Schedule 1 of the Customs and Excise Act. For the year under review, the Commission considered 37 applications pertaining to amendment and creation of rebate provisions, thirteen rebate provisions were created, two rejected, 2 withdrawn and twenty are still in process.

Various Other Rebate Provisions administered by ITAC:

Rebate provision 304.01

ITAC allowed the issuance of 7 permits for the importation of 3 309 tons of meat of bovine animals and 1 920 tons of meat of sheep or goats under the provisions of item 304.01 during 2006/07. The imports of meat of bovine animals increased by 8%; and that of sheep or goats increased by 85% during 2006/07 compared with imports during the previous financial year.

Rebate item 311.02 and 311.18

During the year under review 6 permits in terms of rebate item 311.02 were issued and one permit in the previous financial year. There is only one company in the SACU that has the facility to recover fibres.

During the year under review 29 permits in terms of rebate item 311.18 were issued and 33 permits in the previous financial year.

Schedule 4

Rebate item 470.03

During the period under review, the Commission issued 208 permits in terms of rebate item 470.03 compared to the previous reporting year when 415 permits were issued. This decline could be attributed to the removal of import duties on steel, paper and other products as well as the tightening of controls through the development of new guidelines and new registration requirements.

TCIDP - Rebate item 460.11

During the period under review, 115 claims with an export sales value of approximately R1.4 billion were received. A total number of 1 400 certificates were issued, including sales and transfers from Botswana, Lesotho, Namibia and Swaziland (BLNS) countries.

MIDP - Rebate item 460.17

During the period under review 2853 Import Rebate Credit Certificates (IRCCs) to the value of R 19.7 billion were issued, whilst 3473 IRCCs to the value of R 20 billion were approved and issued in the previous year.

The highest value of exported products was again passenger cars, whilst light commercial vehicles showed the best growth during the period. These vehicles contributed to 51 percent of total exports. With a contribution of 24 percent of total exports, catalytic converters con-



tributed most to the value of component exports, in line with the performance during the previous year.

Under the Productive Asset Allowance (PAA), 6 applications were received at an estimated investment value of R 6.7 billion whilst 4 applications with an investment value of R 94 million were received and approved in the previous year.

There were 57 PAA certificates issued compared to the 63 certificates issued during the previous year.

The increase in PAA applications is a result of further direct investments and is an indication of the positive outlook of the industry.

The constant export performance by the motor industry together with the increase in direct investment can in large part be attributed to the MIDP.

Rebate item 405.04

During the period under review, the Commission issued 135 permits in terms of rebate item 405.04 and 164 in the previous reporting year, which reflects a decrease of 21%.

Rebate item 460.17 – vehicles for disabled

During the period under review, the Commission issued 161 permits in terms of rebate items 460.17/87.03 and 460.17/87.00, which provides for rebate of the duty on vehicles adapted for use by disabled persons.

Rebate item 460.23 – goods for oil and gas exploration

During the period under review, the Commission issued 5 permits for the importation of goods for oil and gas exploration.

Rebate item 460.13/70/10/01.00 – glass bottles

During the period under review, the Commission issued 12 permits for the importation of certain glass bottles.

Rebate item 460.15/73.03/01.00 – tubes and pipes

During the period under review, the Commission issued 8 permits for the importation of tubes and pipes of iron or steel.

Schedule 5

Drawback item 521.00

During the period under review, the Commission issued 448 permits in terms of drawback item 521.00 and in the previous reporting year 303 permits were issued. This reflects an increase of 48%. This increase could be attributed to tighter control measures of rebate item 470.03.



Southern African Customs Union (SACU)

The Southern African Customs Union (SACU) continued to deepen the regional integration of its Member States economies through the implementation of the 2002 SACU Agreement. Amongst the objectives of the SACU Agreement is the creation of effective, transparent and democratic institutions, which will ensure equitable trade benefits to Member States. ITAC has participated actively in the process of the development of Annexes to the SACU Agreement, on the establishment of SACU Tariff Board, and National Bodies in the other SACU Member States, namely Botswana, Lesotho, Namibia and Swaziland (BLNS). The SACU Council of Ministers approved both Annexes and Member States are nationally at various stages of the ratification of these Annexes. The SACU Council of Ministers at its 7th meeting held in South Africa extended the mandate of ITAC to handle tariff amendments applications and trade remedies investigations until the SACU Tariff Board is operational.

ITAC is implementing the SACU Council of Ministers decision to assist the other SACU members in building capacity to administer Tariff amendments applications and Trade Remedies investigations by providing on the job training to officials seconded by the Botswana, Lesotho, Namibia, and Swaziland Governments. The capacity building programme commenced in June 2006 with the secondment of officials from the BLNS Governments. In total, nine officials from the BLNS Governments have been seconded for training. The officials are allocated to Trade Remedies and Tariff Investigations Units for training. The training programme in Tariff Investigations Unit is scheduled to end in June 2007 and the Trade Remedies Unit in December 2007.

ITAC continues to participate in the consolidation of SACU by contributing in the process of development of the Annexes on Competition policy (Art.40), and Unfair Trade Practices (Art.41) that are aimed at facilitating and strengthening co-operation amongst Member States in these areas. The development of an Annex on the establishment of the SACU Tribunal is another area ITAC is participating in. It is envisaged in the SACU Agreement that the Tribunal will adjudicate any dispute regarding the interpretation or application of the SACU Agreement, or any dispute arising at the request of the Council.

ITAC is also monitoring the Southern African Development Community's commitments of deeper regional economic integration of establishing a Customs Union by 2010.



