



International Trade Administration Commission of South Africa

ANNUAL REPORT 2011/2012





■ ■ ■ TABLE OF CONTENTS ■ ■ ■

Vision and Mission	2
Core Values	3
Report of the Chief Commissioner	4
Commentary by the Chairperson of the Commission	7
Background to ITAC	8
Commissioners	9
Senior Management Team	10
List of Reports issued by ITAC	12
Tariff Investigations	13
Trade Remedies	15
Import and Export Control	16
Performance against predetermined objectives	18
Annual Financial Statements	52



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 Economic Development Department and **the dti**.



■ ■ ■ CORE VALUES ■ ■ ■

Core Values

ITAC is guided by the following set of core values:

- **I**ntegrity;
- **T**rust;
- **A**ccountability; and
- **C**ommitment.

Report of the Chief Commissioner

4



Mr Siyabulela Tsengiwe
Chief Commissioner of ITAC

In an increasingly globally integrated South African economy, international trade constitutes one of the major components of domestic growth and development and therefore changes in global economic conditions have an immense impact on the domestic economy. In light of this reality, ITAC has sought to position itself in a strategic manner in the pursuit of its mandate. Whilst the mandate is executed within the set legal framework, including the founding legislation, the ITA Act, it is critical to note that the manner in which ITAC conducts its core functions, i.e., Tariff Investigations, Trade Remedy investigations, and Import and Export Control, is bounded by policy imperatives as set out in the New Growth Path (NGP), the Industrial Policy Action Plan 2 (IPAP2) and South Africa's Trade Policy and Strategy Framework (TPSF).

The premise is that for sustainable growth and development, South Africa cannot solely rely on the export potential of its mineral resources and other commodities. South Africa must accelerate its diversification into manufactured goods for both the domestic and export markets. Consistent with IPAP2 and the TPSF, the NGP on the direction of trade policy, among others, advocates the promotion of value-added manufacturing. This has direct implications on how ITAC approaches tariff-setting for both upstream and downstream industries.

The global financial crisis and its adverse impact on the domestic economy presented new challenges with respect to the environment in which ITAC operates. In the light of recent events, the main risk to the domestic economy is a fragile and unbalanced global economy. Therefore the alignment of ITAC to the New Growth Path (NGP), high impact industrial policy and the new trade policy framework, has become high priority. The NGP places employment creation at the centre of economic policy. In response to the economic crisis, ITAC has, among others, reviewed its core business processes, which has led to reduced turnaround times, on average from 12 to 9 months with regard to trade remedies investigations; 12 to 6 months for normal tariff investigations; and 4 months in the case of tariff investigations for vulnerable sectors.

Our traditional and major trading partners, including the USA, continue to experience an economic slowdown. The European Union is experiencing a fiscal and financial crisis. This has an adverse impact by weakening the demand especially for South Africa's manufactured exports. Exports are still more than 15% below their 2008 level in volume terms, whereas imports have grown faster than exports and are at record levels. Structurally, South Africa's balance of payments position remains a challenge. The weakening demand for South Africa's products by the traditional trading partners has necessitated an added emphasis on diversifying trade with emerging economies that tend to be growing rapidly. Such diversification of trade has both opportunities and risks that have to be carefully managed, given the relative low cost of production in the emerging economies.

The Commission follows a strategic or developmental approach to tariff setting with the objective of promoting domestic production and manufacturing activities, employment retention and creation, and international competitiveness.

An increase in customs duties is considered, on a case-by-case basis, to support domestic producers, particularly those that are important from an employment or value-addition perspective, that are experiencing threatening import competition.

On a case-by-case basis, tariffs for mature resource-based capital-intensive upstream industries are selectively reviewed and in some cases reduced or removed in the interest of lowering input costs into labour-intensive employment-creating downstream activities.



Over the past year, the Commission recommended tariff increases, among others, for sewing thread of man-made filaments from free to 15%, water supply meters from free to 10%, artificial turf from free to 10%, stainless steel sinks from 20% to 30%, certain canned food products, i.e., canned pineapples from 20% to 55% (through the withdrawal of a previously existing rebate provision) and tomato paste from 15% to 37%, and certain nonwoven fabrics from free to 10% (through the withdrawal of a previously existing rebate provision). The Commission found that the recommended additional tariff support would enable the respective industries to meet the challenges of foreign competition in the light of the price disadvantages experienced, maintain employment levels, and fully utilise existing production capacities with a concomitant reduction in the marginal cost of production. In the main, these tariff increases are in respect of downstream industries that are supported to compete with low-priced imports, contributing to the sustainability of these industries.

Specifically, in the case of the stainless steel kitchen sink investigation, the Commission found that additional tariff support for the domestic industry manufacturing stainless steel sinks would improve the price-competitive position of the industry in the face of fierce low-priced competition from abroad. The support will enable the domestic industry to fully utilise its existing production capacity. Following this tariff support, the Commission will monitor the further performance of the industry in particular with respect to productivity and employment.

In addition, a number of rebate of duty provisions have been recommended 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 certain components for the manufacture of computer monitors, minibuses and midibuses under the MIDP (Motor Industry Development Programme), dehydrated castor oil for alkyd resins, yarns and backing material for the manufacture of artificial grass, bio-ethanol for blending with petroleum, and goods for the construction of yachts for export. The duties rebated in these cases on a variety of products ranged between 5% and 30%.

Apart from the industrial policy considerations in the case of the intermediate input materials manufactured by the resource-based capital-intensive industries mentioned above for which no specific investigations were conducted in the last financial year (these were done in previous years), 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 number of tariff reductions have been recommended over the past year and implemented on a diverse range of product tariff lines, including pistons, self-copy paper, stainless steel nuts, bags of low density polyethylene, and lysine and similar animal feed supplements. Tariffs on products which are not manufactured domestically and applicable where there is no potential to manufacture domestically have an unnecessary cost-raising effect for downstream users and consumers. The duties that were reduced ranged between 5% and 25%.

Tariff support or relief is tied to conditions related to economic performance over time. The Commission completed its first report of the effect of the rebate of duty provision for specific fabrics used for the manufacture of home textiles. The rebate provision was introduced in the previous financial year in tandem with other initiatives such as the Industrial Development Corporation's preferential financing and the dti's production incentive scheme. The effects observed are the results of the full range of incentives. It was found that 914 permanent jobs were created since the introduction of the incentives and that a further 798 additional job opportunities are envisaged. Investment in plant and machinery and skills development has increased by 122%. A number of firms have managed an appreciable reduction in the cost of manufacturing despite a rise in certain input costs such as those for cotton and electricity. The domestic home textile manufacturers have regained roughly half of the market share previously lost to imports.

ITAC is responsible for conducting trade remedy investigations in accordance with policy and domestic law and regulations and consistent with 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.

Report of the Chief Commissioner (*continued*)

6



The Commission initiated anti-dumping investigations of chicken meat originating or imported from Brazil, frit originating or imported from Brazil, screw studding originating or imported from China, fully threaded screws originating or imported from China, unframed mirrors originating or imported from Indonesia, and clear float glass originating or imported from Indonesia.

Salient among its recent anti-dumping determinations was the Commission's decision regarding the dumping of chicken meat originating in or imported from Brazil. At the conclusion of the preliminary phase of the investigation and to prevent further injury to the domestic industry while the investigation continued, the Commission, on the strength of its preliminary findings, decided to request the Commissioner of SARS to impose provisional payments, equal to the dumping margin, on the importation of chicken meat from Brazil.

In two sunset reviews, the Commission recommended that the anti-dumping duty on chicken meat originating in or imported from the USA and on bolts and nuts originating and imported from China, be increased.

The Commission recommended that the anti-dumping duties on biaxially orientated polymers of propylene originating in or imported from Brazil and on lysine originating in or imported from the USA, be terminated.

Import and export control measures (non-tariff barriers) are applied to enforce health, environmental, safety, and technical standards in terms of domestic law and international agreements. In addition, the exportation of, among others, precious stones and ferrous and non-ferrous scrap is controlled to facilitate domestic beneficiation. Over the past year, 16 224 import permits and 6 839 export permits were issued with turnaround times having been reduced to three days. The Enforcement Component of the Import and Export Control Unit conducted 30 investigations and 1 275 inspections.

One of the central aims of the NGP is to build a lower carbon-emission economy and, in making a contribution to this objective, ITAC has embarked on an analysis of the tariff regime for green goods with a view to identifying opportunities and threats.

Accurate statistical data is essential. Green goods should be clearly identifiable in the Tariff Book for trade monitoring purposes and possible tariff support or relief. The green industry includes bio-fuels as well as renewable energy plant and systems, such as those based on wind power, solar power, biogas and biomass, and hydropower. Although dedicated tariff lines exist for a number of green goods such as solar water heaters, hydroelectric plant, lithium batteries, etc., the Commission requested SARS to create additional tariff subheadings for a number of green goods for which dedicated tariff lines did not exist, such as wind turbine blades, generators for wind turbines, thermocouples, fuel cells, photovoltaic cells, light emitting diodes, and electric vehicles. These new tariff lines have now been inserted in the Tariff Book. As yet, no new tariff investigations have been launched as far as green goods are concerned. A number of green goods such as water heaters, lithium batteries, wind turbine blades, and electric vehicles already enjoy tariff support. In its infancy stage, other green goods industries may require developmental tariffs. In other cases, some of these products or intermediate inputs may not be available domestically and therefore tariffs may be an unnecessary cost-burden.

ITAC has begun a process of enhancing its capacity to monitor trade flows, identifying opportunities and threats. This is a logical evolution of ITAC's role in its alignment with the Economic Development Department's objectives. In addition to providing trade instruments in reaction to industry applications, ITAC will be more explicit and proactive in the technical advice that it provides on the implementation of trade policy.

A handwritten signature in blue ink, appearing to read 'Siyabulela Tsengiwe', enclosed within a rectangular box.

Mr Siyabulela Tsengiwe
Chief Commissioner

Commentary by the chairperson of the Commission



Ms Tina Eboka
Chairperson of the Commission

During the year under review, the Commission considered a number of tariff and trade remedy applications in terms of its nuanced, strategic policy approach to tariff-setting, bounded by industrial policy objectives, considering that tariffs are instruments of industrial policy and have implications for capital formation, technological growth, and employment. The New Growth Path (NGP), the Industrial Policy Action Plan 2 and the Trade Policy and Strategic Framework, to which the customs tariff policy is fully aligned, advocate industrial diversification and upgrading and the promotion of high-income value-added manufacturing, generating employment. Among others, this implies assisting new and existing economic activities to achieve competitiveness, and a differentiated approach to tariff setting for upstream and downstream industries, sensitive to employment outcomes. The NGP specifically calls for developmental trade policies that, among other things, seek to promote exports while addressing unfair competition against domestic producers.

The Commission considers tariff amendment applications in terms of its rigorous criteria for adjudicating tariff applications, such as pricing and costing information, financial and trade data, production capacity, demand and supply conditions, and investment and employment.

The Commission found that additional tariff support for the domestic industries manufacturing stainless steel sinks, artificial turf, sewing thread of man-made filaments, water supply meters, certain canned food products, and certain non-woven fabrics would improve the price-competitive position of the industries in the face of fierce low-priced competition from abroad.

Following this tariff support, the Commission will monitor the performance of the industries in particular with respect to production and employment.

Seven rebate of duty provisions have also been recommended and implemented, to reduce the cost of production for manufacturing firms and increase their international competitiveness. The Commission recommended tariff reductions for goods that are not manufactured domestically or unlikely to be manufactured domestically.

The Commission recommended the imposition of provisional anti-dumping duties on chicken meat from Brazil and an increase in the existing anti-dumping duties on chicken meat from the USA and bolts and nuts from China.

I wish to conclude by mentioning that the success and progress that the Commission has achieved is a result of the efforts and motivation of ITAC's most important asset, its employees, and I want to thank them for their dedication and hard work during the year.

