



# ANNUAL REPORT

2016 | 2017



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

**'Within the context of government's National Development Plan and Medium-Term Strategic Framework, GTAC aims to contribute to building a capable and development-oriented state, while strengthening government's capacity to work with the private sector to promote growth, employment, infrastructure investment and public service delivery.'**

# CONTENTS

MINISTER'S FOREWORD	3
ACCOUNTING OFFICER'S OVERVIEW	4
ACCOUNTING OFFICER'S STATEMENT OF RESPONSIBILITY	6
<b>PART A: GENERAL INFORMATION</b>	<b>8</b>
Vision, mission statement and values	9
Strategic overview	10
Organisational structure	12
<b>PART B: PERFORMANCE INFORMATION</b>	<b>14</b>
Situation analysis	15
Performance information per strategic outcome	19
<b>PART C: FINANCIAL INFORMATION</b>	<b>46</b>
Report of the Auditor-General to Parliament on the Government Technical Advisory Centre	47
Annual financial statements	53
<b>PART D: GOVERNANCE</b>	<b>90</b>
Governance	91
Audit Committee report	95
<b>PART E: HUMAN RESOURCES MANAGEMENT</b>	<b>100</b>
Overview of human resource matters	101
Statistical information	104
<b>PART F: ANNEXURES</b>	<b>132</b>
Annexure 1: Annual performance report	133
Annexure 2: Development Southern Africa: New associate editors and advisory board members	134
Annexure 3: Development Southern Africa: 2016/17 issues published	135
Annexure 4: Articles published on the Econ3x3 website	139
Annexure 5: List of figures and tables	140

# ABBREVIATIONS AND ACRONYMS

DBSA	Development Bank of Southern Africa
ERLN	Economies of Regions Learning Network
GTAC	Government Technical Advisory Centre
IPPPP	Independent Power Producer Procurement Programme
mSCOA	Municipal Standard Chart of Accounts
NDP	Neighbourhood Development Programme
PPP	Public-Private Partnership
REDI	Research Project on Employment, Income Distribution and Inclusive Growth
REIPPP	Renewable Energy Independent Power Producers Programme
TUHF	Trust for Urban Housing Finance

# FOREWORD BY THE MINISTER OF FINANCE



I have been keenly aware of the work of the Government Technical Advisory Centre (GTAC) over the years in my various roles in government, and I am pleased to be more directly involved in the capacity building work of this innovative centre of excellence within the Treasury family.

GTAC has evolved from a number of highly effective independent units, each with a history in government, into an integrated centre providing technical and advisory services to support government's vision of a capable and developmental state contributing to inclusive growth and transformation. I am encouraged by the steps GTAC has been taking, particularly in the last quarter of 2016/17, to institutionalise and streamline its functions, resources and partnerships to deliver on this mandate. Of particular significance is its increasing engagement with academic,

research and international development agencies, to help GTAC find solutions to development challenges and to capitalise on and scale up its successes.

As a learning institution, GTAC continues to reflect on its practices, revisit its methodologies, and pioneer and innovate in an often rapidly changing environment. Its ability to generate and share knowledge is critical to finding sustainable and value-for-money solutions that can be shared across government. Its knowledge management system is valued by researchers and practitioners alike, and is the foundation on which the organisation's legacy rests.

GTAC's inaugural Winter School, an inspiring part of its broader public economics capacity building initiative, is set to become a major calendar event. Through the Winter School and associated bursary programme, GTAC invests in intellectual capital by developing talented young South African economists and incentivising them to pursue careers in the public sector. I encourage you to read more about this important initiative on the GTAC website.

This 2016/17 annual report highlights GTAC's plans and achievements, but more importantly, tells the stories of its greatest resource, its people, and the work they undertake with a passion underpinned by a commitment to creating a South Africa that is equitable, transparent and above all, efficiently and accountably managed. I consider it a privilege to lead such an innovative and remarkable organisation.

**Its ability to generate and share knowledge is critical to finding sustainable and value-for-money solutions that can be shared across government.**

MR MKN GIGABA, MP  
Minister of Finance



# ACCOUNTING OFFICER'S OVERVIEW

In this, GTAC's third annual report, we find ourselves looking to the future as we review the year gone by. During the last year, GTAC formulated its first strategic plan, for the period 2017/18–2019/20. The plan reflects GTAC's evolution from an umbrella organisation for its founding units into an integrated, rationalised institution that uses a unique resource model for responding to government requests for advice and support. The institutionalisation of our business model gathered momentum in the last quarter of the year, and the core of my mandate as GTAC's Acting Head is to see this process through. I am confident that readers will find ample evidence of GTAC's achievements in the past year, but more importantly of the path we have created for achieving outcomes over the next three years.

The reporting period has also seen significant progress in GTAC's institutional growth in terms of improved governance and compliance.



## **Efficient and effective use of resources**

Flexible responsiveness is one of GTAC's core strengths. In 2016/17 we saw the benefits of our evolving resource model, which allows us to put together customised teams – comprising GTAC professional staff, expert advisors, and other short-term service providers – to meet the specific requirements of each project. In addition, new internal arrangements facilitate collaboration and the sharing of resources and learning between GTAC's specialised units and will ultimately improve delivery and value for money. The success of this model is apparent from the many project examples you will find in this report.

## **Centre of excellence**

An important strategic outcome for the next three years is for GTAC to be “recognised as a centre of excellence utilising strategic partnerships to deliver shared learning opportunities”. Building on existing relationships with key stakeholders, GTAC looks forward to formalising additional agreements with non-state partners (research and academic institutions, development partners, and the private and civil society sectors) to grow its footprint in South Africa and on the continent. Global Affairs Canada has supported GTAC consistently over many years, which has allowed us to deliver effective, valued programmes. For instance, with Canadian support, GTAC's performance expenditure review methodology has been critical to assessing the policy intent and value for money of government programmes. The support has also allowed GTAC to launch its capacity building initiative in public economics, which includes the annual Winter School and the Graduate Bursary Programme.

The year also saw successes for GTAC's communications and publications function, a crucial part of positioning the organisation as the go-to institution for information and knowledge on public economics and policy. We encourage readers to visit the website, which not only showcases GTAC's own work but is equally a unique resource for policymakers, academics, students and development practitioners. Available information includes reports on the internationally recognised performance and expenditure reviews, innovative project toolkits and methodologies, and policy notes providing useful insights into the decision-making and policy processes of government.

Finally, GTAC actively contributes to the National Development Plan's objective of building a capable and developmental state. The focus on building capacity is integral to the way we function. Through our focus on “learning by doing”, every GTAC engagement empowers government clients with better skills and deeper knowledge. GTAC helps its clients to realise their plans, rather than imposing solutions. The stories and conversations presented here show the many ways in which we ensure that we empower departments in a collegial, mutually constructive approach.

## Highlights of 2016/17

The inaugural Public Economics Winter School hosted over 100 South African graduate students and young economists, featured international and local experts, and was supported by high-ranking officials from the Treasury and other parts of government. Participants reported that the Winter School provided a valuable introduction to public economics in practice, along with insights into possible careers in the Treasury and public service.

GTAC also introduced a competitive bursary programme for master's students in economics. Following an exhaustive selection process, seven bursaries were awarded for 2017. The programme includes a mentorship arrangement within the Treasury, as well as the possibility of an internship placement in the Treasury or GTAC.

The Capital Projects Appraisal unit conducted research on compressed natural gas as an alternative transport fuel, and concluded that there is an economic case for developing a market for this gas. In the year ahead, the unit will support the Treasury's efforts to reform capital budgeting and financing by helping to develop better methodologies for appraising the financing of capital infrastructure.

The Social Services portfolio of the Technical Consulting Services unit supported ten projects last year, including several in the education sector. One notable example is support to the Department of Higher Education and Training with the establishment of a skills planning unit.

Among the wide-ranging projects in the Transaction Advisory Services and PPP unit was a project with a direct impact on current government priorities – assisting the Department of Higher Education and Training in assessing the potential for acquiring student accommodation through PPPs.

These varied projects demonstrate how GTAC's technical and advisory work directly and indirectly informs and influences policy processes and decision-making within government. A central tenet of GTAC's model is that we are able to engage, encourage and support change through rigorous analytics. That is the tool of our trade and we are proud to continue this tradition of strong intellectual independence.

## Relationship with the National Treasury

A significant improvement in GTAC's relationship with the National Treasury is the institutionalisation of much stronger coordination with key Treasury divisions. While informal links have historically existed, the partnership has become more institutionalised to ensure improved coordination and policy coherence with GTAC's work across government.

GTAC strives to be seen as a valued partner of choice for all government. We expect that the next annual report will provide further evidence of how we are achieving this.

## Acknowledgements

I am grateful to the GTAC leadership team and staff for their dedication and commitment to sound financial management and their adherence to the highest standards of integrity and professional quality assurance. I also wish to acknowledge the courteous and constructive support of the National Treasury's internal audit team, the Auditor-General and members of the Audit Committee.



SHAHID KHAN

**Acting Head and Accounting Officer: GTAC**

# ACCOUNTING OFFICER'S STATEMENT OF RESPONSIBILITY

*Statement of responsibility and confirmation of accuracy for the annual report for the year ended 31 March 2017*

## **I CONFIRM THE FOLLOWING:**

- The information and amounts disclosed in this annual report are compiled from the records of GTAC and the National Treasury, and accurately reflect, subject to the limitations of these records, the activities of GTAC, functioning as an Agency of the National Treasury.
- To the best of my knowledge and understanding, the annual report is complete, accurate and free from material misstatements.
- The annual report has been prepared taking into account the relevant guidelines issued by the National Treasury. Following a determination by the Minister of Finance and approval by the Accountant-General, the annual financial statements (Part C) have been prepared in accordance with Generally Recognised Accounting Practice standards and the relevant frameworks and guidelines issued by the National Treasury.
- The accounting authority is responsible for preparing the annual financial statements and for judgements made in this information.
- The accounting authority is responsible for implementing a system of internal control designed to provide reasonable assurance on the integrity and reliability of the performance information, human resources information and annual financial statements.
- The external auditors are engaged to express an independent opinion on the annual financial statements.
- In my opinion, the annual report fairly reflects GTAC's operations, performance information and human resources.

This report is submitted by the Acting Head of GTAC, Mr Shahid Khan, whose appointment took effect in January 2017. As the accounting officer I am pleased to present this annual report.



SHAHID KHAN

**Acting Head and Accounting Officer: GTAC**



**'As we embed GTAC as a fully functional agency, we will ensure that we always adhere to the principles of good corporate governance, be accountable to our principals and stakeholders, and comply with government laws and regulations.'**

Shahid Khan,  
Acting Head and Accounting Officer

# GENERAL INFORMATION A

## VISION

To serve as a creative centre of excellence  
for shared learning and advisory support  
in public policy, fiscal and financial analysis  
and management.

## MISSION

The Government Technical Advisory Centre (GTAC) promotes transparency and the effective management of public finances by assisting organs of state in building capacity for efficient, effective and transparent financial management. Its operating model provides technical consulting services, specialised procurement support, infrastructure project advice, and associated knowledge management and shared learning opportunities to build public sector capacity. These functions are undertaken through active partnerships with development agencies, universities, research centres and the non-state sector. GTAC seeks to stimulate debate and promote public discourse and understanding of policy, public economics and public financial management through a range of communication methodologies. It also draws on a programme for young graduates to build and sustain capability within the organisation.

## VALUES

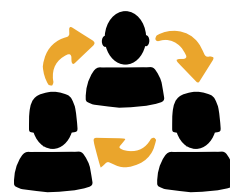
Several guiding values underpin the organisation's approach to its programmes and activities:



**Accountability**



**Integrity**



**Collaboration and  
partnership**



**Evidence-based  
learning**



**Public and private  
sector participation**



**Broad-based  
development**

# STRATEGIC OVERVIEW

## LEGISLATIVE AND OTHER MANDATES

### 1.1. Legislative Mandate

GTAC draws its mandate from the responsibility of the National Treasury to promote transparency and the effective management of public finances and to assist organs of state in building their capacity for efficient, effective and transparent financial management, as set out in section 6 of the Public Finance Management Act.

GTAC was established as a government component in terms of section 7A(4) of the Public Service Act (1994) through Government Notice 261, Gazette 35194, of 30 March 2012<sup>1</sup>. GTAC is a component of the National Treasury, and the following Treasury functions were transferred to it as from 1 April 2014 :

- Technical Assistance unit
- Public-Private Partnership unit
- National Capital Appraisals unit
- Employment Creation Facilitation Facility (Jobs Fund project management unit)

GTAC's financing streams include core funding from the National Treasury, donor funding from international partners, and cost recovery on the provision of services.

### 1.2. Ministerial Guidance and Instructions<sup>2</sup>

In the context of government's National Development Plan and Medium-Term Strategic Framework, GTAC's primary contribution lies in helping to build a capable state and a professional public service<sup>3</sup>.

The 2014–19 Medium-Term Strategic Framework directs government to invest in infrastructure development, create jobs, transform South Africa to a low-carbon economy, and bring about social transformation and unity. GTAC aligns its strategic priorities with those of the Medium-Term Strategic Framework.

GTAC is one of five programmes in the National Treasury's Programme 8: Technical Support and Development Finance, for which it plays a coordinating reporting role. To improve the coordination of inputs for Programme 8's compliance reporting, GTAC will establish a steering committee that includes senior National Treasury staff. To oversee its own compliance with its governance arrangements, GTAC will also establish a Technical Advisory Committee in the new year.

1. Government Notice 261, 30 March 2012

2. Government Gazette, no. 25 of 2012, and GTAC Business Case, 2011.

3. Outcome 12 NDP: An efficient, effective and development-oriented public service

### 1.3. GTAC's Business Focus

GTAC's business model, as promulgated, is based on demand for its services from the public sector. It does not compete for business with the private sector, and uses memoranda of agreement to consolidate its professional relationship with government partners. Priority business partners are the National Treasury and other centre-of-government departments (e.g. Public Service and Administration; Planning, Monitoring and Evaluation; and Cooperative Governance and Traditional Affairs).



Supporting *inclusive growth*, consistent with a broadbased development strategy that stimulates employment and income-generating opportunities



Enhancing *private sector participation* in infrastructure investment, job creation and financing development



Strengthening *institutional governance*, planning and resource management to achieve value for money and sound public administration



Promoting *effective stakeholder partnerships* in city development, education, social services and economic development



Advancing *policy analysis, public economics and evidence-based public finance* advice to help meet the needs of the National Treasury and government and to promote broader public understanding

GTAC promotes evidence-based learning and policy advice, and supports sound and effective procurement and programme management processes. Partnerships form the basis of its development methodology within government and with the private sector, academic and research community, and civil society stakeholders.

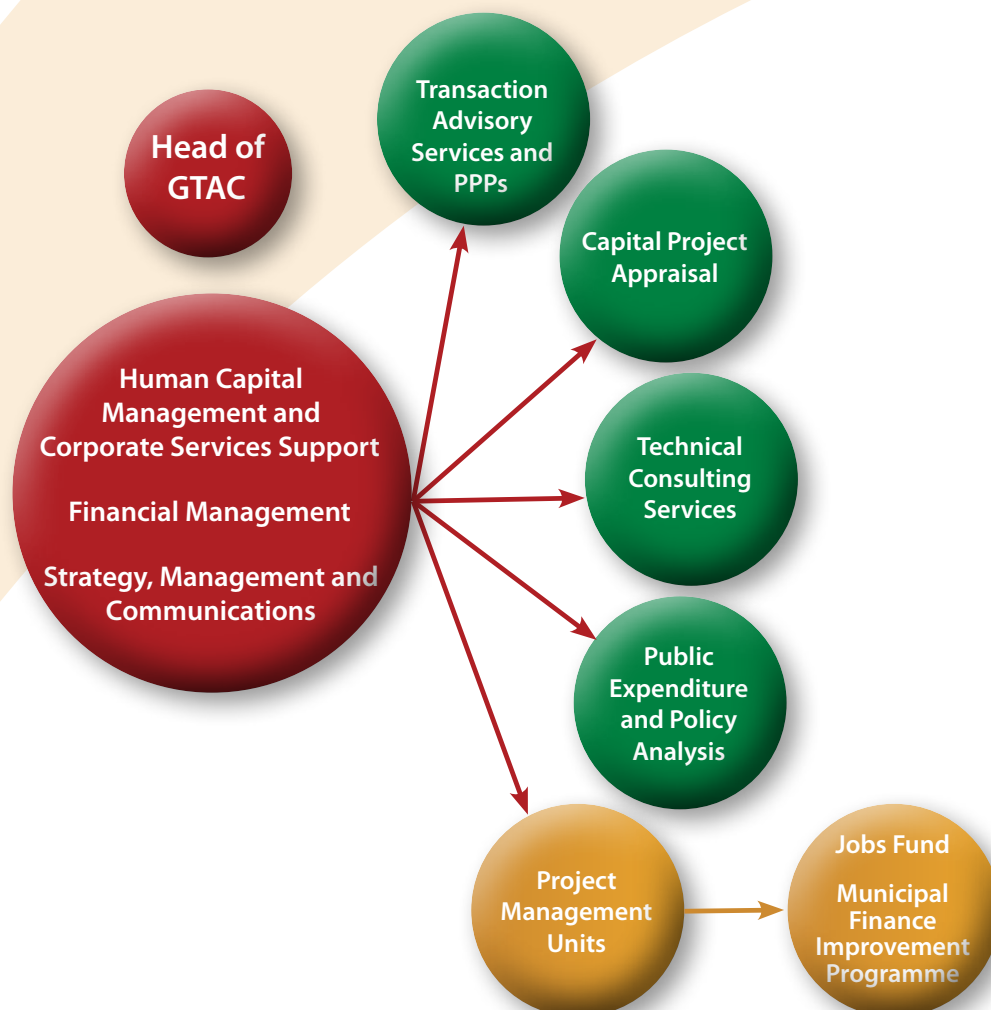


# ORGANISATIONAL STRUCTURE

GTAC's current organisational structure stems from the consolidation of business units, as per the Promulgation. Its strategy has been tabled in Parliament for approval. Once this has been finalised, GTAC will refine its organisational structure to facilitate delivery against the strategy.

GTAC's advisory and support functions were organised as follows in 2016/17:

- Transaction advisory services: Support for major infrastructure procurement projects, public-private partnerships (PPPs) and service delivery improvement transactions, including project conception and registration, transaction process support, and legal and financial advice.
- Infrastructure and capital project appraisal: Infrastructure planning support, appraisal of capital projects, network industry analysis, and regulatory advice, particularly in the energy, transport, water and sanitation, and communications sectors.
- Technical consulting services: Organisational development and advisory and project management support for a range of national, provincial and municipal organs of state, through four work clusters:
  - Economic development
  - Social development
  - Municipal support and human settlements
  - Public management and organisational development
- Public economics and expenditure reviews: Evaluation of public expenditure and performance; environmental economics; planning, budgeting, reporting and monitoring of service delivery; and capacity building in public finance.





#### Clockwise, from the top:

**Nomlotha Mazibuko**

Acting Head Senior Manager: Human Capital Management and Corporate Support Services

**Besa Muthuri**

Director: Human Resources Management and Corporate Support

**Markus Rautenbach**

Head of Finance

**Shahid Khan**

Acting Head of GTAC

**Subethri Naidoo**

Senior Manager: Strategy Management and Communications Unit

#### Clockwise, from the top:

**Ronette Engela**

Head of Public Expenditure and Policy Analysis

**Lindiwe Ndlela**

Senior Manager: Technical Consulting Services

**Emmanuelle Gille**

Senior Manager: Technical Consulting Services

**Nicky Prins**

Head of National Capital Projects Appraisal Unit

**Tumi Moleke**

Head of Transaction Advisory and PPP Unit

#### From the top

**Xavier MacMaster**

Head of Project Management Unit: Municipal Finance Improvement Programme

**Najwah Edries**

Head of Project Management Unit: Jobs Fund

# PERFORMANCE INFORMATION B

## PERFORMANCE ENVIRONMENT

# 1. SITUATION ANALYSIS

GTAC was established as an entity that provides technical and advisory services to the National Treasury, centre-of-government departments and other organs of state. Legally, it operates within the general guidance provided by the Minister of Finance and its Founding Notice (No. 261 of 2012). The Founding Notice prohibits GTAC from providing services in competition with the private sector or from participating in tender or supply chain operations open to private sector service providers. Finally, subject to the National Treasury's agreement and authority under law, GTAC may perform functions outside the Republic.

In developing its strategic plan over the medium term, GTAC sought and received confirmation from the Minister of Finance that its central objective is that of assisting organs of state to build their capacity for efficient, effective and transparent financial management. He instructed that to this end, GTAC should focus on the following priorities within its available resources:

- Supporting inclusive growth, consistent with a broad-based development strategy that stimulates employment and income-generating opportunities
- Enhancing private sector participation in infrastructure investment, job creation and financing development
- Strengthening institutional governance, planning and resource management to achieve value for money and sound public administration
- Promoting effective stakeholder partnerships in city development, education, social services and economic development
- Advancing policy analysis, public economics and evidence-based public finance advice to promote broader public understanding.

