



FINANCIAL  
AND FISCAL  
COMMISSION

For an Equitable Sharing  
of National Revenue



# ANNUAL REPORT

2019/2020





For an Equitable Sharing  
of National Revenue

# Annual Report 2019/20

## **Financial and Fiscal Commission**

Montrose Place (2nd Floor), Bekker Street,  
Waterfall Park, Vorna Valley, Midrand,

Private Bag X69, Halfway House 1685

[www.ffc.co.za](http://www.ffc.co.za)

Tel: +27 11 207 2300

# Acronyms

APP	Annual Performance Plan
BCP	Business Continuity Plan
CEO	Chief Executive Officer
COSATU	Congress of South African Trade Unions
CRO	Chief Risk Officer
DoRA	Division of Revenue Act
DoRB	Division of Revenue Bill
EMT	Executive Management Team
ENE	Estimates of National Expenditure
ERM	Enterprise Risk Management
FFC	Financial and Fiscal Commission (also referred to as the Commission)
GRAP	Generally Recognised Accounting Practice
HR	Human Resources
IAF	Internal Audit Function
IESBA	International Ethics Standards Board for Accountants
IGFR	Intergovernmental Fiscal Relations
ISA	International Standards on Auditing
MEC	Member of the Executive Council
MTBPS	Medium Term Budget Policy Statement
NCOP	National Council of Provinces
NDP	National Development Plan
PFMA	Public Finance Management Act
SALGA	South African Local Government Association

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Financial and Fiscal Commission  
Annual Report 2019/20  
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# Chairperson's Foreword

My first duty is to mark the untimely passing of Prof Daniel Plaatjies, the Chairperson of the Commission over the period under review, on 10 October 2020. Professor Plaatjies was a civil servant, a scholar, an educator, an activist for social justice and non-racialism, and an outstanding South African intellectual. He was both an architect of South Africa's democratic institutions and a fierce critic of their shortcomings. His acute and challenging insights will be sorely missed in Parliament and public deliberation.

Sadly, the Commission itself has lost an able and energetic Chairperson, who had lifted the Commission to a new level. Professor Plaatjies was appointed to the Financial and Fiscal Commission on 1 September 2013 as a Commissioner, and as Chairperson on 1 July 2017. When he was appointed the Commission was waning. He brought passion, courage and strategic direction to the institution. It is an example we can only hope to build on.

May he rest in peace.

The Financial and Fiscal Commission has a constitutional mandate to provide Government with advice on public finances that is high-quality, expert and independent. The Commission continues to table its submissions on Budget, the Division of Revenue, the Medium-Term Budget Policy Statement and national Appropriations in terms of its constitutional obligations. During the period under review the Commission tabled its 2021/2022 Annual Submission for the Division of Revenue under the theme of "Sustainable Financing of Social and Economic Infrastructure and Services". The Submission begins the conversation about the implications of Covid-19 for the public finances. The most immediate impact on the macro-economic and fiscal framework is the substantial overall decrease in spending proposed by government, which will have consequences for healthcare,

basic education and social protection, the effects of which will be borne by the most vulnerable in society. In light of the current human, health and economic crises, the Submission gives an overview of South Africa's pre-Covid-19 economic structure and a brief analysis of economic data for the first quarter of 2020.

In presenting the Financial and Fiscal Commission's Annual Report for the 2019/2020 financial year, I am pleased to report that the Commission has obtained an unqualified audit report with findings. The Commission maintained the principles of good Governance in all its activities. The Audit and Risk Committee has ensured its independence in accordance with legislation. I am thankful to the Commissioners, Chief Executive Officer, and staff for their dedication and hard work in ensuring that the Commission has fulfilled its constitutional mandate for the 2019/2020 financial year.

I would like to extend a special note of appreciation to the erstwhile Deputy Chairperson Dr Sibongile Muthwa who resigned on 31 December 2019; and Commissioners Mr Siphso Lubisi and Prof Gilingwe Mayende whose tenures came to an end on 27 July 2019. Their valuable contributions and commitment will always be appreciated by the Commission.



**Mr Michael Sachs**  
**Acting Chairperson / Deputy Chairperson**  
**Date: 30 October 2020**

# Chief Executive Officer's Overview



The Financial and Fiscal Commission's key mandate and focus is the provision of proactive, expert and independent advice using evidence-based policy analysis. The Commission provides influential advice on fostering equitable, efficient and sustainable intergovernmental fiscal relations between the national, provincial and local spheres of government. This relates to the equitable division of government revenue among the three spheres of government and to the related service delivery enhancement of public services to South Africans.

On behalf of the Secretariat, it is a pleasure to present the Financial and Fiscal Commission's achievements in the Commission's 2019/20 annual report. Chief among these was the solidifying of organisational culture, internal control and other reforms already underway following a forensic report in 2017. In respect of finances during the year, the reviewed supply chain management policy was approved by the Commission, and a sub-delegation of authority was instituted in the Secretariat, after approval by the Chief Executive Officer.

Noteworthy progress was made in performance management, which is evidenced by the fact that

the Auditor-General found that the Commission's annual performance report was entirely free from any material errors, omissions and misstatements. Amongst others, the Commission undertook the 12 briefings regarding its own Submission for the Division of Revenue and also made submissions and briefed parliamentary committees in respect of all South African Budget documentation as required in law. In addition, 17 presentations were made to stakeholders on request. As part of the institutional reform process and with the intention of ensuring that previous audit findings are addressed and do not recur, an audit improvement action plan tracks all audit findings which are raised by the external as well as the internal auditors.

Given the sudden and unexpected onset of Covid-19 before the end of the financial year, and the circumstances to which it gave rise, the Commission had to halt, review, and adjust its recommendations to address the impact of the pandemic on the economy. It did so while nearing the completion of preparing its recommendations for the annual Division of Revenue. Given the magnitude of this task and the enormous uncertainty regarding the impact of Covid-19 on South Africans, I am proud of the speed and dexterity demonstrated, not only by the Commission's research programme, but also by its administrative support. In the face of the abrupt change of environment and extra demands on every staff member presented by the sudden off-site working requirements, this adjustment was achieved.

During the year under review, the Commission also embarked on key reforms in the information, communication and technology (ICT) area. This led to the Commission approving a new ICT strategy just before the Level 5 shutdown. As the first step in implementing the strategy, the computer equipment refresh enhanced productivity, including enabling the important virtual interaction with

Parliament and other key stakeholders. The ICT renewal continues in the new financial year and will see the Commission modernising not only its technology platforms, but more importantly its business processes. At the centre of this is the unfolding of the Commission's transformation of our research enterprise, with its focus on knowledge information management systems.

Monitoring and evaluation are critical in ensuring delivery of the Commission's mandate and institutional good governance. The Secretariat remains committed to building its capacity and to delivering on its strategic outputs by seeking constantly to optimise activities and work innovatively in the primary focus area of research. In all endeavours and undertakings to transform the institution in line with the vision of the Commission, and as is required of the only constitutional institution charged with advising on financial and fiscal matters, we are determined to demonstrate the values of accountability, honesty and transparency in all actions. Given the current fiscal and macroeconomic circumstances, South Africans expect no less.

In conclusion, the Commission would not have achieved that which it has without the clear guidance and unwavering support of our Chairperson, Professor Daniel Plaatjies in addition to support from the Deputy Chairperson, Commissioners, and the Executive Management team and staff. The backbone of our service delivery is our cadre of personnel and the Secretariat is reliant on its collective effort. It is hoped that as the new year brings a truly major challenge, the Commission can remain at the forefront and deliver on its mandate, buoyed by its new strategic plan.



**Dr Kay Brown**

**Chief Executive Officer**

**Date: 30 September 2020**

# Statement of Responsibility and Confirmation of Accuracy of the Annual Report

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor-General. The annual report is complete, accurate and free from any omissions. The annual report has been prepared in accordance with the annual report guidelines issued by the National Treasury.

The annual financial statements included in this annual report were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP). The Commissioners are responsible for the fiduciary governance of the Commission.

The Accounting Officer is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resource information and the annual financial statements.

The annual report fairly reflects the operations, the performance information, the human resource information and financial affairs of the Financial and Fiscal Commission for the financial year ended 31 March 2020.



**Dr Kay Brown**

**Accounting Officer**

**Date: 30 September 2020**



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# PART A

## General Information

# Part A: General information

## 1. Constitutional and legislative mandate

The Commission derives its mandate from Section 220 of the Constitution of the Republic of South Africa, 1996 (the Constitution) (as amended). The Commission is an independent and impartial advisory institution, whose advice government must seek on the division of revenue among the three spheres of government and in the enactment of legislation pertaining to provincial taxes, municipal fiscal powers and functions, and provincial and municipal loans. Sections 214(2), 221, 222, 228(2)(b), 229(5), 230(2) and 230A(2) of the Constitution set out details in respect of the Commission's functions.

Its mandate is further enabled through the Financial and Fiscal Commission Act, 1997 (Act No. 99 of 1997) (as amended), Intergovernmental Fiscal Relations Act, 1997 (Act No. 97 of 1997), Money Bills Amendment Procedure and Related Matters Amendment Act, 2009 (Act No. 9 of 2009) (as amended), Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (as amended), Provincial Tax Regulation Process Act, 2001 (Act No. 53 of 2001), Intergovernmental Relations Framework Act, 2005 (Act No. 13 of 2005) and the Municipal Fiscal Powers and Functions Act, 2007 (Act No. 12 of 2007).

## 2. Vision and mission

### 2.1 Vision

To provide influential advice for an equitable, efficient and sustainable intergovernmental fiscal relations (IGFR) system.

### 2.2 Mission

To provide proactive, expert and independent advice on promoting a sustainable and equitable IGFR system, through evidence-based policy analysis to ensure the realisation of our constitutional values.

### 3. Values

To enable the Commission to deliver on its mandate, it subscribes to the following values:



- **Professionalism**, which implies fairness and equal treatment, the free sharing of information, striving for quality, and time management



- **Respect** for each other as colleagues and for the diversity of the workforce



- **Empowerment** in employing policies to increase rather than stifle delegation, the tolerance of different views and ideas, and making resources available when required



- **Trust** which requires openness and transparency, humility, integrity, and honesty in all undertakings



- **Teamwork**, which encourages cross-functional integration, voluntary mentorship and coaching, taking responsibility, and flexibility



- **Innovation**, which allows intellectual space, provides systems to support innovation, and tolerates mistakes as opportunities for learning.

## 4. Strategic outcome-oriented goals

The following strategic outcomes-oriented goals identify the areas of institutional performance that are critical to the achievement of the Commission's mandate.

Strategic outcome-oriented goals		
1	<b>Goal 1</b>	<b>A stable and innovative IGFR system</b>
	Goal statement	The system of IGFR is progressive, sustainable and equitable
2	<b>Goal 2</b>	<b>Strategic foresight</b>
	Goal statement	No surprises and future-oriented
3	<b>Goal 3</b>	<b>Influential and informed policy advice</b>
	Goal statement	Effective policies that are evidence-based, and are the result of comprehensive and value-added engagement
4	<b>Goal 4</b>	<b>Knowledge management</b>
	Goal statement	Relevant knowledge that enhances developmental impact is created and mobilised through the balance of internal and external specialist talent commensurate with the needs of the Commission
5	<b>Goal 5</b>	<b>Success culture</b>
	Goal statement	A dynamic, productive organisational culture is created and nurtured
6	<b>Goal 6</b>	<b>Balance</b>
	Goal statement	The balancing of present and future demands, leading to effective performance within the constraints of available resources

## 5. Composition and organisational structure

### 5.1 Commission

The Commission comprises nine people appointed by the President of the Republic of South Africa:

- Chairperson and Deputy Chairperson;
- Three persons appointed after consultation with the Premiers, from a list compiled in accordance with a process prescribed by the Financial and Fiscal Commission Act;
- Two persons appointed after consultation with organised local government, from a list compiled in accordance with a process prescribed by the Financial and Fiscal Commission Act, and the Organised Local Government Act, 1997 (Act No.52 of 1997); and
- Two other persons.

Commissioners are appointed in terms of Section 221 of the Constitution and Section 5 of the Financial and Fiscal Commission Act. The Chairperson is a full-time employee of the Commission whereas the other Commissioners, including the Deputy Chairperson, are part-time. Commissioners must have appropriate experience and are appointed for a term not exceeding five years, which is renewable for a further term.

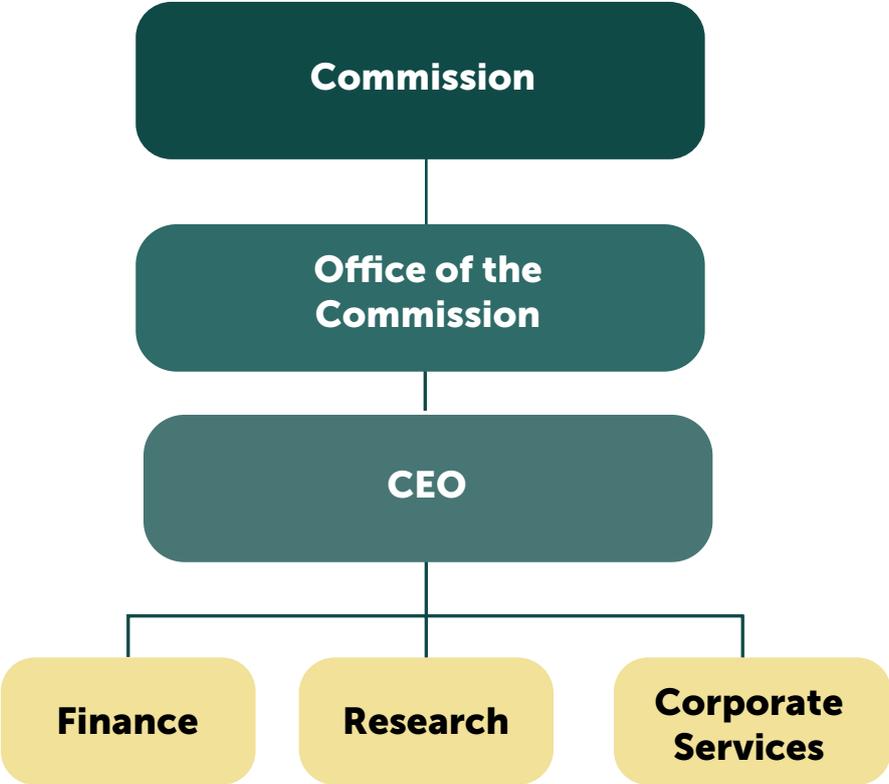
The President, by notice in a Government Gazette, after taking into consideration the recommendations of the Independent Commission for the Remuneration of Public Office Bearers and the National Assembly, proclaims the remuneration, allowances and other benefits of Commissioners.