A handwritten signature in black ink, appearing to read 'Tina Eboka', with a horizontal line underneath.

Ms Tina Eboka
Chairperson of the Commission

Background to ITAC

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

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

The ITAA 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 and Deputy Chief Commissioner with six part-time Commissioners.

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

Commissioners



Siyabulela Tsengiwe
Chief Commissioner



Tina Eboka
Chairperson of the Commission



Brenda Mabaso Chipeio
Deputy Chief Commissioner



Tanya van Meelis
Commissioner



Michael P. McDonald
Commissioner



Riaan de Lange
Commissioner



Ronny Mkhwanazi
Commissioner



Matome Morokolo
Commissioner

Senior Management Team



Siyabulela Tsengiwe
Chief Commissioner



Brenda Mabaso Chipeio
Deputy Chief Commissioner



Noni Khuse
*General Manager:
Corporate Services*



Chris Arnold
*Senior Manager:
Technical Advisory Services*



Phillip Semela
Chief Information Officer



Zanoxolo Koyana
Chief Financial Officer



Phillip Snyman
*Senior Manager:
Import and Export Control*



Carina van Vuuren
*Senior Manager:
Trade Remedies I*



Zoleka Xabendlini
*Senior Manager:
Trade Remedies II*



Rika Theart
*Senior Manager:
Tariff Investigations I*



Nomonde Somdaka
*Senior Manager:
Tariff Investigations II*



Virginia Mashele
*Senior Manager:
Human Resources*



Zain Satardien
*Senior Manager:
Legal Services*



Bhekithemba Kgomo
Senior Manager: Internal Audit



Alexander Amrein
*Senior Manager:
Policy and Research*

List of reports issued by ITAC in 2011/2012

REPORT NUMBER	REPORT TITLE
362	Sunset review of the anti-dumping duties on Hexagon Bolts and Nuts of Iron or Steel, originating in or imported from the People's Republic of China: Final determination
363	Amendment of the duty and rebate dispensation for certain monitors
365	Sunset review of the anti-dumping duty on paper insulated lead covered Electric Cables, originating in or imported from India: Final determination
366	Termination of the anti-dumping duties on Biaxially orientated Polymers of Propylene (BOPP) film, originating in or imported from Brazil
367	Increase in the rate of duty on sewing thread of man-made filaments
368	Application for rebate of the duty on non-textured woven fabric of polyester for the manufacture of caps
369	Amendment of the rebate provisions for the industry manufacturing disposable napkins for babies
370	Creation of a rebate facility for dehydrated castor oil used for the manufacture of alkyd resins
371	Termination of the anti-dumping duties on carbon black, originating in or imported from Thailand
372	Termination of the anti-dumping duties of lysine, originating in or imported from the United States of America
373	Withdrawal of the temporary rebate provision for canned pineapples
374	Reduction in the rate of customs duty on certain bags of low density polyethylene
375	Rebate of duty on bio-ethanol for blending with petrol ¹
376	Increase in the rate of customs duty on artificial turf
377	Application for an increase in duty on aluminium rolled products
378	Termination of the anti-dumping duties applicable on paperboard, originating in or imported from South Korea
379	Application for the creation of a rebate provision for the construction of the New Multi Product Pipeline (NMPP)
380	Reduction in the customs duties on lysine and its esters, and feed supplements containing by mass 40 per cent or more lysine, whether or not containing added antibiotics or added melengestrol acetate
381	Rebate of duty on certain textile yarns used for the weaving and knitting of fabrics, and manufacture of specific non-woven fabrics, sewing thread, and ropes and cables
382	Creation of a rebate provision for certain monitors
383	Application for a reduction in the rate of duty on photographic plates and film for x-ray
384	Increase in the general rate of customs duty on water supply meters
385	Reduction in duty on pistons for diesel engines
386	Application for the creation of rebate provisions for synthetic filament yarns and certain non-woven fabrics for the manufacture of tufted automotive carpets
387	Revised tariff structure for the industry producing canned tomatoes and tomato paste puree, and concentrates in powder form
388	Insertion of an additional provision under rebate item 470.03 for goods used in the construction of yachts exclusively for export
389	Investigation into the alleged dumping of frozen meat of fowls of the species gallus domesticus, whole bird and boneless cuts, originating in or imported from Brazil: Preliminary determination
390	Sunset review of anti-dumping duties on frozen meat of fowls of the species gallus domesticus, cut in pieces with bone-in, originating in or imported from the United States of America: Final determination
391	Creation of a rebate facility for the importation of intermediate inputs to be used in the manufacturing of artificial turf
392	Increase in the rate of duty on stainless steel sinks.

¹ Report not yet implemented

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

An increase in customs duties is considered, on a case-by-case basis, to support domestic producers, particularly those that are important from an employment or value-addition perspective, that are experiencing threatening import competition.

On a case-by-case basis, tariffs for mature resource-based capital-intensive upstream industries are selectively reviewed and in some cases reduced or removed in the interest of lowering input costs into labour-intensive employment creating downstream activities.

Over the past year, the Commission recommended tariff increases, among others, for sewing thread of man-made filaments from free to 15%, water supply meters from free to 10%, artificial turf from free to 10%, stainless steel sinks from 20% to 30%, certain canned food products, i.e., canned pineapples from 20% to 55% (through the withdrawal of a previously existing rebate provision), tomato paste from 15% to 37%, and certain nonwoven fabrics from free to 10% (through the withdrawal of a previously existing rebate provision).

The Commission found that the recommended additional tariff support would enable the respective industries to meet the challenges of foreign competition in the light of the price disadvantages experienced, maintain employment levels, and fully utilise existing production capacities with a concomitant reduction in the marginal cost of production. The vast majority of these tariff increases are in respect of downstream industries that are supported to compete with low-priced imports, contributing to the sustainability of these industries.

Following this tariff support, the Commission will monitor the performance of the industries in particular with respect to production and employment.

In addition, a number of rebate of duty provisions have been recommended 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 components for the manufacture of computer monitors; minibuses and midibuses under the MIDP (Motor Industry Development Programme); textile yarns for the weaving and knitting of fabrics and the manufacture of non-woven fabrics, sewing thread and ropes and cables; dehydrated castor oil for the manufacture of alkyd resins; yarns and backing material for the manufacture of artificial grass; bio-ethanol for blending with petroleum; and goods for the construction of yachts for export.

Apart from the industrial policy considerations in the case of the intermediate input materials manufactured by the resource-based capital-intensive industries mentioned above for which no specific investigations were conducted in the last financial year (these were done in previous years), 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 number of tariff reductions have been recommended over the past year and implemented on a diverse range of product tariff lines, including certain pistons, bags of low density polyethylene, and lysine and similar animal feed supplements. Tariffs on products which are not manufactured domestically and applicable where there is no potential to manufacture domestically have an unnecessary cost-raising effect for downstream users and consumers.



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

A work in progress is an analysis of the tariff regime for green goods with a view to identifying opportunities and challenges. Accurate statistical data is essential. Green goods should be clearly identifiable in the Tariff Book for trade monitoring purposes and possible tariff support or relief. The green industry includes bio-fuels as well as renewable energy plant and systems, such as those based on wind power, solar power, biogas and biomass, and hydropower. Although dedicated tariff lines exist for a number of green goods such as solar water heaters, hydroelectric plant, lithium batteries, etc., the Commission requested SARS to create additional tariff subheadings for a number of green goods for which dedicated tariff lines did not exist, such as wind turbine blades, generators for wind turbines, thermocouples, fuel cells, photovoltaic cells, light emitting diodes, and electric vehicles.

These new tariff lines have now been introduced into the Tariff Book. As yet, no new tariff investigations have been launched as far as green goods are concerned. A number of green goods such as water heaters, lithium batteries, wind turbine blades, and electric vehicles already enjoy tariff support. In its infancy stage, other green goods industries may require developmental tariffs. In other cases, some of these products or intermediate inputs may not be available domestically and therefore tariffs may be an unnecessary cost-burden.

Trade remedy investigations

ITAC is responsible for conducting trade remedy investigations in accordance with policy and domestic law and regulations and consistent with 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 Commission initiated anti-dumping investigations of chicken meat originating or imported from Brazil, frit originating or imported from Brazil, screw studding originating or imported from China, fully threaded screws originating or imported from China, unframed mirrors originating or imported from Indonesia, and clear float glass originating or imported from Indonesia.

Salient among its recent anti-dumping determinations was the Commission's decision regarding the dumping of chicken meat originating in or imported from Brazil. At the conclusion of the preliminary phase of the investigation and to prevent further injury to the domestic industry while the investigation continued, the Commission, on the strength of its preliminary findings, decided to request the Commissioner of SARS to impose provisional payments, equal to the dumping margin, on the importation of chicken meat from Brazil.

In two sunset reviews, the Commission recommended that the anti-dumping duty on chicken meat originating in or imported from the USA and on bolts and nuts originating and imported from China, be increased.

The Commission recommended that the anti-dumping duties on biaxially orientated polymers of propylene originating in or imported from Brazil and on lysine originating in or imported from the USA, be terminated.

The Commission revised its timeframes for the completion of trade remedy investigations from 12 months to 9 months.

Import and Export Control

The Import and Export Control regime, administered by ITAC in terms of the International Trade Administration Act, 2002 (Act No.71 of 2002), regulates the cross-border movement of specific goods for the purpose of complying with international agreements such as, inter alia, the Basel Convention on the Control of the Transboundary Movement of Hazardous Wastes and Their Disposal.

Control measures are applied to enforce environmental, health, safety and technical standards in terms of international agreements and domestic law. The exportation of certain goods such as ferrous and non-ferrous waste and scrap is also controlled to assist foundries and other domestic metal fabricators by providing information regarding available scrap metal destined for the export market.

To ensure that sufficient levels of paper waste is available as feedstock in manufacturing, the exportation of paper waste is also controlled. In the administration of the regulatory regime it is vital for ITAC to have formal as well as informal relationships with other Departments and agencies such as the SA Police Service, the Departments of Environmental Affairs, Mineral Resources, Agriculture, Forestry and Fisheries, the South African Revenue Service, and the National Regulator for Compulsory Specifications, as well as the Cross-Border Road Transport Agency.

During the 2011/2012 financial year, co-operation agreements were signed with the Department of Agriculture, Forestry and Fisheries to align control measures relating to the importation and exportation of fish and fisheries products and with the Cross-Border Road Transport Agency (CBRTA) to formalise the process of co-operation between ITAC and the CBRTA with regard to the regulatory framework applicable to the cross-border movement of foreign vehicles.

The process of reviewing existing agreements with the relevant government departments relating to the exportation of certain wood species such as Yellowwood, Stinkwood and Blackwood and minerals such as Tiger's Eye were initiated by ITAC. The import as well as export control regulations were updated to provide for the inclusion of all amendments made up to December 2011, such as import control measures on asbestos and the amended Customs Tariff headings as a result of the implementation of the 2012 Harmonized System (HS) nomenclature.

Over the past year, 16 224 import permits and 6 839 export permits were issued. The bulk of the import permits, namely 3 437, were issued to import machinery and mechanical appliances. A total of 2 906 import permits were issued for the importation of vehicles and parts of vehicles; 1 509 permits were issued to import fish, crustaceans, molluscs and other aquatic invertebrates; 1 420 permits were issued to import rubber and articles thereof, including tyres; 899 permits were issued to import arms and ammunition; 665 permits were issued to import electrical machinery and equipment; 1 020 permits were issued to import metals; 1 012 permits were issued to import mineral fuels, mineral oils, and products of their distillation; and 640 permits were issued to import inorganic and organic chemicals.

The bulk of the export permits, namely a total of 2 536, were issued for the exportation of ferrous and non-ferrous waste and scrap; a total of 1 687 export permits were issued for the exportation of organic and inorganic chemicals; 2 086 for the exportation of used motor vehicles; and 392 were issued to export mineral fuels, mineral oils and products of their distillation.

Turnaround times for the issuing of import and export control permits have been reduced to three days.