### GTAC's establishment and founding Notice raise three institutional challenges:

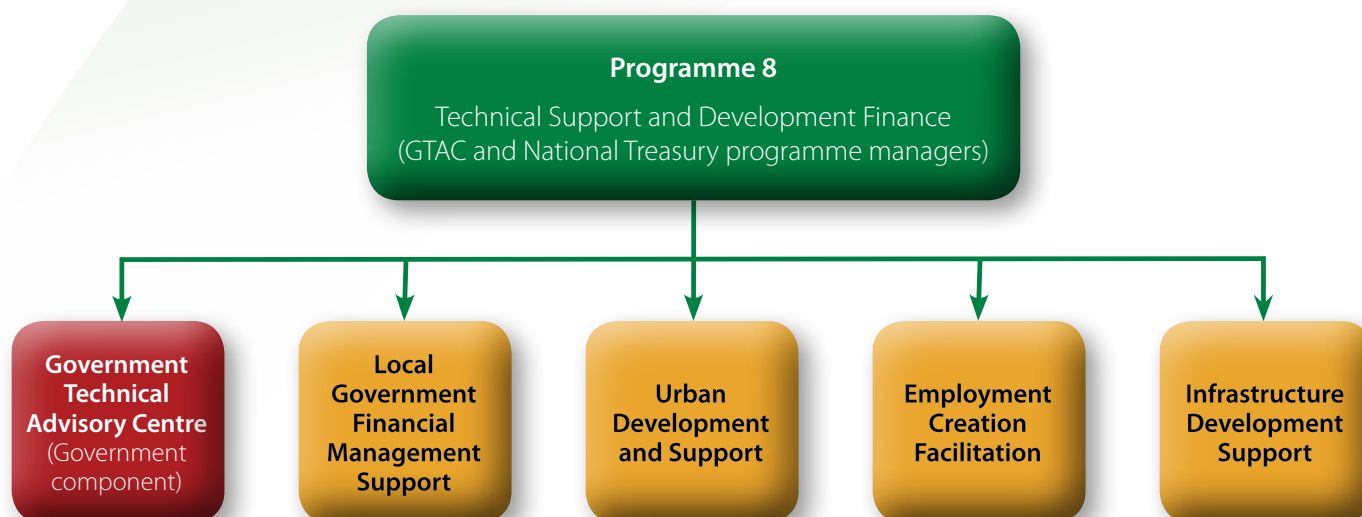
1. The supply chain management system has to be fit for purpose and responsive to the nature of GTAC's business. The system must be capable of deploying long- and short-term specialist advisory expertise quickly and flexibly. The supply chain management process must therefore function within the prescripts of the Public Finance Management Act, while retaining its unique ability to respond appropriately, optimally and quickly.
2. The management system must be reorganised to develop the processes needed for an effective project management and delivery model, which include improved quality assurance, strong risk management and efficient reporting systems.
3. Partnerships with research, academic and international development agencies provide the intellectual foundation for building a rigorous information base for shared learning and knowledge management. However, clear and informed parameters are needed for defining the nature, scope and implementation of these relationships.

Institutional reform at this scale will take time, given the resource and organisational changes needed. GTAC is committed to prioritising this major shift while continuing to deliver on its mandate. During this reporting period, GTAC started to review and assess its business processes, drafted its strategy, and focused on delivery modalities to improve its service offering in the next reporting period.

## 1.1 PROGRAMME 8 CONTEXT

GTAC is one of five programmes in the National Treasury's Programme 8: Technical Support and Development Finance. During 2016/17, GTAC provided administrative coordination for compiling the report on Programme 8 subcomponents on behalf of the National Treasury.

Figure 1: Programme 8 organisational structure





## 1.2. GTAC ORGANISATIONAL STRUCTURE

GTAC's organisational structure will be revised to reflect its business process in line with its strategic plan. In October 2015, GTAC took full responsibility for its human resource management function, and the transfer of 90 staff members was concluded. In this reporting period, GTAC reorganised its structure to consolidate the management and support services team. This team now includes finance, supply chain management and strategy, management and communications functions in addition to its human resources functions.

Operationally, business units include the activities of the Technical Consulting Services unit, the advisory functions of the Transaction Advisory Services and PPP unit, the infrastructure advisory work of the Capital Projects Appraisal unit, and the analysis and reviews of the Performance Expenditure and Policy Analysis unit. GTAC also provides administrative programme management support to the Jobs Fund and the Municipal Finance Improvement Programme on behalf of the National Treasury and the Office of the Accountant-General respectively. Finally, the grant funding for the Neighbourhood Development Programme, which reports through the Intergovernmental Relations Division, is administered through GTAC.

## 1.3. GOVERNANCE AND OPERATING MODEL

In the year under review, GTAC has made significant progress in finalising its strategy and annual performance plan. The strategy has been signed off by the Minister of Finance and has been tabled in Parliament. GTAC will prioritise the finalisation of its operating procedures in the coming financial year.

GTAC's operating model ensures that projects are undertaken in response to requests from departments and/or organs of state. It functions within the framework of an overarching memorandum of agreement, which outlines the broad parameters of operations, governance, financing modalities and partnerships.

The business model, which will be refined as GTAC's business evolves, relies on a core team of technical and management staff working closely with long-term advisory consultants and a panel of short-term consultants, as needed. Long-term advisors are contracted on a five-year, annually renewable basis. The current team of long-term advisors has been in place since January 2016 and remains a critical part of the GTAC resource model. The short-term panel has been in place since 2011 and will be refreshed in 2017/18, in line with business priorities.

GTAC's multi-disciplinary project teams are selected at a project committee meeting, chaired by the head of GTAC, where projects are approved and staff and funding resources allocated. Other governance committees include the quarterly review committee, the management committee, the donor committee, and the risk, audit, quality assurance and diversity compliance committees. GTAC will also establish a technical advisory committee to provide strategic oversight of its programme priorities, business focus and the effectiveness of its delivery.

## 1.4 STRATEGIC OUTCOME-ORIENTED GOALS

### STRATEGIC OUTCOME 1

GTAC is recognised as a centre of excellence in utilising strategic partnerships to deliver shared learning opportunities and develop public economics and public policy capabilities.

### STRATEGIC OUTCOME 2

Advisory and technical support services are requested for improved public sector governance, analyses and capacity building.

GTAC's advisory and technical support activities are organised as follows:

- Transaction advisory services and PPPs
- Capital projects appraisal
- Technical consulting services
- Public expenditure and policy analysis.

### STRATEGIC OUTCOME 3

GTAC enables efficient functioning of project management units.

GTAC's programme and project management, administrative and resourcing support creates opportunities for it to facilitate shared learning opportunities in respect of the optimal functioning of project management units. The project management units have very specific governance and financial accountability arrangements, which GTAC helps to establish and manage. Administration costs are reflected in GTAC's accounts and recovered from the National Treasury.

## 2. PERFORMANCE INFORMATION PER STRATEGIC OUTCOME

### 2.1 PROGRAMME 1: MANAGEMENT AND SUPPORT SERVICES

Entering its third year as an agency with dedicated functions, GTAC has made good progress on its strategy, organisational structure, and human resource capacity. By year-end, its staff complement numbered 119, of whom 65% were in non-managerial positions and 62% were female. GTAC has achieved unqualified audit opinions since its establishment, and continues to strengthen its financial management and improve its systems and processes in close collaboration with internal audit and risk management support teams.

GTAC also continues to improve its supply chain management system in response to business needs. Professional services procurement has increased the volume of bid invitations from last year by 60%.

#### PARTNERSHIP INITIATIVES

GTAC continues to strengthen partnerships with centres of excellence, universities, research institutions and other non-government development agencies, both local and international. These partnerships allow it to expand and improve the quality and reach of its research and policy insights, as well as its knowledge products.

A flagship programme is GTAC's public economics capacity building initiative. Implemented in collaboration with the Treasury and selected universities, its longer-term aim is to shape the public policy content of public economics academic programmes. It helps to bridge the gap between conceptual learning and policy analysis and practice in order to improve the quality of decision-making in public institutions. The initiative also aims to incentivise young economics graduates to consider a career in the National Treasury, as well as help promote research in public economics.

#### PUBLICATIONS AND COMMUNICATIONS

The GTAC website is the place to go for all GTAC's publications, research and information on different capacity building opportunities in the public sector, as well as many training courses and other events. The website is GTAC's primary communication platform, providing a repository of public finance research and policy analysis. GTAC also uses the site to advertise all professional procurement opportunities and vacancies. Since its launch in August 2015, the website has attracted increasing traffic from a wide range of stakeholders and clients.

Figure 2: GTAC website usage 2016/2017



## Publications on website

The main goal of the website is to make GTAC's work easily accessible to stakeholders in South Africa and around the world. The audience includes policymakers, researchers, thought leaders, donors, print media and students. The GTAC website has become a powerful tool for influencing and giving voice to public finance opinion.

GTAC produces a variety of publications, including the biweekly GTAC *WhatsUp*, bimonthly GTAC newsletters, ad hoc brochures, case studies, and of course the annual report. It also receives media coverage for key events such as the Public Economics Winter School, which was covered in a number of papers. Another function is the editorial and management oversight of the *Development Southern Africa* journal, which continues to enjoy a growing readership and strong academic recognition. These are discussed in turn below.

### WhatsUp

GTAC published 22 issues of the biweekly *WhatsUp* newsletter during the year. According to the detailed usage reports, the most popular articles were the feedback features on the 2016 Public Economics Winter School, articles on the national minimum wage debate, the focus on employment wage incentives, the higher education debate, and of course the analysis of the Medium-Term Budget Policy Framework in October 2016 and the State of the Nation Address in February 2017. Readers also enjoyed the series of automation articles and the article on the Municipal Money website.



### Newsletters

During 2016/17, GTAC published six newsletters:

- April 2016: GTAC's Performance Expenditure Review Programme's training course for budget analysis
- June 2016: Planning for GTAC's inaugural Winter School 2016
- September 2015: Reflecting on the first Public Economics Winter School
- November 2017: The *Development Southern Africa* journal
- April 2017: GTAC launches the master's bursary programme.



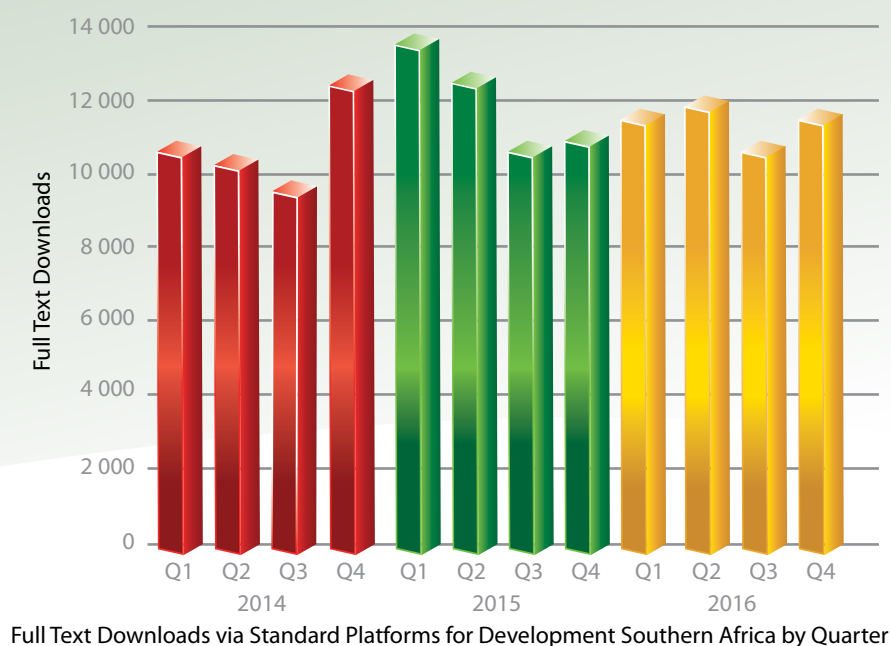
### Media coverage of the July 2016 Winter School

- Business Day reports on Winter School keynote address
- News24 reports on Minister Gordhan's address to Winter School delegates
- Why agriculture is vital for SA's economic future | Fin24
- Economists to engage on SA's public policy issues | Fin24
- How countries are achieving universal health care | Fin24.

### Development Southern Africa journal

*Development Southern Africa* appointed a new editorial advisory board and ten new associate editors in March 2017. Six issues of the journal were published in 2016/17, including a May 2016 special issue on the South African labour market. (Part F provides details of the board and a list of articles.) The journal is doing well as far as readership is concerned, as shown in Figure 3.

Figure 3: Development Southern Africa full text downloads since 2014



## EVENTS

Several brown bags, presentations and seminars were hosted during the year, including case studies of GTAC projects and broader discussions on development and public finance.

### **Brown Bags**

- 26 May: Operation Phakisa – Putting the learning into a toolkit, by Robert Clifton and Karen Hague
- 30 June: Looking at rooftop solar PV systems as a feasible power generation technology, by Bruce Dzenga
- 25 August: Public-private partnerships, by James Aiello
- 29 September: Management performance assessment tool (MPAT) for management information for public servants, by Henk Serfontein, Department of Planning, Monitoring and Evaluation
- 26 January: How to publish your research, by Marié Kirsten.

### **Seminars**

- 6 April: Five priorities for inclusive growth, presented by McKinsey & Company
- 22 July: Reforming the tax system for the 21st century: The Mirrlees Review, by Sir Richard Blundell
- 6 September: Inequality, investment and growth seminar, with Professor José Gabriel Palma and Dr Kate Philip.



## THE PUBLIC ECONOMICS CAPACITY BUILDING INITIATIVE

Soon after GTAC was established, the Director-General of the National Treasury requested it to consider how training and capacity in public economics could be strengthened, in partnership with universities and other centres of expertise. The request reflected not only the National Treasury's human resource needs, but also the need of provincial treasuries and other government departments for capable, well-qualified economic advisors and analysts. In response, GTAC launched its public economics capacity building initiative in 2016, in partnership with the Treasury.

**'It was agreed that GTAC would launch a Winter School for graduate students and young economists in government, together with a bursary and internship programme for master's-level students in public economics.'**

The initiative started with an exploratory meeting between senior officials and the economics departments of local universities. Thus began a partnership with the universities to strengthen South Africa's public economics, public finance and policy studies capacity, building on a review of existing programmes, advice from Treasury officials on their needs, and opportunities for learning and work for young graduates and interns. It was agreed that GTAC would launch a Winter School for graduate students and young economists in government, together with a bursary and internship programme for master's-level students in public economics.

The inaugural Public Economics Winter School was held in July 2016, in partnership with the University of Pretoria, under the academic convenorship of GTAC senior advisor Tania Ajam. The keynote address was delivered by the former chief economist of the African Development Bank, Mthuli Ncube, and leading policy specialists on industrialisation, ICT development, agriculture, urban and spatial development, and universal health coverage participated in the plenary sessions. The Winter School offered three dedicated work streams (tax policy and design, industrial economic competitiveness, and health reform and social security

policy), convened by teams from the universities of Stellenbosch and Johannesburg.

The 2016 Winter School was attended by 90 students from 13 universities, in addition to 105 officials, presenters and academics. Participants reported that the programme provided a valuable introduction to public economics in practice, as well as insight into possible careers on the Treasury or the public service.

GTAC also introduced a competitive bursary programme for master's degrees in economics. Following an exhaustive selection process, seven bursaries were awarded in 2017. This initiative includes a mentorship programme within the Treasury, with the possibility of an internship placement for students within either the Treasury or GTAC upon successful completion of their degrees.

Another element of the initiative is engagement with leading universities on strengthening public finance and public policy studies at both undergraduate and graduate level. This draws in part on the international discourse on the reform of economics curricula and lessons of experience in public economics training. The initiative recognises the need to promote public economics and public financial management as applied disciplines of learning, rooted in the legal and institutional context of South Africa and other African economies.

Several complementary initiatives contribute to this undertaking:

- Cooperation with the Collaborative Africa Budget Reform Initiative (CABRI) brings a regional and international perspective. The aim is to promote and produce publications and learning materials that apply analytical tools in economics and public finance to the full range of public policy issues, social programmes and economic development portfolios.
- Since 2014, GTAC has supported the Graduate School of Development Policy and Practice at the University of Cape Town, which offers a two-year, part-time MPhil programme for mid-career officials, along with a variety of short courses on specialised topics. The partnership includes the development of case studies for teaching and research purposes, and collaboration with city and provincial officials on workshops and courses on public transport issues.
- Through the Research Programme on Employment, Income Distribution and Inclusive Growth (REDI) and the Econ3x3 website, a wide range of policy-relevant research projects were supported, contributing to evidence-based policy and informed debate. The Econ3x3 website offers short, accessible research summaries. In 2016/17, 14 articles were published, including several on labour issues and the minimum wage debate. The site also features a number of articles on microenterprises and an overview of the REDI3X3 conference on "Policies for Inclusive Growth", held in February 2017. (See Part F for a list of articles.)
- GTAC's publications programme draws on its own extensive portfolio of advisory and project management case studies, performance and expenditure reviews, and public finance guidelines and communities of practice.
- Partnerships with the World Bank's Southern African "knowledge hub", the Development Bank of Southern Africa, the NEPAD Business Foundation, the Public Affairs Research Institute, and other research and advisory centres help to deepen GTAC's knowledge management, training and advisory capacity.

The public economics capacity building initiative has benefited from financial support from Global Affairs Canada, as part of its broader "Building a Capable State" partnership with GTAC.

## THE ECONOMIES OF REGIONS LEARNING NETWORK

The Economies of Regions Learning Network (ERLN) is a community of practice that focuses on economic development activities at the subnational level in South Africa. The ERLN brings together economic development practitioners in all spheres of government in a spirit of enquiry and cooperation to strengthen their agency as leaders in the regional economic development arena. It works at the subnational level, in regions smaller than the provinces but larger than a single metro or municipality. Important issues in regional economic development include how to link rural and urban areas, and the role of cities in economic growth. A regional perspective is critical when considering major infrastructure investments, understanding value chains and clusters, and coordinating opportunities for developing competitiveness and innovation.

### Achievements in 2016/17

In 2016/17, the ERLN was shifted into GTAC's newly formed Strategy, Management and Communications unit to allow it to connect more broadly across GTAC business units for content development, and align it better with GTAC's vision of being a creative centre of excellence for shared learning in public policy and public finance.

During the year, the ERLN hosted 17 learning events, attended by a total of 624 people. These events included a workshop on youth skills development and employment creation; a seminar on inequality, investment and growth; a training workshop in East London on agricultural value chains and regional economic development; and the ERLN's second annual conference on "Economies of Regions: Economic Development at the Subnational Level". At the conference, a regional economic development toolkit developed by the ERLN was introduced to delegates.

The ERLN convenes the Technical Working Group on Metropolitan Economic Development on behalf of the Cities Support Programme. This intergovernmental working group seeks to improve the availability of economic data on key trends in metropolitan and sub-metropolitan markets, sectors and employment, so that government interventions can be evidence-based and optimised both spatially and sectorally.

The ERLN helped the Treasury to implement the Municipal Money portal, which was launched by the Minister of Finance during the October 2016 Mini-Budget Speech. Municipal Money is a web-based tool designed to inform citizens about their local authority's financial performance, and allows comparisons between municipalities.

The ERLN also launched a Youth Portal in collaboration with the University of Cape Town and Code for South Africa, and generated a new partnership to promote youth issues and influence youth policy.

## 2.2 PROGRAMME 2: ADVISORY AND TECHNICAL SUPPORT SERVICES

GTAC provided technical and advisory support to 129 projects during 2016/17, including transactional advice on large, new, strategic and complex infrastructure solutions.

### PURPOSE

GTAC's advisory and technical support services programme is the core business of the organisation. It supports the National Treasury's strategic requirements and undertakes initiatives on the request of other organs of state. It aims to provide rigorous, targeted and informed advice, tools and methodologies to support centre-of-government departments and organs of state in improving delivery on government priorities. Its focus is on facilitating better decision-making in support of an inclusive growth agenda, and ensuring the requisite skills and capacity to conceptualise, plan and deliver successfully on mandates. These areas of GTAC's work are supported by internal professional and administrative staff, long-term advisors and technical experts contracted for specific assignments. Strategic partnerships with research institutions and other centres of expertise contribute to the development of advisory and support interventions and the systematic management of knowledge and publications.

**'Most GTAC projects involve interactions with centre-of-government departments, particularly the Treasury. These interactions ensure that GTAC understands the primary policy direction of a department, and we weave this understanding into the advice we give.'**

GTAC provides four support functions:

1. **Transaction advisory services and support for PPPs:** The unit provides advisory services to organs of state to plan, contract and execute PPPs and other large or complex infrastructure or public service transactions. These include improving and diversifying arrangements for infrastructure financing, enhancing the role of the private sector in social and economic investment, and assisting in training and capacity building in the development and implementation of PPPs.
2. **Capital projects appraisal:** The unit assists the Treasury in its review and assessment of infrastructure investment proposals and feasibility studies, to ensure affordability, value for money and efficiency in

infrastructure expenditure and the development of network industry sectors. It assesses the economic and financial viability of proposed large infrastructure projects, so as to provide a deep understanding of the value-for-money prospects of investments and their strategic fit with the country's National Development Plan and socio-economic objectives, weighed against their cost-effectiveness, wider economic benefits and the likely achievability of their implementation plans.

3. **Technical consulting services:** The unit provides advice and support to centre-of-government departments and organs of state to strengthen their financial management and help deliver on government's inclusive growth agenda. This includes strengthening skills and capacity to conceptualise, plan and effectively integrate planning across all spheres of government.
4. **Public expenditure and policy analysis:** This unit analyses the performance, cost-effectiveness and expenditure trends of selected government programmes. It assists authorities and stakeholders in assessing the financing and service delivery implications of policies and programme design. It also analyses allocations and spending patterns across all spheres of government, public entities and frontline service delivery sites to provide an in-depth understanding of historical expenditure patterns. This involves scrutinising both expenditure and programme performance data, and quantifies the implications of legislative changes and policy choices.

In the year ahead, GTAC will give attention to:

- Strengthening its links with and implementation support for centre-of-government departments
- Mapping subject matter expertise across all projects
- Formalising, within GTAC, the cross-cutting dimensions that underpin the coherence of its project work and project selection
- Continuing to test the impact of existing projects and refining the impact criteria for selecting projects
- Reviewing the skills and expertise in the long-term advisor pool and extending these in key areas. (The last major addition to the pool was the inclusion of actuarial skills, which have become increasingly important.)

## 1. TRANSACTION ADVISORY SERVICES AND SUPPORT FOR PPPs

The unit supports major infrastructure procurement projects, PPPs and service delivery improvement programmes, including project conception and registration, transaction process support, and legal and financial advice. It also provides quarterly PPP training, as well as training for foreign governments on request. Such training is provided either in South Africa or as a guest of the requesting government.

### Achievements in 2016/17

Examples of specialised transaction support provided in 2016/17 include:

- **Gautrain:** Continuing as advisor to the Gautrain Management Agency, and providing transaction advisory services on the proposed procurement of 48 additional passenger coaches and the extension of the rapid rail system. It also participated in the annual lekgotla of the Gautrain Management Agency and the Member of the Executive Council.
- **Project bonds:** Working with the Johannesburg Stock Exchange and representatives from all sectors of the South African financial community to further the development of listing requirements for project bonds as a ring-fenced alternative for financing public services infrastructure; and assessing the potential for tax increment financing as an alternative infrastructure financing mechanism.
- **Municipal electricity distribution:** Assisting the Midvaal Local Municipality with a feasibility study on conducting a competitive tender for the upgrade, rehabilitation and extension of its electricity distribution system.



- **Department of International Relations and Cooperation:** Helping the department procure office accommodation for South Africa's representatives to the United Nations.
- **Department of Higher Education and Training:** Assisting the department in assessing the potential for acquiring student accommodation through PPP processes.