Human Capital

The major activities during the year under review related to recruitment, placement and retention of staff in strategic positions aimed at capacitating the organisation to fulfil its mandate of enabling fair trade.

ITAC faces the challenge of identifying individuals with appropriate skills and attributes to join the Core Business units and other specialised skills areas. ITAC has developed competency profiles for the various job families in order to determine the relevant skills and attributes required for particular roles.

Table 1: Organizational Establishment

ORGANIZATIONAL ESTABLISHMENT

UNIT	POSITION/TITLE	APPROVED POSTS	FILLED POSTS	VACANT POSTS
Executive	Chief Commissioner	1	0	1
	Personal Assistant	1	1	0
	Deputy Chief Commissioner	1	1	0
	Personal Assistant	1	1	0
	General Manager: Corporate Services	1	1	0
	PA (GM:)Corp. Services	1	1	0
	General Manager: Core Business	1	1	0
	Secretary (GM:) Core Business	1	1	0
	Strategic Support	Senior Manager	1	1
Secretariat	Secretary: Commission	1	1	0
	Assistant Secretary: Commission	1	1	0
Legal Services	Senior Manager	1	1	0
	Manager	1	1	0
Trade and Monitoring	Senior Manager	1	0	1
Trade Remedies I & II	Senior Manager	2	2	0
	Project Managers	10	8	2
	Senior Investigators	10	7	3
	Secretary	2	1	1
	Case Admin	2	2	0
Policy and Research	Senior Manager	1	1	0
	Manager	1	1	0
Tariff Investigation I	Senior Manager	1	1	0



UNIT	POSITION/TITLE	APPROVED POSTS	FILLED POSTS	VACANT POSTS
	Managers	3	3	0
	Senior Investigators	7	7	0
	Investigators	3	1	2
	Senior Administrator	1	1	0
	Administrator	2	1	1
	Secretary	1	1	0
Tariff Investigation II	Senior Manager	1	1	0
	Managers	6	6	0
	Senior Investigators	12	9	3
	Senior Administrators	3	3	0
	Secretary	1	1	0
Import and Export Control	Senior Manager	1	1	0
	Secretary	1	1	0
	Managers	2	2	0
	Assistant Managers	3	2	1
	Senior Investigators	4	4	0
	Senior Administrators	8	8	0
	Administrators	4	3	1
Finance and Administration	Chief Finance Officer	1	1	0
	Manager: Finance and Admin.	1	1	0
	Manager: Procurement and SCM	1	1	0
	Assistant Manager: Fin. Accounting	1	0	1
	Accountant: Payroll & Account Payable	1	1	0
	Financial Officer	1	1	0
	Accounting Clerk	1	1	0
	Administrator: Procurement Officer	1	1	0
	Admin Assistant: Messengers	2	2	0
	Admin Assistant: Refreshments	1	1	0
	Admin Assistant: Operator/Repro Admin	1	0	1
	Administrator: Reception	1	0	1
Human Resources	Senior Manager	1	1	0
	Manager: Labour Relations & HR	1	1	0
	Specialists	2	2	0
	Practitioner	1	1	0
	Admin: HR Assistant	1	1	0
Information Technology	Chief Information Officer	1	1	0
	Senior Programmer	1	0	1
	IT Administrator	1	1	0
Communication	Manager	1	1	0
	Communications Officer	1	1	0
TOTAL NUMBER OF EMPLOYEES		130	110	20



Table 2: Organizational Establishment

Grade Rank	Race				Gender		
	African	Coloured	Indian	White	Female	Male	Total
Administration	6	0	0	1	6	1	7
Messenger	3	0	0	0	1	2	3
Assistant Manager	4	2	0	1	5	2	7
Communications Officer	1	0	0	0	1	0	1
Deputy Chief Commissioner	1	0	0	0	0	1	1
Financial Officer	1	0	0	0	0	1	1
General Manager	2	0	0	0	0	2	2
HR Practitioner	1	0	0	0	1	0	1
Investigator	3	0	0	0	3	0	3
IT Technician	0	0	0	1	0	1	1
Manager	12	0	2	15	11	8	27
Personal Assistant	4	0	0	0	4	0	4
Secretary	2	0	0	2	4	0	4
Senior Admin Officer	1	0	0	0	1	0	1
Senior Administrator	2	0	0	7	8	1	9
Senior Investigator	14	0	2	11	5	22	27
Senior Manager	5	1	0	5	5	6	11
GRAND TOTAL	62	3	4	43	55	47	110

Table 3: Recruitment

Rank	No. Recruited		TOTAL
	External	Internal	
Chief Commissioner	0	0	0
Senior Manager	2	1	3
Administrators	4	1	5
Officer	2	0	2
Manager	1	3	4
Senior Investigator	2	2	4
Personal Assistant-DCC	1	0	1
Investigator	0	1	1
Senior Administrator	0	1	1
GRAND TOTAL	12	9	21



Table 4: Terminations

Rank	No. Resigned	Contract Expired	Retirement	Other
Chief Commissioner	0	1	0	0
Administrators	1	0	0	0
Communications Officer	1	0	0	0
Manager	2	0	0	0
Senior Investigator	3	0	0	1
Senior Administrator	0	0	1	0
Assistant Manager	0	0	1	0
Project Manager	0	0	2	0
GRAND TOTAL	7	1	4	1

