ITAC

International Trade Administration Commission of South Africa

Annual Report 2015 - 2016

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FAIR TRADE

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FAIR TRADE

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Vision and Mission

Vision

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

Mission

ITAC aims to create an enabling environment for fair trade through:

Efficient and effective administration of its trade instruments, and

Technical advice to the Economic Development Department and **the dti.**

Core Values

ITAC is guided by the following set of core values:

Integrity;

Trust;

Accountability; and

Commitment.

Foreword by the Minister

Mr Ebrahim Patel
Minister of Economic Development

Trade has been a big driver of growth and innovation over many centuries. An increasingly globalised world has seen a vast expansion in the volume of goods and services that are traded between countries. Yet the challenges of unemployment, poverty and inequality have led policy-makers to review the real impact of trade on economic development and to identify ways in which less developed economies are able, through trade and industrial measures, to increase their levels of wealth-creation.

More recently, since the 2008/9 global financial crisis, levels of global growth slowed down, reaching 3,1 percent in 2015. South Africa's own growth slowed to 1.3 per cent in 2015 and is anticipated to be 0.1 per cent in 2016, buffeted by global headwinds, a severe drought and energy constraints.This is the context within which ITAC is undertaking its work.

This Annual Report sets out the work of ITAC on trade regulation and trade administration. During this period covered by the Annual Report, EDD provided strategic direction to ITAC, to guide its performance and its implementation of government economic policy. Firstly, I issued Amended Tariff Investigations Regulations on the 31st of July 2015.

These Amendments clarify procedures to be followed when applying for tariffs. They also address in more detail the criteria to be followed when assessing an application for an increase or decrease in tariffs. New criteria now include, as an example, considerations of labour intensity and labour demographics of the relevant industrial sector.

Secondly, I issued revised Export Control Regulations. The revisions subject scrap lead acid batteries to export control due to their potential harm to human health. Import Control Regulations were also amended to align with SARS classifications.

As regards the work of ITAC, during the year, the steel industry experienced significant pressures with falling

demand, over-production and declining commodity prices. Across the world, governments stepped in to support their domestic industries from the glut in supply.

The South African Government implemented a range of measures to support the domestic industry including holding meetings with stakeholders, mobilising IDC support, and engaging with Eskom to address energy constraints. Subsequent to the engagements with stakeholders, the industry submitted 10 applications to ITAC for tariff support.

ITAC made recommendations on tariff support that included reciprocal commitments on new investment and employment. I have established a Pricing Committee to monitor and evaluate AMSA's pricing regime to ensure that downstream producers are not damaged by the increased support to the primary steel-maker. The Committee will also monitor implementation of the reciprocal commitments. It will monitor the steel industry, pricing, investment and employment and provide a report to ITAC.

ITAC has implemented a range of other tariff adjustments, rebates and trade remedies across a range of sectors including agriculture and agro-processing, chemicals, fabrics, clothing and metals. These have all been done to promote South Africa's goal of advancing economic development.

This role remains critical at a time when the economy requires the thoughtful implementation of policy to support government's goals of promoting investment, growth and employment. The studies that ITAC has done on the impact of past tariff adjustments are encouraging. We must focus on outcomes rather than simply the procedures that are applied: ultimately, the value of trade regulation and administration is measured in the jobs created, investments attracted and welfare for citizens that are obtained. I wish to thank the Commissioner and staff for the work in the past year.

Mr Ebrahim Patel
Minister of Economic Development

Report by the Chief Commissioner

Mr Siyabulela Tsengiwe
Chief Commissioner

The financial year 2015/16 saw ITAC receive a record ten applications for tariff increases on primary steel from one company, Arcelor Mittal (AMSA) which is South Africa's largest steel producer. The ten investigations had to be completed within four months, a turnaround time set for sectors in distress. The investigations covered: galvanised/coated and painted steel; tin plate; wire rod; rebar; semi-finished products of iron or non-alloy steel; steel plate; cold rolled; sections; other bars and rods; and hot rolled.

Despite the complexities and the highly technical nature of these investigations as well as the tough contestation in the value chain, eight of these investigations were finalised within the tight schedule of four months without compromising on quality. In all these investigations including the two on other bars and rods and hot rolled steel that exceeded four months, the Commission made recommendations to the Minister of Trade and Industry that sought to promote domestic production, investment and jobs in the whole value chain. These investigations also saw the Commission strengthening the requirements on reciprocal commitments by the primary steel industry taking into account downstream concerns, which has set a standard for future investigations.

The case of primary steel is one of those that demonstrated how the global economic environment remains tough, putting pressure on ITAC, which has seen ITAC having to adapt and exercise flexibility in response to real economic needs.

Increases in import tariffs are considered for the purpose of giving support to domestic producers that may be experiencing import pressures and rising input costs, so that they can adjust and restructure to become internationally competitive in the medium to long-term.

In this regard, over the past year, the customs duty increases recommended by the Commission were implemented on lead-acid batteries, galvanised/ coated & painted flat steel from free to 10% *ad valorem*, certain large bore steel pipes from free & 10% to 15%

ad valorem, wire rod and re-inforcing bar (rebar) from free to 10% *ad valorem*, structural steel from free to 10% *ad valorem,* semi-finished steel, cold rolled steel, steel sections, and steel plates from free to 10% *ad valorem* and Polyurethane Prepolymers from free to 10% *ad valorem.* The decision to implement the structural steel tariff increase was suspended until the local industry starts manufacturing the subject products. The Commission also withdrew the rebate provision on Plates, Sheets, Film, Foil and Strips of Polymers of Propylene, Biaxially Oriented for the manufacture of Self-Adhesive Tape. The tariff support given would allow for a fair and reasonable profit margin for producers, and further investment in the industry, with a concomitant increase in production and employment.

The application for an increase in duty on aluminium rolled products was rejected by the Commission, as it could not establish evidence of harm caused by imports.

Tariff reductions were recommended and implemented over the past year on canned mussels in airtight metal containers and lithium batteries. Tariffs on products, which are not manufactured domestically, with no domestic substitutes and where there is no potential for such manufacture may have an unnecessary cost-raising effect.

One application for a reduction in the rate of duty on polishes and similar preparations for coachwork was rejected by the Commission, owing to the fact that similar or substitute products are manufactured in the Southern African Customs Union (SACU).

In addition, a number of rebate of duty provisions have been recommended and implemented over the past year, to reduce the cost of production for manufacturing firms and increase their international competitiveness, such as rebate of duty provisions for woven fabrics used in the manufacture of upholstered furniture; amendment of the wording for qualifying fabrics under rebate item 320.01 classifiable under tariff subheadings 5407.61, 5903.20.90 and 5907.00.90; knitted pile polyester fabrics used for the manufacture of certain furnishing articles; panels used for the manufacture of raised flooring systems; certain components excluding populated or mounted circuit boards used in the manufacture of electricity meters; acrylic sheet used in the manufacture of sanitaryware of plastic; and withdrawal of semi-knocked down rebate for components used to manufacture television sets.

As it was found that the products in question were manufactured domestically or that the potential existed for domestic manufacture, the applications for rebate provisions on bangles used for the manufacture of jewellery, plywood and woven fabrics used in the manufacture of upholstered furniture were rejected by the Commission. Following a review, the Commission decided to maintain the semi-knocked down rebate provision for the assembly of monitors.

ITAC has made some great strides in its endeavours to monitor trade and gauge the economic impact of its instruments. On economic impact assessments the key question is: how do we know that the support we give to domestic producers is yielding the desired outcomes?

During the year under review four trade monitoring reports were issued on: the availability of trade policy space; progress on the price preference system for scrap metal; trade in green goods and trade in agro-processing.

Over the same period, five impact assessments were carried out on: rebate provision on certain fabrics for the manufacture of home textiles in the case of Maytex and Sheraton Textiles; rebate for the manufacture of light aluminium and composite parts for passenger aeroplanes; anti-dumping duties on drawn and float glass; and antidumping duties on blankets. In all these cases the results show in varying degrees, considerable gains in output, value addition, price competitiveness, investment and jobs.

There are three trade remedy instruments administered by ITAC, namely anti-dumping duties, countervailing duties, and safeguards. Trade remedies are an exception to the World Trade Organisation principle of binding tariffs and non-discrimination between trading partners and therefore unlike the ordinary customs duty increases have stringent rules. Our experience is that in a lot of cases domestic producers struggle to meet these rules.

Of these three, anti-dumping is the most frequently used. Anti-dumping duties were imposed on cement and wheelbarrows. Three anti-dumping sunset reviews were conducted and duties maintained on stainless steel sinks; garlic; and flat glass. Two sunset reviews on Polyethylene Terephthalate and unframed glass mirrors were initiated. A safeguard investigation on frozen chicken portions was initiated under the auspices of the SA-EU TDCA. Another safeguard investigation initiated was on hot-rolled steel under the general safeguards in terms of the WTO Agreement.

There are selected products that are under import and export controls. These controls are exercised for health, safety, environmental and strategic reasons. Only 121 tariff headings are subject to import control measures and 131 subject to export controls.

During the reporting period, 17 188 import and 14 657 export permits were issued. The bulk of the import permits, namely: 3 246 were issued for the importation of machinery and mechanical appliances, equipment and parts.

The bulk of export permits were issued for the exportation of used motor vehicles of chapter 87 namely, 6 181 export permits; 5 960 were issued for the exportation of ferrous and non-ferrous waste and scrap of chapters 71 to 81 of the Harmonized Customs Tariff; 1 310 export permits were issued for the exportation of organic and inorganic chemicals of chapters 28 and 29, and 583 export permits were issued for the exportation of mineral fuels and products of their distillation of chapter 27.

The environment in which ITAC operates can be litigious given the different and conflicting business interests in its investigations. In December 2014, ITAC experienced unprecedented notices of motion that amounted to 4 different court cases in one month. After ITAC successfully defended itself against all these cases in 2015/16, what we are experiencing now is that court challenges have subsided. The strength of ITAC in litigation is being in compliance both on procedure and substantive matters.

In these tough economic times ITAC has witnessed increased demand for its instruments as well as increased contestation that has meant in some cases longer processes to complete its investigations but has met its milestones in the majority of its instruments. The immediate future will continue to pose challenges for ITAC but the institution is certainly poised to meet these challenges, contributing to inclusive growth.

Mr Siyabulela Tsengiwe
Chief Commissioner

Commentary by the Chairperson of the Commission

Dr Faizel Ismail
Chairperson

ITAC has endured a challenging year. Low-priced competition from abroad, coupled with increases in the cost of primary and intermediate inputs into the productive sector in South Africa have had a significant impact on ITAC's work. Against this background, ITAC continued to successfully administer its core business instruments, i.e. tariff investigations, trade remedies, and import and export control.

The Commission follows a developmental approach to tariff setting with the objective of promoting domestic manufacturing activity, investment in new technology, employment retention and creation, and international competitiveness.

During the 2015/16 financial year, the Commission recommended tariff increases, implemented by SARS, on flat-rolled galvanised steel, flat-rolled aluminium-zinc coated steel, flat-rolled painted steel, steel wire rod, steel reinforcing bar, structural steel, semi-finished steel, steel plates, cold-rolled steel and steel sections. The Commission recommended to the Minister of Economic Development that a committee of experts be established in terms of Article 14 of the ITA Act to monitor the performance of the primary steel industry on the reciprocal commitments it has made in relation to pricing, production, investment and employment.

The Commission also recommended increased tariff protection for some industrial sectors, including, the manufacturers of large bore iron and steel tubes and pipes; periodic increases and/or reductions in the specific duty on sugar and wheat through triggers in terms of the variable tariff formulae for wheat, maize, and sugar; and an increase in the duty on polyurethane pre-polymers.

Such increases should improve the international price-competitive position of these industries in the face of fierce low-priced foreign competition, especially from East Asia, and enable these industries to fully utilise existing production capacity and achieve economies of scale.

A number of rebates of duty provisions have been recommended and implemented by SARS, to reduce the cost of production for manufacturing firms and increase their international competitiveness. Such rebates include provisions for woven fabrics for the manufacture of upholstered furniture and household textiles; panels for the manufacture of raised access flooring systems; withdrawal of the semi-knocked-down rebate provision for the manufacture of television sets; components for the manufacture of electricity meters; and acrylic sheet for sanitary ware. In addition, the commission recommended the withdrawal of the rebate provision on bi-axially oriented polypropylene film.

I have been pleased to observe that ITAC considers the reduction or removal of duties, upon application and prudent investigation in specific cases where goods, (consumption goods, intermediate or capital goods) are not manufactured domestically or are unlikely to be manufactured domestically. For example, the reduction of tariffs has been recommended and implemented on mussels in airtight metal containers, during this past year.

The following trade remedy investigations were completed and the results implemented: anti-dumping duties on cement from Pakistan; anti-dumping duties on wheelbarrows from China; and anti-dumping sunset reviews were finalised on stainless steel kitchen sinks, float glass, and garlic.

An investigation for safeguard measures in terms of article 16 of the Agreement on Trade, Development, and Co-operation between the EU and SA on frozen bone-in chicken portions was initiated, and an investigation for general safeguard measures on hot-rolled steel was initiated.

Safeguards are short-term measures to remedy serious injury to the SACU industry that is caused by a sudden surge in imports as a result of unforeseen events.

Export control measures on used batteries (high lead content) were implemented mainly for environmental reasons, and additional homologation import control measures were implemented to ensure that all imported tyres for vehicles (certain tyres were not previously covered) meet regulatory standards and specifications, i.e. safety and technical requirements.

ITAC successfully defended litigation instituted by the SA Metals Group against the price preference system (PPS) governing trade in metal waste and scrap.

In conclusion, I wish to thank my fellow commissioners and staff for the excellent work done over the 2015/16 financial year. The Commission's fundamental resource is its young dedicated professional staff. I am privileged to serve with them as we deliver on our mandate.