PPP training was provided to a number of African countries in London for the second year running.

#### **In 2016/17 the unit prioritised:**

- Issuance by the Johannesburg Stock Exchange of the listing guidelines for project bonds
- Completion of the border post redevelopment feasibility study and proceeding to procurement
- Selection of a preferred bidder for the Gautrain additional rolling stock
- Completion of the Department of International Relations and Cooperation's project on United Nations office accommodation in New York City
- Achieving TVR I status in the Midvaal electricity distribution project.



#### ***In conversation with Tumisang Moleke, Head of GTAC's Transaction Advisory Services and PPP unit***

The Transaction Advisory Services and PPP unit is about supporting departments and municipalities in navigating complex transactions that involve complicated legal, institutional and commercial issues. "Our measure of success each year is deal flow," says Tumisang Moleke, the head of the unit. "How many deals came to us, and how many have we moved to financial close?" Moleke considers the unit to have done well in 2016/17. "Though we may not have taken any deals to financial close, there are many that we have taken through feasibility and procurement." The unit's deals are complex and time consuming, and getting to financial close is mainly a question of time. "There is a lot that is not in our control," explains Moleke. "The deals are not owned by us: they're owned by the clients we support. So some of the decision-making is not ours. And we cannot just push past delays that come from the client or from the context of the deal. We are technically oriented, and we can find technical solutions to delays in a deal. But when the delay is political, for instance, we simply have to wait for the issues to settle before we can get back to the technical solutions."

"Partnerships are an important part of our unit's work at two levels," says Moleke. "First, our relationship with the client is a partnership. I see that partnership as GTAC being the reliable government friend to the client. And secondly, in being that friend, we are facilitating another partnership – with the private sector, on a contract basis, over the long term. A transaction results in a partnership between a government entity and a private sector entity."

Another kind of partnership is institutional, for example between GTAC and the Development Bank of Southern Africa. "We are almost in the same space," says Moleke. "GTAC advises clients and helps them to prepare their projects; the Development Bank funds projects that have been through the preparation process." But this partnership is institutional rather than project for project, as is the partnership with the Treasury. "We partner with the

***'Partnerships are an important part of our unit's work at two levels. First, our relationship with the client is a partnership. And secondly, we are facilitating another partnership – with the private sector, on a contract basis, over the long term.'***



Treasury insofar as we support its regulatory framework," says Moleke. Other government departments can also be seen as GTAC's long-term partners, such as Public Works and Energy. They have a sectoral focus, and to them GTAC provides sectoral support at various levels: on individual projects, for departmental programmes, and more broadly. Moleke explains: "We might ask ourselves how we can unlock energy efficiency in a PPP space with the Department of Energy. That's working together at the broadest level. But perhaps the Department of Social Development, for example, may just want assistance with one particular project. Then the partnership will end with the project."

The unit also partners with the private sector, such as banks. "But these are not contractual partnerships because the work is commercial and potential conflicts of interest need to be managed," says Moleke.

**'By the time a transaction is concluded, the people who have participated in it have acquired knowledge, skills and the confidence that comes from experience.'**

As with GTAC's other units, capacity building is not formalised in the work of the unit. "It is learning by doing," says Moleke. "By the time a transaction is concluded, the people who have participated in it have acquired knowledge, skills and the confidence that comes from experience." While the unit does build ongoing support and monitoring into a project's contract management, direct capacity building work happens through its highly successful training programmes. "We run six training programmes a year. They explain what PPPs are and how they work, and also what our unit does to support PPPs." Each programme runs for a day and a half; four are for general interest, and two are specifically for municipalities. But Moleke is clear: "The best capacity building comes from actually working with GTAC on your PPP. You get exposed to the whole project cycle, and participate actively – with GTAC's support – in the steps within each stage. You come away understanding the big picture as well as the details, and you have had experience making things happen."

Some clients might need the unit's support for specific aspects of a PPP process, but can run the rest of the process on their own. "This often happens if we have worked together before," says Moleke. An example is the Gautrain – the unit assisted with the first Gautrain project, but now the Gautrain Management Agency has been established and can run the Gautrain extension on its own. "Another example is the renewable energy programme, now known as the Renewable Energy Independent Power Producers Procurement Programme (REIPPPP). It started with GTAC's support but after the first round of projects, the programme could go to the Department of Energy and be run from there. And it is the same with the Parks Board." The unit can provide temporary capacity where it does not make sense for entities to invest in their own capacity because they do not undertake the work regularly. "They can come to us when they need these specific skills," says Moleke. But if such transactions become part of an entity's business, then it is often better to create that capacity in-house. "We might have supported one of their projects, and as a result they have become comfortable with the processes and might not need our support on the next project. They could come to us with a specific technical query on the project, and we will engage in that defined way." GTAC actively supports this development. "We remain available to clients as colleagues, but they are not dependent on us," Moleke asserts.

PPPs are controversial, not only in South Africa but across the world. "Advocacy is a small part of our work," says Moleke. "We only work with clients who have bought into PPPs as a vehicle." It is not GTAC's mandate to promote PPPs. "Demonstration is the best advocacy," says Moleke. "We leave the PPP debate to policymakers, journalists and opinion makers."

## 2. CAPITAL PROJECTS APPRAISAL

The Capital Projects Appraisal unit assists the National Treasury in its review and assessment of infrastructure investment proposals to ensure value for money, affordability and efficiency in infrastructure expenditure.

### Achievements in 2016/17

During the year, the unit continued to assist the Treasury on the energy sector. It assessed the competitiveness of various electricity generation technologies, provided inputs into a review of the 2016 Integrated Energy Plan, and participated in task teams on current electricity challenges. Its research on the cost of power generation technologies in South Africa found that combinations of renewable sources of electricity (e.g. wind and solar with gas) and emerging energy storage technologies are likely to be more competitive in future, given the lower risk profile of such technology options.

The unit assisted with the analysis of transport sector projects, such as the Gautrain and Moloto development corridor projects. It also studied valuation methodologies to estimate the economic costs and benefits of passenger rail projects to promote good practice in project appraisal. Support to the Treasury on assessing the financial sustainability of bus rapid transit systems began during the year; this is expected to continue as more cities introduce these systems. The unit also conducted research on compressed natural gas, an alternative transport fuel. It concluded that there is an economic case for developing a market in compressed natural gas, but this will require some government intervention, particularly during the initial stages.

The focus on private sector funding of infrastructure continued. The unit advanced financial intermediation around renewable energy projects by coordinating industry players, providing technical assistance on new financing instruments, and supporting an initiative on project bonds that can be listed on the Johannesburg Stock Exchange.

In the period ahead, the unit will support the Treasury's efforts to reform capital budgeting and financing by assisting with capital appraisal methodologies to identify value for money in infrastructure projects. This is key to ensuring that maximum value for money is extracted from investment expenditure, particularly given the constraints on the fiscus. It will also expand its support on transport sector projects to include roads infrastructure.



### *In conversation with Nicky Prins, Head of Capital Projects Appraisal unit*

GTAC's Capital Projects Appraisal unit is designed to work across Treasury units, specifically Asset and Liability Management, the Budget Office, and the Public Finance division. When a large project, in which several Treasury units have a stake, comes in for appraisal, GTAC can do the necessary in-depth analysis. Individual Treasury units may not have the capacity or the time. "You appraise projects in order to ensure that you're getting value for money, that you're allocating resources properly. Can we do more with less? Would doing less be enough?"

While the work of the unit is not directly about stimulating employment, it contributes to this government priority when analysing the claims a project may be making. Is the project likely to deliver on the benefits it promises? For example, can it realistically generate employment at the levels it is claiming? The analysis will also review alternative approaches to achieving such benefits. Can they be achieved for a lower cost? Are there more effective approaches? Can the benefits be increased? Is it realistic to expect a public sector project to generate the promised levels of income and employment? Transport systems, for example, can create and sustain employment.

**'Our focus  
is infrastructure, and  
infrastructure is a great  
enabler of employment  
and income-generating  
opportunities.'**

**‘As a partnership-driven organisation, GTAC creates a space for conversations between stakeholders – which in itself makes a significant contribution to the capable state.’**

GTAC, representing the National Treasury, chairs the Task Team on Private Sector Financing of Infrastructure, formed in June 2013. Other members of the team are the Presidential Infrastructure Coordinating Committee, the Development Bank of Southern Africa, the Financial Sector Charter Council, the Congress of South African Trade Unions, the Association for Savings and Investment for South Africa, the Banking Association of South Africa, the South African Venture Capital and Private Equity Association, and the South African Insurance Association. Different Treasury units also participate in the team. Through the task team, GTAC facilitates an ongoing conversation between the private sector – banks, equity investors and institutional investors – and government. This is especially useful when the private sector wants to finance infrastructure but encounters obstacles, such as problematic regulations. Also, representatives from government programmes present planned projects that benefit from private sector investment. Without the task team, there would be no channel for discussing these issues.

The Capital Projects Appraisal unit builds capacity within the Treasury to appraise submissions to the Budget for funding capital projects.

GTAC is working with the Budget Office to design a system that processes these submissions, and is likely to be involved in the running of the system in future. Because an appraisal is done at the planning stage of a project, the engagement with the Treasury ensures that departments plan their projects adequately. GTAC is also involved in designing regulations and guides to help departments prepare their submissions. “The important point here is that GTAC is not doing the planning or preparing the submissions – GTAC is supporting departments to do this themselves.” When a department engages with the Treasury to request funding from the Budget, they acquire capacity in the process. In time, these skills become embedded within the department.

The Capital Projects Appraisal unit produces project reports for the Treasury, which are published on the GTAC website. They provide analytical methodologies for different types of infrastructure, as well as case studies. The reports have international relevance, as they are supported by the unit’s international research while being located in the South African context. GTAC also hosts forums and sends speakers to events on infrastructure investment.

“GTAC’s units support each other, even though each unit’s work is very specific.” We actively collaborate where we can. For example, the Public Expenditure and Policy Analysis unit’s work on the bus rapid transport system provided analytical methodologies for the Capital Projects Appraisal unit’s work in that arena. The Transaction Advisory Services and PPP unit is also on the Task Team on Private Sector Financing of Infrastructure. In 2015/16, two GTAC units worked on the Umzimvubu Dam in Eastern Cape. Technical Consulting Services looked at growth strategies for the province, including the dam, and Capital Projects Appraisal analysed the funding request for the dam. The units shared thinking, reports and contacts, and made joint research trips. However, certain situations require strict boundaries between units. For instance, the Transaction Advisory Services unit may help a client develop PPP projects that will be submitted to the Treasury for approval. But the Capital Projects Appraisal unit processes these submissions with Treasury. GTAC cannot be both player and referee in these situations.

### 3. TECHNICAL CONSULTING SERVICES

GTAC's Technical Consulting Services is organised into four broad areas or portfolios of work:

- Economic development
- Municipal support and human settlements
- Public management and organisational development
- Social development.

#### Achievements in 2016/17

During the year, Technical Consulting Services supported 84 projects, as shown in the figures. Highlights of the different portfolios are discussed below.

Figure 4: Projects supported in 2016/17 per portfolio or work area:

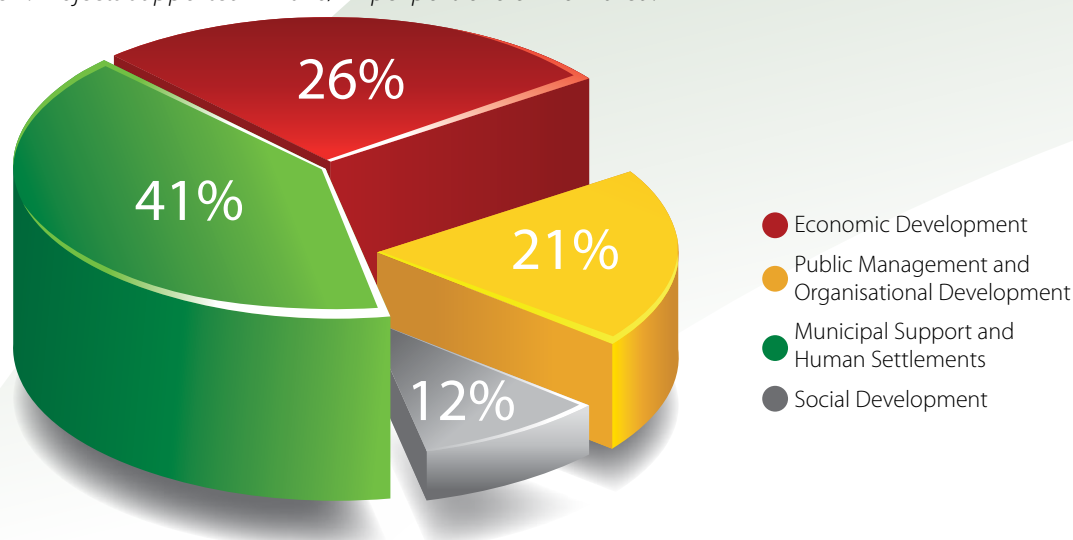


Figure 5: Projects supported in 2016/17 per nature of support:

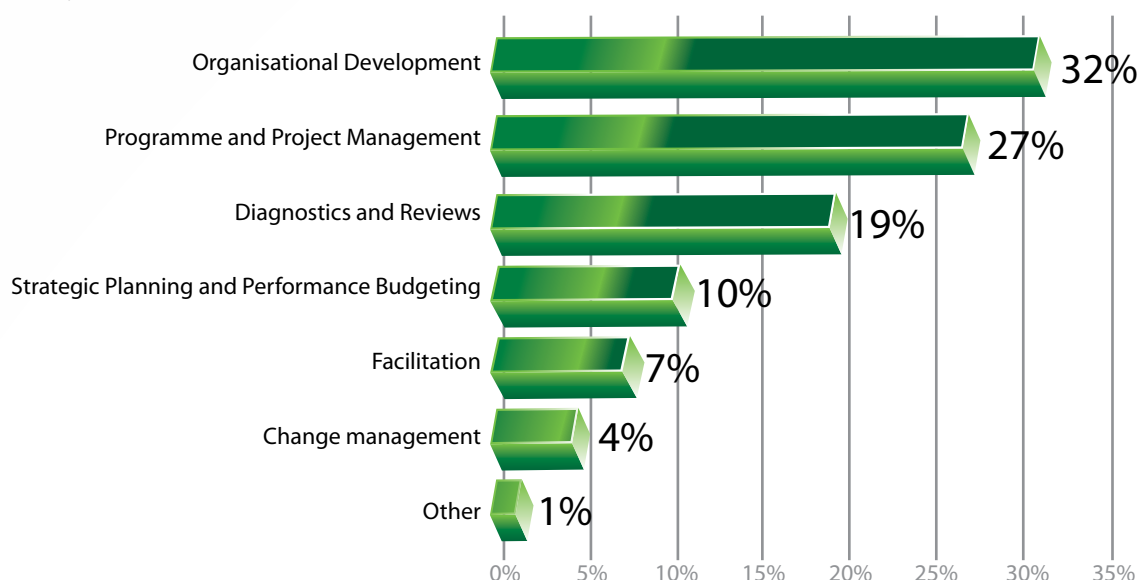
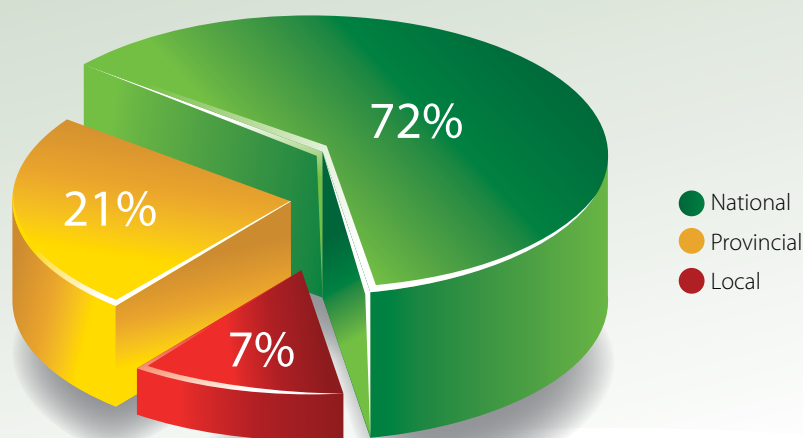


Figure 6: Projects supported in 2016/17 per sphere of government:



## ECONOMIC DEVELOPMENT

GTAC supports priority projects that address the challenges of weak growth, a lack of economic inclusivity, high unemployment and extreme inequality. It focuses on strengthening economic institutions to improve the delivery of economic outcomes. To ensure that new businesses can be established and create jobs, several structural rigidities must be tackled, such as electricity and skills shortages, high broadband costs and limited competition. Government initiatives to boost economic growth include encouraging special economic zones with innovative approaches; speeding up spectrum allocation and broadband roll-out; encouraging competition through cohesive trade, competition and regulatory policies, including those governing state-owned companies; and providing focused support for labour-intensive sectors (e.g. agriculture, agro-processing and tourism).

In the year under review, the Economic Development portfolio supported 22 projects. Two of these are discussed in detail below: the first, at provincial level, involved support to the Eastern Cape's special economic zones. The second, at national level, involved assistance to the Department of Cooperative Governance and Traditional Affairs in scaling up the Community Works Programme.

### STRENGTHENING THE EASTERN CAPE ECONOMY THROUGH SPECIAL ECONOMIC ZONES

In September 2016 GTAC and the Eastern Cape Provincial Treasury entered into a memorandum of agreement for GTAC to review the governance structures and operations of the East London industrial development zone and the Coega Development Corporation, assess their sustainability and propose new arrangements. GTAC would also advise on the transition from an industrial development zone to a special economic zone. A high-level option analysis was submitted in December 2016, suggesting a framework and approach to be followed in the Eastern Cape special economic zone transitional report; this was endorsed by the provincial treasury. The first draft report has been circulated to key provincial role players for comment.

The proposals include strategic actions to support the special economic zone programme nationally, as well as short-term interventions to improve the financial sustainability of the Eastern Cape special economic zones. Emerging findings and proposals are as follows:

- Planning for both transitioning and new zones is complicated by several concerns:
  - There is no clear national strategy on special economic zones to support industrialisation and growth. The Minister of Trade and Industry should, as a matter of urgency, determine the strategy with input from the Advisory Board.



- The exact basket of support measures available to different categories of special economic zones has not been clarified. The National Treasury, in conjunction with the Department of Trade and Industry, could help provide clarity.
- Existing guidelines on special economic zones and general guidance from the department on transitioning industrial development zones appear to, in some cases, contradict the Special Economic Zone Act and associated regulations. If the approach outlined in the guidelines and general guidance is followed, the impact of the Act on transitioning industrial development zones may well be minimal.
- Both the East London industrial development zone and Coega Development Corporation continue to experience budgetary pressures. Their most likely source of capital funding will be the special economic zone fund, although this funding is not guaranteed. Their operational funding is also likely to require significant provincial contributions over the next decade. Cost curtailment measures have been suggested for both organisations.

## SCALING UP THE COMMUNITY WORKS PROGRAMME

Following a 2015 meeting with the Treasury, the Department of Cooperative Governance and Traditional Affairs approached GTAC to assist the Community Works Programme in meeting the target of 1 million participants by 2019. While the urgency of scaling up the programme is common cause, the target was set in the context of a five-year time frame. However, the first two years of this Medium-Term Expenditure Framework period have already passed, and the participation rate remains at around 200,000. Part of the institutional support will be to assess how fast the programme can be scaled up in the remaining period without undermining its institutional stability. The project will have five key outputs:

- A review of the functional institutional arrangements for the programme, resulting in a business case for a new institutional model
- A review of the monitoring and evaluation systems, including reporting, participant and invoicing systems
- Capacity support on financial, technical and programme management
- Support to identify and standardise best practice approaches for community participation
- Support to strengthen the quality of work outcomes and their contribution to meeting community needs.

The initial work has identified the procurement of implementing agents as the key risk facing the programme. The GTAC team is assisting the department in procuring implementing agents in the short run. The team will work closely with the Treasury's Public Finance team and the department to develop the new business and funding model for the programme.

## MUNICIPAL SUPPORT AND HUMAN SETTLEMENTS

The understanding of infrastructure delivery processes, systems and frameworks; capacity to deliver; and long-term, integrated planning and budgeting for infrastructure seems weak across all spheres of government. As a result, problems of timing, quality, quantity, cost and ultimately maintenance of infrastructure negatively affect access to services, as is clear from the ongoing service delivery protests. GTAC aims to provide technical assistance to organisations to develop and implement infrastructure policies, including infrastructure and supply chain management reforms. The implementation of these policies includes the organisations' operations, programmes and projects.

### Achievements in 2016/17

During the year, this portfolio supported 18 projects. Mwansa Saidi, the Principal Advisor in the Municipal Support and Human Settlements portfolio, shares highlights from this portfolio and reflects on lessons learned.



*In conversation with Mwansa Saidi Principal Advisor in the Municipal Support and Human Settlements programme*

**Saidi discusses GTAC's support to the Department of Public Works on**

**its "seven-year turnaround strategy"**

GTAC's project to support the department with the turnaround began in November 2015. Part of the project was to develop a change management framework that would strengthen the department's capacity to manage change. GTAC does not implement the turnaround programme on behalf of the department, but capacitates the department to implement it. "By doing things with people, you build capacity; you do it together once, and the second time around they do it themselves. Then you review what they've done and provide inputs. Ideally, over time the support we give decreases." For example, in 2016/17, GTAC reviewed the department's annual performance plan and gave inputs. In 2017/18, GTAC will work with the department on preparing an annual performance plan, to improve the quality of the department's own plan. GTAC does not do the work of a department; instead, capacity building methodologies are incorporated into project charters. "The first thing we look at is whether certain functions are resourced or not," says Saidi. "If not, we meet immediately with Human Resources and make a plan to resource that function so that GTAC does not become a replacement for it. Our boundaries are very clear."

In some cases, after GTAC has developed terms of reference to resolve an identified issue, the department no longer needs GTAC support because they realise that they can do the work described in the terms of reference. In this way, GTAC has an impact without doing the actual work. Its workshop facilitation process also builds capacity. GTAC designs and facilitates the workshop with the department, and discusses reporting requirements up front. "The idea is that if GTAC is not there, they can facilitate their own workshops," says Saidi. Feedback from the Department of Public Works noted that workshops became more than a place to talk – they were a process in which work got done. "When

we finished a workshop, we had deliverables," says Saidi. Subsequently, GTAC just provided inputs into a number of workshops run by the department.

