

# FINANCIAL INFORMATION E

# 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 101 to 139, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 2018, 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 this auditor's 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.

### Emphasis of matters

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

### Restatement of corresponding figures

6. As disclosed in note 31 to the financial statements, the corresponding figures for 31 March 2017 were restated as a result of errors in the financial statements of the government component at, and for the year ended, 31 March 2018.

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

## Irregular expenditure

7. As disclosed in note 29 to the financial statements, the government component incurred irregular expenditure of R 74 million, as management did not follow a proper tender process. Irregular expenditure of R 63 million that was incurred in the previous years was not properly investigated.

## Responsibilities of the accounting officer for the financial statements

8. 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.
9. 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 accounting officer either intends to liquidate the government component or to cease operations, or has no realistic alternative but to do so.

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

10. 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.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## Report on the audit of the annual performance report

### Introduction and scope

12. 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.
13. 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 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.
14. I was engaged to evaluate 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 2018:

Programmes	Pages in annual performance report
Programme 1: management and support services	21 to 24
Programme 2: transaction and advisory services	25 to 38

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

15. 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.
16. The material findings in respect of the usefulness of the selected programmes are as follows:

## Programme 1: management and support services

17. I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined nature and required level of performance. This was due to a lack of technical indicator descriptions. I was unable to test whether the target for these indicators were clearly defined by alternative means for the indicators listed below:

Indicator description	Target description
1.1.1 Develop and implement a public policy capacity building programme	Manage annual graduate bursary programme
1.1.3 Implement delivery of a number of key partnerships	Sign 6 MoUs and MoGAs to meet business priorities and targets

## Programme 2: transaction and advisory services

### Indicator 2.1.4 – number of codes and rules updated

18. I was unable to obtain sufficient appropriate audit evidence for target 2.1.4 number of codes and rules updated, that clearly defined the predetermined nature and required level of performance. This was due to a lack of technical indicator descriptions and formal standard operating procedures. I was unable to test whether the target for this indicator was clearly defined by alternative means.

### Other matters

19. I draw attention to the matters below.

### Achievement of planned targets

20. Refer to the annual performance report on pages 22 to 47 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness of the reported performance information in paragraphs 17 to 18 of this report.

### Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of management and support services and transaction and advisory services. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

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

## Report on the audit of compliance with legislation

### Introduction and scope

22. 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.
23. The material findings on compliance with specific matters in key legislations are as follows:

### Annual financial statements

24. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and as required by section 40(1)(b) of the PFMA. Material misstatements of intangible asset and interest revenue identified by the auditors in the submitted financial statement were corrected resulting in the financial statements receiving an unqualified opinion.

### Procurement and contract management

25. Some of the goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by treasury regulations 16A6.1. Similar non-compliance was also reported in the prior year.
26. Invitations for competitive bidding were not advertised in at least the government tender bulletin, as required by treasury regulation 16A6.3(c). In some instances, invitations for competitive bidding were not always advertised for a required minimum period.
27. Some of the competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with the policies of the government component, as required by treasury regulations 16A6.2 (a), (b) and (c).
28. A contract was awarded to a bidder who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with treasury regulation 16A8.3.
29. A contract was awarded to a bidder based on evaluation criteria that differed from those stipulated in the original invitation for bidding, in contravention of treasury regulations 16A6.3(a). Similar non-compliance was also reported in the prior year.
30. Contracts were awarded to bidders based on preference points that were not allocated in accordance with the requirements of the Preferential Procurement Policy Framework Act, 2000 (Act No.5 of 2000) and its regulations.
31. Some of the contracts were awarded to bidders based on functionality criteria that were not stipulated in the original invitation for bidding, as required by the 2017 preferential procurement regulation (PPR) 5(6) and (7).
32. Some of the bid documentation for procurement of commodities designated for local content and production, did not meet the stipulated minimum threshold for local production and content as required by the 2017 PPR 8(2).
33. Some of the IT goods and services, classified as mandatory, were not procured through SITA as required by treasury regulation 16A6.3(e) and section 7(3) of the SITA Act.

### Expenditure management

34. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R74 million, as disclosed in note 29 to the annual financial statements, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. All of the irregular expenditure was as a result of the supply chain management (SCM) processes not being followed.
35. Expenditure was incurred without the approval of the accounting officer or a properly delegated officer as required by treasury regulation 8.2.1.

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

## Other information

36. The 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 this auditor's report.
37. 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.
38. 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.
39. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, 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 retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

## Internal control deficiencies

40. 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 on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.
41. The accounting officer did not exercise oversight responsibility and review compliance with legislation especially supply chain management related regulations. The Accounting officer also did not adequately review the annual financial statements and the annual performance report. There were vacancies in key positions.
42. Management did not prepare financial statements that were free from material misstatements. This was mainly due to staff not fully and adequately reviewing compliance with the applicable accounting standards. Management also did not prepare performance information reports that were free from material misstatements. This was mainly due to staff not fully understanding the performance reporting requirements.
43. No adequate measures were put in place by management to ensure that there is compliance with SCM regulations to avoid the recurrence of irregular expenditure due to a misinterpretation of SCM regulations, inconsistent application of processes and also lack of review and monitoring of compliance with the all the SCM regulation.

*Auditor-General*

Pretoria

31 July 2018



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 programmes and on the government components’ 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 this 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 components’ 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 concerns 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 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 this auditor’s report. However, future events or conditions may cause a government component to cease continuing 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 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 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, where applicable, related safeguards.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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. GTAC functions as an agency of the National Treasury, under the executive authority of the Minister of Finance.

<b>The reports and statements set out below comprise of:</b>	<b>Page</b>
Statement of Financial Position	102
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Statement of Changes in Net Assets	104
Cash Flow Statement	105
Statement of Comparison of Budget and Actual Amounts	106
Accounting Policies	107
Notes to the Financial Statements	116

The financial statements set out on pages 101 to 139, which have been prepared on the going concern basis, were approved and signed on the 31st July 2018.