Dr Faizel Ismail

Chairperson of the Commission

Background of ITAC

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

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

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

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

Commissioners

Mr Siyabulela Tsengiwe

Dr Faizel Ismail

Mr Boikanyo Mokgatle

Ms Tanya van Meelis

Mr Etienne Vlok

Mr Hendrik Langenhoven

Ms Grathel Motau

Ms Boipuso Modise

Mr Nkululeko Khumalo

Ms Asanda Languza

Senior Management Team

Siyabulela Tsengiwe
Chief Commissioner

Chris Arnold
Senior Manager: Technical Advisory Services

Phillip Semela
General Manager: Corporate Services

Zanoxolo Koyana
Chief Financial Officer

Alexander Amrein
Senior Manager: Policy and Research

Lihle Mndebela
Senior Manager: Human Resources

Rika Theart
Senior Manager: Tariff Investigations I

Rizia Buckas
Senior Manager: Legal Services

Nomonde Somdaka
Senior Manager: Tariff Investigations II

Zoleka Xabendlini
Senior Manager: Trade Remedies II

Carina van Vuuren
Senior Manager: Trade Remedies I

Dr Moses Obinyeluaku
Chief Economist

Marius Collins
Senior Manager: Import and Export Control

Bhekithemba Kgomo
Senior Manager: Internal Audit

Russell Nelson
Chief information Officer

List of Reports issued by ITAC in 2015/2016

REPORT NUMBER	REPORT TITTLE
491	Increase in the rate of customs duty on automotive lead-acid batteries.
493	Reduction in the rate of customs duty on Lithium Batteries.
494	Creation of a rebate provision for certain components used for the manufacture of Electricity Meters.
495	Investigation into the alleged dumping of Portland Cement originating in or imported from Pakistan: Preliminary Determination.
496	Termination of the anti-dumping duties on Staple Polyester Fibre originating in or imported from the People's Republic of China.
497	Sunset review of the anti-dumping duties on Stainless Steel Sinks originating in or imported from the People's Republic of China and Malaysia: Final Determination.
498	Review of rebate item 316.17/85.29 governing the Television Assembly Industry.
499	Application for the exclusion of Tinted Glass Mirrors from the existing anti-dumping duties applicable to Unframed Glass Mirrors originating in or imported from the People's Republic of china (China): Final Determination.
500	Creation of a rebate facility for Panels used for the manufacture of Raised Flooring Systems.
501	Application for rebate of duty on Woven Fabrics used in the manufacture of Upholstered Furniture.
502	Investigation into the alleged dumping of Wheelbarrows originating in or imported from the People's Republic of China (China): Final Determination.
503	Amendment of the wording for qualifying Fabrics under rebate item 320.01 classifiable under tariff subheadings 5407.61, 5903.20.90 and 5907.00.90.
504	Sunset review of the anti-dumping duties on Clear Float and Drawn Glass originating in or imported from the People's Republic of China and India: Final Determination.
505	Increase in the rate of customs duty on Zinc Coated/Galvanized Steel, Aluminium Zinc Coated Steel and Painted Steel.
506	Sunset review of the anti-dumping duties on Garlic originating in or imported from the People's Republic of China (PRC): Final Determination.
507	Increase in the rate of customs duty on certain Large Bore Steel Pipes.

List of Reports issued by ITAC in 2015/2016

REPORT NUMBER	REPORT TITTLE
508	Creation of a rebate provision for Knitted Pile Polyester Fabrics used for the manufacture of certain furnishing articles.
509	Increase in the rate of customs duty on Steel Wire Rod, Steel Reinforcing Bar and Structural Steel.
510	Termination of the anti-dumping duties on Acrylic Blankets originating in or imported from the People's Republic of China and Turkey.
511	Application for an increase in customs duty on Aluminium Rolled Products.
512	Investigation into the alleged dumping of Portland Cement originating in or imported from Pakistan: Final Determination.
513	Reduction in the rate of customs duty on Canned Mussels in airtight metal containers.
514	Increase in the customs duty on Polyurethane Prepolymers.
515	Creation of a rebate provision on Acrylic Sheet used in the manufacture of Sanitaryware of Plastic.
516	Review of rebate item 316.23/85.29 governing the Monitors Assembly Industry.
517	Increase in the rate of customs duty on Semi-Finished Steel, Steel Plates, Cold-Rolled Steel and Steel Sections.
518	Withdrawal of the rebate provision on Plates, Sheets, Film, Foil and Strips of Polymers of Propylene, Biaxially Oriented for the manufacture of Self-Adhesive Tape.

Tariff investigations

The New Growth Path (NGP), the Industrial Policy Action Plan (IPAP) and the Trade Policy and Strategic Framework advocate a developmental or a strategic approach to tariff setting. This approach adopts *no a priori* determination to either reduce or increase tariffs. The focus is on the outcomes: increasing domestic production, job retention and creation, investment as well as international competitiveness.

An increase in customs duties is considered for the purpose of granting relief for domestic producers that may be experiencing threatening import pressures, to adjust and restructure so that in the medium to long term they could become internationally competitive, without any support in the form of customs duty protection. This is made possible by the fact that there is a difference between the General applied rates and the WTO bound rates. The WTO bound rates act as a ceiling beyond which customs duty increases cannot go. Tariff support is tied to conditions related to economic performance over time and is reviewed after a specified period.

Tariff policy is constrained by the tariff commitments South Africa has had to undertake in the WTO and in bilateral trade agreements that set limits to the scope for tariff increases. As mentioned previously, ITAC generally operates in a pressurised environment of a global trend towards reduced tariffs. South Africa, as with most countries, is involved in ongoing multilateral and bilateral trade negotiations.

Apart from industrial policy considerations, a reduction or removal of duties is considered, upon application and prudent investigation, in cases where goods, (consumption goods, intermediate or capital goods) are not manufactured domestically or unlikely to be manufactured domestically.

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

The team that conducted 10 investigations on primary steel in year 2015/16:
From left: Pfarelo Phaswana (Senior Investigator), Lufuno Maliaga (Manager: Tariff Investigation), Njabulo Mahlalela (Senior Investigator), Tshepiso Sejamoholo (Senior Investigator).

Over the past year, the customs duty increases recommended by the Commission were implemented on automotive lead-acid batteries from 5% to 15% *ad valorem,* galvanised/ coated & painted flat steel from free to 10% *ad valorem,* certain large bore steel pipes from free & 10% to 15% *ad valorem,* wire rod and re-inforcing bar (rebar) from free to 10% *ad valorem,* structural steel from free to 10% *ad valorem,* semi-finished steel, cold rolled steel, steel sections, steel plates, from free to 10% *ad valorem* and Polyurethane Prepolymers from free to 10% *ad valorem.*

The decision to implement the recomended duty on structural steel was suspended until the local industry starts manufacturing the subject products. The Commission also withdrew the rebate provision on Plates, Sheets, Film, Foil and Strips of Polymers of Propylene, Biaxially Oriented for the manufacture of Self-Adhesive Tape. The tariff support should allow for a fair and reasonable profit margin for producers, and further investment in the industry, with a concomitant increase in production and employment.

The application for an increase of duty on aluminium rolled products was rejected by the Commission as it could not establish evidence of harm caused by imports.

In addition, a number of rebate of duty provisions have been recommended and implemented over the past year, such as rebate of duty provisions for woven fabrics used in the manufacture of upholstered furniture, amendment of the wording for qualifying fabrics under rebate item 320.01 classifiable under tariff subheadings 5407.61, 5903.20.90 and 5907.00.90, knitted pile polyester fabrics used for the manufacture of certain furnishing articles, panels used for the manufacture of raised flooring systems, certain components excluding populated or mounted circuit boards used in the manufacture of electricity meters, acrylic sheet used in the manufacture of sanitaryware of plastic, withdrawal of the semi-knocked down rebate provision for components used in the assembly of television sets.

As it was found that the products in question were manufactured domestically or that the potential existed for domestic manufacture, the applications for rebate provisions on bangles used for the manufacture of jewellery, plywood and woven fabrics used in the manufacture of upholstered furniture were rejected by the Commission. Following a review, the Commission decided to maintain the semi-knocked down rebate provision for components used in the assembly of monitors.

Apart from the industrial policy considerations in the case of the intermediate input materials manufactured by the resource-based capital-intensive industries, a reduction or removal of duties is considered, upon application and prudent investigation, in particular cases where goods, (consumption goods, intermediate or capital goods) are not manufactured domestically or unlikely to be manufactured domestically. Consequently, a limited number of tariff reductions have been recommended and implemented over the past year on canned mussels in airtight metal containers and lithium batteries. Tariffs on products which are not manufactured domestically, where there are no domestic substitutes, and applicable where there is no potential to manufacture domestically have a cost-raising effect. One application for reduction in the rate of duty on polishes and similar preparations for coachwork was rejected by the Commission due to the fact that similar or substitute products are manufactured in the SACU.

Highlights in respect of those tariff investigations where domestic beneficiaries have made reciprocal commitments that will be monitored and evaluated by the Commission:

INCREASE IN CUSTOMS DUTY

1. Increase in the rate of customs duty on galvanized/ coated and painted steel

ITAC received an application from the South African Coil Coaters Association (SACCA), representing ArcelorMittal South Africa Limited (AMSA) and Safal Steel (Pty) Ltd (SAFAL), for an increase in the general rate of customs duty on galvanised steel, aluminium zinc coated steel, and painted steel, classifiable under tariff subheading 7210.41, 7210.49, 7212.30, 7210.61, 7210.90, 7225.99, 7210.70 and 7212.40, from free of duty to 10% *ad valorem.*

As motivation for the application, the applicants cited, *inter alia*, the following: Imports have exponentially increased over the last five years from Asian countries, making domestic production static; and South African producers of the subject product are suffering from intense import competition on the price and quality of the subject products.

At the time of the investigation, AMSA and SAFAL jointly employed 431 people in the manufacturing of the subject products. The total value of existing investment in plant and machinery in the SACU industry manufacturing galvanized steel, aluminium-zinc coated steel and colour-coated steel is estimated at R1.77 billion at book value.

In terms of reciprocity, local manufacturers indicated that the tariff support will enable them to retain existing jobs in the next 2 years and 121 jobs are expected to be created by 2017. This will be achieved against the backdrop of increased production volumes and increased investment in machinery and equipment, amounting to at least R550 million (combined) by 2017.

On 25 September 2015, the Commission's recommendation that the rate of customs duty on zinc-coated/galvanised steel, aluminium-zinc coated steel and colour coated steel, classifiable under tariff subheadings 7210.41, 7210.49, 7212.30, 7210.61, 7210.90, 7225.99, 7210.70 and 7212.40, be increased from free of duty to 10% *ad valorem,* was implemented. The increase in customs duty will be subject to the following conditions:

- The Commission will conduct a review of the duty structure to determine its impact on the industry value chain, three years from the date of implementation;
- The reciprocity commitments made by the applicants, particularly on pricing and investment, be monitored and adhered to, with a view of coming up with a sustainable win-win pricing model that ensures both the short and long term viability of the primary producers and the downstream industry;
- AMSA will invest an additional R250 million in its colour line and SAFAL will invest an additional R300 million in its metal coating line in 2017;
- Both companies commit to not retrenching over the next three years; and
- ITAC will establish a committee comprising the applicants, downstream users, the dti, EDD and other relevant experts to monitor the impact of the change in tariffs and steel prices on downstream users as well as the performance of the applicants against the commitments that they have made.

ITAC will initiate an immediate review of the tariff dispensation in case of default by the steel industry on the above conditions.

2. Increase in the rate of customs duty on certain large bore steel pipes

ITAC received an application from Hall Longmore (Pty) Ltd for an increase in the general rate of customs duty on certain large bore welded steel pipes classifiable under tariff headings 7303, 7304, 7305, and 7306, from free of duty and 10% *ad valorem* to 15% *ad valorem,* respectively.

As motivation for the application, the applicant cited that, in the recent years, it has made substantial investments in upgrading its Electric Resistance Welded (ERW) mill to ensure that the SACU market can be serviced at the right quality. This investment contributed to retaining jobs locally. However, the local industry cannot be sustainable in the face of low priced imports; and the domestic market share has declined even though Hall Longmore (Pty) Ltd is the only manufacturer of the ERW bore welded steel pipe range in SACU.

In terms of employment, the local industry attracts mainly semi-skilled labourers; the nature of the job requires mainly on-the-job training, as a result in-house training is conducted. Employment in the local industry has declined significantly as 123 jobs were shed between 2012 and 2014. In 2012 the applicant employed 317 and at the time of the investigation 194 people were employed.

In terms of reciprocity, the applicant indicated that it will ramp up production by increasing investment in the plant and supply side measures including research and development by approximately R14 million and R23 million respectively, over the three year period. The target for the three year period should the support be granted is to utilise approximately 40 per cent of the total production capacity. Against the back drop of increased investment and production, the applicant estimated that additional employment for 17 people will be created. Furthermore, should export orders be obtained an additional 12 jobs could be created.

The Commission found no justification for an increase in duty to the requested level for the products classifiable under tariff heading 73.04 (seamless pipes and tubes), in light of a number of factors, including the price advantage experienced. As such, the Commission concluded that duties should be maintained at 10% *ad valorem.*

The Commission found that tariff support for the industry at the level of 15% *ad valorem* on products classifiable under tariff headings 73.03, 73.05 and 73.06 would significantly improve its price-competitive position, enable it to utilise its installed production capacity and achieve economies of scale with a reduction in the marginal cost of production. Following the tariff support, the Commission will conduct a review of the duty structure to determine its impact on the industry's performance, three years from the date of implementation.

3. Increase in the customs duty on polyurethane prepolymers

National Urethane Industries (Pty) Ltd (NUI), situated in Kempton Park, applied for an increase in the general rate of customs duty on polyurethane prepolymers classifiable under tariff subheading 3909.50, from free of duty to 10% *ad valorem,* by way of creating an additional 8 digit tariff subheading.

The subject products are intermediate products that are further processed to produce a variety of polyurethane products used in the mining, automotive, transport and construction industries etc.

As reasons for the application, the applicant, among others, stated that importers are importing fully manufactured polyurethane prepolymers into South Africa and selling these products in the SADC region at price levels that cause material injury to the local SACU prepolymers manufacturers; the supply of prepolymers by SACU manufacturers could decrease due to the unprofitability of manufacturing locally; and the loss in sales as a result of imports means, unless protected, NUI would have to consider the retrenchment of workers in order to continue its business operations.

Regarding its developmental plan, National Urethane Industries (Pty) Ltd submitted that subsequent to the tariff support, it expects production volumes to increase by 4% per annum, between 2015 and 2017.

