enabling
FAIR TRADE

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ITAC

International Trade Administration Commission of South Africa

Annual Report

2008/2009

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VISION

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

MISSION

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

- Efficient and effective administration of its trade instruments; and
- Technical advice to **the dti**"

CORE VALUES

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

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

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

Report of the International Trade Administration Commission of South Africa for the period 1 April 2008 to 31 March 2009

I am honoured to present the fifth annual report of the International Trade Administration Commission of South Africa for the year ended 31 March 2009, in accordance with Section 22 (4) of the International Trade Administration Act (Act No. 71 of 2002) and the Public Finance Management Act (Act No. 1 of 1999).

Dr ROB DAVIES

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

Report of the Chief Commissioner

SIYABULELA TSENGIWE, ITAC Chief Commissioner

The last six months of the year under review ushered in new and challenging domestic economic conditions arising from the global financial crisis.

Therefore, in executing its mandate of fostering economic growth and development in order to raise incomes and promote investment and employment, alignment to the national economic agenda, industrial and trade policies, and sectoral strategies has become a high priority.

Against this background, the Commission completed pro-active investigations of the tariff structure for major resource-based industrial inputs, such as chemicals, aluminium and textiles to lower input costs into downstream manufacturing. Downstream sectors are also more labour-intensive. The Commission also completed its comprehensive investigation of the duty structure for machinery and capital equipment to facilitate the government's infrastructure capital expenditure programme.

Tariff setting in general and for agricultural products in particular is an unenviable task. The nature of the majority of the investigations is such that they involve different and opposing interests. On the one hand, the Commission must support farming as a profitable business, on the other, it must guard against the price raising effect of tariffs throughout the value chain, in particular for consumers, especially the poor. It is a known fact that one of the major drivers of inflation has been food prices. The tariff-setting process for agriculture therefore requires rigorous analysis and a delicate balancing act.

Out of the three trade remedies, an instrument that is used mostly compared to the other two, is anti-dumping. The other two are countervailing and safeguard measures. Litigation in respect of anti-dumping cases has been a challenge. This phenomenon is not unique to South Africa. All jurisdictions active in the field of these instruments have to contend with this reality. Some jurisdictions have tribunals and specialised courts in this area of work. During 2008, the Commission issued a total of 11 recommendations as a result of completed trade remedy investigations. Only one of the recommendations was taken on judicial review. There are two other pending cases relating to litigation emanating from recommendations made prior to 2008.

For both tariffs and trade remedies, the Commission has revised the time it takes to finalise investigations, down from twelve to six months in the case of tariffs and down from twelve to nine months in the case of trade remedies.

The Import and Export control Unit of ITAC continues to adjudicate and issue import and export permits in an efficient manner. This is critical for economic operators. Unnecessary delays come at a huge cost to business. This unit also played a very important role in enforcing compliance with import and export control regulations.

In its endeavours to be a knowledgeable institution in its field of work, ITAC has embarked on various research projects, both conducted internally and outsourced. In monitoring and evaluating the impact of its work, ITAC commissioned a study to examine the economic impact of anti-dumping actions in South Africa for the period 1994-2006.

In multilateral, regional and bilateral trade engagements, representatives from ITAC formed part of **the dti** delegations, providing technical advice in those areas relevant to the trade instruments it administers.

Better alignment between ITAC's business support and the core business units will continue to be an area for improvement, that is: Human Resource Management; Finance; and Information Technology, in ensuring efficiency and effectiveness. In light of the complexity of the work, investigators have to be skillful and creative ways will have to be found to retain staff. For the year under review, ITAC commissioned a customized training course presented by external service providers. The course focused on trade and financial analysis pertinent to the instruments that ITAC administers. The year under review also saw an increased publicity drive by ITAC, an institution that historically tended to be closed and unknown to the public.

SIYABULELA TSENGIWE
CHIEF COMMISSIONER

Commentary by the Chairperson of the Commission

MICHAEL P. MCDONALD, Chairperson

During the year under review, the Commission conducted its work during scheduled one-day monthly meetings. This was found to be the most suitable schedule for optimum efficiency and effectiveness.

Commission members comprise specialists in various fields, including on the economy, accountancy, legal, agriculture, and policy analysis.

The procedures followed during the tariff-setting decision-making process are rigorous and transparent. The submissions to the Commission compiled by investigators at ITAC, after prudent investigation, thorough analysis, and full interaction with stakeholders, are augmented at Commission meetings by the oral evidence of applicants as well as parties objecting to an application. The information gathered during the various stages of the process helps the Commission during its decision-making and the formulation of its recommendations to the Minister.

A salient feature of the Commission's heavy work programme during the year was that it completed its pro-active investigations of the tariff structure for major resource-based industrial inputs, such as chemicals, aluminium, and textiles, to lower input costs into downstream manufacturing and to ensure that our resources add optimum value. The Commission also completed its comprehensive investigation of the duty structure for machinery and capital equipment to facilitate the government's infrastructure capital expenditure programme. The recommendations were approved by the Minister and will be implemented early in the next financial year.

In conclusion, I wish to applaud our very capable and expert investigators who so diligently performed their tasks during this tumultuous year.

MICHAEL McDONALD
CHAIRPERSON

Background on the Commission

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

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

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

Currently there is a full-time Chief Commissioner, full-time Deputy Chief Commissioner and nine part-time Commissioners.

Commissioners

Siyabulela Tsengiwe
Chief Commissioner

Michael P. McDonald
Chairperson of the Commission

Brenda Mabaso Chipeio
Deputy Chief Commissioner

Matome Morokolo
Commissioner

Nomsa Zondi
Commissioner

Tanya van Meelis
Commissioner

Bonga Edison Maphumulo
Commissioner

Nandi Tshabalala
Commissioner

Ronny Mkhwanazi
Commissioner

Tina Eboka
Commissioner

Riaan de Lange
Commissioner

Management Team

Siyabulela Tsengiwe
Chief Commissioner

Brenda Mabaso Chipeio
Deputy Chief Commissioner

Noni Khuse
General Manager:
Corporate Services

Chris Arnold
Senior Manager:
Technical Advisory Services

Carina Janse van Vuuren
Senior Manager:
Trade Remedies I

Bhekithemba Kgomo
Senior Manager:
Internal Audit

Alexander Amrein
Senior Manager:
Policy & Research

Niki Kruger
Senior Manager:
Legal Services

Phillip Semela
Senior Manager:
Information Technology

Rika Theart
Senior Manager:
Tariff Investigations I

Phillip Snyman
Senior Manager:
Import and Export Control

Zoleka Xabendlini
Senior Manager:
Trade Remedies II

Virginia Mashele
Senior Manager:
Human Resources Management

Nomonde Somdaka
Senior Manager:
Tariff Investigations II

List of Reports issued by the Commission in the period 1 April 2008 to 31 March 2009