**'GTAC can be working towards a particular output and in the course of that work we have a concrete success, such as getting a whole lot of people to agree about something. That's not the formal output of the project, but it's a pretty impressive impact.'**

**'Every piece of GTAC work is designed for capacity building while delivering an output.'**

**GTAC creates a platform for partnerships within a department.** The GTAC platform in a department can help individuals or units to negotiate their spaces while working towards departmental integration. "We facilitate engagements, and help to reduce silos," says Saidi. "GTAC remains objective. We don't take sides. We help to resolve the dependencies." This is supported by an integrative, holistic project design.

**A project's success is highly influenced by stakeholder buy-in.** A lack of buy-in can completely stall a project, while meaningful buy-in significantly increases its impact. Says Saidi: "Creating a platform, facilitating negotiations within organisation to come to a common understanding, probably achieves more than the actual technical work. Now, the organisation can move forward as one, and beyond that they may not even need us. They've agreed with each other, and now they can do the work."

**A GTAC project always remains dynamic.** Every project is reflective, a learning system. These principles are designed into the project, so that when things are not working, the

focus is on learning from the problem, regrouping and moving forward. If a project is not designed to be dynamic, it cannot be responsive. "You can end up closing your project because one thing didn't work," says Saidi. GTAC's strategic interventions are partly designed in anticipation and partly arise in response to the situation in the department. Once GTAC leaves, the organisation continues with its learning.

**GTAC's work almost always has a ripple effect in an organisation.** Saidi explains: "For example, when we start looking at an infrastructure service line, we might notice that the organisation has supply chain management challenges. Perhaps they don't have the correct procurement policy or good agreements. We help with that, but we're actually unblocking the infrastructure service line. Perhaps their budgeting and financial management needs help. By helping, we improve other service lines that are directly or indirectly connected to infrastructure."

**Success attracts success.** As people in an organisation begin to improve performance, others become attracted to working with GTAC. Its impact might have to be limited at first, but as it builds up incrementally at the organisational level, more people want to get involved.

**GTAC's authority comes from knowledge and expertise that add value.** GTAC often brings confidence into a system because of the quality of its knowledge and expertise. But it has to enable the client to see why certain things must be done in a certain way. Output 5 of GTAC's work with the Department of Public Works on their seven-year turnaround strategy was advice to the Property Management Trading Entity on becoming a government component. It was clear at the scoping stage that this was not possible, but GTAC had to approach this circumspectly. "With technical support, I've learnt that even if you have a full solution, put it in your back pocket, because a system can only digest change bit by bit," says Saidi. During the first part of the work, the department realised that the entity could not become a government component without meeting certain Treasury requirements. Now the output has changed to advising the entity, rather than advising it to become a government component. Had this been argued at the scoping point, there would not have been any engagement. "We can be working towards something with a department, and you just come to a point where your minds meet, and you start agreeing on the things going forward," says Saidi. You need to enable the client to see things. "Sometimes, even just getting the different components of a department to see things in the same way is one of the biggest achievements."

## GTAC SUPPORTS THE LIMPOPO DEPARTMENT OF SPORTS ARTS AND CULTURE

GTAC's support to the Department of Sports Arts and Culture in Limpopo consisted of two phases, which yielded a number of insights. Mwansa Saidi shares how these insights shed light on the challenges to be addressed and solutions that proved effective.

**The operational challenges of the department received the most attention during phase 1.** These included:

- Project profiling and developing an action plan to address the immediate project delivery blockages, especially for projects at construction stage
- Improving the department's management of the implementing agents to ensure that they are held accountable for their programmes and projects
- Improving contract and infrastructure delivery management by establishing a dedicated infrastructure unit
- Improving infrastructure planning over the Medium-Term Expenditure Framework period and ensuring budget alignment.

**The second phase focused on institutional capacity building interventions,** while transitioning the operational support. This included developing and securing agreement on the service delivery model and integrated infrastructure strategy (including asset management); developing a full infrastructure delivery structure to support the implementation of the strategy; and providing change management interventions and capacity building on various aspects of infrastructure delivery.

A critical point in the implementation was transitioning the Project Steering Committee to the Departmental Infrastructure Coordination Committee (as required by the Infrastructure Delivery Management System). This affirmed the ultimate objective, which is to improve the department's capacity to effectively and efficiently manage infrastructure delivery on its own.

**Some of the critical steps taken during the project include:**

- Addressing the ongoing blockages on infrastructure projects, which increased the traction for institutional capacity building
- Establishing the Project Steering Committee (later the Departmental Infrastructure Coordination Committee)
- Establishing and capacitating the infrastructure unit with qualified built environment professionals
- Continuously managing implementing agents and developing a guideline to support the process
- Ensuring that the management of the infrastructure programme was based on the Medium-Term Expenditure Framework period.

The outcomes of the project include better reporting through the infrastructure reporting model, the use of the province-wide information management system for infrastructure, and the development of a service delivery model and integrated infrastructure strategy and structure (including change management interventions). The department can now motivate for equitable share allocations because it has demonstrated the capacity to spend its infrastructure grants.

There have been unintended consequences, such as budget constraints and challenges with the operational management of library services. These will be addressed under the integrated infrastructure support programme of the Limpopo Provincial Treasury. A case study has been prepared on the project.

**The insights gained from this project informed the design of the Limpopo Provincial Treasury Infrastructure Support Programme.** This programme was initiated in April 2016, and some of its early successes include:

- A programme team and departmental counterparts were inducted, which provided capacity building for the management of consultants.
- A departmental work plan was developed, which enabled support initiatives to be prioritised.
- Infrastructure profiling allowed blockages to be identified and responsive strategies to be developed.
- Implementing these strategies helped to improve the management of infrastructure delivery, reduce some costs and markedly improve expenditure patterns.
- The Standards for Infrastructure Procurement and Delivery Management were implemented through the development of a provincial procurement model policy and standard operating procedures.
- An integrated approach to and terms of reference for conditional assessments were developed to improve portfolio planning.
- Institutional arrangements were set in place to enhance the asset management function and develop service level agreements.
- Stakeholder engagement and management were provided, including coaching support where necessary.
- A programme management approach was piloted and reviewed. Its standardised methodologies can be adapted to other programmes and initiatives.

A case study has been prepared on the programme establishment phase, capturing the details of the achievements and challenges.

## PUBLIC MANAGEMENT AND ORGANISATION DEVELOPMENT

### Achievements in 2016/17

This portfolio supported 34 projects during the year. **It developed business cases** for the possible establishment of an Office of the Solicitor-General, an Office of the Military Ombud, and an Office of the Tax Ombud, as well as strengthening the Civilian Secretariat for Police Oversight. A common theme in these projects is the pressure to implement proposed organisational change within the frame of a suitable costing model. Working in close collaboration with the National Treasury and relevant departments and stakeholders, GTAC supports efforts to develop creative solutions to address the cost-benefit tension of implementing such policy mandates.

**The portfolio project-managed phase II of the Municipal Finance Improvement Programme.** The broad plan for the third phase of the programme (2017–20) has been concluded, and governance documentation and supply chain management processes for instituting the project management unit have been finalised. While the programme's support over the last two years has been well received by municipalities, they identified a need to ensure continuity. As a result, GTAC has procured senior management positions for the project management unit to improve the oversight, governance and sustainability of the programme.

GTAC facilitated the Operation Phakisa methodology, which was adopted by the Presidency to deliver “big fast results”. It conducted stakeholder consultation sessions for **Operation Phakisa on agriculture, rural development and land** to determine critical issues facing the sectors. It developed a scoping document and worked with Deloitte to facilitate a lab (an assembly of stakeholders). The lab involved more than 130 participants from government, academia, sector forums and civil society over five consecutive weeks from September to October 2016. Work streams were set up on commodities (grains, horticulture and livestock); producer support; rural development and land reform. Each work stream assessed critical issues and causal factors, and proposed initiatives. These initiatives were presented to steering committees comprising senior officials and political leaders. Subsequently detailed “3ft” plans were produced for each initiative. Delivery units were also designed to coordinate the implementation of the plans.

Projects with the Department of Rural Development and Land Reform were refined through a process of engagements, assessments and interviews, and information from the Agriculture and Land Reform Phakisa was also utilised. A comprehensive diagnostic of the deeds registration modernisation requirements has been completed, as has a diagnostic on the landholding account, which will constitute the basis of further action by the department.

**After the Oceans Economy Phakisa, aquaculture ventures have seen faster authorisations.** The aquaculture project has its origins in the Phakisa lab, which aimed to unlock the oceans economy in South Africa. The goal is for the oceans economy to contribute at least R129 billion to the gross domestic product and create at least 800,000 jobs by 2033. The lab found that a key challenge for aquaculture was the inadequate coordination of applications for aquaculture-related permits. The application process could take up to 830 days, because of fragmented legislation and the need to obtain authorisations from as many as eight departments. One of the initiatives flowing from the lab was to streamline permit requirements and work towards a “one-stop shop”. GTAC supported the Department of Agriculture, Forestry and Fisheries in mapping current authorisation processes, from planning to operating an aquaculture farm. Such mapping is used to reveal inefficiencies that cause delays and waste. This GTAC-facilitated process allows improvements to be identified for implementation by the relevant department.

**‘The Marine Aquaculture Rights team from the Department of Agriculture, Forestry and Fisheries reduced their turnaround time by 64%, from over 70 working days to 26.’**



**GTAC's support contributed to better road maintenance in Johannesburg.** GTAC, in partnership with the Municipal Infrastructure Support Agent, provides support and advice to municipalities on work process re-engineering to improve the productivity and quality of in-house maintenance teams. The pilot project supports the Johannesburg Road Agency in meeting its maintenance commitments to the City of Johannesburg. Anecdotal evidence suggests that the agency should be able to respond faster and do better quality work on day-to-day activities, such as pothole repairs or providing road markings. The diagnostic review revealed that there is too much focus on reactive maintenance (e.g. from client complaints) rather than on planned maintenance. The three-year support project aims to shift this focus through an evidence-based improvement process with a range of key performance indicators. The idea is to develop a dashboard of key indicators, before and after the improvements, to measure their impact. Lessons learnt from this process will inform maintenance improvement projects in other municipalities.

## SOCIAL SERVICES

This work area provides technical and advisory support to social sector departments at national and provincial level, as well as to other state entities. Seven national departments fall within its scope: Basic Education, Higher Education and Training, Health, Social Development, Labour, Sport and Recreation, and Arts and Culture. Its advisory support work focuses on capacity building for organisational development that enhances the departments' capacity to deliver on their mandates. GTAC continues to apply action learning approaches and document lessons from practice to inform its approach to building capacity in the different sectors, contribute to policy and regulatory development, and drive innovation in the public sector. It also seeks strategic partnerships to promote innovation.

### Achievements in 2016/17

The Social Services portfolio supported ten projects during the year, two of which are discussed below.

**GTAC supported education outcomes via the Department of Basic Education and the National Education Collaboration Trust.** The project, which concluded in 2016/17, involved participating in education dialogues, assisting the development of a referral model for psychosocial care for learners, and supporting two case studies. The first case study was on the district education improvement programme, which encourages stakeholder involvement in education. The objectives of the research were to:

- Understand how district steering committees function as a key element of the District Improvement Programme.
- Identify their roles, whether they fulfill their mandate, and where they need support.
- Identify the variables that lead to some committees being particularly successful.
- Assess whether this model could be replicated in other districts.

The case study concluded that these steering committees are an important addition to the district development field.

A second case study reviewed improvements in the National Senior Certificate Examinations since 1994. This examination system was chosen because it is run without glitches, despite being second only to the local government elections in size. This was not the case 20 years ago, when examination papers were often leaked and many schools did not receive their results. The case study attributes this turnaround to the fact that the examination process was standardised and centralised, the ongoing public and political pressure on the system, and the support and lack of interference from top management. More stringent monitoring and reporting requirements also played a role, as did the introduction of technology-based systems.

The case studies were launched at a multi-stakeholder session in early 2017, and are being used to inform policy improvements in other areas of the education system.

**GTAC is supporting the Department of Higher Education and Training with the establishment of a skills planning unit.** The White Paper on Post-School Education and Training observes that “although South Africa has put in place a range of ambitious measures to improve skills planning, the system has neither produced good information about skills needs, nor increased the quality of provision in areas needed by the economy”. This unit will aim to produce a long-term plan for the post-school education and training system, provide labour market information and intelligence, and support monitoring and strategic planning in the department. GTAC’s support includes producing a map of skills planning activities in the post-school education and training sector, and developing a service delivery model and organisational structure for the unit. The latter has already been completed.

GTAC is also assisting the department with repositioning the National Skills Authority as a centre of excellence in monitoring and evaluating the sector education and training authorities. The aim is to develop a business case to reposition the entity in line with the White Paper in order to improve its effectiveness and strengthen its monitoring and evaluation role. A monitoring and evaluation framework was finalised and discussed at the recent Skills Conference.

## 4. PUBLIC EXPENDITURE AND POLICY ANALYSIS (PEPA)

### PURPOSE

The purpose of this subprogramme is twofold:

- To provide analysis of and insights into the performance, cost-effectiveness and expenditure trends of selected government programmes
- To assist responsible authorities and stakeholders in assessing the financing and service delivery implications of policies and programme design, for both current and new areas of service delivery.

### OVERVIEW

Performance and expenditure reviews are widely used internationally to quantify, assess and improve the cost-effectiveness of public policy and spending. They involve scrutinising both expenditure and programme performance data, and are also used to assess the cost implications of legislative changes and policy choices. These reviews analyse allocation and spending patterns across all spheres of government, public entities and frontline service delivery sites, and provide an in-depth understanding of historical expenditure patterns. While they primarily generate proposals for improving budget allocations over the medium term, they also examine the links between policy intent and programme design, based on rigorous analysis of the underlying causal relationships. They offer a detailed assessment of the implementation logic of policy initiatives, which allows critical performance measures to be developed across all aspects and geographical locations.

1. National Student Financial Aid Scheme: Total loan book of R21.5 billion, with a (conservatively calculated) return of 2%. Dropout rate among students on the scheme is 64%.
2. Border management: R3.8 billion present expenditure, of which 80% is on salaries.
3. Social housing: Private sector not getting involved as the perceived risks are too high. About 2,600 units per year being built.
4. Technical and vocational education and training: Only 3–7% of students graduate within the required timelines, which exponentially increases the cost. Meeting the targets of the National Development Plan at the current rate of graduation would cost R31 billion.

The production of technical reports and costing or expenditure models is often the first step in a longer process of reform. Considerable consultation is frequently required as stakeholders process the implications of the reviews. Within the National Treasury, intensive training on the methodologies of the review process has been initiated to improve the capacity for budget analysis. The publication of the performance and expenditure reviews has stimulated interest in and understanding of the challenges of policy implementation and expenditure management.

The strategic plan for this subprogramme includes the following initiatives:

**Focus on provincial expenditure reviews:** The 2017 performance and expenditure reviews will cover identified areas of provincial expenditure. This will allow new, topical areas to be identified and expose provincial staff to the analytical rigour of the review methodology. The reviews should help to strengthen public accountability, develop and benchmark impact, and influence policy decisions to improve development targets and outcomes.

**In-depth review of personnel expenditure:** In 2015, an analysis of personnel expenditure trends (using PERSAL datasets) was initiated on behalf of the Budget Office, beginning with a set of central administration departments. This analysis will proceed per sector, in collaboration with provinces and relevant departments.

**Capacity building in policy analysis and expenditure reviews:** In the planning period, GTAC aims to:

- Provide training on the expenditure review methodology within the National Treasury.
- Promote public expenditure and policy analysis as a research and postgraduate focus area.
- Probe new areas of analysis using administrative data sets along with conceptual mapping of government systems and service delivery models to improve policy decision-making and implementation.
- Collaborate on the development of a data portal to systematise government's expenditure information and make it more accessible.



***In conversation with Ronette Engela, Head of GTAC's Public Expenditure and Policy Analysis unit***

Since 2013, 31 performance and expenditure reviews have been produced, initially as a joint project with the Department of Planning, Monitoring and Evaluation and since 2015 as GTAC. In 2016/17, the unit focused on preparing these reviews for publication (including drafting summaries and going to Parliament), conducting personnel expenditure reviews (called "remuneration analysis and modelling"), and reviewing the higher education sector. The performance and expenditure reviews are highly technical documents, which provide powerful information for in-house discussions. They are used in the Treasury's Budget discussions, its interdepartmental discussions, and in its interactions with the Presidency, for example. The summaries prepared during the year make these reviews widely accessible. The audience we want to reach includes practitioners, government officials, activist non-governmental organisations, researchers, journalists, and the oversight and accountability components of government. The full reviews, as well as the summaries, are on the GTAC website.

A performance and expenditure review is triggered when somebody somewhere identifies that there is something important they don't know. What they do know is that GTAC is the right institution to come to. We'll have a set of discussions, and then make the decision whether to do the review. Internationally, it is remarkable that we have developed a methodology that allows us to do a full review in ten months when the norm is about two years. GTAC's methodology is much faster but maintains the rigour. The Treasury's Budget group are our core

**'People are always saying:  
"We don't know enough.  
We want to know more."  
They know they can come  
to GTAC for answers,  
because they've seen  
what we've done.'**

clients: Intergovernmental Relations, Budget Office and Public Finance. We use Treasury structures to interface with the rest of government. GTAC's partnership with the Treasury is important, because it brings us a certain authority. We're not speaking on behalf of the Treasury, but we have their stamp of approval. Because GTAC is close to the Treasury, we are aware of and understand the fiscal pressures government is working within.

No one institution or person can do everything, which is why the GTAC model is based on partnerships with a range of institutions, functional units in GTAC, a cadre of long-term advisors, and a panel of short-term service providers. We configure the best team for a particular project. The team dissolves when the project is done, and we create a different team for the next project.

"In the decision-making components of the machinery of government, the performance and expenditure reviews immediately provide important information."

In 2016/17, we developed and ran a training course on GTAC's performance and expenditure review methodology for selected Treasury budget officials. We are in the process of producing a training manual, and there is interest from some of our partner research institutions in incorporating our training into their courses. The methodology is spreading in various ways. In 2016/17, GTAC brought this methodology into a Phakisa lab, and it has strengthened the Phakisa methodology.

Many of the impacts of the reviews take two or three years to become evident: these are budget shifts, the redesign of policy parameters, and so on. For example, the early housing expenditure reviews raised some concerns about the housing budget structures in various provinces. GTAC made housing departments aware of these concerns and suggested possible reforms, which were then driven by both the Treasury and the national housing department. The reforms now allow for a clearer understanding of the costs associated with housing.

"GTAC has constituted itself as an intellectual space. GTAC holds and shares knowledge. We cultivate curiosity."

**'GTAC has  
constituted itself as  
an intellectual space.  
GTAC holds and shares  
knowledge. We  
cultivate curiosity.'**

In 2016/17, we published many of our remuneration analysis and modelling reviews, which aim to understand the fiscal pressures around government employment. The trigger for this work was not a client request, but an analytical, methodological trigger. We had gone into government's basic accounting system data, and we wanted to see if we could apply our methodologies to Persal, government's integrated human resources, personnel and salaries system. This is a new offering, developed by GTAC. It is part of how GTAC is shaping itself as a centre that analyses large data sets. GTAC also has to cultivate a demand for this kind of analysis, which is our advocacy role.

GTAC does not simply fulfil its technical functions and move on. It is a thinking, creative space. We reflect and we adapt and we reuse. GTAC is becoming the hub for knowledge and best practice in the public sector. It has its own knowledge products, years of experience, and a fantastic network of informed partners.

We've been doing the remuneration analysis and modelling sector by sector. We had a first phase of analysis, but we could not get the level of detail we wanted. In January 2016, we got enhanced processing capacity in the form of the powerful new server. A new long-term advisor joined us in May and started phase 2, which is delivering much better information. For example, we picked up that a certain sector had a net loss of 15,000 employees – which they

**'In the decision-  
making components  
of the machinery  
of government,  
the performance  
and expenditure  
reviews immediately  
provide important  
information.'**



didn't know. Many departments don't have access to the data and information they need. Their systems don't pick everything up.

2016/17 was also largely taken up with the higher education spending review. We did a comprehensive study of spending on post-school education and training, and developed an extensive model that helps people understand the sector.

The purpose of GTAC's spending reviews is to provide insights into how policy design and implementation can be improved. The reviews provide reliable numbers on the fiscal impact of decisions. Without those numbers, huge decisions are made with inadequate information. So GTAC's work augments the Treasury's understanding of the fiscal implications of policy and implementation decisions.

### Themes and lessons from the performance expenditure reviews

Policies are sometimes designed and implemented with unrealistic expectations of the availability of funding. Several performance expenditure reviews identified affordability challenges, sometimes related to the mechanisms and sometimes because policy commitments or time frames were too ambitious relative to the scale of need. A related problem is that short-term measures adopted to address a policy goal often have unanticipated medium- and long-term budgetary implications, leading to new sources of budget pressure.

Policies that require the realignment and/or redesign of government structures are often unable to achieve this. Programme implementation sometimes involves an implicit reframing of objectives and functions beyond the capacity of existing government structures or perhaps the scope of current law, creating accountability and oversight challenges. One manifestation of this is that expenditure on corporate services by some government agencies has expanded beyond reasonable limits. Intergovernmental cooperation poses special challenges and makes a commitment to effective performance monitoring and evaluation even more important. Policies and programmes that require collaboration, cooperation and integration among multiple departments, spheres of government and state-owned entities, and that require funds to flow between them, are especially challenging to design, implement and reform.

## 2.3. PROGRAMME 3: PROGRAMME MANAGEMENT SERVICES

In 2011, the National Treasury established a project management unit for the Employment Creation Facilitation programme (the Jobs Fund). The Jobs Fund is a multi-year, R9 billion partnership programme to support innovative employment initiatives. It is a subprogramme within the Treasury's Programme 8, and its activities are recorded under Employment Creation Facilitation. GTAC's programme management services unit is responsible for implementing the programme on behalf of the Treasury. In view of the success of this initiative, the Office of the Accountant-General and the Treasury's Intergovernmental Relations Division requested GTAC to manage the administration and procurement of the Treasury's Municipal Finance Improvement Programme.

As GTAC begins to refine its business strategy and operations, it sees a strong business case for providing administrative management support for the establishment of programme management units. The GTAC strategy and organogram therefore provide scope for supporting the procurement, finance and administrative requirements of project management units on a demand-led basis.