National Urethane Industries (Pty) Ltd further expects employment to increase by approximately 21%, while investment in the subject product is expected to increase to R1.4 million in 2017.

It also submitted that its fixed overhead cost, selling, general and administrative expenses will reduce due to an increase in the level of its output. According to National Urethane Industries (Pty) Ltd, these cost reductions will be passed on to its customers.

The Commission therefore recommended that the rate of customs duty on polyurethane prepolymers classifiable under tariff subheading 3909.50 be increased from free of duty to 10% *ad valorem,* by way of creating an additional 8-digit tariff subheading, to be reviewed after a period of three years from the date of implementation, to determine its impact on the industry value chain.

4. Increase in the rate of customs duty on Wire rod and Re-inforcing bar (Rebar)

ITAC received an application from the South African Iron and Steel Institute (SAISI) representing ArcelorMittal South Africa Limited (AMSA), Cape Gate (Pty) Ltd and Scaw Metals for an increase in customs duty on steel wire rod and steel re-inforcing bar classifiable under tariff subheadings 7213.91, 7227.90, 7214.20, 7228.30, and 7228.60, from free of duty to 10% *ad valorem.*

At the time of the investigation, AMSA employed 3218 people in the manufacturing of wire rod and rebar. In terms of reciprocity, local manufacturers indicated that the tariff support will enable them to retain existing jobs in the next 3 years to 2018.

The Commission found that tariff support should enable the domestic industry manufacturing steel wire rod and re-inforcing bar to utilise its existing under-utilised production capacity, achieve economies of scale, resulting in security of volumes with a reduction in the marginal cost of production.

Following the tariff support, the Commission will conduct a review of the duty structure to determine its impact on the industry's performance, three years from the date of implementation.

On 18 December 2015, the Commission's recommendation that the rate of customs duty on steel wire rod and re-inforcing bar, classifiable under

tariff subheading 7213.91, 7227.90, 7214.20, 7228.30 and 7228.60, be increased from free of duty to 10% *ad valorem* was implemented. Amongst the conditionalities is that, AMSA will invest an additional R367 million and R485 million in new plant and machinery, research and development, skills development and training and upgrading of machinery for the manufacturing of steel wire rod and steel reinforcing bar, respectively.

5. Increase in the rate of customs duty on structural steel

ITAC received an application from Evraz Highveld Steel and Vanadium (Pty) Ltd (EVRAZ) for an increase in the rate of customs duty on structural steel, classifiable under tariff subheadings 7216.31, 7216.32, 7216.33, and 7216.50, from free of duty to 10% *ad valorem.*

Evraz employed 842 people in 2014 as its workforce increased by 190 people from 2012. The applicant's total investment in the manufacturing of the subject products is currently estimated at R1.67 billion.

In terms of reciprocity, the applicant submitted that the duties will enable it to increase its production volumes, better utilize its production capacity and increase its employment over the three year period from 2016 to 2018.

The Commission found that tariff support should enable the domestic industry manufacturing structural steel to utilise its existing under-utilised production capacity, achieve economies of scale, resulting in security of volumes with a reduction in the marginal cost of production. Following the tariff support, the Commission will conduct a review of the duty structure to determine its impact on the industry's performance, three years from the date of implementation.

In light of the foregoing, the Commission recommended that the rate of customs duty on structural steel, classifiable under tariff subheading 7216.31, 7216.32, 7216.33, and 7216.50 be increased from free of duty to 10% *ad valorem.* The Commission further recommended that the implementation of the tariff increase be suspended until Evraz resumes operations. Amongst the conditionalities is that, Evraz invests an additional R150 million in 2016 and a further R250 million in 2017 in a new plant and machinery, research and development, skills development and training and upgrading of machinery for the manufacturing of structural steel.

6. Increase in the Rate of Customs Duty on Semi-finished Steel, Steel Plates, Cold-Rolled Steel and Steel Sections

ITAC received applications from ArcelorMittal South Africa Limited (AMSA) for an increase in the rate of customs duty on Semi-finished steel, Steel Plates, Cold-rolled Steel and Steel Sections, classifiable under tariff subheadings 7207.11, 7207.12, 7207.19, 7207.20, 7208.40, 7208.51, 7208.52 7216.10, 7216.21, 7216.22, 7216.40, 7216.69, 7225.40, 7209.15, 7209.16, 7209.17, 7209.18, 7209.25, 7209.26, 7209.27, 7209.90, 7211.23, 7211.29, 7211.90, 7225.50, 7226.92, 7226.99 and 7228.70, from free of duty to 10% *ad valorem.*

As motivation for the applications, the applicant stated, among others, the following: There is an oversupply of steel and steel products in the world and as a result, steel products are being sold at low prices in export markets, including the SACU; the domestic primary steel manufacturers have been at a significant price disadvantage compared to the imported product, thereby incurring significant injury due to low-priced imports; the imposition of tariff protection would assist in restoring the competitive position of the local manufacturers of Semi-finished

Steel, Steel Plates, Cold-rolled Steel and Steel Sections. Also, it would curb job losses and restore economic and financial stability within the steel value chain. The steel value chain cannot exist without a primary steel producer. It is essential for SACU to have the benefits of a fully integrated value chain. Without a primary steel producer, iron ore will be exported unbeneficiated and the downstream industry would be exposed to international price fluctuations and supply uncertainties.

At the time of the investigation, AMSA employed 8961 people in the manufacturing of the subject products.

In terms of reciprocity AMSA indicated that tariff support would enable the company to retain existing jobs in the next three years, 2016 to 2018. This will be achieved against the backdrop of increased production volumes and increased investment of R3.6 billion over the same period.

The Commission found that tariff support should enable the domestic industry manufacturing Semi-finished Steel, Steel Plates, Cold-rolled Steel and Steel Sections to utilise its existing under-utilised production capacity, achieve economies of scale, resulting in security of volumes with a reduction in the marginal cost of production.

In light of the foregoing, the Commission recommended that the rate of customs duty on Semi-finished Steel, Steel Plates, Cold-Rolled Steel and Steel Sections, classifiable under tariff subheadings 7207.11, 7207.12, 7207.19, 7207.20, 7208.40, 7208.51, 7208.52 7216.10, 7216.21, 7216.22, 7216.40, 7216.69, 7225.40, 7209.15, 7209.16, 7209.17, 7209.18, 7209.25, 7209.26, 7209.27, 7209.90, 7211.23, 7211.29, 7211.90, 7225.50, 7226.92, 7226.99 and 7228.70, be increased from free of duty to 10% *ad valorem.* Amongst the conditionalities is that, AMSA will invest an additional R3.6 billion in the next three years from 2016 to 2018 in new plant, machinery, research and development, skills development and training and upgrading of machinery for the manufacturing of Semi-finished Steel, Steel Plates, Cold-rolled Steel and Steel Sections.

Rebate Provisions

1. Temporary rebate of the full anti-dumping duty of bone-in cuts of the species Gallus Domesticus, frozen, classifiable in tariff subheading 0207.14.9 and imported from or originating in the United States of America

The Minister of Economic Development directed the International Trade Administration Commission of South Africa (ITAC) in terms of Section 16(1)(d)(i) of the International Trade Administration Act, to investigate and evaluate the creation of a rebate provision of the full anti-dumping duty on bone-in cuts of the species Gallus Domesticus, frozen, classifiable in tariff subheading 0207.14.9, imported from or originating in the United States of America (USA).

The **dti** stated as a motivation for the creation of the rebate provision concerned, the following:

In order to address some of the concerns that were raised by the United States in the context of South Africa's continued participation in the Africa Growth Opportunity Act (AGOA), the South African Poultry Association (SAPA) commenced negotiations with the US poultry industry to allow a certain volume of US bone-in chicken portions in the market without payment of the anti-dumping duty.

SAPA and the USA Poultry and Egg Export Council (USAPEEC) and the National Chicken Council (NCC) reached an agreement to allow a quota of 65 000 MT of US bone-in chicken portions into the South African market from which anti-dumping duties would be exempt.

After AGOA was extended by 10 years in July 2015, the United States began with an out-of-cycle review of the eligibility of South Africa to continue to receive benefits under AGOA. South Africa needed to implement the agreement reached in Paris as soon as possible as this would facilitate the continued participation of South Africa in AGOA.

In considering the proposed rebate provision, it was borne in mind that the import quota should be used to pursue transformation and empower Historically Disadvantaged Individuals (HDIs) in the poultry sector in line with economic imperatives.

On 18 December 2015, the Commission's recommendation was implemented, allowing for the following rebate provision to be created:

A temporary rebate of the full anti-dumping duty on:

Frozen meat of the species Gallus Domesticus, cut in pieces with bone in, classifiable in tariff subheading 0207.14.9 and imported from or originating in the United States of America, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission (ITAC) may allow by specific permit on recommendation of the Director General: Department of Agriculture, Forestry and Fisheries (DAFF), provided that:

(a) With effect from 1 April 2016, permits may be issued by ITAC for meat imported in terms of this rebate;
(b) From the date this rebate item comes into operation up to and including 31 March 2016, meat imported in terms of this rebate item shall be on a first-come-first-served basis;
(c) The meat subject to the provisions of this rebate item may not exceed a basic annual quota of 65 000 metric tonnes;
(d) The annual quota period is 1 April to 31 March;
(e) Prior to 1 April 2016, the quota shall be 16 250 metric tonnes;
(f) As from 1 April 2017 an annual growth factor as determined by DAFF shall be applied to the basic quota mentioned in (c) above;
(g) The meat imported in terms of this rebate item may not be removed outside the Republic for consumption in any of the BLNS countries;
(h) The permit is not transferable and may not be used to obtain meat to the benefit of any entity or person not named in the permit issued by ITAC;
(i) This rebate item shall be suspended if any benefits that South Africa enjoyed under AGOA as at 1 November 2015 are suspended, and shall remain suspended for as long as those benefits under AGOA remain suspended; and
(j) This rebate item is suspended in terms of paragraph (i) as from the date the Minister of Trade and Industry submits written confirmation to the Minister of Finance that South Africa's benefits under AGOA have been suspended.

2. Creation of a rebate facility for the importation of bare panels used to manufacture raised access flooring system classifiable under tariff subheading 7308.90.90

Pentafloor Access Flooring (Pty) Ltd is a Johannesburg based company that specialises in the manufacturing of raised access flooring systems for the local and export market. The company applied for the creation of a rebate facility for the importation of bare panels used to manufacture raised access flooring system classifiable under tariff subheading 7308.90.90.

The applicant currently employs a total number of 10 employees with 6 employed for the manufacture of the subject product.

According to the applicant, if the rebate facility is created, its sales and production would increase to meet the demand. With regard to employment projection, the applicant committed to double its unskilled and semi-skilled work force over the next 36 months following the implementation of the rebate facility.

The Commission found that there are no local manufacturers of the subject panels in the SACU region. Duty relief in the form of a rebate provision would improve the applicant's competitive position in the face of stiff competition from firms importing the complete flooring system.

On 21 August 2015, the Commission's recommendation that a rebate facility be created for bare panels with an inner core of portland cement, classifiable in tariff subheading 7308.90.90 for the manufacture of elevated (raised) flooring systems for buildings classifiable in tariff subheading 7308.90.90, was implemented.

3. Creation of a rebate provision for certain components (excluding populated or mounted circuit boards) used in the manufacture of electricity meters

Itron Metering Solutions (Pty) Ltd, applied for the creation of a rebate provision for certain components (excluding populated or mounted circuit boards) used in the manufacturing of electricity meters. As reasons for the application, the applicant stated that electricity meters are currently duty free, whilst some components used in the manufacture of electricity meters attract import duties. Consequently, the local industry manufacturing electricity meters is placed at a disadvantage; and the local industry is losing market share, which will result in job losses.

Itron employs a total of 79 people, 53 of which are directly involved in the manufacturing of the subject product. The anomalous duty structure facing the industry was considered and the adverse implications as manufacturers pay a higher price for input material in terms of the duty, while the final product lands at free of duty.

The Commission found that the rebate provision will result in a reduction in cost of imported raw material, and consequently the applicant would become relatively more price competitive in terms of the end product *vis-à-vis* imports.

On 3 July 2015, the Commission's recommendation that the creation of a rebate provision on certain components (excluding populated or mounted circuit boards) for the manufacture of electricity meters, classifiable under tariff subheading 9028.30, in such quantities, at such times and under such conditions as ITAC may allow by specific permit be approved was implemented.

4. Creation of a rebate provision for knitted pile polyester fabrics used for the manufacture of certain furnishing articles

Procall Consultants (Pty) Ltd, situated in Rossburgh, Durban applied for the inclusion, under rebate item 311.42, of knitted pile polyester fabrics classifiable under tariff subheading 6001.92 with a rate of duty of 22 per cent *ad valorem* for use in the manufacture of certain furnishing articles, classifiable in tariff subheading 6304.91.90 at free of duty. The rebate provision provides for a rebate of the full duty on certain fabrics not manufactured domestically to enable home textiles manufacturers to import intermediate inputs at free of duty.

As reason for the application, the applicant stated that local manufacturers of the end product, for which the materials are not manufactured in the SACU, are experiencing significant price disadvantages against imported similar end products.

Procall Consultants (Pty) Ltd employs 36 employees and an additional 31 who are on short term contracts. The Commission found that there are no local manufacturers of the subject fabric and that the duty has an unnecessary cost-raising effect on downstream manufacturers. Therefore, duty relief through the creation of the rebate provision would improve the applicant's competitive position in the face of stiff competition from abroad. The rebate

provision will be made subject to a permit issued by ITAC in terms of the published guidelines, rules and conditions pertaining to rebate item 311.42.

Regarding its developmental plan, Procall Consultants (Pty) Ltd stated that should the request for rebate of the fabric concerned be granted, the company would immediately employ the 31 contract employees on a permanent basis via the bargaining council, which will lead to a total of 67 permanent employees.

On 18 December 2015, the Commission's recommendation for the creation of a rebate provision, was implemented for:

"Knitted pile fabrics, other, of 100 per cent polyester fibres, classifiable under tariff subheading 6001.92, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit for manufacture of goods classifiable under tariff subheading 6304.91.90".