The Enforcement Component of the Import and Export Control Unit conducts enforcement activities in terms of Section 41 of the International Trade Administration Act, 2002 (Act No. 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 to terms and conditions reflected in import and rebate permits.

Enforcement activities are made up of scheduled inspections, unscheduled or surprise inspections, and investigations. During the past financial year, 767 scheduled inspections and 508 unscheduled or surprised inspections were conducted, and 16 investigations were carried out. Industry sectors inspected were that of clothing, ferrous and non-ferrous waste and scrap metals, automotive, pneumatic tyres, and machinery and equipment.

Illegally imported goods or goods destined for illegal exportation are subject to seizure in terms of the provisions of the Act. During the financial year, investigators seized illegally imported goods in seven instances. The sectors affected by these seizures were the clothing sector and the automotive sector. The Enforcement Unit also successfully participated in enforcement operations with other agencies such as SARS and SAPS.

Performance against predetermined objectives

18



TARIFF INVESTIGATIONS

STRATEGIC OBJECTIVE 1

Contribute to employment creating growth and development through effective delivery of international trade instruments

BUSINESS UNITS	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2012	PERFORMANCE INDICATORS
Tariff Investigations	Customs Tariff reductions investigated in order to reduce cost of production and improve international competitiveness	14 Investigations presented to the Commission	Evaluated and presented investigations, resulting in approved letters, government gazetting, reports, and amendment to the relevant Schedules of the Customs and Excise Act.
	Customs Tariff rebates investigated in order to reduce cost of production and improve international competitiveness	19 investigations presented to the Commission	Evaluated and presented investigations, resulting in approved letters, government gazetting, reports, and amendment to the relevant Schedules of the Customs and Excise Act
	Customs Tariff increases investigated in order to sustain jobs, investment and industrialisation	10 investigations evaluated and/or presented to the Commission	Evaluated and presented investigations, resulting in approved letters, government gazetting, reports, and amendment to the relevant Schedules of the Customs and Excise Act
	Motor Industry Development Programme (MIDP) managed in order to reduce cost of production and improve international competitiveness	<ul style="list-style-type: none"> • Issued: 2000 Import Rebate Credit Certificates (IRCCs) • 60 Productive Asset Allowance Certificates (PAA) • 280 Eligible Export Certificates (EECs) • 100 Heavy Commercial Vehicles certificates (HCV) 	Certificates issued in accordance with Legislation, Policy, Rules and Regulations



QUARTERLY MILESTONES / OBJECTIVES	ACTUAL PERFORMANCE	REASONS FOR VARIANCE
<ul style="list-style-type: none"> • Q1: 4 investigations presented to the Commission • Q2: 4 investigations presented to the Commission • Q3: 4 investigations presented to the Commission • Q4: 2 investigations presented to the Commission 	<p>10 investigations presented to the Commission</p>	<p>Received less applications from industry than anticipated</p>
<ul style="list-style-type: none"> • Q1: 5 investigations presented to the Commission • Q2: 5 investigations presented to the Commission • Q3: 5 investigations presented to the Commission • Q4: 4 investigations presented to the Commission 	<p>29 investigations presented to the Commission</p>	<p>Received more applications from industry than anticipated</p>
<ul style="list-style-type: none"> • Q1: 3 investigations presented to the Commission • Q2: 3 investigations presented to the Commission • Q3: 2 investigations presented to the Commission • Q4: 2 investigations presented to the Commission 	<p>21 investigations presented to the Commission</p>	<p>Received more applications from industry than anticipated</p>
<ul style="list-style-type: none"> • Q1 - 4: 500 IRCCs • 15 PAA certificates • 70 EECs • 25 HCV 	<ul style="list-style-type: none"> • 2 231 IRCCs issued • 43 PAA certificates issued • 50 EECs issued • 70 HCV issued 	<ul style="list-style-type: none"> • Received more applications from industry than anticipated. • PAA: Delay in renewal of contract between AIDC and the dti resulted in the delay of issuing PAA certificates. • EEC: The Commission decision to extend the validity period of the EECs resulted in less pressure and urgency by industry to renew their certificates (both EECs and HCV).

Performance against predetermined objectives *(continued)*

BUSINESS UNITS	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2012	PERFORMANCE INDICATORS
Tariff Investigations	MIDP verifications conducted in order to ensure compliance	Conducted 100 MIDP verifications	MIDP verifications conducted in accordance with Legislation, Policy, Rules and Regulations
	Textile and Clothing Industry Development Programme (TCIDP) Duty Credit Certificates issued in order to reduce input costs and increase competitiveness	Issued 600 DCC certificates	DCC certificates issued in accordance with Legislation, Policy, Rules and Regulations
	Import rebates and drawback permits issued in order to reduce input costs and increase competitiveness	Issued 860 permits	Permits issued in accordance with Legislation, Policy and guidelines



QUARTERLY MILESTONES / OBJECTIVES	ACTUAL PERFORMANCE	REASONS FOR VARIANCE
Q1 - Q4: 25 verifications	Conducted 339 MIDP verifications	Conducted more verifications than planned in order to ensure compliance to the programme.
Q1 - Q4: TCIDP: 150 certificates	Issued 374 DCC certificates	The administration of the TCIDP programme ends on 30 September 2012, therefore fewer certificates continue to be issued
Q1 - Q4: Other: 215	Issued 831 permits	Received less applications from industry than anticipated

Performance against predetermined objectives *(continued)*

STRATEGIC OBJECTIVE 2

Ensure strategic alignment and continued relevance with the Economic Development Department and National agenda

BUSINESS UNITS	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2012	PERFORMANCE INDICATORS
Tariff Investigations	Technical inputs to Trade and Industrial policy implementation	4 engagements	Accepted inputs
	Technical inputs on negotiating positions and policy inputs on Customs Tariffs	Meetings according to WTO schedule	Approved policy input papers and submissions
	Engagements with Government departments and relevant stakeholders	8 engagements	Qualitative technical advice provided
	Engagements with SACU/SADC	4 engagements	Reports presented, circulated and filed



QUARTERLY MILESTONES / OBJECTIVES	ACTUAL PERFORMANCE	REASONS FOR VARIANCE
Q1 - Q4: 1 engagement	31 engagements	High demand for technical inputs
Q3: 1 engagement	None	No inputs on Customs tariffs were required
Q1 - Q4: 2 engagements	74 engagements with Government departments and relevant stakeholders	High demand for engagements with Government departments and relevant stakeholders as a result of new issues coming out of the NGP and IPAP
Q1 - Q4: 1 engagement	3 engagements with SACU with respect to the establishment of National Bodies	SACU programme changed resulting in less invitations/ ITAC's participation

Performance against predetermined objectives *(continued)*

STRATEGIC OBJECTIVE 3

Ensure organisational efficiency and effectiveness

BUSINESS UNITS	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2012	PERFORMANCE INDICATORS
Tariff Investigations	Reviewed Tariff Investigations' policies and procedures	<ul style="list-style-type: none"> Develop guidelines for new rebate provisions which are subject to a permit from ITAC Review guidelines and questionnaires for existing rebate provisions Implement Tariff Investigations Guidelines Interactions with stakeholders regarding the changes in policy and regulations 	<ul style="list-style-type: none"> Approved guidelines and questionnaires for rebates Implemented Tariff Investigations guidelines Workshops
	Revised Customs Tariff Policy	Implemented Customs Tariff Policy	Implemented Customs Tariff Policy
	Amended Tariff Investigation Regulations	Implemented Tariff Investigation Regulations	Implemented Tariff regulations
	Conducted impact assessment study on use of Tariff instruments (Increases)	Completed impact assessment study. Completed impact assessment report	Approved Report



QUARTERLY MILESTONES / OBJECTIVES	ACTUAL PERFORMANCE	REASONS FOR VARIANCE
<ul style="list-style-type: none"> • Q1 - Q4: Developed guidelines for newly approved rebate provisions which are subject to a permit from ITAC • Q4: Reviewed guidelines and questionnaires for existing rebate provisions • Q1 – Q2: Developed guidelines for new APDP programme • Q1: Implemented Tariff Investigations guidelines 	<ul style="list-style-type: none"> • Developed guidelines and questionnaires for computer monitors • Reviewed: <ul style="list-style-type: none"> - Rebate item 405.04 for donations - Drawback item 521.00 - Rebate item 470.03 to extend export period for yachts industry - Rebate for worn overcoats • Implemented Tariff Investigations guidelines • Workshopped employees on reviewed Tariff Investigations guidelines • Reviewed and strengthened procedures of administration of rebate provisions • Workshops with SARS, the dti and automotive industry on the draft APDP guidelines and regulations 	
<p>Q1 – Q4: Ongoing</p>	<p>Customs Tariff Policy implemented</p>	
<p>Q1 – Q4: Ongoing</p>	<p>Tariff Investigation Regulations implemented</p>	
<ul style="list-style-type: none"> • Q1: Commenced procurement process • Q2: Commenced study • Q4: Approved Report 	<p>Project initiated and withdrawn after assessing the relevancy and impact of the study.</p>	<p>Reviewed scope resulting in study being withdrawn.</p>

Performance against predetermined objectives *(continued)*

BUSINESS UNITS	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2012	PERFORMANCE INDICATORS
Tariff Investigations	Raising awareness about Tariff Investigations instruments	<ul style="list-style-type: none"> • SARS Co-ordination Committee (4) • Roadshows (1) • Presentations to Commission on technical Tariffs issues (2) • Internal information-sharing sessions (3) • Information-sharing with targeted industries (3) • Government agencies (4) - one per quarter • Media publications (3) 	Workshop/road shows/meetings
	Participated in Risk Management	Addressed identified risks and identify new risks	Implementation of corrective measures and minimised risks



QUARTERLY MILESTONES / OBJECTIVES	ACTUAL PERFORMANCE	REASONS FOR VARIANCE
<ul style="list-style-type: none"> • Q1: <ul style="list-style-type: none"> - SARS - Government agency - Media article • Q2: <ul style="list-style-type: none"> - Internal Information-sharing - SARS - Targeted industries - Media article - Commission presentations - Government agency • Q3: <ul style="list-style-type: none"> - SARS - Targeted industries - Road show - Government agency - Internal information session • Q4: <ul style="list-style-type: none"> - Media article - Presentation to the Commission - SARS - Government agency 	<ul style="list-style-type: none"> • 4 SARS/ITAC Co-ordination Committee • 1 North West Province roadshow • 10 Information-sharing sessions with Government agencies • 7 Internal information-sharing sessions • 3 Presentations to the Commission on technical Tariffs issues • 5 Information-sharing with targeted industries 	
<p>Q1 – Q4: Participated, implemented and reported on risk management.</p>	<p>Corrective measures implemented to minimise risks.</p>	

Performance against predetermined objectives *(continued)*

28



TRADE REMEDIES

STRATEGIC OBJECTIVE 1

Contribute to employment creating growth and development through effective delivery of international trade instruments

BUSINESS UNITS	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2012	PERFORMANCE INDICATORS
Trade Remedies	<ul style="list-style-type: none">• Sunset reviews investigations• Anti-dumping investigations• Countervailing investigations• Safeguard investigations	Investigations to be initiated: <ul style="list-style-type: none">• 6 investigations• 6 investigations• 2 investigations• 1 investigation	Published government gazette notice and / or gazetted amendments to the relevant Schedule in the Customs and Excise Act



QUARTERLY MILESTONES / OBJECTIVES	ACTUAL PERFORMANCE	REASONS FOR VARIANCE
<ul style="list-style-type: none"> • Q1: 4 investigations • Q2: 4 investigations • Q3: 4 investigations • Q4: 3 investigations 	<ul style="list-style-type: none"> • 3 sunset review investigations initiated • 4 anti-dumping investigations initiated • No countervailing investigations initiated • No safeguard investigations initiated 	<p>Less applications for anti-dumping; countervailing; safeguard and sunset review investigations were received from industry than anticipated. Investigations are dependant on applications received, which are industry driven.</p>