### Achievements in 2016/17

In the year under review, GTAC established the project management unit for the Municipal Finance Improvement Programme and continued to provide administrative management of the Jobs Fund project management unit.



Costs for administering the Jobs Fund are reflected in GTAC's accounts and are recovered from the Treasury. The project management unit manages disbursements to Jobs Fund partners and maintains a disbursement account through which these payments are administered on behalf of the Treasury. It also oversees the REDI project, based at the South African Labour and Development Research Unit at the University of Cape Town, and the associated Econ3x3 website.

On behalf of the Office of the Accountant-General, GTAC has established a project management unit for the Municipal Finance Improvement Programme, and contracts advisors to municipalities and the national and provincial treasuries as part of this initiative. The programme supports reforms in municipal financial reporting and the implementation of sound financial management in municipalities. It reports to a steering committee chaired by the Accountant-General.

## **JOBS FUND MANAGEMENT UNIT**

Through the Jobs Fund, the Employment Creation Facilitation programme supports innovative partnership-based approaches to sustainable employment creation; it also supports research into employment, income distribution and inclusive growth. The Jobs Fund operates on challenge fund principles and allocates matching grants through a competitive, open and transparent application process. Project allocations are made by an independent investment committee. To date, seven calls for proposals have been issued. The objective is to support initiatives that innovatively catalyse new employment creation models that can be replicated and scaled up. The Fund offers once-off grants in the areas of enterprise development, infrastructure, support for job seekers and institutional capacity building.

The Fund has made steady progress against its targets and exceeded several of these, including the matched funding leveraged indicator and the placement of job seekers in vacant permanent positions. Since inception, 140 projects have been approved against a target of 130; 15 withdrew before contracting (leaving 125 on the approved portfolio) and 106 are currently in implementation. The quality of proposals submitted largely determines the number of projects approved. It is anticipated that the Fund will reach the targeted number of projects approved upon finalisation of the seventh call for proposals.

In 2016/17 the sixth call for proposals, which focused on catalysing innovative job creation models, was concluded. Many of these projects are in full implementation. The fund received 262 concept note applications for this round, with 21 projects finally being approved. A total of R1.09 billion has been allocated for these projects, which are expected to create 20,108 permanent jobs and 9,928 placements in vacant positions over their implementation period.

A particular focus of the Jobs Fund is reducing unemployment among women and young people. About 60% of the permanent jobs created to date have gone to women and young people, while previously disadvantaged individuals account for 98% of the permanent jobs in the portfolio. In support of youth employment, the Fund is supporting job creation initiatives that address the mismatch between skills, labour supply and labour demand.

A mid-term evaluation indicates that the Jobs Fund presents good value for money in terms of economy, efficiency, potential for sustainability, and equity. Since inception the Fund has supported several impact-maximising projects, one of which is the Trust for Urban Housing Finance (TUHF) Jobs Fund Leveraging Project. TUHF is a specialist inner-city commercial property financier that provides funding to small, medium and microenterprises. The R200 million grant funding allocated to it during the Jobs Fund's third call for proposals (infrastructure) is being used to implement a R1 billion funding structure for new and existing entrepreneurs, especially previously disadvantaged individuals, to purchase and construct about 200 residential buildings. The project has thus far leveraged R1.06 billion against the grant. Not only has it increased access to finance for previously excluded entrepreneurs, it has also created direct permanent jobs in both the construction and the management phases of the developments and many more indirect jobs in the inner city. "Rapid urbanisation presents opportunities for inner city investment", says TUHF co-founder and chief executive, Paul Jackson. "The concentration of economic activity provides for diverse entrepreneurial and employment prospects," he adds.

## MUNICIPAL FINANCE IMPROVEMENT PROGRAMME MANAGEMENT UNIT

Phase II of the Municipal Finance Improvement Programme was a hands-on capacity building programme to improve the management of local government's financial affairs. The programme placed technical advisors in municipalities' budget and treasury offices and in provincial treasuries' municipal finance management units to help them implement the National Treasury's local government budget and financial management reform agenda. The second phase was concluded on 31 March 2017.

The programme supported municipalities and provincial treasuries in two ways. The first was institutional – helping them capacitate their budget and treasury offices by appointing officials who could ensure compliance with the Municipal Finance Management Act (No. 56 of 2003). It also built the capacity of staff through training and development. The second was technical – assisting these officials in ensuring compliance with the municipal accountability cycle (e.g. strategic planning, budgeting, in-year implementation and compilation, annual financial statements, annual reporting, internal auditing, oversight and supply chain management).

In addition, the programme assisted targeted municipalities with the implementation of the Municipal Standard Chart of Accounts (mSCOA), which was promulgated in 2014 with a legislated compliance date of 1 July 2017. It also supported targeted municipalities in addressing priority outcomes from the 2015 financial management capability maturity model assessments, as well as issues raised by the Auditor-General in its consolidated outcome reports in terms of the Municipal Finance Management Act (e.g. risk management, asset management, billing and revenue management, and audit outcomes).

By year-end, the programme was providing support in the following areas:

- General financial management: 38 municipalities, with an eventual target of supporting 49 municipalities.
- Improving the capacity of provincial treasuries to monitor, oversee and support local government: four provincial treasuries; only two completed the programme following the resignation of their advisors.
- Integrated infrastructure and asset management system, including accounting and audit support: 20 municipalities.
- Implementation of the mSCOA regulations in municipalities: six provincial treasuries.
- Improving local government financial management (e.g. revenue, budgeting, assets, audit and the financial management capability maturity model): support provided by five specialists.

In 2016/17, 37 municipalities were supported through the placement of long-term advisors. A further eight advisors were based in the National Treasury, providing specialist assistance to municipalities and provincial treasuries in key financial management disciplines, while seven advisors provided programme management services within the project management unit.

A total of 7,378 training sessions were completed and 1,063 officials were trained during phase II. In 2016/17, municipalities received 3,937 training sessions from resident advisors (up from 2,553 in the previous year). This increase is mainly due to the larger number of municipalities supported during the year under review.

Table 1: Training provided, Quarter 4 2016/17

FUNCTIONAL AREA	# of quarterly training sessions completed				Total	%
	Mar-17	Dec-16	Sep-16	Jun-16		
Revenue	144	198	314	271	927	24%
Cash management	51	85	191	74	401	10%
Budgeting	46	48	83	247	424	11%
Reporting	91	215	383	214	903	23%
Expenditure	88	111	210	115	524	13%
Assets	15	20	57	52	144	4%
Supply chain management	37	38	62	96	233	6%
Standard Chart of Accounts	40	58	76	99	273	7%
Norms and ratios	1	1	6	7	15	0%
Business continuity plan	1	3	11	1	16	0%
Delegations	1	2	4	5	12	0%
Institutional matters	4	4	21	36	65	2%
<b>TOTAL</b>	<b>519</b>	<b>783</b>	<b>1,418</b>	<b>1,217</b>	<b>3,937</b>	<b>100%</b>

The programme steering committee for phase II approved the launch of an integrated infrastructure and asset management project in nine pilot municipalities identified by the respective provincial treasuries. The overall results were positive. By the time the asset management project was officially concluded on 31 January 2017, it had supported 24 municipalities through three service providers from 2014/15 to 2016/17. The number of audit queries on municipal assets has fallen significantly. Fourteen municipalities obtained unqualified audits in respect of assets, while ten indicated audit concerns (e.g. on valuations and insufficient supporting documentation). The challenge was a failure by municipalities to pass audit findings on asset-related issues to the appointed service providers. Meetings to discuss asset management project close-out reports were arranged with all affected sites and close-out reports have been sent to the municipal management.

Contract management support was provided to 43 municipalities in KwaZulu-Natal for the development of contract registers, filing methods, contract reviews, standardised contract management and a provincial contract management framework. Over 3,000 contracts were captured and filed. Other activities included on-the-job training, the identification of potential irregular expenditure, and the selection of a sample of contracts for financial and legal reviews. Almost 500 contracts were reviewed.

Over the lifespan of the project, 5,821 officials and stakeholders have received mSCOA-related training by 31 March 2017. Towards the end of the project, a strategic partnership was concluded to outsource project-related training (both accredited and non-accredited) through a strategic partnership with the Certified Institute of Government Finance Audit and Risk Officers, in cooperation with the South African Local Government Association, with effect from 1 December 2016.

‘The aim of a performance and expenditure review is to identify options for greater value for money in public expenditure, and in the context of South Africa’s fiscal consolidation and the need to find savings, the tools of GTAC’s PER methodology become especially useful.’

(GTAC News Edition 8/April 2016)

# 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:

Programme 8 - technical and management support and development finance	Pages in the annual performance report
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

			Restated
		R	R
	Notes	2017	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	4,426,846	5,552,212
		<b>4,426,846</b>	<b>5,552,212</b>
<b>Current assets</b>			
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>			
<b>Current liabilities</b>			
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

		Restated	
		R	R
Notes	2017	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>	
---	--------------------	--------------------	--------------------	--------------------	-------------------	--

##### 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>	
---	--------------------	----------	--------------------	--------------------	---------------------	--

<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>	
----------------------	--------------------	--------------------	--------------------	--------------------	------------------	--

#### 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>	
--------------------------	--------------------	-------------------	--------------------	--------------------	---------------------	--

<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
-----------------------------	-------------------	---------------------	------------------	-------------------	-------------------	----

## 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.



# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### 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		Restated	
		R 2017	R 2016
	Effective date	Expected impact	
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)	–
-----------------------------------	-------------	---

##### Total cash and cash equivalents

<b>552,495,366</b>	<b>872,582,191</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 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

#### 7. TRADE AND OTHER PAYABLES UNDER EXCHANGE TRANSACTIONS

Trade and other payables		27,434,708	33,274,447
Income received in advance – cost recovery	- GTAC	5,558,077	7,546,807
	- 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

	Restated
R	R
2017	2016

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)

	R	Restated R
	2017	2016
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

<b>General Budget Support</b>	7,053,813	30,555,899
- 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		
<b>Building a Capable State</b>	8,800,856	22,297,160
- Funding from the Canadian Department of Foreign Affairs, Trade and Development		
- Includes the recognition of R1.6m in web design expenditure		
	<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

	Restated	
	R	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

#### 15. COMPENSATION OF EMPLOYEES

	R	Restated R
	2017	2016
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>

#### 16. INTEREST INCOME

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>

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

Deficit / Surplus for the year	34,285,892	68,223,771
--------------------------------	------------	------------

##### Adjustments for:

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)

##### Changes in working capital

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

	Restated	
	R	R
	2017	2016

#### 18. COMMITMENTS

##### Project commitments

Accumulated surplus	215,503,516	181,217,623
---------------------	-------------	-------------

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

- 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

#### **Revenue received for services provided**

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

FOR THE YEAR ENDED 31 MARCH 2017

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

## Key management personnel

## PART C: FINANCIAL INFORMATION

# ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS

#### Key management personnel

Name	Designation	2016				
		Basic R	Performance bonus R	Pension R	Other allowances R	Total 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

#### 24. RETENTION OF CASH SURPLUS

	R	Restated R
	2017	2016
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>

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
		<u>–</u>	<u>–</u>
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

#### 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.

		Restated	
		R	R
		2017	2016
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.		(6,611)	–
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

	Restated
R	R
2017	2016

#### 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

<b>439,460,590</b>
--------------------

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

<b>(264,414,389)</b>
----------------------

# 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.

# GOVERNANCE D

## 1. INTRODUCTION

As a component of the National Treasury, GTAC is governed by the precepts of the Public Finance Management Act and the principles of the King IV report on corporate governance, in line with standard corporate governance processes and systems. In terms of a service level agreement between the National Treasury and GTAC, the Treasury assists GTAC with governance and compliance functions (e.g. internal audit, an audit committee and enterprise risk management, including a risk management committee). This section discusses GTAC's internal governance committees, followed by the shared functions under the service level agreement with the Treasury. It concludes with the report of the Audit Committee.

## 2. GOVERNANCE COMMITTEES

In this reporting period, significant progress has been made in establishing the appropriate governance functions within GTAC. Several committees have been institutionalised to assist with the efficient delivery of its strategic and operational business functions. The aim is to ensure rigorous management consultation and discussion for informed decision-making. The committees also provide a governance mechanism to ensure efficient use of resources through the prioritisation of a project approval process, which includes decision-making on financial allocations and expertise, as well as for regular reporting on progress, issues, risks and remedial actions. The decisions of these committees directly affect how GTAC prepares its compliance reporting (including quarterly and annual reporting).

The three GTAC governance committees are the management committee, which is the accounting authority, the project committee and the quarterly review committee. The mandate and operations of the subcommittees were set out in terms of reference and approved by the management committee during the year.

## 2.1 MANAGEMENT COMMITTEE

The management committee was established in 2014 to provide overall strategic business direction, policy guidance and management oversight of business decisions in GTAC. This executive committee provides an effective mechanism for the management team to engage in strategic decision-making and oversight of organisational matters, and thus ensures that GTAC fulfils its mandate and complies with governing legislation, such as the Public Finance Management Act.

The main duties of the committee are to:

- Conduct strategic planning and set priorities for the organisation.
- Approve organisational policies, financial accounts and budgets.
- Approve statutory reports (financial, quarterly performance against the annual performance plan and annual reports).
- Facilitate the sharing of high-level information on GTAC activities.
- Advise on particular issues that may require management attention.
- Any other activity of a strategic policy purpose that may require its intervention.

The committee is chaired by the head of GTAC, and the heads of GTAC's business units are permanent members. The committee also has a secretariat.

The committee is convened on a quarterly basis; during 2016/17, four meetings were held. Additional or special meetings may be scheduled as needed. The meeting is considered quorate if six permanent members and the chairperson are present. The members deliberate and agree by consensus, and have collective responsibility for the decisions of the committee.

## 2.2 PROJECT COMMITTEE

The project committee serves as the formal mechanism for the approval of projects within GTAC, and assigns projects to the relevant business units. It considers the strategic value of projects, and provides appropriate responses to project requests. The committee ensures that for all projects, agreement is reached on the work to be done, deliverables, resourcing required (including the level of effort, skills sets and budget), the timing, and the source of funding. Once approved, projects are tracked and monitored through the quarterly project review meetings.

The main duties of the committee are to:

- Consider and approve new project requests.
- Assign project numbers and maintain a central project register.
- Allocate appropriate resources.
- Discuss project-related risks, where applicable.

The committee is chaired by the head of GTAC, and the heads of GTAC's business units are permanent members. Invited members may join on request. The committee also has a secretariat.

This committee is convened on a monthly basis, or can be convened electronically for urgent project decisions. The meeting is considered quorate if three permanent members and the chairperson are present. Any senior manager requesting the approval of a project is required to attend and present the project request. The members deliberate and agree by consensus, and have collective responsibility for decisions of the committee.

## 2.3 QUARTERLY REVIEW COMMITTEE

The purpose of this committee is to facilitate the exchange of high-level project data with the head of GTAC and among business units, and to address issues related to the implementation of projects. Projects in all GTAC's technical work areas have to undergo periodic reviews to discuss progress, monitor project expenditure, review resourcing requirements, identify trends and risks, and discuss risk mitigation plans. A dashboard is used to present each unit's portfolio of projects.

The committee is chaired by the head of GTAC, and the heads of GTAC's business units are permanent members. The committee also has a secretariat.

The committee is convened on a quarterly basis; during 2016/17, four meetings were held. Additional or special meetings may be scheduled as needed. The meeting is considered quorate if four permanent members and the chairperson are present. The members deliberate and agree by consensus, and are bound by the decisions of the committee.

## 3. SHARED COMPLIANCE FUNCTIONS

As noted, GTAC has entered into a service level agreement with the National Treasury, in terms of which it shares a risk committee, internal audit function, antifraud and anticorruption activities, conflict of interest prevention, and health, safety and environmental protection activities with the Treasury. These are discussed in more detail below.

### 3.1 ENTERPRISE RISK MANAGEMENT

The shared risk committee is chaired by an independent member selected by the Treasury in consultation with GTAC. It oversees the development and implementation of the risk management policy, framework and mitigation strategy. GTAC conducts quarterly risk assessments and submits these, together with information on new and emerging risks, to the committee for deliberation. Some risks are specific to the GTAC business model, and there is ongoing engagement with the internal risk team to ensure that such risks are adequately managed.

The chairperson of the risk committee tables a report for discussion at GTAC audit committee meetings. This strengthens risk management oversight and manages gaps identified by the enterprise risk management process.

GTAC has also begun to integrate its risk management processes into the management of its strategic planning processes. A strategic risk register was compiled and tabled at the risk committee meeting to ensure improved alignment and information sharing with the committee.

In 2016/17, the risk committee met twice. GTAC is confident that it will continue to improve its risk maturity level in 2017/18.

### 3.2 INTERNAL CONTROL

In terms of the service level agreement, Internal Audit performed assurance and provided consulting services during the year under review. Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of GTAC and assisting it in accomplishing its objectives. It does this by bringing a systematic and disciplined approach (an annual and three-year rolling risk-based audit plan) to evaluate and improve the effectiveness of the organisation's governance, risk management and internal controls.



Specific support services include the following:

- Assurance services consist of independent reviews of the adequacy and effectiveness of GTAC's risk management, internal control and governance processes. These reviews include ongoing and regular reviews of compliance with relevant legislation, regulations, approved policies and procedures, and best industry practices, where applicable.
- Consulting services are advisory in nature and are intended to add value to and improve GTAC's operations. The scope of work is agreed upon with management. Consulting engagements are both informal and formal in nature, and include informal participation in meetings, routine information exchange with management and staff, and providing best practice frameworks, policies and procedures.

Internal Audit implemented its annual risk-based audit plan for 2016/17 as part of the three-year rolling plan, which was agreed with management and approved by the GTAC Audit Committee. A total of 18 audits were planned for 2016/17; all of these were conducted within the set time frames. All audit engagements and other work of Internal Audit were executed in accordance with the International Professional Practice Framework of Internal Audit, issued by the Institute of Internal Auditors.

### 3.3 FRAUD AND CORRUPTION

The Treasury's anticorruption unit has a three-pronged approach to fraud:

- Prevention: All new recruits are screened before appointment. All employees of GTAC must be vetted, and senior management must disclose their financial interests annually.
- Detection: The Treasury has a confidential whistle-blowing platform through which any staff member in GTAC may disclose suspected fraud and corruption. The anticorruption unit also runs an anticorruption awareness campaign annually to encourage staff to report instances of fraud and corruption.
- Enforcement: The Treasury has established a case management register where reported and known corruption cases are recorded and monitored until they have been successfully concluded. Once a corruption case has been reported, the anticorruption unit performs a preliminary investigation, followed by a referral for further investigation where appropriate. In addition, progress on cases received through the Presidential Hotline is reported quarterly to the Public Service Commission.

### 3.4 MINIMISING CONFLICT OF INTEREST

GTAC employees are annually informed of the potential risks and related impact of conflicts of interest. The Treasury's Corporate Services anticorruption programmes and financial disclosure procedures are used to encourage employees to disclose any registrable interests or any remunerative work conducted outside GTAC. Where conflicts of interest are identified, employees are engaged and, where appropriate, standard disciplinary steps are taken under the disciplinary code and procedure of the public service.

GTAC's business resourcing model opens it up to potential conflicts of interest in the management of its long- and short-term technical advisory consultants. A policy will be developed in the next financial year to ensure that this risk is appropriately and adequately managed. Transgressions will be effectively dealt with within the confines of applicable legal prescripts.

### 3.5 CODE OF CONDUCT

During the reporting period, GTAC appointed its first ethics officer, who is the head of human resources. All new employees and contractors sign a code of conduct as part of their recruitment process.

GTAC adheres to the public service code of conduct, which gives practical effect to the relevant constitutional provisions. All GTAC employees are expected to comply with the code of conduct, as it acts as an ethics guide, both in their individual conduct and in their relationships with others. Compliance with the code of conduct strengthens professionalism in GTAC and contributes to service delivery and confidence in the public service.

Newly appointed employees receive training on the code during the induction programme. The code of conduct is also re-emphasised during capacity building sessions on different platforms. In instances where the code of conduct is breached, standard disciplinary steps are taken in terms of the disciplinary code and procedure of the public service.

The professional and ethical code of conduct for technical advisory consultants is guided by appropriate conditions within the contracts and will be managed accordingly.

### 3.6 HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

GTAC and the Treasury are committed to proper management of safety, health and environmental factors. The Treasury has a designated official responsible for safety, health, environmental, risk and quality management, who runs the health and safety committee. Through this committee, GTAC has designated health and safety officials who are trained to manage health- and safety-related priorities.

Crime and increased protests in the Pretoria central business district have affected the safety of staff. The identified risks have been mitigated through the following measures, among others:

- Improved notification of staff when protests are anticipated
- Improved bulk text communication in emergencies
- Establishment of a security forum with the City of Tshwane to coordinate crime prevention strategies in the central business district.

## 4. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2017.

### 4.1 BACKGROUND

- The Audit and Risk Committee (the Committee) is established as a statutory committee in terms of section 51 (1) (a) of the Public Finance Management Act and Treasury Regulation 27.1.
- The Committee has adopted formal terms of reference as its audit committee charter and has fulfilled its responsibilities for the year in compliance with its charter. This year marks the second year in which GTAC's operations are reported independently and the Committee has noted progress made by management in setting up the necessary internal control systems and governance structures.

## 4.2 MEMBERSHIP AND ATTENDANCE

- The Committee consists solely of independent members who are financially literate and also have appropriate experience.
- The Committee met six times during the year.
- The following is a list of its members, qualifications and a record of their attendance

## 4.3 THE AUDIT COMMITTEE'S RESPONSIBILITIES

Name of member	Qualifications	Appointment Date	*Number of meetings attended
*Ms Octavia Matloa	Chartered Accountant (SA), BCom(Hons) and CTA	01/07/13	6 of 6
Mr. Ameen Amod	Certificate in Internal Audit (CIA – IIA), Certified Government Auditing Professional Auditor (CGAP – IIA) and Certification in Risk Management Assurance (CRMA – IIA), Chartered Director ((IODSA)IIA), Chartered Director (IODSA)	01/07/15	6 of 6
Ms. Anna Badimo	BSc Computer Science, BSc(Hons) Computer Science, MBA, MSc, CISM, CGEIT, MInstD, Cobol Programming Diploma, Project Management Diploma	01/07/15	6 of 6
Ms. Berenice Francis	Certification in Control Self-Assessment (CCSA), Certified Internal Auditor (CIA), BCompt(Hons) and BCom Accounting	01/08/13 – 31/07/16	2 of 6
Mr. Brandon Fusternburg	MSc Financial Management, MCom Economics, BCom(Hons), BCom, and FAIS exams: RE1, RE3 & RE5	01/06/16	5 of 6
Mr. Charl De Kock	MCom(IT Audit), BCompt(Hons)(Acc) BCom(Acc), Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), Professional Accountant (SA) (SAIPA)	01/02/17	1 of 6
Mr. Luyanda Mangquku	Chartered Accountant (SA), Master's in Business Leadership, Honours Bachelor of Accounting and Honours Bachelor of Commerce, Advanced Company Law I & II	01/07/15	6 of 6

\*Ms. Octavia Matloa became Chairperson from 18 April 2016.