5. Creation of a rebate provision for acrylic sheet used for the manufacture of acrylic sanitary ware.

Libra Bathrooms (Pty) Ltd applied for the creation of a rebate provision on acrylic sheet classifiable in tariff subheading 3920.51 for the manufacture of sanitary ware classifiable under tariff heading 39.22. The applicant is a Meyerton based company, and it manufactures acrylic bathroom ware. It is part of the Dawn Sanitary Ware division which comprises three sanitary ware companies namely, Libra Bathrooms (Pty) Ltd, Plexicor (Pty) Ltd and Vaal Sanitary Ware (Pty) Ltd.

As reason for the application, the applicant stated the following: there are no local manufacturers of the subject product. The last manufacturer, Perspex SA (Pty) Ltd ceased production in 2012 as the company was no longer profitable; investment and jobs are at risk if Libra Bathrooms cannot become profitable; the 10% *ad valorem* import duty on the main raw material makes it very difficult to compete with low priced imports from East Asia which are gaining substantial market share; and the amendment of the duty structure will bring the total cost to the company down, since the acrylic sheet is a major input in the manufacturing of acrylic sanitary ware.

Regarding its developmental plan, Libra Bathrooms (Pty) Ltd stated that should the request for rebate of the acrylic sheet be granted, the company will increase its production volumes during the period 2015 to 2017 by approximately 260 000 units, 314 962 units and 312 861 respectively. This will ultimately result in an increase of 48 permanent employees over a period of 3 years.

The Commission found that there are no manufacturers of the subject product in SACU as the previous manufacturer, Perspex SA (Pty) Ltd, halted production in 2012 and currently imports the subject product. The subject product is regarded as an important input product in the manufacture of the final product, and the current duty structure makes it difficult for local manufacturers to compete with low priced imports of finished products from East Asia. Therefore, duty relief through the creation of the rebate provision would improve the applicant's competitive position in the face of stiff competition from abroad. The rebate provision will be made subject to a permit issued by ITAC.

The Commission therefore recommended the creation of a rebate provision for acrylic used for the manufacture of sanitary ware of plastics in such quantities, at such times and subject to such conditions as International Trade Administration Commission may allow by specific permit.

Trade Remedies

ITAC is responsible for conducting trade remedy (anti-dumping, countervailing and safeguards) investigations in accordance with policy, domestic law and regulations and consistent with World Trade Organisation (WTO) rules. Applications to ITAC, in the main, are for anti-dumping action. Anti-dumping action is a critical trade instrument to protect jobs and industries against unfair competition from abroad.

The international rules governing the right of contracting parties to apply anti-dumping measures are contained in Article VI of the General Agreement on Tariffs and Trade 1994 (GATT 1994) and in the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (commonly referred to as the WTO Anti-Dumping Agreement).

The World Trade Organisation Anti-Dumping Agreement (ADA) and ITAC's Anti-Dumping Regulations (ADR) provide that anti-dumping duties may be imposed where dumped imports have caused material injury to the SACU industry or a threat of material injury exists as a result of the dumping.

Dumping occurs where foreign producers are exporting their goods to South Africa at prices (called the "export price") lower than what they charge for the same product in their country (called the "normal value"). Thus if the export price is lower than the normal value, dumping has occurred.

Anti-Dumping Duties imposed

Final anti-dumping duties were imposed on Portland cement originating in or imported from Pakistan with effect from 18 December 2015. This followed an investigation initiated by the Commission on 1 August 2014 after a number of domestic cement producing companies submitted an application on behalf of the SACU industry.

The other final anti-dumping duties were imposed on Wheelbarrows originating in or imported from the People's Republic of China with effect from 14 September 2015. This followed an investigation initiated on 20 June 2014 after an application was submitted by the SACU producer of the product concerned.

Anti-Dumping Sunset reviews

Three sunset review investigations relating to imports of stainless steel sinks; garlic and flat/float glass were conducted:

Stainless steel sinks

The applicant, Franke Kitchen Systems lodged a sunset review application claiming that if anti-dumping duties on stainless steel sinks from the People's Republic of China were removed there was a likelihood of continuation and/or recurrence of material injury to the SACU industry. The investigation was initiated on 19 September 2014. The investigation was completed on 31 August 2015 and the Commission recommended that the duties be maintained.

Garlic

A sunset review on the anti-dumping duties on garlic originating in or imported from the People's Republic of China was initiated in March 2015 after an application was received from the Garlic Growers Association on behalf of the SACU garlic producers. The investigation was completed on 30 October 2015 and the Commission recommended that the anti-dumping duties be maintained.

Flat/float glass

PFG lodged a sunset review application claiming that if anti-dumping duties on flat/float glass from the People's Republic of China and India were removed there was a likelihood of continuation and/ or recurrence of material injury to the SACU industry. The investigation was initiated in February 2015. The investigation was completed on 31 August 2015 and the Commission recommended that the anti-dumping duties be maintained.

Two new sunset review investigations on Polyethylene Terephthalate (PET) and unframed glass mirrors were initiated and are currently on-going.

Safeguard Investigations

During the year under review, the Trade Remedies Unit initiated the first safeguard investigation in terms of Article 16 of the Agreement on Trade, Development and Co-operation between the European Community and its Member States and the Republic of South Africa (the TDCA) on frozen chicken portions. The Minister of Economic Development directed the Commission to investigate and evaluate an application by the South African Poultry Association (SAPA) for the imposition of safeguard measures in terms of Article 16 of the TDCA. Prior to the submission of an application with ITAC, the industry concerned lodged a request with the Minister of Trade and Industry to invoke the remedies under Article 16 of the TDCA. After consideration, the Minister of Trade and Industry requested the Minister of Economic Development to direct ITAC to investigate and evaluate an application from SAPA for agricultural safeguard action on poultry imports originating from the EU. The investigation is still on-going.

A safeguard investigation in terms of the WTO Safeguards Agreement on hot rolled steel was also initiated and is currently on-going.

Safeguards are short-term measures to remedy serious injury to a SACU industry caused by a sudden surge in imports as a result of unforeseen events.

Import and Export Control

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

Import control measures or restrictions in a more globally integrated economy are limited to those allowed under the relevant World Trade Organization (WTO) Agreements. Import control measures are essentially for health, safety, environmental and strategic reasons. In this regard, ITAC makes a contribution to the green economy. In the enforcement of standards and the curbing of illegal and fraudulent trade, ITAC has positioned itself to play a more strategic role with regard to import and export control measures, and enforcement.

Minerals beneficiation has been identified as one of the areas where jobs will be created and this has required an alignment of ITAC's export control measures to give support to beneficiation. ITAC has strengthened its export control measures on scrap metal through the introduction of a price preference system to promote investment and employment opportunities in the domestic metals beneficiation and fabrication industries.

This followed a policy directive by the Minister of Economic Development aimed at enabling affordable access to quality scrap metal by the consuming industry. Since ITAC administered such a system for the first time, the focus has been on ensuring its effective administration and on managing litigation.

During the reporting period, 17 188 import and 14 657 export permits were issued. The bulk of the import permits, namely: 3 246 were issued for the importation of machinery and mechanical appliances, equipment and parts thereof of chapter 84 of the Harmonized Customs Tariff.

A total of 1 692 import permits were issued for the importation of vehicles and parts thereof of chapter 87, a total of 1 663 import permits to import marine resources of chapter 03, a total of 2 376 permits were issued to import rubber and articles thereof, including tyres of chapter 40, a total of 1 656 permits were issued to import arms and ammunition of chapter 93, a total of 1 215 permits were issued to import electrical machinery and equipment and parts thereof of chapter 85, a total of 748 permits were issued to import metals of chapter 71 to 81, a total of 1 322 permits were issued to import mineral fuels, mineral oils and products of their distillation of chapter 27, and a total of 558 import permits were issued to import organic and inorganic chemicals of chapter 28 and 29.

The bulk of export permits were issued for the exportation of used motor vehicles of chapter 87, namely: 6 181 export permits, 5 960 were issued for the exportation of ferrous and non-ferrous waste and scrap of chapters 71 to 81 of the Harmonized Customs Tariff, 1 310 export permits were issued for the exportation of organic and inorganic chemicals of chapters 28 and 29, and 583 export permits were issued for the exportation of mineral fuels and products of their distillation of chapter 27.

The enforcement component of the Import and Export Control Unit conducts enforcement activities in terms of Section 41 of the International Trade Administration Act, (71 of 2002).

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

Enforcement activities are made up of scheduled inspections, unscheduled or surprise inspections and investigations. During the 2015/16 financial year, 853 scheduled inspections were conducted, 551 unscheduled inspections and 16 investigations were conducted. Industry sectors inspected were clothing, ferrous and non-ferrous scrap metals, automotive, pneumatic tyres and machinery and equipment. Investigations conducted were based on *prima facie* evidence of contraventions of the ITA Act and import and export Regulations. The Enforcement Unit also successfully participated in enforcement activities with other agencies such as the SA Revenue Service.

Economic Impact Assessments

In addition to providing trade instruments in reaction to industry applications, ITAC has to be more visible and proactive in the technical advice that it provides on the implementation of trade policy. The renewed role of ITAC required a research capacity that goes beyond ITAC's traditional method of research used during investigations in response to applications. The Commission has now started building technical capacity to conduct economic impact assessments of its instruments. This is a logical evolution of ITAC's role in its alignment with the government's objectives of supporting decent and sustainable jobs.

Government's outcomes approach provides a framework for the enhanced monitoring of service delivery, including guidelines for results-driven performance. To ensure continued relevance and alignment to both EDD and the dti, the Commission has begun to gauge the performance of the beneficiaries of its instruments against the policy objectives set out in the NGP, IPAP and South Africa's Trade Policy and Strategic Framework (TPSF).

Whether or not ITAC's instruments have made a positive impact depends on the extent to which the support has resulted in increased domestic manufacturing, investment, employment, value addition and competitiveness after the support was given in comparison to the periods before the support. The realisation of these policy objectives remains critical in ensuring that ITAC's trade instruments are efficiently and effectively utilised towards the realisation of the NGP targets.

During the year under review, the following impact assessments were carried out, with key findings emanating from the studies. Importantly, in each case, before finalising the report, the Commission also conducted an exploratory discussion of the findings with the relevant firm regarding how to realise better performance in the subsequent years. This is considered very important in providing better and well-informed technical advice to EDD and the **dti**.

1. The impact of the Anti-dumping duties on drawn and float glass originating in or imported from China and India: A case of PFG Building Glass

- To date, the continuation of the anti-dumping duties has helped to increase manufacturing output, and recapture the domestic market. The firm has regained a total of 38 695 274 Kg in volumes (or 36 per cent) after the duties were continued in 2010-2014. Compared to 2009, total domestic manufacture has increased by a factor of approximately 1.7 or 66.1 per cent by 2014.

- The firm was able to retain 88 per cent of the jobs. The manufacturing process for clear drawn and float glass is relatively capital intensive. As such, employment may not respond strongly to changes in domestic production. Capital intensity increased from 0.10 in 2006-2009 to 0.15 in 2010-2014, while labour intensity declined from 0.06 to 0.04 in the same period. The implication is that any improvement beyond the current level of employment would require an increase in the production capacity or an increase in the number of production work shifts.

- It should be borne in mind that the firm currently operates at full capacity and this does not auger well for further expansion in production volume and concomitant job creation. Further investment in increasing production capacity may be necessitated in this regard.

2. The impact of rebate provision on certain fabrics for the manufacture of home textiles in South Africa: A case of Maytex

- The creation of the rebate facility has seen Maytex cease the importation of finished goods. Output has almost doubled in 2011 (growing at 85.7 per cent) after the provision of the rebate support in 2010, before narrowing in 2012 and 2013, albeit with signs of recovery in 2014 at 10.3 per cent.

- Employment has been growing faster than output since 2012. About 109 additional jobs have been created since the creation of the rebate facility.
- Gains were made in domestic value addition. The domestic value addition increased from 30.3 per cent in 2010 to 48.3 per cent in 2012 before narrowing to 32.6 per cent and 40.1 per cent in 2013 and 2014 respectively.
- The aim of rebate support is to reduce the cost of imported inputs incurred by firms in order to boost production and create jobs. However, the weaker rand affected the local production through higher input costs and reduced the gains that could have been realised from the rebate support, particularly with respect to competitiveness.

3. The impact of rebate provision on certain fabrics for the manufacture of home textiles in South Africa: A case of Sheraton textiles

- The creation of the rebate facility has seen Sheraton Textiles cease the importation of finished goods. More than a total of 1 435 682 units gain in volumes (or 59 per cent) of domestic production were recovered in 2010.
- Despite decline in output since 2011, the firm managed to recover 47 jobs following the provision of the rebate support in 2010-2014, leaving a total number of 40 jobs yet to be recovered in order to cover the total jobs lost of 87 before the support in 2007-2009.
- Gains were made in domestic value addition, which increased to 35.8 per cent and 37.9 in 2010-2012 and 2012-2014 respectively following the continued rebate support.
- The recovery in competitiveness following the creation of the rebate support in 2010 was neutralised by the growth in material costs, reducing the firm's ability to sustain improvement in total factor productivity.

4. The impact of a rebate provision on the manufacture of light aluminium and composite parts for passenger aeroplanes: The case of Aerosud

- Exports increased four-fold from 100 513kg prior to the support to 400 208kg, an average growth rate of 44 per cent.
- Aerosud exports accounted for 12% in 2009, 43% in 2012 and 26% in 2013 respectively. The impact could have been quite significant, considering that the total SA exports of light aluminium and composite parts for passenger aeroplanes cover a variety of products.
- The provision of the rebate support has contributed to the employment of 33 additional people at Aerosud.
- Gains were made in domestic value addition, which increased by 78 per cent following the continued rebate support.
- Aerosud has become more competitive after the support. Total factor productivity growth (labour productivity growth) increased sharply from 3.0 per cent (6.3 per cent) before support to 10.7 per cent (19.6 per cent) after support.
- To maximise opportunities inherent in this sector, Aerosud needs to improve and sustain its global competitiveness. To achieve this, the co-location of all supplier tiers as well as new entrant SMME's becomes imperative. It offers opportunities for incubation, technology localisation and innovation, tooling engineering, skills training, supply chain competitiveness enhancement and access to the sharing of costly capital equipment and infrastructure.

5. The impact of the anti-dumping duties on acrylic blankets originating in or imported from China and Turkey

- Following the continuation of the anti-dumping support, the industry has invested an additional R8 million in real terms, particularly in machinery and equipment upgrading.