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### STATEMENT OF FINANCIAL POSITION

		Restated	
		R	R
	Notes	2018	2017
<b>ASSETS</b>			
<i><b>Non-current assets</b></i>			
Property, plant and equipment	4	4,192,807	4,426,846
Intangible assets	5	2,120,762	-
		<b>6,313,569</b>	<b>4,426,846</b>
<i><b>Current assets</b></i>			
Receivables from exchange transactions	6	57,655,963	15,833,753
Receivables from non-exchange transactions	7	2,553,740	-
Cash and cash equivalents	8	855,230,658	554,516,968
		<b>915,440,361</b>	<b>570,350,721</b>
<b>Total assets</b>		<b>921,753,930</b>	<b>574,777,567</b>
<b>LIABILITIES</b>			
<i><b>Current liabilities</b></i>			
Trade and other payables from exchange transactions	9	78,341,267	74,222,964
Payables from non-exchange transactions	10	595,359,309	280,840,709
Bank overdraft	8	-	2,021,602
Provisions	11	4,143,536	2,188,776
<b>Total liabilities</b>		<b>677,844,112</b>	<b>359,274,051</b>
<b>NET ASSETS</b>		<b>243,909,818</b>	<b>215,503,516</b>
Accumulated surplus		243,909,818	215,503,516
<b>NET ASSETS</b>		<b>243,909,818</b>	<b>215,503,516</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### STATEMENT OF FINANCIAL PERFORMANCE

		Restated	
		R	R
	Notes	2018	2017
<b>REVENUE</b>			
<i>Revenue from exchange transactions</i>			
Administration fees received		360,000	-
Cost recovery revenue	12	190,095,153	137,773,407
Interest revenue	13	28,653,540	28,361,064
Royalties and sundry income		187,343	210,489
<b>Total revenue from exchange transactions</b>		<b>219,296,036</b>	<b>166,344,960</b>
<i>Revenue from non-exchange transactions</i>			
Appropriated funding	14	83,222,625	109,858,932
Donor funding	15	31,777,534	15,854,669
<b>Total revenue from non-exchange transactions</b>		<b>115,000,159</b>	<b>125,713,601</b>
<b>TOTAL REVENUE</b>		<b>334,296,195</b>	<b>292,058,561</b>
<b>EXPENDITURE</b>			
Goods and services	16	195,566,586	165,062,157
Compensation of employees	17	107,807,159	90,553,860
Depreciation and amortisation	18	2,516,148	2,156,651
<b>Total expenditure</b>		<b>305,889,893</b>	<b>257,772,668</b>
<b>SURPLUS FOR THE YEAR</b>		<b>28,406,302</b>	<b>34,285,893</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### STATEMENT OF CHANGES IN NET ASSETS

	Restated
	R
	Reserves
<b>Balance at 1 April 2014</b>	–
Net assets transferred on 1 April 2014	596,170,402
Correction of prior year errors	(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 year errors	(186,434,127)
<b>Balance at 31 March 2015 (restated)</b>	<b>112,993,853</b>
Net surplus for the year ended 31 March 2016	(371,236,820)
Correction of prior year errors	439,460,590
<b>Balance at 31 March 2016 (restated)</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>
<b>Balance at 1 April 2017</b>	<b>215,503,516</b>
Net surplus for the year ended 31 March 2018	28,406,302
<b>Balance at 31 March 2018</b>	<b>243,909,818</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### CASH FLOW STATEMENT

		Restated	
		R	R
Notes	2018	2017	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Receipts</i>			
		708,409,102	211,978,318
Government funding and other sources			
Interest income	19	28,538,462	27,643,087
		<b>736,947,564</b>	<b>239,621,405</b>
<i>Payments</i>			
Grants and project payments		325,952,875	466,235,594
Compensation of employees		103,834,807	92,419,459
		429,787,682	558,655,053
<b>Net cash flows from operating activities</b>	20	<b>307,159,882</b>	<b>(319,033,648)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	4	(2,290,645)	(1,053,177)
Purchase of intangible assets	5	(2,133,945)	-
<b>Net cash flows from investing activities</b>		<b>(4,424,590)</b>	<b>(1,053,177)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		302,735,292	(320,086,825)
Cash and cash equivalents at the beginning of the year		552,495,366	872,582,191
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	8	<b>855,230,658</b>	<b>552,495,366</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### 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	303,525,909	(16,414,408)	287,111,501	190,095,153	(97,016,348)	25
Interest revenue	8,000,000	-	8,000,000	28,653,540	20,653,540	25
Royalties and administration fees	693,000	-	693,000	547,343	(145,657)	

<b>Total revenue from exchange transactions</b>	<b>312,218,909</b>	<b>(16,414,408)</b>	<b>295,804,501</b>	<b>219,296,036</b>	<b>(76,508,465)</b>	
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##### Revenue from non-exchange transactions

Appropriated funding	90,818,000	-	90,818,000	83,222,625	(7,595,375)	25
Donor funding	28,026,000	-	28,026,000	31,777,534	3,751,534	25

<b>Total revenue from non-exchange transactions</b>	<b>118,844,000</b>	<b>-</b>	<b>118,844,000</b>	<b>115,000,159</b>	<b>(3,843,841)</b>	
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<b>Total revenue</b>	<b>431,062,909</b>	<b>(16,414,408)</b>	<b>414,648,501</b>	<b>334,296,195</b>	<b>(80,352,306)</b>	
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##### Expenditure

Goods and services	312,502,968	(15,155,970)	297,346,998	195,566,586	101,780,412	25
Compensation of employees	111,999,941	(1,258,438)	110,741,503	107,807,159	2,934,344	25
Depreciation and amortisation	2,770,000	-	2,770,000	2,516,148	253,852	
Transfers	90,000	-	90,000	-	90,000	

<b>Total expenditure</b>	<b>427,362,909</b>	<b>(16,414,408)</b>	<b>410,948,501</b>	<b>305,889,893</b>	<b>105,058,608</b>	
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<b>Surplus for the year</b>	<b>3,700,000</b>	<b>-</b>	<b>3,700,000</b>	<b>28,406,302</b>	<b>24,706,302</b>	25
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# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### ACCOUNTING POLICIES

#### 1. PRESENTATION OF FINANCIAL STATEMENTS

GTAC is established as a Government Component in terms of the Public Services Act.