The purpose of the Committee, which operates in conjunction with the Risk Committee, is to:

- Assist the Accounting Officer in discharging his duties relating to the safeguarding of assets; the operation of adequate systems, control and reporting processes; and the preparation of accurate reporting and financial statements in compliance with the applicable legal requirements and accounting standards.
- Oversee the activities of, and ensure coordination between, the activities of internal and external audit.

- Provide a forum for discussing financial, enterprise –wide, regulatory and other risks and control issues; and to monitor controls designed to minimise these risks.
- Receive and deal with any complaints concerning accounting practices, internal and external auditing or the content and audit of its financial statements and performance reports, or related matters.
- Annually review the Committee's work and charter to make recommendations to the Accounting Officer to ensure its effectiveness.

#### 4.4 RISK MANAGEMENT

- Management is responsible for the establishment and maintenance of an effective system of governance, risk management, the prevention and detection of fraud, and the implementation of internal controls.
- Internal Audit was guided by the consolidated risk profile, provided by the Enterprise Risk Management unit, critical audit areas and management's inputs in the formulation of its three-year strategic and annual plans.
- The entity shares the Risk Committee with National Treasury and the Committee is chaired by an independent member who reports directly to the Audit Committee.
- The Risk Committee met twice during the year under review.
- A risk register is updated at least annually to ensure that all the major risks, including emerging risks facing the entity, are properly managed.

#### 4.5 INTERNAL AUDIT

The Committee approved a risk-based Audit Coverage Plan for Internal Audit, which included a three-year rolling plan for the period 1 April 2016 to 31 March 2019 and an annual plan for the year under review.

Type	Total Planned Audits	Total No (%) Completed
Completed	18	100%
Regularity Audit	6	33%
Performance Audit	1	6%
Information Technology Audit	11	61%
Ad-hoc Audits	2	100%
<b>Total</b>	<b>20</b>	<b>100%</b>

The Committee reviewed all internal audit reports, and found it satisfactory:

- With the activities of the internal audit function, including its annual work programme, coordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations.
- That internal auditing is conducted in accordance with the standards set by the Institute of Internal Auditors.
- With the implementation of improvement actions that were recommended during the external quality assurance review that the internal audit function underwent in the 2014/15 financial year. The quality assurance review gave them a General Conformance rating in terms of their operations in compliance with the definition of Internal Auditing, International Standards for the Professional Practice of Internal Audit (ISPPA) and the Code of Ethics.

#### 4.6 ACCOUNTING AND AUDITING CONCERNS IDENTIFIED BY INTERNAL AUDIT

There are no accounting and auditing concerns that have been noted and brought to our attention.

#### 4.7 OTHER IDENTIFIED CONCERNS

The Committee noted the following areas of concern:

- Capacity constraints emanating from the need to set up necessary structures as an independent entity.
- New cases of irregular expenditure as a result of non-compliance with the Supply Chain Management laws and regulations.

Other than these matters, nothing significant has come to our attention to indicate any material breakdown in the functioning of controls, procedures and systems.

The Committee is of the opinion that Internal Audit is independent and provided objective assurance and consulting activities that were designed to add value and improve the entity's operations.

#### 4.8 THE ADEQUACY, RELIABILITY AND ACCURACY OF THE FINANCIAL AND PERFORMANCE INFORMATION

The Committee is of the opinion, based on the information and explanations provided by management as well as the results of audits performed by the internal auditors and the Auditor-General, that the financial and performance information provided by management to users of such information is adequate, reliable and accurate.

#### 4.9 EXTERNAL AUDIT

- The Committee has reviewed the independence and objectivity of the external auditors.
- The external auditors attended six meetings of the Committee and we are satisfied that there are no unresolved issues of concern.
- The Committee reviewed and approved the external audit report.

Other than the matters referred to in the preceding paragraph, no other accounting and auditing concerns were noted.

#### 4.10 THE EFFECTIVENESS OF INTERNAL CONTROLS

The Committee:

- Considered all the reports issued by the various assurance providers, including the Internal and External Auditors and the Risk Committee.
- Noted management's actions in addressing identified control weaknesses; is satisfied with the following achievements reported during the year; and continued to monitor and engage management on key matters:

Assurance Provider	Total Findings	Resolved Findings	Unresolved Findings
Internal Audit	7	7	0
External Audit	29	29*	0

*\*In agreement with Auditor-General's report*

In light of the above, we report that the system of internal controls for the period under review is considered to have been adequate except for matters reported in the auditor's report.

#### 4.11 COMPLIANCE WITH LEGAL AND REGULATORY PROVISIONS

- The Committee has reviewed the in-year management and quarterly reports submitted in terms of the Public Finance Management Act and the Division of Revenue Act and is satisfied that no material deviations were noted.
- The Committee noted management's policies and procedures to ensure compliance with applicable laws and regulations.
- The Committee has also taken note of concerns with the entity's non-compliance with some of the legislative requirements relating to procurement and contract management, as reflected in the audit report.

#### 4.12 EVALUATION OF FINANCIAL STATEMENTS AND ANNUAL REPORT

The Committee has evaluated the annual financial statements and performance information for the year ended 31 March 2017 and duly recommended these for the Accounting Officer's approval prior to them being submitted to the Auditor-General for audit.

The Committee reviewed the auditors' management report and concurs with their conclusions. We therefore accept the audit opinion and conclusion expressed by the external auditors on the annual financial statements, annual performance report and annual report.

We commend Internal Audit and management for providing us with the necessary support in the execution of our fiduciary responsibilities.



MS. OCTAVIA M. MATLOA

Chairperson

22 August 2017



# HUMAN RESOURCES MANAGEMENT E

# OVERVIEW OF HUMAN RESOURCE MATTERS

On 1 April 2015, approval was granted for the transfer of functions and personnel from the National Treasury to GTAC. To give effect to this mandate, GTAC began to capacitate its internal structure in the year under review. By the end of 2016/17, GTAC had full autonomy over the implementation of its human resource function. The function has provided the requisite services to ensure that the organisation can effectively deliver on its programmes. Following the approval of GTAC's strategy, the implementation of GTAC's organisational structure has been prioritised for 2017/18.

## 1. HUMAN RESOURCE PRIORITIES FOR 2016/17

As GTAC is a newly established government component, its human resource focus in 2016/17 was to capacitate its internal structure to execute its mandate without undue reliance on the Treasury. As a standalone entity, it also had to register with the relevant departments and organisations to ensure full service offerings for its staff.

## 2. WORKFORCE PLANNING FRAMEWORK AND STRATEGIES

GTAC attracts highly educated and qualified individuals from a range of fields. It sets a high standard for applicants; instead of just complying with minimum requirements, they have to exceed the regular requirements of the position. GTAC's recruitment processes include competency and pre-interview tests, such as case study preparation, written and electronic tests, job-based occupation-specific personnel profiling, and psychometric testing.

## 3. EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

GTAC adheres to the Treasury's performance management and reward and recognition policies. In line with the rest of the public service, its performance evaluation cycle runs from 1 April to 31 March. In the year under review, GTAC successfully completed its performance management process for the 2015/16 performance evaluation cycle.

Performance management is driven by GTAC's line functions and supported by the human resources function. Employees are encouraged to have frequent performance discussions with their line managers to address any concerns and ensure satisfactory performance. Newly appointed employees undergo a 12-month probation process; this is complemented by a rigorous induction programme and compulsory training courses.

GTAC encourages continuous learning and development, and offers internal bursaries for employees for tertiary studies. It also encourages employees to attend short courses, learning workshops and interactive engagement sessions.

#### 4. EMPLOYEE WELLNESS PROGRAMMES

GTAC offers employee assistance programmes to staff and their immediate families through the Treasury's Siyaphila programme, which is facilitated by the human resources function. During 2016/17, GTAC referred employees for counselling following events such as bereavements, changes in family roles or relocation. Stress management has been identified as a general wellness concern, with employees requiring assistance to effectively manage work-life related stressors. GTAC acknowledges the need for physical, psychological and financial wellness education and awareness, and aims to roll out an internal employee wellness programme in 2017/18.

#### 5. POLICY DEVELOPMENT

GTAC implemented all the Treasury's approved policies in 2016/17, and has started to develop internal policies. Two of these policies, on recruitment and leave, should be completed in 2017/18.

#### 6. ACHIEVEMENTS IN 2016/17

- GTAC registered with a number of organisations during the year, as follows
- The Soma Initiative, a health risk manager, for services related to the Procedure for Incapacity Leave and Ill-Health Retirement: Employees can now benefit from temporary and permanent incapacity leave.
- The Government Pensions Administration Agency, for online administration of pension-related transactions: This has reduced the time to process withdrawals from the Government Employees Pension Fund following the resignation of staff members.
- The General Public Service Sectoral Bargaining Council and the Departmental Bargaining Council of the National Treasury: GTAC successfully discussed matters of mutual interest with organised labour (the Public Servants Association of South Africa and the National Health, Education and Allied Workers Union).
- GTAC established a Bursary Committee to recommend and approve requests for internal bursaries. In 2016/17, it awarded bursaries to ten employees for postgraduate studies at local universities.
- It organised two retirement information sessions in partnership with the Government Pensions Administration Agency and Liberty Life. Employees who are eligible for early, normal and compulsory retirement (aged 55–65) attended the sessions.
- GTAC appointed an ethics officer and successfully submitted all the financial disclosures for employees appointed to the Senior Management Service.
- The paper-based exit interview process was switched to an electronic platform with the use of Survey Monkey®, with the aim of achieving 100% completion of exit interviews.
- By the Department of Public Service and Administration's due date of 30 June 2016, GTAC had completed all staff performance agreements.

## 7. HUMAN RESOURCE CHALLENGES

As the head of GTAC was still in an acting capacity during the year, the development of value-adding human resource programmes and organisational change management was constrained. Another challenge was the management of human capital and the provision of services under GTAC's unique "blended resource" staffing model, which includes project-based consultants, long-term advisors, fixed-term contractors and permanent personnel. With a growing establishment and the rapid expansion of the GTAC mandate, the function also faced various transactional and compliance challenges. These challenges will be addressed as soon as a permanent head of GTAC has been appointed.

## 8. PLANS AND GOALS

In the year ahead, GTAC will focus on the following human resource objectives:

- Development and approval of an organisational structure in line with its approved strategy
- Development and approval of a human resource strategy for its workforce plan
- Development and approval of succession plans
- Implementation of diversity and inclusion initiatives
- Implementation of an internal employee wellness programme, independent from the Treasury
- Development and approval of departmental policies and frameworks
- Establishment of a skills development committee and implementation of a GTAC-wide skills audit
- Implementation of human resources awareness sessions, facilitating staff interaction with the human resources function.

# EXPENDITURE

Departments budget in terms of clearly defined programmes. The following tables summarise final audited expenditure by programme (Table ) and by salary band (Table ).

**Table 2: Personnel costs by programme, 2016/17**

Programme	Total expenditure (R 000)	Personnel expenditure (R 000)	Training expenditure (R 000)	Professional and special services (R 000)	Personnel cost as % of total expenditure	Average personnel cost per employee (R 000)*
Programme 1 Management and Support Services	40,637	24,323	258	9,161	60%	676
Programme 2 Technical and Advisory	131,700	26,765	67	98,829	20%	686
Programme 3 Programme Management Support	243,728	39,466	302	197,281	16%	731
<b>Total</b>	<b>416,065</b>	<b>90,554</b>	<b>627</b>	<b>305,271</b>	<b>22%</b>	<b>2,093</b>

\*Percentage of average personnel cost per employee calculated based on the number of employees in Table 2

**Table 3: Personnel costs by salary band, 2016/17**

Salary bands	Personnel expenditure (R 000)	% of total personnel cost	No. of employees	Average personnel cost per employee (R 000)*
Lower skilled (levels 1-2)	-	0%	-	-
Skilled (levels 3-5)	-	0%	-	-
Highly skilled production (levels 6-8)	6,747	8%	24	281
Highly skilled supervision (levels 9-12)	37,040	42%	61	607
Senior management (levels 13-16)	45,090	51%	44	1,025
<b>Total **</b>	<b>88,877</b>	<b>100%</b>	<b>129</b>	<b>1,913</b>

\*Percentage of average personnel cost per employee calculated based on the number of employees in Table 3

The following tables provide a summary, per programme (Table 4) and salary band (Table 5), of expenditure incurred through salaries, overtime, homeowners' allowance and medical assistance. In each case, the table indicates the percentage of the personnel budget used for these items.

*Table 4: Salaries, overtime, homeowners' allowance and medical assistance by programme, 2016/17\**

Programme	Salaries		Overtime		Homeowners' allowance		Medical assistance	
	Amount (R 000)	Salaries as % of personnel cost	Amount (R 000)	Overtime as % of personnel cost	Amount (R 000)	Homeowners' allowance as % of personnel cost	Amount (R 000)	Medical assistance as % of personnel cost
Programme 1	17,152	71%	-	0%	222	1%	462	2%
Programme 2	24,614	92%	-	0%	82	0%	310	1%
Programme 3	37,581	95%	-	0%	17	0%	174	0%
<b>Total</b>	<b>79,347</b>	<b>88%</b>	<b>-</b>	<b>0%</b>	<b>321</b>	<b>0%</b>	<b>946</b>	<b>1%</b>

\*Percentages of personnel cost of salaries, overtime, homeowners' allowance and medical assistance are calculated on the total personnel expenditure per programme in Table 4

*Table 5: Salaries, overtime, homeowners' allowance and medical assistance by salary band, 2016/17*

Salary band	Salaries		Overtime		Homeowners' allowance		Medical assistance	
	(R 000)	% of total	(R 000)	% of total	(R 000)	% of total	(R 000)	% of total
Lower skilled (levels 1-2)	-	0%	-	0%	-	0%	-	0%
Skilled (levels 3-5)	-	0%	-	0%	-	0%	-	0%
Highly skilled production (levels 6-8)	5,406	80%	-	0%	126	1.87%	312	4.62%
Highly skilled supervision (levels 9-12)	33,211	90%	-	0%	154	0.42%	351	0.95%
Senior management (levels 13-16)	40,730	90%	-	0%	41	0.09%	283	0.63%
<b>Total*</b>	<b>79,347</b>	<b>89%</b>	<b>-</b>	<b>0%</b>	<b>321</b>	<b>0.36%</b>	<b>946</b>	<b>1.06%</b>

\*Percentages of personnel cost of salaries, overtime, homeowners' allowance and medical assistance are calculated on the total personnel expenditure per programme in Table 5



# EMPLOYMENT AND VACANCIES

The following tables summarise the number of posts in the organisation, the number of employees, the vacancy rate and additional posts filled. This information is presented by programme (Table 6) and by salary band (Table 7). Departments have identified critical occupations that need to be monitored. The vacancy rate reflects the percentage of posts that are not filled.

*Table 6: Employment and vacancies by programme, 31 March 2017*

Programme	Number posts on approved establishment	Number of Posts filled	Vacancy rate* (%)	Number of employees additional to the establishment
Programme 1 Management and Support Services	38	35	7.89%	0
Programme 2 Technical and Advisory	44	33	25%	1
Programme 3 Programme Management Support	60	51	15.00%	0
<b>Total</b>	<b>142</b>	<b>119</b>	<b>16.20%</b>	<b>1</b>

*\*Vacancy rate reduced by additional appointments.*

*Table 7: Employment and vacancies by salary band, 31 March 2017*

Salary bands	Number of Posts on approved establishment	Number of Posts filled	Vacancy rate* (%)	Number of employees additional to the establishment
Lower skilled (levels 1-2)	0	0	0%	0
Skilled (levels 3-5)	1	1	0%	0
Highly skilled production (levels 6-8)	25	20	20%	0
Highly skilled supervision (levels 9-12)	65	55	15.38%	1
Senior management (levels 13-16)	51	43	15.69%	0
<b>Total</b>	<b>142</b>	<b>119</b>	<b>16.20%</b>	<b>1</b>

*\*Vacancy rate reduced by additional appointments.*

Table 8: Employment and vacancies by critical occupations, 31 March 2017

Programme	Salaries		Overtime		Homeowners' allowance		Medical assistance	
	Amount (R 000)	Salaries as % of personnel cost	Amount (R 000)	Overtime as % of personnel cost	Amount (R 000)	Homeowners' allowance as % of personnel cost	Amount (R 000)	Medical assistance as % of personnel cost
Programme 1	17,152	71%	-	0%	222	1%	462	2%
Programme 2	24,614	92%	-	0%	82	0%	310	1%
Programme 3	37,581	95%	-	0%	17	0%	174	0%
<b>Total</b>	<b>79,347</b>	<b>258%</b>	<b>-</b>	<b>0%</b>	<b>321</b>	<b>1%</b>	<b>946</b>	<b>3%</b>

# FILLING OF SENIOR MANAGEMENT SERVICE POSTS

The tables in this section provide information on employment and vacancies in Senior Management Service posts by salary level. It also provides information on the advertising and filling of these posts, reasons for not complying with prescribed time frames and disciplinary steps taken.

*Table 9: Senior Management Service post information, 31 March 2017*

Senior Management Service (SMS) level	Total number of funded SMS posts	Total number of SMS posts filled	% of SMS posts filled	Total number of SMS posts vacant	% of SMS posts vacant
Director-General/Head of Department	1	0	0%	1	100%
Salary level 16	0	0	0%	0	0%
Salary level 15	2	2	100%	0	0%
Salary level 14	16	13	81.25%	3	18.75%
Salary level 13	32	28	87.50%	4	12.50%
<b>Total</b>	<b>51</b>	<b>43</b>	<b>84.31%</b>	<b>8</b>	<b>15.69%</b>

*Table 10: Senior Management Service post information, 30 September 2016*

Senior Management Service (SMS) level	Total number of funded SMS posts	Total number of SMS posts filled	% of SMS posts filled	Total number of SMS posts vacant	% of SMS posts vacant
Director-General/Head of Department	1	0	0%	1	100%
Salary level 16	0	0	0%	0	0%
Salary level 15	2	2	100%	0	0%
Salary level 14	13	12	92.31%	1	7.69%
Salary level 13	31	28	90.32%	3	9.68%
<b>Total</b>	<b>47</b>	<b>42</b>	<b>89.36%</b>	<b>5</b>	<b>10.34%</b>

Table 11: Advertising and filling of Senior Management Service posts, 1 April 2016 to 31 March 2017

Senior Management Service (SMS) level	Advertising	Filling of posts	
	Number of vacancies per level advertised within 6 months of becoming vacant	Number of vacancies per level filled within 6 months of becoming vacant	Number of vacancies per level not filled within 6 months but filled within 12 months
Director-General/Head of Department	0	0	0
Salary level 16	0	0	0
Salary level 15	0	0	0
Salary level 14	5	3*	0
Salary level 13	13	10*	0
<b>Total</b>	<b>18</b>	<b>13*</b>	<b>0</b>

\*Some of the positions were advertised in 2015/16 but filled in 2016/17 (within six months of advertisement). In addition, some of the newly created positions in 2016/17 were advertised in 2016/17 but filled in 2017/18 – still within six months of advertisement. No positions were filled outside the 6-month period.

Table 12: Reasons for not complying with the prescribed timeframes for filling Senior Management Service posts within 12 months, 1 April 2016 to 31 March 2017

Reasons for vacancies not advertised within six months
The Head of GTAC position reports to the Minister of Finance, and is recruited for by the National Treasury. The position was filled with an acting incumbent, appointed on the National Treasury establishment, remunerated by the GTAC. In January 2017, a new acting incumbent was appointed to the post, deployed from the National Treasury. The Head of GTAC position was advertised on 16 April 2017 for permanent filling in the 2017/18 Financial Year.
Reasons for vacancies not filled within twelve months
<b>Not Applicable. Refer to table above.</b>

Table 13: Disciplinary steps taken for not complying with the prescribed timeframes for filling Senior Management Service posts within 12 months, 1 April 2016 and 31 March 2017

Reasons for vacancies not advertised within six months
GTAC was established as a new organisation and positions were created. Some of the positions were advertised in 2015/16, but filled in 2016/17 (within six months of advertisement). Again in 2016/17, new positions were created and advertised, but only filled in 2017/18. Some Non-Management Services (NMS) and Middle-Management Services (MMS) positions were not actioned for filling due to restructuring and will either be filled or abolished in 2017/18.
Reasons for vacancies not filled within twelve months
New organisation created and restructuring.

# JOB EVALUATION

Within a nationally determined framework, executing authorities may evaluate or re-evaluate any job in their organisations. The regulations require all vacancies on salary levels 9 and higher to be evaluated before they are filled. The following table summarises the number of jobs evaluated during the period under review, and shows the number of posts that were upgraded or downgraded.

**Table 14: Job evaluation, 1 April 2016 to 31 March 2017**

Salary band	No. of posts*	No. of jobs evaluated	% of posts evaluated by salary bands	Posts upgraded		Posts downgraded	
				No.	% of posts evaluated	No.	% of posts evaluated
Lower skilled (levels 1-2)	0	0	0%	0	0%	0	0%
Skilled (levels 3-5)	1	0	0%	0	0%	0	0%
Highly skilled production (levels 6-8)	25	4	16%	1	4%	0	0%
Highly skilled supervision (levels 9-12)	65	6	9%	6	9%	0	0%
SMS (band A)	31	3	10%	1	3%	0	0%
SMS (band B)	13	2	15%	0	0%	0	0%
SMS (band C)	2	0	0%	0	0%	0	0%
SMS (band D)	0	0	0%	0	0%	0	0%
<b>Total</b>	<b>137</b>	<b>15</b>	<b>11%</b>	<b>8</b>	<b>16%</b>	<b>0</b>	<b>0%</b>

*\*All positions were benchmarked against positions in the GTAC or the National Treasury.*

The following table presents the number of employees whose salary positions were upgraded due to their posts being upgraded. The number of employees might differ from the number of posts upgraded, since not all employees are automatically absorbed into the new posts. Likewise, some of the posts upgraded could also be vacant because not all employees were automatically absorbed into the new posts and some upgraded posts remained vacant.