- Continued large volumes of cheap imports from China – in this case, of knitted polyester blankets and no longer the acrylic blankets for which the duties were imposed – has neutralised other gains that could have been made from the continuation of the anti-dumping support.

- The negative effect of the excess imports from China on domestic production has undermined the ability of the industry to operate at full capacity and avoid decrease in competitiveness.

- The industry has lost 159 jobs since the anti-dumping duties were continued, with total jobs declining from 973 in 2008/10 to 814 in 2011/13. However, employment almost always responds positively to changes in domestic production. The implication is that any improvement in the current level of employment would need to address the current problem of underutilisation and sustain an increase in volumes.

Strategic Objective 1

STRATEGIC OBJECTIVE 1	MEASURABLE OBJECTIVES	PERFORMANCE INDICATORS	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2016	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
To ensure contribution to employment creating growth and development through effective delivery of international trade instruments	**Customs Tariff Reduction Investigations:**				
	Investigations under consideration	Turnaround times of Customs Tariff Reduction Investigations	80% of the final decisions within 6 months	50% of the final decisions were made within 6 months.	Target not met. Protracted engagements with applicants, interested parties, as well as litigation during the process of investigation.
	Customs Tariff Increase Investigations:				
	Investigations under consideration	Turnaround times of Customs Tariff Increase Investigations.	80% of the final decisions within 6 months.	60% of the final decisions were made within 6 months.	Target not met. Protracted engagements with applicants, interested parties, as well as litigation during the process of investigation.
	Customs Tariff Rebates Investigations:				
	Investigations under consideration	Turnaround times of Customs Tariff Rebate Investigations.	80% of the final decisions within 6 months	71% of the final decisions were made within 6 months	Target not met. Protracted engagements with applicants, interested parties, as well as litigation during the process of investigation.
	Customs Duty Rebate and Drawback permits				
	Rebate and drawback permits	Turnaround times of Customs Duty Rebate and Drawback Permits.	80% of the permits issued within 2 weeks.	98% of the permits were issued within 2 weeks.	Target exceeded. The compliance level of applications received was high, resulting in quicker turnaround times.

STRATEGIC OBJECTIVE 1	MEASURABLE OBJECTIVES	PERFORMANCE INDICATORS	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2016	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
	Automotive Production Development Programme (APDP)				
	Eligible Production Certificates (EPCs)	Turnaround times of EPCs.	80% of the certificates issued within 10 days after technical working group or factory visit and all outstanding information is submitted.	88% of the certificates issued within 10 days after technical working group (TWG) or factory visit.	Target exceeded. The compliance level of applications received was high resulting in quicker turnaround times.
	Productive Asset Allowance Certificates (PAAs)	Turnaround times of PAAs.	80% of the certificates issued within 10 days after receiving notification from Automotive Industry Development Center.	75% of the certificates were issued within 10 days after receiving notification from Automotive Industry Development Centre (AIDC).	Target not met. Due to engagements with companies and additional information required in terms of confirmation of the adjusted benefit.
	Production Rebate Credit Certificates (PRCCs)	Turnaround times of PRCCs.	80% of the certificates issued within 30 days.	98% of the certificates issued within 30 days.	Target exceeded. The compliance level of applications received was high resulting in quicker turnaround times.
	APDP Verifications conducted to ensure compliance to the programme	Turnaround times of APDP Verifications.	80% of the verifications completed within 3 months.	100% of the verifications completed within 3 months.	Target exceeded. The compliance level of applications received was high resulting in quicker turnaround times.
	Anti-Dumping Investigations:				
	Investigations under consideration	Turnaround times of Anti-Dumping investigations.	80% of Preliminary determination within 6 months of initiation.	No preliminary determination within 6 months of initiation. However, one preliminary determination on cement was made within 7.5 months of initiation.	Target not met. The preliminary determination on cement was delayed due to legal action.

STRATEGIC OBJECTIVE 1	MEASURABLE OBJECTIVES	PERFORMANCE INDICATORS	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2016	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
	Anti-Dumping Investigations:				
			80% of Final determinations within 10 months of initiation.	No final determination within 10 months of initiation. However, two final determinations were made: • Wheelbarrows finalised within 14 months of initiation. • Cement finalised within 16 months of initiation.	Wheelbarrows: The preliminary determination was delayed due to legal action which resulted in final determination not made within 10 months Cement: This investigation involved 5 domestic companies; 4 participating exporters and 5 participating importers. The investigation was also subject to legal action and WTO dispute process which delayed the finalisation.
	New investigations initiated	Turnaround time from acceptance of properly documented application to initiation of Anti-Dumping investigations.	80% of properly documented application accepted, initiated within 2 months	No new investigations initiated during this period.	No investigations were initiated as no properly documented applications were received.
	Countervailing Investigations:				
	Investigations under consideration	Turnaround times of Countervailing investigations.	80% of Preliminary determination within 6 months of initiation. 80% of Final determinations within 10 months of initiation.	No preliminary determination or final determination made.	No investigations were under consideration.

STRATEGIC OBJECTIVE 1	MEASURABLE OBJECTIVES	PERFORMANCE INDICATORS	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2016	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
	New investigations initiated	Turnaround time from acceptance of properly documented application to initiation of countervailing investigation.	80% of properly documented application accepted, initiated within 2 months.	No new investigations initiated.	No investigations were initiated as no properly documented applications were received.
	Sunset Review Investigations:				
	Investigations under consideration	Turnaround times of Sunset Review investigations.	80% of Final determinations within 10 months of initiation.	100% of final determinations were made within 10 months of initiation.	Target exceeded. Investigations were executed efficiently with no complications.
	New investigations initiated	Turnaround time from acceptance of properly documented application to initiation of Sunset Review investigation.	80% of properly documented application accepted, initiated within 2 months.	100% new sunset reviews initiated within 2 months of acceptance.	Target exceeded. The process of initiating investigations was executed efficiently with no delays resulting in quicker turnaround times.
	Safeguard Investigations:				
	Investigations under consideration	Turnaround times Safeguard investigations.	80% of Preliminary determination within 6 months of initiation. 80% of Final determinations within 10 months of initiation.	No preliminary determination or final determinations were made.	No investigations were under consideration in which preliminary and final determinations were made.
	New investigations initiated	Turnaround time from acceptance of properly documented application to initiation of Safeguard investigation.	80% of properly documented application accepted, initiated within 2 months.	100% new safeguard investigations were initiated within 2 months of acceptance.	Target exceeded. The process of initiating investigations was executed efficiently with no delays resulting in quicker turnaround times.

STRATEGIC OBJECTIVE 1	MEASURABLE OBJECTIVES	PERFORMANCE INDICATORS	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2016	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
	Import Control Permits:				
	Import Control Permits	Number of import control permits issued.	13 500	17 188	Target exceeded. Increase in the number of permit applications received.
	Export Control Permits:				
	Export Control Permits	Number of export control permits issued.	7 500	14 657	Target exceeded. Increase in the number of permit applications received.
	Enforcement of Import and Export Control Permit Conditions:				
	Inspections and Investigations	Number of Scheduled Import and Export Control Permit inspections.	500	853	Target exceeded. Increase in the number of scheduled inspections that had to be conducted.
		Number of Unscheduled Import and Export Control Permit inspections.	500	551	Target exceeded. Increase in the number of unscheduled inspections that had to be conducted.
		Number of Import and Export Control Investigations.	16	16	Target met. No variance recorded.

STRATEGIC OBJECTIVE 2

STRATEGIC OBJECTIVE 2	MEASURABLE OBJECTIVES	PERFORMANCE INDICATORS	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2016	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
To ensure strategic alignment with and continued relevance to the Economic Development Department and National Agenda, particularly the New Growth Path	Participation in multilateral negotiations	Input papers regarding multilateral negotiations finalised and presented to relevant stakeholders, and participation in engagements with relevant stakeholders	ITAC staff provides input into and attend 80% of **dti** arranged multilateral negotiations engagements.	ITAC staff provided inputs into and attended 100% of the **dti** arranged multilateral negotiations engagements.	Target exceeded. ITAC attended all of the **dti** arranged multilateral engagements.
	Participation in bilateral negotiations	Input papers regarding bilateral negotiations finalised and presented to relevant stakeholders, and participation in engagements with relevant stakeholders	ITAC staff provides input into and attend 80% of **dti** arranged in bilateral negotiations engagements.	ITAC staff provided inputs into and attended 100% of the **dti** arranged bilateral negotiations engagements.	Target exceeded. ITAC attended all of the **dti** arranged bilateral engagements.
	Technical advice provided regarding international trade instruments	Participate in meetings and provide specific input when requested.	5 engagements for Tariff Investigations Unit. 5 engagements for Trade Remedies Unit. 5 engagements for Import and Export Control Unit.	11 engagements for Tariff Investigations Unit. 8 engagements for Trade Remedies Unit. 5 engagements for Import and Export Control Unit.	Target exceeded. Increase in the need to engage stakeholders and other government departments to provide and share technical advice.

STRATEGIC OBJECTIVE 3

STRATEGIC OBJECTIVE 3	MEASURABLE OBJECTIVES	PERFORMANCE INDICATORS	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2016	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
To ensure organisational efficiency and effectiveness of ITAC	Reviewed Trade Remedies Policy and/or Regulations.	Reviewed Trade Remedies Policy and/or Regulations submitted to Minister of Economic Development for approval.	Reviewed Safeguard Regulations submitted to Minister of Economic Development for approval.	Reviewed Safeguard Regulations have not been submitted to Minister for approval.	Target not met. Priority was shifted to finalisation of Anti-Dumping Regulations.
	Reviewed Import & Export Control Policy and Regulations.	Reviewed Import Control and/or Export Control Policy and/or Import Control and/or Export Control Regulations submitted to Minister of Economic Development for approval.	1 (This target is subject to policy directive from EDD/Other National departments)	Import and Export Control Regulations amended as approved by the EDD Minister.	Target met. No variance recorded.
	Ad-hoc research papers (Reviewed Import and Export Control)	Finalised research papers submitted to Chief Commissioner for approval.	1	Research project (on local manufacture of household and kitchen ware) outcome approved by the CC for implementation.	Target met. No variance recorded.
	Conduct impact assessments of ITAC's instruments.	Reports presented to relevant stakeholders,and the final annual consolidated impact evaluation report submitted to EDD and the dti.	5 product specific impact assessments.	5 impact assessment reports presented to the relevant stakeholders and the final consolidated report submitted to EDD and the dti.	Target met. No variance recorded.

STRATEGIC OBJECTIVE 3	MEASURABLE OBJECTIVES	PERFORMANCE INDICATORS	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2016	ANNUAL PERFORMANCE	REASONS FOR VARIANCE
	Trade Monitoring reports.	Annual and quarterly Trade Monitoring Report.	Annual and quarterly Trade Monitoring Reports.	The Quarterly Trade Monitoring Reports were released accordingly: • Trade Indicators 2015, detailing how much trade policy space is available to implement industrial policy in South Africa. • Price Preference System for Scrap Metal: A look at early indicators of progress. • Trade Brief on South Africa's trade in Agro-processing: Key Facts.	Target not met. The Annual Trade Monitoring Report was not released due to the delay in the finalisation of a comprehensive list of green goods in consultation with the **dti**.
	Trade patterns in the green goods sector Report.	Annual trade patterns in the green goods sector Report.	Annual trade patterns in the green goods sector Report.	An annual trade pattern in the green goods sector Report has been released.	Target met. No variance recorded.
	Adjudication of scrap metal permit applications (scrap metal price preference system) in compliance with policy guidelines.	Successfully oppose litigation on challenges pertaining to the administration of the scrap metal price preference system.	100% success rate in opposing litigation on challenges pertaining to the administration of the scrap metal price preference system.	100% success rate in opposing litigation on challenges pertaining to the administration of the scrap metal price preference system.	Target met. No variance recorded.

Human Resource Management

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Human Resources Management

The human resources Unit (HR Unit) endeavours to permeate workplace vitality in an environment that upholds organisational values, as well as support and develop the well-being and professional skills of ITAC's employees. The HR unit seeks to deliver on this goal by providing quality services in the areas of employee relations, employee wellness through the wellness programme, recruitment and retention, organisational development and performance management.

The HR unit develops and communicate policies that balance the needs of employees and the employer, while ensuring compliance with relevant legislation. Moreover ITAC has complemented its human capital development initiatives by advancing a positive culture that resulted in various interventions being executed to enhance organisational effectiveness.

Workforce planning

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

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

Employee performance management

In conjunction with ITAC's workplace planning, ITAC's performance management involves more than simply providing a periodic review for each employee. It is also about identifying strengths and weaknesses in an employee's performance and how to assist such an employee to be a more productive and effective worker. In line with this goal, ITAC provides recognition for employees who have attained above-average performance levels. In addition to financial rewards which is limited by budgetary constraints, ITAC has introduced a non-monetary performance scheme. The purpose is to provide ITAC with additional means to cultivate excellence, boost morale and motivate its employees. People are not just motivated by economic rewards but also honour and recognition.

Training and Development

Human Capital development is central to ITAC's strategy to harness professional skills within the organisation. HR unit develops a Workplace Skills Plan on an annual basis to address performance deficiencies that may be identified during each performance cycle. The Workplace Skills Plan also caters for long - term training to address key training needs within the organisation. Mentoring and coaching by well experienced ITAC personnel is another vital human development tool that ITAC uses to transfer skills, better employees' career prospects and enable continuous improvement and sustainability within the organisation.

Employee Health and Wellness

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

Employment

ITAC's workforce as at 31 March 2016 numberd 119 and comprises the following:

Core Business	Support Services
66	53

As at the end of 31 March 2016, there were 12 vacant positions, excluding contract positions, resulting in a vacancy rate for the period under review to be 9.16%.