Performance against predetermined objectives *(continued)*

STRATEGIC OBJECTIVE 2

Ensure strategic alignment and continued relevance with the Economic Development Department and National agenda

BUSINESS UNITS	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2012	PERFORMANCE INDICATORS
Trade Remedies	Participation in WTO Committee and Technical group meetings.	4 meetings - according to WTO schedule	Feed-back reports and approved input papers and submissions
	Participation in WTO Negotiating Group on Rules	4 meetings according to WTO schedule	Approved negotiating texts
	Participation in EU EPA negotiations	2 meetings according to the dti schedule	Approved negotiating texts



QUARTERLY MILESTONES / OBJECTIVES	ACTUAL PERFORMANCE	REASONS FOR VARIANCE
<ul style="list-style-type: none"> • Q1: 2 meetings • Q2: 0 • Q3: 0 • Q4: 2 meetings 	<ul style="list-style-type: none"> • Attended 1 WTO Committee and 1 Working Group meeting. • Presented two discussion papers in the Working Group on implementation meeting, under the Anti-Dumping Committee, and provided oral responses to questions raised by other WTO members attending these meetings. 	<p>Less meetings attended. Meetings are scheduled by the WTO and ITAC officials attend when invited to particular meeting subject to whether ITAC has interest on the items included on the agenda.</p>
<ul style="list-style-type: none"> • Q1: 2 meetings • Q2: 1 meeting • Q3: 0 • Q4: 1 meeting 	<ul style="list-style-type: none"> • No meetings were attended. • A summary report on Trade Remedies actions was updated on request of the SA Embassy in Geneva. • Provided an analysis to the dti on new negotiating texts released by the WTO. 	<p>Meetings are scheduled by the WTO and attendance is based on invitations received for particular meetings and on the agenda.</p>
<ul style="list-style-type: none"> • Q1: 0 • Q2: 0 • Q3: 1 meeting • Q4: 1 meeting 	<p>Attended 2 EPA negotiation meetings.</p>	

Performance against predetermined objectives *(continued)*

32



BUSINESS UNITS	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2012	PERFORMANCE INDICATORS
Trade Remedies	Participation in regional integration issues	2 meetings according to the dti schedule	Approved negotiating texts, input papers and submissions reports
	Participation in SACU-India trade bilateral negotiations	2 meetings according to the dti schedule	Approved negotiating texts, input papers and reports



QUARTERLY MILESTONES / OBJECTIVES	ACTUAL PERFORMANCE	REASONS FOR VARIANCE
<ul style="list-style-type: none"> • Q1: 0 • Q2: 1 SACU/SADC meeting • Q3: 0 • Q4: 1 SACU/SADC meeting 	<ul style="list-style-type: none"> • Attended meeting with new consultants appointed by SACU Secretariat as well as a meeting with the dti with regard to Article 40 and 41 of the SACU Agreement. • Attended preparatory meeting for SACU Task Team Meeting with regard to anti-dumping Regulations. • Participated in workshop in Lesotho pertaining to establishment of its National Body. • Attended SACU Regional Conference. • Provided comments on SACU Roadmap. • Provided comments on SADC Trade Remedies proposal. • Provided comments on Article 41 report by SACU Consultants. • Provided advice with regard to an anti-dumping case on cement by Namibia. • Provided input on the draft SACU Tribunal Annex 	<p>Meetings are scheduled by the dti and attendance is therefore based on receipt of an invitation to a particular meeting and the agenda.</p>
<ul style="list-style-type: none"> • Q1: 0 • Q2: 1 meeting • Q3: 1 meeting • Q4: 0 	<p>No negotiating meetings were attended.</p>	<p>Meetings are scheduled by the dti and attendance is therefore based on receipt of an invitation to a particular meeting and the agenda.</p>

Performance against predetermined objectives *(continued)*

STRATEGIC OBJECTIVE 3

Ensure organisational efficiency and effectiveness

BUSINESS UNITS	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2012	PERFORMANCE INDICATORS
Trade Remedies	Reviewed policy, regulations, questionnaires, investigation guidelines.	<ul style="list-style-type: none"> • Implement Anti-dumping (AD) Policy • Review safeguard regulations • Implement anti-dumping regulations and questionnaires • Implement countervailing regulations; manual and questionnaires 	<ul style="list-style-type: none"> • Implemented Anti-dumping Policy • Gazetted regulations • Published government gazette notice • Published government gazette notice
	Conducted ad - hoc research projects	Research reports on: <ul style="list-style-type: none"> • Cumulation (Article 3.3) • Sectoral material injury analysis (Article 3.4) • Facts available/best information available. 	Approved research papers



QUARTERLY MILESTONES / OBJECTIVES	ACTUAL PERFORMANCE	REASONS FOR VARIANCE
<ul style="list-style-type: none"> • Q1 – Q4: Implementation of Anti-dumping Policy • Q1 – Q4: Review safeguard regulations • Q1 – Q4: Implementation of anti-dumping regulations and questionnaires. • Q1 – Q4 Implementation of countervailing regulations and questionnaires 	<ul style="list-style-type: none"> • Reviewed Anti-dumping Policy. Awaiting approval of Anti-dumping Policy by EDD. • Safeguard regulations still under review. • Awaiting approval of anti-dumping regulations by EDD. • Reviewed countervailing regulations. Awaiting approval of countervailing regulations by EDD. • Provided input on draft Customs Bill. 	<ul style="list-style-type: none"> • Introduction of New Growth Path (NGP) had influence on review of the AD policy as policy had to be aligned to NGP. • Review of Safeguard Regulations delayed pending finalisation of other policies, regulations and the ITA Act. • NGP and AD Policy had direct influence on regulations. Further amendments were necessary and final draft is now awaiting approval. Thereafter, implementation of new questionnaires can commence.
<ul style="list-style-type: none"> • Q1: • Q2: Finalise research plans • Q3: • Q4: Approved research papers 	<p>All ad hoc research project papers finalised.</p>	

Performance against predetermined objectives *(continued)*

BUSINESS UNITS	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2012	PERFORMANCE INDICATORS
Trade Remedies	Raised awareness about Trade Remedies instruments	<ul style="list-style-type: none"> • 6 SARS Coordination Committee meetings • 2 Provincial roadshows • 5 presentations to the Commission • 1 Internal information-sharing session • 3 Information sharing-sessions with targeted industries 	Attended workshop / roadshow / meeting presentations



QUARTERLY MILESTONES / OBJECTIVES	ACTUAL PERFORMANCE	REASONS FOR VARIANCE
<ul style="list-style-type: none"> • Q1: Commission presentations. <ul style="list-style-type: none"> - SARS, ITED • Q2: Internal information-sharing <ul style="list-style-type: none"> - SARS - Targeted industries - Media article - Commission presentations - Roadshow, ITED • Q3: Commission presentations <ul style="list-style-type: none"> - SARS - Targeted industries - Roadshow, ITED presentations to Commission - SARS • Q4: Media article 	<ul style="list-style-type: none"> • Participated in 4 SARS-ITAC Co-ordination Committee meetings. • Participated in Northwest and Soweto roadshows with Portfolio Committee on Economic Development. • Presentation to the Commission on price effects. • Presentation to the Commission on calculation of normal value. • Internal information-sharing sessions: <ul style="list-style-type: none"> - Progress Office Court Case (2). - Anti-dumping workshop with Dr Edwards. - Feedback on presentations made at WTO. - Performance management. - Conduct of Trade Remedies investigations - Draft research papers. • Information-sharing sessions with industry: <ul style="list-style-type: none"> - Potato Chip Manufacturers regarding possible safeguard/anti-dumping application (2). - Windscreen industry regarding requirements for CVD investigation. - WW regarding injury to particular market segment. - Trade Law Chambers: possible CVD case. - Komodo: new shipper review. - Bowman and Gilfillan - Distell - PWC - Fascor 	<ul style="list-style-type: none"> • Less meetings scheduled dependant on need. • Only 2 out of 5 presentations to the Commission were done as the Commission schedule was stretched and outstanding presentations deferred to the next financial year. • Changes in policy required that there be more information-sharing sessions • More requests for information-sharing received from industry • Some of the events for awareness raising are reactive responses to invitations.

Performance against predetermined objectives *(continued)*

BUSINESS UNITS	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2012	PERFORMANCE INDICATORS
Trade Remedies	Raised awareness about Trade Remedies instruments	<ul style="list-style-type: none"> • 4 ITED engagements 	Attended workshop / roadshow / meeting presentations
		<ul style="list-style-type: none"> • 2 Media publications 	
	Reporting, Monitoring and Evaluation		
	Participated in Risk Management	Addressed identified risks and identify new risks. (Specific risks are contained in the risk management report)	Implementation of corrective measures and minimised risks



QUARTERLY MILESTONES / OBJECTIVES	ACTUAL PERFORMANCE	REASONS FOR VARIANCE
	<ul style="list-style-type: none"> • Engagements with the dti-ITED division on various Trade Remedies investigations: <ul style="list-style-type: none"> - chicken portions imports from USA - Scaw – EU anti-dumping investigation - Delta – EU sunset review of AD duties - Provided input regarding DG report on developments in international trade to Mission in Geneva 	
	<ul style="list-style-type: none"> • Responses to media query by: <ul style="list-style-type: none"> - Mail and Guardian regarding tyres (2) - Brazil chicken investigation. - Bloomberg; Business Day, Business Report, Financial Week (6) • Interview and written response with Tyre magazine and provided written response. • Provided responses to follow-up questions by Consultant for EU Comparative Study. • Prepared introduction to Dumping Margins calculations leaflet. • Provided comments on the Draft Factual presentation of the Trade Development and Co-operation Agreement (TDCA) between the EU and SA to ITED • Provided information on PFG to ITED in preparation for meeting with Minister • Held Technical exchange session with Ghana delegation. • Participated in session with Chinese delegation with regard to Record of Understanding. 	
	<p>Quarterly reports, annual report, semi-annual reports to WTO and information requested by AG submitted timeously</p>	
<p>Q1 – Q4: Participated, implemented and reported on risk management</p>	<p>Corrective measures implemented to minimise risks.</p>	

Performance against predetermined objectives *(continued)*

IMPORT AND EXPORT CONTROL

STRATEGIC OBJECTIVE 1

Contribute to employment creating growth and development through effective delivery of international trade instruments

BUSINESS UNITS	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2012	PERFORMANCE INDICATORS
Import and Export Control	Import permits issued for enforcement of health, safety security and technical standards and international agreements and to promote domestic value addition and curbing the erosion of domestic market	Issued 13 000 Import permits	Permits issued in accordance with Regulations and Policy
	Export permits issued for enforcement of health, safety security and technical standards and international agreements and to promote domestic value addition and curbing the erosion of domestic market	Issued 7 000 Export permits	Permits issued in accordance with Regulations and Policy
	Enforcement of the Act and Regulations, detected non compliance with permit conditions	500 scheduled inspections 700 unscheduled inspections 16 investigations completed	Timely, effective and efficient inspections conducted Timely, effective and efficient Investigations conducted



QUARTERLY MILESTONES / OBJECTIVES	ACTUAL PERFORMANCE	REASONS FOR VARIANCE
3 250 permits per quarter	16 224 import permits issued	Increase in the number of applications received
1 750 permits per quarter	6 839	Decrease in the number of applications received.
<ul style="list-style-type: none"> • 125 inspection per quarter • 175 inspection per quarter • 4 investigations per quarter 	<p>767</p> <p>508</p> <p>16</p>	<p>Increase in the demand for scheduled inspections.</p> <p>Increased in the scheduled inspections resulted in less unscheduled inspections being conducted.</p>

Performance against predetermined objectives *(continued)*

STRATEGIC OBJECTIVE 2

Ensure strategic alignment and continued relevance with the Economic Development Department and National agenda

