

# FINANCIAL INFORMATION C

# Report of the auditor-general to Parliament on the Government Technical Advisory Centre

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Government Technical Advisory Centre set out on pages 53 to 89 which comprise the statement of financial position as at 31 March 2017, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison between budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Government Technical Advisory Centre as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with the 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).

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the government component in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE GOVERNMENT TECHNICAL ADVISORY CENTRE

## **Emphasis of matters**

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

## **Restatement of corresponding figures**

7. As disclosed in note 28 to the financial statements, the corresponding figures for 31 March 2016 have been restated as a result of errors in the financial statements of the government component at, and for the year ended, 31 March 2017.

## **Irregular expenditure**

8. As disclosed in note 26 to the financial statements, irregular expenditure of R77 478 532 was incurred, as a proper tender process had not been adequately followed. An amount of R70 809 070 included in the above figure, was as a result of contracts identified as irregular in the previous year.

## **Departure from modified cash standard**

9. As disclosed in accounting policy note 1 to the financial statements, the entity was granted a departure in terms of section 79 of the PFMA in the 2014-15 and 2015-16 financial years. The minister of Finance signed the letter under reference M3/3/1/1(1907/11) dated 13 February 2012 which indicated that for the purposes of financial management, the Government Technical Advisory Centre must operate as a public entity listed in schedule 3A to the PFMA. It should be noted that public entities listed in schedule 3A of the PFMA compile their annual financial statements in terms of the SA Standards of GRAP.

## **Responsibilities of the accounting officer for the financial statements**

10. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
11. In preparing the financial statements, the accounting officer is responsible for assessing the Government Technical Advisory Centre's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the intention is to liquidate the government component or to cease operations, or there is no realistic alternative but to do so.

## **Auditor-general's responsibilities for the audit of the financial statements**

12. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE GOVERNMENT TECHNICAL ADVISORY CENTRE

## Report on the audit of the annual performance report

### Introduction and scope

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
15. My procedures address the reported performance information, which must be based on the approved performance planning documents of the government component. I have not evaluated the completeness and appropriateness of the performance indicators or measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the government component for the year ended 31 March 2017:

<b>Programme 8 - technical and management support and development finance</b>	<b>Pages in the annual performance report</b>
Strategic objective 8.1: establishment of GTAC as a centre of excellence in public sector advisory services, transaction support, project management and public finance management	133

17. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objective:
- Strategic objective 8.1: establishment of GTAC as a centre of excellence in public sector advisory services, transaction support, project management and public finance management.

### Other matters

19. I draw attention to the matter below:

### Achievement of planned targets

20. Refer to the annual performance report on page 133 for information on the achievement of planned targets for the year and explanations provided for the overachievement of a significant number of targets.

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE GOVERNMENT TECHNICAL ADVISORY CENTRE

## Report on audit of compliance with legislation

### Introduction and scope

21. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the government component with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
22. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

### Strategic planning and performance management

23. The strategic plan for 2016-17 was not prepared by the accounting officer, as required by treasury regulation 5.1.1. This resulted in the government component not preparing an annual performance report.

### Annual financial statements

24. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 40(1)(a) and (b) of the PFMA. Material misstatements of disclosure items (commitments and prior period error) identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

### Procurement and contract management

25. In some instances, goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by treasury regulation 16A6.1. Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of treasury regulation 16A6.4. Similar non-compliance was also reported in the previous year.
26. In some instances, contracts were awarded to bidders based on evaluation criteria that were inconsistent with those stipulated in the original invitation for bidding and quotations, in contravention of treasury regulation 16A6.3(a) and the Preferential Procurement Regulations. Similar non-compliance was also reported in the prior year.

### Expenditure management

27. Effective steps were not taken to prevent irregular expenditure, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. The majority of the disclosed irregular expenditure was caused by the government component not following a competitive procurement process and the evaluation criteria not being consistently applied. Irregular expenditure of R47 523 673 was incurred on the long-term advisors' contracts and R23 285 397 was incurred on the municipal finance improvement programme contracts.

### Other information

28. The Government Technical Advisory Centre accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.
29. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE GOVERNMENT TECHNICAL ADVISORY CENTRE

30. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.
31. I have not yet received the annual report. When I do receive this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected I may have to re-issue my auditor's report amended as appropriate.

## Internal control deficiencies

32. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for opinion, and the findings on compliance with legislation included in this report.
33. A strategic plan for the period 2016-2018 and an annual performance plan for the 2016-17 financial years were not prepared by the accounting officer. According to the accounting officer, the performance information of the Government Technical Advisory Centre was included in the National Treasury's annual performance plan. The appointment of the accounting officer was delayed by the National Treasury.
34. Management did not prepare financial information that was free from material misstatement due to inadequate systems and internal controls.
35. Management did not put adequate measures in place to ensure that there is compliance with supply chain management (SCM) regulations to avoid the recurrence of irregular expenditure due to a misinterpretation of SCM regulations and inconsistent application of processes.

*Auditor-General*

Pretoria

31 July 2017



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE GOVERNMENT TECHNICAL ADVISORY CENTRE

## **Annexure – auditor-general’s responsibility for the audit**

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected strategic objective 8.1 and on the government component’s compliance with respect to the selected subject matters.

### **Financial statements**

2. In addition to my responsibility for the audit of the financial statements as described in the auditor’s report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - obtain an understanding of internal control relevant to the audit 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 government component’s internal control.
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
  - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Government Technical Advisory Centre’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor’s report. However, future events or conditions may cause a government component to cease to continue as a going concern.
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### **Communication with those charged with governance**

3. I communicate with the accounting officer and audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer and audit committee that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

The reports and statements set out below comprise the financial statements of the Government Technical Advisory Centre (GTAC), established as a government component in terms of the Public Service Act (103 of 1994). GTAC functions as an agency of the National Treasury, under the executive authority of the Minister of Finance.

The Minister of Finance has indicated that for the purposes of financial management, GTAC must operate as a public entity listed in Schedule 3A of the Public Financial Management Act (No. 1 of 1999). Thus, the financial statements are prepared in accordance with the Standards of Generally Recognised Accounting Practice issued by the Accounting Standards Board in accordance with section 91(1) of the Public Financial Management Act, rather than the modified cash basis usually applicable to government components and departments.

<b>The reports and statements set out below comprise of:</b>	<b>Page</b>
Statement of financial position	54
Statement of financial performance	55
Statement of changes in net assets	56
Cash flow statement	57
Statement of comparison of budget and actual amounts	58
Accounting policies	59
Notes to the financial statements	67

The financial statements set out on pages 54 to 89, which have been prepared on the going concern basis, were approved and signed on 31 May 2017.