Employment Equity

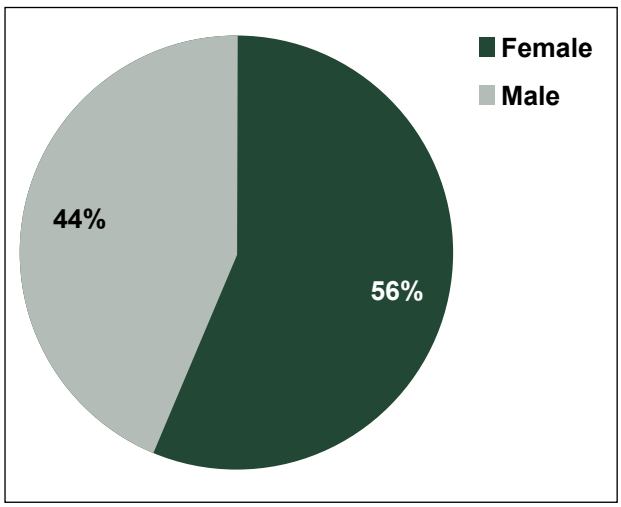
In accordance with the Employment Equity Act, of 1998, ITAC is committed to providing and transforming a workforce that is equitably representative of the demographics of South Africa, and united in diversity through the appointment of suitably qualified people from designated groups in all occupational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

The highlights of the year under review include: the development of a successive 3 year EE plan (2016-2019) that takes into account the new amendments of the Employment Equity Act, and reporting the EE progress against the EE plan to the Department of Labour.

Employee Profile

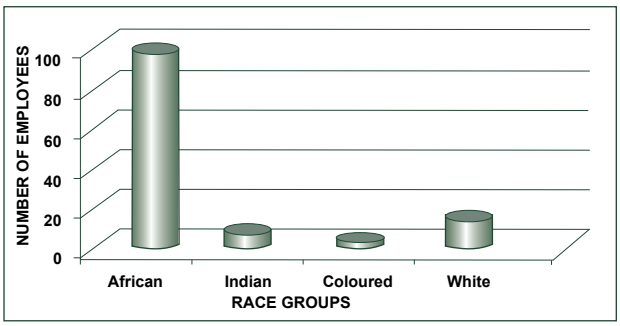
The following graphs present ITAC's employee profile in terms of a) gender; b) race; and c) job classifications.

a. Gender profile



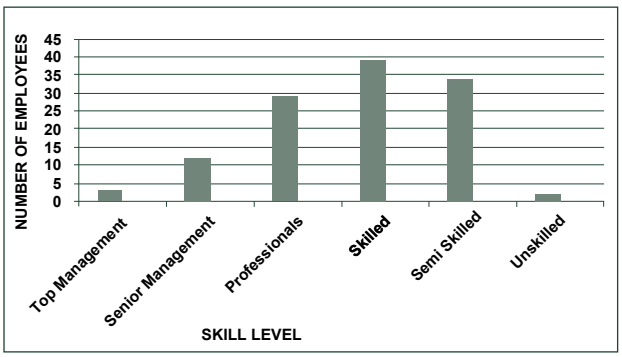
The Gender Profile graph depicts gender representation of employees who are currently employed by ITAC for the period under review. The current status in terms of gender representation is also a consideration in terms of setting up targets for the employment equity plan.

b. Race Profile



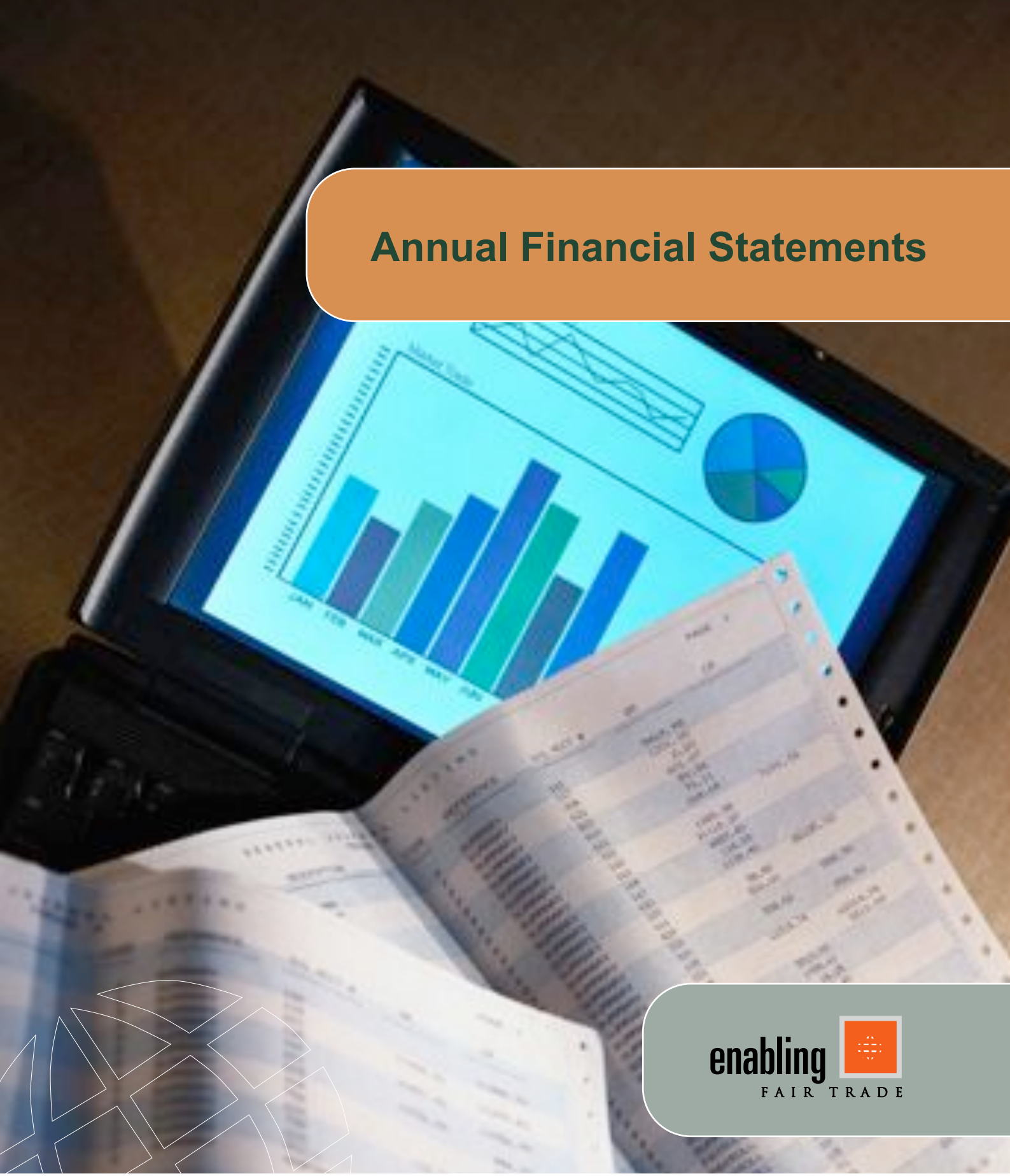
The above graph depicts racial representation of employees who are currently employed by ITAC for the period under review. ITAC is currently in a process of strenghting its recruitment mechanisms to attract racial groups who are not sufficiently represented.

c. Job Profile



The above graph depicts a number of employees at different occupational categories who were employed by ITAC for the period under review.

Annual Financial Statements



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General Information

International Trade Administration Commission of SA

Country of incorporation and domicile	South Africa
Business address	DTI Campus (Building E) 77 Meintjies Street Sunnyside Pretoria 0001
Postal address	Private Bag X 753 Sunnyside Pretoria 0001
Website	www.itac.org.za
Bankers	Standard Bank
Auditors	Auditor-General of South Africa

Table of Content

The reports and statements set out below comprise the annual financial statements presented to the parliament:

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Corporate Governance Report

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

1. Internal Financial control

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

2. Risk Management

An independent risk management process is in place to enable management to effectively identify, evaluate and assess risks. The Internal Audit monitors the prescribed procedures of risk management in line with Treasury Regulations. The Internal Audit unit has direct access to the Chief Commissioner, the Audit Committee and Management. ITAC has a comprehensive risk register for each division from which a consolidated register is prepared and monitored.

A materiality framework was developed and approved by the Accounting Authority.

Accounting Authority's Responsibilities and Approval

The International Trade Administration Act, (Act No. 71 of 2002)(ITA Act), requires the Chief Commissioner to ensure that the International Trade Administration Commission of South Africa (ITAC) maintains full and proper records of its financial affairs. The Annual financial statements for the period ending 31 March 2016 fairly present the state of affairs of ITAC, its financial performance and its financial position as at the end of the year in terms of Standards of Generally Recognised Accounting Practice (GRAP) as disclosed in the accounting policies. These annual financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgements.

The annual financial statements for the period ending 31 March 2016 are the responsibility of the Chief Commissioner. The Auditor-General is responsible for independently auditing and reporting on the financial statements.

The Chief Commissioner has reviewed ITAC's budgets and cash flow forecasts for the period ending 31 March 2016. On the basis of this review, and in view of the current financial position and existing resources of the Economic Development Department (EDD) by way of transfer payments to ITAC, the Chief Commissioner has every reason to believe that ITAC will be a going concern in the year ahead and the going concern-basis has therefore been adopted in preparing the financial statements.

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

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

The Executive Committee has reviewed ITAC's systems of internal control and risk management for the period ending 31 March 2016, and is of the opinion that ITAC's systems of internal control and risk management were effective for the period under review.

I am satisfied that these financial statements represent a fair reflection of the results of ITAC for the period ending 31 March 2016.

Siyabulela Tsengiwe
Chief Commissioner
Date: 31 July 2016

Audit Committee Report

We are pleased to present our report for the financial year ended 31 March, 2016.

Audit Committee members and attendance.

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

Name of member	Number of meetings attended
S Hari (Chairperson)	5
P Mvulane	4
K Singh	5
R Mnisi	2

Audit Committee responsibility

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

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

The effectiveness of internal control

The system of internal control applied by ITAC over financial risk and risk management is effective, efficient and transparent. In line with the PFMA and the King III Report on Corporate Governance requirements, the Internal Audit Unit provides the Audit Committee and Management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and Management Report of the Auditor-General, it was noted that there were matters reported indicating material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control for the period under review was operating not effectively and management has committed to specific actions which will be monitored by Audit Committee on a quarterly basis.

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

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

Evaluation of Annual Financial Statements

The Audit Committee has:

- Reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report, with the Auditor-General and the Accounting Authority; and made certain recommendations for improvement .
- Reviewed the Auditor-General's Management Report and management's response thereto;
- Reviewed changes in accounting policies and practices;
- Reviewed the entity's compliance with legal and regulatory provisions;
- Reviewed significant adjustments resulting from the audit.
- Reviewed the Annual Report and Pre-determined objectives prior to submission to the Auditor General and final publication

The Audit Committee concurs with and accepts the Auditor-General South Africa's report on the Annual Financial Statements, and is of the opinion that the audited Annual Financial Statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The Audit Committee is satisfied that the Internal Audit function is operating effectively and that it has addressed the risks pertinent to ITAC with the support of the co-sourced Internal Audit function.

Audit Committee Report

Auditor-General of South Africa

The Audit Committee has met with the Auditor-General South Africa to ensure that there are no unresolved issues. Management has taken note of the findings from Auditor-General of South Africa and has put in place an action plan not only to address the findings but to strengthen controls for the future.

Closure

The Audit Committee wishes to congratulate the Chief Commissioner and the Management Team of ITAC for their commitment in striving towards excellence that has resulted in ITAC receiving an unqualified audit report for the 2015/16 financial year. All our efforts are combined to strive towards excellence to learn, grow and serve ITAC.

Shaila Hari

Shaila Hari
Chairperson of the Audit Committee
Date: 31 July 2016

Report of the Auditor-General to Parliament on ITAC

Report on the financial statements

Introduction

1. I have audited the financial statements of the International Trade Administration Commission (ITAC), which comprise the statement of financial position as at 31 March 2016, statement of financial performance, statement of changes in net assets and statement of cash flows and statement of comparison of budget and Actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility 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 Standards of Generally Recognized Accounting Practices (SA GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (Act No.1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the ITAC as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA.

Report on other legal and regulatory requirements

7. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the

Report of the Auditor-General to Parliament on ITAC

reported performance information of the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2016.

• Strategic objective 1: To ensure contribution to employment creating growth and development through effective delivery of international Trade Instruments on pages 30 to 34.

9. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).

10. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

11. The material findings in respect of the selected objectives are as follows:

- **Strategic objective 1: To ensure contribution to employment creating growth and development through effective delivery of international Trade Instruments.**

Reliability of reported performance information

12. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The reported achievements against planned targets of important indicators were not reliable when compared to the source information.

Additional matters

13. I draw attention to the following matter. My conclusion is not modified in respect of this matter:

Achievement of planned targets

14. Refer to the annual performance report on pages 30 to 37 for information on the achievement of planned targets for the year. This information should be considered in the context of the qualified conclusions expressed on the reliability of the reported performance information in paragraph 12 of this report.

Adjustment of material misstatements

15. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of "To ensure contribution to employment creating growth and development through effective delivery of international Trade instruments" of objective. As management subsequently corrected only some of the misstatements, I identified material findings on the reliability of the reported performance information.

Compliance with legislation

16. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Annual Financial Statements

17. The annual financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section (55)(1)(b) of the Public

Report of the Auditor-General to Parliament on ITAC

Finance Management Act. Material misstatements of expenditure, current asset and liabilities and disclosure items were subsequently corrected, resulting in the financial statements receiving an unqualified opinion.

Internal control

18. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and compliance with legislation included in this report.

Financial and performance management

19. Management did not adequately prepare in certain instances accurate, and complete financial and performance reports which are supported and evidenced by reliable information.

Auditor- General

Pretoria
31 July 2016

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Accounting Authority's Report

1 Introduction

Report by the Accounting Authority on the financial performance, financial position and cash flow position of ITAC for the period ending 31 March 2016.

2. Operating results

The deficit of ITAC for the period to 31 March 2016 was R4 074 831 (2015: R2 690 569 surplus). The interest received period to date is R1 712 497 (2015: R1 367 410).

3. Review of activities

Main business and operations

The aim of ITAC, as stated in the Act, is to foster economic growth and development in order to raise incomes and promote investment and employment in South Africa and within the common customs union area by establishing efficient and effective systems for the administration of international trade subject to this Act and the Southern African Customs Union (SACU) Agreement. The core functions are: customs tariff investigations, trade remedies and import and export control. ITAC's primary source of revenue is the quarterly transfer of funds from Economic Development Department. Funds were applied to defray personnel and operating expenses, as well as costs involved in the establishment and maintenance of ITAC's infrastructure, and the costs of litigation. The costs for running ITAC are increasing annually as a result of the increased human resource costs which is in excess of the "year on year" growth of the government grants. Legal costs are increasing due to the complex nature of the cases dealt with by ITAC as well as an increase in the number of new cases.