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 (PFMA), 1999 (Act No 1 of 1999).

Thus the financial statements were prepared in accordance with the Standard of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act No 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 which 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 off 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, the nature 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 is 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 to operate 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.

Property, plant and 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 life to their estimated residual value.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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

Item	Average useful life
Office equipment	5 years
Computer equipment	3 years
Furniture and fittings	10 years

The residual value, the useful life and 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 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.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is 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 and equipment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (i.e. impairment losses are recognised).

## 6. INTANGIBLE ASSETS

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	5 years

The estimated useful life of intangible assets are reviewed at the end of each annual reporting period.

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

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

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 7. 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.

### Impairment testing and uncollectability of financial assets

Financial assets are assessed for indicators at impairment of 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.

Evidence of impairment may include the following indicators: The debtors or a group of debtors are experiencing significant financial difficulty; Default or delinquency in interest or principal payments; The probability that debtors will enter financial reorganisation.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## **Derecognition**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial asset) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- GTAC has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) GTAC has transferred substantially all the risks and reward of the asset, or (b) GTAC has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

## **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.

## **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

## **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.

## **8. 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, 1962 (Act 58 of 1962).

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 9. 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 bonus and long service bonus are recognised as they accrue to employees. GTAC recognises these bonus obligation during the vesting period based on the best available estimate of these bonuses expected to vest. Due to uncertainty regarding the fiscal constraints the bonus liability is recognised as a provision.

Liabilities for annual leave are recognised as they accrue to employees. GTAC recognises the leave obligation 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 the employee. The leave liability is recognised as an accrual as it is certain that employees will take all their leave within 6 months of the next calendar year to avoid forfeiting.

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

## 10. 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.

### 10.1 Administration fees received

GTAC is providing financial administrative services to the Neighbourhood Development Programme and is receiving an administration fee for these services provided. These fees are recognised once the services have been provided as per the service level agreement.

### 10.2 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.

### 10.3 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.

### 10.4 Royalties

GTAC has entered into an agreement with the Taylor & Francis Group for publishing a Journal, Development Southern Africa. GTAC receives a royalty of 20% on the sale of these Journals and is accounted for as exchange revenue when the receipts can be measured reliably.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 11. 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.

### 11.1 Appropriated Funding

GTAC receives an allocation of funds appropriated in the National Treasury 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 except where it is allocated to a specific programme or project where it is matched with expenditure.

### 11.2 Donor Funding

GTAC recognised 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.

## 12. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless expenditure means expenditure made in vain and would 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.

## 13. IRREGULAR EXPENDITURE

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

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

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 14. RELATED PARTIES

GTAC has financial relationships with other entities and departments on a national sphere of government. Transactions between GTAC and other organs of state on a 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 cost are recovered and not full cost recovery.

## 15. SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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 on-going 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.

### 15.1 Useful life and residual values of property, plant and equipment

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

## 16. PUBLIC SECTOR PRACTICES AND POLICIES

### 16.1 Inter-relationship with other government entities

GTAC has been established as a Government Component in terms of the Public Service Act, and is an agency of the National Treasury.

### 16.2 Public Finance Management Act reporting requirements

In keeping with Section 55(2)(b) of the Public Finance Management Act, material losses due to criminal conduct or unauthorised expenditure or irregular expenditure are disclosed in the Annual Financial Statements.

## 17. 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:

- (a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- (b) 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 2018

## 18. 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 and actual amounts shows:

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

## 19. TRANSFERS UNDER COMMON CONTROL

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

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

## 20. CONTINGENT LIABILITIES AND PROVISIONS

GTAC identifies contingent liabilities as:

- (a) 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
- (b) A present obligation that arises from past events but is not recognised because:
  - i. It is not probable that an outflow of resources will be required to settle the obligation; or
  - ii. 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:

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

## 21. 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.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 22. ACCOUNTING BY PRINCIPALS AND AGENTS

GTAC undertakes the management of programmes and or projects and 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 results 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:

- (a) Does not have the power to determine the significant terms and conditions of the transactions.
- (b) Does not have the ability to use the resources that result from the transaction for its own benefit.
- (c) 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 relevant standards.

GTAC acts as an agent of the National Treasury in managing project funds of the Employment 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 DBSA, GTAC manages and accounts for the Independent Power Procurement (IPP) Programme bank account, and reimburses expenditure of the Independent Power Procurement (IPP) Office to the DBSA.

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

GTAC has been appointed by the Department of Rural Development and Land Reform (DRDLR) as an agent for the implementation of the PPP project for procuring office accommodation.

The Office of the Accountant-General within National Treasury has requested GTAC to assist with the roll out of the Municipal Finance Improvement Programme.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ESTABLISHMENT OF GTAC

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

The objective 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; and
- (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 sub-programme 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 and the National Capital Projects Approval unit.

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 2018

### NOTES TO THE FINANCIAL STATEMENTS

#### Standard / Interpretation:

GRAP 20:	Related Party Disclosure
GRAP 32:	Service Concession Arrangements: Grantor
GRAP 34:	Separate Financial Statements
GRAP 35:	Consolidated Financial Statements
GRAP 36:	Investments in Associates and Joint Ventures
GRAP 37:	Joint Arrangements
GRAP 38:	Disclosure of Interest in Other Entities
GRAP 108:	Statutory Receivables
GRAP 109:	Accounting by Principals and Agents
GRAP 110:	Living and Non-living Resources
IGRAP 17:	Service concession arrangements where a grantor controls a significant residual interest in an asset
IGRAP 18:	Interpretation of the standard of GRAP on recognition and derecognition of land
IGRAP 19:	Liabilities to pay levies

The effective date for the above has not yet been determined.

The adoption of these Standards of GRAP, when they become effective, is not expected to have a significant impact on the financial statements. GTAC does not participate in the transactions covered by GRAP 32, 34, 35, 36, 37, 38, 108, 110, IGRAP 17, IGRAP 18 and IGRAP 19.