**Table 15: Profile of employees whose salary positions were upgraded due to their posts being upgraded, 1 April 2016 to 31 March 2017**

Beneficiaries	African	Asian	Coloured	White	Total
Female	2	0	1	3	6
Male	1	1	0	0	2
<b>TOTAL</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>8</b>
Employees with a disability	0	0	0	0	0

The following table presents the number of cases where remuneration levels exceeded the grade determined by job evaluations. The reasons for the deviation are provided in each case.

**Table 16: Employees whose salary level higher than those determined by job evaluation per occupation, 1 April 2016 to 31 March 2017**

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
Deputy Director-General (Head)	0	0	0	0
Chief Director (Senior Manager)	3	14	15	Retention
Director (Senior Manager)	2	13	14	Retention
Deputy Director	1	11	12	Recruitment
Assistant Director and below	3	-	-	Recruitment & Resolution 3 of 2009
<b>Total number of employees whose salaries exceeded the level determined by job evaluation in 2015/16</b>				<b>9</b>
<b>Percentage of total employment</b>				<b>0.08%</b>

The following table presents these employees in terms of race, gender and disability.

**Table 17: Profile of employees who have salary levels higher than those determined by job evaluation, 1 April 2016 to 31 March 2017**

Gender	African	Asian	Coloured	Whites	Total
Female	3	0	1	3	7
Male	4	0	0	0	4
<b>Total</b>	<b>7</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>11</b>



# EMPLOYMENT CHANGES

This section provides information on changes in employment over the financial year. Turnover rates provide an indication of trends in GTAC's employment profile. The following tables summarise turnover rates by salary band and critical occupations.

**Table 18: Annual turnover rates by salary band, 1 April 2016 to 31 March 2017**

Salary band	Number of employees at beginning of period 1 April 2016	Appointments and transfers into department	Terminations and transfers out of department	Turnover rate %
Lower skilled (levels 1-2)	0	0	0	0%
Skilled (levels 3-5)	1	0	0	0%
Highly skilled production (levels 6-8)	14	10	2	8.33%
Highly skilled supervision (levels 9-12)	47	14	6	9.84%
SMS (band A)	18	10	0	0%
SMS (band B)	10	2	0	0%
SMS (band C)	1	0	0	0%
SMS (band D)	0	0	0	0%
<b>Total</b>	<b>91</b>	<b>36</b>	<b>8</b>	<b>6.3%</b>

**Table 19: Annual turnover rates by critical occupation, 1 April 2016 to 31 March 2017**

Critical occupation	Number of employees at beginning of period 1 April 2016	Appointments and transfers into department	Terminations and transfers out of department	Turnover rate %
Quantitative Data Analytics	0	1	0	0%
Transaction Advisory Services	9	0	0	0%
Agricultural Specialists	0	2	0	0%

Table 20: Reasons for staff leaving the department, 1 April 2016 to 31 March 2017

Termination type	Number	% of total
Death	0	0%
Resignation	7	87.50%
Expiry of contract	0	0%
Dismissal – operational changes	0	0%
Dismissal – misconduct	0	0%
Dismissal – inefficiency	0	0%
Discharged due to ill health	0	0%
Retirement	0	0%
Severance package	0	0%
Transfers to other public service departments	1	12.50%
<b>Total</b>	<b>8</b>	<b>100%</b>
<b>Number of employees who left as a % of total employment (as at 31 March 2016)</b>		<b>7.69%*</b>

\* One employee joined the department after 31 March 2016 and is therefore excluded from total turnover percentage (7 of 91).

Table 21: Promotions by critical occupation, 1 April 2016 to 31 March 2017

Occupation	Number of employees at beginning of period 1 April 2016	Promotions to another salary level	Salary level promotions as a % of employees by occupation	Progressions to another notch within a salary level	Notch progression as a % of employees by occupation
Quantitative Data Analytics	0	0	0%	0	0%
Transaction Advisory Services	9	0	0%	0	0%
Agricultural Specialists	0	0	0%	0	0%
<b>Total</b>	<b>9</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>

Table 22: Promotions by salary band, 1 April 2016 to 31 March 2017

Salary band	Employees, 1 April 2016	Promotions to another salary level	Salary band promotions as % of employees by salary level	Progressions to another notch within a salary level	Notch progression as a % of employees by salary bands
Lower skilled (levels 1-2)	0	0	0%	0	0%
Skilled (levels 3-5)	1	1	100%	0	0%
Highly skilled production (levels 6-8)	14	2	14.29%	0	0%
Highly skilled supervision (levels 9-12)	47	7	14.89%	1	2.13%
Senior management (levels 13-16)	29	1	3.45%	3	10.34%
<b>Total</b>	<b>91</b>	<b>11</b>	<b>12.09%</b>	<b>4</b>	<b>4.40%</b>

# EMPLOYMENT EQUITY

The tables in this section are based on the formats prescribed by the Employment Equity Act (1998).

**Table 23: Total number of employees (including employees with disabilities) per occupational category, 31 March 2017**

Occupational categories (SASCO)	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers (Salary Level 13-16)	18	0	3	4	9	1	1	6	42
Professionals (Salary Level 11-12)	9	2	0	0	17	2	0	12	42
Technicians and associate professionals (Salary Level 9-10)	5	0	0	0	8	0	0	1	14
Clerks (Salary Level 5-8)	4	0	0	0	14	3	0	0	21
Service and sales workers	0	0	0	0	0	0	0	0	0
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	0	0	0	0	0	0	0	0	0
Elementary occupations	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>36</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>48</b>	<b>6</b>	<b>1</b>	<b>19</b>	<b>119</b>
<b>Employees with disabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Table 24: Total number of employees (including employees with disabilities) per occupational band, 31 March 2017

Occupational bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management (levels 15-16)	0	0	0	0	0	1	0	1	2
Senior management (levels 13-14)	18	0	3	4	9	0	1	5	40
Professionally qualified and experienced specialists and mid-management (levels 11-12)	9	2	0	0	17	2	0	12	42
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents (levels 9-10)	5	0	0	0	8	0	0	1	14
Semi-skilled and discretionary decision making (levels 6-8)	4	0	0	0	13	3	0	0	20
Unskilled and defined decision making (levels 1-5)	0	0	0	0	1	0	0	0	1
<b>Total</b>	<b>36</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>48</b>	<b>6</b>	<b>1</b>	<b>19</b>	<b>119</b>

Table 25: Recruitment, 1 April 2016 to 31 March 2017

Occupational bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management (levels 15-16)	0	0	0	0	0	0	0	0	0
Senior management (levels 13-14)	5	0	0	1	4	0	1	1	12
Professionally qualified and experienced specialists and mid-management (levels 9-12)	5	0	0	0	9	0	0	1	15
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents (levels 6-8)	2	0	0	0	6	1	0	0	9
Semi-skilled and discretionary decision making (levels 3-5)	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making (levels 1-2)	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>19</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>36</b>
<b>Employees with disabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Table 26: Promotions for the period 1 April 2016 to 31 March 2017

Occupational bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management (levels 15-16)	0	0	0	0	0	0	0	0	0
Senior management (levels 13-14)	0	0	1	0	0	0	0	1	2
Professionally qualified and experienced specialists and mid-management (levels 9-12)	1	0	0	0	3	1	0	3	8
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents (levels 6-8)	0	0	0	0	1	0	0	0	1
Semi-skilled and discretionary decision making (levels 6-8)	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making (levels 1-2)	0	0	0	0	0	0	0	0	0
Employees with disabilities	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>4</b>	<b>1</b>	<b>0</b>	<b>4</b>	<b>11</b>
<b>Employees with disabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



Table 27: Terminations, 1 April 2016 to 31 March 2017

Occupational bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management (levels 15-16)	0	0	0	0	0	0	0	0	0
Senior management (levels 13-14)	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid-management (levels 9-12)	1	0	0	2	1	0	1	1	6
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents (levels 6-8)	0	0	0	0	2	0	0	0	2
Semi-skilled and discretionary decision making (levels 3-5)	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making (levels 1-2)	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>8</b>

Table 28: Disciplinary action, 1 April 2016 to 31 March 2017

Disciplinary Action	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
N/A	0	0	0	0	0	0	0	0	0

Table 29: Skills development, 1 April 2016 to 31 March 2017

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	1	0	1	2	4	1	0	1	10
Professionals	1	1	0	0	11	0	0	8	21
Technicians and associate professionals	0	7	0	0	4	0	0	0	11
Clerks	1	0	0	0	7	2	0	0	10
Service and sales workers	0	0	0	0	0	0	0	0	0
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	0	0	0	0	0	0	0	0	0
Elementary occupations	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>3</b>	<b>8</b>	<b>1</b>	<b>2</b>	<b>26</b>	<b>3</b>	<b>0</b>	<b>9</b>	<b>52</b>
<b>Employees with disabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

# PERFORMANCE REWARDS

To encourage good performance, the department granted the following performance rewards during the year under review.

*Table 30: Signing of performance agreements by Senior Management Service members, 31 May 2016*

SMS level	Total number of funded SMS posts	Total number of SMS members	Total number of signed performance agreements	Signed performance agreements as % of total number of SMS members
Director- General/Head of Department	1	0	0	
Salary level 16	0	0	0	
Salary level 15	1	1	1	100%
Salary level 14	14	10	10	100%
Salary level 13	26	18	18	100%
<b>Total</b>	<b>42</b>	<b>29</b>	<b>29</b>	

*Table 31: Reasons for not having concluded performance agreements for all Senior Management Service members, 31 March 2016*

Reasons
N/A

*Table 32: Disciplinary steps taken against Senior Management Service members for not having concluded performance agreements, 31 March 2016*

Reasons
N/A

Table 33: Performance rewards by race, gender and disability, 1 April 2015 to 31 March 2016

	Beneficiary profile			Cost	
	No. of beneficiaries	Total no. of employees	% of total within group	Cost (R 000)	Average cost per employee
African					
Male	15	25	60%	323	15
Female	25	32	78%	297	12
Indian					
Male	3	3	100%	69	23
Female	0	1	0%	0	0
Coloured					
Male	2	2	100%	28	14
Female	4	5	80%	80	20
White					
Male	2	5	40%	52	25
Female	13	17	76.5%	252	19

The tables relating to performance rewards reflect performance rewards paid in the 2016/17 Financial Year, for the evaluation of the 2015/16 Financial Year. 2016/17 performance rewards will be reported in the 2017/18 annual report

Table 34: Performance rewards by salary band for personnel below Senior Management Service, 1 April 2015 to 31 March 2016

Salary band	Beneficiary profile			Cost		
	No. of beneficiaries	No. of employees	% of total within salary band	Total cost (R 000)	Average cost per employee (R 000)	Total cost as % of total personnel expenditure
Lower skilled (levels 1-2)	0	0	0%	0	0	0%
Skilled (levels 3-5)	1	1	100%	8	8	0.05%
Highly skilled production (levels 6-8)	8	14	57%	55	7	0.06%
Highly skilled supervision (levels 9-12)	32	46	70%	411	13	0.02%
<b>Total</b>	<b>41</b>	<b>61</b>	<b>67%</b>	<b>474</b>	<b>28</b>	<b>0.13%</b>

Table 35: Performance rewards by critical occupation, 1 April 2015 to 31 March 2016

Critical Occupation	Beneficiary profile			Cost	
	No. of beneficiaries	No. of employees	% of total within occupation	Total cost (R 000)	Average cost per employee (R 000)
Transactions advisory services	8	8	100%	220	27%

Table 36: Performance-related rewards (cash bonus), by salary band, for Senior Management Service members, 1 April 2015 to 31 March 2016

Salary band	Beneficiary profile			Cost		Total cost as % of total personnel expenditure
	No. of beneficiaries	No. of employees	% of total within band	Total cost (R 000)	Average cost per employee	
Band A	13	18	72%	303	27	.02%
Band B	9	10	90%	284	31	.03%
Band C	1	1	100%	40	40	.03%
Band D	0	0	0%	0	0	0%
<b>Total</b>	<b>23</b>	<b>29</b>	<b>79%</b>	<b>627</b>	<b>33</b>	<b>0.08%</b>

# FOREIGN WORKERS

Table 37: Foreign workers by salary band, 1 April 2016 to 31 March 2017

Salary band	1 April 2016		31 March 2017		Change	
	No.	% of total	No.	% of total**	No.	% change
Lower skilled (levels 1-2)	0	0%	0	0%	0	0%
Skilled (levels 3-5)	0	0%	0	0%	0	0%
Highly skilled production (levels 6-8)	0	0%	0	0%	0	0%
Highly skilled supervision (levels 9-12)	4	0.09%	4	0.07%	0	0.02%
Senior management (levels 13-16)	1	0.03%	1	0.02%	0	0.01%
<b>Total</b>	<b>5</b>	<b>0.12%</b>	<b>5</b>	<b>0.09%</b>	<b>0</b>	<b>0.03%</b>

Table 38: Foreign workers by major occupation, 1 April 2016 to 31 March 2017

Major Occupation	1 April 2016		31 March 2017		Change	
	No.	% of total	No.	% of total	No.	% change
Senior management	1	0.03%	1	0.02%	0	0.01%
Professional qualified	0	0%	0	0%	0	0%
Skilled technical	4	0.09%	4	0.07%	0	0.02%
Semi-skilled	0	0%	0	0%	0	0%
Unskilled	0	0%	0	0%	0	0%
<b>Total</b>	<b>5</b>	<b>0.12%</b>	<b>5</b>	<b>0.09%</b>	<b>0</b>	<b>0.03%</b>



# LEAVE UTILISATION FOR THE PERIOD 1 JANUARY 2016 TO 31 DECEMBER 2016

The Public Service Commission has identified the need for careful monitoring of sick leave. The following tables indicate the use of sick leave (Table 39) and disability leave (Table 40). In both cases, the estimated cost of the leave is also provided.

*Table 39: Sick leave, 1 January 2016 to 31 December 2016*

Salary band	Total days	% days with medical certification	No. of employees using sick leave	% of total employees using sick leave	Average days per employee	Estimated cost (R 000)
Lower skilled (levels 1-2)	0	0%	0	0%	0	0
Skilled (levels 3-5)	13	100%	1	100%	13	6.3
Highly skilled production (levels 6-8)	75	72%	14	73.7%	5	52
Highly skilled supervision (levels 9-12)	357	80%	43	75.4%	8	528
Senior management (levels 13-16)	141	74%	29	70.7%	5	328
<b>Total</b>	<b>586</b>	<b>78%</b>	<b>87</b>	<b>73.1%</b>	<b>6</b>	<b>914</b>

*Table 40: Disability leave (temporary and permanent), 1 January 2016 to 31 December 2017*

Salary band	Total days	% days with medical certification	No. of employees using disability leave	% of total employees using disability leave	Average days per employee	Estimated cost (R 000)
Lower skilled (levels 1-2)	0	0%	0	0%	0	0
Skilled (levels 3-5)	0	0%	0	0%	0	0
Highly skilled production (levels 6-8)	0	0%	0	0%	0	0
Highly skilled supervision (levels 9-12)	0	0%	0	0%	0	0
Senior management (levels 13-16)	0	0%	0	0%	0	0
<b>Total</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0</b>

Table 41 summarises the use of annual leave. The wage agreement concluded with trade unions in the Public Service Coordinating Bargaining Council in 2000 requires careful management of annual leave to prevent high levels of accrued leave being paid when a staff member's service is terminated.

**Table 41: Annual leave, 1 January 2016 to 31 December 2017**

Salary bands	Total days taken	Number of Employees using Annual leave	Average per employee
Lower skilled (levels 1-2)	0	0	0
Skilled (levels 3-5)	38	1	38
Highly skilled production (levels 6-8)	268	19	14.10
Highly skilled supervision (levels 9-12)	946	52	18.19
Senior management (levels 13-16)	715	43	16.63
<b>Total</b>	<b>1,967</b>	<b>115</b>	<b>17.10</b>

**Table 42: Capped leave, 1 January 2016 to 31 December 2016**

Salary bands	Total days of capped leave taken	Number of Employees using capped leave	Average number of days taken per employee	Average capped leave per employee as at 31 December 2016
Lower skilled (levels 1-2)	0	0	0	0
Skilled (levels 3-5)	0	0	0	0
Highly skilled production (levels 6-8)	0	0	0	0
Highly skilled supervision (levels 9-12)	0	0	0	0
Senior management (levels 13-16)	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Table 43: Leave pay-outs, 1 April 2016 to 31 March 2017**

Reason	Total amount (R 000)	No. of employees	Average payment per employee (R 000)
Leave pay-out for 2016/17 due to non-utilisation of leave for the previous cycle	0	0	0
Capped leave pay-outs on termination of service for 2016/17	0	0	0
Current leave pay-outs on termination of service for 2016/17	R62,097.41	6*	R10,349.57
<b>Total</b>	<b>R62,097.41</b>	<b>6</b>	<b>R10,349.57</b>

\* Seven employees resigned, of whom one had overutilised leave and had returned the funds to GTAC.

# HIV/AIDS AND HEALTH PROMOTION PROGRAMMES

*Table 44: Steps taken to reduce the risk of occupational exposure*

Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any)	Key steps taken to reduce the risk
N/A	N/A

*Table 45: Details of health promotion and HIV/AIDS programmes\**

Question	Yes	No	Details, if yes
1. Has the department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations (2001)? If so, provide her/his name and position.	X		Takalani Musekwa Director: Talent Management National Treasury Email: Takalani.Musekwa@treasury.gov.za GTAC and National Treasury entered into a Shared Service Agreement with full support rendered to the GTAC on Employee Wellness.
2. Does the department have a dedicated unit or has it designated specific staff members to promote the health and well-being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	X		The Employee Wellness Unit is a Sub-Directorate of the Organisational Development Directorate within the Chief Directorate: Human Resources Management in the National Treasury. The Employee Wellness Unit is run by a wellness specialist (Assistant Director). The unit has a budget of R3.5 million to use over a period of three years coming to an end in 2017. The GTAC's Human Resources Management oversees the Wellness function, in collaboration with the National Treasury.
3. Has the department introduced an Employee Assistance or Health Promotion Programme for employees? If so, indicate the key elements/services of this programme.	X		The National Treasury provides employee assistance programmes under Siyaphila. Siyaphila is a confidential, free, 24-hour, 365-day personal support line for National Treasury employees and their immediate family members. These services include counselling, wellness management, HIV/ AIDS management, primary healthcare services and productivity management. This service is fully extended to the GTAC.
4. Has the department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.		X	

Question	Yes	No	Details, if yes
5. Has the department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.	X		<p>The HIV/AIDS and tuberculosis management policy has been reviewed and approved. A task team for employee wellness programme policies and frameworks has been established and is represented by stakeholders, including Organised Labour, Employee Relations, Occupational Health and Safety, the Chief Risk Officer, Corporate Services and Human Resources Management. The GTAC has adopted all National Treasury Health and Wellness policies.</p>
6. Has the department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.	X		<p>Confidentiality clauses are in place and enforced. New infections are managed by primary healthcare personnel of the contracted service provider, Metropolitan Health Care.</p>
7. Does the department encourage its employees to undergo voluntary counselling and testing? If so, list the results that you have achieved.	X		<p>The National Treasury has a clinic on-site providing primary healthcare services. The clinic is occupied by a nurse twice a week, for four hours each day, and a doctor one day a week, for an hour. The services are free and provide employees with an opportunity to do voluntary counselling and testing. In addition, the Siyaphila programme hosts departmental events where employees are given the opportunity to do voluntary testing. Nurses are present at these events. GTAC staff are encouraged to make use of the free services.</p>
8. Has the department developed measures/ indicators to monitor and evaluate the impact of its health promotion programme? If so, list these measures/ indicators.	X		<ul style="list-style-type: none"> <li>• Rate of absenteeism.</li> <li>• Number of health-related complaints.</li> <li>• Incapacity and ill-health leave applications.</li> <li>• Nature of referrals to service providers.</li> <li>• Voluntary HIV/AIDS reports (that do not compromise confidentiality).</li> <li>• Employee wellness programme satisfaction surveys.</li> <li>• Wellness cards to continuously monitor and improve on health risk assessments.</li> <li>• Quarterly and annual utilisation statistics of services.</li> </ul>

*\*Services provided by the National Treasury in terms of the service level agreement.*

# LABOUR RELATIONS

*Table 46: Collective agreements, 1 April 2016 to 31 March 2017*

Subject matter	Date
None	N/A

The following table summarises the outcome of disciplinary hearings conducted within GTAC in 2016/17.

*Table 47: Misconduct and disciplinary hearings, 1 April 2016 to 31 March 2017*

Outcome of Disciplinary hearings	Number	% of total
Correctional counselling	0	0%
Verbal Warning	0	0%
Written Warning	0	0%
Final Written warning	0	0%
Suspended without pay	0	0%
Fine	0	0%
Demotion	0	0%
Dismissal	0	0%
Not guilty	0	0%
Case withdrawn	0	0%
<b>TOTAL</b>	<b>0</b>	<b>0%</b>

*Table 48: Types of misconduct addressed at disciplinary hearing, 1 April 2016 to 31 March 2017*

Outcome of Disciplinary hearings	Number	% of total
N/A	0	0%
N/A	0	0%

*Table 49: Grievances lodged, 1 April 2016 to 31 March 2017*

Grievances	Number	% of total
Number of grievances resolved	3	100%
Number of grievances not resolved	0	0%
<b>Total number of grievances lodged</b>	<b>3</b>	<b>100%</b>

**Table 50: Disputes lodged with councils, 1 April 2016 to 31 March 2017**

Disputes	Number	% of total
Number of disputes upheld resolved	0	0%
Number of disputes dismissed	0	0%
Total number of disputes lodged	0	0%

**Table 51: Strike action, 1 April 2016 to 31 March 2017**

Total Number of persons working days lost	0	0%
Total costs working days lost	0	0%
Amount recovered as a result of no work no pay (R'000)	0	0%

**Table 52: Precautionary suspensions, 1 April 2016 to 31 March 2017**

Total number of people suspended	0	0%
Total number of people who's suspension exceeded 30 days	0	0%
Average number of days suspended	0	0%
Cost of suspension (R'000)	0	0%

# SKILLS DEVELOPMENT

This section summarises the GTAC's work to develop staff skills.