Table 5: HRD TRAINING REPORT

Programme	Number of attendees	Male	Female	Introduction
A secretary's guide to meetings and minute taking	3	1	2	Advanced
VIP	4	0	4	Introduction
Introduction to Absalom	8	3	5	Introduction
Absalom Performance Management	2	0	2	Introduction
Powerspeaking	2	0	2	Advanced
Business Continuity and Disaster Recovery	2	2	0	Advanced
Access Intermediate	1	1	0	Advanced
CCMA Commissioner's Training	1	1	0	Advanced
BEE Scorecard	1	1	0	Advanced
Employment Equity	8	4	4	Advanced
SAD 500	11	5	6	Advanced
Customs Clearing Excise	17	9	8	Advanced
Negotiation	1	1	0	Advanced
Job Evaluation	1	1	0	Initial
Records Management	2	0	2	Intermediate
Secretarial and Administrative symposium	7	0	7	
Risk management in the Public Service	1	1	0	Advanced
Managing for performance	5	3	2	Advanced
Expert Skills Development Facilitation	1	0	1	Advanced



Programme	Number of attendees	Male	Female	Introduction
Occupational Health and Safety	6	4	2	Advanced
PFMA	1	1	0	Advanced
Annual Service Delivery Academy	2	0	2	Advanced
GRAND TOTAL	87	38	49	

Table 6: CCMA Cases

CCMA CASE NUMBER	ISSUE IN DISPUTE	PROGRESS
APT441/06	Non-Renewal of the Fixed Term Contract	Dispute resolved and the award issued in favour of ITAC
GAPT 6489/05	Termination of the contract of employment	Parties resolved the matter by entering into a settlement agreement
GAPT 177/06	Unfair Labour Practice	The CCMA awarded for the applicant
GAPT 1807/05	Unfair Labour Practice	CCMA awarded for the applicant. ITAC referred matter to the Labour Court for review and the court date is still being awaited.

FOREIGN WORKERS

ITAC had only one foreign worker during this financial year. The incumbent occupies the position of the Senior Manager Policy and Research.



Annual Financial Statements

for the year ended 31 March 2007

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Statement of Responsibility for the year ended 31 March 2007

The International Trade Administration 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 2007 fairly present the state of affairs of ITAC, its financial performance and its financial position at the end of the year in terms of SA statements of Generally Accepted Accounting Practice and Generally Recognised Accounting Practice 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 2007 are the responsibility of the Chief Commissioner. The Auditor-General is responsible for independently auditing and reporting on the financial statements.

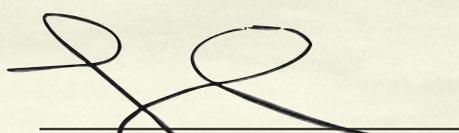
The Acting Chief Commissioner has reviewed the Commission's budgets and cash flow forecasts for the year ended 31 March 2008. On the basis of this review, and in view of the current financial position and existing resources of the Department of Trade and Industry (**the dti**) by way of transfer payments to ITAC, the Acting Chief Commissioner has every reason to believe that the Commission 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. The Commission maintains internal financial controls to provide assurance regarding the safeguarding of assets against unauthorised use or disposition.

The Executive Committee has reviewed ITAC's systems of internal control and risk management for the year ended 31 March 2007, and is of the opinion that ITAC's systems of internal control and risk management were effective for the period under review, except for those areas noted by the Auditor-General.

No material losses have occurred due to criminal conduct. Unauthorised, fruitless or wasteful expenditure has been identified and reported to the Executing Authority as reflected in notes 23 and 24 to the annual financial statements.

We are satisfied that these financial statements represent a fair reflection on the results of ITAC for the year ended 31 March 2007.



Itumeleng Masege
Acting Chief Commissioner

Date: 31 July 2007



Corporate Governance Report

For the year ended 31 March 2007

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 PFMA.

Procurement delegations have been approved and the supply chain management framework 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.

Risk Management

An independent risk management process is in place to enable management to effectively identify, evaluate and assess risk. The internal auditors monitor the prescribed procedures. In line with the Treasury Regulation requirements, the internal auditors have direct access to the Chief Commissioner, the Audit Committee and management.

A fraud prevention plan and a Materiality Framework have been developed and are approved. No instances of fraud were identified during the year. In addition, it is a statutory requirement that the Auditor General audits the Annual Financial Statements of public entities and this has been duly done.



Report of the Audit Committee

The ITAC audit committee, constituted in terms of The Public Finance Management Act 1 of 1999 (PFMA) presents its report to the ITAC Accounting Authority for 2007. The committee met five times during the year.

Name	Attended %
T.C. Barnes -Chairperson	100
R Xaba	40
M Manyama	80
N Maimela- Chief Commissioner (Contract Expired end September 2006)	20
I Masege-Acting Chief Commissioner	100

In addition to the above members, persons attending committee meetings by standing invitation include the GM:-Corporate Services, the Internal Auditors and representatives of the Auditor-General.

Responsibility

We confirm that we have appropriate terms of reference through a formal Charter and have regulated our affairs in compliance with the Charter.

We further report that in our view, we have complied fully with our responsibilities in terms of the following requirements Sections 51 (a) (ii), 76 (4) (d) and 77 (a) and (b) of the PFMA, and paragraphs 27.1 and 27.2 of the Treasury Regulations.

Effectiveness of financial controls and reporting

The system of internal control is effective as the various reports of Internal Auditors, the Auditor-General's report on the annual financial statements, the management letters of the Auditor-General.