The following approved standard is being applied but the effective date is yet to be determined by the Accounting Standards Board:

GRAP 20:	Related-party disclosure
GRAP 109:	Accounting by Principals and Agents

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## NOTES TO THE FINANCIAL STATEMENTS

### 4. PROPERTY, PLANT AND EQUIPMENT

	R 2018			R 2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Office equipment	673,344	108,378	564,966	178,386	36,287	142,099
Computer equipment	8,080,740	4,754,254	3,326,486	6,686,450	2,401,703	4,284,747
Furniture and fittings	320,690	19,335	301,355	-	-	-
<b>Total</b>	<b>9,074,774</b>	<b>4,881,967</b>	<b>4,192,807</b>	<b>6,864,836</b>	<b>2,437,990</b>	<b>4,426,846</b>

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Accumulated depreciation	Total
Office equipment	178,386	494,958	-	108,378	564,966
Computer equipment	6,686,450	1,474,997	80,707	4,754,254	3,326,486
Furniture and fittings	-	320,690	-	19,335	301,355
	<b>6,864,836</b>	<b>2,290,645</b>	<b>80,707</b>	<b>4,881,967</b>	<b>4,192,807</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>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

	R	R
	2018	2017
<b>Net carrying value</b>		
Office equipment	564,966	142,099
Computer equipment	3,326,486	4,284,747
Furniture and fittings	301,355	-
	<b>4,192,807</b>	<b>4,426,846</b>

No repairs and maintenance costs were incurred on property, plant and equipment.

### 5. INTANGIBLE ASSETS

	2018			2017		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	2,133,945	13,183	2,120,762	-	-	-

#### Reconciliation of Intangible assets – 2018

	Opening balance	Additions	Amortisation	Total
Computer software	-	2,133,945	13,183	2,120,762

#### Net Carrying Value

	2018	2017
Computer software	2,120,762	-

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

	R	Restated R
	2018	2017
<b>6. RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade Receivables	49,181,997	6,430,025
VAT receivables	641,856	1,686,695
Interest accrued	7,832,110	7,717,033
	<b>57,655,963</b>	<b>15,833,753</b>

No debtor older than 6 months has been impaired. Debtors past due have not been impaired due to no history of defaults and management is of the opinion that the monies will be recovered.

### 7. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Other receivables	<b>2,553,740</b>	-
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This relates to Canadian monies (donor funding) that needs to be drawn down from the Reconstruction and Development Programme (RDP) account to reimburse GTAC for funding the "Building a Capable State" projects from GTAC funds.

### 8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

#### Bank accounts:

- Government Technical Advisory Centre (GTAC)	4,999	3,000
- Building a Capable State Programme (BCS)	1,500	1,500
- Project Development Facility (PDF)	1,500	1,424
- Neighbourhood Development Programme (NDP)	1,500	1,500
- Independent Power Procurement Programme (IPPP)	1,500	1,348
- Jobs Fund Partner Funds (JF)	1,500	1,352
- Paymaster-General Account (PMG)	104,260	-
	<b>116,759</b>	<b>10,124</b>

#### Call accounts:

- Government Technical Advisory Centre (GTAC)	702,705,415	294,280,243
- Building a Capable State Programme (BCS)	2,554,612	9,056,958
- Project Development Facility (PDF)	95,225,405	101,413,239
- Neighbourhood Development Programme (NDP)	12,812,589	14,446,988
- Independent Power Procurement Programme (IPPP)	177,942	135,308,416
- Jobs Fund Partner Funds (JF)	41,637,936	1,000
	<b>855,113,899</b>	<b>554,506,844</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

	R	Restated R
	2018	2017
<b>Overdraft:</b>		
- Paymaster-General Account (PMG)	-	(2,021,602)
<b>Total cash and cash equivalents</b>	<b>855,230,658</b>	<b>552,495,366</b>

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 2017/2018 funds were invested in call accounts with Nedbank to maximise the interest earned (6.3 - 7.5% p.a.)

### 9. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	29,261,594	25,573,537
Other payables	2,776,895	1,861,171
Leave accrual	3,796,258	1,778,668
Income received in advance – Cost Recovery:		
- Infrastructure Improvement Programme	4,408,132	5,558,077
- Department of Public Works	38,098,388	39,451,511
	<b>78,341,267</b>	<b>74,222,964</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.

### 10. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Income received in advance		
- Employment Creation Facilitation Fund	21,817,985	24,222,609
- General Budget Support	1,831,429	21,647,366
- Building a Capable State	2,951	9,406,325
Unspent government funding		
- Jobs Fund partner funds*	42,014,894	472,613
- Neighbourhood Development Programme*	12,893,781	14,533,016
- Development Bank of Southern Africa (Independent Power Producer Procurement Programme)	195,972	135,629,455
- Department Rural Development and Land Reform	445,878,269	-
- Municipal Finance Improvement Programme **	69,110,095	73,745,174
Interest received on Donor funds	1,613,933	1,184,151
	<b>595,359,309</b>	<b>280,840,709</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

	Restated	
	R	R
	2018	2017

\* Jobs Fund and Neighbourhood Development Programme surrenders the unspent funds to the revenue fund. NDP has approval from National Treasury to retain funds derived from interest to be used for internal projects.

\*\* Municipal Finance Improvement Programme relates to MFIP III in current year and MFIP II in prior year.

#### 11. PROVISIONS

Provision for Bonuses	4,143,536	2,188,776
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#### Reconciliation of employee provisions – 2018

	Opening balance	Provided	Utilised	Total
Bonus provisions	2,188,776	5,586,428	(3,631,668)	4,143,536

#### Reconciliation of employee provisions – 2017

	Opening balance	Provided	Utilised	Total
Bonus provisions	586,257	4,488,507	(2,885,988)	2,188,776

The provision represents management's best estimate of the entity liability for provision.

The performance bonuses 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.

Management is of the opinion that the bonus provision might be utilised within the next twelve months depending on the fiscal constraints.