**5.2 Secretariat**

The Executive Management Team (EMT) is chaired by the Chief Executive Officer, who is also the Commission Secretary. The EMT is committed to transparency, accountability, efficiency and effectiveness, and the practical application of these principles to enable delivery against the Commission’s constitutional mandate. The Commission Secretariat is comprised of four divisions: Office of the Chief Executive Officer, Finance, Corporate Services and Research.

**5.3 Structure of the FFC**

The diagram below shows the structure of the Commission

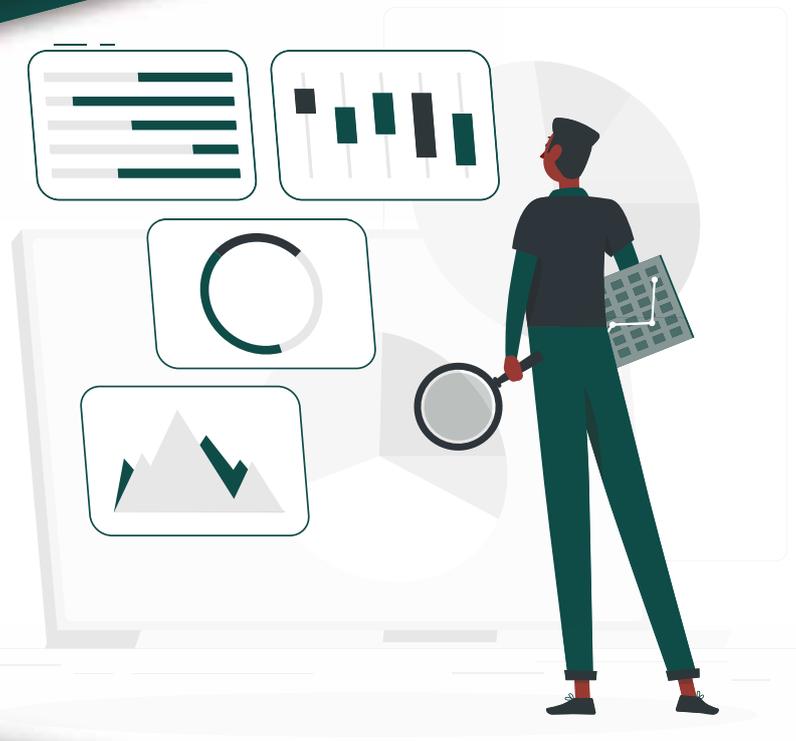






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# PART B

## Performance Information

## Part B: Performance information

### 1. Commission submission for the 2020/21 Division of Revenue Act (DoRA)

The Commission's annual submission to Parliament is made in terms of Section 214(1) of the Constitution, 1996, Section 9 of the Intergovernmental Fiscal Relations Act, and Section 4(4c) of the Money Bills Amendment Procedure and Related Matters Act. Every year the Commission makes recommendations to Parliament to inform the division of revenue among the three levels of government in the development of South Africa's budget. The Commission's annual submission for the 2020/21 DoRA was tabled in Parliament and in Provincial Legislatures in May 2019 with the theme "Repositioning Local Government Public Finances".

The Commission argued that the local government fiscal framework is not in synchronisation with the constitutional mandate of the sphere and requires renewal and rebuilding. The departure point of the submission was a thorough and systematic assessment of local government. Four focus areas underpinned the Commission's argument:

- Firstly, the lack of fiscal space for the local government sector is placing its sustainability and viability at risk. The apparent disjuncture between expenditure needs, especially for basic services such as refuse removal, electricity and water, and municipal own revenues does not augur well for the fiscal sustainability of the sphere. Inequalities and poverty may be exacerbated, and further undermine spending efficiency, accountability and revenue mobilisation efforts of municipalities;
- Secondly, many local government intervention programmes have sought to address different aspects of the dysfunctionality inherent in many municipalities. From a capacity building viewpoint, such programmes have not addressed the challenges. It is imperative that there is a coordinated and holistic approach that addresses weaknesses in the local government environment, at both the organisational and the individual, human capital levels. The emphasis in interventions to avoid dysfunctionality should be on avoiding duplication and ensuring a coordinated, all-encompassing approach. Importantly, there should be a common definition within government for what a dysfunctional municipality entails;
- Thirdly, despite substantial investment in infrastructure since 1994, infrastructural challenges that manifest in poor quality and unreliable water and sanitation services, not only in rural and informal settlements, remain prevalent. This places basic service delivery and the country's infrastructure led growth at risk. Local government infrastructure management must be reformed for efficiency; and
- Finally, the institutional arrangements underpinning the local government fiscal framework appear not to provide the alignment, coordination and innovation required for local government to prosper and achieve the aim of inclusive local economic development and basic services delivery. City-regions may be an organisational structure capable of addressing the issues of local government weakness.

In shaping the contents of this submission, the Commission drew on the knowledge and insights of municipalities, which participated in an online questionnaire survey or agreed to a case study. The Commission also received valuable information and support from local government stakeholders.

Dissemination proceeded well, in line with the strategic objectives and thrust of the submission. The annual submission was presented to Parliament (to both the standing committee on appropriations and select committee on appropriations) and to all provincial legislatures and the South African Local Government Association (SALGA).

## **2. Statement of responsibility for performance information for the year ended 31 March 2020**

The Chief Executive Officer is responsible for the preparation of the Commission's performance information and for assessments made on this information. This involves establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

The Auditor-General currently performs the necessary audit procedures on the performance information to provide assurance on audit conclusions. The audit conclusion on the performance against predetermined objectives is included in the report to management. In my opinion, and as corroborated by the Auditor-General, the performance information fairly reflects the operations of the Commission for the financial year ended 31 March 2020.



**Dr Kay Brown**

**Accounting Officer**

**Date: 30 September 2020**

### 3. Measurable strategic objectives

The measurable strategic objectives outlined in the Commission's strategic plan against which achievements of the Commission are assessed, are:

1. To profile the Commission with a special focus on the Commission's mandate, vision, mission and role, the Commission's short- and long-term strategy, the Commission's position on specific issues, and the Commission's challenges and achievements (objective 5.1.1);
2. To ensure that the Commission research is converted to policy advice and recommendations written in a language understood by policymakers (objective 5.1.2);
3. To ensure the generation of quality, innovative, pioneering research that informs key IGFR strategic debates and choices (objective 5.1.3);
4. To ensure the progressive and innovative management of human resources that attracts, develops and retains key talent, and leverages external expertise (objective 5.2.1);
5. To ensure the coordinated, coherent, high quality, innovative and cost-effective approach to ICT that meets the needs of the Commission, the Commission Secretariat and stakeholders (objective 5.2.2);
6. To ensure the coordinated, cost effective and innovative management of Commission assets in support of delivery on the Commission's mandate (objective 5.2.3);
7. To ensure compliance with legislation and adherence to relevant corporate governance best practice (objective 5.2.4);
8. To ensure superior performance (objective 5.2.5);
9. To ensure the creation of new knowledge, the institutionalisation of such knowledge and its transfer to other role players within the IGFR system (objective 5.3.1);
10. To ensure prudent and transparent management of the financial resources of the Commission (objective 5.4.1); and
11. To ensure access to alternative sources of funding (objective 5.4.2).

The detailed performance information provided below indicates that the Commission has made significant progress in relation to its medium-term goals.

#### 4. Performance against predetermined objectives

Key performance measure/indicator	2019/20 Annual target	2019/20 Annual actual achieved	Variance/ explanation
<b>Measure strategic objective 5.1.1: Profile the Commission with a special focus on the Commission's mandate, vision, mission and role; the Commission's short- and long-term strategy; the Commission's position on specific issues; Commission's challenges and achievements</b>			
Number of briefings on the Submission for the Division of Revenue	12	12	
Number of Committees briefed on Medium Term Budget Policy Statement	4	2	Invitations only received from the Standing and Select Committees on Appropriations
Number of briefings on Commission submission on the Division of Revenue Bill	1	1	
Number of briefings on Commission submission on the Fiscal Framework and Revenue Proposals	1	1	
Number of briefings on Commission submission on the Appropriation Bill	1	1	
Number of briefings on Commission annual report annually	1	0	There was no invitation extended.
Number of Technical Committee on Finance meetings	3	4	More invitations to attend meetings were received than anticipated for the year.
Number of Budget Council meetings and Forum meetings	3	3	
Number of presentations on request by stakeholders	10	17	More stakeholder requests were made than anticipated for the year.

Key performance measure/indicator	2019/20 Annual target	2019/20 Annual actual achieved	Variance/ explanation
<b>Measurable strategic objective 5.1.2: To ensure that Commission research is converted to policy advice and recommendations written in language that policymakers can understand</b>			
Number of Technical Report	1	1	
Number of Policy briefs approved	5	8	More policy briefs were published than initially intended for the year.
<b>Measurable strategic objective 5.1.3: To ensure the generation of quality, innovative, pioneering research that informs key IGFR strategic debates and choices</b>			
Number of Annual Submission for Division of Revenue	1	1	
Number of Medium-Term Budget Policy Statement Submission	1	1	
Number of Division of Revenue Bill Submission	1	1	
Number of Fiscal Framework and Tax Proposals Submission	1	1	
Number of Appropriation Bill Submission	1	1	
<b>Measurable strategic objective 5.3.1: To ensure the creation of new knowledge, the institutionalization of such knowledge and its transfer to other role players within the intergovernmental fiscal relations system</b>			
Number of recognised book chapters or working papers or technical reports published as per research policy	4	3	Publication is a lengthy process and the number noted are the number that were completed to publication stage in the year.
<b>Measurable strategic objective 5.4.2: To ensure access to alternative sources of funding</b>			
Number of partnerships, sponsorships, collaboration agreements or special projects	1	0	No new partnerships were entered into.
<b>Measurable strategic objective 5.2.1: To ensure the progressive and innovative management of human resources that attracts, develops and retains key talent, and leverages external expertise</b>			
Number of Annual Report tabled	1	1	
Number of Human Resources Strategy Developed	1	1	
Number of Employment Equity plan developed	1	1	

Key performance measure/indicator	2019/20 Annual target	2019/20 Annual actual achieved	Variance/ explanation
<b>Measurable strategic objective 5.2.2: To ensure the coordinated, coherent, high-quality, innovative and cost-effective approach to ICT that meets the needs of the Commission, the Commission Secretariat and stakeholders</b>			
Number of ICT governance framework developed	1	1	
Percentage Datawarehouse project phase completed and implemented	60%	40%	The internal FFC research user platform required further testing. To be finalised in 2020/21.
Number of business continuity plan developed	1	0	Business Continuity Plan to be developed in 2020/21.
Number of disaster recovery plan developed	1	0	Disaster Recovery plan to be developed in 2020/21
<b>Measurable strategic objective 5.2.3: To ensure the coordinated, cost-effective and innovative management of Commission assets in support of delivery on the Commission's mandate</b>			
Number of Employee Wellness, Health and Safety policies developed	1	1	
Number of document feasibility study conducted	1	0	The feasibility study could not be conducted. The requested secondment could not be available in the reporting period.
<b>Measurable strategic objective 5.2.4: To ensure compliance with legislation and adherence to relevant corporate governance best practice</b>			
Number of Final Strategic Plan to National Treasury by Statutory deadline	0	0	
Number of Final Strategic Plan to Parliament by Statutory deadline	0	0	
Number of Submission for Division of Revenue approved and tabled by May 2019	1	1	
Number of Submission of Quarterly Financial and Non-Financial Performance Information to NT by due date	4	4	

Key performance measure/indicator	2019/20 Annual target	2019/20 Annual actual achieved	Variance/ explanation
<b>Measurable strategic objective 5.2.4: To ensure compliance with legislation and adherence to relevant corporate governance best practice (cont.)</b>			
Number of Submission of unaudited Annual Financial and non-Financial Performance Information to Auditor- General by due date	1	1	
Number of Submission of unaudited Annual Financial and non-Financial Performance Information to National Treasury by due date	1	1	
Number of Annual Report tabled before Parliament, National Treasury and Auditor- General by due date	3	3	
Number of review and approval of Compliance report	4	4	
Number of Development and approval of compliance charter	1	0	The compliance charter to be completed in 2020/21
Number of Adjustment Budget Estimates Submission to National Treasury by due date	1	0	Commission did not require a budget adjustment within the financial year.
Number of Estimates of National Expenditure (ENE) Submission to National Treasury by due date	1	1	
<b>Measurable Strategic Objective 5.2.4: To ensure superior performance</b>			
Percentage of Implementation of Human Resources Performance Management System	100%	100%	
<b>Measurable strategic objective 5.4.1: To ensure prudent and transparent management of the financial resources of the Commission</b>			
Number of Clean Audit Report	1	0	This was due to the internal control environment requiring strengthening
Number of Supply Chain Management Policies reviewed	1	1	



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# PART C

## Corporate Governance

# Part C: Corporate governance

## 1. Introduction

The Commission is responsible for determining and overseeing its strategic direction and operational policies and the effective implementation of its functions. The Commission is committed to ensuring that its values are adhered to in all its activities. As part of this commitment and fundamental to its constitutional mandate, Commissioners support the highest standards of corporate governance and the development of best practice. The Commission adheres to current standards of good governance involving the establishment of structures and processes with appropriate checks and balances. The Commission and its committees will continue to consider and give attention to governance practices and processes to ensure that its operations are conducted ethically and within prudent risk parameters. Good corporate governance involves:

- Effective and ethical leadership;
- Establishing an ethical culture in the organisation;
- Control of the organisation through appropriate risk management;
- Being driven by results with a focus on holding executives accountable for performance against strategic goals; and
- Ensuring transparent reporting and disclosure of outcomes, value creation and impact on all types of capital employed in the entity (financial, intellectual, human, social, economy, environment).

The Chief Executive Officer (CEO) is the Accounting Officer and the Secretary of the Commission. The CEO is appointed by the Commission and is responsible for managing and directing the activities of the Secretariat, supervising staff and general administration, and performing any functions assigned in terms of the Financial and Fiscal Commission Act, the PFMA and relevant legislative prescripts.