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### STATEMENT OF FINANCIAL POSITION

		R	Restated R
	Notes	2017	2016
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property, plant and equipment	4	4,426,846	5,552,212
		<b>4,426,846</b>	<b>5,552,212</b>
<i>Current assets</i>			
Receivables from exchange transactions	5	15,833,753	9,449,601
Cash and cash equivalents	6	554,516,968	872,582,191
		<b>570,350,721</b>	<b>882,031,792</b>
<b>Total assets</b>		<b>574,777,567</b>	<b>887,584,004</b>
<b>LIABILITIES</b>			
<i>Current liabilities</i>			
Trade and other payables under exchange transactions	7	72,444,296	85,018,218
Payables under non-exchange transactions	8	280,840,709	619,246,317
Bank overdraft	6	2,021,602	–
Provisions	9	3,967,444	2,101,846
<b>Total liabilities</b>		<b>359,274,051</b>	<b>706,366,381</b>
<b>Net assets</b>		<b>215,503,516</b>	<b>181,217,623</b>
Accumulated surplus		215,503,516	181,217,623
<b>Net assets</b>		<b>215,503,516</b>	<b>181,217,623</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### STATEMENT OF FINANCIAL PERFORMANCE

		Restated	
		R	R
	Notes	2017	2016
<b>REVENUE</b>			
<i>Revenue from exchange transactions</i>			
Cost recovery revenue	10	137,773,407	132,136,612
Interest revenue	11	28,361,064	24,832,446
Royalties		210,489	441,888
<b>Total revenue from exchange transactions</b>		<b>166,344,960</b>	<b>157,410,946</b>
<i>Revenue from non-exchange transactions</i>			
Appropriated funding	12	268,151,157	187,552,098
Donor funding	13	15,854,669	52,853,059
<b>Total revenue from non-exchange transactions</b>		<b>284,005,826</b>	<b>240,405,157</b>
<b>Total revenue</b>		<b>450,350,786</b>	<b>397,816,103</b>
<b>EXPENDITURE</b>			
Goods and services	14	323,354,382	266,474,194
Compensation of employees	15	90,553,860	62,860,860
Depreciation	4	2,156,651	257,279
<b>Total expenditure</b>		<b>416,064,893</b>	<b>329,592,333</b>
<b>Surplus for the year</b>		<b>34,285,893</b>	<b>68,223,770</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### STATEMENT OF CHANGES IN NET ASSETS

		R
	Notes	Reserves
<b>Balance at 1 April 2014</b>		–
Net assets transferred on 1 April 2014		596,170,402
Correction of prior year errors	28	(517,440,852)
<b>Balance at 1 April 2014 (restated)</b>		<b>78,729,550</b>
Net surplus for the year ended 31 March 2015		220,698,430
Correction of prior period errors	28	(186,434,127)
<b>Balance at 31 March 2015 (restated)</b>		<b>112,993,853</b>
Net deficit for the year ended 31 March 2016		(371,236,820)
Correction of prior period errors	28	439,460,590
<b>Balance at 31 March 2016 (restated)</b>		<b>181,217,623</b>
<b>Balance at 1 April 2016</b>		<b>181,217,623</b>
Net surplus for the year ended 31 March 2017		34,285,893
<b>Balance at 31 March 2017</b>		<b>215,503,516</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### CASH FLOW STATEMENT

	Notes	Restated	
		R 2017	R 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Receipts</i>			
Government funding and other sources		370,270,543	288,506,646
Interest income	16	27,643,087	24,395,564
		<b>397,913,630</b>	<b>312,904,210</b>
<i>Payments</i>			
Grants and project payments		624,527,818	523,020,767
Compensation of employees		92,419,459	63,670,372
		716,947,277	586,691,139
<b>Net cash flows from operating activities</b>	17	<b>(319,033,647)</b>	<b>(273,786,929)</b>
Purchase of property, plant and equipment	4	(1,053,178)	(5,503,855)
<b>Net cash flows from investing activities</b>		<b>(1,053,178)</b>	<b>(5,503,855)</b>
Net decrease / increase in cash and cash equivalents		(320,086,825)	(279,290,784)
Cash and cash equivalents at the beginning of the year		872,582,191	1,151,872,975
<b>Cash and cash equivalents at the end of the year</b>	6	<b>552,495,366</b>	<b>872,582,191</b>

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	R	R	R	R	R	
	Approved Budget	Adjustments	Adjusted Budget	Actual	Variance Over / (Under)	Notes

### STATEMENT OF FINANCIAL PERFORMANCE

#### Revenue

##### Revenue from exchange transactions

Cost recovery revenue	143,822,492	(13,028,551)	130,793,941	137,773,407	6,979,466	22
Investment revenue	–	10,000,000	10,000,000	28,361,064	18,361,064	22
Royalties	648,000	–	648,000	210,489	(437,511)	

<b>Total revenue from exchange transactions</b>	<b>144,470,492</b>	<b>(3,028,551)</b>	<b>141,441,941</b>	<b>166,344,960</b>	<b>24,903,019</b>	
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##### Revenue from non-exchange transactions

Appropriated funding	264,358,000	–	264,358,000	268,151,157	3,793,157	22
Donor funding	40,936,979	–	40,936,979	15,854,669	(25,082,310)	22

<b>Total revenue from non-exchange transactions</b>	<b>305,294,979</b>	<b>–</b>	<b>305,294,979</b>	<b>284,005,826</b>	<b>(21,289,153)</b>	
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<b>Total revenue</b>	<b>449,765,471</b>	<b>(3,028,551)</b>	<b>446,736,920</b>	<b>450,350,786</b>	<b>3,613,866</b>	
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#### Expenditure

Goods and services	320,543,333	18,367,202	338,910,535	323,354,382	(15,556,153)	22
Compensation of employees	89,331,836	10,769,466	100,101,302	90,553,860	(9,547,442)	22
Depreciation	497,000	1,848,928	2,345,928	2,156,651	(189,277)	22

<b>Total expenditure</b>	<b>410,372,168</b>	<b>30,985,596</b>	<b>441,357,765</b>	<b>416,064,893</b>	<b>(25,292,872)</b>	
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<b>Surplus for the year</b>	<b>39,393,303</b>	<b>(34,014,147)</b>	<b>5,379,155</b>	<b>34,285,893</b>	<b>28,906,738</b>	22
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## ACCOUNTING POLICIES

### 1. PRESENTATION OF FINANCIAL STATEMENTS

GTAC is established as a government component in terms of the Public Service Act (103 of 1994).

The Minister of Finance has indicated that for the purposes of financial management, GTAC must operate as a public entity listed in Schedule 3A to the Public Finance Management Act (1 of 1999).

Thus the financial statements were prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with section 91(1) of the Public Finance Management Act (1 of 1999), rather than the modified cash basis normally applicable to departments and government components.

GTAC's financial statements are prepared on an accrual basis of accounting with historical cost as the basis of measurement, unless specified otherwise.

The principle accounting policies that have been applied in the preparation of these financial statements are disclosed below.

### 2. PRESENTATION CURRENCY

These financial statements are presented in South African rand, which is GTAC's functional currency. Amounts are rounded to the nearest rand.

### 3. COMPARATIVE FIGURES

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated and the nature of and reason for the reclassification are disclosed. Where material accounting errors have been identified in the current financial 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 the accounting policy in the current financial year, the adjustment is made retrospectively as far as practicable, and the prior year comparatives are restated accordingly.

### 4. GOING CONCERN

These financial statements have been prepared on the expectation that GTAC will continue as a going concern for at least the next 12 months.

### 5. PROPERTY, PLANT AND EQUIPMENT

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

Equipment under R5,000 is written off in the year of acquisition.

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

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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

Item	Average useful life
Office equipment	5 years
Computer equipment	3 years

The residual value, the useful life and the depreciation method of each asset are reviewed at least at each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in the accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate, unless expectations differ from the previous estimate.

Gain or loss arising from the derecognition of an item of property, plant or 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 or equipment is the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Where the carrying amount of an item of property, plant or equipment is greater than its estimated recoverable service amount, it is written down immediately to its recoverable amount (i.e. impairment losses are recognised).