	2016	2015
Total revenue	88 609 847	86 917 546
Total expenditure	(92 684 768)	(84 226 977)

4. Executive Management emoluments

Disclosure of the Executive Management remuneration is detailed in note 20 to the annual financial statements.

5. Materiality and significant framework

ITAC has developed and adopted a materiality and significant issues framework for reporting losses through criminal conduct, irregular, fruitless or wasteful expenditure, as well as for significant transactions envisaged per section 54(2) of the PFMA. The materiality amount for the year was R431 530. This represents 0.5% of ITAC's total approved revenue budget for the financial year under review. ITAC's total approved revenue budget for the period was R86 306 000.

6. Approval of the annual financial statements

The annual financial statements set out on pages 52 to 87 have been approved by the Audit Committee and signed on its behalf by the Chief Commissioner.

Siyabulela Tsengiwe
Chief Commissioner
Date:31 July 2016

Statement of Financial Position as at 31 March 2016

	Note(s)	2016 R	2015 R
Assets			
Current Assets			
Inventories	5	104 462	90 243
Receivables from exchange transactions	6	477 916	332 899
Prepayments	26	321 196	7 506
Cash and cash equivalents	7	34 839 092	32 577 866
		35 742 666	**33 008 514**
Non-Current Assets			
Property, plant and equipment	2	765 117	1 159 007
Intangible assets	3	927 569	1 273 799
		1 692 686	**2 432 806**
Total Assets		**37 435 352**	**35 441 320**
Liabilities			
Current Liabilities			
Operating lease liability	25	1 106 037	-
Trade and other payables from exchange transactions	10	4 037 459	3 529 650
Trade and other payables from non-exchange transactions	27	100 200	-
Unspent conditional grants and receipts	8	3 717 910	-
Provisions	9	6 750 225	7 842 400
		15 711 831	**11 372 050**
Non-Current Liabilities			
Unspent conditional grants and receipts	8	1 729 083	-
Total Liabilities		**17 440 914**	**11 372 050**
Net Assets		**19 994 438**	**24 069 270**
Accumulated surplus		19 994 438	24 069 270

Statement of Financial Performance

	Note(s)	2016 R	2015 R
Revenue			
Rendering of services	11	-	237 421
Other income	11	329 963	251 715
Interest received - investment	11	1 712 497	1 367 410
Government grants & subsidies	11	1 866 387	-
Conditional grant		84 701 000	85 061 000
Total revenue		**88 609 847**	**86 917 546**
Expenditure			
Employee related costs	15	(71 342 056)	(67 385 969)
Depreciation and amortisation	13	(911 718)	(1 030 036)
Finance costs	16	-	(2 326)
Debt impairment		(50 863)	(60 253)
General Expenses	14	(20 380 041)	(15 748 393)
Total expenditure		**(92 684 678)**	**(84 226 977)**
Operating (deficit) surplus		**(4 074 831)**	**2 690 569**
(Deficit) surplus for the year		**(4 074 831)**	**2 690 569**

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 April 2014	**21 378 701**	**21 378 701**
Changes in net assets		
Surplus for the year	2 690 569	2 690 569
Total changes	2 690 569	2 690 569
Balance at 01 April 2015	**24 069 269**	**24 069 269**
Changes in net assets		
Deficit for the year	(4 074 831)	(4 074 831)
Total changes	(4 074 831)	(4 074 831)
Balance at 31 March 2016	**19 994 438**	**19 994 438**

Statement of Cash flows

	Note(s)	2016 R	2015 R
Cash flows from operating activities			
Receipts			
Grants		86 567 387	85 061 000
Interest income		1 712 497	1 367 410
Other receipts		329 963	489 136
		88 609 847	86 917 546
Payments			
Employee costs		(71 342 056)	(67 385 969)
Suppliers		(14 833 330)	(16 608 063)
Finance costs		-	(2 326)
		(86 175 386)	(83 996 358)
Net cash flows from operating activities	18	**2 434 461**	**2 921 188**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(173 235)	(537 592)
Purchase of other intangible assets	3	-	(422 508)
Net cash flows from investing activities		**(173 235)**	**(960 100)**
Net increase/(decrease) in cash and cash equivalents		**2 261 226**	**1 961 088**
Cash and cash equivalents at the beginning of the year		32 577 866	30 616 778
Cash and cash equivalents at the end of the year	7	**34 839 092**	**32 577 866**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other income	185 000	-	**185 000**	329 963	**144 963**	23 & 24
Interest received - investment	1 420 000	-	**1 420 000**	1 712 497	**292 497**	23 & 24
Total revenue from exchange transactions	**1 605 000**	**-**	**1 605 000**	**2 042 460**	**437 460**	
Revenue from non-exchange transactions						
Taxation revenue						
Government grants & subsidies	84 701 000	-	**84 701 000**	1 866 387	**(82 834 613)**	
Transfer revenue						
Other transfer revenue	-	-	**-**	84 701 000	**84 701 000**	
Total revenue from non-exchange transactions	**84 701 000**	**-**	**84 701 000**	**86 567 387**	**1 866 387**	
Total revenue	**86 306 000**	**-**	**86 306 000**	**88 609 847**	**2 303 847**	
Expenditure						
Personnel	(71 484 589)	-	**(71 484 589)**	(71 342 056)	142 533	23 & 24
Depreciation and amortisation	(1 079 180)	-	**(1 079 180)**	(911 718)	167 462	23 & 24
Debt impairment	-	-	-	(50 863)	(50 863)	22 & 23
General Expenses	(13 742 231)	-	**(13 742 231)**	(20 380 041)	(6 637 810)	23 & 24
Total expenditure	**(86 306 000)**	**-**	**(86 306 000)**	**(92 684 678)**	**(6 378 678)**	
Deficit before taxation	**-**	**-**	**-**	**(4 074 831)**	**(4 074 831)**	
Actual Amount on Comparable	**-**	**-**	**-**	**(4 074 831)**	**(4 074 831)**	
Basis as Presented in the Budget and Actual Comparative Statement						

Accounting Policies

1. Basis of preparation

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

The annual financial statements have been prepared on the basis that ITAC will continue to operate as a going concern in the year ahead.

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

Fair value estimation

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

Impairment testing

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are recognised when ITAC has a present legal or constructive obligation as a result of a past event and it is probable that this will result in an outflow

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

of economic benefits that can be reliably estimated. The determination of provisions, in particular legal provisions remains a key area where management's judgement is required. The resulting provisions could also be influenced by changing economic and statutory considerations. It is envisaged that, based on the current information available, any additional liability in excess of the amounts provided, will not have a material adverse impact on ITAC's financial position, liquidity or cash-flow.

Useful lives of property, plant and equipment

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

1.4 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition. Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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

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

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

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

Item	Average useful life
Office, furniture and fittings	6 to 8 years
IT equipment • Computer equipment	3 to 5 years
• Servers	5 to 7 years
• Ipads	2 to 3 years
Equipment	3 to 8 years

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

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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

The assets of entity are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

1.5 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. If any such indication exists, the recoverable amount of the assets 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 is estimated to be less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are immediately recognised as an expense, unless the relevant asset is carried at a re-valued amount under the standard. Where an impairment loss subsequently reserves, the carrying amount of the asset is increased to the revised estimated of its recoverable amount, 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.

Computer software: 5 years

Intangible assets are derecognised:

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

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

Accounting Policies

1.6 Financial instruments

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

A financial asset is:

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

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

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

Classification

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

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

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

Class	Category
Trade and other payables	Financial liability measured at fair value
Finance lease obligation	Financial liability measured at amortised cost

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation

Accounting Policies

1.6 Financial instruments (continued)

technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Derecognition

Financial assets

ITAC derecognises financial assets using trade date accounting. ITAC derecognises a financial asset only when:

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

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

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

Accounting Policies

1.6 Financial instruments (continued)

Financial liabilities

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

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

Presentation

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

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

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

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

1.7 Statutory Receivables

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

Recognition

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

Measurement

Initial Measure:

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

Subsequent Measure:

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

Impairment of Statutory Receivables

ITAC will assess the statutory receivables for impairment on every reporting date in terms of the applicable standard for this type of receivable, assessment of the receivables to be done individually or as a group. The transactions from non-exchange transactions are unlikely to be impaired as they

Accounting Policies

1.7 Statutory Receivables (continued)

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

Derecognition

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

Presentation and Disclosure

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

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

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

1.8 Tax

Tax expenses

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

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Accounting Policies

1.9 Leases (continued)

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

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

1.10 Inventories

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

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

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

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

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

1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

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

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

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

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

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

Useful life is either:

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

Accounting Policies

1.12 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

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

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

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

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

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

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

1.13 Employee benefits

Short-term employee benefits

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

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

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

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

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

Accounting Policies

1.13 Employee benefits (continued)

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

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

Post-retirement benefits:
Defined contribution plan

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

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

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

1.15 Revenue from exchange transactions

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

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

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

Accounting Policies

1.15 Revenue from exchange transactions (contiued)

Measurement

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

Interest from call account

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

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

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

Other income

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

1.16 Revenue from non-exchange transactions

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

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

Recognition

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

Measurement

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

Government grants and subsidies

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

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

1.17 Events after reporting date

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

1.18 Comparative figures

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

Prior Year Errors

Prior year period errors are omissions from and mistatements in the entity financial statements for one or more prior periods arising from failure to use

Accounting Policies

1.18 Comparative figures (continued)

reliable information that was available when the financial statements for those period were authorised for issue. Such error include the effect of mistake in applying the accounting poliy, oversight or misrepresentation of fact and correction will be done retrospetively.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.20 Fruitless and wasteful expenditure

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

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

1.21 Irregular expenditure

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

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

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

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

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the annual financial statements. The irregular expenditure register must also be updated accordingly.

Accounting Policies

1.21 Irregular expenditure (continued)

If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the annual financial statements and updated accordingly in the irregular expenditure register.

1.22 Conditional grants and receipts

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

1.23 Budget information

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

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

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

The approved budget covers the fiscal period from 2015/04/01 to 2016/03/31.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 23.

1.24 Related parties

GRAP 20 for related parties have been issued and not yet effective, therefore IPSAS 20 is applied. Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence or joint control over the other party in making financial and operational decisions. A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Accounting Policies

1.25 New GRAP standards issued but not yet effective

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

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

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

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

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

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

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

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

Notes to the Annual Financial Statements

2. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Office furniture	900 503	(568 649)	331 854	727 268	(448 737)	278 531
IT equipment	2 295 429	(1 862 166)	433 263	2 307 814	(1 427 338)	880 476
Total	3 195 932	(2 430 815)	765 117	3 035 082	(1 876 075)	1 159 007

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Office furniture	278 531	173 235	-	(119 912)	331 854
IT equipment	880 476	-	(1 637)	(445 576)	433 263
	1 159 007	173 235	(1 637)	(565 488)	765 117

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Disposal on accumulated Depreciation	Depreciation	Total
Office furniture	221 627	184 926	(3 495)	3 495	(128 022)	278 531
IT equipment	1 187 528	352 666	(129 128)	129 128	(659 718)	880 476
Leased Assets	49 931	-	(334 541)	319 121	(34 511)	-
	1 459 086	537 592	(467 164)	451 744	(822 251)	1 159 007

Notes to the Annual Financial Statements

3. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	2 244 320	(1 316 751)	927 569	2 244 320	(970 521)	1 273 799

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software	1 273 799	(346 230)	927 569

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	1 059 076	422 508	(207 785)	1 273 799

4. Financial assets and liabilities by category

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

	2016 R	2015 R
2016		
	Loans and receivables / payables at amortised cost	Total
Trade and other receivables	477 916	477 916
Cash and cash equivalents	34 839 092	34 839 092
Trade and other payables	4 037 459	4 037 459
	39 354 467	**39 354 467**

Notes to the Annual Financial Statements

	2016 R	2015 R
2015	Loans and receivables / payables at amortised cost	Total
Trade and other receivables	332 899	332 899
Cash and cash equivalents	32 577 866	32 577 866
Trade and other payables	3 529 650	3 529 650
	36 440 415	**36 440 415**

5. Inventories

Stationery and consumables	104 462	90 243

6. Receivables from exchange transactions

Cellphones	48 750	54 637
Subsistence and travel	-	14 950
Bursaries	3 677	9 133
Other debtors	536 605	314 432
Provision for bad debts	(111 116)	(60 253)
	477 916	**332 899**

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

Included in other debtors there was fraud amounting to R189 429, which is being investigated.

Trade and other receivables past due but not impaired

The ageing of amounts past due but not impaired is as follows:

1 month past due	(1 028)	15 421
2 months past due	1 059	-
3 months past due	312 452	321 157

Trade and other receivables neither past due nor impaired

3 to 6 months	312 452	321 157

Notes to the Annual Financial Statements

	2016 R	2015 R

7. 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. ITAC was exempted by the National Treasury from the requirement of Treasury Regulation 31.3 to invest surplus funds with the Corporation for Public Deposits.

Cash on hand	7 900	7 900
Current account	21 692	572 963
Call account	34 809 500	31 997 003
	34 839 092	**32 577 866**

Management considers that all the above cash and cash equivalent categories are of good quality. The maximum exposure to credit risk at the reporting date is the fair value of each class of cash and cash equivalent mentioned above. During the year cash and cash equivalents were kept in the call and current account and daily interest earned ranged between 5.10% and 6.40%. The cash and cash equivalents were not pledged as security for any financial liabilities.

8. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
EDD Rental grant	1 736 019	-
EDD scrap metal grant	3 710 974	-
	5 446 993	**-**

Movement during the year

Additions during the year	7 313 380	-
Income recognition during the year	(1 866 387)	-
	5 446 993	**-**

Non-current liabilities	1 729 083	-
Current liabilities	3 717 910	-
	5 446 993	**-**

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

Scap metal grant is for the appointment of inspectors in ITAC to improve enforcement of scrap metal for a period of 2 years.