## 2. Commission



### 2.1 Full-time Chairperson

#### **Professor Daniel Plaatjies (1 July 2017 - 30 June 2022)**

Professor Plaatjies has been the Chairperson of the Commission since 1 June 2017. He has a PhD in the study of governance, public policy and public finance from the University of the Witwatersrand, MPhil in policy, planning and management from University of Western Cape and a BSocSc (Hons) from University of Cape Town in policy, planning, administration and management. Professor Plaatjies is former head and director of the University of Witwatersrand School of Governance, former executive director at the Human Sciences Research Council (HSRC) and is a Visiting Professor at the University of Free State School of Business. Among the publications he has authored are "Future

Inheritance - Building State Capacity in Democratic South Africa" (Jacana, 2011) and "Protecting the Inheritance - Governance and Public Accountability in Democratic South Africa" (Jacana, 2013). He was lead editor of HSRC's publication, "State of Nation 2016: Who is in charge? Mandates, accountability and contestation in South Africa". Professor Plaatjies has also authored a number of government publications and articles, thereby contributing to the public discourse on government, governance, public finance, public policies and public leadership, administration and management. He is a former special advisor to the ministries of Public Enterprises, and Public Service and Administration. He has served in various senior and executive management positions in national and provincial government.



## **2.2 Part-time Deputy Chairperson**

### **Professor Sibongile Muthwa (1 July 2017 - 30 June 2022) (Resigned on 31 December 2019)**

Professor Muthwa obtained her BA (SW) from the University of Fort Hare, BA (SW) Hons from the University of the Witwatersrand (Wits), MSc (SPPDC), and a PhD from the University of London. She has international work experience in the non-government, development, and public sectors, as well as in academia. From 2004 to 2010 she served as Director-General for the Eastern Cape government. Between 2010 and 2017, she was Deputy Vice-Chancellor: institutional support at the Nelson Mandela University. In January 2018, she was appointed as Vice-Chancellor of Nelson Mandela University.



## **2.3 Part-time Commissioners**

### **2.3.1 Mr Siphso Lubisi (28 July 2014 – 27 July 2019)**

Mr Siphso Lubisi commenced work at TSB Sugar Holdings in 1981, where he served as a shop steward of the Food and Allied Workers Union (FAWU). He was elected chairperson of the (FAWU) Nelspruit branch from 1986 to 1988, and at the same period he served as the chairperson of the Congress of South African Trade Unions (COSATU) for the Nelspruit region. He served as FAWU Transvaal regional treasurer from 1988 to 1990. In 1990 to 1993 was the national treasurer of FAWU. He was elected as the chairperson of the COSATU Eastern Transvaal region from 1989 to 1993 and also served as a member of central executive committee of COSATU. Mr Lubisi served as a member of the African National Congress (ANC) provincial executive committee from 1992 to 2008. He was elected as the ANC provincial deputy chairperson in 2002 and served until 2005. From 2002 to 2007 he was a member of the South African Communist Party (SACP) central committee. He is currently serving as a member of the executive committee of the SACP in Mpumalanga. Mr Lubisi was elected as a senator in the then Senate of the Republic of South Africa from 1994 to 1996 and served as the permanent delegate in the National Council of Provinces (NCOP) from 1996 to 1998. He joined the Mpumalanga Provincial Legislature and was elected as the Speaker of the Legislature from 1998 to 2004. He served as a member of the executive council (MEC) of the Mpumalanga Department of Health and Social Development in 2004 and 2005 and was MEC for Economic Development and Planning from 2005 to 2007. In 2007 and 2008 he was reappointed as MEC for Health and Social Development. From 2008 to 2009 Mr Lubisi served as a member of the Mpumalanga Provincial Legislature and served as chairperson of the portfolio committee on agriculture and land administration, and economic development and planning. He served as a member of various committees such as the select committee of chairpersons of committees and on the select committee on public accounts (SCOPA) Mr Lubisi was the Speaker of the Mpumalanga Legislature from 2009 to 2014. He is on record the longest serving Speaker, having completed ten years at the helm of the Mpumalanga Provincial Legislature on different occasions.

In 2010 to 2011, Mr Lubisi was elected as the president of the Commonwealth Parliamentary Association (CPA), Africa Region. He served also as a trustee of various organisations and a patron of various schools. He was appointed as a Commissioner of the Financial and Fiscal Commission (FFC) by the President on 28 July 2014. He has served as the Chairperson of the Mpumalanga Tourism and Parks Agency Board of Directors from August 2014 to February 2016. He is a trustee of the Jane Goodall Institute South Africa. He also served as a trustee of the Nelspruit Development Trust. He also served as a director of the board of the Mpumalanga Liquor Authority and as well as a director of the Mpumalanga Economic Growth Agency.

Mr Lubisi has received extensive training and attended various courses in economics, management, leadership, communication, public speaking and politics both in the country and internationally. He has a qualification in personnel management from the Rand Afrikaans University (University of Johannesburg) and a post graduate diploma from Wits University.



### **2.3.2 Professor Gilingwe Mayende (28 July 2014 - 27 July 2019)**

Professor Gilingwe Mayende originally qualified with a PhD in development sociology, which he obtained from the University of Hull in the United Kingdom. He subsequently did a number of short courses in management, including a diploma in executive leadership (senior executive programme) from Harvard University. After completing his PhD in 1990, he was selected as visiting fellow and senior associate member of St Antony's College, Oxford University in the United Kingdom, where he conducted research on the land question in South Africa. Between 1995 and 2005, Professor Mayende served as a senior public servant in the democratic South African government - a career which included appointment as the Director-General of the Department of Land Affairs from 2000 to 2005. He also served as the Deputy Director-General of the Eastern Cape provincial government between January 1999 and April 2000. From March 1995 to December 1998 he was the regional land claims commissioner for the Eastern Cape and Free State. He is currently Deputy Vice Chancellor: institutional support at the University of Fort Hare.



### **2.3.3 Professor Aubrey Mokadi (1 April 2018 - 31 March 2023)**

Prof Aubrey Mokadi studied at various institutions of higher learning: Fort Hare University, University of the Witwatersrand, University of South Africa, Stanford University (USA), and University of Oxford (United Kingdom). He has lectured in the English departments of various universities and published widely in several accredited journals nationally and internationally in various fields and topics including English literature, governance and leadership. Prof Mokadi is a recipient of national and international awards of academic excellence. He is the author of several books endorsed through forewords by eminent South Africans, among others, Archbishop Emeritus Desmond Tutu, Nobel Peace Laureate; the late Nadine Gordimer, Nobel Laureate for Literature; and the late Professor Es'kia Mphahlele, renowned author, academic, scholar and social critic.

Prof Mokadi is a former chairperson of Vaal Triangle Technikon, first black rector and vice chancellor of Vaal University of Technology, former director of Dorbyl Steel and Engineering, former director of ABSA Bank, first black manager of ISCOR (now Acelor Mittal), former chair of the Committee of Technikon Principals (CTP), former joint chair of (SAUVCA/CTP), founder member of Higher Education South Africa (HESA), currently known as Universities of South Africa (USA), former executive committee member of SERTEC (Certification and Quality Assurance Statutory Body of Universities of Technology), former trustee of National Tertiary Retirement Fund (NTRF) and the Recipient of several awards of merit and leadership.

Prof Mokadi is a former president of Vaal Civic Association, (now SANCO), chair and trustee of Vaal Career College, Chair of Vaal Broad Forum (comprising all community and political structures), chair of Vaal Education and Training Forum (VETF) and recipient of various community recognition awards. Prof Mokadi has been the special advisor to the Premier of the Free State. As part of the advisory services to the premier, he has now been asked to establish the Free State Digital Skills Academy and Incubation Hub in order to support the President's 4<sup>th</sup> industrial revolution initiative. He is director of The South Africa Institute of Leadership (SAIL), a skills based

company offering SAQA accredited qualifications and leadership programmes; director of Jubilee Management Services, chairperson of Leadership Enterprise Development Organisation (LEDO). Prof Mokadi is currently a member of the board of directors of the O R School of Leadership, an ANC NEC initiative to train and develop all its members from MPs to MPLs, councillors, and members on critical aspects of leadership and cadreship.

#### **2.3.4 Mr Mandla Nkomfe (1 April 2018-31 March 2023)**

Mr Mandla Nkomfe is currently working as special advisor to the Minister of Public Enterprises. He has acted in this capacity since 2014, firstly in the Department of Cooperative Governance and Traditional Affairs (COGTA), the Department of Finance and lately public enterprises. Mr Nkomfe has a Bachelor of Arts (BA) degree, Postgraduate Diploma in Public and Development and Master of Management in Public and Development, all obtained from the University of Witwatersrand. He also has obtained a diploma in International and Central Banking from the University of South Africa. He was a Member of the Executive Council (MEC) for Economic Affairs and Finance in 2008 and MEC for Finance up to 2014. Mr Nkomfe is a member of the board of trustees of the Ahmed Kathrada Foundation.



#### **2.3.5 Prof Lourens Jacobus Erasmus (1 April 2019 – 31 March 2024)**

Prof Erasmus has a D Tech cost and management accounting (TUT); M Tech cost and management accounting (Tech PTA); B Tech finance and accounting (public) (*cum laude*) (Tech PTA); Nat. Dip. government finance (*cum laude*) (Tech PTA). Prof Erasmus is currently a professor in financial governance at Unisa where he is primarily involved with research and research supervision. He has a C2-rating as researcher by the National Research Foundation and has to date published 35 articles in accredited national and international academic journals and conference proceedings, focusing on public sector financial governance and internal auditing. Prof Erasmus was also involved in producing four industry reports : three for the National Treasury and one for the Institute of Internal Auditors. A research book, focusing on an adapted teaching approach for inclusive accountancy diploma programmes, of which he was the co project leader, was published in 2019.

Apart from supervising postgraduate students, publishing papers in accredited academic journals and presenting at international conferences, Prof Erasmus is the editor in chief of the DHET accredited academic journal the *Southern African Journal of Accountability and Auditing Research*. He is also an associate editor of the *South African Journal of Accounting Research*, a DHET accredited journal listed on the Scopus index. He is the current chairperson of the Education and Training Committee of the Southern African Institute of Government Auditors. He chairs the Unisa College of Accounting Sciences research ethics review committee and leads the research on audit committee South Africa project. Prof Erasmus is a general member of the Chartered Institute of Government Finance, Audit and Risk Officers (CIGFARO).



### **2.3.6 Prof Trevor Fowler (1 April 2019 – 31 March 2024)**

Prof Trevor Fowler is a visiting adjunct professor and director of executive education at the University of Witwatersrand, School of Governance. He is a graduate Civil Engineer of the University of Manitoba in Canada. He has more than 44 years of experience in civil engineering research, design, construction, project management, political and administrative leadership, management negotiations, governance, community/national/international stakeholder management, water supply planning and development.

Prof Fowler was the city manager/CEO of the City of Johannesburg until December 2016. Previously, he was an executive director of Murray and Roberts and head of SADC construction cluster responsible for subsidiary companies in South Africa, Botswana and Zimbabwe, the Chief Operations Officer and Accounting Officer/Deputy Head of the SA Presidency under Presidents Mbeki, Motlanthe and Zuma, advisor to Premier Mbhazima Shilowa, the MEC of Development Planning and Local Government and Leader of the House, Speaker of the Gauteng Legislature, head of transition management team and advisor to first Minister of Water Affairs and Forestry, Hon K Asmal. Prior to the democratic government in 1994. Prof Fowler was research officer/lecturer at Wits' Faculty of Engineering, a member of the national local government negotiating forum (LGNF negotiated transitional arrangements for Codesa) and member of the technical committee of Codesa to demarcate the provincial boundaries.

Prof Fowler also worked as a civil engineer for 19 years in several countries including Botswana as senior engineer, principal engineer for the Ministry of Local Government and Housing, United States of America as a civil engineering consultant and computer systems manager with one of the few black owned civil engineering companies, Benito Sinclair and Associates in Los Angeles, as well as for the Manitoba Department of Mineral Resources in Winnipeg, Canada.



### **2.3.7 Ms Nthabeleng Mochochoko (01 April 2019- 31 March 2024)**

An accountant with CIA and CTA and currently busy with her Masters at the University of Free State, Ms Nthabeleng Mochochoko is a seasoned professional with a track record of auditing and evaluating highly computerised and manual business environments. Her industry experience includes financial sector, services sector, manufacturing sector, construction sector, engineering sector, government institutions and parastatals. Her areas of expertise include IT post implementation reviews, application control reviews, operational audits, compliance audits, finance audits, value for money audits, audit turnaround, AFS compilations, risk management, governance and special investigations. She has experience at junior level, middle and executive management levels in

a career spanning over 16 years with appropriate qualifications in both auditing and accounting. Ms Mochochoko has served on various boards and chaired many audit committees.

### 3. Commission meetings and attendance

Commissioner meetings are the highest decision-making structure of the Commission. The meetings are chaired by the Chairperson; and are held four times annually.

The table below indicates the frequency of Commission meetings and attendance during 2019/20.

Name of member	Position	Commission meeting attendance and dates				
		17/4/2019	30/7/2019	14/08/2019	04/2/2020	26/03/2020
Prof Daniel Plaatjies	Chairperson	√	√	√	√	√
Dr Sibongile Muthwa	Deputy Chairperson	A	A	√	#	#
Prof Lourens Erasmus	Commissioner	√	√	√	√	√
Mr Siphon Lubisi	Commissioner	√	#	#	#	#
Prof Gilingwe Mayende	Commissioner	A	#	#	#	#
Prof Aubrey Mokadi	Commissioner	√	√	√	√	A
Mr Mandla Nkomfe	Commissioner	A	√	√	√	√
Prof Trevor Fowler	Commissioner	√	√	√	√	√
Ms Nthabeleng Mochochoko	Commissioner	√	A	√	√	A
Key: √ = Attended; A = Apologies; # = Term expired/Resigned						

### 4. Committees

The Commission may appoint one or more committees to assist in the performance of any of its functions or the exercise of any of its powers. The establishment of committees strengthens the overall governance of the Commission. The audit and risk committee is a mandatory committee that is established in terms of the PFMA. The Commission has further established the human capital management and remuneration committee, and research committee to ensure effective implementation of its objectives. Each committee has its own terms of reference that are regularly reviewed.