Report No.	Title
263	Exclusion of aluminium foil products from the existing anti-dumping duties applicable to holloware for table or kitchen use (excluding buckets), of aluminium, originating in or imported from the People's Republic of China (PRC) and Egypt
264	Rebate of the duty on plastic sheets for the manufacture of moulded trays
265	Reduction in the duty on plastic sheets with plastic spoons affixed to it
266	Review of the tariff structure for salmon classifiable under tariff subheadings 0302.12, 0303.11, 0303.19, 0303.22, 0304.19,90, 0304.21.90, 0304.22.90, 0304.29.90, 0304.91.90, 0304.92.90, 0304.99.90, 0305.14, 0305.59.90 and 0305.69
267	Investigation into the alleged dumping of citric acid originating in or imported from the People's Republic of China (PRC): Final determination
268	Rebate of duty on aluminium tubing for the manufacture of refrigerators and freezers
269	Increase in the rate of duty on collapsible swimming pools and paddling pools and rebate of the duty on pvc sheeting used in the manufacture of collapsible swimming pools and paddling pools
270	Revision of the customs duties applicable to aluminium products classifiable under tariff headings 76.04, 76.05, 76.06 and 76.07
271	Termination of the anti-dumping duties on suspension pvc originating in or imported from Brazil, France, UK, USA
272	Termination of the anti-dumping duties on carbon black originating in or imported from Egypt or India and galvanised steel tubes and pipes originating in or imported from India
273	Reduction in the customs duty on plastic closures
274	Review of the customs tariff dispensation for wheat and wheat flour
275	Reduction in the rate of duty on preparations containing by mass 85% or more methionine
276	Rebate provision for nylon and polyester filament yarns for the manufacture of textiles and textile articles
277	Amendment of rebate items 311.02/63.09/01.04 and 311.18/63.09/01.04 of Schedule No. 3 to the Customs and Excise Act
278	Investigation into the alleged dumping of extruded aluminium profiles originating in or imported from the Peoples Republic of China (PRC): Final Report
279	Rebate of the duty on electronic ballasts used in the manufacture of compact fluorescent lamps and the retention of the duty on compact fluorescent lamps with a power rating of 8w or more but not exceeding 23 w
280	Reduction in the customs duty on collapsible, seamless tubing (silo bags) made from polymers of ethylene
281	Review of the tariff dispensation on products classifiable under Chapters 51, 52, 53, 54, 55, 56, 58 & 60, used for the manufacture of clothing
282	Review of the tariff dispensation pertaining to products classifiable under chapters 25, 28, 29, 32, 34, 38 and 39.01 - 39.21 (excl. 39.17) of schedule 1 to the Customs and Excise Act

List of Reports issued by the Commission in the period 1 April 2008 to 31 March 2009

Report No.	Title
283	Revision of the customs duties applicable to machinery and capital equipment classifiable under chapters 84 and 85 of the Customs Tariff
284	Rebate of the duty on tape of polymers of propylene, film of polymers of ethylene, non-woven fabric of man-made filaments whether or not impregnated, and fabric impregnated, coated, covered or laminated, for the manufacture of disposable napkins for babies
285	Rebate of the duty on texturised filament yarn of polyester classifiable under subheading 5402.33 used in the manufacture of textiles and textile articles
286	Extension of existing safeguard duty on lysine to include imports of lysine from Indonesia
287	Sunset review of the anti-dumping duties on gypsum plasterboard originating in or imported from Thailand and Indonesia: Final determination
288	Sunset review of the anti-dumping duties on stranded wire, ropes and cables originating in or imported from the People's Republic of China (PRC), Germany and countervailing duties on stranded wire ropes and cables originating in or imported from India: Final determination
289	Reduction in the rate of duty on portable toilets of plastic
290	Investigation into the alleged dumping of Tall Oil Fatty Acid: Preliminary determination
291	Rebate of duty on canned pineapples
292	Amendment of rebate item 316.17 and part 1 of schedule no. 1 of the Customs and Excise Act to support the industry manufacturing television sets
293	Creation of a rebate provision for liquid crystal digital display panels for the manufacturing of video monitors in corporating an automatic data processing machine
294	Termination of the anti-dumping duties on automatic circuit breakers originating in or imported from France and Italy
295	Termination of the anti-dumping duties on uncoated wood free paper in reels and/or sheets originating in or imported from Brazil and Poland
296	Revision of the customs duties applicable to electrical machinery and equipment and parts thereof classifiable under chapter 85 of the Customs Tariff
297	Investigation into alleged dumping of stainless steel kitchen sinks originating in or imported from the People's Republic of China and dumping and subsidisation of stainless steel kitchen sinks originating in or imported from Malaysia: Preliminary determination
298	Investigation into the alleged dumping of Tall Oil fatty Acid originating in and/or imported from Sweden: Final determination
299	Reduction in the rate of duty on refill leads for pencils

Performance against predetermined objectives

Goal	Key performance indicator	Targets	Result	Reason for variance
TARIFF INVESTIGATIONS				
Reducing cost of production and enhancing competitive position	Gazetted customs duty amendments to the relevant Schedules in the Customs and Excise Act	43 investigations for a reduction or rebate of ordinary duties	58 investigations conducted	More applications received from industry in an increasingly competitive environment
	Gazetted duty amendments to the relevant Schedule in the Customs and Excise Act	3 investigations for an increase in customs duty	3 investigations conducted	Number of investigations is dependent on applications received from industry
	Gazetted duty amendments	4 proactive tariff reviews	4 proactive tariff reviews	
Administration of sectoral development programmes [motor industry development programme (MIDP) and textile and clothing industrial development programme (TCIDP)], export promotion, and other tariff relief provisions	Permits and certificates issued for the MIDP, TCIDP, export promotion, and industrial promotion	MIDP: 3 292 permits TCIDP: 1 000 permits	MIDP: 3 531 permits TCIDP: 1 164 permits	Decreasing request for MIDP permits An increasing number of applications received from other SACU countries
		Export and industrial promotion: 832 permits	Export and industrial promotion: 872 permits	More applications from industry in a globally competitive environment
TRADE REMEDIES				
Sustaining jobs, investment, industrialization, and competitiveness	Gazetted amendment to the relevant Schedule in the Customs and Excise Act	18 Trade remedy investigations and reviews, for anti-dumping duties, countervailing duties, and safeguard measures	12 trade remedy investigations conducted	The number of investigations conducted is dependent on applications received from industry in the light of prevailing economic circumstances
IMPORT AND EXPORT CONTROL				
Sustaining jobs and maintaining technical, environmental, safety, and health standards	Import permits issued	14 000 permits to be issued	12 751 permits issued	Decrease in number of permit applications
	Export permits issued	10 000 permits to be issued	8 034 permits issued	Decrease in number of permit applications
	Container inspections	1 200 inspections	1 507 inspections	Increased activity
	Unscheduled inspections	500 inspections	752 inspections	Increased activity
	Investigations, seizure of goods, court cases	10 investigations	15 investigations	Increased activity

TARIFF INVESTIGATIONS

During the year under review, ITAC completed its comprehensive investigations of the upstream semi-fabricated (rolled and extruded) aluminium products, basic chemicals and primary plastic polymers, as well as textiles for clothing manufacture. It submitted its recommendations to the Minister for implementation in early 2009/2010.