Notes to the Annual Financial Statements

	2016 R	2015 R

9. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Legal fees	1 411 323	1 748 649	(1 510 791)	(438 402)	1 210 779
Performance bonus	992 460	1 072 269	(992 460)	-	1 072 269
Leave pay	5 020 099	2 564 205	(3 349 071)	-	4 235 233
Workmens Compensation	418 518	231 944	(282 260)	(136 258)	231 944
	7 842 400	**5 617 067**	**(6 134 582)**	**(574 660)**	**6 750 225**

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Total
Legal fees	2 628 223	1 411 323	(2 628 223)	1 411 323
Performance bonus	923 370	992 460	(923 370)	992 460
Leave pay	4 495 224	1 330 281	(805 406)	5 020 099
Workmens Compensation	199 012	219 506	-	418 518
	8 245 829	**3 953 570**	**(4 356 999)**	**7 842 400**

Non-current liabilities	-	-
Current liabilities	6 750 225	7 842 400
	6 750 225	**7 842 400**

Legal fees

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

Performance bonus

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

Leave pay

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

Workmens compensation

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

Notes to the Annual Financial Statements

	2016 R	2015 R

10. Trade and other payables from exchange transactions

Trade payables	1 857 492	350 026
Service bonus	1 530 593	1 580 306
Other payables	649 374	1 599 318
	4 037 459	**3 529 650**

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

11. Revenue

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

Rendering of services	-	237 421
Other income	329 963	251 715
Interest received - call account	1 712 497	1 367 410
	2 042 460	**1 856 546**

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

Taxation revenue		
Transfer revenue		
Conditional grant	1 866 387	-
Government subsidies	84 701 000	85 061 000
	86 567 387	**85 061 000**

12. Conditional and unconditional grants

Conditional grant	1 866 387	-

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Subsidies	84 701 000	-
Conditional grants received	1 866 387	-
	86 567 387	**-**

EDD Rental grant

Current-year receipts	3 313 380	-
Conditions met - transferred to revenue	(1 577 361)	-
	1 736 019	**-**

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

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

Notes to the Annual Financial Statements

	2016 R	2015 R
EDD Scrap metal grant		
Current-year receipts	4 000 000	-
Conditions met - transferred to revenue	(289 026)	-
	3 710 974	**-**

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

Scap metal grant is for the appointment of inspectors in ITAC to improve enforcement of scrap metal for a period of 2 years.

13. Depreciation and Amortisation

Office furniture	119 912	128 022
IT Equipment	445 576	659 718
Leased assets	-	34 511
Computer software - Licenced	346 230	207 785
	911 718	**1 030 036**

Notes to the Annual Financial Statements

	2016 R	2015 R
14. Included in operational expenses are:		
Advertising	261 612	390 398
Auditors remuneration	1 087 026	1 350 876
Bank charges	36 163	36 411
Cleaning	1 902	2 713
Consulting and professional fees	1 342 219	840 343
Catering	136 443	101 709
Flowers	81 270	64 360
Gifts	4 000	3 540
Insurance	222 294	144 701
IT expenses	457 463	393 836
Lease rentals on operating lease	7 033 636	3 611 368
Promotions and sponsorships	86 122	6 370
Legal fees	2 253 447	541 348
Motor vehicle expenses	81 597	75 893
Recruitment and resettlement expenditure	40 493	525 789
Postage and courier	77 622	158 904
Printing and stationery	647 000	726 856
Employee wellness	191 337	132 210
Subscriptions and membership fees	235 418	345 487
Telephone and fax	952 403	840 470
Training	286 915	410 996
Travel - local	2 013 609	2 619 658
Travel - overseas	829 818	914 973
Assets expensed	1 499	-
Staff Bursaries	539 027	482 687
Offsite storage - documents	148 564	125 796
Internal Audit	872 508	425 872
Audit Committee remuneration	151 545	104 150
Part-time Commissioners remuneration	284 833	247 997
Workshops and conferences	7 900	52 226
Loss on Disposal of Assets	1 637	15 420
Repairs and maintenance	12 719	55 036
	20 380 041	**15 748 393**

Notes to the Annual Financial Statements

	2016 R	2015 R
15. Employee related cost		
Basic	52 573 974	42 906 859
Bonus	1 127 790	1 008 223
Medical aid - company contributions	757 372	912 304
Unemployment Insurance Fund	232 960	232 498
Workmens Compensation	95 686	219 506
Leave pay provision charge	(83 913)	805 406
Post-retirement benefits expense	6 177 720	5 849 095
13th Cheques	3 491 399	3 522 236
Car allowance	468 669	692 645
Housing benefits and allowances	1 041 972	1 534 714
Group Life	87 154	57 695
Non-pensionable cash allowance	5 371 273	9 644 788
	71 342 056	**67 385 969**

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

16. Finance costs		
Finance leases	**-**	**2 326**

The contract for finance leases expired on 30 September 2014.

Notes to the Annual Financial Statements

	2016 R	2015 R

17. Operating lease

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

Vehicles are classified as operating leases as they do not meet the criteria for classification as finance leases. Rent is for premises occupied by ITAC on the dti campus for a period of five years in terms of an operating lease agreement starting from 01 April 2015. The lease agreement is not renewable at the end of the lease term. A new contract for office equipment was entered into from 01 April 2015 for a period of 36 months. Lease payments for motor vehicles and office equipment are fixed over the lease term and therefore no equalisation of payments was done. The lease payments for rent escalation is 10% and straightlining was done.

2016	Up to 1 year	2 to 5 years	Total
Premises - rent	5 504 664	20 042 482	25 547 146
Vehicles	316 670	184 724	501 394
Office equipment	602 023	602 023	1 204 046
	6 423 357	**20 829 229**	**27 252 586**

2015	Up to 1 year	2 to 5 years	Total
Premises - rent	5 004 240	20 016 960	25 021 200
Vehicles	321 085	508 384	829 469
Office Equipment	602 023	1 204 046	1 806 069
	5 927 348	**21 729 390**	**27 656 738**

Notes to the Annual Financial Statements

	2016 R	2015 R
18. Cash generated from operations		
(Deficit) surplus	(4 074 831)	2 690 569
Depreciation and amortisation	911 718	1 030 036
Other non-cash items	(1 637)	15 416
Debt impairment	50 863	60 253
Movements in operating lease assets and accruals	1 106 037	-
Movements in provisions	(1 092 175)	(403 429)
Changes in working capital:		
Inventories	(14 219)	(19 187)
Receivables from exchange transactions	(145 022)	443 280
Provision for bad debts / Debt impairment	(50 863)	(60 253)
Prepayments	(313 690)	(7 506)
Trade and other payables from exchange transactions	511 087	(781 328)
Payable (non exchange)	100 200	-
Unspent conditional grants and receipts	5 446 993	-
Finance lease payments	-	(46 663)
	2 434 461	**2 921 188**

19. Commitments

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

Contract Description	Commitment up to Year 1	Commitment after Year 1
Internal audit services	1 721 890	1 120 645
Employee health & wellness programme	85 094	43 494
Insurance	242 508	-
Software licences	248 198	-
Subscriptions and books	73 573	-
Supply of fresh flowers	61 500	35 875
Parking	96 262	96 262
	2 529 025	1 296 276

Notes to the Annual Financial Statements

	2016 R	2015 R

20. Related parties

Relationships	
Economic Development Department (EDD)	National Department in National Sphere
Entities under EDD control: -	
SEFA	Public Entity in National Sphere
IDC	Public Entity in National Sphere
Competition Commission	Public Entity in National Sphere
Competition Tribunal	Public Entity in National Sphere
The Department of Trade and Industry	National Department in National Sphere
Department of Justice and Constitutional Development	National Department in National Sphere
Members of key management	Mr. S.T Tsengiwe (Chief Commissioner) Deputy Chief Commissioner (Vacant) Mr. P. Semela (General Manager: Corporate Services) Dr. M Obinyeluaku (Chief Economist) Mr. Z.C Koyana (Chief Financial Officer)

ITAC is a schedule 3A public entity as outlined in the Public Finance Management Act, reporting to the Economic Development Department.

Related party transactions

Department of Trade and Industry (the dti)		
Payments received from dti	-	(237 421)
Rental payments	5 004 240	3 217 726
Telephone and internet payments	445 148	437 582
Economic Development Department		
Transfer payments received from EDD	(84 701 000)	(85 061 000)
Grants payments from EDD	(1 866 387)	-
Department of Justice and Constitutional Development		
Legal costs incurred	2 150 176	152 751
Siyabulela Tsengiwe (Chief Commissioner)		
Basic salary	1 226 982	1 163 016
13th cheque	70 355	66 687
Pension contribution	109 753	103 563
	1 407 090	**1 333 266**

Notes to the Annual Financial Statements

	2016 R	2015 R
Phillip Semela (General Manager: Corporate Services)		
Basic salary	909 704	845 565
13th cheque	62 097	62 097
Car allowance	60 000	60 000
Performance Bonus	27 146	-
Pension	103 734	95 967
	1 162 681	**1 063 629**
Dr Moses Obinyeluaku (Chief Economist)		
Basic salary	969 703	881 565
13th cheque	66 496	62 098
Car allowance	-	24 000
Performance bonus	27 146	-
Pension	103 734	96 086
	1 167 079	**1 063 749**
Zanoxolo Koyana (Chief Financial Officer)		
Basic salary	872 362	811 394
13th cheque	48 245	48 245
Housing allowance	42 500	30 000
Pension	79 402	74 624
	1 042 509	**964 263**

Related party balances

Department of Trade and Industry (the dti)		
Payable at year-end	(1 141 930)	-
Department of Justice and Constitutional Development		
Payable at year-end	(884 292)	(388 597)

21. Risk management

Financial risk management

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

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

Notes to the Annual Financial Statements

	2016 R	2015 R

Liquidity risk

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

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

At 31 March 2016	Carrying amount	Total cashflow within 1 year	Contractual cashflow within 1 year	Contractual cashflow between 1 and 5 years
Trade and other payables	4 037 459	4 037 459	4 037 459	-
Other financial liabilities	10 997 936	10 997 936	10 997 936	-
At 31 March 2015				
Trade and other payables	3 529 650	3 529 650	3 529 650	-
Other financial liabilities	7 842 400	7 842 400	7 842 400	-

Interest rate risk

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

Sensitivity analysis

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

2016	Change in investments	Increase / (decrease) in net surplus for the year Upward change	Increase/ (decr ease) in net surplus for the year Downward change
Cash and cash equivalents	1 %	348 390	348 390
2015			
Cash and cash equivalents	**1 %**	**325 778**	**325 778**

Notes to the Annual Financial Statements

	2016 R	2015 R

21. Risk management (continued)

Credit risk

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

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

Financial instrument	2016	2015
Call account	34 809 500	31 997 003
Current account	21 692	572 963
Receivables from exchange transactions	**477 916**	**332 899**

22. Irregular expenditure

Opening balance	119 120	205 981
Add: Irregular Expenditure *	364 693	119 120
Less: Amounts condoned	(119 120)	(205 981)
	364 693	**119 120**

*The irregular expenditure of R119 120 results from continuing contracts as identified by the Auditor General in the 2011/2012 financial year for not specifying preference points. The irregular expenditure of the previous financial year of R119 120 was condoned and the Auditor-General South Africa (AGSA) and National Treasury (NT) were both notified. The irregular expenditure of R364 693 is as a result of appointing the service provider that did not obtain the highest points, though the submission for deviation was approved by Accounting Authority. ITAC used 80/20 price evaluation and not stated functionality though Terms of Reference should have been included as a criteria.

23. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net (deficit) surplus per the statement of financial performance	(4 074 831)	2 690 569
Adjusted for:		
Conditional grant	(1 866 387)	-
Other income	(144 963)	253 864
Interest income	(292 497)	(22 410)
Payroll expenditure in excess/ (lower than) of budget	(142 533)	1 221 969
Operational expenditure in excess/(lower than) of budget	6 521 211	(4 143 992)
Net surplus per approved budget	**-**	**-**

Notes to the Annual Financial Statements

	2016 R	2015 R

24. Variance explanations between budget and actual income and expenditure

Material differences between budget and actual amounts
Conditional grant was received from Economic Development Department for payment of short-fall in rent expense and contractors working on scrap metal. Interest income increased as a result of higher interest rates earned on the call account.

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

25. Operating lease liability (accrual)

Non-current liabilities	-	-
Current liabilities	(1 106 037)	-
	(1 106 037)	-

26. Prepayment

Parking	13 122	7 506
Medical aid	308 074	-
	321 196	7 506

27. Trade and other payables from non-exchange transactions

Housing allowance scheme	100 200	-

The Housing allowance scheme balance will be paid over to the DPSA.

Notes to the Annual Financial Statements

28. Contingencies

The litigation on the implementation of the policy directive for the exportation of scrap metal that has been pursued by SA Metal (Pty) Ltd, since the inception of the price preference system (PPS) in 2013 will be taken on appeal to the SCA in 2016 following the ruling made by Judge Dolama in favour of ITAC and the Minister of Economic Development in the Cape Town High court under case number 21498/ 2014 on 22 December 2015. An application for leave to appeal was heard on 1 March 2016 and leave to appeal to the Supreme Court of Appeal was granted, given that the issue is of national significance. New issues on the implementation of the PPS System for the adjudication of scrap metal exports have also been raised by GroupWreck International (Pty) Ltd in the High Court Durban and will also likely be heard in 2016. The users of rebates for the importation of worn overcoats and other second hand clothing are also likely to challenge ITAC following the tightening up of the administration of the rebate provisions on account of more instances of misuse of the rebate and import permits issued by ITAC. The estimated legal costs is R 500 000.

Contingent assets

ITAC issued bursaries to some members of staff, and those who did not fully comply with the bursary policy by submitting results and completing their studies became liable.There was non-compliance with submission of results and completion of qualification, and there were disputes therefore the matter has been referred to the Bargaining Chamber for resolution. The resolution will assist in determining the amount to be recognised and collected from the bursary-holders and after which the decision will be made on the recognition in terms of GRAP 19.

Postal address
Private Bag X 753
Sunnyside
Pretoria
0001
South Africa

Physical address
DTI Campus (Building E)
77 Meintjies Street
Sunnyside
Pretoria
0002
Tel: +27 (0)12 394 3688
Faxl: +27 (0)12 394 0516

Website ww.itac.org.za
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