BUSINESS UNITS	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2012	PERFORMANCE INDICATORS
Import and Export Control	Engagements with Government Departments to provide input on draft SARS and other legislation	4 engagements	Qualitative technical advice provided
	Engagement with Government Departments on Quality and Safety Standards	4 engagements	Qualitative technical advice provided
	Amended Import and Export Control Regulations, Policies and Guidelines to comply with international agreements, standards, environmental and health reasons	• Amended Import Control Regulations to consolidate all amendments done during the 2010/2011 financial year	• Import Control Regulations published
		• Amended Export Control Regulations to consolidate all amendments done during the 2010/2011 financial year	• Export Control Regulations published



QUARTERLY MILESTONES / OBJECTIVES	ACTUAL PERFORMANCE	REASONS FOR VARIANCE
1 session per quarter	<ul style="list-style-type: none"> • June 2011 - Customs Duty Bill • June 2011 - Customs Control Bill • June 2011 - SAPS - Second-hand Goods Act • July 2011 - ITA Act • Sept 2011 - SARS Control Bill • Oct 2011 - SARS Control Bill • Feb 2012 - SAPS Second Hand Goods Act 	Increased in the number of requests received to engage on draft legislation.
1 session per quarter	<ul style="list-style-type: none"> • May 2011 – Illumination Engineering Society of SA • July 2011 – Civil Aviation Association of SA • Oct 2011 – NRCS • Nov 2011 – NRCS • Jan 2012 – Illumination Engineering Society of South Africa 	Increase in the number of requests received to engage on quality, safety and standards.
<ul style="list-style-type: none"> • Q1: Prepare draft regulations. • Q2: Submit to Commission and Minister for approval • Q3: Publish and implement. • Q4: 	<ul style="list-style-type: none"> • Regulations approved by the Minister in January 2012 • Published 	
<ul style="list-style-type: none"> • Q1: Prepare draft regulations • Q2: Submit to the Commission and Minister for approval. • Q3: Publish and implement 	<ul style="list-style-type: none"> • Regulations approved by Minister in January 2012 • Published 	

Performance against predetermined objectives *(continued)*

BUSINESS UNITS	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2012	PERFORMANCE INDICATORS
Import and Export Control	Amended Import and Export Control Regulations, Policies and Guidelines to comply with international agreements, standards, environmental and health reasons	Reviewed Co-operation agreements with stakeholder Departments to formalise co-operation and the flow of information in the process of adjudicating applications and administering control measures <ul style="list-style-type: none"> • 1988 Convention (SAPS) 	<ul style="list-style-type: none"> • Confirmed/signed agreement
		<ul style="list-style-type: none"> • Agreement with former Department of Agriculture, Forestry and Fisheries 	<ul style="list-style-type: none"> • Confirmed/signed agreement with Department of Agriculture, Forestry and Fisheries
		<ul style="list-style-type: none"> • Agreement with former Dept of Minerals and Energy 	<ul style="list-style-type: none"> • Confirmed/signed agreement with Department of Mineral Resources



QUARTERLY MILESTONES / OBJECTIVES	ACTUAL PERFORMANCE	REASONS FOR VARIANCE
<ul style="list-style-type: none"> • Q1:Review agreement • Q2: Confirm agreement content/sign agreement if amendment occurred 	<ul style="list-style-type: none"> • Agreement perused SAPS confirmed satisfaction with the content. 	
<ul style="list-style-type: none"> • Q1 Finalise technical discussions with stakeholders • Q2:Review agreement • Q3 Sign agreement and implement 	<ul style="list-style-type: none"> • Current agreement with former DWAF submitted to DAFF during August 2011 for perusal and comment. 	<ul style="list-style-type: none"> • ITAC still awaiting comments from DAFF
<ul style="list-style-type: none"> • Q1:Finalise technical discussion with stakeholder • Q2:Review agreement • Q3: Sign agreement and implement 	<ul style="list-style-type: none"> • Current agreement with former Department of Minerals and Energy submitted to DMR for perusal and comment during February 2011 and October 2011. 	<ul style="list-style-type: none"> • ITAC still awaiting comments from DMR

Performance against predetermined objectives *(continued)*

STRATEGIC OBJECTIVE 3

Ensure organisational efficiency and effectiveness

BUSINESS UNITS	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2012	PERFORMANCE INDICATORS
Import and Export Control	Amended / Reviewed / drafted policy guidelines for: <ul style="list-style-type: none"> • Marine products • Used tyre casings • Montreal Protocol chemicals 	Reviewed and updated policy guidelines pertaining to the importation of marine product. Policy guidelines regarding the process of applying and obtaining an import permit for the importation of used tyre casing for retreading purposes. Policy guidelines regarding the process of applying and obtaining import and export permits for chemicals listed in the Montreal Protocol.	Policy guidelines approved and posted on ITAC website. Policy guidelines posted on ITAC website Policy guidelines posted on ITAC website.
	Reviewed Import permit application forms	Reviewed import permit applications to address shortcomings and to provide for applications as a result of the amended Import Control Regulations.	Application forms posted on ITAC website
	Reviewed export permit application forms	Reviewed export permit applications to address shortcomings and to provide for applications as a result of the amended Export Control Regulations.	Application forms posted on ITAC website



QUARTERLY MILESTONES / OBJECTIVES	ACTUAL PERFORMANCE	REASONS FOR VARIANCE
<ul style="list-style-type: none"> • Q1: Drafted guidelines, • Q2: Internal discussion, approved by the Chief Commissioner and posted on ITAC website • Q1: First draft completed • Q2: Internal discussion, approved by the Chief Commissioner and posted on ITAC website • Q1: First draft completed , • Q2: Internal discussion, approved by the Chief Commissioner and posted on ITAC website 	<p>Commenced with the process of identifying tariff headings for the marine products provided by DAFF.</p> <p>Approved by the Chief Commissioner in August 2011 and implemented</p> <p>Approved by the Chief Commissioner in July 2011 and implemented.</p>	<p>The process of restructuring of the former Departments of Agriculture and Environmental Affairs and Forestry resulted in the project being delayed.</p>
<ul style="list-style-type: none"> • Q1: Reviewed existing application form and post on ITAC website • Q2: Draft application forms for newly controlled goods (new guidelines) • Q3: Internal discussion, post on ITAC website • Q1: Reviewed existing application form and post on ITAC website • Q2: Drafted application forms for newly controlled goods (new guidelines) • Q3: Internal discussion stakeholder discussion posted on ITAC website 	<p>Reviewed during November 2011</p> <p>Reviewed and amended in November 2011</p>	

Performance against predetermined objectives *(continued)*

BUSINESS UNITS	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2012	PERFORMANCE INDICATORS
Import and Export Control	Conducted ad hoc research project. Local manufacture of: <ul style="list-style-type: none"> • Agricultural machines and equipment • Horticultural machines and equipment 	Researched information with regard to availability of goods from local manufacturing industries, product range, time frames and local content determined	Researched information used in the process of adjudicating import permit applications
	Organised information-sharing session with stakeholders: <ul style="list-style-type: none"> • SAPS on Second-hand Goods Act 	Clear understanding of responsibilities emanating from the Act	Implemented responsibilities emanating from the Act
	<ul style="list-style-type: none"> • Environmental Affairs 	Processes and procedures related to the import and export control regimes pertaining to the Montreal Protocol	Successfully conducted information-sharing session
	<ul style="list-style-type: none"> • Cross-Border Road Transport Agency 	ITAC/Cross-Border Information-sharing Forum	Active Forum for sharing operational information on foreign vehicles operating in SA
	<ul style="list-style-type: none"> • SARS/ITAC discussion forum 	Effective operational information-sharing forum	Active forum for sharing operational information regarding the importation/exportation of goods
	Organised information-sharing sessions with representative and business organisations: <ul style="list-style-type: none"> • Paper Manufacturers Association 	Conducted information-sharing sessions pertaining to the exportation of paper waste	2 information-sharing sessions per annum
	<ul style="list-style-type: none"> • Tyre Dealers Association 	Information-sharing sessions pertaining to the importation of tyre casings and verification of retreaders	2 information-sharing session per annum



QUARTERLY MILESTONES / OBJECTIVES	ACTUAL PERFORMANCE	REASONS FOR VARIANCE
<ul style="list-style-type: none"> Q1: Completed submission and technical framework Q2: Conducted research, compile research result, internal discussion, and implement. 	<p>Project completed and implemented during March 2012.</p>	
<ul style="list-style-type: none"> Q1: SAPS session 	<p>Meeting with SAPS held in June 2011</p>	
<ul style="list-style-type: none"> Q3: DEA session 	<p>Discussion held during February 2012</p>	
<ul style="list-style-type: none"> Q1: Session Q2: Session Q3: Session Q4: Session 	<p>Quarterly sessions held</p>	
<ul style="list-style-type: none"> Q1: Session Q2: Session Q3: Session Q4: Session 	<p>Quarterly sessions held</p>	
<ul style="list-style-type: none"> Q2: Session Q4: Session 	<ul style="list-style-type: none"> Discussion held during October 2011 Discussion held during March 2012 	
<ul style="list-style-type: none"> Q2: Session Q4: Session 	<ul style="list-style-type: none"> Discussion held during September 2011 Discussion held during March 2012 	

Performance against predetermined objectives *(continued)*

BUSINESS UNITS	MEASURABLE OBJECTIVES	TARGETS/OUTPUTS TO BE DELIVERED BY 31 MARCH 2012	PERFORMANCE INDICATORS
Import and Export Control	Business Chambers	Presentation on Import and Export Control	1 information-sharing session
	Engagement with SARS to test implemented electronic permit system at SACU Land Border Post to measure functionality	Electronic permit system as SACU Land Border Posts implemented tested and adjusted	Import permits for goods entering SA via SACU Land Border Post electronically marked off SARS
	Updated and implemented process and procedure manual for: <ul style="list-style-type: none"> • Enforcement Unit • Import Control 	Completed and implemented procedure manuals: <ul style="list-style-type: none"> • Enforcement Unit • Import Control 	Approved procedure manuals
	<ul style="list-style-type: none"> • Export Control 	<ul style="list-style-type: none"> • Export Control 	
	Participated in Risk Management	<ul style="list-style-type: none"> • Addressed identified risks and identify new risks • Management of identified risks as per risk register 	Implementation of procedure to minimise risk
	Raised awareness about the Import and Export control instrument, including enforcement	<ul style="list-style-type: none"> • 2 Road shows to targeted groups • 2 Internal information-sharing sessions 	Successfully conducted sessions



QUARTERLY MILESTONES / OBJECTIVES	ACTUAL PERFORMANCE	REASONS FOR VARIANCE
<ul style="list-style-type: none"> • Q1: Session • Q4: Session 	<ul style="list-style-type: none"> • Presentation to National Treasury/the dti Nov 2011 • Presentation to Ghana delegates Feb 2012 • Presentation to Savino Del Bene March 2012 	
<ul style="list-style-type: none"> • Q1: Test information flow • Q2: Amend/update and implement 	<p>Readiness to test system expressed during 2011. Testing commenced during February 2011</p>	<p>Process of implementing the electronic permit system by SARS commenced on 11 Feb 2012 and will be concluded by June 2012. SARS "Modernization Programme" delayed the electronic permit system at SACU Land Border Posts.</p>
<ul style="list-style-type: none"> • Q1: Update procedure manuals • Q2: Conducted internal staff engagement and update • Q3: Implemented 	<p>Final draft under Legal review approved and implemented Q4</p> <p>Not updated</p>	<p>The process and procedure manual for enforcement was expanded to include the relationship between ITAC and Tariffs when non-compliance is detected the increase in the scope at the manual resulted in the extension of the time frame for completion.</p> <p>Updating export control procedure manual delayed as result of restructuring of DAFF and DEA.</p>
<ul style="list-style-type: none"> • Q1: Roadshows • Q4: Roadshows • Q2: Internal session • Q4: Internal session 	<ul style="list-style-type: none"> • North West Province Roadshow, April 2011 • SARS Academy, May 2011 • Presentation to Non-Ferrous Metal Task Team • Done July 2011 • Done March 2012 	
<p>Q1 - Q4: Participated, implemented and reported on risk management</p>	<p>Corrective measures implemented to minimise risks.</p>	



■ ■ ■ TABLE OF CONTENTS ■ ■ ■

Annual Financial Statements

for the year ended 31 March 2012

Corporate Governance Report	53
Accounting Authority's Responsibilities and Approval	54
Audit Committee Report	55
Report of the Auditor-General	57
Accounting Authority's Report	60
Statement of Financial Position	62
Statement of Financial Performance	63
Statement of Changes in Net Assets	64
Cash Flow Statement	65
Accounting Policies	66
Notes to the Annual Financial Statements	77

Corporate Governance Report

for the year ended 31 March 2012

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

ITAC Corporate Services Delegations of Authority and Policies, were reviewed and approved in the reporting period under review.