Evaluation of annual financial statements

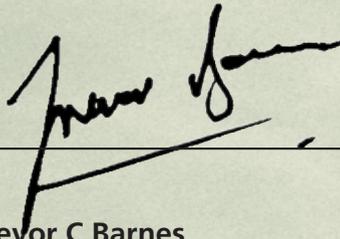
We have:

- o Reviewed the audited annual financial statements to be included in the annual report for 2007, which includes the disclosure of both irregular and fruitless or wasteful expenditure, as well as an emphasis of matter in the audit report,
- o Reviewed the contents of the Auditor General's management letter including the management's responses,



- o Satisfied ourselves that the major financial risk areas are appropriately managed and that the core system of internal controls is effective,

The audit committee concurs and accepts the conclusions of the Auditor General on the annual financial statements and is of the opinion that the audited annual financial statements can be accepted and read together with the report of the Auditor-General.



Trevor C Barnes
Chairperson
31 July 2007



REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE INTERNATIONAL TRADE ADMINISTRATION COMMISSION FOR THE YEAR ENDED 31 MARCH 2007

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the International Trade Administration Commission (ITAC) which comprise the statement of financial position as at 31 March 2007, 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 notes, as set out on pages 57 to 74.

Responsibility of the accounting authority for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and the International Trade Administration Act, 2002 (Act No. 71 of 2002). 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
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) 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.
4. I conducted my audit in accordance with the International Standards on Auditing and General Notice 647 of 2007, issued in Government Gazette No. 29919 of 25 May 2007. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. 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.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.



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

Basis of accounting

8. The public entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in note 1.1 to the financial statements.

Unqualified opinion

9. In my opinion, the financial statements present fairly, in all material respects, the financial position of the International Trade Administration Commission as at 31 March 2007 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by National Treasury of South Africa, as described in note 1.1 of the accounting policies to the financial statements, and in the manner required by the PFMA and the International Trade Administration Act.

Emphasis of matter

10. Without qualifying my audit opinion, I draw attention to the following matters:

Irregular, and fruitless and wasteful expenditure

11. During the 2006/2007 financial period, an amount of R802 768 and R473 029 was incurred on unauthorized salary increases (irregular) and settlement awards to employees as a result of human resource matters (fruitless and wasteful) respectively. Further details of these matters are disclosed in note 24 and 23 to the financial statements.

Property, plant and equipment

12. ITAC did not assess the remaining useful lives and residual values of its assets in accordance with IAS 16 – Property, Plant and Equipment, paragraph 51 for the 2006/2007 period. This constitutes non-compliance with the entity's chosen reporting framework.

OTHER MATTERS

13. I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

Information systems audit

14. Due to the following information systems general controls findings, it was concluded that these weaknesses could have a fundamental impact on the integrity, confidentiality, availability, and reliability of information in the control environment as a whole:
 - The information technology (IT) security policy, disaster recovery plan and business continuity plan had not been formally approved.
 - Formally documented and approved user account management procedures and backup procedure did not exist. This could have the effect that unauthorised access might occur and that ITAC might not be able to recover in the event of a disaster.
 - Various weaknesses were identified in the logical security settings that could result in unauthorised access being gained to the systems.
 - An IT steering committee had not been established to oversee and monitor the IT function.
 - The service level agreements (SLAs) between ITAC and third-party service providers had



expired and was not renewed or terminated. The internal SLA between IT and the import/export control unit was inadequate and no SLA existed between IT and the other user departments.

- The memorandum of understanding signed by ITAC and the Department of Trade and Industry for the shared services was found to be inadequate as it did not include continuity planning, security requirements and adequate service performance monitoring.
- Adequate measures had not been implemented to ensure that all employees signed confidentiality agreements to protect the confidentiality of information.

Material misstatements in the financial statements submitted for audit on 31 May 2007

15. The financial statements, approved by the accounting authority as submitted for audit on 31 May 2007 have been significantly revised in respect of the following misstatements that have been identified during the audit:
- ITAC did not disclose all transactions and balances with public entities in the National Sphere of Government as required by SAICA circular 4 of 2005. The only related transactions disclosed in note 18 to the financial statement were in respect of the Department of Trade and Industry. The other significant related party (South African Revenue Services and Department of Justice) was not included in the related parties disclosure note.
 - A prepayment of R406 855 relating to telephones (property, plant and equipment) that were purchased was incorrectly classified as intangible assets in the accounting records and the financial statements.
 - ITAC did not include in its provisions, the litigation cost of R1 385 000 as estimated by the attorneys. Furthermore, the attorney's confirmations also indicated the possibility that an amount of R1 417 000 will be incurred as result on ongoing litigation. These amounts were originally not included in the contingent liability note to the financial statements.

The entity has corrected the above errors and submitted revised annual financial statements on 24 July 2007.

OTHER REPORTING RESPONSIBILITIES

Reporting on performance information

16. I have reviewed the performance information as set out on pages 13 to 14.

Responsibilities of the accounting authority

17. The accounting authority has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

Responsibility of the Auditor-General

18. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with General Notice 646 of 2007, issued in Government Gazette No. 29919 of 25 May 2007.
19. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
20. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.



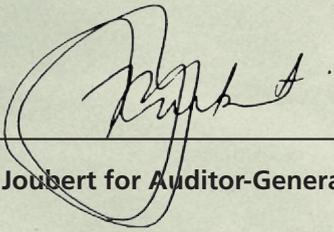
Audit findings

Lack of systems generating performance information

21. No formalised policies and procedures were documented to describe the processes implemented by ITAC for the collection, review and reporting of performance information throughout the year.

APPRECIATION

22. The assistance rendered by the staff of the International Trade Administration Commission during the audit is sincerely appreciated.