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

	R	Restated R
	2018	2017
<b>12. COST RECOVERY REVENUE</b>		
Technical Advisory Services	111,487,161	58,403,703
Infrastructure Delivery Improvement Programme (IDIP)	1,149,944	1,988,731
Employment Facilitation (Jobs Fund Project Management Unit)	68,093,780	72,635,520
Municipal Finance Improvement Programme III (MFIP)	8,011,144	-
Specialised Procurement Support	1,353,124	4,745,453
	<b>190,095,153</b>	<b>137,773,407</b>
<b>13. INTEREST REVENUE</b>		
Interest: GTAC		
	<b>28,653,540</b>	<b>28,361,064</b>
<p>The interest is derived from the funds in the GTAC and PDF call accounts (refer note 8). The other call accounts' interest do not accrue to GTAC and is as such disclosed as payables from non-exchange transactions (refer note 10).</p>		
<b>14. APPROPRIATED FUNDING (NATIONAL TREASURY VOTE)</b>		
GTAC – Contribution to Operations	80,818,000	88,006,000
Project allocations:		
- Employment Creation Facilitation (Jobs Fund) – Projects	2,404,625	21,852,932
	<b>83,222,625</b>	<b>109,858,932</b>
<b>15. DONOR FUNDING</b>		
General Budget Support	19,815,937	7,053,813
- Funding from the European Union through National Treasury for institutional transformation		
Building a Capable State	10,850,422	8,800,856
- Funding from the Canadian Department of Foreign Affairs, Trade and Development		
Support to the National Treasury in National Health Insurance Design	1,111,175	-
- Funding from the German Department Deutsche Gesellschaft für Internationale Zusammenarbeit		
	<b>31,777,534</b>	<b>15,854,669</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

	R	Restated R
	2018	2017
<b>16. GOODS AND SERVICES</b>		
Accounting fees	31,190	45,103
Administration fees	3,029,005	1,187,619
Advertising	371,495	117,091
Assets less than capitalisation threshold	514,084	151,666
Audit committee fees	505,205	-
Audit fees	2,614,613	1,177,895
Bank charges	43,414	45,929
Bursaries	510,893	557,047
Bursaries – Public Economics Capacity Building (donor funded)	1,213,975	391,384
Catering	293,999	161,464
Communication	460,036	260,319
Computer services	960,025	547,235
Consumables and maintenance	1,500,808	227,729
Contractors general management	92,381	-
Courier services	1,098	-
Entertainment	5,761	3,463
Gifts and promotions	192,235	-
Legal services	72,300	150,674
License fees	555,966	147,565
Losses and damages	21,420	41,678
Operating leases	579,809	513,238
Parking services	4,454	-
Project expenditure:		
- Building a Capable State (Canadian Government funding)	6,313,133	7,527,361
- Institutional Transformation (Funded from GBS)	20,340,730	7,053,813
- Technical Advisory Services	102,419,770	76,750,928
- Infrastructure Delivery Improvement Programme (IDIP)	1,014,166	1,988,731
- Employment Facilitation – Jobs Fund Operations	20,340,178	26,255,202
- Employment Facilitation – Jobs Fund Projects	2,398,456	21,852,932
- Specialised Procurement – Project Development Facility	15,170,104	7,569,150
- Capital Projects Appraisals	382,013	55,944
- Support to National Treasury in National Health Insurance Design	1,248,260	-
Resettlement cost	22,407	19,127
Security services	3,500	4,505
Stationery and printing	316,376	158,367
Subscriptions	77,998	33,952
Training	644,079	626,119
Transfers – Winter School	-	450,000
Travel and subsistence	10,501,346	8,182,375
Venues and facilities	799,904	806,552
	<b>195,566,586</b>	<b>165,062,157</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

#### 17. COMPENSATION OF EMPLOYEES

	R	Restated R
	2018	2017
Salaries and wages	55,790,911	46,297,620
UIF, pensions and medical Aid	7,266,634	5,977,557
Performance and other bonuses	3,106,441	1,197,494
Other employee related costs	4,648,049	3,654,722
Non pensionable and housing allowances	36,995,124	33,426,467
	<b>107,807,159</b>	<b>90,553,860</b>

#### 18. DEPRECIATION AND AMORTISATION

	R	R
Office equipment	72,091	19,353
Computer equipment	2,411,539	2,137,298
Furniture and fittings	19,335	-
Computer software	13,183	-
	<b>2,516,148</b>	<b>2,156,651</b>

#### 19. INTEREST INCOME

Interest income at the beginning of the year	7,717,032	6,999,055
Interest income received per the Statement of Financial performance	28,653,540	28,361,064
Accrued net interest income at the end of the year	(7,832,110)	(7,717,032)
	<b>28,538,462</b>	<b>27,643,087</b>

#### 20. NET CASH FLOWS FROM OPERATING ACTIVITIES

Surplus for the year	28,406,303	34,285,892
<b>Adjustments for:</b>		
Depreciation and amortisation	2,516,148	2,156,651
Loss on disposal of assets	21,718	21,892
Increase in salary provisions and accruals	3,972,350	1,602,519
Increase/(Decrease) in unspent government funding from non-exchange transactions	345,712,753	(346,612,023)
(Decrease) / increase in income received in advance	(34,127,003)	819,138
- From Exchange Transactions	(2,503,068)	(42,355,410)
- From Non-Exchange Transactions	(31,623,935)	43,174,548

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

	R	Restated R
	2018	2017
<b>Changes in working capital</b>		
(Increase) in receivables from exchange transactions	(41,822,210)	(6,384,149)
(Increase) in receivables from non-exchange transactions	(2,553,740)	-
Increase/(Decrease) in payables from exchange transactions	4,603,781	(5,576,660)
Increase in payables from non-exchange transactions	429,782	653,093
	<b>307,159,882</b>	<b>(319,033,647)</b>

### 21. COMMITMENTS

#### Operating Commitments

Contractual commitments

<b>346,645,012</b>	<b>369,741,717</b>
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These contractual commitments are made up of contracts with service providers of which some end within the next 12 months and others more than 12 months but not exceeding 33 months.