The revised tariff dispensation which also includes a range of rebate of duty provisions will be implemented with a view to reducing input costs into the more labour-intensive high-end manufacturing industries and generally moving manufacturing up the value chain. The duty on primary iron and steel has already been reduced to zero in 2007.

The investigations involved approximately 700 tariff lines out of the 6618 eight-digit tariff lines contained in the South African version of the International Harmonised Commodity Description and Coding System, or the Customs Tariff Book as it is commonly known.

In addition, the import duty structure for capital equipment classifiable under Chapters 84 and 85 of the Customs Tariff, covering 956 tariff lines was also reviewed by ITAC with a view, among others, to eliminating unnecessary cost-raising customs duties on capital equipment not manufactured domestically and unlikely to be manufactured domestically.
It was decided that the duties on equipment not manufactured domestically and unlikely to be manufactured domestically, where they did exist, be removed. Where equipment is manufactured domestically or likely to be manufactured domestically, the duties, in all cases, will be maintained.

It was found that the duties on the primary inputs have an unnecessary cost-raising impact on the large number of producers of value-added goods further downstream, and provide the leverage to raise prices, adversely affecting the competitive position of the more labour-intensive industries producing finished products. To encourage the exportation of more finished goods, lower prices should be available to downstream manufacturers.

In the case of textiles for clothing, the recommendations to be implemented centre on the introduction of rebate provisions and reductions in duty on textiles used for the manufacture of clothing that are not produced domestically.

The new tariff dispensation, comprising a combination of rebate provisions for downstream manufacturing, immediate reductions in duty on primary materials, and incremental phase-downs of duty to lower levels or to free of duty will result in an increase in the rate of effective protection for the downstream industries without affecting the nominal rates of protection for downstream industries.

In the financial year 2008/2009 and in addition to its ongoing administration of the MIDP and TCIDP programmes in terms of which 3231 import rebate credit certificates (MIDP), and 1164 duty credit certificates (TCIDP) were issued, ITAC issued 872 rebate and drawback permits in terms of standing rebate provisions in Schedules No. 3, 4 and 5 of the Act, including the export promoting provisions in terms of which the duties on imported materials and components are rebated on condition that the final product manufactured domestically is exported.

The Commission also considered on a case-by-case basis, three applications for an increase in the ordinary customs duty and 58 applications for a reduction or rebate of the duty (up from 36 in the previous year in an increasingly competitive environment and a sharp economic downturn). The number of applications finalised is indicative of ITAC's responsiveness and shorter completion periods.

Agricultural tariff-setting has been a prominent aspect of the work at ITAC. During this process, global market distortions are also taken into consideration. During the year under review, ITAC initiated an in-depth review of the variable tariff formula for sugar.

TRADE REMEDIES

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

Relative to the other two trade remedies, applications to ITAC are mostly for anti-dumping protection.

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

In the context of international trade, dumping is defined as a situation where imported goods are being sold at prices lower than in the country of origin, and also causing material injury to domestic producers of such goods. In other words, there should be a demonstrated causal link between the dumping and the injury experienced. To remedy such unfair pricing, ITAC may recommend the imposition of additional duties on imports, duties that are equivalent to the dumping margin (or to the margin of injury, if this margin is lower).

Countervailing investigations are conducted to determine whether to impose countervailing duties to protect a domestic industry against the unfair trade practice of proven subsidised imports from foreign competitors that cause material injury to a domestic producer. In 2008, ITAC initiated a countervailing duty investigation: Stainless steel kitchen sinks imported from China and Malaysia.

The last trade remedy, the safeguard measure, can be introduced to protect a domestic industry against, not necessarily unfair, but nevertheless overwhelming foreign competition. The measures can be introduced against an unforeseen surge in imports that threatens to or causes serious injury to a domestic industry. Safeguard measures are temporary measures with timelines to allow a domestic industry to adjust and improve its competitiveness. Since its inception, ITAC initiated one safeguard investigation and that was in 2007.

ITAC carries out its investigations speedily and with rigour. It recently revised its timelines for finalising its investigations which will result in shorter completion periods.

During the year under review, five investigations and sunset reviews were initiated, compared to six in the previous year. The slightly fewer initiations are partly due to the effective depreciation of the Rand over the last three years. On a trade-weighted basis, the Rand depreciated by 15 per cent, 9 per cent, and approximately 8 per cent in 2006/2007, 2007/2008 and 2008/2009, respectively. This has made imports more expensive and improved the competitive position of domestic industries.

Illustrative of ITAC's increased responsiveness and faster turnaround times, is the number of investigations finalised during the year under review. Twelve investigations and sunset reviews were completed, four of which were brought forward from previous years. Only three investigations were carried over. Of these, one was only initiated in January 2009 and the other two have been finalised in the first quarter of 2009/2010.

IMPORT AND EXPORT CONTROL

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

To this purpose, ITAC established partnerships with other government departments and agencies such as, among others, the Departments of Environment Affairs, Minerals and Energy, Health, Water Affairs and Forestry, and the South African Bureau of Standards.

Out of a total of 6618 product tariff lines in the South African version of the International Harmonised Commodity Description and Coding System, the internationally accepted customs clearing system for traded goods, 276 tariff lines are under import control and 177 tariff lines under export control.

During the year under review, ITAC also completed its role in the administration of the temporary quota restrictions on clothing and textile imports from China on behalf of **the dti** that ended on 31 December 2008.

During 2008/2009, a total of 12906 import permits and 8251 export permits were issued after adjudication.