F Joubert for Auditor-General

Pretoria

31 July 2007



A U D I T O R - G E N E R A L



Report of the Accounting Authority for the year ended 31 March 2007

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 the Commission for the year was R1 440 253 (2006: R2 844 308).

3. Review of operations

ITAC's primary source of revenue is quarterly transfer payments from **the dti**. Funds were applied to defray personnel and administrative expenses, as well as costs involved in the establishment of ITAC's infrastructure, and the costs of litigation.

	2007	2006
	R	R
Total operating costs	48 635 038	44 171 528
ITAC budget allocation from the dti	49 245 000	46 458 000

4. Review of financial position

ITAC awaits approval from National Treasury for ITAC to retain the accumulated surplus of R1 440 253 (2006: R8 893 793).

These funds will be applied to acquisition of office equipment to capacitate the SACU delegation, develop appropriate enterprise IT systems, a call centre, improvement of systems at the import and export control division and the installation of general operational systems.

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 is R300 000 for the year.

6. Executive management remuneration

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



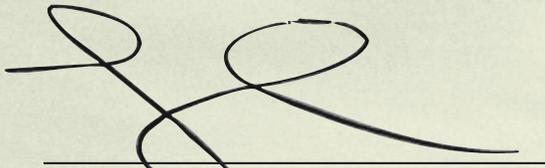
Report of the Accounting Authority (continued) for the year ended 31 March 2007

7. Business address:

DTI Campus (Building E)
77 Meintjies Street
Sunnyside
Pretoria
0002.

8. Approval of the financial statements:

The financial statements set out on pages 57 to 74 have been approved by the Accounting Authority and signed on its behalf by Acting Chief Commissioner.



Itumeleng Masege
Acting Chief Commissioner

Date: 31 July 2007



Statement of Financial Performance

for the year ended 31 March 2007

	Notes	2007 R	2006 R
Revenue			
Revenue			
Funds received from the dti	1	49 245 000	46 458 000
Interest income	2	811 791	557 836
Other income	3	18 500	-
Total revenue		50 075 291	47 015 836
Expenses			
Personnel		(31 223 244)	(27 622 710)
Administrative		(15 562 615)	(15 137 997)
Depreciation & amortisation expense		(1 829 218)	(1 372 997)
Finance costs	4	(19 961)	(37 943)
Total expense		(48 635 038)	(44 171 528)
Surplus for the year	5	1 440 253	2 844 308



Statement of Financial Position

as at 31 March 2007

	Notes	2007 R	2006 R
Current assets		15 599 842	12 900 031
Inventory	6	42 320	32 810
Accounts receivable	7	99 683	146 602
Prepayments	8	406 855	342 968
Cash and cash equivalents	9	15 050 984	12 377 651
Non-current assets		2 706 702	2 560 498
Property, plant and equipment	10	1 475 701	2 327 079
Intangible assets	11	1 207 047	218 427
Accounts receivable	7	23 954	14 992
Total assets		18 306 544	15 460 529
Current liabilities		6 049 391	4 446 996
Trade and other payables	12	2 869 192	2 481 071
Current portion of provisions	13	3 180 199	1 784 466
Finance lease	14	-	181 459
Non-current liabilities		1 923 107	2 119 740
Provisions	13	1 923 107	2 119 740
Total Liabilities		7 972 498	6 566 736
Net assets		10 334 046	8 893 793
Accumulated surplus		10 334 046	8 893 793
Total assets		18 306 544	15 460 529



Statement of Changes in Net Assets

for the year ended 31 March 2007

	Note	Accumulated Surplus R
Balance at April 2005		6 049 485
Net Surplus for 2005		2 844 308
Balance at 1 April 2006		8 893 793
Net surplus for the year		1 440 253
Balance at 31 March 2007		10 334 046



Cash Flow Statement

for the year ended 31 March 2007

	Notes	2007 R	2006 R
Cash flows from operating activities			
Receipts			
Grants		49 245 000	46 458 000
Interest received		811 791	557 836
Other income		18 500	0
Payments			
Employee Costs		(31 068 775)	(27 622 710)
Suppliers		(14 149 720)	(13 897 303)
Interest paid		(19 961)	(37 943)
Net cash flows from operating activities	15	4 836 835	5 457 880
Cash flows from investing activities			
Acquisition of computer equipment, furniture and fittings		(294 117)	(1 145 498)
Acquisition of intangible assets		(1 719 655)	(285 343)
Proceeds from sale of assets		31 729	0
Net cash utilised from investing activities		(1 982 043)	(1 430 841)
Cash flows from financing activities			
(Repayments on) finance lease liability		(181 459)	(163 477)
Net cash flow used in financing activities		(181 459)	(163 477)
Net increase in cash and cash equivalents		2 673 333	3 863 562
Cash and cash equivalents at beginning of year		12 377 651	8 514 089
Cash and cash equivalents at end of the year	9	15 050 984	12 377 651



Accounting Policies

for the year ended 31 March 2007

1. Accounting Policies

The annual financial statements have been prepared on the historical cost basis and include the following principal accounting policies of the Commission which are, in all material respects, consistent with those applied in the previous year, except as otherwise indicated.