### 22. 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

Council for Built Environment	449,281	-
Department of Human Settlements	3,254,541	-
Department of Public Works	4,915,606	423,818
Department of Science and Technology	360,000	-
Department of Tourism	1,683,344	-
Department of Co-operative Governance & Traditional Affairs	2,874,069	-
Marine Living Resource Fund	-	1,418,964
Municipal Infrastructure Support Agency	5,998,135	-
National Skills Authority	1,680,000	-
National Treasury	2,436,218	1,008,161
South African National Bio Diversity Institution	741,483	-
Wholesale and Retail Sector Education and Training Authority	-	339,864
	<b>24,392,677</b>	<b>3,190,807</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

#### Trade and other payables

National Treasury

	R	Restated R
	2018	2017
- Infrastructure Delivery Improvement Programme	4,408,132	5,558,076
- Employment Creation Facilitation Programme	21,817,985	24,222,610
- Municipal Finance Improvement Programme	69,110,095	73,745,174
- Neighbourhood Development Programme	12,893,781	14,533,016
- Jobs Fund	42,014,894	472,613
Department of Public Works	38,098,388	39,451,511
Department of Rural Development and Land Reform	445,878,269	-
Development Bank of Southern Africa Ltd (Independent Power Producer Procurement Programme)	195,972	135,629,455
National School of Government (inter departmental claim)	39,182	-
Department of Higher Education and Training (inter departmental claim)	25,086	-
	<b>634,481,784</b>	<b>293,612,455</b>

These funds have been committed against projects except for the inter-departmental claims.

#### Related party transactions

##### Funding provided by relating parties

National Treasury:

- GTAC	80,818,000	88,006,000
- Municipal Finance Improvement Programme	125,756,000	122,671,000
- Neighbourhood Development Programme	22,959,440	15,189,721
	<b>229,533,440</b>	<b>225,866,721</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

	R	Restated R
	2018	2017
<b>Revenue received for services provided</b>		
Civilian Secretariat of Police Services	-	273,080
Council for Built Environment	673,921	-
Department of Agriculture, Forestry and Fisheries (Branch Fisheries)	6,602,904	248,581
Department of Co-operative Governance and Traditional Affairs	3,918,875	-
Department of Higher Education and Training	4,139,101	-
Department of Home Affairs	735,943	-
Department of Human Settlements	3,254,541	1,440,000
Department of Public Service Administration	1,000,832	250,208
Department of Public Works	5,460,514	9,737,595
Department of Rural Development and Land Reform	3,050,304	-
Department of Women Children and People with Disabilities	-	75,000
Department of Science and Technology	2,235,787	-
Department of Tourism	1,683,344	2,780,256
Housing Development Agency	-	261,040
Manufacturing and engineering related Services Sector Education and Training Authority	-	139,577
Marine Living Resource Fund	-	1,418,964
Municipal Infrastructure Support Agency	9,918,754	3,225,232
National Health Laboratory Services	625,518	-
National Treasury	100,907,644	52,769,562
National Skills Authority	1,680,000	420,000
Office of the Tax Ombudsman	250,000	-
Public Service Commission	300,000	-
South African National Bio Diversity Institution	2,224,448	-
Wholesale and Retail Sector Education and Training Authority	-	339,864
	<b>148,662,430</b>	<b>73,378,959</b>

GTAC has also rendered similar services to other organs of state on provincial and local level.

#### Services received at no cost

Financial Intelligence Centre	85,502	86,639
National Treasury	11,715,782	8,842,000
	<b>11,801,284</b>	<b>8,928,639</b>

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

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## NOTES TO THE FINANCIAL STATEMENTS

### Key management personnel

Name	Designation	2018				
		Basic	Performance bonus	Pension	Other allowances	Total
		R	R	R	R	R
LO Ndlela	Head of GTAC (Acting) (2 months)	198,213	-	19,843	14	218,070
SM Khan	Head of GTAC (Acting) (10 months)	1,213,054	-	76,538	215,980	1,505,572
SPM Rautenbach	Chief Director: Financial Management	1,342,538	37,265	134,401	82	1,514,286
LO Ndlela	Chief Director: Technical Consulting (10 months)	891,960	-	89,294	61	891,315
TP Moleke	Chief Director: Transaction Advisory Services and PPP (5 months)	495,875	-	42,234	3,383	541,492
SR Maganedisa	Chief Director: Transaction Advisory Services and PPP (Acting) (7 months)	647,913	41,172	54,812	49	743,946
N Allie-Edries	DDG: Employment Facilitation	1,313,775	66,419	140,541	90,172	1,610,907
R Engela	DDG: Public Expenditure and Policy Analysis	1,314,643	40,833	136,418	48,118	1,540,012
N Prins	Chief Director: Capital Projects Appraisal (9 months)	815,166	24,974	68,962	61	909,163
B Mashilo	Chief Director: Capital Projects Appraisal (Acting) (3 months)	214,022	-	22,895	30,260	267,177
EC Gille	Chief Director: Technical Consulting Services	1,039,402	23,512	87,932	82	1,150,928
S Naidoo	Chief Director: Strategy, Management and Communications	1,225,222	27,687	122,657	82	1,375,648
NA Mazibuko	Chief Director: Professional Services Procurement (Acting)	956,574	27,221	95,762	82	1,079,639
B Muthuri	Chief Director: Human Capital Management and Corporate Support Services	932,544	15,462	98,001	45,503	1,091,510
XYZ Mac Master	Chief Director: Municipal Finance Improvement Programme (9 months)	752,099	-	80,456	28,886	861,441
		<b>13,353,000</b>	<b>304,545</b>	<b>1,270,746</b>	<b>462,815</b>	<b>15,391,106</b>

These designations have changed during the year to be in line with the Department of Public Service Administration requirements.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## NOTES TO THE FINANCIAL STATEMENTS