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Statement of Responsibility

for the year ended 31 March 2009

The International Trade Administration Act No. 71 of 2002 (ITA Act), requires the Chief Commissioner to ensure that the International Trade Administration Commission of South Africa (ITAC) maintains full and proper records of its financial affairs. The annual financial statements for the year ended 31 March 2009 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 SA statements of Generally Accepted Accounting Practice(GAAP) and Generally Recognised Accounting Practice (GRAP) as disclosed in the accounting policies. Consequently the annual financial statements have been prepared in accordance with GAAP and GRAP and as required by the International Trade Administration Act, 2002. These annual financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgements.

The annual financial statements for the year ended 31 March 2009 are the responsibility of the Chief Commissioner. The Auditor-General is responsible for independently auditing and reporting on the financial statements.

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

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

The 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 2009, 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 2009.

Siyabulela Tsengiwe
Chief Commissioner
Date; 30 June 2009

Corporate Governance Report

for the year ended 31 March 2009

ITAC adheres to a comprehensive set of policies designed in accordance with input from all appropriate stakeholders. This contributes towards the effectiveness of corporate governance strategies and in accordance with the PFMA.

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

Internal Financial control

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

Risk Management

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

A Materiality Framework was developed and approved by the Accounting Authority. There is no known incident of fraud that occured during the year.

Report of the Audit Committee in terms of Treasury Regulations

Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2009.

Audit Committee Members and Attendance:

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year seven meetings were held.

Name of Member	Number of Meetings Attended
S Hari (Chairperson)	7
S Tsengiwe (Chief Commissioner)	7
M Manyama - Matome	6
M Nembambula	4

Audit Committee Responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of **Section 51(1) (a)** of the **PFMA** and Treasury Regulation 27.1. We further report that we have conducted our affairs in compliance with this charter

The effectiveness of internal control

In line with the PFMA and the King II Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

The system of internal control was not entirely effective for the year under review. During the year under review, several deficiencies in the system of internal control and/or deviations therefrom were reported by the internal auditors and the Auditor-General South Africa. In certain instances, the matters reported previously have not been fully and satisfactorily addressed.

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

We are satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the Department during the year under review. It was however noted that appropriate reconciliation documents were not adequately completed to support management information.

Report of the Audit Committee in terms of Treasury Regulations *(continued)*

Evaluation of Financial Statements

We have:

- Reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General South Africa and the Accounting Officer.
- Reviewed the Auditor-General South Africa's management report and management's response thereto;
- Reviewed the department's compliance with legal and regulatory provisions
- Reviewed significant adjustments resulting from the audit.

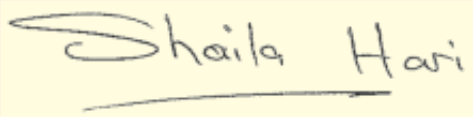
We concur with and accept the Auditor-General of South Africa's report on the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General South Africa.

Internal audit

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the department in its audits.

Auditor-General South Africa

We have met with the Auditor- General South Africa to ensure that there are no unresolved issues.



Ms. Shaila Hari

Chairperson of the Audit Committee

Date: 30 July 2009

Report of the Auditor-General to Parliament on the financial statements and performance information of the International Trade Administration Commission

for the year ended 31 March 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the International Trade Administration Commission of South Africa (ITAC) which comprise the statement of financial position as at 31 March 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 31 to 57.

The accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 to the financial statements and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA), the International Trade Administration Act, 2002 (Act No. 71 of 2002) 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.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 24(9) of the International Trade Administration Act, 2002 (Act No. 71 of 2002), my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. 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.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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.

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

Report of the Auditor-General to Parliament on the financial statements and performance information of the International Trade Administration Commission
for the year ended 31 March 2009

Basis for qualified opinion

Property, plant and equipment

7. The South African Statement of Generally Accepted Accounting Practice, IAS 16 (AC 123) requires the review of useful lives, residual values and depreciation methods to be performed at least annually. ITAC did not review the useful life of assets evident from the fact that approximately 45% of assets still in use were at zero value at year end. Furthermore, ITAC did not consider any residual values for all its assets. I was unable to confirm or verify by alternative means the valuation of property, plant and equipment included in note 10 to the financial statements due to the review not being performed by management.

Opinion

8. In my opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of ITAC as at 31 March 2009 and its financial performance and its cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 to the financial statements and in the manner required by the PFMA.

Emphasis of matters

I draw attention to the following matters on which I do not express a qualified opinion:

Basis of Accounting

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

Restatement of corresponding figures

10. As disclosed in note 15 to the financial statements, the corresponding figures for 31 March 2008 have been restated as a result of an error discovered during 31 March 2009 in the financial statements of ITAC at, and for the year ended, 31 March 2008.

Irregular expenditure

11. As disclosed in note 23 to the financial statements, irregular expenditure to the amount of R1 083 283,78 was incurred, as the correct procurement procedures had not been followed.

Other matters

I draw attention to the following matters that relates to my responsibilities in the audit of the financial statements:

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for the year ended 31 March 2009

Non-compliance with applicable legislation

Treasury Regulations

12. Bank reconciliations were not conducted on a weekly basis, as required by Treasury Regulation 31.1.2(j).

Governance framework

13. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting authority and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

Internal control deficiencies

14. Section 51(1)(a)(i) of the PFMA states that the accounting authority must ensure that the public entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root cause that gave rise to the deficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. (The number listed per component can be followed with the legend below the table.) In some instances deficiencies exist in more than one internal control component.

Par. No.	Basis for qualified opinion	CE	RA	CA	IC	M
8	Property, plant and equipment	6		6		

Management's philosophy and operating style did not promote effective control over financial reporting. As a result, the policy and procedures were not always effective to mitigate the risk over financial reporting.

CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer/accounting authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
CE = Control Environment	
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1

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Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
M = Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self -assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

Key governance responsibilities

The PFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	X	
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		X
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	X	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines 55 of the PFMA.	X	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	X	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	• The public entity had an audit committee in operation throughout the financial year.	X	
	• The audit committee operates in accordance with approved, written terms of reference.	X	
	• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 27.1.8.	X	
7.	Internal audit		
	• The public entity had an internal audit function in operation throughout the financial year.	X	
	• The internal audit function operates in terms of an approved internal audit plan.	X	

Report of the Auditor-General to Parliament on the financial statements and performance information of the International Trade Administration Commission

for the year ended 31 March 2009

No.	Matter	Y	N
	• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 27.2.	X	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	X	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		X
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	X	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in Treasury Regulation 27.2.	X	
12.	Powers and duties have been assigned, as set out in section 56 of the PFMA.	X	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	X	
Issues relating to the reporting of performance information			
14.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	X	
15.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.	X	
16.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by ITAC against its mandate, predetermined objectives, outputs, indicators and targets (Treasury Regulation 30.1)	X	
17.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	X	

18. Management did not put in place adequate measures to monitor adherence to polices and procedures related to financial reporting and compliance with applicable laws and regulations.