1.1 Basis of preparation

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

Standard of GRAP

GRAP 1: Presentation of financial statements

GRAP 2: Cash flow statements

GRAP 3: Accounting policies, changes in accounting estimates and errors

Replaced Statement of GAAP

AC101: Presentation of financial statements

AC118: Cash flow statements

AC103: Accounting policies, changes in accounting estimates and errors

Currently the recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 & 3 has resulted in the following changes in the presentation of the financial statements:

1. Terminology differences:

Standard of GRAP

Statement of financial performance

Statement of financial position

Statement of changes in net assets

Net assets

Surplus/deficit

Accumulated surplus/deficit

Contributions from owners

Distributions to owners

Replaced Statement of GAAP

Income statement

Balance sheet

Statement of changes in equity

Equity

Profit/loss

Retained earnings

Share capital

Dividends

2. The cash flow statement can only be prepared in accordance with the direct method.

3. Specific information has been presented separately on the statement of financial position such as:

- a. Receivables from non-exchange transactions, including taxes and transfers;
- b. Taxes and transfers payable;
- c. Trade and other payables from non-exchange transactions;



Accounting Policies (continued)

for the year ended 31 March 2007

4. Amount and nature of any restrictions on cash balances is required.

Paragraph 11 – 15 of GRAP 1 has not been implemented due the fact that the budget reporting standard has not been developed by the local standard setter and the international standard is not effective for this financial year. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect the objective of the financial statements.

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 comprises funds received from the dti and is recognised in the period in which it accrues.

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, 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.

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

5. Taxation

ITAC submitted an application for income tax exemption in terms of section 10(1)(c)(A) of the Income Tax Act, 1962. The audited financial statements and the IT IE return (Exemption Return) were submitted on 21 July 2006 to SARS and we are awaiting confirmation to ensure PBO exemption.

6. Property, Plant and Equipment

Assets purchased for less than R1 000 are written off in the year of acquisition. Assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged to amortise assets to their residual values over their estimated useful lives, using the straight-line method, on the following bases:

Mainframe	5 years
Personal computers	3 years
Office furniture and fittings	6 years
Leased assets	3 years



Accounting Policies (continued)

for the year ended 31 March 2007

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The assets residual values and useful lives are reviewed and adjusted where appropriate at each reporting date.

Disposals

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

7. Intangible assets

Computer software

Costs associated with developing or maintaining in-house computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable software products controlled by the Commission and which generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. 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.

8. Impairment of Tangible and Intangible assets

At each balance sheet date, the Commission reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amounts 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 revalued 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.

A reversal of impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.



Accounting Policies (continued) for the year ended 31 March 2007

9. Employee benefits

Post-employee benefits

Retirement

The Commission provides a defined benefit scheme for its employees, which is the Government Employee's Pension Fund. The fund is funded by payments from employees and the Commission. The Commission's contributions to the Government Employee's Pension Fund are charged to the income statement 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 Government Employee's Pension Fund. Any potential liabilities are disclosed in the financial statements of the National Revenue Fund and not in the financial statements of ITAC.

Medical

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

Short and long-term 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.

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

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 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 balance sheet 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 first in first out basis.

11. Financial instruments

Financial instruments carried on the statement of financial position include cash and bank balances, trade receivables and trade 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. The Commission is therefore exposed to the following risks:

- Interest rate risk, which is the risk that the value of a financial instrument will fluctuate due to the change in market interest rates with respect to cash and cash equivalents, and



Accounting Policies (continued)

for the year ended 31 March 2007

- Credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, with respect to receivables and trade payables.

Recognition

Financial instruments are initially recognised using the trade date accounting method.

Measurement

Financial instruments are initially measured at cost, which includes transaction cost. Subsequent to initial recognition these instruments are measured at fair value.

Gains and losses arising from changes in the fair value of financial instruments are recognised as income or expense in the year in which they arise.

11.1 Trade and other receivables

Receivables are stated at anticipated realisable value net of allowance for irrecoverable amounts.

11.2 Trade and other payables

Trade and other payables are stated at their nominal value.

11.3 Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

12. Provisions

Provisions are recognised when the Commission has a present 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.

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. All other leases are classified as operating leases.

Finance charges are charged to surplus or deficit unless they are directly attributable to qualifying assets, in which case they are capitalised with the Commissions general policy on borrowing cost.

A lease in which a significant portion of the risk and rewards of ownership is 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. Comparative figures

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



Notes to the Annual Financial Statements for the year ended 31 March 2007

	2007 R	2006 R
1. Funds received Funds received comprise transfer payments received from the dti	49 245 000	46 458 000
2. Interest Income Call account and staff loans	811 791	557 836
3. Other Income Sale of tenders	18 500	-
4. Finance cost Capitalised finance lease	19 961	37 943
5. Included in surplus/(deficit) are the following:		
Auditors' remuneration	527 395	(24 589)
Audit committee	41 753	51 465
- Remuneration	35 281	44 469
- Expenses	6 472	6 996
Accounting services	49 998	-
Depreciation and amortisation	1 829 218	1 372 997
- Computer equipment and peripherals	840 349	758 289
- Office furniture and fittings	93 764	127 852
- Computer software	731 035	322 785
- Leased asset	164 071	164 071
Internal audit fees	582 508	423 196
Loss on disposal and scrapping of property, plant and equipment	15 583	139 256
(Profi)/Loss on disposal and scrapping of property, plant and equipment	(21 032)	139 256
Adjustment write-off	36 615	-
Operating lease payments	3 623 369	5 451 962
- Buildings	3 120 696	4 931 315
- Motor vehicles	502 673	520 647
Legal costs	2 786 525	1 195 739
Personnel cost	31 223 244	27 622 710
Included in personnel cost are:		
- medical aid	1 023 879	1 063 860
- pension contributions	2 587 419	2 391 703



Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2007

	2007 R	2006 R
Executive remuneration		
Staff employment costs include gross remuneration of the following executives and senior staff:		
Chief Commissioner (contract expired September 2006)	474 901	650 000
- Basic	331 749	480 922
- Vehicle allowance	51 000	102 000
- Bonus	57 024	-
- Pension	26 719	50 700
- Medical	8 409	16 378
Deputy Chief Commissioner	598 916	527 706
- Basic	462 950	391 745
- Vehicle allowance	126 000	126 001
- Medical	9 966	9 960
General Manager : Core Business (appointed September 2005)	597 559	334 917
- Basic	390 725	200 051
- Vehicle allowance	111 600	65 100
- Bonus	39 372	39 149
- Pension	45 830	24 765
- Medical	10 032	5 852
General Manager : Corporate Services (appointed November 2005)	579 607	211 278
- Basic	413 253	144 964
- Vehicle allowance	102 700	41 500
- Pension	44 514	17 347
- Medical	19 140	7 467
Chief Financial Officer (resigned April 2005)	-	38 329
- Basic	-	23 736
- Vehicle allowance	-	9 500
- Bonus	-	-
- Pension	-	2 990
- Medical	-	2 103
Chief Financial Officer (Appointed October 2005)	406 527	231 369
- Basic	293 344	161 828
- Vehicle allowance	71 250	45 000
- Pension	31 641	18 079
- Medical	10 292	6 462



Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2007

	2007 R	2006 R
Chief Operating Officer (resigned May 2005)	225 734	270 881
- Basic	225 734	239 367
- Vehicle allowance	-	20 980
- Pension	-	7 043
- Medical	-	3 491
Number of employees at year end	110	111
No material losses have occurred due to criminal conduct. Unauthorised, irregular or wasteful expenditure is as indicated below:		
- Theft of computer equipment	-	1 824
- CCMA awards and settlements	473 029	-
- Unauthorised job evaluations	802 768	-
	1 275 797	1 824
6. Inventory		
Consumable stores	42 320	32 810
7. Accounts receivable		
S A Revenue Service (VAT)	-	111 572
Staff debtors	51 024	6 000
Subsistence and travel	48 659	29 030
Current	99 683	146 602
Non-current portion of staff debtors	23 954	14 992
Total	123 637	161 594
8. Prepayments		
Development cost (software/hardware)	406 855	342 968
9. Cash and cash equivalents		
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.		
Cash at bank	3 478 929	552 693
Call account	11 569 330	11 819 958
Cash on hand	2 725	5 000
Cash and cash equivalents	15 050 984	12 377 651



Notes to the Annual Financial Statements (continued) for the year ended 31 March 2007

10 Property, plant and equipment

	Leased assets R	Computer equipment R	Office furniture R	Total R
2007				
Cost				
Opening amount	492 213	4 009 714	679 245	5 181 172
Additions	-	111 779	182 338	294 117
Disposals and losses	-	(566 319)	(95 491)	(661 810)
Closing carrying amount	<u>492 213</u>	<u>3 555 174</u>	<u>766 092</u>	<u>4 813 479</u>
2007				
Accumulated Depreciation				
Opening amount	328 142	2 114 339	411 613	2 854 094
Charge	164 071	840 348	93 764	1 098 183
Disposals and losses	-	(598 630)	(15 868)	(614 498)
Closing carrying amount	<u>492 213</u>	<u>2 356 057</u>	<u>489 509</u>	<u>3 337 779</u>
Net carrying amount	-	1 199 117	276 583	1 475 700
2006				
Cost				
Opening amount	492 213	1 702 855	341 876	2 536 944
Additions	-	1 042 869	103 629	1 145 498
Disposals and losses	-	(91 060)	(50 020)	(141 080)
Closing carrying amount	<u>492 213</u>	<u>2 654 664</u>	<u>395 485</u>	<u>3 541 362</u>
2006				
Accumulated Depreciation				
Opening amount	164 071	-	-	164 071
Charge	164 071	758 289	127 852	1 050 212
Closing carrying amount	<u>328 142</u>	<u>758 289</u>	<u>127 852</u>	<u>1 214 283</u>
Net carrying amount	164 071	1 896 375	267 633	2 327 079



Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2007

	2007 R	2006 R
11. Intangible assets – Software		
Cost		
Opening amount	1 810 733	1 525 390
Additions	1 719 655	285 343
Closing carrying amount	3 530 388	1 810 733
Accumulated Amortisation		
Opening amount	1 592 306	1 269 521
Charge	731 035	322 785
Closing carrying amount	2 323 341	1 592 306
Net carrying amount	1 207 047	218 427
12. Trade and other payables		
Accruals	2 869 192	2 481 071
Management considers that the carrying amount of trade and other payables approximates their fair value, namely original debt less principal payments.		

13. Provisions

A provision shall be recognised when an entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

	Leave pay R	Performance bonus R	Service bonus R	Legal Fees R	Total R	
2007						
Opening balance	2,731,072	637,283	535,851	-	3,904,206	
Raised during the year	166,593	574,439	1,373,812	1 385 000	3 499 844	
Utilisation during the year	(314,479)	(626,156)	(1,360,109)	-	(2,300,744)	
Less current portion	(660,079)	(585,566)	(549,554)	(1 385 000)	(3 180 199)	
Non-current portion	1,923,107	-	-	-	1,923,107	
	Leave pay R	Performance bonus R	Service bonus R	Audit fees R	Accounting fees R	Total R
2006						
Opening balance	2 650 393	752 950	482 839	380 439	94 000	4 360 621
Reversal	-	-	-	(380 439)	(94 000)	(474 439)
Raised during the year	321 928	303 455	535 851	-	-	1 161 234
Utilisation during the year	(241 249)	(419 122)	(482 839)	-	-	(1 143 210)
Less current portion	(611 332)	(637 283)	(535 851)	-	-	(1 784 466)
Long term portion	2 119 740	-	-	-	-	2 119 740



Notes to the Annual Financial Statements (continued) for the year ended 31 March 2007

14. Finance Lease

The Commission leases photocopier on a finance lease. There is no restriction imposed on the Commission in terms of this lease. The obligation is secured by the lessor's title to the leased asset.