#### 4.1 Audit and risk committee

The audit and risk committee is independent in accordance with the PFMA and the legislative prescripts. The Chairperson is an independent member appointed by the Accounting Officer, as mandated by the Treasury regulations. All members comply with statutory required competencies and have no conflicts of interest. The Commission, with the assistance of the audit and risk committee, needs to ensure that an effective, efficient and transparent system of internal control is implemented and maintained so that the Commission can meet its strategic objectives and goals. The audit and risk committee primarily assists the Commission in overseeing the quality and integrity of the financial statements, its public disclosures, the scope and effectiveness of the external audit function, and the effectiveness of the Commission's internal controls and internal audit function. The audit and risk committee operates in terms of an approved charter. The committee met six times during the financial year under review. In these meetings, the Accounting Officer and executive management were always represented. The Auditor-General and internal auditors are always invited, thus ensuring that such meetings are as effective and transparent as possible. The assertions and assurance provided by internal and external audit are relied on to determine the effectiveness of the internal control systems. Information on audit and risk committee members and meetings attended can be viewed in Part E of this annual report.

## 4.2 Research committee

The research committee assists the Commission to oversee its research and recommendations. The committee provides strategic support for the Commission's research and recommendations programme. Meetings are held four times a year, or more frequently if needed. Activities involve monitoring research plans, outputs and external expertise utilised in reviewing research proposals, and ultimately providing strategic direction and guidance during the research process. Equally critical is the research committee's role in managing the policy impact of the Commission's recommendations.

The table below indicates the composition of the research committee, frequency of meetings and attendance during 2019/20.

Name of member	Position	Research committee meeting attendance and dates				
		09/04/2019	12/06/2019	19/09/2019	21/01/2020	05/03/2020
Prof Daniel Plaatjies	Chairperson of FFC	√	√	√	√	√
Prof Gilingwe Mayende	Commissioner	√	√	#	#	#
Prof Trevor Fowler	Commissioner	√	√	√	√	√
Prof Lourens Erasmus	Commissioner	A	√	√	√	√
Prof Aubrey Mokadi	Commissioner	√	√	A	√	√
Mr Mandla Nkomfe	Commissioner	√	A	√	√	A

Key: √ = Attended; A = Apologies; # = Term expired

## 4.3 Human capital management and remuneration committee

The role of the human capital management and remuneration committee is to provide guidance and make recommendations to the Commission on human capital management and remuneration matters.

The table below indicates the composition, frequency of meetings and attendance during 2019/20.

Name of member	Position	Human capital and remuneration committee meeting attendance and dates		
		24/05/2019	12/07/2019	24/10/2019
Mr Siphon Lubisi	Chairperson, Commissioner	√	√	#
Dr Sibongile Muthwa	Deputy Chairperson, member	√	√	A
Professor Purshottama Sivanarain Reddy	Independent member	√	√	√
Mr Romeo Adams	Independent member	A	A	A
Ms Kokodi Morobe	Independent member	√	√	√
Professor Aubrey Mokadi	Commissioner, member	√	√	√
Professor Daniel Plaatjies	Chairperson of FFC, <i>ex officio</i>	A	A	√

Key: √ = Attended; A = Apologies; # = Term Expired;

## **5. Compliance with legislation**

As the Executive Authority, the Chairperson is responsible for overall strategic and governance oversight. As the Accounting Officer, the CEO has the ultimate responsibility to monitor and ensure institutional and financial compliance. The function of ensuring regulatory compliance within the operational divisions is the responsibility of the executive managers.

## **6. Risk management**

Risk management forms an integral part of the Commission's plan to deliver effectively and efficiently on its mandate. The Commission identifies and manages strategic risks associated with the objectives in its strategic plan, as well as operational risks in line with its mandate. The Commission maintains a risk register, which is reviewed to ensure that risk is managed and to identify new and emerging risks. Risk reports are tabled at meetings of the audit and risk committee. The risk register is also used by the internal auditors to plan their risk-based audits. The audit and risk committee monitors the implementation of risk management in a systematic and regular manner. Risk management underpins the Commission's strategic and operational management and is integrated into its activities at all levels, from planning, execution and oversight to control.

The Commission follows a structured approach to identifying, evaluating and managing opportunities, threats and uncertainty that may affect the achievement of its objectives.

## **7. Fraud and corruption prevention**

All staff members have a duty to report knowledge or suspicion of fraud and corruption. The implementation and monitoring is done through the monthly management and executive committee meetings and is also part of the quarterly Commission committee meetings. The Commission has intensified the focus on fraud awareness and prevention, including reviewing and strengthening of internal controls as a result of the forensic investigation report. The Commission also has a fraud prevention plan in place.

## **8. Health, safety and environmental issues**

The Commission cares for its employees and their work environment and seeks to ensure, as far as is reasonably possible, the health and safety of all employees in the workplace and of all other persons conducting business on its premises. The Commission is committed to the fulfilment of the requirements stipulated in the Occupational Health and Safety Act, 1993 (Act No. 85 of 1993). No material health, safety or environmental issues were raised during the year.

## **9. HIV/Aids and health programme**

The Commission's HIV/Aids policy was developed and implemented in 2002. The policy makes a clear statement against discrimination and ensures protection of employees who are HIV-positive or perceived to be HIV-positive.

The human resources support includes staff HIV/Aids awareness and health promotion programmes. The human resources support also includes the implementation of an employee assistance programme to address broader issues related to employee health and wellness matters.

## **10. Internal controls**

The CEO is responsible for the formation and development of an efficient administration including the organisation, control, management and discipline of staff. The CEO is responsible for implementing the decisions of the Commission. Besides the office of the CEO, the Secretariat has three divisions:

### **10.1 Research Programme**

The Research Programme translates and implements the Commission's strategic direction for research and recommendations, ensuring that key messages are consistent and maintain and build the reputation of the Commission. To this end, quality research is a critical core business enabler of evidence-based recommendations. However, excellence in research is unlikely to be impactful unless policy analysis is packaged in a way that is understood by stakeholders and adds value to their processes. Accordingly, effective dissemination of research insights and recommendations and effective stakeholder management is key to the programme's work. This includes follow-up on recommendation implementation and innovations in how the Commission engages.

### **10.2 Finance**

The responsibility of the finance function is to support and assist the Commissioners and the Accounting Officer in the effective, efficient and transparent financial management of the resources of the Commission, including sound budgeting and budgetary control practices, ongoing implementation of internal controls, and timely production of financial reports.

Supply chain management falls under the responsibility of the finance function. The internal controls are reviewed on a continuous basis to ensure that they are efficient, effective and adequate.

### **10.3 Corporate Services**

Corporate Services translates and implements the strategic direction of the Commission for human resource management, ICT and facilities management. The human resource focus is to provide support to Commission employees as the Commission's primary asset. In the ICT arena, focus is on the establishment of coordinated, coherent, high quality, innovative and cost-effective systems and processes that meet the needs of the Commission. The facilities management unit supports a secure and conducive working environment.

## **11. Secretariat meetings**

### **11.1 Executive management team (EMT)**

The EMT is chaired by the CEO and comprises the chief financial officer, head of research and other executive managers. The EMT assists in fulfilling the Commission's legal and strategic obligations and provides guidance and recommendations on operations, personnel, the budget, technology and governance. In pursuit of its mandate the EMT meets at least monthly.

The EMT is committed to the principles of transparency, accountability, efficiency and effectiveness and the daily practical application of these principles.

## **12. Sustainability**

The funds of the Commission consist almost entirely of money appropriated by Parliament for the purposes of the Commission, as well as interest earned on bank account balances, and money that has otherwise become available to the Commission.



# PART D

## Human Capital Management

# Part D: Human capital management

## 1. Introduction

The goal of the Commission's human capital management is to provide service excellence to core and support functions. Our organisational success depends on the high level of skills and professionalism of our employees. It is for this purpose that the human resources (HR) function strives to continuously improve its processes and procedures to ensure an effective employee support in achieving the Commission's strategic objectives.

During 2019/20, the HR unit undertook organisational-wide change management which includes the review of organisational structure to meet the needs of the Commission. Top priorities of the HR unit remain to ensure a fully capacitated organisation and employee capability enhancing organisational plans.

The Commission's performance management processes, geared towards upfront articulation of clear objectives, supporting an ethos of fairness as well as specific, measurable, attainable, relevant and time bound (SMART) principles, has borne fruitful results in achieving the strategic goals. Aligned to the new performance management system, performance agreements were redesigned in the drive towards a high-performance culture.

Organisational development processes to define the most appropriate Commission working collaboration culture as well as to drive organisational-wide change were implemented. The purpose of the organisational-wide intervention is to ensure the integration of current Commission organisational values into systems and processes, in a way that steers the evolution of the Commission to realise a world-class financial and fiscal research organisation.

The HR management priorities also include compliance with legislative prescripts, evidenced through the submission of the 2019 employment equity report to the Department of Labour, and the commencement of the process to produce the Commission's employment equity plan for the outer years. This is in view of the Commission's commitment to the broader aspirations of fair, equitable, non-racial and non-sexist employment practices, including the implementation of affirmative action measures.

Action plans were put in place to ensure that the processes to mitigate risks identified in human capital management are undertaken. However more operational and strategic interventions are required in the quest to institutionalise world-class practices in the Commission.

### 1.1 Employment statistics, trends and analysis

The Chairperson of the Commission is appointed by the President in a full-time capacity and is not included as an employee in the statistics presented.

### 1.2 Workforce

This table narrates the workforce profile of the total number of people on the staff establishment, as well as fixed-term contract employees and vacant positions as at 31 March 2020. Plans are in progress to fill the critical vacant positions.

### 1.3 Employment and vacancies by salary band

Salary band	Total staff establishment	Total staff establishment	Vacant positions
	31 March 2019	31 March 2020	31 March 2020
Salary levels 1–2	1	1	0
Salary levels 3–5	2	2	0
Salary levels 6–8	3	3	0
Salary levels 9–12	12	11	4
Senior management (13)	5	5	5
Salary levels 14–15 (executive management)	5	6	0
<b>Total</b>	<b>28</b>	<b>28</b>	<b>09</b>

## 2. Personnel expenditure

The personnel expenditure table gives an overview of the Commission's personnel costs by salary level, excluding the full time Chairperson, for the year ending 31 March 2020.

### 2.1 Personnel costs by salary band

Salary levels	Personnel expenditure (R)	% of total personnel cost	Average personnel cost per employee (R)
Salary levels 1–2	158 144	1%	158 144
Salary levels 3–5	933 605	3%	466 803
Salary levels 6–8	1 521 060	6%	304 212
Salary levels 9–12	9 221 897	34%	709 377
Senior Management (13)	5 899 530	22%	1 179 906
Salary levels 14–15 (executive management)	7 620 434	28%	952 554
Salary levels 16	1 927 497	7%	1 927 497

### 3. Employment changes

#### 3.1 Appointment and terminations

The Commission records that seven appointments were made during the financial year under review. Three were employed on a permanent basis and four on fixed-term contracts. Eight employees left the Commission through termination of contract for various reasons.

Salary levels	Appointments	Terminations	Total staff establishment 31 March 2020
Salary levels 1–2	0	0	1
Salary levels 3–5	0	0	2
Salary levels 6–8	1	1	3
Salary levels 9–12	2	3	11
Senior management (13)	0	0	5
Salary levels 14–15 (executive management)	4	4	6
<b>Total</b>	<b>7</b>	<b>8</b>	<b>28</b>

A further breakdown is provided in section 3.2.

#### 3.2 Reasons for staff terminations

In terms of the staff categories, the Commission reports eight terminations. During 2019/20, there were four voluntary resignations, one retirement, one fixed-term contract expired and two dismissals following the internal disciplinary processes.

Termination type	Number
Resignation	4
Retirement	1
Contract expiry	1
Dismissal	2
<b>Total</b>	<b>8</b>

## 4. Total number of employees per occupational level as at 31 March 2020

### 4.1 Headcount

The table below shows the Commission's headcount classification per occupational level as at 31 March 2020. Analysis shows that in terms of gender, females account for 57 per cent and males for 43 per cent of the total Commission's headcount. The distribution of race is African 71 per cent, Coloured 14 per cent, Indian 4 per cent and White 11 per cent.

Occupational bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	2	0	0	1	1	0	1	1	6
Senior management	4	0	0	0	0	1	0	0	5
Professionally qualified and experienced specialists and mid-management	2	1	0	0	3	0	0	1	7
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	1	0	0	0	4	2	0	0	7
Semi-skilled and discretionary decision making	1	0	0	0	1	0	0	0	2
Unskilled and defined decision making	0	0	0	0	1	0	0	0	1
<b>Total permanent</b>	<b>10</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>10</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>28</b>
Persons with disabilities	0	0	0	0	0	0	0	0	0

## 5. Training and development philosophy

The Commission is committed to developing a workforce that can realise its current and future vision. It will achieve this by providing employees at all organisational levels with appropriate learning and development opportunities. All new employees, both fixed-term and permanent contract employees are orientated within their first months of employment regarding the Commission's philosophy, organisational values and mandate. A blended approach to learning and development is adopted which recognises both formal and on-the-job training.

## 6. Performance rewards

The table below illustrates the breakdown of the performance reward distribution for non-management services, middle management services, senior management and executive management respectively. The total cost of the performance reward to all employees for the financial year ended 31 March 2019 was R528 795, which was paid in 2019/20.

### Performance reward by salary band

Salary levels	Number of employees	Number of beneficiaries	% of total in group	Total bonus cost/ payment (R)	Average bonus payment per employee (R)
Salary levels 1–2	1	1	100	3 032	3 032
Salary levels 3–5	2	2	100	17 898	8 949
Salary levels 6–8	3	3	100	28 392	9 464
Salary levels 9–12	11	11	100	236 394	21 490
Salary level 13 (senior management)	4	4	100	111 111	27 778
Salary level 14-15 (executive management)	4	4	100	131 968	81 887
<b>Total</b>	<b>25</b>	<b>25</b>	<b>100</b>	<b>528 795</b>	<b>21 152</b>

## 7. Leave utilisation

### 7.1 Annual and sick leave

The leave utilisation table below shows the annual leave and sick leave trends in the Commission.

Salary levels	Number of employees	Total days annual leave taken	Average annual leave days per employee	Total days sick leave taken	Average annual sick leave days per employee
Salary levels 1–2	1	39	39	3	3
Salary levels 3–5	2	44.5	22.2	15	7.5
Salary levels 6–8	3	54	18	21.5	7.2
Salary levels 9–12	11	212.5	19.3	59	5.4
Salary level 13	5	94	18.8	11	2.2
Salary levels 14–15 (executive management)	6	36	6	17	2.8
<b>Total</b>	<b>28</b>	<b>480</b>	<b>17.1</b>	<b>126.5</b>	<b>4.5</b>

### 7.2 Disability leave (temporary and permanent)

Employees wellness information is always shared with employees, and such information helps them to adopt and maintain healthy behaviours and lifestyles. Healthy behaviours lead to lower health risks, and lower health risks lead to less chronic disease. As a result, the Commission recorded no temporary disability leave during 2019/20.

### 7.3 Leave pay out

The Commission recorded leave pay out to eight employees whose employment contracts with the organisation ended as per table below.

Leave pay out on Termination of Service	Total amount (R)	Number of employees	Average payment per employee (R)
<b>Total</b>	<b>818 827</b>	<b>8</b>	<b>102 353</b>

## 8. Labour relations trends

### 8.1 Grievances lodged

There was no formal grievance lodged during 2019/20.

### 8.2 Precautionary suspensions and special leave

The table below indicates that during the period under review, one employee was placed on suspension in terms of Commission policy, pending the outcome of the disciplinary hearing.

Leave type	Number
Precautionary suspension	1
<b>Total</b>	<b>1</b>

## 9. Injury on duty

During 2019/20, no injury on duty cases were reported. This is due to preventative precautionary measures consistently taken by the Commission to create a safe and conducive working environment, as well as in compliance with the Health and Safety Act and Regulations.





FINANCIAL  
AND FISCAL  
COMMISSION

For an Equitable Sharing  
of National Revenue



# PART E

## Financial Information

# Part E: Financial Information

## 1. Statement of responsibility and approval of the annual financial statements for the year ended 31 March 2020

The Accounting Officer is responsible for the preparation of financial statements that fairly present the financial position, performance and cash flows for the financial period under review and for the related information contained in the annual report. For the Accounting Officer to discharge these responsibilities in terms of PFMA and other applicable legislation, the Commission developed and maintains a system of internal controls.

The Commission maintained adequate accounting records and a system of internal controls and risk management and complied in all material respects with applicable laws and regulations, except as reported by the Auditor-General. While operating risk cannot be fully eliminated, the Commission endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints. Monitoring of these controls includes regular review of the Commission's operations by the Accounting Officer and independent oversight by the audit and risk committee.

The Commission prepared the annual financial statements presented on pages 56 to 87 using Standards of Generally Recognised Accounting Practice (GRAP). Appropriate accounting policies, supported by reasonable and prudent judgements and estimates, have been used consistently.

The external auditors are responsible for reporting on whether the financial statements are fairly presented. Their report is presented on pages 51 to 55.

The Commission is financially dependent on a transfer payment from the nationally appropriated funds. On the basis that the transfer payment has been listed in the Estimates of National Expenditure, the Commission believes that it will continue to be a going concern in the year ahead. For this reason, the Commission prepared the annual financial statements on a going concern basis.

As the Accounting Officer, I have approved the annual financial statements for the year ended 31 March 2020 which were signed.



**Dr Kay Brown**

**Accounting Officer**

**Date: 30 September 2020**

## 2. Report of the audit and risk committee for the year ended 31 March 2020

### 2.1 Introduction

We are pleased to present our report for the financial year ended 31 March 2020 in terms of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) section 38(1)(a), (4)d and 77, and Treasury regulations 3.1.11.

### 2.2 Audit and risk committee members and attendance:

The audit and risk committee consisted of the members listed below and met as indicated during the period under review.

Name of member	Position	Audit and risk committee meeting attendance and dates			
		27/05/2019	19/07/2019	29/10/2019	20/01/2020
Mr Duncan Ntuli	Chairperson of the Committee	√	√	√	√
Ms Karen Muthen	Independent Member	√	√	√	√
Ms Mandisa Ramuedzisi	Independent Member	√	√	√	√
Mr Siphso Lubisi	Commissioner, Member	√	√	#	#
Mr Mandla Nkomfe	Commissioner, Member	A	A	A	A
Ms Nthabeleng Mochochoko	Commissioner, Member	A	A	A	√

Key: √= Attended; A=Apologies; #= Term expired

### 2.3 Committee responsibility

The committee complied with its responsibilities arising from Section 38(1)(a) of the PFMA and Treasury Regulations 3.1.13.

The committee adopted the audit committee charter, has regulated its affairs in compliance therewith, and has discharged all its responsibilities as contained therein.

The committee also familiarised itself with the strategic plan and annual performance plan of the Commission in order to improve its understanding of the objectives and the deliverables of the organisation.

### 2.4 Effectiveness of internal control

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the requirements of the PFMA, internal auditing provides the committee and management with assurance that the internal controls are appropriate and effective, and that risks are being effectively managed.

This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to controls and process. During the financial year, the Audit Committee encouraged management to implement and report quarterly on the tracking and resolution of internal and external audit findings.

In the financial year under review, the Commission appointed two acting Chief Financial Officers at different time periods due to the suspension and disciplinary process against the Chief Financial Officer, which was finalised in December 2019.

The instability in the financial leadership position impacted the internal control environment and the resolution of audit findings to a certain degree. With the disciplinary process having been finalised, the Committee foresees the restoration of accountability in the financial department hence forth as adverts for a permanent Chief Financial Officer had gone out and closed on 17 July 2020. It is envisaged that the recruitment of a permanent Chief Financial Officer would be finalised by 30 November 2020.

Despite the above, the system of internal controls is effective as outlined in the various reports of the Internal Auditors, the auditor's report on the annual financial statements, and management letter of the Auditor-General, however in some instances it was not operating as intended for the year under review, as compliance with certain prescribed policies and procedures was lacking.

Accordingly, we can report that the system of internal controls for the period under review was partially effective and efficient.

## **2.5 Risk management**

The committee has an oversight responsibility over the Commission's internal risk management processes. In the year under review the committee monitored the implementation of risk management and reviewed progress quarterly.

Reviews and assessments of the Commission's strategic risk will continue to be done on a quarterly basis by the committee and management.

## **2.6 Evaluation of financial statements**

The committee has:

- Reviewed and discussed the audited annual financial statements to be included in the annual report with the Auditor-General and the Accounting Officer;
- Reviewed the Auditor-General's management letter and the management's response to it;
- Reviewed changes in accounting policies and practices, where applicable; and
- Reviewed the information on predetermined objectives as reported in the annual report.

The committee concurs and accepts the Auditor-General's conclusions on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

## **2.7 Internal audit**

The internal audit function of the Commission is outsourced. The committee approved the internal audit plan which was based on the risk register as prepared by management and confirmed with the committee.

The internal audit function completed all the planned audits for 2019/20.

The committee is satisfied that the internal audit function is operating effectively and that its internal audit procedures have addressed the risks pertinent to the Commission.

## **2.8 External audit**

The committee has met with the Office of the Auditor-General to ensure that there are no unresolved matters.

## **2.9 Going concern**

The annual financial statements of the Commission were prepared on a going concern basis and the Accounting Officer is satisfied that the Commission is financially sound and has adequate resources to continue operating for the foreseeable future.

On behalf of the Audit and Risk Management Committee



**Duncan Thulani Ntuli**  
**Chairperson of the Audit and Risk Committee**  
**30 September 2020**

### **3. Statement of responsibility of the Accounting Officer for the financial statements for the year ended 31 March 2020**

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

As the Accounting Officer and Chief Executive Officer, I acknowledge that I am ultimately responsible for the system of internal financial control established by the Commission which places considerable importance on maintaining a strong control environment. To enable meeting these responsibilities, the Commission sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the Commission and all employees are required to maintain the highest ethical standards in ensuring the Commission's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management is on identifying, assessing, managing and monitoring all known forms of risk across the Commission. While operating risk cannot be fully eliminated, the Commission endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

As the Accounting Officer and Chief Executive Officer, I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatements.

I have reviewed the Commission's cash flow forecast for the year to 31 March 2021 and, in the light of this review and the current financial position, I am satisfied that the Commission has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the Commission is a going concern and that the government has neither the intention nor the need to liquidate or curtail materially the scale of the Commission.

The Commissioners are accountable for the fiduciary governance and management of the Commission. The Chief Executive Officer as the Accounting Officer of the Commission is responsible for its financial affairs.

The annual financial statements set out on pages 56 to 87, which have been prepared on the going concern basis, were approved and signed by myself as the Accounting Officer:



**Dr Kay Brown**

**Chief Executive Officer**

**Date: 30 September 2020**

## **4. Report by the Accounting Officer to the Executive Authority and Parliament of the Republic of South Africa**

### **4.1 Review of activities**

Effective and sound human resources and financial management are the backbone of any institution and the Commission is no exception. As part of putting reforms in place in the Commission, the Secretariat embarked on a review of human resources policies, supply chain management policies and other policies. This was bolstered by the ICT strategy that was adopted at the end of 2019/20, of which the first step was planning the institutional computer equipment refresh required for enhanced productivity.

This was done with a view to entrenching the stability, good corporate governance and sound financial management that has been fostered within the Commission in recent years. This has been possible by the entrenchment of the operational functionality in the institution in line with the 2015 amendments to the Financial and Fiscal Commission Act, 1997 and the strengthened compliance ethos, including effectively having addressed disaster recovery, business continuity and other fundamental legacy issues such as the matters in 2016/17 that gave rise to a forensic investigation.

The members of the executive management team have brought new experience and ideas for the development of an innovative and pragmatic model for rendering the Commission's services that is strongly centred on its research enterprise review. This has set the Commission on a positive trajectory for its future governance systems and operations. The Commission continues to prioritise attracting expert public policy researchers with specialist knowledge of the fiscal system and data research techniques.

## **5. Analysis of financial statements**

### **5.1 Revenue**

The Commission received its funding from non-exchange and exchange transactions.

#### *5.1.1 Revenue received from exchange transactions*

The Commission received interest of R940 893 on the positive bank balance.

#### *5.1.2 Revenue received from non-exchange transactions*

The total appropriation from the National Treasury for the Commission for the year ending 31 March 2020 was R54 319 000 (2019: R51 782 000) representing a 4.9 per cent increase. The funding from the national fiscus was primarily used for the operations of the Commission.

### **5.2 Expenses**

Operating expenditure remained relatively constant from R48 313 837 in the prior year to R48 167 765 in the current year.

### **5.3 Assets**

The procurement of computer equipment and furniture assets during the year was minimal. Additions amounted to R48 089, which was to replace obsolete laptops and printers.

Current assets have increased to R17.2 million from R10.4 million. The increase was due to the surplus cash reserves of R16.9 million. Included in this surplus is an amount of R8 million that has been committed for

surrender to the National Treasury which requested the Commission to pay this to the Department of Public Works for the use of the current premises in Midrand. Included in the receivables from exchange transactions are prepayments in respect of operating expenses of R340 320.

#### **5.4 Liabilities**

Liabilities include provisions for leave pay of R999 069 (2019: R1 147 879) and for performance bonuses of R488 766 (2019: R553 362). Payables from exchange transactions include suppliers outstanding at year end. This has decreased due to extra measures to pay suppliers on time.

### **6. Major event expenditure**

The Commission did not incur any expenditure in respect of any major non-mandate event during the period under review.

### **7. Constraints**

In a knowledge intensive domain, the Commission remains critically aware of the importance of its staff. The Commission will prioritise its research programme to strengthen its ability to generate influential policy advice based on credible research and to increase its empirical data capacity. Suitable research expertise is difficult to retain, however. The specialist technical skills required mean there is not a large pool from which to recruit talent. The attraction of talent and management and retention of staff remains a key imperative.

### **8. Corporate governance arrangements**

#### **8.1 Internal audit function**

The internal audit function (IAF) of the Commission was outsourced in 2019/20 to Morar Inc. The IAF is an integral part of the Commission's system of governance.

The IAF provides objective and independent assurance to management and the audit and risk committee on the adequacy and effectiveness of internal controls, risk management and governance processes within the Commission. In pursuing this activity, the IAF is guided by its own terms of reference and the internal audit charter, which was approved by the audit and risk committee.

The internal auditors have full access and a direct reporting line to the audit and risk committee and reports at each committee meeting on control weaknesses and other internal audit activities.

Through comprehensive engagement with internal stakeholders, the IAF formulated a three-year rolling plan, incorporating the plan to address the matters raised in the Auditor-General's management report. The plan was approved by the audit and risk committee. The annual plan, forming part of the internal audit plan, was executed during the year under review.

#### **8.2 Audit and risk committee**

The audit and risk committee continues to operate within its terms of reference, which are reviewed and approved annually. The audit and risk committee met four times during the year. In these meetings, the Accounting Officer and executive management were represented.

The auditors of the Auditor-General of South Africa are always invited to attend, thus ensuring that such meetings are as effective as possible.

### **8.3 Risk management**

Because of its size, the Commission does not have a separate enterprise risk management (ERM) unit. The discharge of this responsibility devolves to all members of executive management and is coordinated by the Chief Financial Officer.

Management had reviewed the Commission's risk management strategy, which informed the continuous integration of risk management into the daily activities of the Commission.

Management has created awareness and instituted risk management processes and procedures in alignment with the public sector risk management framework in the form of an independently-facilitated risk review process. The Commission updated its risk profile, which is monitored on an ongoing basis by internal governance structures, including the EMT and the audit and risk committee.

During the course of developing its risk profile, the Commission paid special attention to identifying and assessing strategic, and fraud and corruption risks.

## **9. New activities**

Except for requests received from stakeholders in terms of Section 3 of the Financial and Fiscal Commission Act, 1997, there were no other new activities during the course of the reporting period.

## **10. Asset management**

In terms of Section 38(1)(b) of the PFMA, the Accounting Officer of the Commission is responsible for the effective, efficient, economical and transparent use of the resources.

In addition to the normal daily administration and management of the Commission's asset register, appropriate activities were undertaken in an attempt to improve on the overall asset management environment of the Commission. The Commission activities towards ensuring that its assets are properly tagged, verified and accounted for and that any lost or redundant assets were identified and removed from the asset register on a timely basis. An asset verification process was also conducted.

## **11. Performance information**

Divisional heads have reported to the Accounting Officer on a regular basis on the progress made with regard to functional delivery and measurable objectives, as contained in the Commission's strategic plan.

## **12. Standing committee on public accounts (SCOPA)**

There were no SCOPA resolutions in 2019/20 relating to the Commission.

### 13. Surplus and reserves

The Commission received approval at the beginning of the year to use its accumulated surplus towards operations. Savings in the current year owing to better management of funds will be included as a request to retain part of the surplus for use in the upcoming year.

### 14. Budget

The Commission's budget was submitted to the National Treasury in terms of the PFMA. There was no surplus/deficit in the budget.

### 15. Executive Authority

The Executive Authority of the Commission is the Chairperson of the Commission in terms of the Treasury regulations to the Public Finance Management Act, 1999.

Name	Position	Period served during the 2019/20 financial year
Professor D Plaatjies	Chairperson	April 2019 – March 2020

### 16. Approval

The annual financial statements set out on pages 56 to 87 have been approved by me as the Accounting Officer.



**Dr Kay Brown**

**Accounting Officer**

**Date: 30 September 2020**

# Report of the Auditor-General to Parliament on the Financial and Fiscal Commission

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Financial and Fiscal Commission (commission) set out on pages 56 to 87, which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of 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 Financial and Fiscal Commission as at 31 March 2020, 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 commission in accordance with sections 290 and 291 of the *Code of ethics for professional accountants* and parts 1 and 3 of the *International code of ethics for professional accountants* (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) 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 codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

6. 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.
7. In preparing the financial statements, the accounting officer is responsible for assessing the commission's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting officer either intends to liquidate the commission or to cease operations, or has no realistic alternative but to do so.

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

8. 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

### Report on the audit of the annual performance report

#### Introduction and scope

10. 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 on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the commission. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the commission enabled service delivery. My procedures also do 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.
12. 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 strategic objective presented in the annual performance report of the commission for the year ended 31 March 2020:

Objectives	Pages in the annual performance report
Strategic objective 5.1.1: profile the commission with a special focus on the commission's mandate, vision, mission and role, the commission's short and long-term strategy, the commission's position on specific issues, and the commission's challenges and achievements	19 - 22

13. 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.

14. I did not identify any material findings on the usefulness and reliability of the reported performance information for this strategic objective:

- Strategic objective 5.1.1: profile the commission with a special focus on the commission's mandate, vision, mission and role, the commission's short and long-term strategy, the commission's position on specific issues, and the commission's challenges and achievements

#### **Other matter**

15. I draw attention to the matter below.

#### **Achievement of planned targets**

16. Refer to the annual performance report on pages 19 to 22 for information on the achievement of planned targets for the year and explanations provided for the overachievement of a number of targets.

#### **Report on the audit of compliance with legislation**

##### **Introduction and scope**

17. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the commission's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

18. The material findings on compliance with specific matters in key legislation are as follows:

##### **Financial statements, performance report and annual report**

19. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and as required by section 40(1)(a) and (b) of the PFMA. Material misstatements of non-current assets, current assets, liabilities, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records provided, resulting in the financial statements receiving an unqualified opinion.

##### **Procurement and contract management**

20. Some quotations were awarded to bidders based on preference points that were not calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act of South Africa, 2000 (Act No. 5 of 2000) and its regulations.

21. Sufficient appropriate audit evidence could not be obtained that goods and services with a transaction value below R500 000 were procured by means of obtaining the required price quotations, as required by treasury regulation 16A6.1.

##### **Expenditure management**

22. Payments were not made within 30 days or an agreed period after receipt of an invoice, as required by treasury regulation 8.2.3.

23. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R46 761, as disclosed in note 20 to the financial statements, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1.

### Other information

24. The commission's 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 and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
25. 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.
26. 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 objectives 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, I conclude that there is a material misstatement in this other information, I am required to report that fact.
27. I have nothing to report in this regard.

### Internal control deficiencies

28. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in my opinion and the findings on compliance with legislation included in this report.
29. There were inadequate day-to-day, weekly and monthly controls to ensure that transactions were accurately processed, reconciled and reviewed timeously. This led to the financial statements submitted for auditing containing errors, omissions and misstatements, which were subsequently corrected by management. There was inadequate oversight to ensure that the commission adhered to relevant legislation, as transgressions were identified relating to the PFMA and Treasury Regulations. Processes and procedures to monitor payments to service providers and suppliers within 30 days were also not sufficient. Other non-compliance related to supply chain management where a request for quotation was not awarded to a supplier that scored the highest points and the reason for the deviation was not recorded as required by applicable legislation. Management was not effective in developing and monitoring the implementation of action plans it put in place to address internal control deficiencies. Management was also not effective in the implementation of effective human resource management to ensure that adequate and sufficiently skilled resources were in place and that their performance was monitored. The significant deficiencies in internal control relating to non-compliance led to a stagnation in the overall audit outcome of the commission.

*Audit-General*

**Pretoria**  
**30 September 2020**

## **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 objectives and on the commission’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 this auditor’s report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the commission’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 commission’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 this auditor’s report. However, future events or conditions may cause the commission to cease continuing as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

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

## Statement of Financial Position as at 31 March 2020

Figures in Rand	Notes	2020	2019
<b>Assets</b>			
Receivables from exchange transactions	3	340 320	243 252
Cash and cash equivalents	4	16 859 327	10 204 834
		<b>17 199 647</b>	<b>10 448 086</b>
Non-current assets			
Deposits	5	280 654	280 654
Plant and equipment	6	1 099 257	1 521 092
Intangible assets	7	1 936 304	1 110 218
		<b>3 316 215</b>	<b>2 911 964</b>
<b>Total assets</b>		<b>20 515 862</b>	<b>13 360 050</b>
<b>Liabilities</b>			
Current liabilities			
Payables from exchange transactions	8	9 200 275	1 676 918
Provisions	9	1 487 835	1 701 241
		<b>10 688 110</b>	<b>3 378 159</b>
Non-current liabilities			
Operating lease liability	10	214 675	69 418
<b>Total liabilities</b>		<b>10 902 785</b>	<b>3 447 577</b>
<b>Total net assets</b>		<b>9 613 077</b>	<b>9 912 473</b>
<b>Accumulated Surplus</b>		9 613 077	9 912 473
<b>Total net assets and liabilities</b>		<b>20 515 862</b>	<b>13 360 050</b>

## Statement of Financial Performance

Figures in Rand	Notes	2020	2019 *Restated
<b>Revenue</b>			
Revenue from exchange transactions			
Interest received	11	940 893	924 127
Revenue from non-exchange transactions			
Transfer revenue			
Government grants	11	54 319 000	51 782 000
Total revenue from non-exchange transactions		<b>54 319 000</b>	<b>51 782 000</b>
Total revenue		<b>55 259 893</b>	<b>52 706 127</b>
<b>Expenditure</b>			
Employee costs	12	30 211 193	32 192 017
Depreciation and amortisation		145 539	205 983
Loss on disposal of assets and liabilities		208 473	60
Professional services	13	5 364 998	3 874 052
Operating expenses	14	12 237 561	12 041 776
<b>Total expenditure</b>		<b>48 167 765</b>	<b>48 313 837</b>
<b>Surplus for the year</b>		<b>7 092 129</b>	<b>4 392 290</b>

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 1 April 2018</b>	<b>13 585 322</b>	<b>13 585 322</b>
Changes in net assets		
Surplus for the year	4 392 290	4 392 290
Accumulated surplus surrendered	(8 065 139)	(8 065 139)
Total changes	<b>(3 672 849)</b>	<b>(3 672 849)</b>
<b>Balance at 1 April 2019</b>	9 912 473	9 912 473
Changes in net assets		
Surplus for the year	7 092 128	7 092 128
Accumulated surplus surrendered	(7 391 524)	(7 391 524)
Total changes	(299 396)	(299 396)
<b>Balance at 31 March 2020</b>	<b>9 613 077</b>	<b>9 613 077</b>

## Cash Flow Statement

Figures in Rand	Notes	2020	2019
<b>Cash flows from operating activities</b>			
Receipts			
Government grants		54 319 000	51 782 000
Interest received		940 893	924 127
		<b>55 259 893</b>	<b>52 706 127</b>
Payments			
Employee costs		(30 211 193)	(32 269 466)
Accumulated surplus surrendered		(7 391 525)	-
Suppliers		(10 244 422)	(16 420 123)
		(47 847 140)	(48 689 589)
<b>Net cash flows from operating activities</b>	15	<b>7 412 753</b>	<b>4 016 538</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment	6	123 575	-
Purchase of plant and equipment	6	(48 089)	(125 527)
Purchase of intangible assets	7	(833 750)	(1 058 000)
Net cash flows from investing activities		<b>(758 264)</b>	<b>(1 183 527)</b>
<b>Cash flows from financing activities</b>			
Accumulated surplus surrendered		-	(8 065 139)
Net cashflow from financing activities		-	<b>(8 065 139)</b>
Net increase/(decrease) in cash and cash equivalents		6 654 489	(5 232 128)
Cash and cash equivalents at the beginning of the year		10 204 834	15 436 962
<b>Cash and cash equivalents at the end of the year</b>	4	<b>16 859 323</b>	<b>10 204 834</b>

In the current financial year, the Commission has amended the classification of accumulated surplus surrendered from financing activities to operating activities for better presentation in the financial statements.

## Statement of Comparison of Budget and Actual Amounts

### Budget on cash basis

Figures in Rand	Approved budget on cash basis	Actual amounts on accrual basis	Adjustment of actual amounts from accrual to cash basis	Actual amounts on cash basis	Difference between budget and adjusted actual amount
<b>Statement of financial performance</b>					
<b>Receipts</b>					
Revenue from exchange transactions					
<b>Interest received</b>	107 000	940 893	-	940 893	833 893
Total revenue from exchange transactions	<b>107 000</b>	<b>940 893</b>	<b>-</b>	<b>940 893</b>	<b>833 893</b>
<b>Revenue from non-exchange transactions</b>					
Transfer revenue					
Government grants	54 319 000	54 319 000	-	54 319 000	-
Total revenue from non-exchange transactions	54 319 000	54 319 000	-	54 319 000	-
<b>Total receipts</b>	<b>54 426 000</b>	<b>55 259 893</b>	<b>-</b>	<b>55 259 893</b>	<b>833 893</b>
<b>Payments</b>					
Employee costs	(35 592 446)	(30 211 193)	1 221 786	(28 989 407)	6 603 039
Depreciation and amortisation	-	(145 539)	145 539	-	-
Building costs	(4 104 343)	(3 278 411)	55 016	(3 223 395)	880 948
Loss of disposal of assets	-	(208 473)	208 473	-	-
Professional services	(6 613 546)	(5 364 998)	12 832	(5 352 166)	1 261 380
Operating expenditure	(7 594 326)	(8 077 311)	5 235	(8 072 076)	(477 750)
Surplus retained for rental	2 080 014	-	-	-	(2 080 015)
Fixed assets	(2 601 353)	(881 839)	-	(881 839)	1 719 514
<b>Total expenditure</b>	<b>(54 426 000)</b>	<b>(48 167 764)</b>	<b>1 648 881</b>	<b>(46 518 883)</b>	<b>7 907 117</b>
Actual amount on comparable basis as presented in the budget and actual comparative statement	-	<b>7 092 129</b>	<b>1 648 881</b>	<b>8 741 010</b>	<b>8 741 010</b> refer to note 27

## 1. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

### Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Accounting policies for material transactions, events or conditions are developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5 in the absence of an issued and effective standard of GRAP.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of South Africa.

### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the Commission will continue to operate as a going concern for at least the next 12 months. The Commission has sufficient accumulated surplus reserves and certainty exists over its future transfer allocations from the National Treasury as at the reporting period.

### 1.3 Plant and equipment

Plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the Commission; and
- the cost of the item can be measured reliably. Plant and equipment is initially measured at cost.

On initial recognition, the cost of an item of plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

## 1. Accounting policies

### 1.3 Plant and equipment (continued)

Where an asset is acquired through a non-exchange transaction, the cost of that item will be its fair value at its acquisition date.

Plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Plant and equipment are depreciated on the diminishing balance method over their expected useful lives to their estimated residual value.

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

<b>Item</b>	<b>Depreciation method</b>	<b>Average useful life</b>
Furniture and fixtures	Diminishing balance	25 years
Motor vehicles	Diminishing balance	10 years
Computer equipment	Diminishing balance	10 years
Leasehold improvements	Diminishing balance	Amortised over the period of the lease
Artwork	Infinite	Infinite

Each part of an item of plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Commission. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The Commission assesses at each reporting date whether there is any indication that the Commission's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the Commission revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation method used is the diminishing balance. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

At each reporting date, assets are assessed for indications of impairment and adjustments are made to their carrying amount.

## 1. Accounting policies

### 1.4 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Commission; and
- the cost or fair value of the asset can be measured reliably.

The Commission assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible asset are initially measured at cost in an exchange transaction. Where the acquisition is through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

At reporting date all intangible assets are assessed for impairment.

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

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

<b>Item</b>	<b>Depreciation method</b>	<b>Average useful life</b>
Computer software	Diminishing balance	10 years

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

## 1. Accounting policies

### 1.5 Financial instruments (continued)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - o receive cash or another financial asset from another entity; or
  - o exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

A financial asset is past due when a counterparty has failed to make a payment when it is contractually due.

#### **Recognition**

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

#### **Measurement**

The Commission measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The Commission's financial instruments are made up of non-derivative assets and liabilities with fixed and determinable payments.

## 1. Accounting policies

### Financial assets

#### *Trade and other receivables*

Receivables from exchange transactions are categorised as loans and receivables and consist of prepaid expenses and rental deposits. These are initially measured at fair value, and subsequently measured at amortised costing, being the initially recognised amount, plus any interest accrued, less any repayments, less any impairments.

#### *Cash*

Cash includes positive bank balances arising from deposits with financial institutions. These deposits are available on demand.

### Financial liabilities

#### *Trade and other payables.*

Trade and other payables are subsequently measured at amortised cost. The Commission's trade and other payables relate to amounts owed to suppliers.

### 1.6 Tax

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

### 1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### *Operating leases - lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.8 Employee benefits

The cost of short-term employee benefits, which are those payable within 12 months after the service is rendered, such as salaries, wages, annual leave, sick leave and bonuses, are recognised in the period in which the service is rendered and are not discounted.

The expected cost of bonus payments is recognised as an expense when there is a practice of making such payments as a result of past performance. Termination benefits are employee benefits payable as a result of either:

- the Commission's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

## 1. Accounting policies

### 1.8 Employee benefits (continued)

#### *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid.

If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess

- as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

### 1.9 Provisions

Provisions are recognised when:

- the Commission has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

## **1. Accounting policies**

### **1.9 Provisions (continued)**

Provisions reported by the Commission are in relation to performance bonus payments to employees and accrued leave payments owing to employees as at reporting date. These provisions relate to potential future owing obligations arising from past events covered in the reporting period.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 23.

### **1.10 Commitments**

Items are classified as commitments when the Commission has committed itself to future transactions that will normally result in the outflow of cash.

The Commission has included disclosures in respect of unrecognised contractual commitments.

### **1.11 Revenue recognition**

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

An exchange transaction is one in which the Commission receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Non-exchange transactions are those transactions where an entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue is recognised when it is probable that future economic benefits or service potential of assets will flow to the Commission and these benefits can be measured reliably. Revenue comprises government grants, other income, gains on disposals and interest received.

Government grants are the Commission's main source of revenue and are treated with reference to the guidance provided by GRAP 23: Revenue from Non-exchange Transactions. Transfer allocations do not have conditions attached to them besides the requirement that they are used in implementing the Commission's mandate. The Commission recognises transfer revenue in full when received.

#### ***Rendering of services***

Other income is recognised in the reporting period in which the services are rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

The gain arising from the derecognition of an item of plant and equipment is included in revenue when the item is derecognised. The gain arising from the derecognition of an item of plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

## 1. Accounting policies

### *Rendering of services (continued)*

Interest is recognised on a time proportion basis, taking into account the principal amount outstanding or invested and the effective rate over the period to maturity when it is determined that such income will accrue to the Commission.

### *Interest*

Revenue arising from the use by others of entity assets yielding interest or similar distributions is recognised when:

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

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

### **1.12 Revenue from non-exchange transactions**

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

### *Services in-kind*

Except for financial guarantee contracts, the Commission recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the Commission and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the Commission's operations or service delivery objectives and do not satisfy the criteria for recognition, the Commission discloses the nature and type of services in-kind received during the reporting period.

### **1.13 Comparative figures**

Where necessary, comparative figures have been restated or reclassified to achieve fair presentation and to conform to changes in presentation that arise due to changes in accounting policies, errors, reporting standards and legislation.

## **1. Accounting policies**

### **1.14 Fruitless and wasteful expenditure**

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

National Treasury Practice Note no. 3 of 2019/20 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 17 May 2019): All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.15 Irregular expenditure**

The PFMA defines irregular expenditure as expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation.

National Treasury Practice Note no. 2 of 2019/20 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 17 May 2019): Irregular expenditure that was incurred and identified during the financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register and in the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the Accounting Officer or Accounting Authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/ expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

## **1. Accounting policies**

### **1.16 Budget information**

The Commission is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect to through authorising legislation, appropriation or similar.

General purpose financial reporting shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The annual financial statements and the budget are not prepared on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget has been included in the annual financial statements.

### **1.17 Related parties**

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

The Commission is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the Commission to have adopted if dealing with that individual entity or person in the same circumstances and the terms and conditions are within the normal operating parameters established by the legal mandate.

Where the Commission is exempt from the disclosures in accordance with the above, the Commission discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

### **1.18 Events after reporting date**

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

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

The Commission will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event has occurred.

The Commission will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

## **1. Accounting policies**

### **1.19 Use of estimates**

The preparation of financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statement. Estimates are based on current conditions and on other assumptions that are believed to be reasonable under the circumstances. Significant items are subject to judgment and such estimates include estimated useful lives and the recoverability of the carrying value of assets.

## Notes to the Annual Financial Statements

### 2. New standards and interpretations

#### Standards and interpretations effective and adopted in the current year

The Commission has applied the following standards and interpretations, which have been published for the accounting periods beginning on or after 1 April 2019 or later periods:

GRAP 20: Related Parties	1 April 2019	The impact of the standards on the financial results and disclosure is not material.
GRAP 108: Statutory Receivables	1 April 2019	The impact of the standards on the financial results and disclosure is not material.

Figures in Rand	Notes	2020	2019
<b>3. Receivables from exchange transactions</b>			
Prepayments		340 320	70 529
Other receivables		-	172 723
		<b>340 320</b>	<b>243 252</b>
<b>4. Cash and cash equivalents</b>			
Cash and cash equivalents consist of:			
Cash on hand		6 445	6 213
Bank balances		16 852 882	10 198 621
		<b>16 859 327</b>	<b>10 204 834</b>
<b>5. Deposits</b>			
Rental deposit		<b>280 654</b>	<b>280 654</b>

The rental deposit relates to the security deposits paid for the Cape Town office lease.

## Notes to the Annual Financial Statements

### 6. Property, plant and equipment

	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	1 569 141	(1 372 811)	196 330	2 443 920	(2 087 098)	356 822
Motor vehicles	236 829	(221 654)	15 175	236 829	(220 814)	16 015
Computer equipment	1 566 257	(728 933)	837 324	2 012 099	(926 486)	1 085 613
Leasehold improvements	109 610	(97 988)	11 622	109 610	(85 774)	23 836
Artwork	38 806	-	38 806	38 806	-	38 806
<b>Total</b>	<b>3 520 643</b>	<b>(2 421 386)</b>	<b>1 099 257</b>	<b>4 841 264</b>	<b>(3 320 172)</b>	<b>1 521 092</b>

#### Reconciliation of plant and equipment – 2020

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	356 822	-	(148 730)	(11 762)	196 330
Motor vehicles	16 015	-	-	(840)	15 175
Computer equipment	1 085 613	48 089	(183 318)	(113 060)	837 324
Leasehold improvements	23 836	-	-	(12 214)	11 622
Artwork	38 806	-	-	-	38 806
<b>Total</b>	<b>1 521 092</b>	<b>48 089</b>	<b>(332 048)</b>	<b>(137 876)</b>	<b>1 099 257</b>

#### Reconciliation of plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	358 243	25 851	(42)	(27 230)	356 822
Motor vehicles	16 885	-	-	(870)	16 015
Computer equipment	1 139 900	99 676	(18)	(153 945)	1 085 613
Leasehold improvements	37 829	-	-	(13 993)	23 836
Artwork	38 806	-	-	-	38 806
<b>Total</b>	<b>1 591 663</b>	<b>125 527</b>	<b>(60)</b>	<b>(196 038)</b>	<b>1 521 092</b>

## Notes to the Annual Financial Statements

### 7. Intangible assets

	2020			2019		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
<b>Computer software</b>	<b>2 089 815</b>	<b>(153 511)</b>	<b>1 936 304</b>	<b>1 256 065</b>	<b>(145 847)</b>	<b>1 110 218</b>

#### Reconciliation of intangible assets – 2020

	Opening balance	Additions	Amortisation	Total
Computer software	<b>1 110 218</b>	<b>833 750</b>	<b>(7 664)</b>	<b>1 936 304</b>

#### Reconciliation of intangible assets – 2019

	Opening balance	Additions	Amortisation	Total
Computer software	<b>62 112</b>	<b>1 058 000</b>	<b>(9 894)</b>	<b>1 110 218</b>

Figures in Rand	Notes	2020	2019
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### 8. Payables from exchange transactions

Trade payables	765 117	867 368
Accrued expense	8 435 158	809 550
	<b>9 200 275</b>	<b>1 676 918</b>

### 9. Provisions

#### Reconciliation of provisions – 2020

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	553 362	528 792	(528 792)	(64 596)	488 766
Leave benefits	1 147 879	818 827	(818 827)	(148 810)	999 069
	<b>1 701 241</b>	<b>1 347 619</b>	<b>(1 347 619)</b>	<b>(213 406)</b>	<b>1 487 835</b>

#### Reconciliation of provisions – 2019

	Opening balance	Additions	Utilised during the year	Total
Performance bonus	1 118 345	553 362	(1 118 345)	553 362
Leave benefits	760 135	699 569	(311 825)	1 147 879
	<b>1 878 480</b>	<b>1 252 931</b>	<b>(1 430 170)</b>	<b>1 701 241</b>

In terms of the Commission's leave policy, employees are entitled to accumulated vested leave pay benefits not taken within a leave cycle, provided that any leave pay benefits not taken within a period of six months. The performance bonus provision of R488 766 recognised is in accordance with the Commission's performance management policy. The performance bonus paid during the year is related to a deemed payable amount for the 2018/19 financial year.

## Notes to the Annual Financial Statements

Figures in Rand	Notes	2020	2019
<b>10. Operating lease liability</b>			
Accrual in respect of operating lease on the straight-line method		(214 675)	(69 418)
<b>11. Revenue</b>			
Government grant		54 319 000	51 782 000
Interest received – investment		940 893	924 127
		<b>55 259 893</b>	<b>52 706 127</b>
<b>12. Employee costs</b>			
Basic		27 401 969	30 546 199
Performance bonus		464 196	553 362
Leave pay provision charge		626 149	387 745
UIF		51 440	59 963
Long-service awards		-	53 753
Other personnel costs		1 667 437	590 995
Total		<b>30 211 193</b>	<b>32 192 017</b>
<b>13. Professional services</b>			
Legal fees		1 124 505	726 931
External audit fees		1 386 189	1 619 499
Financial consulting		943 581	390 000
Internal audit fees		493 066	822 003
Commissioned research		1 153 524	315 619
Human resource consulting		264 133	-
		<b>5 364 998</b>	<b>3 874 052</b>

## Notes to the Annual Financial Statements

Figures in Rand	Notes	2020	2019
<b>14. Operating expenditure</b>			
Software licences		301 854	711 950
Internet connection		467 429	465 146
IT support		488 022	565 839
Workshops and meetings		71 658	61 128
Printing and publications		926 741	770 303
Communications and cell phones		539 779	1 026 544
Commission and committee costs		910 265	3 075 750
Office rent		3 278 411	722 297
Travel expenses		3 013 557	2 772 487
Other operating expenditure		2 239 845	1 965 498
		<b>12 237 561</b>	<b>12 041 776</b>
<b>15. Cash generated from operations</b>			
Surplus		7 092 128	4 392 290
<b>Adjustments for:</b>			
Depreciation and amortisation		145 539	205 932
Loss on sale of assets and liabilities		208 473	60
Movements in operating lease assets		145 257	69 418
Movements in provisions		(213 406)	(177 239)
<b>Changes in working capital:</b>			
Receivables from exchange transactions		(97 068)	(166 959)
Deposits		-	(136 792)
Accumulated surplus surrendered		(7 391 525)	-
Payables from exchange transactions		7 523 355	(170 172)
		<b>7 412 753</b>	<b>4 016 538</b>

## Notes to the Annual Financial Statements

### 16. Related parties

All national departments of government and national state-controlled entities are regarded as related parties in accordance with GRAP 20. The Commission is a constitutional institution reporting to the Parliament. Grants are received via the National Treasury's budget vote. The Commission entered into transactions with related parties that are on the same terms as those generally available in the sector during the current year. Refer to note 17 for the disclosure of commissioners and key management remuneration.

Figures in Rand	Notes	2020	2019
<b>Relationships</b>			
Controlling entity	National Treasury		
Fellow government departments	Department of Justice Department of Public Works and Infrastructure		
<b>Related party transactions</b>			
<b>Legal fees paid</b>			
Department of Justice		1 136 528	48 500
<b>Rent paid</b>			
Department of Public works and Infrastructure		8 230 634	7 006 000
<b>Grant Income received</b>			
National Treasury		54 319 000	51 782 000

## Notes to the Annual Financial Statements

### 17. Commissioners and key management remuneration

#### Key management

31 March 2020	Salary	Performance Bonus	Leave Pay	Total
Dr K Brown, Chief Executive Officer	1 718 493	46 853	-	1 765 346
Mr V Mbethe, Executive Special projects (term ended July 2019)	514 391	13 864	108 260	636 515
Mr G Petlele, Acting Head: Corporate Services	1 303 837	34 200	73 266	1 411 303
Mr M Vokwana, Chief Financial Officer (term ended 1 November 2019)	971 647	-	496 939	1 468 586
Ms N Mothibeli, Acting Chief Financial Officer (appointed 1 November 2019)	624 675	-	-	624 675
Ms W De Jager, Acting Chief Financial Officer (term ended 31 October 2019)	679 490	-	-	679 490
Mr J Kruger, Research Director (appointed 1 December 2019)	484 619	-	-	484 619
Mr S Ralekwa, Legal Analyst	1 154 446	-	-	1 154 446
	<b>7 451 598</b>	<b>94 917</b>	<b>678 465</b>	<b>8 224 980</b>

31 March 2019	Salary	Performance Bonus	Leave Pay	Total
Dr K Brown, Chief Executive Officer	1 524 700	-	-	1 524 700
Mr V Mbethe, Executive Special Projects	1 446 377	-	-	1 446 377
Mr G Petlele, Acting Head: Corporate Services	1 088 121	-	-	1 088 121
Mr M Vokwana, Chief Financial Officer	1 320 433	-	-	1 320 433
Dr R Mabugu, Research Director (term ended 30 June 2018)	390 751	139 483	69 807	600 041
	<b>5 770 382</b>	<b>139 483</b>	<b>69 807</b>	<b>5 979 672</b>

## Notes to the Annual Financial Statements

Figures in Rand	Notes	2020	2019
<b>Commissioners</b>			
Prof D Plaatjies		1 969 542	1 927 497
Dr S Muthwa		-	12 832
Mr S Lubisi		140 515	190 077
Prof G Mayende		30 971	47 088
Ms N Mochochoko		74 992	-
Prof T Fowler		119 918	-
Prof A Mokadi		39 422	78 144
Prof L Erasmus		153 109	-
Prof N Steytler		-	30 370
		<b>2 528 469</b>	<b>2 286 008</b>
<b>18. Commitments</b>			
<b>Authorised capital expenditure</b>			
<b>Already contracted for but not yet delivered to the FFC</b>			
• Intangible assets		608 000	1 157 000
• Property, plant and equipment		672 510	-
		<b>1 280 510</b>	<b>1 157 000</b>
<b>Total capital commitments</b>			
Already contracted for but not yet delivered to the FFC		<b>1 280 510</b>	<b>1 157 000</b>
<p>This committed expenditure relates to equipment purchase agreements entered into by the Commission and will be financed by retained surpluses and existing cash resources.</p>			
<b>Operating lease commitments</b>			
<p>The Commission has entered into a lease agreement for office premises in Cape Town. Commitments regarding the lease are as follows.</p>			
<b>Operating leases - as lessee (expense)</b>			
Minimum lease payments due			
- Within one year		899 778	833 133
- In second to fifth year inclusive		2 566 194	3 465 971
		<b>3 465 972</b>	<b>4 299 104</b>

## Notes to the Annual Financial Statements

Figures in Rand	Notes	2020	2019
<b>18. Commitments (continued)</b>			
The lease was negotiated for five years and has an 8% escalation clause. No contingent rent is payable.			
The FFC has recognised the following commitments regarding the lease for its Midrand office.			
<b>Operating leases - as lessee (expense)</b>			
Minimum lease payments due			
- Within one year		2 028 720	-
- In second to third year inclusive		2 330 496	-
		<b>4 359 216</b>	-
The lease was negotiated for three years and has a 6% escalation clause. No contingent rent is payable.			
The above operating lease payments represent rentals payable by the Commission for its office premises.			
<b>19. Going concern</b>			
We draw attention to the fact that at 31 March 2020, the Commission's total assets exceeded its liabilities by R9 613 077, representing accumulated surplus.			
The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.			
The ability of the Commission to continue as a going concern largely depends on continued government support through means of annual appropriation. The Commission will make a submission and request approval from the National Treasury to retain part of the accumulated total surplus of R9 613 077.			
<b>20. Irregular expenditure</b>			
Opening balance		3 079 839	2 137 662
Add: Irregular expenditure – current year		46 761	942 177
Less: Amounts condoned		(2 441 017)	-
		<b>685 583</b>	<b>3 079 839</b>
<b>Amounts awaiting condonation</b>			
Current year		46 761	942 177
Prior years		638 822	2 137 662
		<b>685 583</b>	<b>3 079 839</b>

## Notes to the Annual Financial Statements

Figures in Rand	Notes	2020	2019
<b>20. Irregular expenditure (continued)</b>			
<b>Details of irregular expenditure</b>			
Remuneration - irregular expenditure under investigation		46 761	-
		<b>46 761</b>	<b>-</b>
<p>The irregular expenditure identified above relates to Commissioners' remuneration, with reference to Section 9 of the FFC Act, 1997. Please refer to the attached Appendix 1 for a detailed disclosure as per National Treasury practice note no. 2 of 2019/20.</p>			
<b>21. Fruitless and wasteful expenditure</b>			
Cancellation of travel visa costs		-	3 771
Interest on late payments		15 879	-
Flight cancellations		17 956	-
Travel limitation on delegates exceeded		41 739	-
Less amounts condoned		(75 574)	-
		-	<b>3 771</b>
<p>The fruitless and wasteful expenditure recorded in the current year amounting to R75 574 has been condoned in full. Please refer to the attached Appendix 2 for a detailed disclosure as per National Treasury practice note no. 3 of 2019/20.</p>			

## Notes to the Annual Financial Statements

### 22. Financial risk management

The Commission's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

#### Liquidity risk

The Commission's risk to liquidity is a result of needing funds available to cover future commitments. Considering the Commission's current funding structures and availability of cash resources, the Commission regards this risk to be low.

Financial liabilities which potentially subject the Commission to concentrations of liquidity risk are trade and other payables. The Commission's risk to liquidity is a short fall in funds available to pay its payables. The payables are all due within the short term. The Commission manages its liquidity risk by holding sufficient cash in the bank account.

At 31 March 2020	Less than 1 year
Trade and other payables	9 200 275
At 31 March 2019	Less than 1 year
Trade and other payables	1 676 918

#### Credit risk

Financial assets which potentially subject the Commission to concentrations of credit risk are principally receivables. Loans and receivables are of a sundry nature and the credit risk is therefore limited, the credit risk is managed through periodic reviews of the level of bad debts. Accordingly, the Commission has no significant concentration of credit risk.

Figures in Rand	Notes	2020	2019
Trade and other receivables		<b>340 320</b>	<b>243 252</b>

#### Market risk

##### - Interest rate risk

The Commission has cash and cash equivalents placed with financial institutions and is therefore exposed to interest rate fluctuations and such changes in market interest rates affect the fair value of cash. The interest rate risk embodies not only the potential for loss but also the potential for gain and is managed through the cash management policy.

## Notes to the Annual Financial Statements

### 22. Financial risk management (continued)

#### - Fair values

At 31 March 2020 the carrying amounts of accounts payable and accounts receivable approximated their fair value due to the short-term maturities of these assets and liabilities. Since the Commission does not undertake any significant investment there is no significant sensitivity to fair value fluctuations of financial instruments.

#### - Foreign currency risk

The Commission does not hedge foreign exchange fluctuations. The Commission transacts with foreign persons from time-to-time. The Commission is relatively insensitive to subsequent fluctuations in currency since most transactions are settled within 30 days of invoicing resulting in there being few monetary items that would again require translation at reporting date. The Commission's management will continue to assess the frequency and nature of these transactions to determine whether further foreign currency risk management strategies are required but at this stage the risk is limited.

### 23. Contingencies

Litigation is in the process against the Commission relating to a dispute with an employee who is challenging his dismissal at the CCMA. The Commission's legal representatives and management consider the likelihood of success in the action against the Commission unlikely.

The accumulated surplus of R9 613 077 in the current year has been classified as a contingent liability as at 31 March 2020 as there is no approval received to retain the surplus as yet. In terms of National Treasury Instruction note 6 of 2017/18 all constitutional institutions must declare and surrender all surpluses to the National Revenue Fund.

Figures in Rand	Notes	2020	2019
<b>24. Accumulated surplus surrendered</b>			
Settlement of historical debt owed to the Department of Public Works and Infrastructure			
Accumulated surplus surrendered		<b>R7 391 524</b>	<b>8 065 139</b>

In terms of the PFMA constitutional institutions must request from the National Treasury to retain accumulated surpluses. In terms of the instruction received from the National Treasury, the Commission surrendered the above amounts in the prior years which was transferred to the Department of Public Works in respect of office rental debt. The debt was recognised as a service-in-kind in the previous years.

In the current year, the Commission settled its outstanding rental obligation to the Department of Public Works and Infrastructure amounting to R8 230 634. Of this, R7 391 524 relates to prior periods and has been settled using the accumulated surplus.

### 25. Subsequent events

Management has assessed the impact of the Covid-19 global pandemic on the Commission's operations to be currently low as no direct impact is anticipated that drastically affects the entity. The Commission is funded through budget vote by the National Treasury and no risk has been posed to its allocation for 2020/21. Management will continuously assess the risk caused by the pandemic and make necessary adjustments where required so as to ensure the impact remains low.

## Notes to the Annual Financial Statements

### 26. Change in accounting policy

During the current financial year, the FFC was granted additional funds to pay for its rental expense by National Treasury. As a result of this funding, the FFC changed its accounting policy with regards to recognition of service in kind and now recognises a rental expense and an operating lease liability as per note 10 with regards to its Midrand office. The comparative figures were restated accordingly, however the change in accounting policy does not have an effect on accumulated surplus as presented below:

#### Impact

The FFC recognises a rental expense and accounts for an operating lease liability for its premises in the Midrand office.

#### Net effect

The effect of the change in accounting policy is as follows;

Figures in Rand	Notes	2020	2019	2018
Decrease in other income (service in kind)		-	2 050 190	2 922 381
Increase/(decrease) in rental expense		2 598 244	(2 050 190)	(2 922 381)
Increase in operating lease liability		107 878	-	-
Decrease in surplus		<b>2 706 122</b>	-	-
Increase in operating lease liability		<b>(107 878)</b>	-	-

Had the accounting policy relating to services in kind not been adopted the effect would have been restated as follows;

Figures in Rand	2019* restated	2019
Lease liability	(14 868 076)	-
Accumulated surplus	14 868 076	-
Net effect	-	-

The change in accounting policy relating to the service in kind has no effect on the current year's opening accumulated surplus balance.

## Notes to the Annual Financial Statements

Figures in Rand	Notes	2020	2019
<b>27. Reconciliation between budget and statement of financial performance</b>			
Reconciliation of budget surplus with the surplus in the statement of financial performance as explained in note 28.			
Net Surplus per the statement of financial performance		7 092 129	4 392 290
Adjusted for:			
Actual amounts not on a cash basis		1 648 881	(1 565 045)
Increase in sundry income	1	(833 893)	(36 904)
Under expenditure in employee costs	2	(6 603 039)	(2 594 070)
Under/over expenditure in professional services	3	(1 261 380)	191 153
Under/over expenditure in building costs	4	(880 948)	(78 498)
Under expenditure in operating expenditure	5	477 750	(938 898)
Under/over expenditure on fixed assets	6	(1 719 514)	629 972
Increase in rental allocation	7	2 080 015	-
Net surplus per approved budget		-	-
<b>28. Budget differences</b>			
Differences between budget and actual amounts basis of preparation and presentation			
<b>Variance explanation</b>			
1. Variance in revenue is due to interest received on favourable bank balances during the year		<b>833 893</b>	
2. Employee costs are below budget owing to several vacant positions in the current year.		<b>6 603 039</b>	
3. Underspending in professional fees occurred due to underspending in audit related costs.		1 261 380	
4. Building costs include lease escalations, repairs and maintenance costs incurred in the current year.		880 948	
5. Operating costs have reduced mainly relating to communication and committee costs		(477 750)	
6. Capital expenditure has not been utilised for the refurbishment of the Cape Town office procurement, due to the delay in the finalisation of the procurement process, also a delay in relocation from the Midrand offices to Pretoria has seen a reduction in budgeted expenditure.		1 719 514	
7. In addition to the 2019/20 budget, the FFC received approval from National Treasury to retain R2 080 015 from the 2018/19 financial year for use towards the rental obligation for the Midrand office.		(2 080 015)	
		<b>8 741 010</b>	

# Appendix 1

This appendix is to be read together with Note 20 of the annual financial statements and is in line with Treasury Instruction No.2 of 2019/20 on the framework for irregular expenditure.

No:	Date reported to the CEO	Description of the transgression	Amount of the Irregular Expenditure	Is the transaction non-compliance or Irregular Expenditure?	Irregular expenditure referred to?	Disciplinary processed referred to HR?	Recovery/ Criminal charges referred to SAPS?	Condonation / Removal referred to CEO:
1	May 2019	Commissioner remuneration not aligned to the Proclamation in respect of Office-Bearers	R46,761	Irregular expenditure	National Treasury	N/A	N/A	Awaiting outcome of condonation request to National Treasury
2	June 2017	Violations of SCM processes which led to a forensic investigation initiated by National Treasury	R638,000	Irregular expenditure	National Treasury	Disciplinary process concluded with a sanction of dismissal in December 2019	On behalf of the FFC, National Treasury referred the matter to SAPS in 2017 and to date no feedback has been received	Awaiting outcome of condonation request to National Treasury

# Appendix 2

This appendix is to be read together with Note 21 of the annual financial statements and is in line with Treasury Instruction No.3 of 2019/20 on the framework for irregular expenditure.

No:	Date reported to the CEO	Description of the transaction / incident	Fruitless and wasteful expenditure referred to?	Disciplinary process referred to HR?	Recovery process referred to?	Criminal charges referred to SAPS?	Fruitless and wasteful expenditure to be recovered?
1	May 2019	Commissioner missed flight due to unforeseen circumstances arising en-route to the airport	CEO for condonation	N/A	N/A	N/A	N/A
2	June 2019	Staff member missed flight due to a sick child	CEO for condonation	N/A	N/A	N/A	N/A
3	December 2019	Late cancellation of flight booked	CEO for condonation	N/A	N/A	N/A	N/A
4	December 2019	Interest penalty on short payment owing to erroneous reconciliation	CEO for condonation	N/A	N/A	N/A	N/A
5	September 2019	Interest penalty on late payment after Post Office delivery delay	CEO for condonation	N/A	N/A	N/A	N/A
6	October 2019	Interest penalty on late payment after transaction disputes	CEO for condonation	N/A	N/A	N/A	N/A
7	May 2019	Interest penalty on short payment after transaction disputes	CEO for condonation	N/A	N/A	N/A	N/A
8	August 2019	Travel related charge in respect of a provincial legislature hearing	CEO for condonation	N/A	N/A	N/A	N/A
9	February 2020	Interest penalty on short payment owing to erroneous reconciliation on Amex travel card	CEO for condonation	N/A	N/A	N/A	N/A

# Appendix A

## 2019/20 publications and their dissemination

### Written submissions to Parliament

South Africa. 2019. *Submission for the Division of Revenue, 2020/21*. Midrand: Financial and Fiscal Commission.

South Africa. 2019. *Submission on the 2019 Appropriation Bill*. Midrand: Financial and Fiscal Commission.

South Africa. 2019. *Submission on the 2019 Medium Term Budget Policy Statement*. Midrand: Financial and Fiscal Commission.

South Africa. 2019. *Submission on the 2019 Division of Revenue Bill*. Midrand: Financial and Fiscal Commission.

South Africa. 2019. Technical Reports: *Submission for the Division of Revenue, 2020/21*. Midrand: Financial and Fiscal Commission.

### Working papers policy briefs published

Eight policy briefs published

South Africa. 2020. *Supplementary Revenue Sources for Local Government*. Midrand: Financial and Fiscal Commission.

South Africa. 2020. *Municipalities Can Boost Own Revenue by Optimising Property Rates*. Midrand: Financial and Fiscal Commission.

South Africa. 2020. *Better Municipal Debt Management*. Midrand: Financial and Fiscal Commission.

South Africa. 2020. *Assessing Support Programme Impact for Local Government, Back to Basics*. Midrand: Financial and Fiscal Commission.

South Africa. 2020. *Professionalising Local Government?* Midrand: Financial and Fiscal Commission.

South Africa. 2020. *A Review of Municipal Dysfunctionality in South Africa*. Midrand: Financial and Fiscal Commission.

South Africa. 2020. *Local Government Infrastructure Delivery Management and its Fiscal Implications*. Midrand: Financial and Fiscal Commission.

South Africa. 2020. *Local Government Structure: The City Region and its Potential to Address South Africa's Development Challenges*. Midrand: Financial and Fiscal Commission.

### Journal articles/theses

Ncube, M. 2019. The impact of vertical fiscal imbalances on accountability, efficiency and revenue raising efforts: Subnational governments in South Africa. *Southern African Journal of Accountability and Auditing Research*, V21(59-73).

Vacu, N. 2019. Analysing the determinants of import demand: evidence from three selected African countries. *PhD: Economics, University of South Africa*



**FINANCIAL AND  
FISCAL COMMISSION**

2nd Floor  
Montrose Place, Bekker Street  
Waterfall Park, Vorna Valley  
Midrand, South Africa  
Private Bag X69  
Halfway House  
1685

Midrand Office  
Tel: +27 11 207 2300

Cape Town Office  
Tel: +27 21 487 3780

**[www.ffc.co.za](http://www.ffc.co.za)**

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