Report on other legal and regulatory requirements

Report on performance information

19. I have reviewed the performance information as set out on page 14.

The accounting authority's responsibility for the performance information

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

Report of the Auditor-General to Parliament on the financial statements and performance information of the International Trade Administration Commission

for the year ended 31 March 2009

The Auditor-General's responsibility

21. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*.

22. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

23. I believe that the evidence I have obtained is sufficient and appropriate to report that no significant findings have been identified as a result of my review.

APPRECIATION

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

Auditor - General

Pretoria

31 July 2009

AUDITOR-GENERAL

Report of the Accounting Authority

for the year ended 31 March 2009

1. Introduction

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

2. Operating results

The surplus of the Commission for the period was **R 4 143 268 (2008: R 3 473 746).**

3. Review of operations

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

	2009	Restated 2008
	R	R
Total operating costs	55 874 555	52 809 536
ITAC budget allocation from **the dti**	58 427 000	55 707 000

4. Review of financial position

ITAC has been granted permission by National Treasury to retain the accumulated surplus of **R 14 136 205.** An application has been made to National Treasury via the dti to retain the current year surplus of **R 4 143 268.**

5. Materiality and significant framework

ITAC has developed and adopted a materiality and significant issues framework for reporting losses through criminal conduct, irregular, fruitless or wasteful expenditure, as well as for significant transactions envisaged per section 54(2) of the PFMA. The materiality amount for the year is R292 135. This represents 0.5% of ITAC's total approved budget allocation from **the dti**.

6. Executive Management Remuneration

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

7. Business address:

DTI Campus (Building E)
77 Meintjies Street
Sunnyside
PRETORIA

8. Approval of the financial statements:

The financial statements set out on pages 31 to 57 have been approved by the Chief Commissioner.

Siyabulela Tsengiwe
Chief Commissioner
Date: 30 June 2009

Statement of Financial Performance

for the year ended 31 March 2009

	Notes	2009 R	Restated 2008 R
REVENUE			
Funds received from **the dti**	1	58 427 000	55 707 000
Interest income	2	1 511 303	573 182
Other income	3	79 520	3 100
Total revenue		60 017 823	56 283 282
Expenses			
Personnel		(35 678 288)	(33 885 288)
Administrative		(18 093 408)	(16 304 970)
Depreciation and Amortisation	4	(1 944 500)	(2 540 257)
Finance costs		(158 359)	(79 021)
Total expense		(55 874 555)	(52 809 536)
Surplus for the year	5	**4 143 268**	**3 473 746**

Statement of Financial Position

as at 31 March 2009

ASSETS	Notes	2009 R	Restated 2008 R
Current assets		**25 543 331**	**18 789 838**
Inventory	6	56 639	74 890
Accounts receivable	7	106 552	151 718
Overpayments	8	26 967	127 534
Cash and cash equivalents	9	25 353 167	18 435 696
Non-current assets		**1 758 991**	**3 307 285**
Property, plant and equipment	10	1 291 580	2 298 858
Intangible assets	11	467 411	1 008 427
		27 302 321	**22 097 123**
LIABILITIES			
Current liabilities		**6 838 883**	**19 655 471**
Trade and other payables	12	2 776 483	1 787 683
Current portion of provisions	13	3 688 348	3 404 493
Finance lease	14	374 052	327 090
Surplus to be surrendered to Treasury		-	14 136 205
Non-current liabilities		**2 183 965**	**2 441 652**
Provisions	13	2 012 426	1 896 092
Finance lease	14	171 539	545 560
		9 022 848	**22 097 123**
NET ASSETS		-	-
Accumulated surplus		18 279 473	-
Total Net Assets and Liabilities		**27 302 321**	**22 097 123**

Statement of Changes in Net Assets

for the year ended 31 March 2009

	Note	Restated Accumulated Surplus R
Balance at 1 April 2007		10 584 156
Surplus for the year ended 31 March 2008		3 552 049
As previously reported		3 473 746
Change in Estimate of useful life of assets		78 303
Total accumulated surplus at 31 March 2008		14 136 205
Surplus to be surrendered to National Treasury		(14 136 205)
Balance at 01 April 2008		-
Approval to retain surplus		14 136 205
Net surplus for the year		4 143 268
Balance at 31 March 2009		**18 279 473**

Cash Flow Statement

for the year ended 31 March 2009

	Notes	2009 R	Restated 2008 R
Cash flows from operating activities			
Receipts			
Grants		58 427 000	55 707 000
Interest received		1 511 303	573 182
Other income		76 820	3 100
Payments			
Employee Costs		(35 678 288)	(33 483 001)
Suppliers		(16 540 435)	(17 359 115)
Interest paid		(158 359)	(79 021)
Net cash flows from operating activities	16	7 638 041	5 362 145
Cash flows from investing activities			
Acquisition of computer equipment, furniture and fittings		(116 281)	(937 832)
Acquisition of intangible assets		(279 899)	(867 774)
Proceeds from sale of assets		2 700	-
Net cash utilised from investing activities		(393 480)	(1 805 606)
Cash flows from financing activities			
(Repayments on) finance lease liability		(327 090)	(171 827)
Net cashflow used in financing activities		(327 090)	(171 827)
Net increase/(decrease) in cash and cash equivalents		6 917 471	3 384 712
Cash and cash equivalents at beginning of year		18 435 696	15 050 984
Cash and cash equivalents at end of the year	9	25 353 167	18 435 696

Accounting Policies

for the year ended 31 March 2009

1. Accounting Policies

1.1 Basis of preparation

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

Standard of GRAP	Replaces Statement of GAAP
GRAP 1: Presentation of financial statements	AC101: Presentation of financial statements
GRAP 2: Cash flow statements	AC118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC103: Accounting policies changes in accounting estimates and errors

The recognition and measurement principles in the above GRAP and GAAP statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP1, 2 & 3 have resulted in the following significant changes in the presentation of the financial statements:

a. Terminology differences:

Standard of GRAP	Replaces Statements of GAAP
Statement of financial performance	Statement of comprehensive income
Statement of financial position	Statement of financial position
Statement of changes in net assets	Statement of changes in equity
Net Assets	Equity
Surplus/deficit	Profit/loss
Accumulated surplus/deficit	Retained earnings
Contributions from owners	Share capital
Distributions to owners	Dividends

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

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

i) Receivables from non-exchange transactions, including taxes and transfers:
ii) Taxes and transfers payable;
iii) Trade and other payables from non-exchange transactions

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

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

2. Presentation currency

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

3. Revenue

Revenue comprises funds received from **the dti** and is recognised in the period in which it accrues. Interest received is recognised on a time proportionate basis by reference to the principal cash investment and the interest rate applicable.