2007

Minimum lease payments
Finance cost
Present value

2006

Minimum lease payments
Finance cost
Present value

	Up to 1 year	2-3 years	Total
Minimum lease payments	-	-	-
Finance cost	-	-	-
Present value	-	-	-
2006			
Minimum lease payments	201 420	-	201 420
Finance cost	(19 961)	-	(19 961)
Present value	181 459	-	181 459

15. Reconciliation of surplus to cash generated from operating activities

Surplus
Non Cash flow movements
Depreciation
Amortisation
Theft of equipment
Adjustment Write-Off
Increase in payables
(Decrease) Increase in provisions
Disposal/losses on sale of PPE
Increase in Inventories
Increase in other current assets
Decrease /(Increase) in receivables

	2007 R	2006 R
Surplus	1 440 253	2 844 308
Depreciation	1 098 183	1 050 212
Amortisation	731 035	322 785
Theft of equipment	-	1 824
Adjustment Write-Off	36 615	-
Increase in payables	388 121	888 691
(Decrease) Increase in provisions	1 199 100	(456 415)
Disposal/losses on sale of PPE	(21 032)	139 256
Increase in Inventories	(9 510)	(9 191)
Increase in other current assets	(63 887)	(312 872)
Decrease /(Increase) in receivables	37 957	989 282
	4 836 835	5 457 880



Notes to the Annual Financial Statements (continued) for the year ended 31 March 2007

	2007 R	2006 R
16. Contingent liabilities		
Guarantees: Staff housing	162 756	162 756
Legal fees ITAC is involved presently in pending trade litigation and court cases, of which the outcome is not yet determinable. The estimated future costs expected to be incurred are currently under review.	1 417 000	390 000
17 Capital commitments		
Commitments for the acquisition of computer equipment and computer software - approved and contracted	-	1 300 567

18 Operating lease arrangements

At the balance sheet date there were outstanding commitments under non-cancellable operating leases, which fall due as follows :

	Up to 1 year R	2 to 5 years R	Total R
2007			
Premises - rent	3 120 696	12 482 784	15 603 480
Vehicles	302 412	604 824	907 236
2006			
Premises - rent	4 931 315	19 725 260	24 656 574
Vehicles	453 516	-	435 516

Vehicle are classified as operating leases as they are based on usage and a fixed amounts are payable to the service provider. 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.



Notes to the Annual Financial Statements (continued) for the year ended 31 March 2007

19. Related parties

The Department of Trade and Industry (**the dti**)

Transactions arise due to the transfer of funds from the dti to ITAC and payment of rental and other expenditure by ITAC to the dti. The amounts included in the Income Statement are:

	2007 R	2006 R
Transfer payments received	49 245 000	46 458 000
Expenditure:		
Rent	3 120 696	4 931 315
Telephone & Internet	488 242	802 761
The Department of Justice and Constitutional Development (doj & cd) State Attorney		
Expenditure – State Attorney	806 400	-
Receiver of Revenue (SARS)		
Expenditure – PAYE & UIF	5 910 328	-

20. Events subsequent to year-end:

There were no significant events after balance sheet date.

21. Financial instruments

Credit risk

Financial assets, which potentially subject the Commission to concentrations of risk, consist principally of trade receivables. Trade receivables are presented net of allowance for doubtful debt. The Commission has no significant concentration of credit risk.

Fair values

The fair values of the financial assets and liabilities are disclosed in the relevant notes.

Interest rate risk

The Commission's exposure to interest risk is managed by investing in call accounts, the corporation for short-term deposits of between 30 days and 90 days



Notes to the Annual Financial Statements (continued) for the year ended 31 March 2007

22. Irregular Expenditure

Irregular expenditure arose as a result of leases being entered into where substantially all the risks and rewards incidental to ownership were transferred to ITAC. This is synonymous with the definition of a finance lease as defined in South African Statements of Generally Accepted Accounting Practice IAS17 and Treasury Regulation 32.2.2. In accordance with Treasury Regulation 32.2.5 (b) finance leases can only be entered into with the approval of the Minister of Finance. The intention of management was to acquire the use of assets for an agreed period of time through the payment of a series of rentals and not to contravene Treasury Regulations or the Public Finance Management Act. As a result no individual can be held liable for the incurrence of the Irregular expenditure.

	2007	2006
Rental of Photocopiers	R181 459	R163 477

23. 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 entity incurred some expenditure that is considered as wasteful and fruitless as follows:

CCMA award	R152,883
CCMA settlement	R225,734
Provision for CCMA settlement	R94,412
Total CCMA awards and settlements	R473,029

24. Unauthorised and irregular expenditure

During the year the entity undertook job evaluation whose outcome was implemented in violation of Section 23(1)(b) of ITA Act (Act 71 of 2002). The amount was not budgeted for and the implementation was not authorised by the Minister of Trade and Industry with the concurrence of the Minister of Finance as required by law.

Unauthorised and irregular job evaluations	R802,768
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