1. Internal Financial control

Internal Financial control focus on the critical risk areas, which are identified by Management and reviewed by the Audit Committee. The Executive Committee and the governing structures are confident that the standards that have been set and the systems on internal control and accounting control that have been implemented are adequate to ensure the integrity and reliability of the financial statements and accountability of ITAC's assets. These systems are continuously monitored throughout the year by both Management and the Internal Audit Unit.

2. Risk Management

An independent risk management process is in place to enable Management to effectively identify, evaluate and assess risks. The Internal Audit Unit 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.

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

Accounting Authority's Responsibilities and Approval

for the year ended 31 March 2012

The International Trade Administration Act, 2002 (Act No. 71 of 2002), (ITA Act), requires the Chief Commissioner to ensure that the International Trade Administration Commission of South Africa (ITAC) maintains full and proper records of its financial affairs. The Annual Financial Statements, for the year ended 31 March 2012, 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 year ended 31 March 2012, 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 year ended 31 March 2012. 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 year ended 31 March 2012, and is of the opinion that ITAC's systems of internal control and risk management were effective for the period under review.

I am satisfied that these financial statements represent a fair reflection on the results of ITAC for the year ended 31 March 2012.



Siyabulela Tsengiwe
Chief Commissioner

Date: 31 July 2012

Report of the Audit Committee

for the year ended 31 March 2012

We are pleased to present our report for the financial year ended 31 March, 2012.

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)	4
P Mvulane	3
K Singh	3
PR Mnisi	4

Audit Committee Responsibility

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

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

The effectiveness of internal control

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

In line with the PFMA and the King 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.

The role played by the Committee has been instrumental in identifying corrective actions and providing guidance on necessary enhancements to the controls and processes that have effect on the ITAC's compliance, risk and performance environment as well as responsibilities that ITAC has to its external environment.

From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and the Management Report of the Auditor-General, it was noted that, no matters other than irregular expenditure, was reported, indicating any 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 efficient and effective.

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

Report of the Audit Committee *(continued)*

for the year ended 31 March 2012

56



Evaluation of 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;
- reviewed the Auditor-General's Management Report and Management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed ITAC's compliance with legal and regulatory provisions; and
- reviewed significant adjustments resulting from the audit.

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

The Audit Committee has met the Auditor-General South Africa to discuss the audit findings with regard to Performance Information. Similar matters are only expected to be resolved in the 2013/2014 financial year due to the Strategic Planning Process timelines. The Committee would like to express gratitude to the Auditor-General for their support and fruitful discussions with the Committee.

Internal audit

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

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 once again receiving an unqualified audit report for the 2011/2012 financial year.

A handwritten signature in black ink that reads 'Shaila Hari'.

Shaila Hari
Chairperson of the Audit Committee

Date: 31 July 2012

Report of the Auditor-General

for the year ended 31 March 2012

To Parliament on the International Trade Administration Commission of South Africa

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the Annual Financial Statements of the International Trade Administration Commission of South Africa (ITAC) set out on pages 62 to 92, which comprise the statement of financial position as at 31 March 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and 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 South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 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 the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.
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 ITAC as at 31 March 2012, 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 PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Report of the Auditor-General *(continued)*

for the year ended 31 March 2012

58



Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on page 63 of the annual report.
9. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury's *Framework for Managing Programme Performance Information (FMPPi)*.
10. The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
11. The material findings are as follows:

Usefulness of information

12. Treasury Regulation 30.1.3(g) requires that the strategic plan should form the basis for the annual report, therefore requiring the consistency of objectives, indicators and targets between planning and reporting documents. A total of 33% of the reported objectives, 58% of the reported indicators and 76% of the reported targets were not consistent with the objectives, indicators and targets as per the approved strategic plan. This is due to the fact that Management was aware of the requirements of the *FMPPi* but did not receive the necessary training to apply the principles.
13. The *FMPPi* requires that indicators should have clear, unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 42% of the planned and reported indicators relevant to the objective "Ensure contribution to employment creating growth and development through effective delivery of international trade instruments" were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. This was due to planned indicators not being reviewed for compliance against prescribed criteria before being approved.
14. The *FMPPi* requires that indicators should have clear, unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 71% of the planned and reported indicators relevant to the objective "Ensure strategic alignment and continued relevance with the Economic Development Department and national agenda" were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. This was due to planned indicators not being reviewed for compliance against prescribed criteria before being approved.
15. The *FMPPi* requires that it must be possible to validate the processes and systems that produce the indicator. A total of 71% of the planned and reported indicators relevant to the objective "Ensure strategic alignment and continued relevance with the Economic Development Department and national agenda" were not verifiable in that valid processes and systems that produced the information on actual performance did not exist. This was due to planned indicators not being reviewed for compliance against prescribed criteria before being approved.

Additional matter

16. I draw attention to the following matter below. This matter does not have an impact on the predetermined objectives audit findings reported above.

Report of the Auditor-General (*continued*)

for the year ended 31 March 2012

Achievement of planned targets

17. Of the 80 planned targets, only 52 were achieved during the year under review. This represents 35% of the total planned targets were that not achieved during the year under review. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process.

Compliance with laws and regulations

18. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Procurement and contract management

19. Certain goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1.
20. Sufficient appropriate audit evidence could not be obtained that quotations had been awarded to bidders based on points given for criteria that were stipulated in the original invitation for quotations, as required by the Supply Chain Management Regulations, Treasury Regulation 16A6.3(b) and the Preferential Procurement Regulations.
21. Quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, contrary to Treasury Regulation 16A8.3.

Expenditure management

22. The accounting authority did not take effective steps to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA.

Internal control

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

Leadership

24. The leadership of ITAC did not exercise appropriate oversight in ensuring that objectives and indicators were consistent between planning and reporting documents and that planned and reported indicators were formulated in accordance with the FMPPI. Furthermore, the public entity had not implemented sufficient monitoring controls to ensure compliance with Supply Chain Management Regulations.

Auditor General

Pretoria

31 July 2012

Accounting Authority's Report

for the year ended 31 March 2012

60



1. Introduction

Report by the Accounting Authority.

2. Operating results

The surplus of ITAC for the period to 31 March 2012 was R2,905,882 (2011: R1,448,783). The interest received year to date is R1,374,722.

3. Review of activities

Main business and operations

The aim of ITAC, as stated in the International Trade Administration Act, 2002 (Act No. 1 of 2002), 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 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 the Economic Development Department (EDD). 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.

	2012	2011
	R'000	R'000
Total operating costs	(68,830,191)	(64,307,472)
ITAC budget allocation from EDD	69,604,000	64,343,000

4. Member and executive managers emoluments

Disclosure of the Executive Management remuneration is detailed in note 14 of the Annual Financial Statements.

5. Review of financial position

ITAC was granted permission by National Treasury to retain an amount of R14,136,205 being the 2008/2009 accumulated surplus. Of this amount R10,400,000 was set aside for the Job Evaluation exercise and capital expenditure. ITAC submitted a request to National Treasury to retain the 2009/2010 surplus of R4,143,268 and received an approval in April 2011. In the current financial period, ITAC received approval from National Treasury to retain the 2010/2011 surplus of R2,676 million.

6. 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

Accounting Authority's Report *(continued)*

for the year ended 31 March 2012

PFMA. The materiality amount for the year is R361,710. 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 2011/2012 financial year is R72,342,000.

7. Business address:

the dti Campus (Building E)
77 Meintjies Street, Sunnyside, PRETORIA

8. Approval of the financial statements

The Annual Financial Statements set out on pages 62 to 92 have been approved by the Executive Committee and signed on its behalf by the Chief Commissioner.



Siyabulela Tsengiwe
Chief Commissioner

Date: 31 July 2012

Statement of Financial Position

for the year ended 31 March 2012

62



	2012	2011
	R'000	R'000

Note(s)

	2012	2011
	R'000	R'000
Assets		
Current Assets		
Inventory	46,019	48,885
Trade and other receivables	1,116,951	299,186
Prepayments	-	32,528
Cash and cash equivalents	27,224,625	23,017,905
	28,387,595	23,398,504
Non-Current Assets		
Property, plant and equipment	1,715,305	2,727,625
Intangible assets	394,346	317,908
	2,109,651	3,045,533
Total Assets	30,497,246	26,444,037
Liabilities		
Current Liabilities		
Finance lease obligation	261,914	194,190
Trade and other payables	4,069,725	2,862,056
Provisions	3,707,425	3,323,863
	8,039,064	6,380,109
Non-Current Liabilities		
Finance lease obligation	436,714	408,906
Provisions	1,704,361	2,243,797
	2,141,075	2,652,703
Total Liabilities	10,180,139	9,032,812
Net Assets		
Accumulated surplus	20,317,107	17,411,225
Total Net Assets and Liabilities	30,497,246	26,444,037

Statement of Financial Performance

for the year ended 31 March 2012

		2012	2011
	Note(s)	R'000	R'000
Revenue			
Government grants and subsidies	11	69,604,000	64,343,000
Interest income	12	1,374,722	1,357,215
Other income	13	757,351	56,040
Total Revenue		71,736,073	65,756,255
Expenditure			
Personnel	14	(51,404,163)	(47,696,987)
Depreciation and amortisation		(1,883,234)	(1,703,106)
Finance costs	15	(159,114)	(44,827)
Debt impairment		(376,721)	-
Repairs and maintenance		(5,876)	(11,191)
Operating costs		(15,001,083)	(14,851,361)
Total Expenditure		(68,830,191)	(64,307,472)
Surplus for the year	16	2,905,882	1,448,783

Statement of Changes in Net Assets

for the year ended 31 March 2012

64



Accumulated surplus

R'000

Balance at 31 March 2010	15,971,170
Changes in net assets	
2010 Accumulated depreciation adjustment	(8,728)
Net income (losses) recognised directly in net assets	(8,728)
Surplus for the year	1,448,783
Total recognised income and expenses for the year	1,440,055
Balance at 31 March 2011	17,411,225
Changes in net assets	
Surplus for the year	2,905,882
Total changes	2,905,882
Balance at 31 March 2012	20,317,107

Cash Flow Statement

for the year ended 31 March 2012

	Note(s)	2012 R'000	2011 R'000
Cash flows from operating activities			
Receipts			
Government grants and subsidies		69,604,000	64,343,000
Interest income		1,374,722	1,357,215
Other income		757,351	52,040
		71,736,073	65,752,255
Payments			
Employee costs		(51,404,163)	(47,696,987)
Suppliers		(15,098,562)	(15,883,769)
Finance costs		(159,114)	(44,827)
		(66,661,839)	(63,625,583)
Net cash flows from operating activities	17	5,074,234	2,126,672
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(619,488)	(873,370)
Purchase of other intangible assets	7	(343,558)	(215,677)
Net cash flows from investing activities		(963,046)	(1,089,047)
Cash flows from financing activities			
Finance lease payments		95,532	431,558
Net increase/(decrease) in cash and cash equivalents		4,206,720	1,469,183
Cash and cash equivalents at the beginning of the year		23,017,905	21,548,722
Cash and cash equivalents at the end of the year	5	27,224,625	23,017,905

Accounting Policies

for the year ended 31 March 2012

66



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 55 of the Public Finance Management Act (Act no.29 of 1999).