### 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	1,259,184
SM Khan	Head of GTAC (Acting)(2 months)	201,976	-	17,447	53,837	273,260
SPM Rautenbach	Head of Finance	1,280,824	31,800	127,653	74	1,440,351
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 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: Management Strategy and Communications (9 months)	871,011	-	87,197	2,499	960,707
ACF Smit	Senior Manager: Knowledge Management and Auxiliary Services	940,547	21,259	92,169	9,427	1,063,402
NA Mazibuko	Acting Senior Manager: Human Capital Management & 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	538,101
		<b>11,352,443</b>	<b>280,280</b>	<b>1,093,086</b>	<b>328,314</b>	<b>13,054,123</b>

### 23. RISK MANAGEMENT

GTAC seeks to identify, assess, manage and monitor all material forms of risks 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 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 2018

## NOTES TO THE FINANCIAL STATEMENTS

	Carrying amount	Current	30 days	60 days	90 days	120 days and more
	R	R	R	R	R	R

### 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.

#### 2018

Trade receivables	<b>49,181,997</b>	9,145,152	23,296,243	3,941,067	-	12,799,535
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#### 2017

Trade receivables	<b>6,430,024</b>	4,282,942	1,026,032	1,121,050	-	-
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### 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.

#### 2018

Trade payables	<b>29,261,594</b>	29,261,594	-	-	-	-
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#### 2017

Trade payables	<b>25,573,537</b>	25,414,987	158,550	-	-	-
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### Interest rate risk

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

### Market risk

No significant market events occurred during the year that materially affected GTAC. GTAC's activities are mainly of an administrative or support service nature, with limited exposure to market movements.

## 24. EVENTS AFTER THE REPORTING DATE

No material events after the reporting date.

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

All variances over R 1 million are seen as material and have been reported on.

### Adjustments to the Approved Budget

The significant budget adjustments were on the Jobs Fund and MFIP budgets. Jobs Fund budget was adjusted with R 7.4 million due to delays encountered while appointing the service providers for project evaluation services and project audits. Funds were allocated towards the appointment of transition advisors which was due to assist potential Jobs Fund Partners to attract an equity partner. An open tender followed and no proposals were received, as a result the budget was rescheduled.

The budget for MFIP was adjusted with R 9 million as a result of the slow start to the programme.

## NOTES TO THE FINANCIAL STATEMENTS

### **Cost Recovery Revenue**

#### *Under budget*

Under recovery was due to the PMUs (Jobs Fund and MFIP) underspending as well as the recovery of technical advisors expenditure under the MFIP incorrectly budgeted for as GRAP 109 applies. Thus the expenditure on the advisors cost was not recognised although budgeted for.

### **Interest Revenue**

#### *Over budget*

Higher interest revenue due to government funding received quarterly in advance resulted in higher interest earned than anticipated. Also the lack of spending in the MFIP PMU resulted in higher cash balances.

### **Appropriated Funding**

#### *Under budget*

The actual was lower than the budget due to lower spending on the Economies and Regional Learning Network funded from appropriated funds resulting in lower revenue recognition.

### **Donor Funding**

#### *Over budget*

The overall over spend was due to the Budget Portal projects that was not budgeted for.

### **Goods and Services**

#### *Under budget*

Overall underspend was due to the PMUs underspent. There was a delay in the start of MFIP programme resulted in appointments being later than anticipated. The expenditure on the technical advisors were also budgeted for but the actual expenditure was not accounted for due to GRAP 109 applied.

### **Compensation of Employees**

#### *Under budget*

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

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

#### 26. FINANCIAL INSTRUMENTS

##### Categories of financial instruments 2018

##### *Financial assets*

Receivables from exchange transactions
Receivables from non-exchange transactions
Cash and cash equivalents

##### *Financial liabilities*

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

##### 2017

##### *Financial assets*

Receivables from exchange transactions
Cash and cash equivalents

##### *Financial liabilities*

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

R	
2018	

At amortised costs	Total
57,655,963	57,655,963
2,553,740	2,553,740
855,230,658	855,230,658
<b>915,440,361</b>	<b>915,440,361</b>

At amortised costs	Total
78,341,267	78,341,267
595,359,309	595,359,309
<b>673,700,576</b>	<b>673,700,576</b>

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>

At amortised costs	Total
74,222,964	74,222,964
280,840,709	280,840,709
<b>355,063,673</b>	<b>355,063,673</b>

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

	R	Restated R
	2018	2017
<b>27. RETENTION OF CASH SURPLUS</b>		
Cash and cash equivalents	855,230,658	552,495,366
Receivables	60,209,703	15,833,753
Less: Payables	(677,844,112)	(357,252,449)
Less: Commitments	(346,645,012)	(369,741,717)
<b>Deficit</b>	<b>(109,048,763)</b>	<b>(158,665,047)</b>

The deficit will be made up of future cost recovery, donor funds and interest.

R70 million surplus relating to the Municipal Finance Improvement Programme II was returned for the year ending 31 March 2017.

### 28. FRUITLESS AND WASTEFUL EXPENDITURE

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

### 29. IRREGULAR EXPENDITURE

Opening balance	62,835,739	9,149,314
Irregular Expenditure that relates to prior year non-compliance	55,628,233	47,523,673
Irregular Expenditure identified during the current year	18,382,828	6,162,752
<b>Irregular expenditure to be condoned</b>	<b>138,846,800</b>	<b>62,835,739</b>

The Internal Audit unit of the National Treasury has been task to investigate the cases of non-compliance that led to irregular expenditure. Based on the outcome of the investigation, management will decide on the actions required.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## NOTES TO THE FINANCIAL STATEMENTS

	Restated	
	R	R
	2018	2017

### 30. ACCOUNTING BY PRINCIPALS AND AGENTS

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

GTAC undertakes the administration of the Employment Creation Facilitation sub-programme on behalf of National Treasury. The programme is administered by a Project Management Unit, whose costs are recovered from 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	41,639,436	2,352
Assets – interest receivable	375,458	466,486
Liability*	42,014,894	472,613
Difference – inter account transfer between GTAC and the Jobs Fund account. Corrected in the next financial year	-	<b>(3,775)</b>

\* This final balance must be returned to the National Treasury in the 2018/19 financial year.

Revenue	- Appropriated funds	524,964,000	682,872,000
	- Interest accrued	6,885,935	5,135,344
Expenditure	- Jobs Fund partner payments	490,306,727	643,029,974
	- Bank charges	927	1,804

#### Independent Power Producers Procurement Programme – DBSA

GTAC manages and account for the IPPP bank account, make payments to the DBSA, cooperate with and provide such project-specific information in its possession to the IPPPP office when requested, provide general technical support in line with the GTAC's mandate in respect of the IPP Procurement Programmes and interventions and facilitate execution of the National Treasury's role and responsibilities in terms of the Memorandum of Agreement between DoE, NT and DBSA.

Bank Balance		179,442	135,309,764
Assets – interest receivable		16,530	319,691
Liability*		(195,972)	(135,629,455)
		-	-
Revenue	- Development & request for proposal fees	30,318,991	115,549,600
	- Interest accrued	3,132,151	17,270,189
Expenditure	- Technical Advisory Services	23,398,491	108,622,066
	- Salaries and overheads	145,484,784	141,261,112
	- Bank charges	1,351	876

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

	R	R
	2018	2017
<b>Neighbourhood Development Programme – National Treasury</b>		
GTAC manages and account for the NDP bank account, make payments to the service providers contracted by municipalities on behalf of NDP within National Treasury.		
Bank Balance	12,814,089	14,448,488
Assets – interest receivable	79,692	77,917
Liability*	(12,893,781)	(14,533,016)
Difference – inter account transfer between GTAC and the NDP account. Corrected in the next financial year.	-	<b>(6,611)</b>
Revenue		
- Appropriate funds*	22,959,440	15,189,721
- Interest accrued	1,292,061	1,487,413
Expenditure		
- Payments to service providers	25,609,501	13,900,450
- Administration fees	360,000	-
- Bank charges	927	804
- Venues and Facilities	-	18,900

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

#### Department of Rural Development and Land Reform

GTAC has been appointed by the Department of Rural Development and Land Reform (DRDLR) as an agent for the implementation of the PPP project for procuring office accommodation.

Funds available	445,878,269	-
Liability	(445,878,269)	-
	-	-
Expenditure – Payments to service providers	2,042,465	-
Interest received – included in Liability	9,236,734	-

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

	Restated	
	R	R
	2018	2017

#### Office of the Accountant-General – National Treasury

The Office of the Accountant-General within National Treasury has requested GTAC to assist with the roll out of the Municipal Finance Improvement Programme.

Funds available	69,110,095	73,745,174
Liability	(69,110,095)	(73,745,174)
Expenditure – Payments to service providers	51,596,935	158,292,225

### 31. PRIOR PERIOD ERRORS

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

Two service provider contracts were omitted from the commitment schedule, long-term advisers annual increases were also not taken into account, four service providers expenditure incorrectly captured against the wrong contracts and subsequently corrected as well as corrections due to expenditure not taken into account. This resulted in an error in the prior year calculations. These errors were corrected.

Increase in commitments	10,027,049
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Refer to Note 21.

#### (2) Error in disclosure of MFIP transactions with third parties

Payments to third parties were incorrectly accounted for as expenditure and the cost recovered from National Treasury under appropriated funds. As GTAC acts as an agent of the National Treasury for the roll out of the Municipal Finance Improvement Programme the prior years has been restated to correct the error and the effect of the restatement of the financial statements is summarised below:

##### Cash flow statement

Decrease in government funding and other sources	(158,292,225)
Decrease in grants and project payment	(158,292,225)

##### Statement of Financial Performance

Decrease in revenue for MFIP II	(158,292,225)
Decrease in expenditure for MFIP II	(158,292,225)

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

Restated

R

2017

Due to the principal agent standards (GRAP 109) being applicable, all commitments relating to contracts entered into between GTAC and technical advisors are being disclosed in the National Treasury's Annual Financial Statements and the impact is shown below:

Decrease in commitments

Refer to Note 21.

2,524,368

The irregular expenditure incurred on the Municipal Finance Improvement Programme is to be disclosed in National Treasury's AFS and the impact is as follows:

Opening balance	(11,798,331)
Irregular Expenditure that relates to prior years non-compliance	(23,285,397)
Irregular Expenditure identified during the current year	(1,252,042)
	<b>(36,335,770)</b>

Refer to note 29.

#### (3) Error in disclosure of revenue from MFIP

The cost recovery for the MFIP PMU operational costs was incorrectly classified as appropriated funds and not as cost recovery and the restatement is summarised below:

##### Statement of Financial Performance

Increase in cost recovery	-
Decrease in appropriated funds	-

Refer to notes 12 and 14. This amount is after the correction of point 2.

#### (4) Error in disclosure of related parties transaction

The transactions with the Department of Provincial Planning and Treasury Eastern Cape has been disclosed under related parties although the department is a provincial department

2,731,476

The related party transactions with National Treasury has been corrected to include the transactions relating to MFIP.

See Note 22 on Related Parties.

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2018

### NOTES TO THE FINANCIAL STATEMENTS

Restated

R

2017

#### (5) Error in disclosure of unspent government funding

The unspent funds of the Jobs Fund, Neighbourhood Development Programme, the Independent Power Producers Programme and Municipal Finance Improvement Programme have incorrectly been disclosed under income received in advance instead of unspent government funding and the impact is summarised below:

##### Cash flow statement

Increase in unspent government funding from non-exchange transactions	224,380,258
Decrease income received in advance from non-exchange transactions	(224,380,258)

##### Statement of Financial Position

Increase in government spending	224,380,258
Decrease in income received in advance	(224,380,258)

Refer to notes 10 and 20.

#### (6) Error in disclosure of irregular expenditure

Expenditure that related to a contract that was deemed to be irregular was erroneously captured against another contract for the same company	745,332
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Refer note 29.

#### (7) Error in disclosure of leave liability

Leave has been incorrectly disclosed as a provision and has been corrected to be disclosed as an accrual and the impact is as below:

##### Statement of Financial Position

Increase in payables from exchange transactions	1,778,668
Decrease in provisions	(1,778,686)