## 6. FINANCIAL INSTRUMENTS

### Initial recognition

GTAC recognises a financial asset or a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

### Financial assets

All financial assets are categorised as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

### Cash and cash equivalents

Cash and cash equivalents are stated at amortised cost, which, due to their short-term nature, closely approximate their fair value.

### Financial assets at amortised cost

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "financial assets at amortised cost". These financial assets are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate.

### Effective interest method

The effective interest rate is the rate that exactly discounts estimated future cash receipts and allocates interest income through the expected life of the financial asset, or, where appropriate, a shorter period, to equal the initial cost of a financial asset.

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each year-end.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the surplus or deficit.

### **Financial liabilities**

All financial liabilities of GTAC are recognised at amortised cost. The classification of financial liabilities depends on their nature and purpose and is determined at the time of initial recognition.

### **Other financial liabilities**

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

## **7. TAX**

No provision has been made for taxation, as GTAC is exempt from income tax in terms of section 10 of the Income Tax Act (58 of 1962).

## **8. EMPLOYEE BENEFITS**

The cost of employee benefits is recognised during the period in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the reporting date.

Termination benefits are recognised and expensed only when the payment is made.

Liabilities for annual service bonuses and long service bonuses are recognised as they accrue to employees. GTAC recognises these bonus obligations during the vesting period based on the best available estimate of those bonuses expected to vest.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

Liabilities for annual leave are recognised as they accrue to employees. GTAC recognises the leave liability during the vesting period based on the best available estimate of the accumulated leave expected to vest. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of an employee. The leave liability is recognised as an accrual.

No provision has been made for retirement benefits as GTAC does not provide retirement benefits for its employees.

## 9. REVENUE FROM EXCHANGE TRANSACTIONS

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

### 9.1 Cost recovery revenue

Revenue for services rendered is recognised as cost recovery revenue when it is associated with identified services provided to a client or counterparty, the costs incurred in providing these services can be reliably measured, the stage of completion of the services at the end of the reporting period can be determined, and the costs and revenue can be appropriately apportioned between completed and to-be-completed services.

### 9.2 Interest revenue

Interest revenue is interest income that accrues on a time-proportionated basis, taking into account the principal amount outstanding and the effective interest rate over the period to maturity.

### 9.3 Royalties

GTAC has entered into an agreement with the Taylor & Francis Group for publishing the journal, *Development Southern Africa*. GTAC receives a royalty of 20% on the sale of these journals and accounted for as exchange revenue when the receipts are measured reliably. The royalties are summarised on an annual statement.

## 10. REVENUE FROM NON-EXCHANGE TRANSACTIONS

Non-exchange revenue transactions enable GTAC to mobilise resources to give effect to its mandate, in keeping with approved strategic and performance plans and usually in accordance with binding arrangements.

When GTAC receives resources as a result of a non-exchange transaction, GTAC recognises an asset and revenue in the period that the arrangement becomes binding and when it is probable that GTAC will derive economic benefits or service potential that can reliably be measured.

Where the resources transferred to GTAC are subject to the fulfilment of specific conditions, it recognises an asset and a corresponding liability. As and when the conditions are fulfilled, the liability is reduced and revenue is recognised.

The asset and the corresponding revenue are measured on the basis of the fair value of the asset on initial recognition.

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### 10.1 Appropriated funding

GTAC receives an allocation of funds appropriated in the National Treasury Budget Vote for its operational expenditure. GTAC also receives appropriated funds transferred for specified programmes and activities. These funds are required to be returned if unspent by the end of the financial year, unless approval is obtained for their retention.

Appropriated funding is recognised immediately on receipt.

### 10.2 Donor funding

GTAC recognises donor funds as revenue on the date the draw-down requisition becomes effective if the expenditure associated with the revenue has been incurred.

If donor funds are subject to the fulfilment of specific conditions, an asset and a corresponding liability are recognised on transfer. As and when the conditions are fulfilled, the liability is reduced and revenue is recognised.

## 11. FRUITLESS AND WASTEFUL EXPENDITURE

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

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, the recovery is subsequently accounted for as revenue in the statement of financial performance.

## 12. IRREGULAR EXPENDITURE

Irregular expenditure as defined in section 1 of the Public Finance Management Act (1 of 1999) as expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

- the Public Finance Management Act (1 of 1999)
- the State Tender Board Act (86 of 1968), or any regulations made in terms of the Act
- any legislation providing for procurement procedures.

## 13. RELATED PARTIES

GTAC has financial relationships with other entities and departments in the national sphere of government. Transactions between GTAC and other organs of state in the national sphere are governed by project-specific agreements and are undertaken on terms and conditions that are not at arms' length for such transactions, as only the direct costs are recovered (not full cost recovery).

## 14. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of annual financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, revenue and expenses.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

Estimates are made based on the best available information at the time of preparation of the annual financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision on future periods if the revision affects current and future periods.

## 14.1 Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values, less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change, which may then impact our estimations and may then require a material adjustment to the carrying value of property, plant and equipment and intangible assets.

## 14.2 Useful lives and residual values of property, plant and equipment

Management made certain estimates with regard to the determination of the estimated useful lives and residual values of items of property, plant and equipment, as discussed further in note 4. An annual assessment and review of estimated useful lives and residual values is performed and any significant change is accounted for as a change in accounting estimate in accordance with GRAP 3.

## 14.3 Provision for doubtful debts

The entity estimates the level of provision required for doubtful debts on an ongoing basis, based on historical experience as well as other specific relevant factors.

## 15. PUBLIC SECTOR PRACTICES AND POLICIES

### 15.1 Interrelationship with other government entities

GTAC has been established as a government component in terms of the Public Service Act (103 of 1994), and is an agency of the National Treasury.

### 15.2 Public Finance Management Act reporting requirements

In keeping with section 55(2)(b) of the Public Finance Management Act (1 of 1999), material losses due to criminal conduct or unauthorised expenditure or irregular expenditure are disclosed in the annual financial statements.

## 16. EVENTS AFTER REPORTING DATE

GTAC's financial statements include disclosure of events with material financial implications, either favourable or unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events are identified:

- Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date)
- Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

## 17. BUDGETS

A comparison of the budget estimates for GTAC's programmes and activities and the realised outcome (actual) amounts is included in the financial statements.

The comparison of budget estimates and actual amounts shows:

- Approved and final budget amounts
- Actual amounts on a comparable basis
- By way of note disclosure, an explanation of material differences between budget estimates and actual amounts.

## 18. TRANSFERS UNDER COMMON CONTROL

Several functions were transferred to GTAC on 1 April 2014 by the National Treasury, which is GTAC's principal department. With effect on this date the National Treasury:

- Derecognised in its financial statements all the assets transferred and liabilities relinquished at their carrying amounts.
- Recognised the difference between the carrying amounts of the assets transferred and the liabilities relinquished in its accumulated surplus or deficit.

## 19. CONTINGENT LIABILITIES AND PROVISIONS

GTAC identifies contingent liabilities as:

- A possible obligation arising from past events, to be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of GTAC; or
- A present obligation that arises from past events but is not recognised because:
  - It is not probable that an outflow of resources will be required to settle the obligation; or
  - The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the financial statements, but are disclosed in the notes.

Provisions are recognised when:

- GTAC has a present obligation as a result of past events
- It is probable that an outflow of economic benefits will be required to settle the obligation
- A reliable estimate can be made of the obligation.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

## 20. COMMITMENTS

A commitment is a future expense for which GTAC is contractually liable but in respect of which a payment obligation has not yet been incurred at the reporting date.

Commitments are not recognised in the financial statements, but are disclosed in the notes.

## 21. ACCOUNTING BY PRINCIPALS AND AGENTS

GTAC undertakes the management of programmes and projects or cash management on behalf of the National Treasury or other organs of state on a principal-agent basis.

These programmes and projects or cash management result from binding agreements in which GTAC (the agent) acts on and for the benefit of the National Treasury or other organs of state (the principal) in undertaking transactions with third parties. In these programmes and projects, GTAC:

- Does not have the power to determine the significant terms and conditions of the transactions
- Does not have the ability to use the resources that result from the transaction for its own benefit
- Is not exposed to variability in the results of the transaction.

The principal recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement.

GTAC recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal.

Assets and liabilities arising from principal-agent programmes and projects are recognised in accordance with the requirements of these programmes and projects and the relevant standards.

GTAC acts as an agent of the National Treasury in managing project funds of the Employment Creation Facilitation programme known as the Jobs Fund. The Jobs Fund is administered by a project management unit within GTAC.

By agreement between the National Treasury, the Department of Energy and the Development Bank of Southern Africa (DBSA), GTAC manages and accounts for the Independent Power Producer Procurement Programme (IPPPP) bank account, and reimburses expenditure of the IPPPP Office to the DBSA.

GTAC also makes payments on behalf of the Neighbourhood Development Programme unit within the National Treasury to various service providers contracted by municipalities.

## NOTES TO THE FINANCIAL STATEMENTS

	Restated
R	R
2017	2016

### 1. ESTABLISHMENT OF GTAC

The Government Technical Advisory Centre (GTAC) is established as a government component in terms of the Public Services Act (103 of 1994), through Government Notice 261 of 30 March 2012.

The object of GTAC is to assist organs of state in building their capacity for efficient, effective and transparent financial management. Its functions are:

- (a) to render technical consulting services to centre of government departments and organs of state
- (b) to provide specialised procurement support for high-impact government initiatives
- (c) to render advice on the feasibility of infrastructure projects
- (d) to provide knowledge management for projects undertaken
- (e) anything ancillary to these functions.

### 2. TRANSFER OF FUNCTIONS TO GTAC

With effect from 1 April 2014, the establishment of GTAC was implemented as a subprogramme of Programme 8 of the National Treasury through a transfer of the functions of the former Technical Assistance Unit, the Public-Private Partnerships Unit, the Jobs Fund project management unit and the Performance and Expenditure Review programme.

With effect from 1 April 2015, the positions and personnel associated with these functions were transferred to GTAC.

### 3. NEW STANDARDS AND INTERPRETATIONS

#### 3.1 Standards issued, but not yet effective

At the date of authorisation of these financial statements, there are standards and interpretations in issue but not yet effective.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

## NOTES TO THE FINANCIAL STATEMENTS

Standard / Interpretation	Effective date	Expected impact	Restated	
			R 2017	R 2016
GRAP 20: Related Parties	Not yet effective	This standard is applied and disclosed in these financial statements		
GRAP 109: Accounting by Principals and Agents	Not yet effective	This standard is applied and disclosed in these financial statements		
GRAP 32: Service Concession Arrangements: Grantor	Not yet effective	No significant impact on future disclosures		
GRAP 34: Separate Financial Statements	Not yet effective	No significant impact on future disclosures		
GRAP 35: Consolidated Financial Statements	Not yet effective	No significant impact on future disclosures		
GRAP 36: Investments in Associates and Joint Ventures	Not yet effective	No significant impact on future disclosures		
GRAP 37: Joint Arrangements	Not yet effective	No significant impact on future disclosures		
GRAP 38: Disclosure of Interest in Other Entities	Not yet effective	No significant impact on future disclosures		
GRAP 108: Statutory Receivables	Not yet effective	No significant impact on future disclosures		
GRAP 110: Living and Non-living Resources	Not yet effective	No significant impact on future disclosures		
GRAP 21 & 26: Impairment (amended)	Not yet effective	No significant impact on future disclosures		

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

## NOTES TO THE FINANCIAL STATEMENTS

	Restated	
	R	R
	2017	2016

### 4. PROPERTY, PLANT AND EQUIPMENT

	2017			2016		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Office equipment	178,386	36,287	142,099	73,813	16,934	56,879
Computer equipment	6,686,450	2,401,703	4,284,747	5,760,646	265,313	5,495,333
<b>Total</b>	<b>6,864,836</b>	<b>2,437,990</b>	<b>4,426,846</b>	<b>5,834,459</b>	<b>282,247</b>	<b>5,552,212</b>

#### Reconciliation of property, plant and equipment – 2017

	Opening balance	Additions	Disposals	Accumulated depreciation	Total
Office equipment	73,813	104,573	–	36,287	142,099
Computer equipment	5,760,646	948,604	22,800	2,401,703	4,284,747
	<b>5,834,459</b>	<b>1,053,177</b>	<b>22,800</b>	<b>2,437,990</b>	<b>4,426,846</b>

#### Reconciliation of property, plant and equipment – 2016

	Opening balance	Additions	Disposals	Accumulated depreciation	Total
Office equipment	51,092	22,721	–	16,934	26,879
Computer equipment	279,512	5,481,134	–	265,313	5,495,333
	<b>330,604</b>	<b>5,503,855</b>	<b>–</b>	<b>282,247</b>	<b>5,552,212</b>

#### Net carrying value

	2017	2016
Office equipment	142,099	56,879
Computer equipment	4,284,747	5,495,333
	<b>4,426,846</b>	<b>5,552,212</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS

#### 5. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	R	Restated R
	2017	2016
Trade receivables	6,430,025	1,360,962
VAT receivables	1,686,695	1,089,585
Interest receivables	7,717,033	6,999,054
	<b>15,833,753</b>	<b>9,449,601</b>

#### 6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

##### Bank accounts

- Government Technical Advisory Centre	3,000	3,000
- Building a Capable State programme	1,500	1,500
- Project Development Facility	1,424	1,428
- Neighbourhood Development Programme	1,500	928
- Independent Power Producer Procurement Programme	1,348	2,500
- Jobs Fund partner funds	1,352	928
- Paymaster-General Account	–	78,848
	<b>10,124</b>	<b>89,132</b>

##### Call accounts

- Government Technical Advisory Centre	294,280,243	301,648,911
- Building a Capable State Programme	9,056,958	6,516,708
- Project Development Facility	101,413,239	105,944,353
- Neighbourhood Development Programme	14,446,988	13,338,222
- Independent Power Producer Procurement Programme	135,308,416	432,663,534
- Jobs Fund partner funds	1,000	12,381,331
	<b>554,506,844</b>	<b>872,493,059</b>

##### Overdraft

- Paymaster-General account (PMG)	(2,021,602)	–
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#### Total cash and cash equivalents

<b>552,495,366</b>	<b>872,582,191</b>
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Cash and cash equivalents comprise cash held by GTAC and short-term bank deposits on call. The carrying amount of these assets approximates their fair values. During 2016/17, funds were invested in call accounts with Nedbank to maximise the interest earned (5–7.8% p.a.).

The Paymaster-General account was overdrawn at year end. The account was brought into a positive when the overdraft was identified. The Office of the Accountant-General has been informed of the oversight.

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS

	Restated	
	R	R
	2017	2016
<b>7. TRADE AND OTHER PAYABLES UNDER EXCHANGE TRANSACTIONS</b>		
Trade and other payables	27,434,708	33,274,447
Income received in advance – cost recovery	5,558,077	7,546,807
- GTAC		
- PDF	39,451,511	44,196,964
	<b>72,444,296</b>	<b>85,018,218</b>

The average credit period taken is less than 30 days. The carrying amount of trade and other payables approximate their fair value due to the relatively short-term maturity of these financial liabilities.

### 8. PAYABLES UNDER NON-EXCHANGE TRANSACTIONS

Income received in advance:		
- Government Technical Advisory Centre	55,276,300	47,722,978
- Municipal Finance Improvement Programme II	73,745,174	109,366,399
- Jobs Fund partner funds	472,613	12,766,750
- Neighbourhood Development Programme	14,533,016	13,489,799
- Development Bank of Southern Africa (Independent Power Producer Procurement Programme)	135,629,455	435,369,333
Interest received on donor funds	1,184,151	531,058
	<b>280,840,709</b>	<b>619,246,317</b>

### 9. PROVISIONS

Provisions for leave	1,778,668	1,515,589
Provisions for bonuses	2,188,776	586,257
	<b>3,967,444</b>	<b>2,101,846</b>

#### Reconciliation of employee provisions – 2017

	Opening balance	Provided	Utilised	Total
Leave provision	1,515,589	363,709	(100,630)	1,778,668
Bonus provision	586,257	4,488,507	(2,885,988)	2,188,776
	<b>2,101,846</b>	<b>4,852,216</b>	<b>(2,986,618)</b>	<b>3,967,444</b>

#### Reconciliation of employee provisions – 2016

	Opening balance	Provided	Utilised	Total
Leave provision	701,089	1,770,954	(956,454)	1,515,589
Bonus provision	591,245	–	(4,988)	586,257
	<b>1,292,334</b>	<b>1,770,954</b>	<b>(961,442)</b>	<b>2,101,846</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS

	<b>Restated</b>	
	<b>R</b>	<b>R</b>
	<b>2017</b>	<b>2016</b>

The provisions represent management's best estimate of the entity's liability for provisions.

For performance bonuses, the provision is based on the anticipated performance of employees. This anticipated performance is based on experience with the employees of the entity, taking into account performance trends in the prior periods.

For the leave pay provision, the amount is based on the accumulated leave days balance at the end of the financial year after taking into account the forfeited leave days.

Management is of the opinion that the bonus provision will be utilised within the next 12 months and the leave provision as and when employees resign.

#### 10. COST RECOVERY REVENUE

Technical advisory services	58,403,703	41,305,773
Infrastructure Delivery Improvement Programme	1,988,731	10,192
Employment facilitation (Jobs Fund)	72,635,520	56,517,611
Specialised procurement support	4,745,453	34,303,036
	<b>137,773,407</b>	<b>132,136,612</b>

#### 11. INTEREST REVENUE

Interest: GTAC	28,361,064	24,832,446
	<b>28,361,064</b>	<b>24,832,446</b>

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

## NOTES TO THE FINANCIAL STATEMENTS

### 12. APPROPRIATED FUNDING (NATIONAL TREASURY VOTE)

G TAC – Contribution to Operations

Project allocations:

- Municipal Finance Improvement Programme II (MFIP)
- Employment Creation Facilitation (Jobs Fund) – Projects

	<b>R</b>	<b>Restated</b>
	<b>R</b>	<b>R</b>
	<b>2017</b>	<b>2016</b>
G TAC – Contribution to Operations	88,006,000	83,609,000
Project allocations:	108,145,157	103,943,098
- Municipal Finance Improvement Programme II (MFIP)	158,292,225	99,919,656
- Employment Creation Facilitation (Jobs Fund) – Projects	21,852,932	4,023,442
	<b>268,151,157</b>	<b>187,552,098</b>

### 13. DONOR FUNDING

#### General Budget Support

- Funding from the European Union through National Treasury for institutional transformation
- Includes the recognition of R5m in capital expenditure depreciated over the useful life - 2016

#### Building a Capable State

- Funding from the Canadian Department of Foreign Affairs, Trade and Development
- Includes the recognition of R1.6m in web design expenditure

General Budget Support	7,053,813	30,555,899
Building a Capable State	8,800,856	22,297,160
	<b>15,854,669</b>	<b>52,853,059</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS

#### 14. GOODS AND SERVICES

	R	Restated R
	2017	2016
Accounting fees	45,103	110,147
Administration fees	1,187,619	1,041,691
Advertising	117,091	463,528
Assets less than capitalisation threshold and maintenance	151,666	78,544
Audit fees	1,177,895	879,690
Bank charges	45,929	32,056
Bursaries	557,047	52,570
Bursaries – Public economics capacity building (donor funded)	391,384	–
Catering	161,464	184,701
Communication	260,319	819,864
Computer services	547,235	1,684,096
Consumables and maintenance	227,729	230,147
Entertainment	3,463	9,036
Legal services	150,674	–
License fees	147,565	41,500
Losses and damages	41,678	–
Operating payments	532,365	509,393
Project expenditure:		
- Building a Capable State (Canadian government funding)	7,527,361	20,645,070
- Institutional transformation (Funded from GBS)	7,053,813	25,110,188
- Technical advisory services	76,750,928	39,669,960
- Infrastructure Delivery Improvement Programme	1,988,731	10,192
- Municipal Finance Improvement Programme II	156,216,585	99,904,411
- Employment facilitation – Jobs Fund operations	26,255,202	22,195,711
- Employment facilitation – Jobs Fund projects	21,852,932	4,023,442
- Specialised procurement – Project Development Facility	7,569,150	43,199,937
- Capital Projects Appraisals	55,944	475,088
Security services	4,505	–
Stationery and printing	158,367	329,105
Subscriptions	33,952	17,217
Training	626,119	54,936
Transfers – Winter School	450,000	–
Travel and subsistence	10,258,015	4,507,949
Venues and facilities	806,552	194,025
	<b>323,354,382</b>	<b>266,474,194</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS

	R	Restated R
	2017	2016
<b>15. COMPENSATION OF EMPLOYEES</b>		
Salaries and wages	46,297,620	30,110,491
UIF, pensions and medical aid	5,977,557	3,667,656
Performance and other bonuses	1,197,494	880,909
Other employee-related costs	3,654,722	2,363,337
Non-pensionable and housing allowances	33,426,467	25,838,467
	<b>90,553,860</b>	<b>62,860,860</b>
<b>16. INTEREST INCOME</b>		
Interest income at the beginning of the year	6,999,055	6,562,173
Net investment income received per the statement of financial performance	28,361,064	24,832,446
Accrued net interest income at the end of the year	(7,717,032)	(6,999,055)
	<b>27,643,087</b>	<b>24,395,564</b>
<b>17. NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Deficit / Surplus for the year	34,285,892	68,223,771
<b>Adjustments for:</b>		
Depreciation	2,156,651	257,279
Loss on disposal of assets	21,892	–
Increase in salary provisions	1,865,598	809,511
Increase in accruals	–	–
Decrease /(Increase) in income received in advance	(345,792,885)	(370,692,192)
- Under exchange transactions	(6,734,184)	(32,813,225)
- Under non-exchange transactions	(339,058,701)	(337,878,967)
<b>Changes in working capital</b>		
Decrease /(Increase) in receivables from exchange transactions	(6,384,149)	4,117,534
Increase in payables under exchange transactions	(5,839,739)	23,082,114
Increase in payables under non-exchange transactions	653,093	415,054
	<b>(319,033,647)</b>	<b>(273,786,929)</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS

	<b>Restated</b>	
	<b>R</b>	<b>R</b>
	<b>2017</b>	<b>2016</b>

#### 18. COMMITMENTS

##### **Project commitments**

Accumulated surplus	215,503,516	181,217,623
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Current commitments will be funded from the surplus funds as well as from future government grants, cost recovery and donor funds.

##### **Operating commitments**

Contractual commitments	362,239,035	527,133,571
Correction	–	4,472,192
Contractual commitments	<b>362,239,035</b>	<b>531,605,763</b>

These contractual commitments are made up of contracts with service providers, of which some end within the next 12 months and others after more than 12 months but not exceeding 45 months.

#### 19. RELATED PARTIES

During the financial year, GTAC entered into various transactions with related parties.

##### **Relationship**

National Treasury is the principal entity to GTAC.

##### **Related-party balances**

###### **Receivables**

Department of Environmental Affairs	–	1,081,808
Department of Public Works	423,818	–
Manufacturing, Engineering and Related Services Sector		
Education and Training Authority	–	279,154
Marine Living Resources Fund	1,418,964	–
National Treasury	1,008,161	–
Wholesale and Retail Sector Education and Training Authority	339,864	–
	<b>3,190,807</b>	<b>1,360,962</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS

#### **Other payables**

National Treasury

	R	Restated R
	2017	2016
- GTAC	5,558,076	7,546,807
- Employment Creation Facilitation programme	24,222,610	46,075,541
- Municipal Finance Improvement Programme II	73,745,174	109,366,399
- Neighbourhood Development Programme	14,533,016	13,489,799
- Jobs Fund	472,613	12,766,750
Department of Public Works	39,451,511	44,196,964
Development Bank of Southern Africa Ltd (Independent Power Producer Procurement Programme)	135,629,455	435,369,333
	<b>293,612,455</b>	<b>668,811,593</b>

These funds have been committed against projects.

#### **Related-party transactions**

##### **Funding provided by related parties**

National Treasury

	R	R
- GTAC	88,006,000	83,609,000
- Municipal Finance Improvement Programme II	122,671,000	121,454,624
- Neighbourhood Development Programme	15,189,721	25,895,000
	<b>225,866,721</b>	<b>230,958,624</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS

	<b>R</b>	<b>Restated</b>
	<b>2017</b>	<b>R</b>
		<b>2016</b>
<b><i>Revenue received for services provided</i></b>		
Civilian Secretariat of Police Services	273,080	–
Council for Built Environment	–	39,592
Department of Agriculture, Forestry and Fisheries (Fisheries Branch)	248,581	–
Department of Communications	–	4,730,474
Department of Cooperative Governance and Traditional Affairs	–	1,470,206
Department of Environmental Affairs	–	1,081,808
Department of Home Affairs	–	1,610,987
Department of Human Settlements	1,440,000	–
Department of Mineral Resources	–	131,148
Department of Provincial Planning and Treasury Eastern Cape	2,731,476	–
Department of Public Service and Administration	250,208	–
Department of Public Works	9,737,595	32,803,036
Department of Women, Children and People with Disabilities	75,000	–
Department of Science and Technology	–	280,808
Department of Tourism	2,780,256	–
Housing Development Agency	261,040	–
Manufacturing, Engineering and Related Services Sector Education and Training Authority	139,577	418,732
Marine Living Resource Fund	1,418,964	–
Municipal Infrastructure Support Agent	3,225,232	–
National Treasury	52,769,562	61,868,136
National Skills Authority	420,000	–
Office of Health Standards Compliance	–	3,862,344
Safety and Security Sector Education and Training Authority	–	2,738,091
The Presidency	–	11,468,163
Wholesale and Retail Sector Education and Training Authority	339,864	–
	<b>76,110,435</b>	<b>122,503,524</b>

GTAC has also rendered similar services to other organs of state at the provincial and local levels.

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS

#### Services rendered at no cost

Financial Intelligence Centre

#### Services received at no cost

Financial Intelligence Centre

National Treasury

	Restated	
	R	R
	2017	2016
Financial Intelligence Centre	–	338,715
Financial Intelligence Centre	86,639	97,376
National Treasury	8,842,000	10,252,200
	<b>8,928,639</b>	<b>10,349,576</b>

These costs at fair value relate to office space occupied by GTAC and associated municipal services.

#### Key management personnel

Name	Designation	2017				
		Basic	Performance bonus	Pension	Other allowances	Total
		R	R	R	R	R
AD Donaldson	Head of GTAC (Acting) (10 months)	995,365	35,579	100,969	127,271	1,259,183
SM Khan	Head of GTAC (Acting) (2 months)	201,976	–	17,447	53,837	273,260
SPM Rautenbach	Head: Finance	1,280,824	31,800	127,653	74	1,440,352
TP Moleke	Head: Transaction Advisory Services and PPP	1,197,406	37,715	101,979	32,701	1,369,801
N Allie-Edries	Head: Employment Creation Facilitation	1,338,505	39,548	134,026	6,015	1,518,094
R Engela	Head: Public Expenditure and Policy Analysis	1,220,426	40,716	128,160	51,601	1,440,903
N Prins	Head: Infrastructure Advisory Services	1,021,103	24,902	86,384	6,062	1,138,451
EC Gille	Senior Manager: Professional Services	974,016	22,230	82,400	4,430	1,083,076
S Naidoo	Senior Manager: Strategy, Management and Communications (9 months)	871,011	–	87,197	2,499	960,706
ACF Smit	Senior Manager: Knowledge Management and Auxiliary Services	940,547	21,259	92,169	9,427	1,063,402
NA Mazibuko	Senior Manager (Acting): Human Capital Management and Corporate Support Services	856,449	26,531	85,739	74	968,793
B Muthuri	Director: Human Resources Management and Corporate Support (7 months)	454,815	–	48,963	34,323	538,102
		<b>11,352,444</b>	<b>280,280</b>	<b>1,093,086</b>	<b>328,314</b>	<b>13,054,124</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS

		Restated				
		R	R			
		2017	2016			
<b>Key management personnel</b>		2016				
<b>Name</b>	<b>Designation</b>	<b>Basic</b>	<b>Performance bonus</b>	<b>Pension</b>	<b>Other allowances</b>	<b>Total</b>
		R	R	R	R	R
AD Donaldson	Head of GTAC (Acting)	1,298,221	73,102	129,965	5,751	1,507,038
SPM Rautenbach	Head: Finance	1,355,438	52,105	10,357	70	1,417,970
TP Moleke	Head: Transaction Advisory Services and PPP	1,160,877	63,799	98,889	20,333	1,343,898
N Allie-Edries	Head: Employment Creation Facilitation	1,270,451	85,066	129,965	2,806	1,488,287
R Engela	Head: Public Expenditure and Policy Analysis	1,175,130	60,317	122,451	48,332	1,518,094
N Prins	Head: Infrastructure Advisory Services	975,610	35,573	82,535	2,813	1,096,531
EC Gille	Senior Manager: Professional Services	858,359	31,299	72,616	2,411	964,684
ACF Smit	Senior Manager: Knowledge Management and Auxiliary Services	800,644	29,931	81,017	16,635	928,227
		<b>8,894,729</b>	<b>280,280</b>	<b>727,795</b>	<b>99,152</b>	<b>10,152,867</b>

## 20. RISK MANAGEMENT

GTAC seeks to identify, assess, manage and monitor all material forms of risk across all its programmes and activities. While operating risk cannot be fully eliminated, management endeavours to minimise it by ensuring that the appropriate infrastructure, controls, systems and ethical standards are applied throughout the entity and managed within predetermined procedures and constraints.

As GTAC receives funding in advance from the National Treasury and other organs of state for its principal activities, it does not have borrowed funds (except for the PMG account), and does not have significant exposure to credit, liquidity, interest and market risk.

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS

	Restated	
	R	R
	2017	2016

#### Credit risk

In its holding of cash and cash equivalents, and deposits with banks and financial institutions, GTAC makes use of only highly reputable financial institutions.

	Carrying amount	Current	30 days	60 days	90 days	120 days and more
	R	R	R	R	R	R
<b>2017</b>						
Trade receivables	6,430,025	4,282,942	1,026,032	1,121,050	–	–
<b>2016</b>						
Trade receivables	1,360,962	1,360,962	–	–	–	–

#### Liquidity Risk

GTAC's exposure to liquidity risk is limited by the National Treasury's management framework for meeting short, medium and long term funding requirements.

	Carrying amount	Current	30 days	60 days	90 days	120 days and more
	R	R	R	R	R	R
<b>2017</b>						
Trade payables	25,573,537	25,414,987	158,550	–	–	–
<b>2016</b>						
Trade payables	31,179,256	31,050,300	–	101,553	9,797	17,606

#### Interest rate risk

GTAC interest rate risk is limited, as funds are invested with one of the four major banks. This risk is assessed annually.

#### Market risk

In 2016/17, no significant market events occurred that materially affected GTAC. GTAC's activities are mainly of an administrative or support service nature, with limited exposure to market movements.

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS

	Restated
R	R
2017	2016

#### 21. EVENTS AFTER THE REPORTING DATE

No material events after the reporting date.

#### 22. NOTES TO STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

The total surplus variance for the year was a result of underspending on goods and services and compensation of employees. Goods and services underspending was mainly due to the delay on the securing of the GTAC office building as anticipated, resulting in underspending on office rentals. Compensation of employees underspending was due to delays in filling some of the vacant posts.

##### **Adjustments to the approved budget**

The significant budget adjustment was on the Jobs Fund budget. Most of Jobs Fund expenses are paid by the National Treasury, and there is always a month's delay for GTAC to refund the Treasury. This process leaves Jobs Fund with underspending of a month by the end of the financial year. The adjustment was done to cater for that timing difference. On GTAC's budget, interest received of R10 million was determined to be possible and hence an addition to the revenue.

The goods and services budget was increased to cater for the expanded functions in Programme 1 (Administration). The compensation of employees budget was increased, as the structure was increased with new positions to expand GTAC.

##### **Cost recovery revenue**

###### *Over budget*

Over recovery was due to some of the big projects from Limpopo Provincial Treasury and the Eastern Cape Department of Education.

##### **Investment revenue**

###### *Over budget*

Higher investment revenue due to government funding received quarterly in advance resulted in higher interest earned than anticipated.

##### **Appropriated funding**

###### *Under budget*

Variance is minimal.

##### **Donor Funding**

###### *Under budget*

Most projects were finalised hence the low spending. New projects have yet to be committed.

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS

	Restated
R	R
2017	2016

#### Goods and services

##### *Under budget*

Lower than anticipated spending occurred on service providers as a result of fewer project evaluations conducted during the year under review. There was also a delay in the securing of GTAC offices for Western Cape and Eastern Cape, which resulted in an underspend on office rental.

#### Compensation of employees

##### *Under budget*

Lower spending on compensation of employees was due to existing vacant positions to be filled in the next financial year.

#### Depreciation / amortisation and impairment

##### *Under budget*

Variance is minimal.

### 23. FINANCIAL INSTRUMENTS

#### Categories of financial instruments

##### 2017

##### *Financial assets*

Receivables from exchange transactions  
Cash and cash equivalents

At amortised costs	Total
15,833,753	15,833,753
554,516,968	554,516,968
<b>570,350,721</b>	<b>570,350,721</b>

##### *Financial liabilities*

Payables from exchange transactions  
Trade and other payables from non-exchange transactions

72,444,296	72,444,296
280,840,709	280,840,709
<b>353,285,005</b>	<b>353,285,005</b>

##### 2016

##### *Financial assets*

Receivables from exchange transactions  
Cash and cash equivalents

At amortised costs	Total
9,449,601	9,449,601
872,582,191	872,582,191
<b>882,031,792</b>	<b>882,031,792</b>

##### *Financial liabilities*

Payables from exchange transactions  
Trade and other payables from non-exchange transactions

85,018,218	85,018,218
619,246,317	619,246,317
<b>704,264,535</b>	<b>704,264,535</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS

	<b>R</b>	<b>Restated</b>
	<b>2017</b>	<b>R</b>
		<b>2016</b>
Accumulated surplus at 31 March 2016	181,217,623	112,993,853
Surplus for the year ending 31 March 2017	34,285,893	68,223,770
Accumulated surplus at 31 March 2017	<b>215,503,516</b>	<b>181,217,623</b>

#### 24. RETENTION OF CASH SURPLUS

Accumulated surplus at 31 March 2016  
 Surplus for the year ending 31 March 2017  
 Accumulated surplus at 31 March 2017

The accumulated surplus will fund committed projects in the next financial year

##### *Retention of cash surpluses*

In terms of section 53(3) of the PFMA, public entities listed in Schedule 3A and 3C to the PFMA may not retain cash surpluses that were realised in the previous financial year without obtaining the prior written approval of the National Treasury. During September 2015, the National Treasury issued Instruction No. 3 of 2015/16, which gave more detail to the surplus definition. According to this instruction, a surplus is based on the cash flow from operating activities and net investing activities in financial assets.

Net cash outflow from operating activities at 31 March 2017	(319,033,647)	(273,786,929)
Surplus for the year ending 31 March 2017	34,285,893	68,223,770

There is no cash surplus to retain for the year ending 31 March 2017. GTAC has written approval to retain the prior period surpluses.

#### 25. FRUITLESS AND WASTEFUL EXPENDITURE

To the best of our knowledge, no fruitless and wasteful expenditure has been incurred during the current year.

#### 26. IRREGULAR EXPENDITURE

Opening balance	20,947,645	–
Irregular expenditure that relates to prior year non-compliance	70,809,070	–
Irregular expenditure identified during the current year	6,669,462	20,947,645
Irregular expenditure to be condoned	<b>98,426,177</b>	<b>20,947,645</b>

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

## NOTES TO THE FINANCIAL STATEMENTS

	Restated
R	R
2017	2016

### *Irregular expenditure that relates to non-compliance in the prior year*

In its audit of GTAC for the 2015/16 year, the Auditor-General has identified deficiencies within procurement processes that in the auditors' view led to irregular expenditure. Details are as follows:

1. In concluding its procurement of long-term advisors (LTA) in November 2015, the LTA procurement process resulted in irregular expenditure because the criteria used to award to a score lower than the highest score were not properly documented. Expenditure on all the LTA contracts awarded amounted to R47,523,673 (2016: R8,758,226) for the current financial year.
2. In giving effect its responsibility for implementing the Municipal Finance Improvement Programme (MFIP), GTAC established a panel of professional advisors with municipal finance expertise through an open tender process in 2015. Non-compliance with Treasury Regulations for a competitive procurement process in this regard led to irregular expenditure. Contracts awarded to nineteen (19) service providers amounting to a total of R36,231,175 resulted from the supplementation of the panel. Expenditure in 2016/17 amounting to R23,285,397 (2016: R11,464,392) is regarded as irregular.
3. In its evaluation of a tender for technical advisors on the Municipal Finance Improvement Programme (MFIP), GTAC management agreed that an applicant who achieved a calculated average functionality score of 69.9% should be deemed to meet the minimum requirement of 70%. The MFIP Steering Committee resolved on 16 July 2015 that scores of between 65 and 69.99 should be accepted for possible appointment as advisors. This contravened the relevant National Treasury Practice Note and the Preferential Procurement Policy Framework Act (5 of 2000), and a contract award of R1,698,550 constituted irregular expenditure, of which R1,334,751 (2016: R333,939) was incurred in 2016/17. (This amount is included in note 2).

### *Irregular expenditure that relates to non-compliance in the current year*

4. In its procurement of service providers for the Eastern Cape schools rationalisation project and the infrastructure support programme to the Limpopo Provincial Treasury, the Auditor-General found that GTAC followed a deviation process that did not comply with the criteria of Practice Note 6 of 2007/08 and Treasury Supply Chain Management Instruction 3 of 2016/17. Irregular expenditure incurred on these contracts amounted to R4,905,273.
5. In its evaluation of proposals for technical advisory for the role of 10 district project officers for assistance on the Eastern Cape Department of Education schools rationalisation project, the Auditor-General was of the opinion that one of the evaluation criteria was not consistently applied. This led to an award being made that was deemed not to be fair. Irregular expenditure for this award amounted to R512,147.
6. In its procurement of service providers for Chapter 13 of the Municipal Finance Management Act (56 of 2003) for the Dikgatlong local municipalities project, the Auditor-General found that GTAC followed a deviation process that did not comply with the criteria of Practice Note 6 of 2007/08 and Treasury Supply Chain Management Instruction 3 of 2016/17. Irregular expenditure incurred on these contracts amounted to R1,252,042.

An application for condonement of the identified irregular expenditure in the prior year has been submitted to the National Treasury for consideration. No financial loss has been incurred by GTAC as a result of these contract awards, and the expenditure is associated with equivalent value in services delivered. No impropriety or undue benefits to GTAC officials are indicated and accordingly no debt has been raised.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

## NOTES TO THE FINANCIAL STATEMENTS

	Restated	
	R	R
	2017	2016

### 27. ACCOUNTING BY PRINCIPALS AND AGENTS

#### Employment Creation Facilitation: Implementation of the Jobs Fund on behalf of the National Treasury

GTAC undertakes the administration of the Employment Creation Facilitation subprogramme on behalf of the National Treasury. The programme is administered by a project management unit, whose costs are recovered from the National Treasury. Disbursements to Jobs Fund partners for the implementation of approved projects is undertaken by GTAC, as agent, on behalf of the National Treasury, as principal.

Bank balance	2,352	12,382,259
Assets – interest receivable	466,486	–
Liability*	472,613	12,766,750
Difference – inter-account transfer between GTAC and the Jobs Fund account. Corrected in the next financial year.	<b>(3,775)</b>	<b>(384,491)</b>

\* This final balance must be returned to the National Treasury in the 2016/17 financial year.

Revenue	- Appropriated funds	682,872,000	693,000,000
	- Interest accrued	5,135,344	4,832,376
Expenditure	- Jobs Fund partner payments	643,029,974	685,064,374
	- Bank charges	1,804	1,252

#### Independent Power Producer Procurement Programme – DBSA (Independent Power Producer Procurement Programme)

GTAC manages and account for the IPPPP bank account, makes payments to the DBSA, cooperates with and provides such project-specific information in its possession to the IPPPP office when requested, provides general technical support in line with GTAC's mandate in respect of the Independent Power Producers Procurement Programmes and interventions, and facilitates execution of the National Treasury's role and responsibilities in terms of the Memorandum of Agreement between the Department of Energy, the National Treasury and the Development Bank of Southern Africa.

Bank balance		135,309,764	432,666,034
Assets – interest receivable		319,691	2,703,299
Liability*		135,629,455	435,369,333
		–	–
Revenue	- Development and request for proposal fees	115,549,600	3,702,693
	- Interest accrued	17,270,189	36,859,428
Expenditure	- Technical advisory services	108,622,066	267,358,529
	- Salaries and overheads	141,261,112	212,614,348
	- Bank charges	876	3,198

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS

	<b>Restated</b>	
	<b>R</b>	<b>R</b>
	<b>2017</b>	<b>2016</b>

#### Neighbourhood Development Programme

GTAC manages and account for the NDP bank account, and makes payments to the service providers contracted by municipalities on behalf of the NDP within the National Treasury.

Bank balance	14,448,488	13,339,150
Assets – interest receivable	77,917	150,650
Liability*	14,533,016	13,489,800
Difference – inter-account transfer between GTAC and the NDP account. Corrected in the next financial year.	<b>(6,611)</b>	–
Revenue		
- Appropriate funds (net)*	15,189,721	13,409,692
- Interest accrued	1,487,413	3,147,331
Expenditure		
- Payments to service providers	13,900,450	21,414,934
- Bank charges	804	1,319
- Venues and facilities	18,900	–

\*Net appropriated funds relate to funds received from National Treasury less returned before year end.

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS

	<b>Restated</b>
<b>R</b>	<b>R</b>
<b>2017</b>	<b>2016</b>

#### 28. PRIOR PERIOD ERRORS

##### (1) Error in the accounting and disclosure of the IPPPP and NDP transactions

GTAC incorrectly accounted for the transactions relating to the IPPPP and NDP, for which GTAC acts as the agent, as revenue and expenditure. The prior years have been restated to correct the errors, and the effects of the restatement of the financial statements are summarised below:

##### 2014

Decrease in accumulated surplus (517,440,852)

##### 2015

Decrease in accumulated surplus (186,434,127)

##### 2016

Decrease in IPPPP revenue (1,411,620)

Decrease in investment revenue (40,006,759)

Decrease in appropriated funding (18,222,284)

Decrease in IPPPP project development fee revenue (2,291,073)

Decrease in goods and services expenditure 501,392,326

**Increase in surplus 439,460,590**

Decrease in trade and other payables under exchange transactions 184,397,177

Increase in payables under non-exchange transactions (448,811,566)

**Net decrease in accumulated surplus (264,414,389)**

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS

	Restated
R	R
2017	2016

#### (2) Error in the disclosure of key management personnel

In the prior year, GTAC did not disclose key management personnel correctly. The following were not disclosed for key management personnel:

- (a) Fees for services as a member of management
- (b) Basic salary
- (c) Bonuses and performance related payments.

The disclosure in the prior years' annual financial statements was as follows:

	No. of individuals	
Political office bearers	0	-
Officials:		
Levels 15 to 16	6	9,222,643
Levels 14	12	10,288,389
		<b>19,511,032</b>

Refer to note 19 for the correct prior year disclosure.

#### (3) Error in disclosure of prior year commitments

The contract value of certain service providers contracted in the prior year was incorrectly captured in the commitments register. This resulted in an error in the prior year commitment calculation. This error was corrected. Refer to note 18.