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 7,11 and 12 of GRAP 3 and hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Assets, liabilities, revenues 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.

ITAC is a going concern and will be in the year ahead.

1.1 Presentation currency

These 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 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 represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and 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 entity 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.

Accounting Policies *(continued)*

for the year ended 31 March 2012

Provisions

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

Taxation

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

1.2 Transfer of functions between entities under common control *(continued)*

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.

1.3 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.

Accounting Policies *(continued)*

for the year ended 31 March 2012

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

ITEM	AVERAGE USEFUL LIFE
Office furniture, fittings and equipment	6 to 8 years
Computer equipment	3 to 5 years
IT Servers	5 to 7 years
Leased equipment	3 to 5 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.

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.

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

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

Accounting Policies *(continued)*

for the year ended 31 March 2012

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

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

Intangible assets are derecognised:

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

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

1.5 Financial instruments

Classification

ITAC's principal financial instruments are trade and other receivables, cash and cash equivalents, trade and other payables and lease liabilities.

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

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

Financial assets are classified as financial assets at fair value through surplus or deficit, loans and receivables or held to maturity as appropriate. When financial assets are initially recognised they are measured at fair value.

ITAC determines the classification of its financial assets on initial recognition and where allowed and appropriate, re-evaluates this designation at each financial year end.

Accounting Policies *(continued)*

for the year ended 31 March 2012

Subsequent measurement

Financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

Impairment losses are recognised in surplus or deficit

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Trade and other receivables

Trade and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

After initial recognition, payables are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in surplus and deficit when the liabilities are derecognised, as well as through the amortisation process.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits that are readily available and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

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

Accounting Policies *(continued)*

for the year ended 31 March 2012

ITAC does not have overdraft facilities as well as borrowings.

1.6 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 net assets 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 net assets 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 of on the remaining balance of the liability.

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.

1.7 Inventory

Inventory are initially measured at cost except where inventory are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventory are measured at the lower of cost and net realisable value.

The cost of inventories comprise all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition. ITAC's inventory comprise of stationery and consumables.

Obsolete, redundant and slow moving stationery and consumables are identified on a regular basis and written down to their net realisable value.

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 inventory comprises of all costs of purchase and other costs incurred in bringing the inventory to their present location and condition. ITAC's inventory consist mainly of stationery and consumables.

The cost of inventory is assigned using the weighted average cost formula. The same cost formula is used for all inventory having a similar nature and use to the entity.

Accounting Policies *(continued)*

for the year ended 31 March 2012

When inventory is sold, the carrying amounts of those inventory 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 inventory to net realisable value and all losses of inventory are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventory, arising from an increase in net realisable value are recognised as a reduction in the amount of inventory recognised as an expense in the period in which the reversal occurs.

1.8 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of bonus payments are recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Post-retirement benefits

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.

Other post retirement obligations

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

1.9 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 reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability. 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.

Accounting Policies *(continued)*

for the year ended 31 March 2012

ITAC does not recognise 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.

1.10 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 measured at the fair value.

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.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

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

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.11 Revenue

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.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Accounting Policies *(continued)*

for the year ended 31 March 2012

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.

1.12 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 indicate 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.

1.13 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 retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.14 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.

1.15 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.

1.16 Irregular, fruitless and wasteful 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.

Accounting Policies *(continued)*

for the year ended 31 March 2012

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 and which was condoned before year-end and/or before finalisation of the 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 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 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 financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.17 Related parties

GRAP 20 for related parties have been approved 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.

Accounting Policies *(continued)*

for the year ended 31 March 2012

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.

1.18 New GRAP standards issued but not yet effective

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

GRAP standards with the determined effective date of 01 April 2012 :

GRAP 21:	Impairment of non-cash generating assets - will not have an impact on the financials of ITAC.
GRAP 23:	Revenue from non-exchange transactions - this standard is in line with IAS 20 and will have no significant impact on financials of ITAC.
GRAP 24:	Presentation of budget information in Financial Statements - this standard was early adopted in 2010/2011 financial year. A reconciliation between budget and statement of financial performance is disclosed in note 26.
GRAP 26:	Impairment of cash-generating assets - IAS 36 is currently applied and therefore there will be no significant impact in the period of initial application of GRAP 26.
GRAP 103:	Heritage assets – this standard is not applicable to ITAC and will have no significant impact on the financials of ITAC.
GRAP 104:	Financial instruments - as this standard has used the IFR standards as development basis it will not have a significant impact on the financials in the period of initial application.

GRAP standards issued without determined effective dates:

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 22 disclosed.
GRAP 25:	Employee benefits - this standard is in line with IAS 19 which is applied and therefore there will be no significant changes in the initial application of GRAP 25.
GRAP 105:	Transfer of functions between entities under common control - this standard is not applicable to ITAC and will not have an impact on the financials on ITAC.
GRAP 106:	Transfer of functions between entities not under common control - this standard is not applicable to ITAC and will not have an impact on the financials on ITAC.
GRAP 107:	Mergers - this standard is not applicable to ITAC and will not have an impact on the financials of ITAC.

Notes to the Annual Financial Statements

for the year ended 31 March 2012

2. Inventory

	2012	2011
	R'000	R'000
Stationery and consumables	46,019	48,885

3. Trade and other receivables

Cellphones	9,907	372
Other debtors	369,262	49,272
Subsistence and travel	5,317	105,027
Bursaries	6,255	9,382
the dti-Secondment	726,210	135,133
	1,116,951	299,186

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

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

Telephone debtors of R376,721.05 were written off in the current year. Telephone debtors are included in other debtors.

4. Prepayments

	2012	2011
	R'000	R'000
Suppliers paid in advance	-	32,528

The fraud hot line service contract ended in October 2011. A new service provider was appointed and paid on an invoice basis.

5. Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term, highly liquid deposits that are held with National 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.

	2012	2011
	R'000	R'000
Cash and cash equivalents consist of:		
Cash on hand	1,337	2,186
Bank balances	72,026	591,550
Call account	27,151,262	22,424,169
	27,224,625	23,017,905

Management considers that all the above cash and cash equivalent categories are of good quality. The maximum exposure to credit risk at the reporting date is the fair value of each class of cash and cash equivalent mentioned above. The cash and cash equivalents were not pledged as security for any financial liabilities.

Notes to the Annual Financial Statements *(continued)*

for the year ended 31 March 2012

78



6. Property, plant and equipment

	2012			2011		
	R'000			R'000		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Office furniture	1,357,840	(965,050)	392,790	1,291,879	(762,291)	529,588
IT equipment	3,451,433	(2,772,496)	678,937	3,431,716	(1,821,042)	1,610,674
Leased assets	1,018,130	(374,552)	643,578	1,705,160	(1,117,797)	587,363
Total	5,827,403	(4,112,098)	1,715,305	6,428,755	(3,701,130)	2,727,625

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Reclassifications	Depreciation	Total
Office furniture	529,588	57,569	(2,338)	36,076	(228,105)	392,790
IT equipment	1,610,674	204,473	(13,356)	(36,076)	(1,086,778)	678,937
Leased equipment	587,363	357,446	-	-	(301,231)	643,578
	2,727,625	619,488	(15,694)	-	(1,616,114)	1,715,305

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Depreciation	Total
Office furniture	546,039	202,517	-	(218,968)	529,588
IT equipment	2,741,095	10,169	(32,221)	(1,108,369)	1,610,674
Leased equipment	145,237	660,684	-	(218,558)	587,363
	3,432,371	873,370	(32,221)	(1,545,895)	2,727,625

Pledged as security

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

Assets subject to finance lease (Net carrying amount)

	2012	2011
	R'000	R'000
Leased equipment	643,578	587,363

Notes to the Annual Financial Statements *(continued)*

for the year ended 31 March 2012

7. Intangible assets

	2012			2011		
	R'000			R'000		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	996,487	(602,141)	394,346	652,929	(335,021)	317,908

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software	317,908	343,558	(267,120)	394,346

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software	259,443	215,677	(157,212)	317,908

Pledged as security

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

8. Trade and other payables

	2012	2011
	R'000	R'000
Service bonus	1,115,235	1,152,376
IT and technical support	3,920	355,176
Training	7,068	16,930
Internal audit fee	220,046	711,334
Legal fees	820,182	189,804
Other accruals	1,903,274	436,436
	4,069,725	2,862,056

All creditors are paid within 30 days of receipt of invoice and there is no default in terms of payment.

Notes to the Annual Financial Statements *(continued)*

for the year ended 31 March 2012

80



9. Finance lease obligation

	2012	2011
	R'000	R'000
Minimum lease payments due		
- within one year	434,942	284,621
- in second to fifth year inclusive	389,056	474,369
	823,998	758,990
less: future finance charges	(125,370)	(155,894)
Present value of minimum lease payments	698,628	603,096
Present value of minimum lease payments due		
- within one year	261,914	194,190
- in second to fifth year inclusive	436,714	408,906
	698,628	603,096
Non-current liabilities	436,714	408,906
Current liabilities	261,914	194,190
	698,628	603,096
Less amounts due for settlement within 12 months	(261,914)	(194,190)

Finance lease obligation 2012

ITAC has leased additional labour saving devices on a finance lease with effect from 1 April 2011 and 01 October 2011, respectively. There are no restrictions imposed on ITAC in terms of the lease. The lease obligation is secured by the lessor's title to the leased assets. The leases expire on 31 March 2014 and 30 September 2014, respectively.

Finance lease obligation 2011

ITAC is leasing labour saving devices on a finance lease with effect from 1 December 2010. There are no restrictions imposed on ITAC in terms of the lease. The lease obligation is secured by the lessor's title to the leased assets. The leases expire on 30 November 2013.

Notes to the Annual Financial Statements *(continued)*

for the year ended 31 March 2012

10. Provisions

Reconciliation of provisions - 2012

	Opening balance	Raised during the year	Utilised during the year	Total
Legal fees	1,037,957	597,100	(1,037,957)	597,100
Performance bonus	736,296	799,122	(736,296)	799,122
Workmens compensation	140,792	167,347	-	308,139
Leave pay	3,652,615	188,739	(133,929)	3,707,425
	5,567,660	1,752,308	(1,908,182)	5,411,786

Reconciliation of provisions - 2011

	Opening balance	Raised during the year	Utilised during the year	Total
Legal fees	986,000	1,896,533	(1,844,576)	1,037,957
Performance bonus	679,659	736,296	(679,659)	736,296
Workmens compensation	138,244	152,519	(149,971)	140,792
Leave pay	3,347,225	429,104	(123,714)	3,652,615
	5,151,128	3,214,452	(2,797,920)	5,567,660

	2012	2011
	R'000	R'000
Non-current liabilities	1,704,361	2,243,797
Current liabilities	3,707,425	3,323,863
	5,411,786	5,567,660

Legal fees provisions

Legal fees represent amounts payable 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.

Workmens compensation

Workmen's compensation represents an estimate of the amount payable to the Workmen's Compensation Commissioner on receipt of the final assessment for the 2011/12 tax year.

Leave pay provision

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

Notes to the Annual Financial Statements *(continued)*

for the year ended 31 March 2012

82



11. Revenue

	2012	2011
	R'000	R'000
Government grants	69,604,000	64,343,000

Funds received comprise transfer payments received from the Economic Development Department.

12. Revenue from exchange transactions

	2012	2011
	R'000	R'000
Interest revenue		
Call account (Standard Bank)	1,374,722	1,357,215

13. Other revenue

	2012	2011
	R'000	R'000
Other income	757,351	52,040
Proceeds from sale of assets	-	4,000
	757,351	56,040

14. Employee related costs

	2012	2011
	R'000	R'000
Basic	40,716,303	37,953,060
Bonus	817,001	721,212
Medical aid - company contributions	1,282,124	1,315,198
UIF	178,795	174,898
WCA	167,347	152,520
Leave pay provision charge	188,739	429,103
Post-employment benefits - Pension - defined benefit plan	4,474,055	4,006,572
13th Cheques	2,473,289	2,477,710
Car allowance	58,180	66,418
Housing benefits and allowances	127,882	49,863
Group Life	44,652	53,582
Non-pensionable cash allowance	875,796	296,851
	51,404,163	47,696,987

Notes to the Annual Financial Statements *(continued)*

for the year ended 31 March 2012

Executive Management remuneration

ITAC remunerates its employees in line with the dpsa salary dispensation. Personnel costs include gross remuneration of the following Executive Managers:

	2012	2011
	R'000	R'000
Chief Commissioner		
Basic	1,019,485	850,869
Vehicle allowance	-	90,000
Bonus	59,448	53,378
Pension	92,738	48,567
Medical	17,280	18,150
	1,188,951	1,060,964
Deputy Chief Commissioner		
Basic	742,650	674,171
Vehicle allowance	79,992	74,208
Pension	75,131	35,308
Medical	17,280	17,605
Bonus	48,160	42,604
	963,213	843,896
General Manager: Corporate Services		
Basic	719,922	753,374
Bonus	48,160	42,604
Pension	75,131	38,764
Housing allowance	120,000	-
	963,213	834,742
Number of employees at year end	128	124

15. Finance costs

	2012	2011
	R'000	R'000
Interest on convertible instruments	35,074	1,550
Finance leases	124,040	43,277
	159,114	44,827

Notes to the Annual Financial Statements *(continued)*

for the year ended 31 March 2012

84



16. Included in surplus are the following

	2012	2011
	R'000	R'000
External auditors fees	1,064,453	891,237
Audit committee		
Remuneration	97,810	77,893
Expenses	6,820	2,607
	104,630	80,500
Depreciation and amortisation		
Computer equipment and peripherals	1,086,778	1,108,466
Office furniture and fittings	228,105	218,869
Computer software	267,120	157,213
Leased assets	301,231	218,558
	1,883,234	1,703,106
Internal audit fees	326,719	748,188
Operating lease payments		
Buildings	2,663,809	2,501,325
Motor vehicles	389,890	281,120
Leasing charges equipment	45,496	118,320
	3,072,253	2,900,765
Legal expenses	1,130,229	2,086,961
Employee costs	51,404,163	47,696,987
Consulting and professional fees	916,871	446,422
Stock write off	846	2

17. Cash generated from operations

	2012	2011
	R'000	R'000
Surplus	2,905,882	1,448,783
Adjustments for:		
Depreciation and amortisation	1,883,234	1,703,106
Debt impairment	376,721	-
Movements in provisions	(155,874)	416,532
Other non-cash items	15,692	32,225
Changes in working capital:		
Inventory	2,866	2,320
Trade and other receivables	(817,763)	(236,444)
Telephone debtors	(376,721)	-
Prepayments	32,528	1,931
Trade and other payables	1,207,669	(1,241,781)
	5,074,234	2,126,672

Notes to the Annual Financial Statements *(continued)*

for the year ended 31 March 2012

18. Accumulated surplus

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

There were however delays in the implementation of certain of these projects.

Project	Budget	Costs to date	Total
Job evaluation exercise	3,000,000	-	3,000,000
File plan system	500,000	(192,660)	307,340
Core business information technology system	3,000,000	(674,711)	2,325,289
Computer refresh programme	3,500,000	(3,085,840)	414,160
Furniture and equipment	400,000	(400,230)	(230)
	10,400,000	(4,353,441)	6,046,559

19. Contingent liabilities

Legal liabilities

ITAC faces a potential legal liability of R1.8 million. A summon of R1.8 million was served on ITAC in this matter and the summon is being defended by ITAC.

	2012	2011
	R'000	R'000
Surplus	2,905,882	1,448,783

In terms of the PFMA, all surplus funds at year-end may be forfeited to National Treasury should an application for retention of surplus funds be denied. ITAC submitted a request to National Treasury to retain the 2010/2011 year surplus of R 1,448,783 and will submit a request to retain the current years surplus of R 2,905,882.

ITAC will submit a letter to National Treasury to adjust the approved prior year surplus of R2,675,920 to R1,448,783 as a result of incorrectly including the depreciation recovery as part of the surplus.

Notes to the Annual Financial Statements *(continued)*

for the year ended 31 March 2012

86



20. 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 on a year to year rental. There is no lease agreement between ITAC and the dti for the premises occupied, thus the rate has been applied as if no increases will take place.

Lease payments for motor vehicles are fixed over a lease term and therefore the straight-line basis was not applicable.

2012	Up to 1 year	2 to 5 years	Total
Premises - rent	3,021,284	12,085,136	15,106,420
Vehicles	346,308	173,154	519,462
	3,367,592	12,258,290	15,625,882

2011	Up to 1 year	2 to 5 years	Total
Premises - rent	2,850,275	11,401,101	14,251,376
Vehicles	346,308	519,462	865,770
	3,196,583	11,920,563	15,117,146

21. Related parties

Relationships

Economic Development Department	National Department 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

ITAC is 100% controlled by its shareholders and the government, represented by the Economic Development Department. ITAC is a schedule 3A public entity as outlined in the Public Finance Management Act.

Related party transactions

	2012	2011
	R'000	R'000
Department of Trade and Industry (the dti)		
Transfer payments received from dti	-	(135,133)
Rent	2,663,809	2,501,325
Telephone and internet	540,255	577,030
Economic Development Department		
Transfer payments received from EDD	(69,604,000)	(64,343,000)
Department of Justice and Constitutional Development		
Legal costs	189,804	1,845,200

Notes to the Annual Financial Statements *(continued)*

for the year ended 31 March 2012

Related party balances

	2012	2011
	R'000	R'000
Department of Trade and Industry (the dti)		
Payable at year-end	(53,061)	(44,222)
Department of Justice and Constitutional Development		
Payable at year-end	(820,182)	(988,304)

The outstanding balances are included in trade and other payables.

22. Risk management

Financial risk management

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

Liquidity risk

Liquidity risk is the risk that ITAC would not have sufficient funds available to cover future commitments. ITAC regards this risk to be low; taking into consideration ITAC's current funding structures and availability of cash resources.

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

At March 31, 2012	Carrying amount	Total cash flow within 1 year	Contractual cash flow within 1 year	Contractual cash flow between 1 and 5 years
Other financial liabilities	10,180,139	10,180,139	8,039,064	10,180,139

At March 31, 2011	Carrying amount	Total cash flow within 1 year	Contractual cash flow within 1 year	Contractual cash flow between 1 and 5 years
Other financial liabilities	9,032,812	9,032,812	6,380,109	9,032,812

Market Risk

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

Interest rate risk

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

Notes to the Annual Financial Statements *(continued)*

for the year ended 31 March 2012

88



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

2012	Change in investments	Increase / (decrease) in net surplus for the year Upward change	Increase / (decrease) in net surplus for the year Downward change
Cash and cash equivalents	1 %	272,246	(272,246)
Finance lease	1 %	(261,914)	261,914

2011	Change in investments	Increase / (decrease) in net surplus for the year Upward change	Increase / (decrease) in net surplus for the year Downward change
Cash and cash equivalents	1 %	230,179	(230,179)
Finance lease	1 %	(194,190)	194,190

Credit risk

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

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

The maximum exposure to credit risk at year end from financial assets were as follows:

	2012	2011
	R'000	R'000
Cash and cash equivalents	27,224,625	23,017,905
Trade and other receivables	1,116,951	331,712

Notes to the Annual Financial Statements *(continued)*

for the year ended 31 March 2012

2012	AAA and Government	Unrated
Cash and cash equivalents	27,224,625	-
Other receivables	-	1,116,951

2011	AAA and Government	Unrated
Cash and cash equivalents	23,017,905	-
Other receivables	-	331,714

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

2012	Neither past due nor impaired	Past due but not impaired - less than 2 months	Past due but not impaired - more than 2 months	Carrying value
Cash and cash equivalents	27,224,625	-	-	27,224,625
Trade and other receivables	-	-	740,230	740,230

2011	Neither past due nor impaired	Past due but not impaired - less than 2 months	Past due but not impaired - more than 2 months	Carrying value
Cash and cash equivalents	23,017,905	-	-	23,017,905
Trade and other receivables	331,714	-	-	331,714

Notes to the Annual Financial Statements *(continued)*

for the year ended 31 March 2012

90



23. Financial assets by category

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

2012	Loans and receivables	Total
Trade and other receivables	1,116,951	1,116,951
Cash and cash equivalents	27,224,625	27,224,625
Payables	(3,707,425)	(3,707,425)
Finance lease	(261,914)	(261,914)
	24,372,237	24,372,237

2011	Loans and receivables	Total
Trade and other receivables	331,712	331,712
Cash and cash equivalents	23,017,905	23,017,905
Payables	(2,862,056)	(2,862,056)
Finance leases	(194,190)	(194,190)
	20,293,371	20,293,371

24. Irregular expenditure

	2012	2011
	R'000	R'000
Opening balance	-	1,178,916
Add: Irregular Expenditure *	788,708	97,104
Less: Amounts condoned	-	(1,276,020)
	788,708	

* The irregular expenditure of R 788,708 relates to non-compliance with SCM regulations. Irregular expenditure consists of R 196,893,24 (25%) for requesting less than three quotations, R 574,713,66 (73%) for not specifying the preference points in the request for quotations and R 17,100,80 (2%) for exceeding the petty cash limit.

Notes to the Annual Financial Statements *(continued)*

for the year ended 31 March 2012

25. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure that was made in vain and could have been avoided had reasonable care been exercised. Any irregular, fruitless or wasteful expenditure is charged against income in the period in which it is incurred.

ITAC incurred some expenditure that is considered as fruitless and wasteful as follows:

	2012	2011
	R'000	R'000
Opening balance	2,858	-
Add fruitless and wasteful expenditure	35,074	2,858
Less Amounts condoned	-	-
	37,932	2,858

Fruitless and wasteful expenditure in the current year occurred as a result of late payments for pension contributions to the Government Employees Pension Fund. An application for condonation of the fruitless and wasteful expenditure will be done after due processes have been followed.

26. 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	522,085	1,044,170
Employee health and wellness programme	108,071	-
Software licences	519,141	-
Subscriptions and books	114,576	229,153
Supply of fresh flowers	64,703	129,407
Intranet/ Internet upgrade project	159,398	-
	1,487,974	1,402,730

Notes to the Annual Financial Statements *(continued)*

for the year ended 31 March 2012

92



27. Reconciliation between budget and statement of financial performance

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

	2012	2011
	R'000	R'000
Net surplus per the statement of financial performance	2,905,882	2,675,920
Adjusted for:		
Other income	(757,351)	(56,040)
Transfer from retained income for depreciation recovery	1,794,000	(1,227,137)
Interest income	(430,722)	(470,215)
Payroll expenditure in excess/(lower than) of budget	(1,871,762)	(2,784,042)
Operational expenditure in excess/(lower than) of budget	(1,640,047)	1,861,514
Net surplus per approved budget	-	-

28. Prior period error

The prior period error relates to an incorrect recovery of depreciation from retained surplus that increased other income with an incorrect revenue of R 1,227,137 in the 2010/2011 financial year. The error was corrected by restating the prior year figures.

Other income comparative figures have been reclassified. The effects of the reclassification are as follows:

	2012	2011
	R'000	R'000
Statement of net assets		
Depreciation funded from retained earnings	-	(1,227,137)
Statement of Financial Performance		
Other income	-	(1,227,137)

29. Events after the reporting date

Telephone recovery plan

- A resolution on employee telephone debt recovery was passed by ITAC bargaining chamber on 7 June 2012, regarding the recovery of telephone debt and the associated revenue.
- The debtors figure disclosed in the Annual Financial Statements was adjusted. Revenue from the telephone debtors was also adjusted. Telephone debtors up to 31 August 2010 was written off.

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