4. Irregular, fruitless and wasteful expenditure

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

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

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

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

5. Property, Plant and Equipment

Assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged to amortise assets to their residual values over their estimated useful lives, using the straight-line method, on the following bases:

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

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

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

Disposals

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

6. Intangible assets

Computer software

Costs associated with developing or maintaining in-house computer software programmes are capitalised when they are incurred. Costs that are directly associated with identifiable software products controlled by the Commission and which generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Intangible assets are stated at historical cost less accumulated amortisation and are amortised over a period of two years on the straight-line method. Expenditure that enhances or extends the performance of software programmes beyond their original specifications is recognised as a new acquisition.

Impairment of Tangible and Intangible assets

At each balance sheet date, the Commission reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

Impairment losses are immediately recognised as an expense, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under the standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

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

7. Employee benefits

Post-employee benefits

Retirement

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

8. Medical

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

Short and long-term benefits

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

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

9. Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Commission recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If the benefit falls due more than 12 months after balance sheet date, it is discounted to present value.

10. Inventory

Inventory, consist mainly of stationery and consumables. Inventory is valued at the lower of cost and net realisable value determined on the weighted average basis. This constitutes a change in accounting policy from the previous period. The weighted average method is considered to be more appropriate in valuing inventory.

11. Financial instruments

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

Recognition

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

Measurement

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

11.1 Receivables

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

11.2 Trade and other payables

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

11.3 Cash and bank balances

Cash and cash equivalents are measured at fair value. The carrying amount approximates fair value because of the short period to maturity of these instruments.

11.4 Comparative figures

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

12. Provisions

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

13. Leases

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

Assets held under finance leases are recognised as assets at their fair value at the inception of the lease or, if lower

the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the surplus or deficit in the statement of financial position.

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

14. Income Tax Exemption

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

15. Critical Accounting estimates and judgements

Management of the Commission makes estimates and assumptions concerning the future in applying its accounting policies. The resulting accounting estimates may, by definition, not equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are detailed in the notes to the financial statements where applicable. Management continually evaluate estimates and judgements based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Notes to the Annual Financial Statements

for the year ended 31 March 2009

		2009 R	Restated 2008 R
1.	**Funds received**		
	Funds received comprise transfer payments received from **the dti**	58 427 000	55 707 000
2	**Interest Income**		
	Call account (Standard Bank)	1 511 303	573 182
3	**Other income**	79 520	3 100
	Sales assets and tenders	8 300	3 100
	Recovery from Fraud	71 220	-
4	**Finance cost**	158 359	79 021
5.	**Included in surplus/(deficit) are the following:**		
	Auditors' remuneration	794 299	613 241
	Audit committee	111 326	35 921
	- Remuneration	109 255	31 615
	- Expenses	2 071	4 306
	Depreciation and amortisation	1 944 500	2 540 257
	- Computer equipment and peripherals	605 542	935 798
	- Office furniture and fittings	170 314	162 889
	- Computer software	820 520	1 238 480
	- Leased assets	348 124	203 090
	Internal audit fees	724 590	307 430
	Loss on disposal and scrapping of property, plant and equipment	-	13 706
	Operating lease payments	2 480 383	2 657 982
	- Buildings	2 105 590	2 103 840
	- Motor vehicles	377 096	422 189
	- Leasing charges equipment	(2 303)	131 953
	Legal costs	2 307 086	1 586 038
	Staff costs	35 678 288	33 885 288

Notes to the Annual Financial Statements *(continued)*

for the year ended 31 March 2009

	2009 R	2008 R
Executive remuneration		
Staff employment costs include gross remuneration of the following Executive Managers		
Chief Commissioner (appointed 1 January 2008)	**832 836**	**196 193**
- Basic	593 011	148 533
- Vehicle allowance	120 000	30 000
- Bonus	41 432	-
- Pension	64 633	14 160
- Medical	13 760	3 500
Deputy Chief Commissioner	**68 465**	**677 738**
- Basic	41 622	468 776
- Vehicle allowance	9 166	152 870
- Bonus	11 812	-
- Pension	4 645	8 642
- Medical	1 220	11 026
- Acting allowance	-	36 424
The Deputy Chief Commissioner acted as the Chief Commissioner for the period to 31 December 2007. The Deputy Chief Commissioner subsequently resigned on 31 April 2008.		
Deputy Chief Commissioner (appointed 1 March 2009)	62 292	-
- Basic	41 082	-
- Vehicle allowance	15 000	-
- Bonus	-	
- Pension	4 850	-
- Medical	1 360	-

Notes to the Annual Financial Statements *(continued)*

for the year ended 31 March 2009

	2009 R	2008 R
General Manager : Core Business	**-**	**480 046**
- Basic	-	309 835
- Vehicle allowance	-	88 600
- Bonus	-	31 847
- Pension	-	36 800
- Medical	-	12 964
The General Manager (Core Business) was appointed as The new Chief Commissioner with effect from 1 January 2008. The post has been vacant since then.		
General Manager : Corporate Services	**1 028 052**	**613 225**
- Basic	278 547	440 283
- Vehicle allowance	72 000	96 000
- Severance package	628 526	-
- Pension	31 159	48 422
- Medical	17 820	28 520
The General Manager received a severance package on the 15th October 2008. A new General Manager was appointed on 1 April 2009.		
Number of employees at year end	**114**	**119**

Notes to the Annual Financial Statements *(continued)*

for the year ended 31 March 2009

		2009 R	2008 R
6.	**Inventory**		
	Stationery and Consumables	56 639	74 890
7.	**Accounts receivable**		
	Staff debtors	4 838	22 421
	Subsistence and travel	101 714	129 297
		106 552	**151 718**
8	**Overpayments**		
	Suppliers	26 967	127 534
9.	**Cash and cash equivalents**		
	Cash and cash equivalents comprise cash and short-term, highly liquid deposits that are held with Treasury approved banking institutions, with maturities of three months or less and that are subject to insignificantinterest rate risk. Cash and cash equivalents are measured at realisable value.		
	Cash at bank	761 784	16 349 474
	Call account	24 589 586	2 081 222
	Cash on hand	1 797	5 000
	Cash and cash equivalents	**25 353 167**	**18 435 696**

Notes to the Annual Financial Statements *(continued)*

for the year ended 31 March 2009

10. Property, Plant and equipment

	Leased Assets	Computer equipment R	Office furniture	Total R
2009				
Cost				
Opening amount	1 536 689	3 768 111	1 081 571	6 386 371
Additions	-	14 990	126 776	141 766
Disposals and losses	-	-	(25 485)	(25 485)
Closing amount	**1 536 689**	**3 783 101**	**1 182 862**	**6 502 652**
2009				
Accumulated Depreciation				
Opening amount	695 285	2 848 989	543 191	4 087 465
Charge	348 124	605 542	170 314	1 123 980
Disposals and losses	-	-	(373)	(373)
Closing amount	**1 043 409**	**3 454 531**	**713 132**	**5 211 072**
Net carrying amount	**493 280**	**328 570**	**469 730**	**1 291 580**
2008 Restated				
Cost				
Opening amount	492 213	3 571 123	766 092	4 829 428
Additions	1 044 476	565 382	372 450	1 982 308
Disposals and losses	-	(368 394)	(56 920)	(425 314)
Closing amount	**1 536 689**	**3 768 111**	**1 081 622**	**6 386 422**
2008 Restated				
Accumulated Depreciation				
Opening amount	492 213	2 272 273	432 912	3 197 398
Charge	203 090	935 798	162 889	1 301 777
Disposals and losses	-	(359 083)	(52 528)	(411 611)
Closing amount	**695 303**	**2 848 988**	**543 273**	**4 087 564**
Net carrying amount	**841 386**	**919 123**	**538 349**	**2 298 858**

Notes to the Annual Financial Statements *(continued)*

for the year ended 31 March 2009

		2009 R	Restated 2008 R
11.	**Intangible assets – Software**		
	Cost		
	Opening amount	3 203 129	3 395 526
	Additions	23 399	867 774
	Disposals	-	(1 060 171)
	Closing amount	3 226 528	3 203 129
	Accumulated Amortisation		
	Opening amount	2 195 097	2 016 395
	Charge	820 520	1 238 480
	Disposals	-	(1 060 170)
	Closing amount	3 015 617	2 194 705
	Net carrying amount	**210 911**	**1 008 424**
	Development costs	**256 500**	**-**
	Total Intangible Assets	**467 411**	**1 008 424**
12.	**Trade and other payables**		
		2 776 479	**1 787 681**
	Rental	235 560	-
	IT and Technical Support	184 609	177 437
	Training	348 840	-
	Internal Audit Fee	387 930	-
	Consultants	191 127	-
	Legal Fees	100 759	-
	Other Accruals	1 327 654	1 610 244

13. Provisions

2009	Leave Pay R	Performance Bonus R	Service bonus R	Legal Fees R	Total R
Opening balance	2 888 127	581 057	651 139	1 179 992	5 300 585
Raised during the year	337 118	534 392	778 806	1 069 291	2 719 607
Utilisation during the year	(97 939)	(581 057)	(651 139)	(989 283)	(2 319 418)
Less current portion	(1 115 150)	(534 392)	(778 806)	(1 260 000)	(3 688 348)
Long Term portion	2 012 426	-	-	-	2 012 426

2008	Leave Pay R	Performance Bonus R	Service bonus R	Legal Fees R	Total R
Opening balance	2 583 186	585 566	549 554	1 385 000	5 103 306
Raised during the year	599 835	550 698	651 139	570 666	2 402 697
Utilisation during the year	(294 624)	(555 207)	(549 554)	(775 674)	(2 205 418)
Less current portion	(992 305)	(581 057)	(651 139)	(1 179 992)	(3 404 493)
Non-current portion	1 896 092	-	-	-	1 896 092

14. FINANCE LEASES

	PHOTOCOPIERS R	PRINTERS R	TOTAL R	TOTAL 2008 R
Amount payable under finance lease:				
Within one year	139 188	286 884	426 072	426 072
In the second to fifth year inclusive	57 995	119 535	177 530	603 602
	197 183	406 419	603 602	1 029 674
Less future finance charges	22 541	35 501	58 042	157 024
Within one year	20 201	31 850	52 051	98 982
In the second to fifth year inclusive	2 340	3 651	5 991	58 042
Present value of minimum lease payments	174 642	370 918	545 560	872 650
Within one year	118 987	255 036	374 023	32 709
In the second to fifth year inclusive	55 655	115 884	171 539	545 560
Less amounts due for settlement within 12 months	(118 987)	(255 036)	(374 023)	(327 090)
	55 655	115 884	171 539	545 560

ITAC is leasing the above equipment on finance leases with effect from 1 September 2007. There are no restrictions imposed on ITAC in terms of the lease. The lease obligation is secured by the lessors' title to the leased assets. The leases expire on 31 August 2010. The total monthly instalment of these leases amounts to R35 506.

15. Change in Accounting Estimate

ITAC has in the previous year not complied with the pronouncements of the International Accounting Standards Board (IAS 16) relating to the assessment of useful lives and residual values of Property, Plant and Equipment at the end of each financial year. During the year under review, ITAC embarked on an exercise to assess the useful lives of its assets in accordance with IAS 16, hence the decision to extend the useful lives of some of the assets. IAS 8 requires that a change in accounting estimate be applied prospectively. However the fact that this exercise was not performed during previous years, gave rise to a prior year error which necessitated a retrospective prior year adjustment. The adjustment was done by restating comparative figures (2007/08) for both the statement of financial performance as well as the statement of financial position. Furthermore, an asset that was previously written off, was found and written back in the income statement.

The effect of the afore mentioned prior year errors on the results of 2007/08 are shown below;

Statement of Financial Performance

	2007/08 R
Decrease in Depreciation	78 303
Increase in profit for the year	**78 303**
Surplus for 2007/08 previously stated	**3 473 746**
Surplus for 2007/08 restated	**3 552 048**

Statement of Financial Position:	2007/08
Increase in Property, Plant and Equipment	78 303
Increase in Equity for the year	78 303

16. Reconciliation of surplus on cash generated from operating activities

	2009 R	Restated 2008 R
Surplus	4 143 268	3 552 048
Adjustment for non cash items		
Depreciation and Amortisation	1 944 500	2 540 257
(Profit)/Loss on sale of assets	(3 002)	13 706
(Increase)/Decrease in inventory	18 251	(32 570)
(Increase)/Decrease in overpayments	100 567	279 321
(Increase)/Decrease in accounts receivable	45 466	(28 081)
Increase/(Decrease) in trade and other payable	988 802	(1 081 511)
Increase/(Decrease) in provisions	400 189	197 278
	7 638 041	5 362 145

17. Contingent liabilities

	2009 R	2008 R
Housing Guarantees	26 000	26 000

These are contingent liabilities in respect of guarantees given by **the dti** in terms of the public service assistance for staff housing loans. These guarantees were later transferred to ITAC. History indicates that no expenditure has been realised in this regard. At balance sheet date, Management re- assessed the fair value of the contingent liability of housing guarantees as required per ISA 37. Housing guarantees are secured by the pension fund of the relevant employee. Thus the likelihood of a possible outflow of resources is remote and therefore no fair value adjustment is deemed necessary. These liabilities have now been fully redeemed.

Legal Fees	-	

ITAC is presently involved in pending trade litigation and court cases, of which the outcome is not yet determinable. The estimated future costs expected to be incurred are currently under review.

Current year surplus	4 143 268	-

ITAC has submitted a request to National Treasury through the dti to retain its current year surplus of R 4 143 268. Approval is yet to be granted.

18. Operating lease arrangements

At the balance sheet date there were outstanding commitments under non-cancellable operating leases, which fall due as follows :
Vehicles are classified as operating leases as they do not meet the criteria for classification as finance leases. There is no lease agreement between ITAC and **the dti** for the premises being occupied, thus the rate has been applied as if no increases will take place annually.

	Up to 1 year R	2 to 5 years R	Total R
2009			
Premises – rent	2 337 636	9 350 544	11 688 180
Vehicles	311 304	129 710	441 014
2008			
Premises – rent	2 230 074	8 920 296	11 150 370
Vehicles	311 307	441 018	752 325

19. Related parties

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

Related Party	Relationship
The Department of Trade and Industry	National Department in National Sphere
SA Revenue Services	Public Entity in National Sphere
Department of Justice and Constituitional Development	National Department in National Sphere
Government Employees Pension fund	National Department in National Sphere

	2009 R	2008 R
Department of Trade and Industry **(dti)**		
Transfer payments received	**58 427 000**	**55 707 000**
Expenditure:		
Rent	2 105 590	2 103 840
Telephone & Internet	400 959	450 479

	2009 R	2008 R
SARS		
Payments	6 343 323	5 973 453
Due at year-end	-	437 708
Department of Justice and Constitutional Development		
Legal costs	976 157	1 036 067
Due at year end	50 000	
Government Employees Pension Fund		
Pension contributions	4 870 103	5 263 580

20. Financial risk management

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

Credit risk

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

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

Exposure to credit risk

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

R	2009	2008
Cash and cash equivalents	25 353 167	18 435 696
Other receivables	133 519	279 252
Total	25 486 686	18 714 948

Concentration of credit risk

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

2009	AAA and Government	Unrated
R		
Cash and cash equivalents	25 353 167	
Other receivables		133 519

2008	AAA and Government	Unrated
R		
Cash and cash equivalents	18 435 696	
Other receivables		279 252

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

2008	Neither past due nor impaired	Past due but not impaired – less than 2 months	Past due but not impaired – more than 2 months	Carrying value
R				
Cash and cash equivalents	25 353 167			25 353 167
Other receivables	133 519			133 519

2008	Neither past due nor impaired	Past due but not impaired – less than 2 months	Past due but not impaired – more than 2 months	Carrying value
R				
Cash and cash equivalents	18 435 696			18 435 696
Other receivables	279 252			279 252

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 I's exposure to interest risk is managed by investing, on a short term basis, in call accounts with Standard Bank.

Sensitivity Analysis

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

2009	Change in Investments	Increase/(decrease) in net surplus for the year	
		Upward change	Downward change
Cash and cash equivalents	1%	253 531	(253 531)
Finance lease	1%	(5 456)	5 456
2008			
Cash and cash equivalents	1%	184 357	(184 357)
Finance lease	1%	(8 727)	8 727

Liquidity risk

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

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

2009	Carrying amount	Total cash flow	Contractual cash flow within 1 year	Contractual cash flow between 1 and 5 years
Other financial liabilities	9 022 848	9 022 848	9 022 848	9 022 848

2008 restated	Carrying amount	Total cash flow	Contractual cash flow within 1 year	Contractual cash flow between 1 and 5 years
Other financial liabilities	22 097 123	22 097 123	19 655 471	22 097 123

Financial instruments

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

Financial instrument	Classification	Carrying amount 2009	Carrying amount 2008 restated
Cash and cash equivalents	Loans and receivables	25 353 167	18 435 696
Receivables	Loans and receivables	133 519	279 252
Payables	Financial liabilities	2 776 483	1 787 681
Surplus payable	Financial liabilities	-	14 136 205
Finance leases	Financial liabilities measured at amortised cost	545 562	872 650

Net gains and losses on financial instruments

The following table presents the total net gains or losses for each category of financial assets and financial liabilities:

2009	Loans and receivables R'000	Financial liabilities at amortised cost R'000	Total R'000
Interest income	1 511 303		1 511 303
Finance charges		(158 359)	(158 359)
Total net gains recognised in the statement of financial performance	1 511 303	(158 359)	1 352 944

2008	Loans and receivables R'000	Financial liabilities at amortised cost R'000	Total R'000
Interest income	573 182		573 182
Finance charges		(79 021)	(79 021)
Total net gains recognised in the statement of financial performance	573 182	(79 021)	494 161

22. Loss through Fraud

A net amount of R 1 716 262 was fraudulently withdrawn from our bank accounts through online transfers to fraudulent beneficiaries in the previous financial period. A forensic investigation is currently underway to determine the liable parties.

23. Irregular Expenditure

ITAC did not comply with Treasury Regulation 16 A 6.4 relating to the procurement of goods and services. The regulation states that, If in a specific case it is impractical to invite competitive bids, the accounting officer or accounting authority may procure the required goods or services by other means, provided that the reasons for deviating from inviting competitive bids must be recorded and approved by the accounting officer or accounting authority. Expenditure amounting to R 1083 284 was incurred in this regard. An application for condonment will be made to National Treasury.

2009	2008
1 083 284	-
1 083 284	**-**

24. Fruitless and Wasteful Expenditure

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

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

	2009	2008
Compensation Fund	-	11 160
Standard Bank	-	2 306
SARS (Interest and penalties paid)	59 376	-
	59 376	**13 466**

25. Statements in issue but not yet effective

At the date of authorization of these financial statements, the following accounting standards of Generally Recognized Accounting Principles (GRAP) were in issue, but not yet effective;

GRAP 12 - Inventories

GRAP 13 - Leases

GRAP 14 - Events after the reporting date

GRAP 17 - Property Plant and Equipment

GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets

GRAP 24 - Presentation of Budget Information in Financial Statements

GRAP 102 - Intangible Assets

Management believes that the adoption of these standards in future periods will have no material impact on the financial statements of the Commission as most of them are irrelevant and those that are relevant are to a greater extent similar in application and disclosure as the GAAP standards applied currently.

The date of application of the above as determined by the Minister of Finance is for annual periods beginning on or after 1 April 2009.