*Table 53: Training needs identified, 1 April 2016 to 31 March 2017*

Occupational categories	Gender	No. of employees as at 1 April 2016	Training needs identified at start of reporting period			
			Learnerships	Skills programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	17	0	4	2	6
	Male	26	0	0	4	4
Professionals	Female	31	0	11	8	19
	Male	10	0	1	1	2
Technicians and associated professionals	Female	9	0	2	2	4
	Male	5	0	3	4	7
Clerks	Female	17	0	5	4	9
	Male	4	0	0	1	1
Service and sales workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Elementary occupations	Female	0	0	0	0	0
	Male	0	0	0	0	0
<b>Subtotal</b>	<b>Female</b>	<b>74</b>	<b>0</b>	<b>22</b>	<b>14</b>	<b>38</b>
	<b>Male</b>	<b>45</b>	<b>0</b>	<b>4</b>	<b>10</b>	<b>14</b>
<b>Total</b>		<b>119</b>	<b>0</b>	<b>26</b>	<b>24</b>	<b>52</b>



Table 54: Training provided, 1 April 2016 to 31 March 2017

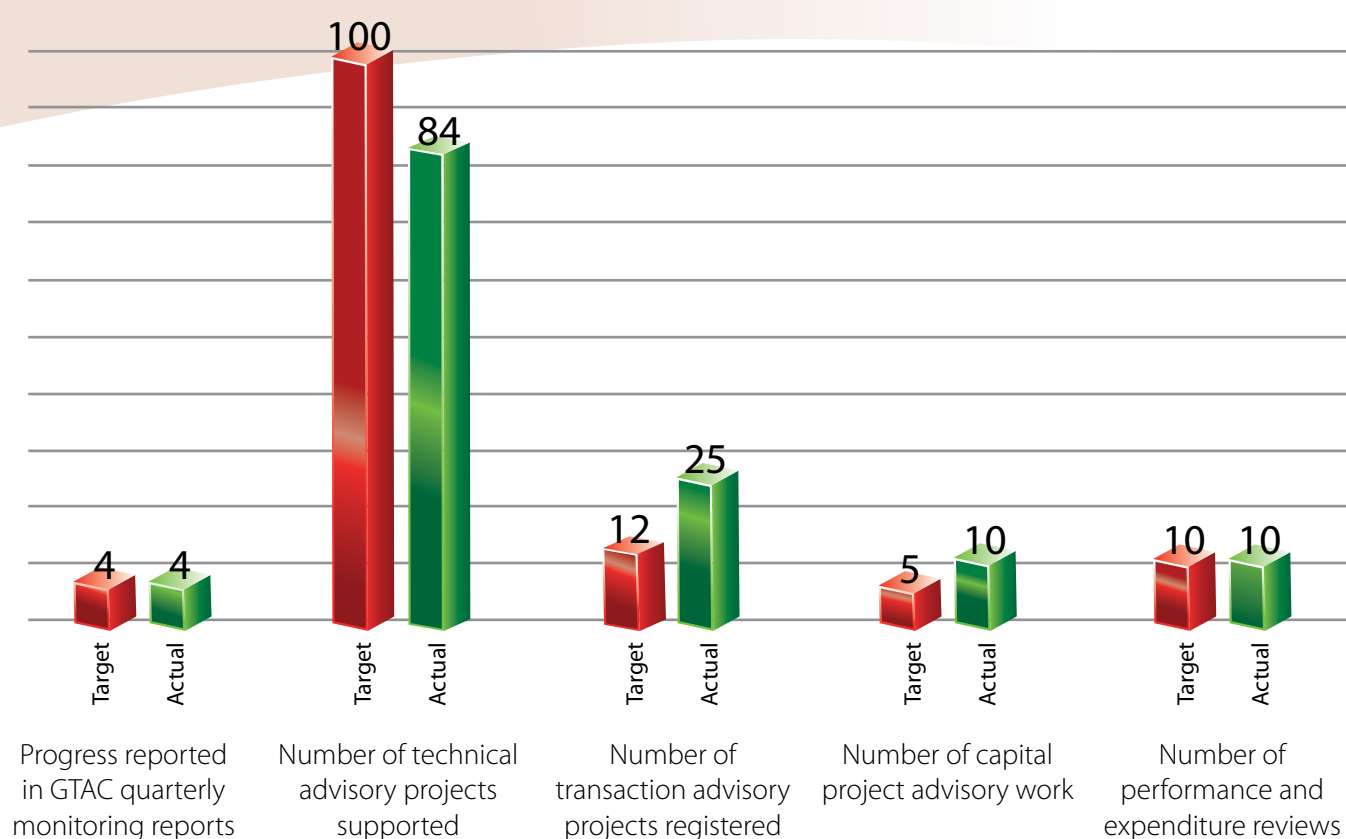
Occupational categories	Gender	No. of employees as at 1 April 2016	Training provided within the reporting period			
			Learnerships	Skills programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	17	0	4	2	6
	Male	26	0	0	4	4
Professionals	Female	31	0	11	8	19
	Male	10	0	1	1	2
Technicians and associated professionals	Female	9	0	2	2	4
	Male	5	0	3	4	7
Clerks	Female	17	0	5	4	9
	Male	4	0	0	1	1
Service and sales workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Elementary occupations	Female	0	0	0	0	0
	Male	0	0	0	0	0
<b>Subtotal</b>	<b>Female</b>	<b>74</b>	<b>0</b>	<b>22</b>	<b>14</b>	<b>38</b>
	<b>Male</b>	<b>45</b>	<b>0</b>	<b>4</b>	<b>10</b>	<b>14</b>
<b>Total</b>		<b>119</b>	<b>0</b>	<b>26</b>	<b>24</b>	<b>52</b>

# ANNEXURES F

# ANNEXURE 1

## ANNUAL PERFORMANCE REPORT

A GRAPHICAL REPRESENTATION OF APP 2016/17 ANNUAL PERFORMANCE INFORMATION BY DIVISION



GTAC divisions have consistently over-performed in the period 2016/2017.

# ANNEXURE 2

## DEVELOPMENT SOUTHERN AFRICA: NEW ASSOCIATE EDITORS AND ADVISORY BOARD MEMBERS

### ASSOCIATE EDITORS

Ronelle Burger	– University of Stellenbosch, South Africa
Daniela Casale	– University of the Witwatersrand, South Africa
Judith Fessehaie	– University of Johannesburg, South Africa
Peliwe Lolwana	– University of the Witwatersrand, South Africa
Duncan Pieterse	– National Treasury, South Africa
Chris Rogerson	– University of Johannesburg, South Africa
Michele Ruiters	– Development Bank of Southern Africa
Janine Thorne	– Independent consultant
Ivan Turok	– Human Sciences Research Council, South Africa
Nick Vink	– University of Stellenbosch, South Africa

### EDITORIAL ADVISORY BOARD

Channing Arndt	– United Nations University
Haroon Bhorat	– Development Policy Research Unit, University of Cape Town
Andrew Donaldson	– GTAC, National Treasury
Mel Gray	– University of Newcastle, Australia
Murray Leibbrandt	– University of Cape Town
Trudi Makhaya	– Independent economist and columnist
Nomalanga Mkhize	– Rhodes University and Business Day columnist
Kuben Naidoo	– South African Reserve Bank
Nicoli Natrass	– Centre for Social Science Research, University of Cape Town
Mthuli Ncube	– University of Oxford and Global Centre for Finance and Growth
Carol Newman	– Trinity College, Dublin
Busani Ngcaweni	– Deputy Director-General and Head: Private Office of the Deputy President, Presidency
Edgar Pieterse	– SARChI Chair in Urban Policy, University of Cape Town
Dori Posel	– University of the Witwatersrand
Abebe Shimeles	– AFDB and University of Cape Town
Witness Simbanegavi	– African Economic Research Consortium
Imraan Valodia	– University of the Witwatersrand
Servaas van der Berg	– University of Stellenbosch

# ANNEXURE 3

## DEVELOPMENT SOUTHERN AFRICA:

### 2016/17 ISSUES PUBLISHED

1. **Volume 33, issue 3 (May 2016) – Special issue:** Labour Market Intelligence Partnership (LMIP) – What are the characteristics and determinants of the skills challenge in South Africa?

Article title	Author(s)
What are the characteristics and determinants of the skills challenge in South Africa?	B. E. Nzimande
Skills in South Africa: The journey towards credible planning	Marcus Powell, Vijay Reddy & Andrea Juan
Higher education, employment and economic growth: Exploring the interactions	Haroon Borat, Aalia Cassim & David Tseng
Utilisation of administrative and research databases in government departments: Providing the platform for skills planning	Andrew Paterson & Mariette Visser
Schooling inequality, higher education and the labour market: Evidence from a graduate tracer study in the Eastern Cape, South Africa	Michael Rogan & John Reynolds
Connecting capabilities in highly unequal developing countries: The case of the Square Kilometre Array telescope in South Africa	Michael Gastrow, Glenda Kruss & Il-Haam Petersen
Higher education responsiveness through partnerships with industry: The case of a university of technology programme	Volker Wedekind & Sybert Mutereko
The changing nature of artisanal work and occupations: Important for understanding labour markets	Angelique Wildschut & Tamlynne Meyer
Bridging skills demand and supply in South Africa: The role of public and private intermediaries	Il-haam Petersen, Glenda Kruss, Simon McGrath & Michael Gastrow

2. **Volume 33, issue 4 (July 2016)**

Article title	Author(s)
Re-estimating gender differences in income in South Africa: The implications of equivalence scales	Dorrit Posel, Daniela Casale & Erofilu Grapsa
Performance of land reform projects in the North West province of South Africa: Changes over time and possible causes	Johann Kirsten, Charles Machethe, Talent Ndlovu & Pascalina Lubambo
A categorisation and evaluation of rhino management policies	Douglas J. Crookes & James N. Blignaut

Article title	Author(s)
Examination of travel and tourism competitiveness contribution to national economy competitiveness of sub-Saharan Africa countries	Bojan Krstic, Sonja Jovanovic, Vesna Jankovic-Milic & Tanja Stanisic
Breaching the barriers: The segmented business and innovation system of handicraft exports in Cape Town	Jan Fransen & Bert (AHJ) Helmsing
Evaluation of the impact of Village Savings and Loan Associations using a novel survey instrument	Conner Brannen & Damien Sheehan-Connor
Sustainable livelihood principles and urban greening in informal settlements in practice: A case of Zandspruit informal settlement, South Africa	Mwazvita TB Sachikonye, Tatenda Dalu & Ashley Gunter
The socio-economic differences between landfill and street waste pickers in the Free State province of South Africa	Catherina J. Schenck, Phillip F. Blaauw & Jacoba M.M. Viljoen
Are 'Albergo Diffuso' and community-based tourism the answers to community development in South Africa?	Andrea Giampiccoli, Melville Saayman & Sean Jugmohan
Closing the development finance gap in post-conflict and fragile situations: What role for development finance institutions?	Thierry Giordano & Michele Ruiters

### 3. **Volume 33, issue 5 (September 2016)**

Article title	Author(s)
The South African labour market, 1995–2015	Lyle Festus, Atoko Kasongo, Mariana Moses & Derek Yu
The debate on the future of the population census: Relevance for South Africa?	A J Christopher
A synthesis of homelessness in South Africa: A rapid critical appraisal	Leon Roets, Annali Botha, Minrie Greeff, Sarie P. Human, Herman Strydom, Martha J. Watson & Shingairai Chigeza
The effects of state-subsidised housing on poverty in Cape Town	Singumbe Muyeba
The social sector of the Expanded Public Works Programme as a strategy to alleviate poverty amongst vulnerable groups in Gauteng	Boitumelo Joyce Mohapi
Deconstructing 'the foreign': The limits of citizenship for explaining price competition in the Spaza sector in South Africa	Laurence Piper & Derek Yu
Rural transport health and safety in sub-Saharan Africa: Online survey snapshot of expert opinion	Steven L Jones, Joseph T Walsh & Seth Appiah-Opoku
The relationship between financial sector development and savings mobilisation in South Africa: An empirical study	Forget Mingiri Kapingura & Paul Alagidede
'Fit to play': Labour market behaviour in a cohort of public-sector antiretroviral treatment patients	Frederik Le Roux Booysen & Jean-Pierre Geldenhuys
The usage of social media as a marketing tool in two Southern African countries	Rosemary Matikiti, Martinette Kruger & Melville Saayman

4. **Volume 33, issue 6 (November 2016)**

Article title	Author(s)
What matters more for South African households' debt repayment difficulties?	Ralph Abbey Ssebagala
Which eligible households get grants? Demographic correlates of receipt in South Africa	Erin B Godfrey, Nia D Gordon, Lucia C Knight, J Lawrence Aber, LaRue Allen, Linda Richter & The SIZE Research Group
Zambia at 50: The persisting challenges of economic structural transformation	Horman Chitonge
Community-based natural resource management: The role of social capital in collaborative environmental management of tribal resources in KwaZulu-Natal, South Africa	Regis Musavengane & Danny Mulala Simatele
Factors impacting on the primary school education of emigrants' children: The case of Gwanda South, Zimbabwe	Zenzele L. Weda & Rorisang Siziba

5. **Volume 34, issue 1 (January 2017)**

Article title	Author(s)
Institutional wage-setting, labour demand and labour supply: Causal estimates from a South African pseudo-panel	Dieter von Fintel
The employment environment for youth in rural South Africa: A mixed-methods study	Andra Wilkinson, Audrey Pettifor, Molly Rosenberg, Carolyn T Halpern, Harsha Thirumurthy, Mark A Collinson & Kathleen Kahn
Underemployment in South Africa	Rochelle Beukes, Tina Fransman, Simba Murozvi & Derek Yu
Considering the efficacy of value-added tax zero-rating as pro-poor policy: The case of South Africa	Ada Jansen & Estian Calitz
Knowledge of entrepreneurial support and entrepreneurial intention in the rural provinces of South Africa	Mmakgabo Justice Malebana
Sustaining the developmental state and moving towards a developed state in Botswana	Emmanuel Botlhale
Understanding local entrepreneurship and small enterprises in the tourism–development nexus: The case of western Uganda	Bright Adiyia, Sarah De Rademaeker, Dominique Vanneste & Wilber Manyisa Ahebwa
Evidence-based policy in Ethiopia: A diagnosis of failure	Jonathan Mitchell & Xavier Font



6. **Volume 34, issue 2 (March 2017)**

Article title	Author(s)
Where to draw the line: Data problems and other difficulties estimating urbanisation in Africa	Jacqueline Borel-Saladin
Analysing post-apartheid poverty trends by geo-type, 1997–2012: The understated role of urbanisation and social grants	Zack Zimbalist
The personal and social benefits of urban agriculture experienced by cultivators on the Cape Flats	David W. Olivier & Lindy Heinecken
The role of secondary cities in managing urbanisation in South Africa	Lochner Marais & Jan Cloete
Climate change, urban settlements and quality of life: The case of the Southern African Development Community region	Rodreck Mupedziswa & Kefentse Princess Kubanga
Heidegger's 'potentiality-for-being': Towards adequate economic development in Nigeria	John Sodiql Sanni
Unlocking the potential of unoccupied spectrum in developing countries: Southern African Development Community – case study	Moshe T Masonta, Adrian Kliks & Mjumo Mzyece

# ANNEXURE 4

## ARTICLES PUBLISHED ON THE ECON3X3 WEBSITE

1. **Day labourers and the role of foreign migrants: For better or for worse?** by Derick Blaauw, Anmar Pretorius, Rinie Schenck, 17 May 2016
2. **How accurate is our migration data?** by Susan Ziehl, 7 June 2016
3. **Cooperatives: Has the dream become a nightmare?** by Johannes Wessels, 23 June 2016
4. **Wealth inequality – striking new insights from tax data** by Anna Orthofer, 24 July 2016
5. **Predicting the impact of a national minimum wage: Are the general equilibrium models up to the task?** by Gilad Isaacs, Servaas Storm, 11 August 2016
6. **The nuts and bolts of micro-manufacturing in the township – a Cape Town case study** by Leif Petersen, Andrew Charman, Paul Court, 6 September 2016
7. **Between the devil and the deep blue sea? The financing of higher education** by Philippe Burger, 22 September 2016
8. **Are internal migrants more likely to be unemployed than locally born residents?** by Susan Ziehl, 11 October 2016
9. **The employability of higher education graduates: Are qualifications enough?** by Elza Lourens, Magda Fourie-Malherbe, 21 November 2016
10. **Youth unemployment: What can we do in the short run?** by Lauren Graham, Ariane De Lannoy, 12 December 2016
11. **Factors contributing to the demise of informal enterprises: Evidence from a Cape township** by Andrew Hartnack, Rory Liedeman, 16 January 2017
12. **REDI3x3 conference: Policies for inclusive growth** by Murray Leibbrandt, Pippa Green, 15 February 2017
13. **Could informal enterprises stimulate township economies? A study of two Midrand townships** by Eddie Rakabe, 28 February 2017
14. **What makes the rand so volatile: Global or home-made factors?** by Nasha Mavee, Axel Schimmelpfennig, 30 March 2017

# ANNEXURE 5

## LIST OF FIGURES AND TABLES

### FIGURES

Figure 1: Programme 8 organisational structure

Figure 2: GTAC website usage 2016/17

Figure 3: Development Southern Africa full text downloads since 2014

Figure 4: Projects supported in 2016/17 per portfolio or work area

Figure 5: Projects supported in 2016/17 per sphere of government

### TABLES

Table 1: Training provided, Quarter 4, 2016/17

Table 2: Personnel costs by programme, 2016/17

Table 3: Personnel costs by salary band, 2016/17

Table 4: Salaries, overtime, homeowners' allowance and medical assistance by programme, 2016/17

Table 5: Salaries, overtime, homeowners' allowance and medical assistance by salary band, 2016/17

Table 6: Employment and vacancies by programme, 31 March 2017

Table 7: Employment and vacancies by salary band, 31 March 2017

Table 8: Employment and vacancies by critical occupations, 31 March 2017

Table 9: Senior Management Service post information, 31 March 2017

Table 10: Senior Management Service post information, 30 September 2016\*

Table 11: Advertising and filling of Senior Management Service posts, 1 April 2016 to 31 March 2017

Table 12: Reasons for not complying with the prescribed timeframes for filling Senior Management Service posts within 12 months, 1 April 2016 to 31 March 2017

Table 13: Disciplinary steps taken for not complying with the prescribed timeframes for filling Senior Management Service posts within 12 months, 1 April 2016 and 31 March 2017.

Table 14: Job evaluation, 1 April 2016 to 31 March 2017

Table 15: Profile of employees whose salary positions were upgraded due to their posts being upgraded, 1 April 2016 to 31 March 2017

Table 16: Employees whose salary levels were higher than those determined by job evaluations per occupation, 1 April 2016 to 31 March 2017

Table 17: Profile of employees who have salary levels higher than those determined by job evaluations, 1 April 2016 to 31 March 2017

Table 18: Annual turnover rates by salary band, 1 April 2016 to 31 March 2017

Table 19: Annual turnover rates by critical occupation, 1 April 2016 to 31 March 2017

Table 20: Reasons for staff leaving the department, 1 April 2016 to 31 March 2017
Table 21: Promotions by critical occupation, 1 April 2016 to 31 March 2017
Table 22: Promotions by salary band, 1 April 2016 to 31 March 2017
Table 23: Total number of employees (including employees with disabilities) per occupational category, 31 March 2017
Table 24: Total number of employees (including employees with disabilities) per occupational band, 31 March 2017
Table 25: Recruitment, 1 April 2016 to 31 March 2017
Table 26: Promotions, 1 April 2016 to 31 March 2017
Table 27: Terminations, 1 April 2016 to 31 March 2017
Table 28: Disciplinary action, 1 April 2016 to 31 March 2017
Table 29: Skills development, 1 April 2016 to 31 March 2017
Table 30: Signing of performance agreements by Senior Management Service members, 31 May 2016
Table 31: Reasons for not having concluded performance agreements for all Senior Management Service members, 31 March 2016
Table 32: Disciplinary steps taken against Senior Management Service members for not having concluded performance agreements, 31 March 2016
Table 33: Performance rewards by race, gender and disability, 1 April 2015 to 31 March 2016
Table 34: Performance rewards by salary band for personnel below Senior Management Service, 1 April 2015 to 31 March 2016
Table 35: Performance rewards by critical occupation, 1 April 2015 to 31 March 2016
Table 36: Performance-related rewards (cash bonus), by salary band, for Senior Management Service members, 1 April 2015 to 31 March 2016
Table 37: Foreign workers by salary band, 1 April 2016 to 31 March 2017
Table 38: Foreign workers by major occupation, 1 April 2016 to 31 March 2017
Table 39: Sick leave, 1 January 2016 to 31 December 2016
Table 40: Disability leave (temporary and permanent), 1 January 2016 to 31 December 2017
Table 41: Annual leave, 1 January 2016 to 31 December 2017
Table 42: Capped leave, 1 January 2016 to 31 December 2016
Table 43: Leave pay-outs, 1 April 2016 to 31 March 2017
Table 44: Steps taken to reduce the risk of occupational exposure
Table 45: Details of health promotion and HIV/AIDS programmes*
Table 46: Collective agreements, 1 April 2016 to 31 March 2017
Table 47: Misconduct and disciplinary hearings, 1 April 2016 to 31 March 2017
Table 48: Types of misconduct addressed at disciplinary hearing, 1 April 2016 to 31 March 2017
Table 49: Grievances lodged, 1 April 2016 to 31 March 2017
Table 50: Disputes lodged with councils, 1 April 2016 to 31 March 2017
Table 51: Strike action, 1 April 2016 to 31 March 2017
Table 52: Precautionary suspensions, 1 April 2016 to 31 March 2017
Table 53: Training needs identified, 1 April 2016 to 31 March 2017
Table 54: Training provided, 1 April 2016 to 31 March 2017

## CONTACT US

Tel: +27 12 315 5111 • Fax: +27 12 315 5786  
info@gtac.gov.za • www.gtac.gov.za

## POSTAL ADDRESS

GTAC, Government Technical Advisory Centre  
Private Bag X115, Pretoria 0001

## PHYSICAL ADDRESS

GTAC, Government Technical Advisory Centre  
240 Madiba Street, Pretoria 0002

ISBN: 978-0-621-45778-0

Designed by  
ACM Communications (Pty)Ltd  
Contact: 083 793 3373



**GTAC** Analyse  
Assess  
Activate  
*Strategic & Technical Advisory*

National Treasury  
REPUBLIC OF SOUTH AFRICA



**national treasury**  
Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA