

ANNUAL REPORT

2016 - 2017



For an Equitable Sharing
of National Revenue



Annual Report 2016/17

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
Tel: +27 11 207 2300
Fax: +27 86 589 1038

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Chairperson Foreword

It is a privilege to submit the Financial and Fiscal Commission's Annual Report for the 2016/17 financial year on behalf of all Commissioners and staff. Our thanks to the Commission's Deputy Chairperson and Acting Chairperson/Chief Executive, Mr Bongani Khumalo whose term expired on 31 August 2016. Thereafter the position of Chairperson rotated between Commissioners at Committee Meetings, until my appointment with effect from 1 July 2017 as the Chairperson and Dr Sibongile Muthwa as Deputy Chairperson.

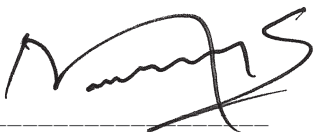
The financial year 2016/17 has seen numerous successes for the Financial and Fiscal Commission as a source of high-quality expert and independent advice for equitable sharing of nationally raised revenue, in building capacity among legislators, and in consolidating its role as foremost constitutional body in promoting a sustainable and equitable intergovernmental fiscal relations system. Our annual constitutional and legislative Submissions: Division of Revenue; Response to the Medium Term Budget Policy Statement; Response to the Division of Revenue Bill; Appropriations Bill; Response to the Fiscal Frameworks and Revenue Proposals were delivered in line with our 2016/17 Annual Performance Plans.

While most submissions centred on constitutional law obligations to enable better stewardship of public funds, equally critical has been the Commission's role in managing the policy impact of recommendations. The Commission grew its economic, fiscal and service-delivery publications (refer to Appendix A) while driving a high rate of stakeholder interactions, disseminations of researched and policy publications, and continued global expansion in key areas through conferences, training and development. Most stakeholder work involved formal parliamentary interaction with several Standing and Portfolio Committees and with Provincial Legislatures. One key highlight included giving testimony before the Commission of Enquiry into Higher Education and Training (Heher Commission). The desired outcome of all these activities has been towards ensuring that the evidence-based research generated by the Commission informs key intergovernmental fiscal relations strategic debates and choices.

In 2016/17, the Commission completed a comprehensive forensic investigation into allegations made in two anonymous letters regarding staff impropriety. Since his appointment as Acting Chief Executive Officer in September 2016, Mr Velile Mbethe has consolidated the Secretariat and implemented recommended actions from the forensic report.

The Strategic Plan 2014-2019 and Annual Performance Plan 2017/2018 were tabled timeously in compliance with the provisions of the Public Finance Management Act, 1999 (as amended). These plans are invaluable in monitoring and evaluating institutional performance. The Commission will continue to ensure compliance and maintenance of sound and high standards regarding all its activities.

I would like to take this opportunity to express my thanks and gratitude to the Deputy Chairperson and Commissioners, acting chief executive officer, the research director, acting chief financial officer, commission secretary and all the staff comprising the Secretariat of the Commission for making sure that the Financial and Fiscal Commission delivered on its constitutional mandate and 2016/17 strategic goals.



Prof Daniel Plaatjies
Chairperson
31 August 2017



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Chief Executive Officer Overview

The financial year 2016-17 saw the appointment of a new Acting Chief Executive Officer following the expiry of the terms of Commissioner Khumalo who was then Acting Chief Executive. This process has ensured a degree of stability in the Commission although the challenges associated with the position of Acting Chief Executive Officer remain. In this respect I must thank all the Commissioners for the unwavering support that they have provided.

The financial year 2016-2017 was neither all rosy nor an entirely easy one as I had to deal with the anonymous allegations that were made against staff. A forensic investigation has since been completed. The major focal point was as a result to strengthen internal controls regarding the forensic investigation report. The Commission ensured that it strengthened its internal controls, particularly with respect to supply chain management. We worked closely with the Ministry of Finance in addressing some of the challenges emanating from the Forensic Report and we are confident that going forward the Commission is on a sound footing from a corporate governance point of view. With regard to finance, we continued to extract as much value as we can from the limited budget that we have and have been fully cognisant of the need to engage in value for money activities only.

Another point of focus has been to ensure that all predetermined objectives are met, the research strategy implemented and general Commission submissions are improved in quality and impact which has substantively been addressed. FFC staff held more dissemination activities, published more (see Appendix A) and reached a wider audience than ever before, informing increasing numbers of policy decisions throughout South Africa's intergovernmental system. Institutionally, FFC has strengthened its position as a go-to organization for the implementation of research initiatives in the area of intergovernmental fiscal relations and fiscal policy. In May 2016, the Commission tabled the Annual Submission for 2017/18 Division of Revenue. Following tabling and press launch, a related highlight is work that culminated with briefing to Parliament, all 9 provinces and SALGA on the documents thereby satisfying the relevant targets for the deliverables associated with the Annual Submission.

I am pleased to say that 2016/17 ended on a high note for FFC, marking the smooth end of a seven-month transition period, with a positive outlook for the consolidation and stabilization of the organization. The review of the Strategic Plan 2014-2019 and development of the Annual Performance Plan 2017/2018 was successful which culminated in the documents being successfully tabled on 9 March 2017. I am grateful to the staff that have ensured attainment of the Commission's deliverables.

I am gratified that the Commission has met its constitutional obligations. I wish to convey my gratitude to the Chairperson, Deputy Chairperson, Commissioners and Secretariat for their support in fulfilling the vision and mandate of the Commission. I would like to especially thank my Executive team for their devotion and professional leadership throughout the year under review.



Mr Velile Mbethe
Acting Chief Executive Officer
31 August 2017



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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 is 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 the applicable accounting standards. The accounting officer is responsible for the preparation of the annual financial statements and for the judgements made in the preparation of the financial statements.

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 2017.



Mr Velile Mbethe
Acting Chief Executive Officer
31 August 2017



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CHAPTER 1

The Commission

The Commission's Legislative Mandate

1.1 Constitutional and Legislative Mandate

The Financial and Fiscal Commission (Commission) derives its mandate from the Constitution of the Republic of South Africa Act, 1996 (as amended). The functions of the Commission are stipulated in sections 220. In addition the Commission's functions are also encompassed in sections 214(2), 220, 222, 228(2) (b), 229(5), 230(2), and 230A(2) of the Constitution, 1996 which provides, among others, that the Commission is an independent and impartial advisory State institution, that Government has to consult 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.

Its mandate is enabled through the Financial and Fiscal Commission Act, 1997 (Act No 99 of 1997) (as amended), Intergovernmental Fiscal Relations Act, 1997 (Act 97 of 1997), Money Bills Amendment Procedures and Related Matters Act, 2009 (Act No 9 of 2009), 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 13 of 2005) and the Municipal Fiscal Powers and Functions Act, 2007 (Act No 12 of 2007).

1.2 Vision, Mission and Values

1.2.1 Vision

To provide influential advice for an equitable, efficient and sustainable Intergovernmental Fiscal Relations (IGFR) system

1.2.2 Mission

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

1.2.3 Values

To enable the Commission to deliver on its mandate, it subscribes to the following values as enshrined in the Batho Pele principles:-

- **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 delegation rather than to stifle it; 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

1.3 Strategic outcomes-oriented goals of the Commission

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

Strategic Outcome-Oriented Goals		
1	Goal 1	A Stable and Innovative IGFR System
	Goal Statement	The system of Inter-governmental Fiscal Relations (IGFR) is progressive, sustainable and equitable
2	Goal 2	Strategic foresight
	Goal Statement	No surprises and future-oriented
3	Goal 3	Influential and informed policy advice
	Goal Statement	Effective policies that are evidence-based result from comprehensive and value-added engagement
4	Goal 4	Knowledge management
	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	Goal 5	Success culture
	Goal Statement	A dynamic, productive organisational culture is created and nurtured
6	Goal 6	Balance
	Goal Statement	The balancing of present and future demands, leading to effective performance within the constraints of available resources.

1.4 Composition and Organisational Structure

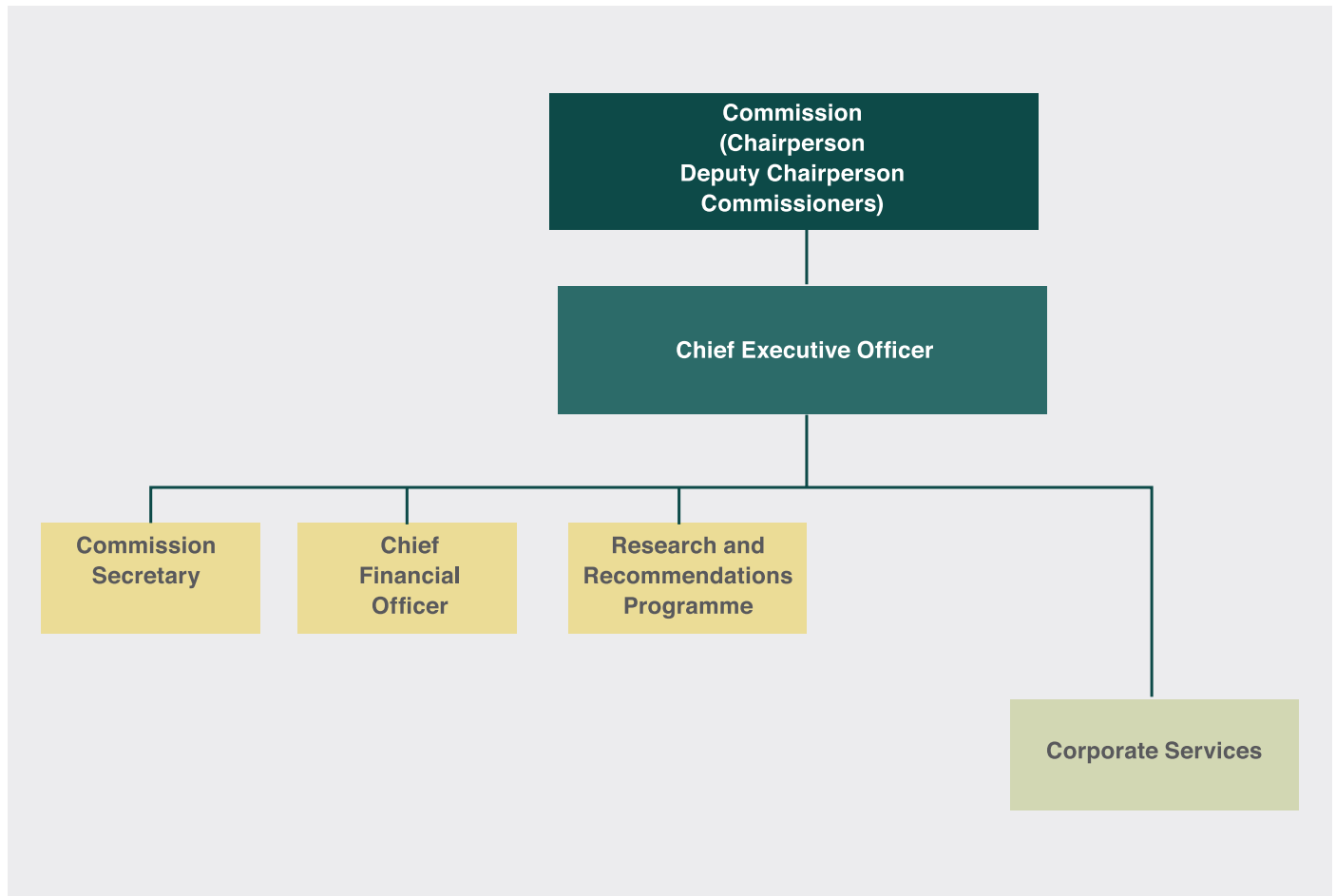
The Commission comprises of the following nine persons:

1. Chairperson and Deputy Chairperson;
2. Three persons, appointed after consultation with the provincial premiers, from a list compiled in accordance with a process prescribed by national legislation;
3. Two persons, appointed after consultation with organised local government, from a list compiled in accordance with a process prescribed by national legislation; and
4. Two other persons.

Commissioners are appointed in terms of the Constitution, 1996 and the Financial and Fiscal Commission Act, 1997 (as amended). All appointments are made by the President of the Republic of South Africa. The Chairperson is in the full-time employment of the Commission while the rest of the Commissioners, including the Deputy Chairperson are part-time.

The Commission Secretariat has four divisions: Commission Secretary, Finance, Corporate Services and Research and Recommendations Programme. The Executive Management Committee (EXCO) is chaired by the Chief Executive Officer. EXCO is committed to principles of transparency, accountability, efficiency and effectiveness, and the practical application of these principles to enable delivery of the constitutional mandate.

2016/2017 Organizational structure



COMMISSIONERS

1.4.1 Full Time Chairperson

Prof Daniel Plaatjies (Commissioner from 1 September 2013-2 July 2017) (Appointed as Chairperson on 1 July 2017)

Prof Daniel Plaatjies has a BSocSc (Hons) from University of Cape Town in Policy, Planning, Administration and Management, an MPhil in Policy, Planning and Management from University of Western Cape and a PhD in the study of Governance, Public Policy and Public Finance from the University of the Witwatersrand. He was the Special Adviser to the Minister of Public Enterprises. Prof Plaatjies was the Head and Director of the WITS School of Governance and a Visiting Professor at the University Of Free State School Of Business. He is the author and editor of *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) and leader editor of HSRC's 2016 State of Nation publication.

1.4.2 Part Time Commissioners

Dr Sibongile Muthwa (28 July 2014 – 27 July 2019) (Appointed as Deputy Chairperson on 1 July 2017)

Dr Muthwa obtained her BA (SW) (Fort Hare), BA (SW) Hons (Wits), MSc (SPPDC), PhD (London). She has international work experience in non-government, development, and public sectors, as well as in academia. Dr Muthwa is currently the Deputy Vice Chancellor: Institutional Support at the Nelson Mandela Metropolitan University

Mr Kenneth Fihla (1 September 2013- 31 August 2018), Commissioner (part-time)

Mr Fihla is the Chief Executive of Corporate and Investment Banking (CIB), The Standard Bank of SA Limited. His responsibility includes management of CIB businesses in 19 African countries and 7 countries on other continents where Standard Bank operates. Mr Fihla joined Standard Bank as Head of Investor Services in September 2006. In March 2007, he was appointed onto the Executive Committee of Standard Bank's CIB. In April 2008, he became Head of Transactional Products and Services South Africa. Mr Fihla studied Mechanical Engineering at the Harare Polytechnic. He has an MSc in Financial Economics from the University of London and an MBA from the University of Witwatersrand.

Dr Krish Kumar (1 March 2013 – 28 February 2018), Commissioner (part-time)

Dr Krish Kumar commenced work as a trainee Accountant with the erstwhile Durban City Council in 1981 and progressed through the ranks to become City Treasurer of the North and South Central Local Councils in 1997. In addition, in 1999 he was appointed City Treasurer of the Durban Metropolitan Council and in 2001 Deputy City Manager: Treasury. Krish is a member of the South African Local Government Association's (SALGA) Finance working Group, Fellow of the Institute of Municipal Finance Officers (IMFO), Chairperson of the Municipal Chief Financial Officers (CFO) Forum, President of Chartered Institute of Government, Finance and Risk Officers (CIGFARO), and has served two terms as a member of the Accounting Standards Board. He is also chair of the eThekweni Risk and Managing the Municipality Committee and is a Board member of Climate change international board (C40).

Mr Sipho Lubisi (28 July 2014 – 27 July 2019), Commissioner (part-time)

Mr Sipho Lubisi commenced work at TSB Sugar Holdings in 1981. He served as a shop steward of the Food and Allied Workers Union (FAWU) at TSB Sugar Holdings. He was elected as the chairperson of (FAWU) Nelspruit Branch from 1986 to 1988, and at the same period he served as the Chairperson of COSATU for the Nelspruit Local. He served as FAWU Transvaal Regional Treasurer from 1988 to 1990. In 1990 to 1993 he served as the National Treasurer of FAWU. He was elected as the chairperson of the Congress of South African Trade Unions (COSATU) Eastern Transvaal Region in 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 to 2005. In 2002 to 2007 he served as 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 province. Mr Lubisi was elected as a Senator in the then Senate of the Republic of South Africa in 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 in 1998 to 2004. He served as a Member of the Executive Council (MEC) of the Mpumalanga Department of Health and Social Development in 2004 to 2005, appointed as an MEC for Economic Development and Planning in 2005 to 2007. In 2007 to 2008 he was reappointed as an MEC for Health and Social Development. From 2008 to 2009 Sipho Lubisi served as a Member of the Mpumalanga Provincial Legislature and served as Chairperson of the Portfolio Committee on Agriculture and Land Administration; Economic Development and Planning. Mr Lubisi served as the Speaker of the Mpumalanga Legislature from 2009 to 2014.

Prof Gilingwe Mayende (28 July 2014- 27 July 2019), Commissioner (part-time)

Professor Gilingwe Mayende holds a BA (Sociology and History) from the University of Botswana, an MA in Development Sociology (1987) and PhD in Sociology from the University of Hull in the United Kingdom (1990). He also holds a Diploma in Executive Leadership (Senior Executive Programme) from Harvard University. After completing his PhD in 1990, he was selected to the position of Visiting Fellow and Senior Associate Member of St Antony's College at Oxford University in the United Kingdom, where he conducted research on the land question in South Africa over a period of nine months. Between 1995 and 2005 Professor Mayende served 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 Provinces. He is currently employed at the University of Fort Hare as a Deputy Vice Chancellor: Institutional Support.

Prof Nicolaas Steytler (1 September 2013 – 31 August 2018), Commissioner (part-time)

Prof Nicolaas Steytler (BA LLB (University of Stellenbosch), LLM (University of London), PhD (University of Natal), Dr (honoris causa) University of Fribourg, Switzerland) is a professor of public law and the South African Research Chair in Multilevel Government, Law and Policy at the Dullah Omar Institute of Constitutional Law, Governance and Human Rights, the University of the Western Cape. Formerly he was the Director of the Community Law Centre, a research and advocacy institute that works on governance and human rights. His main field of research is multilevel government, including local government. He has written extensively on the subject, including co-authoring the Local Government Law of South Africa. He has advised governments at all levels on constitutional and statutory design and implementation of multilevel governance. He was a technical adviser to the Constitutional Assembly drafting the 1996 Constitution as well as a technical advisor to the Western Cape Provincial Legislature on the drafting of a provincial constitution (1996-1997). He was a member of the Municipal Demarcation Board from 2004 to 2014. He also works on multi-level government elsewhere in Africa, and with Professor Yash Pal Ghai edited Kenya-South Africa Dialogue on Devolution (2015). He was the president of the International Association of Centres for Federal Studies (2010-2016) and was an UN-appointed expert, advising Yemen's Constitutional Drafting Committee on the design of a federal constitution (2014).

1.4.3 Term Ended

Mr Bongani Khumalo Deputy Chairperson, Acting Chairperson/CE (Full time) (1 September 2010-28 February 2013) (reappointed: 1 March 2013-28 February 2015) (reappointed: 1 March 2015- 31 August 2016)

ACHIEVEMENTS

2.1 Mandate

The Commission successfully attended to the following in terms of its mandate:

Subject	Parliament	Provincial Legislatures	Local Government	Other Organs of State and Stakeholders
2016/ 2017 Submission for the Division of Revenue	Formal Tabling and Presentation	Formal Tabling and Presentation	Formal Tabling and Presentation	
2015 Medium Term Budget Policy Statement	Formal Presentation			
Submission on the 2016 Division of Revenue Bill	Formal Presentation			
Fiscal Frameworks and Revenue Proposals	Formal Presentation			
Presentation on 2016 Division of Revenue Bill	Formal Presentation			
Briefing on the analysis of DHET Budget for 2016/2017	Formal Presentation			
Briefing on the analysis regarding the National Department of Health, Provincial Departments and its entities Strategic Plans, Annual Performance Plans and Budget	Formal Presentation			
Briefing on the Strategic Plans, APPs and Budgets of DAFF and its Entities	Formal Presentation			
Public Hearings on 2016 Division of Revenue Bill	Formal Presentation			
Municipal Demarcation Board-Panel discussion on Financial functionality and viability, and sustainability of municipalities				Formal Presentation
South African Cities Network State of South African Cities Report 2016 Launch				Formal Presentation
Board of Healthcare Funders: Annual Southern African Conference				Formal Presentation
Parliamentary Budget Office Conference	Formal Presentation			
Select Committee on Appropriations: Briefing on the Provincial and National Department of Health's budget, spending patterns and FFC recommendations	Formal Presentation			
Portfolio Committee on Environmental Affairs: Briefing on the audit outcomes of the annual performance report of the Department and its entities for 2015/16 financial year	Formal Presentation			
Portfolio Committee on Human Settlements: Briefing on the audit outcomes of the annual performance report of the Department and its entities for 2015/16 financial year	Formal Presentation			
Portfolio Committee on COGTA: Briefing on the Division of Revenue Bill related to Local Government and any other matters	Formal Presentation			
Portfolio Committee on Economic Development: Preparations for the BRRR Process	Formal Presentation			
Portfolio Committee on Social Development: Briefing on the analysis of the annual reports of the Department of Social Development and its entities for 2015/16	Formal Presentation			

Subject	Parliament	Provincial Legislatures	Local Government	Other Organs of State and Stakeholders
Portfolio Committee on Agriculture, Forestry and Fisheries-Briefing on 2015/2016 Annual Expenditure and Performance of the Department and its Entities in preparation for the Budget Review and Recommendations Report	Formal Presentation			
Presentation: Portfolio Committee on Tourism-Preparations for Budgetary Review and Recommendations Reports	Formal Presentation			
Rural Development and Land Reform-Preparations for Budgetary Review and Recommendations Reports	Formal Presentation			
Western Cape Provincial Legislature Fiscal Policy Seminar		Formal Presentation		
Standing and Select Committee on Appropriations FFC Comment on the MTBPS	Formal Presentation			
KZN Provincial Legislature Submission on Division of Revenue 2017-2018		Formal Presentation		
Limpopo Provincial Legislature		Formal Presentation		
Briefing on SPLUMA and the impact of climate change		Formal Presentation		
Gauteng Provincial Legislature-Presentation: Division of Revenue		Formal Presentation		
South African Local Government Association-Submission for Division of Revenue 2017/2018			Formal Presentation	
Select Committee on Appropriations: Oversight visit to Municipal Infrastructure Grant projects in Western Cape	Formal Presentation			
Standing Committee on Appropriations- Training-Economic Outlook and Division of Revenue	Formal Presentation			
14/2/2017 Standing Committee on Appropriations-Training-Economic Outlook and Division of Revenue	Formal Presentation			
North West Provincial Legislature Speakers Forum Municipal equitable share formulae and challenges of development facing municipalities focusing on the North West		Formal Presentation		
Commission of Inquiry into Higher Education and Training-Fees Commission				Formal Presentation
Joint Standing Committee on Appropriations and Portfolio Committee on Health: Training of IGFR in the health sector and related matters	Formal Presentation			
Department of Economic Development: Conference on radical socio-economic transformation for informal traders		Formal Presentation		



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CHAPTER 2

Corporate Governance

Corporate Governance

2.1 Introduction

Corporate governance embodies processes and systems by which the Commission is directed, controlled and held to account. Corporate governance is applied through the prescripts of the Constitution, 1996; Financial and Fiscal Commission Act, 1997; Public Finance Management Act, 1999 amongst others.

The Commissioners and Secretariat are fully committed to ensuring sound corporate governance. Good corporate governance involves the establishment of structures and processes with appropriate checks and balances. Governance practices and processes will continue to receive the Commission's attention thus ensuring that its operations are conducted ethically and within prudent risk parameters.

2.2 Compliance with Laws and Regulations

The Commission has complied with applicable legislation, Policies and Procedures. A compliance checklist that is aligned to the Public Finance Management Act, 1999 has been developed and is applied monthly. Various internal controls are implemented to ensure compliance with all applicable laws and regulations affecting the Commission. Delegations of authority are also in place to ensure accountability.

2.3 Commission Meetings and Attendance

The table below indicates frequency of Commission meetings and attendance during 2016/2017.

Name of Member	Position	Meetings Attendance and Dates								
		8/4/2016	28/7/2016	6/9/2016 ¹	9/9/2016 ²	14/12/2016	Day1 25/1/2017	Day2 26/1/2017	Day1 27/3/2017	Day2 28/3/2017
Mr Bongani Khumalo	Deputy Chairperson, Acting Chairperson and Acting CEO (Term expired 31 August 2016)	✓	✓	\$	\$	\$	\$	\$	\$	\$
Professor Daniel Plaatjies	Commissioner Appointed as Chairperson on 1 July 2017	✓	✓	✓	✓	✓	✓ (Presiding- appointed as Chairperson on 1 July 2017)	✓ (Presiding- appointed as Chairperson on 1 July 2017)	✓ (Presiding- appointed as Chairperson on 1 July 2017)	✓
Mr Kenny Fihla	Commissioner	A	A	✓	✓	A	A	A	A	A
Dr Krish Kumar	Commissioner	A	✓	✓	✓ (Presiding)	A	✓	✓	A	✓
Mr Siphso Lubisi	Commissioner	✓	✓	✓	✓	✓	✓	✓	✓	✓ ((Presiding)
Prof Gilingwe Mayende	Commissioner	✓	A	A	A	A	A	A	✓	A
Dr Sibongile Muthwa	Commissioner Appointed as Deputy Chairperson on 1 July 2017	A	✓	✓	✓	✓ (Presiding)	A	✓	A	A
Prof Nico Steytler	Commissioner	✓	✓	✓ (Presiding)	A	✓	✓	✓	✓	✓

✓: Attended A: Apologies #: Resigned: \$ term expired

¹ Special Commission Meeting

² Special Commission Meeting

2.4 Commission Committees

The Commission is a Constitutional entity established by section 220 of the Constitution, 1996 and the Financial and Fiscal Commission Act, 1997 (as amended). It is regulated by the Public Finance Management Act No. 1 of 1999 (PFMA). The overall governance is strengthened by various sub-committees each with its own terms of reference reviewed regularly in line with legislation.

2.4.1 Audit and Risk Committee

The Audit and Risk Committee has ensured its independence in accordance with PFMA and the legislative prescripts. The Chairperson is an independent member appointed by Commissioners. Refer to the below table for the other members. All members complied with statutory required competencies and have no conflict 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 Committee was established primarily to assist the Commission in overseeing the quality and integrity of the financial statements, and public disclosures thereof; the scope and effectiveness of the external audit function; effectiveness of the Commission's internal controls and internal audit function. The Audit Committee continues to operate within its approved terms of reference. The Audit Committee met four times during the financial year under review. In these meetings, the Accounting Officer and executive management were always represented. The Auditor-General is always invited to attend, thus ensuring that such meetings are as effective and transparent as possible. Reliance is also placed on the internal and external audit, as these functions play an important role in providing assurance that the effective internal control systems are maintained.

The table below indicates the Audit Committee composition, frequency of meetings and attendance during 2016/2017.

Name of Member	Position	Meetings Attendance and Dates			
		26/5/2016	26/7/2016	17/11/2016	22/3/2016
Mr Jerry Sithole	Independent, Chairperson	✓	✓	✓	✓
Mr Duncan Ntuli	Independent Member	✓	✓	✓	✓
Ms Mmathabo Sukati	Independent Member	✓	A	✓	#
Mr Kenny Fihla	Commissioner, Member	A	A	A	A
Mr Krish Kumar	Commissioner, Member	✓	✓	✓	✓
Mr Sipho Lubisi	Commissioner, Member	✓	✓	✓	✓

✓: Attended A: Apologies #: Resigned

2.4.2 Human Resources Committee

The role of the Human Resources Committee is to provide guidance and make recommendations to the Commission on human capital management matters. The Table below indicates the Human Resources Committee composition, frequency of meetings and attendance during 2016/17.

Name of Member	Position	Meetings Attendance and Dates	
		14/6/2016	18/11/2016
Dr Sibongile Muthwa	Commissioner, Chairperson	✓	✓
Mr Caleb Mabaso	Independent Member	A	✓
Mr Andre Michaux	Independent Member	✓	✓
Mr Sipho Lubisi	Commissioner, Member	✓	✓
Ms Nontobeko Scheppers	Independent Member	✓	✓

✓: Attended A: Apologies #: Resigned

2.4.3 Research Committee

The role of the Research Committee is to assist the Commission in overseeing research and recommendations work of the Commission. The Committee provides strategic support and oversight for the work of the Commission's Research and Recommendations Programme. Meetings are held on a quarterly basis, or more frequently if needed. Activities involve monitoring research plans, resources, outputs and external inputs, reviewing research proposals, and 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 Research Committee composition, frequency of meetings and attendance during 2016/2017.

Name of Member	Position	Meetings Attendance and Dates		
		30/6/2016	27/10/2016	16/3/2017
Professor Nico Steytler	Commissioner, Chairperson	✓	✓	✓
Professor Daniel Plaatjies	Commissioner, Member	✓	✓	✓
Professor Gilingwe Mayende	Commissioner, Member	A	A	A
Dr Sibongile Muthwa	Commissioner, Member	✓	✓	A

✓: Attended A: Apologies #: Resigned

2.4.4 Executive Committee

The Executive Committee assists the Accounting Officer in fulfilling his legal and strategic obligations. EXCO provides guidance and recommendations on the Commission's operations, personnel, budget, technology and governance. In pursuit of its mandate EXCO meets monthly. The Management Committee, assisted by two sub-committees: Management, Information and Technology and Budget assists assist EXCO in discharging its mandate.

The Chairperson of EXCO is the Accounting Officer and its members are the Executive team. EXCO is committed to the principles of transparency, accountability, efficiency and effectiveness and the practical application of these principles to enable service delivery.

2.5 Remuneration of Commissioners

Section 221(3) of the Constitution and Section 8 of the Financial and Fiscal Commission Act deal with the tenure of office of Commissioners. Section 9 of the Financial and Fiscal Commission Act and Section 219(5) of the Constitution covers the remuneration, allowances and other benefits of the Commissioners.

2.6 Sustainability

2.6.1 Funding

The funds of the Financial and Fiscal Commission consist of money appropriated by Parliament for the purpose of the Commission, interest earned on bank savings, money received from donor contributions, money obtained by the disposal of movable or immovable property, money accruing to the Commission from any other source, and money otherwise becoming available to the Commission.

2.6.2 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 monthly to identify new and emerging risks. Risk reports are tabled at the Audit Committee as well as the Commission meetings.

2.6.3 Fraud and Corruption Prevention

There is a duty on all staff members to report knowledge or suspicion of fraud and corruption to the relevant personnel within the Commission. 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 the review and strengthening of internal controls as a result of the forensic investigation, as discussed elsewhere in this annual report.

2.6.4 Performance Budgeting and Management

The Commission has customised and adopted the National Treasury Framework for Managing Programme Performance Information and the National Treasury Framework for Strategic Plans and Annual Performance Plans.

2.6.5 Code of Ethics

The Commission has a Code of Ethics. Employees must adhere to the Code of Ethics at all times and failure to do so may lead to disciplinary action. The code addresses principles relating to ethics, conduct, confidentiality and so forth.

2.6.6 Health, Safety and Environment 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 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. No material health, safety or environmental issues were raised during the year.

2.6.7 HIV/AIDS and Health Programme

The Financial and Fiscal Commission has an HIV/Aids Policy that was developed and implemented in 2002. The HIV/Aids Policy make a clear statement regarding the issue of discrimination and protection of employees who are HIV-positive or perceived to be HIV-positive.

With regards to risk of occupational exposure, no specific units or employee categories have been identified to be at high risk of contracting HIV and related diseases.

The Human Resources Strategy includes the implementation of staff HIV/Aids Awareness and Health Promotion Programmes. The Human Resources Strategy also includes the implementation of an Employee Assistance Programme to address broader issues related to employee well-being and health.

2.7 Internal Controls

The Commission has developed and implemented a system of internal controls as follows:

2.7.1 Research and Recommendations Programme

With a need to be consistent with the key messages and the Commission's brand, the responsibility of the Research and Recommendations Program is to translate and implement the Commission strategic direction for research and recommendations. 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 our stakeholders and adds value to their processes. Accordingly, effective dissemination of research insights and recommendations and effective stakeholder management is the third pillar of the Programme's work. This includes follow-up on recommendation implementation and innovations on how we engage.

The achievements for this year 2016/17 enabled the Commission to adhere very strictly to its constitutional mandate and obligations and managed to make all legally required submissions. Activities carried out for the financial year under review are around (i) research and stakeholders, (ii) publications and dissemination, (iii) library and knowledge management and (iv) administration (next section on performance information will outline the key highlights of these activities). The division not only delivered on the legislative mandate, but grew the division's publications while driving a high rate of repeat stakeholder interactions.

During the 2016/17 financial year, the theme for the Annual Submission 2018/19 was ***“the Intergovernmental System and Urban Development in South Africa”***. This Submission contributes to achieving the goals of the National Development Plan by addressing the role intergovernmental fiscal relations can play in assisting to achieve these goals. The Submission looks at how the intergovernmental fiscal relations system can be leveraged to make use of the potential of accelerated urbanisation, to drive the positive transformation of the economy toward the attainment of rapid economic growth that reduces inequality and eliminates poverty. It has a special focus on the challenges and opportunities created by rapid urbanisation for intergovernmental financing arrangements and is organised around the theme.

2.7.2 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 the exercise of sound budgeting and budgetary control practices, the operation of internal controls and the timely production of financial reports. Supply chain management also falls within the responsibility of the finance function.

2.7.3 Commission Secretary

The responsibility of the Commission Secretary function is to translate and implement the strategic direction of the Commission for Communication/Stakeholder Management, ensure administrative efficiency and compliance. The Commission Secretary provides proactive as well as reactive legal advice, contractual drafting, litigation, governance and related support services on a broad range of legal corporate legal issues. The Commission Secretary provides advice to the Commission and Secretariat in ensuring compliance to applicable legislation, governance, and regulatory requirements.

2.7.4 Corporate Services

The responsibility of the corporate services function is to translate and implement the strategic direction of the Commission for human resource management, information and communication technology (ICT) and facilities management.



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CHAPTER 3

Performance

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Performance

3.1 Statement of Responsibility for Performance Information

The Chief Executive is responsible for the preparation of the Commission's performance information and for judgments 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 2017.



Mr Velile Mbethe
Acting Chief Executive Officer
31 August 2017

3.2 Measurable Strategic Objectives

The measurable strategic objectives outlined in the Commission's Strategic Plan against which achievements of the Commission are assessed are as follows:

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, the Commission's Challenges and Achievements (objective 5.1.1).
2. To ensure that Commission research is converted to policy advice and recommendations written in a language that is accessible to 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, institutionalization of such knowledge and its transfer to other role players within the Intergovernmental fiscal relations system (objective 5.3.1).
10. To ensure prudent and transparent management of the financial resources of the Commission (objective 5.4.1).
11. To ensure access to alternative sources of funding (objective 5.4.2).

The detailed performance information provided below indicates that the Commission has continued making quite significant progress in relation to its medium-term goals while at the same time showing marked improvement in its financial condition as reflected in the audited annual financial statements

3.3 Performance against pre-determined objectives

Project/ Activities (Input)	Output (Deliverable)	Key Performance Measure/Indicator	2015/2016 Actual	2016/2017 Annual Target	2016/2017 Annual Actual Achieved	Variance/ Explanation
Measurable Strategic Objective 5.1.1: Profile the Commission with a special focus on the Commission's Mandate, Vision, Mission and role; approach, the Commission's Short and Long-term Strategy; the Commission's position on specific issues; and the Commission's Challenges and Achievements						
Legislature and Government Plan	Dissemination of Commission proffering, engagement with stakeholders and issues management	Number of briefings on 2017/2018 Submission for the Division of Revenue	2	2 Parliament	2	Achieved
			9	9 Provincial Legislatures	9	Achieved
			2	1 SALGA	1	Achieved
		Number of briefings on 2016 Medium Term Budget Policy Statement	4	2 Parliament	4	Target exceeded due to additional briefing requests from Parliament.
		Number of briefings on Commission Submission on the 2017 Division of Revenue Bill	4	1 Parliament	1	Achieved
		Number of briefings on Fiscal Framework and Revenue Proposals	4	1 Parliament	1	Achieved
		Number of briefings on Commission Submission on Appropriations Bill	1	1 Parliament	1	Achieved
Legislature and Government Plan	Dissemination of Commission profferings and engagement with stakeholders	Number of briefings on Commission Annual Report annually by financial year end	1	1 Parliament		Target not achieved as the invitation to brief Parliament was not received before the end of the financial year.
		Number of TCF ³ Meetings	4	4	5	Target exceeded due to the Lekgotla held during the year
		Number of Budget Council Meetings and Forum meetings	4	4	3	Target not achieved due to fewer invitations received to participate in Council
		Number of Presentations on request by Stakeholders	41	20	44 ⁴	Target exceeded due to extraordinary ad-hoc stakeholder requests.

3 Technical Committee on Finance

4 Refer to Annexure A

Project/Activities (Input)	Output (Deliverable)	Key Performance Measure/Indicator	2015/2016 Actual	2016/2017 Annual Target	2016/2017 Annual Actual Achieved	Variance/ Explanation
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						
Use of Official Languages	Accessible Commission profferings	Development of Use of Official Languages Policy	1	1 Use of Official Languages Policy Developed	-	The Policy was developed during the year, however was not approved by the deadline set.

Project/Activities (Input)	Output (Deliverable)	Key Performance Measure/Indicator	2015/2016 Actual	2016/2017 Annual Target	2016/2017 Annual Actual Achieved	Variance/ Explanation
Measurable Strategic Objective 5.1.3: To ensure the generation of quality, innovative, pioneering research that informs key IGFR strategic debates and choices						
Research and Recommendations Programme	Better stewardship of public funds/ Value for Money	2016/17 Annual Submission for Division of Revenue in Q1	1	1	1	Achieved
		2016 Medium Term Budget Policy Statement Submission in Q3	1	1	1	Achieved
		2016 Appropriations Bill Submission	1	1	1	Achieved
		2015/2016 Annual Submission	1	1	1	Achieved
		2016 Technical Report in Q2	1	1	1	Achieved
		2017 Division of Revenue Bill Submission in Q4	1	1	1	Achieved
		2017 Fiscal Frameworks and Tax Proposals Submission in Q4	1	1	1	Achieved
2017 Appropriations Bill Submission	-	1	1	Achieved		
2015/2016 Annual Submission	1					
2016 Technical Report in Q2	1					

Project/ Activities (Input)	Output (Deliverable)	Key Performance Measure/Indicator	2015/2016 Actual	2016/2017 Annual Target	2016/2017 Annual Actual Achieved	Variance/ Explanation
Measurable Strategic Objective 5.2.1: To ensure the progressive and innovative management of human resource that attracts, develops and retains key talent, and leverages external expertise						
Human Resource Management	People organised effectively for performance	Human Resource Strategy reviewed by Q4	1	Exco Human Resource Strategy	1	Achieved
		Number of Human Resource Management Policies and Procedures reviewed	4	4	4	Achieved
		Remuneration of staff at rates not below DPSA published rates in 2014/2015	100%	SMS and non-SMS staff remuneration not below DPSA rates	SMS and non-SMS staff remuneration not below DPSA rates	Achieved
		Number of unoccupied but budgeted posts	3%	No more than 15% of total number of budgeted positions	No more than 15% of total number of budgeted positions	Achieved
		Number of rate of absenteeism ⁵	4.3%	Max 5%	3%	Achieved
		Number of employees disciplined for misconduct ⁶	3%			
		Number of employees trained and developed per annum	1	4	1	Not Achieved A review was made to the training plan
		Number of ratio of male to female staff	SMS 73/27	40 males/60 females	-	Not Achieved, 42% of staff complement are males at year end. No vacancies existed during the year.
			Professional 38/62			
			Non- SMS 8/92			
	Organisation 39/61					

⁵ Total Days Absent/Total Working Days%

⁶ Incidents/Total Staff Compliment%

Project/ Activities (Input)	Output (Deliverable)	Key Performance Measure/Indicator	2015/2016 Actual	2016/2017 Annual Target	2016/2017 Annual Actual Achieved	Variance/ Explanation
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						
ICT Management	ICT organised effectively for performance	Number of ICT Policies and Procedures reviewed by Q4	4	4	4	Achieved
		Disaster Recovery Plan (DRP) reviewed by Q4	1 Approved Disaster Recovery Plan	Disaster Recovery Plan reviewed	-	The Plan was in the process of review, but incomplete due to sudden departure of IT manager.
		Business Continuity Plan (BCP) reviewed by Q4	1 Approved Business Continuity Plan	Approved Business Continuity Plan	-	The Plan was in the process of review, but incomplete due to sudden departure of IT manager.

Project/ Activities (Input)	Output (Deliverable)	Key Performance Measure/Indicator	2015/2016 Actual	2016/2017 Annual Target	2016/2017 Annual Actual Achieved	Variance/ Explanation
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						
Facilities Management	Space, infrastructure, people and organization effectively coordinated for performance	Number of Facilities Management Policies and Procedures reviewed by Q4	8	4	4	Achieved

Project/ Activities (Input)	Output (Deliverable)	Key Performance Measure/Indicator	2015/2016 Actual	2016/2017 Annual Target	2016/2017 Annual Actual Achieved	Variance/ Explanation
Measurable Strategic Objective 5.2.4: Compliance with legislation and adherence to relevant corporate governance best practice						
Compliance	Commitment to legal and ethical standards, and doing the right thing	Strategic plan to National Treasury by due date	1	Draft 1 to National Treasury	1	Achieved
			1	Draft 2 to National Treasury	1	Achieved
			1	Final Strategic Plan to National Treasury	1	Achieved
		Strategic Plan to Parliament by due date	1	Final Strategic Plan to Parliament	1	Achieved
		Tabling of Submission for the Division of Revenue per IGFR Act	1	Tabling of Submission by May 2016	1	Achieved

Project/ Activities (Input)	Output (Deliverable)	Key Performance Measure/Indicator	2015/2016 Actual	2016/2017 Annual Target	2016/2017 Annual Actual Achieved	Variance/ Explanation
		Submission of 2016/17 and 2016/17 Quarterly Financial and non-Financial Performance Information to National Treasury by due date	1	Q4 2014/2015 Reports to National Treasury by 30 April 2015	1	Achieved
	1		Q1 2015/2016 Reports to National Treasury by 31 July 2015	1	Achieved	
	1		Q2 2015/2016 Reports to National Treasury by 31 October 2015	1	Achieved	
			Q3 2015/2016 Reports to National Treasury by 31 January 2016	1	Achieved	
		Submission of 2015/2016 Financial and non-Financial Performance Information to Auditor-General by due date.	1	Unaudited 2014/2015 annual financial statements and Performance Information to Auditor General by 31 May 2015	1	Achieved
		2016/2017 MTEF Submission to National Treasury by due date	1	Submission to National Treasury	1	Achieved
Compliance		Submission and tabling of 2015/2016 Annual Report before Parliament, Provincial Legislatures, Organised Local Government, National Treasury and Auditor-General by due date.	1	Submission of Draft 2015/2016 Annual Report to Auditor General in Q2	1	Achieved
			1	Submission of Draft 2015/2016 Annual Report to National Treasury by 30 September 2015	1	Achieved
			1	Tabling of Submission of Draft 2015/2016 Annual Report by 30 September 2015	1	Achieved
		2016/2017 Budget Adjustment Estimates Submission to National Treasury by due date	1	Budget Adjustment Estimates to National Treasury in Q2	1	Achieved

Project/ Activities (Input)	Output (Deliverable)	Key Performance Measure/Indicator	2015/2016 Actual	2016/2017 Annual Target	2016/2017 Annual Actual Achieved	Variance/ Explanation
		Enterprise Risk Assessment	-	Risk Management Register updated	-	The process to update the risk register was undertaken and finalised by year end, however the register was approved subsequent to year end.
			-	Fraud Prevention Plan reviewed	-	The process to update the plan was undertaken and finalised by year end, however the register was approved subsequent to year end.
		Estimates of National Expenditure (ENE) Submission to National Treasury by due date	1	ENE Submission to National Treasury in Q3	1	Achieved
		Commission Governance as prescribed by the Financial and Fiscal Commission Act and approved Committee Terms of Reference	3	4 Commission meetings held as per schedule	4	Achieved
		Commission Governance as prescribed by the Financial and Fiscal Commission Act and approved Committee Terms of Reference	11	11 Committee meetings held as per schedule (4 Audit Committee, 4 Human Resources Committee and 3 Research Committee)	10	This target was not achieved as 1 Committee was held subsequent to year end due to non-availability of members for the set meeting.
			12	12 EXCO ⁷ Meetings as per approved schedule	12	Achieved
			12	12 MANCO ⁸ Meetings as per approved schedule	12	Achieved

7 Monthly Executive Committee

8 Monthly Management Committee

Project/ Activities (Input)	Output (Deliverable)	Key Performance Measure/Indicator	2015/2016 Actual	2016/2017 Annual Target	2016/2017 Annual Actual Achieved	Variance/ Explanation
		Implementation of the Financial and Fiscal Commission Amendment Act 2015		Financial and Fiscal Commission Amendment Act 2015	-	Not achieved The appointment of Chairperson is the statutory responsibility of the Presidency and is receiving attention by that office -The appointment of the CEO is the responsibility of the Commission. While the process was at an advanced stage an appointment could not be concluded before the end of the financial year.
Measurable Strategic Objective 5.2.5: To ensure superior performance						
Performance Management	Consistent attainment of organisational goals	Number of 2015/2016 Performance Targets achieved by Q4	88%	90%	78%	
Project/ Activities (Input)	Output (Deliverable)	Key Performance Measure/Indicator	2015/2016 Actual	2016/2017 Annual Target	2016/2017 Annual Actual Achieved	Variance/ Explanation
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						
Information Management, Enterprise Content Management, and Knowledge Management	Preserve institutional memory	Number of peer-reviewed publications in accredited journals as per Research Policy	7	4	4	Achieved
		Number of recognised book chapters or working papers or Technical Reports published as per Research Policy	9	8	19	Exceeded Exceeded New Book chapter published in February – Edward Elgar

Project/Activities (Input)	Output (Deliverable)	Key Performance Measure/Indicator	2015/2016 Actual	2016/2017 Annual Target	2016/2017 Annual Actual Achieved	Variance/ Explanation
Measurable Strategic Objective 5.4.1: To ensure prudent and transparent management of the financial resources of the Commission.						
Financial Management	Organizational agility through the allocation of scarce resources amongst competing interests and opportunities	Financial Management Policy and Procedure reviewed	1	Financial Management Policies and Procedures reviewed and approved by Q4	1	Achieved
		Supply Chain Management Policy reviewed	1	Supply Chain Management Policies reviewed and approved by Q4	1	Achieved
		AG Audit Report of 2015/2016 AFS and Performance Information with no matters of emphasis	1	2015/2016 AG Audit Report with no matters of emphasis in Q2	1	Achieved
		Percentage deviation from budget allocation	2.8%	No more and no less than 5% of allocation by Q4	11%	Additional Income received during the year.
Measurable Strategic Objective 5.4.2: To ensure access to supplementary sources of funding						
	Cooperating to create and/or acquire knowledge	Number of partnerships, sponsorships, collaboration agreements or special projects by Q4	1	2	2	Achieved



Mr Velile Mbethe
Acting Chief Executive Officer
31 August 2017

3.4 Commission Submission for the 2017/2018 Division of Revenue

The theme of the Submission for the 2017/18 Division of Revenue- Intergovernmental Fiscal Relations System and Rural Development was made in terms of the Constitutional provisions to Parliament. The overriding fiscal policy question addressed concerned coordination and adequacy of resources. Coordination is crucial given the multiple players involved in the rural space. The Submission provided evidence on how improving the efficiency of intergovernmental fiscal relations could assist national government, provinces and municipalities to stimulate rural development through prioritising public investments and interventions.

The recommendations made cover:

- Conditions for creating prosperity in rural areas through agriculture-led growth.
- The role of agriculture and non-agricultural linkages in enabling economically, socially and environmentally balanced regional development.
- Measures to improve land reform impacts on rural development.
- Public entities as drivers of infrastructure-led growth in rural areas.
- Fiscal arrangements for funding rural development mandates of provinces.
- Fiscal arrangements for funding rural development mandates of local and district municipalities.
- Job creation in rural areas through public works programmes.
- Farm evictions and their negative impact on rural municipal finances
- The development of new sources of municipal income.
- Effectiveness of sanitation fiscal instruments in enhancing rural development.

If managed properly, fiscal reforms for rural development can bring about greater inter-regional equity and potential economic growth.



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CHAPTER 4

Financial Information

Financial Information

4.1 Statement of Responsibility of the Commission for the Financial Statements for the Year Ended 31 March 2017

The Commission is responsible for preparing financial statements that fairly present the financial position, performance and cash flows for the period and for the related information contained in the annual report.

The Commission maintained adequate accounting records and an effective system of internal controls and risk management and compiled in all material respects with applicable laws and regulations, except as reported by the Auditor-General.

The Commission has prepared the annual financial statements presented on pages 57 to 86 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 45 to 46.

The Commission is financially dependent on a transfer payment from the nationally appropriated funds. On the basis that the transfer payment has been listed on 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.

The annual financial statements for the year ended 31 March 2017 were approved by the Commissioners and are signed on its behalf by the undersigned.



Prof. Daniel Plaatjies
Chairperson of Commission
Date: 31 July 2017

4.2 Report of the Audit Committee for the Year Ended 31 March 2017

4.2.1 Introduction

We are pleased to present the Audit Committee Report for the financial year ended 31 March 2017 in terms of the sections 38(1)a and 77 of the Public Finance Management Act, 1999 Treasury regulation 3.1.11.

4.2.2 Membership and Attendance

The Audit Committee consists of five (5) members. During the year under review, the Audit Committee held four (4) meetings as per the approved terms of reference.

4.2.3 Audit Committee Responsibility

The Audit Committee confirms that it has complied with its responsibilities according to section 38(1) (a) of the Public Finance Management Act, 1999 and Treasury Regulation 3.1.13.

The Audit Committee has regulated its affairs in compliance with its approved charter and has discharged all its responsibilities as contained therein.

4.2.4 Effectiveness of Internal Control

The review of the effectiveness of the system of internal control by the Audit Committee is informed by the reports submitted by Internal Audit and management, who are responsible for the development and maintenance of the internal control system.

The system of control is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the PFMA and the King III report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements together with the management report of the Auditor-General, it was noted that no significant or material non-compliance with prescribed policies and procedures have been revealed. Accordingly we can report that the system of internal control for the period under review was efficient and effective.

However, as for the year under review, the audit outcome has regressed mainly due to weaknesses in internal controls. The Audit Committee has therefore planned to intensify its review processes to address the shortcoming in the various controls.

4.2.5 Risk Management

The Audit Committee has an oversight responsibility over Commission internal risk management processes. In the year under review the Committee monitored the implementation of Risk Management and reviewed progress quarterly.

Review and assessments of Commission strategic risk will continue to be done on a quarterly basis by the Audit Committee.

4.2.6 Risk Management Monthly and Quarterly Reports Submitted in terms of PFMA

The Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the management of the Commission during the year under review.

4.2.7 Evaluation of Financial Statements

The Audit Committee has:

- Reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the management;
- Reviewed the Auditor-General's management report and management's response thereto; and
- Reviewed significant adjustments resulting from the audit.

The Audit 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.



Mr Jerry Sithole
Chairperson of the Audit Committee
Date: 31 July 2015

4.3 Statement of Responsibility of the Accounting Officer for the Financial Statements for the Year Ended 31 March 2017

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 upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer is ultimately responsible for the system of internal financial control established by the Commission. To enable the Accounting Officer to meet these responsibilities, the Commissioners set 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 in the Commission is on identifying, assessing, managing and monitoring risk across the Commission. The Commission endeavours to minimise risk by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management as well as Internal Audit and the Auditor-General 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 misstatement or deficit.

The Accounting Officer has reviewed the Commission's cash flow forecast for the year to 31 March 2018 and, in the light of this review and the current financial position, he is satisfied that the entity has or 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.

The Accounting Officer is responsible for the financial affairs of the Commission and is supported by the Commissioners in that regard. The external auditors are responsible for independently auditing and reporting on the Commission's annual financial statements. The annual financial statements have been examined by the Commission's external auditors and their report is presented on pages 52 to 56.

The annual financial statements set out on pages 57 to 86, which have been prepared on the going concern basis, were approved by the Commission on 31 May 2017 and were signed on its behalf by:



Mr Velile Mbethe
Accounting Officer
31 August 2017

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

1. Review of Activities

The first concern for the Commission from a governance perspective during the financial year end was the enactment of the Financial and Fiscal Commission Amendment Act, 2015. The key amendment was the provision for the reconfiguration of roles of the Chairperson and the Chief Executive Officer. The separation of the roles paves the way for the Commission to improve corporate governance as an entity.

Second was to strengthen internal controls regarding the audit finding that impacted in the prior years' audit report. During the 2016/ 2017 financial years the Commission ensured that it strengthened its internal controls.

Third was to ensure that all predetermined objectives are met, the research strategy implemented and general commission submissions are improved in quality and impact which has substantively been addressed. The Commission has in some cases exceeded expectations in terms of its key objectives.

Fourth was the compliance to the legislative required submissions that were met according to the Annual Performance Plans. Adherence to the approved reporting frameworks, responsibilities and accountability were accomplished during the period under review.

Annual Appropriation

The total appropriation for the Financial and Fiscal Commission for the 2016/2107 financial year, ending on March 31 2017, was R44 839 000.

Revenue Received

The Commission received a total of R46 656 368 in revenue for the reporting period which consisted of R44 839 000 of government grant and R1 817 368 of other income. The latter is in respect of services in kind related to office rental, which was paid by the Department of Public Works, and the technical support in the form of staff seconded to the Commission by the National Treasury, the monetary value of which was R620 000. A further R 3.5 million of revenue was generated from the recovery of rentals that were overpaid by the Commission in previous financial years and interest earned on the positive bank balance.

2. Donor Funds

No donor funding was received during the reporting period.

3. Events after the Reporting Date

A legal summons concerning a labour issue was filed against the Commission in June 2017, which the Commission is defending in the High Court. A reasonable cost estimate cannot be determined at this point.

4. Major Event Expenditure

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

5. Annual Appropriation

The total appropriation for the Financial and Fiscal Commission for the year ending March 31 2017 was R44 839 000.

6. Services Rendered by Commission

The core business of the Commission is fully set out in Chapter 1 of this Report. The Commission is not a service delivery institution and does not render services in the public domain on a cost recovery basis.

7. Constraints

In a knowledge intensive domain, the Commission remains critically aware of the importance of its staff. Not only is suitable research expertise difficult to retain, but the specialist technical skills required mean there is not a large pool from which to recruit talent. The Commission still struggles to develop a critical mass of research experience. The attraction of talent, management and retention of staff remains a key priority of the Commission.

The cost of compliance with the prescripts of among others, the Copyright Act, 1978; Electronic Communications and Transactions Act, 2002; Promotion of Access to Information Act, 2000; and the requirements and directives of the National Archives and Record Service of South Africa Act, 1996 remains prohibitive.

8. Corporate Governance Arrangements

8.1 Internal Audit Function

The Internal Audit Function (IAF) of the Commission is outsourced. The service provider for the reporting period was Nkonki Inc. The IAF is an integral part of the Financial and Fiscal Commission System of Governance.

The IAF provides objective and independent assurance to management and to the Audit 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, the Internal Audit Charter, which is approved by the Audit Committee.

The head of the IAF has complete access and a direct reporting line to the Audit Committee and reports at each Audit Committee meeting on control weaknesses and other internal audit activities.

The IAF through comprehensive engagement with internal stakeholders formulated a comprehensive 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 Committee. The year-plan, forming part of the said internal audit plan, was fully executed during the year under review.

8.2 Audit Committee

The Audit Committee continues to operate within its written terms of reference, which is reviewed and approved by the Commissioners annually. The Audit Committee met four times during the year. In these meetings, the accounting officer and executive management were represented. The Auditor-General of South Africa and his staff 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 under the leadership of a Chief Risk Officer (CRO). The discharge of this responsibility devolves on Executive Management and is coordinated by the Chief Financial Officer.

Management has reviewed the Commission's risk management strategy, which informed the continuous integration of risk management into the day to day activities of the Commission.

Management has created awareness and instituted risk management processes and procedures in alignment with the Public Sector Risk Management Framework. The Commission updated its risk profile, which is monitored on an ongoing basis by internal governance structures, including the Executive Committee and the Audit Committee.

During the course of developing its risk profile, the Commission paid special attention to identifying and assessing the fraud and corruption risks. In line with the Commission's zero tolerance stance on fraud and corruption, activities to mitigate corruption risks have been incorporated into the reviewed Fraud Prevention Plan.

8.4 Internal Policy Review

During the period under review, the Executive Committee approved among others the following governance policies and prescripts for implementation and final approval by the Accounting Officer:

- Human Resources Management Policies
- Financial Policies and Procedures
- Information Technology Policies and Procedures

8.5 Other Governance Matters

In addition to the governance arrangements listed above, the following governance issues were also given attention:

- Business Continuity/Disaster Recovery Plan

9. Discontinued Activities

No activities were discontinued during the course of the reporting period

10. 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.

11. Asset Management

In terms of section 38(1)(b) of the Public Finance Management Act, 1999) (as amended), the Accounting Officer of the Commission is responsible for the effective, efficient, economical and transparent use of the resources.

In addition to the normal day-to-day administration and management of the Commission's Asset Register, the following activities were undertaken to improve on the overall asset management environment of the Commission. The Commission ensured that all its assets are properly tagged, verified and accounted for and that any lost or redundant assets are identified and removed from the asset register on a timely basis. An asset verification process was conducted during the current financial year in order to ensure that Commission assets are accounted for and reported accurately in the annual financial statements.

12. 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.

13. Standing Committee on Public Accounts

There were no SCOPA resolutions in the 2016/2017 financial year relating to the Financial and Fiscal Commission

14. Prior Modifications to Audit Reports

None

15. Audit Outcomes

I am satisfied that the Annual Financial Statements and the Report on Performance Against Predetermined Objectives of the Commission for the year ending 31 March 2017 are compliant with all applicable legislation and fairly present the financial affairs of the Commission. I am supported in this view by the Commission and the Audit Committee of the Commission.

All technical misstatements that were observed during the course of the audit were corrected. This was done with the assistance and support of the Auditor-General. I am indebted to the Auditor-General in this respect.

Approval

The Annual Financial Statements set out on pages 57 to 86 have been approved by the Accounting Officer.



Mr Velile Mbethe
Acting Chief Executive Officer
31 August 2017

4. 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 (FFC) set out on pages 57 to 86, which comprise the statement of financial position as at 31 March 2017, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information 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 FFC as at 31 March 2017 and its financial performance and cash flows for the year then ended in accordance with South Africa Standards of Generally Recognised Accounting Practice (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 FFC in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Irregular expenditure

7. As disclosed in note 22 to the financial statements, the FFC incurred irregular expenditure of R638 822 (2016: R0) during the year because it failed to comply with supply chain management (SCM) prescripts.

Fruitless and wasteful expenditure

8. As disclosed in note 23 to the financial statements, the FFC incurred fruitless and wasteful expenditure of R4 771 (2016: R0) during the year because it failed to comply with its policies.

Accounting officer's responsibility for the financial statements

9. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with 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.
10. In preparing the financial statements, the accounting officer is responsible for assessing the FFC'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 FFC or cease operations, or has no realistic alternative but to do so.

Auditor-general’s responsibilities for the audit of the financial statements

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

Report on the audit of the annual performance report

Introduction and scope

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

Objectives	Pages in the annual performance report
Objective 5.1.1: Profile the commission, with a special focus on the commission’s mandate, vision, mission and role and approach, the commission’s short- and long-term strategy; the commission’s position on specific issues; and the commission’s challenges and achievements	32
Objective 5.1.2: To ensure that the commission’s research is converted into policy advice and recommendations written in language that policymakers can understand	33
Objective 5.1.3: To ensure the generation of quality, innovative and pioneering research that informs key intergovernmental fiscal relations (IGFR) strategic debates and choices	33
Objective 5.3.1: To ensure the creation of new knowledge, the institutionalisation of such knowledge and its transfer to other role players within the IGFR system.	38

16. 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.
17. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected objectives.

Other matter

18. I draw attention to the matter below:

Achievement of planned targets

19. Refer to the annual performance report on pages 30 to 39 for information on the achievement of planned targets for the year and explanations provided for the overachievement of a number of targets.

Report on audit of compliance with legislation

Introduction and scope

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

21. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Financial statements, performance report and annual report

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

Expenditure management

23. Effective steps were not taken to prevent irregular expenditure amounting to R638 822 as disclosed in note 22 to the annual financial statements, in contravention of section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1.

24. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R4 771, as disclosed in note 23 to the annual financial statements, in contravention of section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1.

25. Contractual obligations and money owed by the FFC were not met and settled within 30 days as required by section 38(1)(f) of the PFMA and treasury regulation 8.2.3.

Other information

26. The FFC'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 thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.

27. 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.

28. 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 on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.

29. I have not yet received the annual report. When I do receive this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected I may have to re-issue my auditor's report amended as appropriate.

Internal control deficiencies

30. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in my opinion and the findings on compliance with legislation included in this report.

31. Day-to-day controls to prevent non-compliance relating to expenditure management were inadequate. Management was unable to consistently pay service providers or suppliers within 30 days as per relevant legislation. These transgressions have resulted in the material non-compliance with relevant legislation.

32. Management did not prepare regular, accurate and complete financial accounts. Furthermore, management did not implement controls over daily and monthly processing and reconciling of transactions, which resulted in material misstatements in the financial statements which were subsequently corrected.

Other reports

33. I draw attention to the following engagement that could potentially impact on the FFC's financial, performance and compliance-related matters. My opinion is not modified in respect of this engagement.

Forensic Investigation

34. Specialised Audit Services, a division in National Treasury, performed a forensic investigation at the commission's request. This investigation related to allegations of irregularities at the FFC. This investigation was finalised in April 2017.

Auditor General

Pretoria
31 July 2017



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

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 FFC’s compliance with respect to the selected subject matters.

Financial statements

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

Communication with those charged with governance

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

4.5 Financial Statements For The Year Ended March 2017

4.5.1 Statement of Financial Position

Figures in Rand	Note(s)	2017	2016
Assets			
Current Assets			
Receivables from exchange transactions	3	98 711	7 936
Cash and cash equivalents	4	8 403 913	3 660 900
		8 502 624	3 668 836
NonCurrent Assets			
Property, plant and equipment	6	1 533 860	1 145 439
Intangible assets	7	74 048	84 545
Deposits	5	143 862	143 862
		1 751 770	1 373 846
Total Assets		10 254 394	5 042 682
Liabilities			
Current Liabilities			
Payables from exchange transactions	8	1 788 831	1 164 992
Provisions	9	1 446 220	1 671 303
		3 235 051	2 836 295
NonCurrent Liabilities			
Operating lease liability	10	77 838	129 334
Total Liabilities		3 312 889	2 965 629
Net Assets		6 941 505	2 077 053
Contributed capital	11	918 754	918 754
Accumulated surplus		6 022 751	1 158 299
Total Net Assets		6 941 505	2 077 053

4.5.2 Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016
Revenue from nonexchange transactions			
Government grants & subsidies	12	44 839 000	41 156 000
Services in kind	28	1 817 368	1 223 731
Donor funds		-	40 000
		46 656 368	42 419 731
Revenue from exchange transactions			
Other income	14	3 054 127	1 000 000
Interest received		439 380	308 266
Gains on disposal of assets		1 010	5 478
		3 494 517	1 313 744
Operating expenses			
Employee costs	15	28 126 623	26 046 121
Depreciation and amortisation	13	170 548	104 335
Professional services	17	5 208 438	5 078 108
Other operating expenditure	18	11 780 826	11 409 982
Total operating expenses		45 286 435	42 638 546
Surplus for the year		4 864 450	1 094 929

4.5.3 Statement of Changes in Net Assets

Figures in Rand	Contributed capital	Accumulated surplus	Total net assets
Balance at 01 April 2015	918 754	63 371	982 125
Changes in net assets			
Surplus for the year	-	1 094 928	1 094 928
Total changes	-	1 094 928	1 094 928
Balance at 01 April 2016	918 754	1 158 301	2 077 055
Changes in net assets			
Surplus for the year	-	4 864 450	4 864 450
Total changes	-	4 864 450	4 864 450
Balance at 31 March 2017	918 754	6 022 751	6 941 505

4.5.4 Cash Flow Statement

Figures in Rand	Note(s)	2017	2016
Cash flows from operating activities			
Receipts			
Government grants		44 839 000	41 156 000
Interest received		439 380	308 266
Donor funds		-	40 000
Sundry income		3 054 127	1 000 000
		<u>48 332 507</u>	<u>42 504 266</u>
Payments			
Employee costs		(27 878 219)	(25 829 421)
Suppliers		(15 163 814)	(15 699 367)
		<u>(43 042 033)</u>	<u>(41 528 788)</u>
Net cash flows from operating activities	19	5 290 474	975 478
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(548 705)	(552 524)
Proceeds from sale of property, plant and equipment	6	1 243	6 839
Purchase of other intangible assets	7	-	(74 288)
		<u>(547 462)</u>	<u>(619 973)</u>
Net cash flows from investing activities		(547 462)	(619 973)
Net increase/(decrease) in cash and cash equivalents		4 743 012	355 505
Cash and cash equivalents at the beginning of the year		3 660 900	3 305 395
Cash and cash equivalents at the end of the year	4	8 403 912	3 660 900

4.5.5 Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference to Variance Notes
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Statement of Financial Performance

Receipts						
Revenue from exchange transactions						
Sundry income	-	-	-	3 054 127	3 054 127	1
Interest received	-	-	-	439 380	439 380	2
Total revenue from exchange transactions	-	-	-	3 493 507	3 493 507	
Revenue from nonexchange transactions						
Transfer revenue						
Government grants	44 839 000	-	44 839 000	44 839 000	-	
Total receipts	44 839 000	-	44 839 000	48 332 507	3 493 507	
Payments						
Employee costs	(29 899 124)	-	(29 899 124)	(27 761 060)	2 138 064	3
Professional services	(5 425 858)	-	(5 425 858)	(4 958 438)	467 420	4
Capital expenditure	(474 154)	-	(474 154)	(488 051)	(13 897)	5
Other operating expenditure	(9 039 864)	-	(9 039 864)	(10 382 955)	(1 343 091)	6
Total expenditure	(44 839 000)	-	(44 839 000)	(43 590 504)	1 248 496	
Operating surplus	-	-	-	4 742 003	4 742 003	
Gain on disposal of assets and liabilities	-	-	-	1 010	1 010	
Surplus	-	-	-	4 743 013	4 743 013	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	4 743 013	4 743 013	

Financial and Fiscal Commission

Annual Financial Statements for the year ended 31 March 2017

Notes to the Statement of comparison of budget and actual amount:

1. Sundry Income relates to the overpayment of office rental in prior years, which was recovered from the property agent in the current financial year. This was disclosed as a contingent asset in the previous financial year.
2. Interest is earned on a positive bank balance during the year.
3. The variance in employee costs is due to the vacant positions of the Commission Chairperson for the entire financial year, while the appointment was being handled by the Presidency. The position of the Corporate Services Manager was also vacant for a major portion of the financial year, due to the incumbent's ill health, during which the salary costs were covered by the Commission's insurers.
4. Professional services are below budget due to a conscious effort to reduce the use of external consultants.
5. Purchase of new printers during the year due to replacement of old obsolete printers.
6. Travel and accommodation costs were higher than budget for ad-hoc stakeholder requests. Measures are in place to reduce high printing costs by disposing of desktop printers.

Financial and Fiscal Commission

Annual Financial Statements for the year ended 31 March 2017

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.

1. 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.

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

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 the Commission.

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.

1.3 Property, plant and equipment

Property, 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 property, 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 entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, 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.

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

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

Financial and Fiscal Commission

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

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

Item		Average useful life
Furniture and fixtures	Straight line	25 years
Motor vehicles	Straight line	10 years
Office equipment	Straight line	25 years
Computer equipment	Straight line	10 years
Leasehold improvements	Straight line	Amortised over the period of the lease

Each part of an item of property, 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 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 charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, 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 property, 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 property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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.

Where an intangible asset is acquired through a non exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Financial and Fiscal Commission

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life. 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.

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight line	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 assets 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.

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.

Financial and Fiscal Commission

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

A financial asset is:

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

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 measure at amortised costing being the initially recognised amount, plus any interest accrued, less any repayments, less any impairments.

Impairment of financial assets

The Commission assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

Financial and Fiscal Commission

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Accounting Policies

1.6 Leases

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

Leases under which the risks and benefits of ownership are effectively retained by the lessor, are classified as operating leases. Obligations incurred under operating leases are charged to the statement of financial performance on a straight line basis. When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which the termination takes place.

1.7 Employee benefits

Employee benefits are all forms of consideration given by the Commission in exchange for service rendered by employees. The Commission operates a defined contribution plan, the assets of which are generally held in separate trustee administered funds. This plan is funded by payments from employees and the Commission.

The cost of short term employee benefits, which are those payable within 12 months after the service is rendered, such as 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 legal or constructive obligation to make such payments as a result of past performance.

Vested employee benefits are employee benefits that are not conditional on future employment.

1.8 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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

Financial and Fiscal Commission

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Accounting Policies

1.9 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.

1.10 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, other than increases relating to contributions from owners.

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 will flow to the Commission and these benefits can be measured reliably. Revenue comprises of 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. The Commission has developed an appropriate accounting policy for this basis, namely that revenue from non exchange sources is only recognised to the extent that a corresponding asset satisfies the recognition criteria, but limited to the amount of any outstanding obligation in the form of conditions attached to the grant. Donor funds received are managed by the Commission in order to enable facilitation of research projects. The funds are recognised as revenue.

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

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

1.11 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, other than increases relating to contributions from owners.

Financial and Fiscal Commission

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Accounting Policies

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 arise 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.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation. Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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 recognise 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 and/or service delivery objectives and/or do not satisfy the criteria for recognition, the Commission has disclosed the nature and type of services in kind received during the reporting period.

Financial and Fiscal Commission

Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.12 Fruitless and wasteful expenditure

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

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.

1.13 Irregular and fruitless and wasteful expenditure

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

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

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial 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. No further action is required with the exception of updating 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.

1.14 Budget information

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

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

Financial and Fiscal Commission

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Accounting Policies

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

The approved budget covers the fiscal period from 2016/04/01 to 2017/03/31.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts. The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 15 & 17 & 29.

1.15 Related parties

The Commission operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the Commission, including those charged with the governance of the Commission in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the Commission.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.16 Events after reporting date (continued)

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 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.

1.17 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 subject to judgement and such estimates include estimated useful lives and the recoverability of the carrying value of assets.

Financial and Fiscal Commission

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Commission has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 17 (as amended 2015): Property, Plant and Equipment

The Accounting Standards Board has reconsidered certain principles in GRAP 16 and GRAP 17. In particular, the Board has:

- Reviewed the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Considered whether an indicator based assessment of useful lives of assets could be introduced.
- Clarified the wording related to the use of external valuers.
- Introduced more specific presentation and disclosure requirements for capital work in progress.
- Reviewed the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Amendments identified as part of the post implementation review, affected the following areas:

- Indicator based assessment of the useful lives of assets
- Use of external valuers
- Encouraged disclosures
- Capital work in progress
- Expenditure incurred on repairs and maintenance

The effective date of the standard is for years beginning on or after 01 April 2016.

The Commission has adopted the standard for the first time in the 2017 annual financial statements.

The impact of the standard is not material.

GRAP 16 (as amended 2015): Investment Property

The Accounting Standards Board has reconsidered certain principles in GRAP 16 and GRAP 17. In particular, the Board has:

- Reviewed the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Considered whether an indicator based assessment of useful lives of assets could be introduced.
- Clarified the wording related to the use of external valuers.
- Introduced more specific presentation and disclosure requirements for capital work in progress.
- Reviewed the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Required separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Various amendments were made to the Standard, affecting Definitions, Identification, Disclosure, Effective date and Transitional provisions.

The effective date of the standard is for years beginning on or after 01 April 2016.

The Commission has adopted the standard for the first time in the 2017 annual financial statements.

Financial and Fiscal Commission

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

The impact of the standard is not material.

2.2 Standards and interpretations issued, but not yet effective

The following approved Standards of GRAP have been approved and issued by the Accounting Standards Board, but only become effective in the future or have not been given an effective date by the Minister of Finance. The Commission has not early adopted any new standards, but has in some cases referred to them for guidance in developing appropriate accounting policies in accordance with the requirements of Directive 5: Determining the GRAP Reporting Framework:

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. "Generally accepted accounting practice" has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the standard is for years beginning on or after 01 April 2018.

The Commission expects to adopt the standard for the first time in the 2019 annual financial statements.

It is unlikely that the standard will have a material impact on the Commission's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The effective date of the standard is not yet set by the Minister of Finance.

The Commission expects to adopt the standard for the first time when the Minister sets the effective date for the standard. The adoption of this standard is not expected to impact on the results of the Commission, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 26 (as amended 2015): Impairment of cash generating assets

The Accounting Standards Board has reviewed GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non cash generating;
- assessing the feasibility of one measurement approach for non cash generating assets; and
- assessing the feasibility of combining the two Standards.

The effective date of the standard is for years beginning on or after 01 April 2017.

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Notes to the Annual Financial Statements

The Commission expects to adopt the standard for the first time in the 2018 annual financial statements.

It is unlikely that the standard will have a material impact on the Commission's annual financial statements.

GRAP 109: Accounting by Principals and Agents

The Standard outlines principles to be used by the Commission in assessing whether it is party to a principal agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

The effective date of the standard is not yet set by the Minister of Finance.

The Commission expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

GRAP 21 (as amended 2015): Impairment of non cash generating assets

The Accounting Standards Board has reviewed GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non cash generating;
- assessing the feasibility of one measurement approach for non cash generating assets; and
- assessing the feasibility of combining the two Standards.

The effective date of the standard is for years beginning on or after 01 April 2017.

The Commission expects to adopt the standard for the first time in the 2018 annual financial statements.

It is unlikely that the standard will have a material impact on the Commission's annual financial statements.

GRAP 18: Segment Reporting

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the entity's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the Commission, but may result in more disclosure than is currently provided in the annual financial statements.

Financial and Fiscal Commission

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

GRAP 108: Statutory Receivables

The standard provides for the treatment of receivables that arise from legislation or from equivalent means. It is unlikely that the Commission will undertake specific legislative transactions in the foreseeable future.

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the Commission's annual financial statements.

Financial and Fiscal Commission

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

Figures in Rand

3. Receivables from exchange transactions

	Note(s)	2017	2016
Prepayments		71 619	-
Other receivables		27 092	7 936
		98 711	7 936

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand		723	1 453
Bank balances		8 403 190	3 659 447
		8 403 913	3 660 900

5. Deposits

Rental deposits		143 862	143 862
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Deposits relate to rental deposits on the premises occupied by the Commission.

6. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	2 449 449	(2 159 629)	289 820	2 429 650	(2 144 852)	284 798
Motor vehicles	236 829	(208 266)	28 563	236 829	(199 363)	37 466
Computer equipment	1 979 033	(862 113)	1 116 920	1 454 526	(751 830)	702 696
Leasehold improvements	475 942	(416 191)	59 751	475 942	(394 269)	81 673
Artwork	38 806	-	38 806	38 806	-	38 806
Total	5 180 059	(3 646 199)	1 533 860	4 635 753	(3 490 314)	1 145 439

Financial and Fiscal Commission

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Notes to the Annual Financial Statements

Figures in Rand Note(s) 2017 2016

Reconciliation of property, plant and equipment 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	284 798	24 198	(233)	(18 943)	289 820
Motor vehicles	37 466	-	-	(8 903)	28 563
Computer equipment	702 696	524 507	-	(110 283)	1 116 920
Leasehold improvements	81 673	-	-	(21 922)	59 751
Artwork	38 806	-	-	-	38 806
	1 145 439	548 705	(233)	(160 051)	1 533 860

Reconciliation of property, plant and equipment 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	281 505	21 056	-	(17 763)	284 798
Motor vehicles	46 363	-	-	(8 897)	37 466
Computer equipment	290 372	468 737	(1 361)	(55 052)	702 696
Leasehold improvements	32 036	62 731	-	(13 094)	81 673
Artwork	38 806	-	-	-	38 806
	689 082	552 524	(1 361)	(94 806)	1 145 439

7. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	244 310	(170 262)	74 048	244 310	(159 765)	84 545

Reconciliation of intangible assets 2017

	Opening balance	Amortisation	Total
Computer software	84 545	(10 497)	74 048

Reconciliation of intangible assets 2016

	Opening balance	Additions	Amortisation	Total
Computer software	19 784	74 288	(9 527)	84 545

Financial and Fiscal Commission

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Notes to the Annual Financial Statements

Figures in Rand

8. Payables from exchange transactions

	Note(s)	2017	2016
Trade payables		256 509	316 634
Accrued expenses		1 532 322	848 358
		1 788 831	1 164 992

9. Provisions

Reconciliation of provisions 2017

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	639 846	732 701	(639 846)	-	732 701
Leave benefits	1 031 457	-	(168 077)	(149 861)	713 519
	1 671 303	732 701	(807 923)	(149 861)	1 446 220

Reconciliation of provisions 2016

	Opening Balance	Additions	Utilised during the year	Total
Bonus	539 306	639 846	(539 306)	639 846
Leave benefits	754 404	277 938	(885)	1 031 457
	1 293 710	917 784	(540 191)	1 671 303

In terms of the Financial and Fiscal 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 one year after the end of a leave cycle are forfeited. A provision for R732 701 (2016:R639 846) recognised for performance bonuses will be paid in the following financial year, in accordance with the Commission's performance management policy.

10. Operating lease liability

Accrual in respect of straight line operating lease	77 838	129 334
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11. Contributed capital

Issued

Value of Assets received from National Treasury at the establishment of the Commission.	918 754	918 754
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Financial and Fiscal Commission

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

Figures in Rand

12. Government grants

Operating grants

Revenue comprises amounts received from National Treasury	44 839 000	41 156 000
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13. Depreciation and amortisation

Property, plant and equipment	160 051	91 090
Intangible assets	10 497	13 245
	170 548	104 335

14. Other income

Sundry Income	3 054 127	1 000 000
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Sundry Income during the year relates to funds recovered from Dipula Property in respect of overpaid rental costs. The transaction was recognised as a Contingent Asset in the prior year.

15. Employee costs

Basic	26 721 437	23 644 728
Performance bonus	738 943	639 846
Leave pay provision charge	(317 937)	277 052
UIF	61 075	58 412
Longservice awards	260 211	257 864
Other personnel costs	662 894	1 168 219
Total	28 126 623	26 046 121

The cost of shortterm employee benefits, which are those payable within 12 months after the service is rendered, such as 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 legal or constructive obligation to make such payments as a result of past performance.

Financial and Fiscal Commission

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

Figures in Rand	Note(s)	2017	2016
16. Related parties			
All National Departments of Government and National Statecontrolled entities are regarded as related parties in accordance with IPSAS 20. The Financial and Fiscal Commission is a constitutional institution reporting to Parliament from which it received grants in the current and prior years. Transactions with related parties that are on the same terms as those generally available in the sector and related to transactions in the ordinary course of business are not disclosable in terms of IPSAS 20. Payments to Commissioners and Management are reflected below.			
Executive Commissioner B Khumalo (for the period 1 April 2016 31 August 2016)			
Annual Salary		882 562	1 550 541
Other Contributions		53 436	100 320
Total		935 998	1 650 861
NonExecutive Commissioner S Muthwa			
Commissioner fees		21 408	91 250
Total		21 408	91 250
NonExecutive Commissioner S Lubisi			
Commissioner fees		57 018	21 016
Travel expenses		5 294	3 683
Total		62 312	24 699
NonExecutive Commissioner N Steytler			
Commissioner fees		112 915	97 653
Travel expenses		1 901	-
Total		114 816	97 653
NonExecutive Commissioner D Plaatjies			
Commissioner fees		438 248	368 394
Travel expenses		536	-
Total		438 784	368 394
NonExecutive Commissioner K Kumar			
Travel expenses		17 748	14 461
Total		17 748	14 461
NonExecutive Commissioner G Mayende			
Commissioner fees		20 076	21 016
Travel expenses		-	5 052
Total		20 076	26 068

Financial and Fiscal Commission

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Notes to the Annual Financial Statements

Figures in Rand	Note(s)	2017	2016
31 March 2017			
		Salary	Performance Bonus
		Other	Long service award
			Total
Ramos Mabugu, Research Director		1 480 539	61 544
Mavuso Vokwana, CFO		1 206 529	25 077
Anton van Niekerk, Corporate Services Manager		958 230	-
Ansuyah Maharaj, Commission Secretary		1 139 779	23 690
Velile Mbethe, Acting Chief Executive Officer (from 1 September 2016)		729 720	-
		5 514 797	110 311
		9 411	183 946
			5 818 465

31 March 2016

	Salary	Performance Bonus	Other	Total
Ramos Mabugu, Research Director	1 327 280	45 114	4 163	1 376 557
Mavuso Vokwana, CFO	1 103 777	28 864	436	1 133 077
Ansuyah Maharaj, Commission Secretary	1 042 976	-	1 491	1 044 467
	3 474 033	73 978	6 090	3 554 101

17. Professional services

Legal Fees	900 880	128 151
External Audit Fees	1 387 710	1 149 881
Risk Management Fees	236 782	245 270
Internal Audit Fees	834 309	886 977
Commissioned Research	1 848 757	2 667 829
	5 208 438	5 078 108

18. Other operating expenditure material classes of transactions

Total other operating expenditure includes the following material transactions

Software licences	573 672	484 176
Internet connection	545 358	470 993
IT support	548 892	375 523
Workshops & meetings	651 048	1 241 349
Printing & publications	1 274 742	525 371
Communication & cell phones	1 163 851	905 281
Office rent	2 389 534	1 731 661
Travel expenses	2 293 547	2 705 192
	9 440 644	8 439 546

Financial and Fiscal Commission

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

Figures in Rand	Note(s)	2017	2016
19. Cash generated from operations			
Surplus		4 864 450	1 094 929
Adjustments for:			
Depreciation and amortisation		170 548	104 335
Loss (gain) on sale of assets and liabilities		(1 010)	(5 478)
Movements in operating lease assets and accruals		(51 496)	(4 308)
Movements in provisions		(225 083)	377 593
Changes in working capital:			
Receivables from exchange transactions		(90 775)	(7 936)
Payables from exchange transactions		623 840	(583 657)
		5 290 474	975 478

20. Commitments

Authorised capital expenditure

Commitments

The Commission has entered into a lease agreement for office premises in Cape Town. Commitments regarding the lease are as follows.

Operating leases as lessee (expense)

Minimum lease payments due

- within one year	565 789	637 037
- in second to fifth year inclusive	-	565 789
	565 789	1 202 826

Operating lease payments represent rentals payable by the entity for its office premises. Leases are negotiated for an average term of five years and have an 8% escalation clause. No contingent rent is payable.

21. Going concern

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 Commission's ability to continue as going concern depends largely on the continued support of government through means of annual appropriation. The Commission will make a submission and request approval from the National Treasury to retain part of, or the entire cash surplus.

Financial and Fiscal Commission

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

Figures in Rand	Note(s)	2017	2016
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22. Irregular expenditure

Opening balance		-	-
Add: Irregular Expenditure - current year		2 231 362	-
Add: Irregular Expenditure - Prior year		4 738 726	-
Less: Amounts condoned		(6 331 266)	-
		638 822	-

Analysis of expenditure awaiting condonation per age classification

Current year		542 116	-
Prior years		96 706	-
		638 822	-

Details of irregular expenditure

Performance Management training	Subject of forensic investigation	170 000
Event planning services	Subject of forensic investigation	304 096
Organisational Structure Review	Irregular expenditure under investigation	68 020
20th Anniversary Programme publication	Subject of forensic investigation	96 706
		638 822

The Irregular expenditure identified above relates to noncompliance with procurement procedures in the current and previous financial years. A forensic investigation has been concluded on these matters and the Commission is in the process of instituting disciplinary procedures against the implicated personnel. Additional controls have been put in place to avoid such irregular expenditure in future.

Details of irregular expenditure condoned

	Condoned by Accounting Officer	
Legal services	Procurement without competitive bidding	582 598
Legal services	Procurement without competitive bidding	212 711
Printing services	Procurement without competitive bidding	3 295
Printing services	Procurement without competitive bidding	6 210
Printing services	Procurement without competitive bidding	15 203
Temporary staff	Procurement without competitive bidding	20 600
Courier services	Procurement without competitive bidding	8 365
Vehicle rental	Procurement without competitive bidding	72 823
Travel Management Services	Procurement without competitive bidding	5 409 461
		6 331 266

The condoned irregular expenditure regarding travel management services relate to the uninterrupted use of the same travel agent over a number of years in the absence of a competitive bidding process to identify potential new service providers. The expenditure relates to the current and previous financial years. The condonement has been granted primarily on the basis that value has been received notwithstanding the noncompliance. A new travel agent has since been appointed and processes around the maintenance of the contracts register has been improved to ensure that renewable contracts receive timeous attention.

Financial and Fiscal Commission

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

Figures in Rand	Note(s)	2017	2016
23. Fruitless and wasteful expenditure			
Cancellation of travel Visa costs		1 890	-
Cancellation of travel Ticket cancellation costs		1 881	-
Traffic Fines		1 000	-
		4 771	-

The matter related to cancellation of travel was incurred by a former employee and steps have been initiated to recover the amounts expended. The amount incurred as traffic fines was subsequently recovered from the responsible staff member in line with the Commission's policies

24. Financial risk management

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 the 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 provided National Treasury approves the retention of the surplus.

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 2017

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
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Trade and other payables

1 535 234	-	-	-
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At 31 March 2016

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
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Trade and other payables

1 164 994	-	-	-
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Credit risk

Financial assets which potentially subject the Commission to concentrations of credit risk is principally of 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.

Trade and other receivables

94 940 7 936

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.

Financial and Fiscal Commission

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

Figures in Rand	Note(s)	2017	2016
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Fair values

At 31 March 2017 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 transacts with foreign persons from timetotime. The Commission is relatively insensitive to subsequent fluctuations in currency since most transactions are settled in advance, 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.

25. Retirement benefit information

Defined contribution plan

During the year, the Financial and Fiscal Commission contributed to Momentum Provident Fund for all its employees. This constituted a defined contribution fund governed by the Pension Fund Act (Act 24 1956, as amended). In terms of the rules of the fund, the Commission is committed to contribute 12.5% of pensionable emoluments towards the retirement fund and 3.5% of pensionable emoluments towards an accident compensation fund. An amount of R3 608 322 (2016: R3 177 494) was recognised as an expense during the year for contributions to the retirement fund. FFC has no liability to members beyond what is contributed to the fund.

26. Contingent liabilities

The accumulated surplus of R6 million in the current year has been classified as a contingent liability as at 31 March 2017. In terms of National Treasury Instruction Note 6 of 2017/18 constitutional institutions must declare and surrender realised surpluses to the National Revenue fund, unless approval has been obtained to retain the surplus or a portion thereof. The Commission will submit an application for such approval.

27. Subsequent events

A legal summons was filed against the Commission in June 2017. The Commission has filed an application in the high court to defend the matter. A reasonable cost estimate cannot be determined at this point.

28. Services in kind

Office Rental	1 817 368	1 223 731
Staff secondment	620 000	-
	2 437 368	1 223 731

The Commission has recognised services in kind related to the office accommodation in Midrand. Department of Public Works has traditionally entered into contractual agreements and paid for the rental on behalf of the Commission.

During the current financial year the Commission received technical assistance in the form of staff secondment from National Treasury.

Financial and Fiscal Commission

Annual Financial Statements for the year ended 31 March 2017

Notes to the Annual Financial Statements

Figures in Rand	Note(s)	2017	2016
29. Reconciliation between budget and statement of financial performance			
Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:			
Net surplus per the statement of financial performance		4 864 450	1 094 929
Adjusted for:			
Increase in Sundry Income		(5 463 332)	(3 177 475)
(Under)/Over expenditure in Employee costs		(1 832 881)	802 618
(Under)/Over expenditure in Professional services		(467 420)	(226 824)
(Under)/Over expenditure in Other operating expenditure		2 899 183	1 506 752
Net surplus per approved budget		-	-

30. Budget differences

Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The annual financial statements are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The annual financial statements are for the fiscal period from 2016/04/01 to 2017/03/31. The annual financial statements differ from the budget, which is approved on the cash basis.



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CHAPTER 5

Human Resource Management

Human Resource Management

5.1 Introduction and Oversight Overview

The Commission strives to create a work environment and organisational culture that support employee growth, development and optimal performance. Although the Corporate Services Manager was on incapacity leave during the period under review the Human Resources Unit continued to meet its deliverables with its dedicated team.

During the year under review the Commission developed a dedicated human resources strategy for the organisation, addressing various key performance areas such as talent management, remuneration and benefits, learning and development, employee relations, organisational wellness, organisational design and human resources communication. The strategy was presented to the Commission's Human Resources Committee for consideration and approval and will serve as a roadmap to guide the implementation and monitoring of strategic human resources interventions in the year ahead.

During the year under review the Commission commenced to review, update and align its Human Resource (HR) policies to legislation, bring policies in line with best practice and also to ensure proper governance. This project will continue into the 2016/17 financial year to ensure that all HR policies are reviewed and updated with final approval. It aims to provide employees with the skills and tools they require to perform their jobs and meet the needs of the organisation. Employee engagements, leadership effectiveness and employment equity assessments were all part of the year under review performance.

The Commission's performance management process is utilized to track, manage and improve employee performance. The Commission is pleased with its learnership and internship programmes. The programmes are a work-based programmes that combines a structured learning component with practical work experience. Employment equity in the workplace is fully supported by the Commission.

The Commission employed interns and learners during the period under review. The learnership and internship programmes are work-based programmes that combine a structured learning component with practical work experience. The number of permanent employees remained stable during the period under review.

The Commission will embark on a review of its service delivery model and organisational design during the forthcoming year to strengthen its capacity to provide advisory services to a wide range of stakeholders.

5.2 Oversight Statistics

5.2.1 Workforce

Table 1 Employment and Vacancies by Salary Bands, 31 March 2017

Salary Band	Number of Posts	Number of Posts Filled	Vacancy Rate %	Additional to the Establishment*
Unskilled	1	1	0%	0
Semi-skilled	2	2	0%	0
Skilled	9	9	0%	0
Professional qualified	9	9	0%	3
Senior Management	7	7	0%	0
Top Management	5	5	0%	0
Programme total	33	33	0%	3

*At the beginning of the year, the Commission had eight (8) interns. Five (5) of the intern contracts expired during the year, and three (3) interns remained at the end of the financial year.

5.2.2 Expenditure

Table 1 Personnel Costs by Salary Bands, 2016/2017

Salary Bands	Personnel Expenditure	% of Total Personnel Cost	Average Personnel Cost Per Employee
Unskilled	147,385	0,55%	147,385
Semi-skilled	870,089	3,25%	435,044
Skilled	5,294,506	19,79%	588,278
Professional qualified	7,140,840	26,70%	793,427
Senior Management	7,208,578	26,95%	1,029,797
Top Management	6,087,751	22,76%	1,217,550
Total	26,749,148	100%	810,580

Table 2 Salaries, Overtime and Medical Assistance by Salary Bands, 2016/2017

Salary Bands	Salaries		Overtime		Medical Assistance	
	Amount	% of Personnel Cost	Amount	% of Personnel Cost	Amount	% of Personnel Cost
Unskilled	83,389	0,34%	0	0%	63,996	0,24%
Semi-skilled	715,721	2,88%	0	0%	154,368	0,58%
Skilled	4,760,386	19,13%	0	0%	534,120	2,00%
Professional qualified	6,687,264	26,87%	0	0%	453,576	1,70%
Senior Management	6,788,548	27,28%	0	0%	420,030	1,57%
Top Management	5,852,323	23,51%	0	0%	235,428	0,88%
Total	24,887,630	100%	0	0%	1 861, 518	6,96%

5.2.3 Employment Changes

Table 1 Annual Turnover Rates by Salary Bands for the Period 01 April 2016 to 31 March 2017

Salary Bands	Number of Employees per Level as at 1 April 2016	Appointments and Transfers In	Terminations and Transfers Out	Number of Employees per Level as at 1 April 2017
Unskilled	1	0	0	1
Semi-skilled	2	0	0	2
Skilled	9	0	0	9
Professional qualified	9	0	0	9
Senior Management	7	0	0	7
Top Management	5	1	-1	5
Total	33	1	1	33

Table 2 Reasons for Staff turnover

Termination Type	Number	% of Total Turnover
Death	0	0%
Resignation	0	0%
Expiry of Contract	1	100%
Dismissal	0	0%
Discharge due to ill-health	0	0%
Retirement	0	0%
Other	0	0%
Total	1	100%

5.2.4 Terminations

Table 1 Terminations for the Period 1 April 2016 to 31 March 2017

Occupational Bands	Male				Female				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	1	0	0	0	0	0	0	0	1
Senior management	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid-management	0	0	0	0	0	0	0	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	0	0	0	0	0	0	0	0	0
Semi-skilled and discretionary decision making	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total permanent	1	0	0	0	0	0	0	0	1
Non-permanent employees	1	0	0	0	4	0	0	0	5
Total	3	0	0	0	4	0	0	0	7

5.2.5 Training

Table 1 Skills Development for the period 1 April 2016 to 31 March 2017

Occupational Categories	Male				Female				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	3	0	1	0	0	1	0	0	5
Professionals	1	0	0	0	1	0	0	0	2
Total permanent	4	0	1	0	0	1	0	0	7
Non-permanent employees	0	0	0	0	0	0	0	0	0
Total	4	0	1	0	0	1	0	0	7
Persons with disabilities	0	0	0	0	0	0	0	0	0

5.2.6 Performance Reward

Table 1 Performance Reward by Salary Band for Personnel below Senior Management Service, 01 April 2016 to 31 March 2017

Salary Band	Number of Beneficiaries	Number of Employees	% of Total within Group	Cost (R'000)	Average Cost per Employee (R'000)	Total Cost as % of Total Personnel Cost
Unskilled	1	1	100%	4,644	4,644	0,02%
Semi-skilled	2	2	100%	24,395	12,197	0,09%
Skilled	8	9	89%	149,427	18,678	0,56%
Professional qualified	7	9	78%	133,351	19,050	0,50%
Senior Management	7	7	100%	222,689	31,813	0,83%
Total	25	28	89%	534,507	21,380	2,00%

Table 2 Performance-related Rewards by Salary band, for Senior Management Service, 1 April 2016 to 31 March 2017

Salary Band	Number of Beneficiaries	Number of Employees	% of Total within Group	Cost (R'000)	Average Cost per Employee (R'000)	Total Cost as % of Total Personnel Cost
Top Management	3	5	60%	105,339	35,113	0,39%
Total	3	5	60%	105,339	35,113	0.39%

5.2.7 Leave Utilisation

Table 1 Sick Leave 1 April 2016 to 31 March 2017

Salary Band	Total Days	Number of Employees Using Sick Leave	% of Total Employees Using Sick Leave	Average per Employee	Estimated Cost (R'000)	Total Days with Medical Certification
Salary levels 1–2	8	1	2,80%	8	4, 162	N/A
Salary levels 3–5	0	2	5,78%	0	0, 000	N/A
Salary levels 6–8	23,50	6	17,14%	3,9	36, 611	N/A
Salary levels 9–12	86	13	42,86%	6,62	213, 041	N/A
Salary levels 13–16	30	11	31,42%	2,7	122, 250	N/A
Total	147,50	33	100%	4,5	376, 065	

Table 2 Disability Leave (temporary and permanent), 1 April 2016 to 31 March 2017

Disability leave	1
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Table 3 Annual Leave, 1 April 2016 to 31 March 2017

Salary Bands	Total Days Taken	Number of Employees in Grade	Average per Employee
Salary levels 1–2	21,00	1	21,00
Salary levels 3–5	20,83	2	10,42
Salary levels 6–8	58,61	6	9,77
Salary levels 9–12	229,76	13	17,67
Salary levels 13–16	150,25	11	13,66
Total	480,45	33	14,56

Table 4 Leave Pay-outs for the Period 1 April 2016 to 31 March 2017

Reason	Total Amount (R'000)	Number of Employees	Average Payment per Employee (R'000)
Leave pay-out for 2016/17 due to non-utilisation	0, 000	0	0, 000
Current leave pay-out on termination of service	227, 742	2	113,871
Total	227, 742	2	113,871

5.2.8 Labour Relations

Table 1 Misconduct and Disciplinary Hearings Finalised, 1 April 2016 to 31 March 2017

Outcomes of Disciplinary Hearings	Number
Correctional counselling	0
Verbal warning	1
Written warning	1
Final written warning	1
Suspended without pay	0
Dismissal	1 ¹
Total	4

¹ The employee was subsequently re-instated as per CCMA Award

Table 2 Grievances Lodged for the Period 1 April 2016 to 31 March 2017

Number of grievances lodged	0
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Table 3 Precautionary Suspensions for the Period 1 April 2016 to 31 March 2017

Precautionary suspensions for the period	1
--	---

5.2.9 Injury on Duty

Table 1 Injury on Duty, 1 April 2016 to 31 March 2017

Nature of Injury	Number	% of Total
Required basic medical attention only	0	0%
Temporary total disablement	0	0%
Permanent disablement	0	0%
Fatal	0	0%
Total	0	0%



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APPENDICES

Appendix A

Full Year Publications and Dissemination

1 Peer Reviewed Journal Publications and Book Chapters

1. Ntshakala, T., 2016, Implementing performance management in local governance in South Africa, *African Journal of Public Affairs* Volume 9 number 1
2. Mabugu, Mahabir, Maissonave and Chitiga, (2016), "Regional Impact of the Global Economic Crisis on the Free State Province in South Africa: A Computable General Equilibrium (CGE) Assessment", *The Journal of Economic and Financial Sciences*
3. Khumalo, B., Dawood, G., and Mahabir, J., (2016). South Africa's Intergovernmental Fiscal Relations System, Chapter 10 in Steytler, N., and Ghai, Y. (eds), *Kenyan-South African Dialogue on Devolution*, Juta Publishers.
4. Mabugu, R., (2017), The Impact of the Great Recession on South Africa's Intergovernmental Fiscal Relations System, Chapter 10 in book by Ecclestone and Krever (eds), *Future of Federalism*, Edward Elgar Publishers.
5. Ncube, M., and Monnakgotla, J., (2016). Amalgamation of South Africa's rural municipalities: is it a good idea? *Commonwealth Journal of Local Governance*, Issue 19: December 2016.
6. Simon Maluleka, "A framework for Cloud Computing adoption for South African public sector", Proceedings of ISERD International Conference, Cape Town, South Africa, 28th-29th March 2017, ISBN: 978-93-86083-34-0

2 Working Papers, Technical Reports and Policy Briefs Published

1. Amusa, H., and Mabugu, R., (2016). *The Contribution of Fiscal Decentralization to Regional Inequality: Empirical Results for South African Municipalities*, ERSA Working Paper 597, April 2016, 41pp
2. Rakabe, E., (2016), *Prospects for revitalising township economies: from the fringes to the mainstream. A case study of Tembisa*, REDl3x3 Working Paper 16 June 2016
3. 10 Policy Briefs published.
4. 15 Technical reports published.

3 Op-Eds and Newspaper Articles

1. Sabelo Mtantato, (2016), 'The three things Government can do to address sanitation backlogs and save lives', *Business Day 12 November 2016* Ramos Mabugu and Bongani Khumalo, (2015), State has to make sensible build choice, *Business Day*
2. Sasha Peters and Poppie Ntaka, (2017) "We need to produce the skills required by the economy", *The Star*, 31 January 2017

4 Conference Presentations

1. Thembie Ntshakala attended and presented at 9th Annual SPMA International Conference on Public Administration and Management (26 October 2016) held at the University of Pretoria.
2. Ramos Mabugu invited to be a guest speaker at Western Cape MEC Finance Symposium on Fiscal Policy, 28 October 2016
3. Hammed Amusa attended and presented at the Centre for African Economies (CSAE) Conference at Oxford University's 2017 Conference from 17th – 21st March 2017.
4. Simon Maluleka attended and presented at the International Conference on Science and Innovative Engineering (ICSIE) 2017, Cape Town.

Acronyms

APP	Annual Performance Plan
BCF	Business Continuity Plan
COE	Compensation of Employees
COGTA	Department of Cooperative Government and Traditional Affairs
CRO	Chief Risk Officer
DHET	Department of Higher Education and Training
DHS	Department of Human Settlements
DOR	Division of Revenue
DPSA	Department of Public Service and Administration
DRP	Disaster Recovery Plan
ENE	Estimates of National Expenditure
ERM	Enterprise Risk Management
EXCO	Executive Management Committee
FFC	Financial and Fiscal Commission
GRAP	Generally Recognised Accounting Practice
HR	Human Resources
IAF	Internal Audit Function
IFRS	International Financial Reporting Standards
ICT	Information and Communication Technology
IGFR	Intergovernmental Fiscal Relations
ISAS	International Standards on Auditing
MDB	Municipal Demarcation Board
MFMA	Municipal Finance Management Act
MTBPS	Medium Term Budget Policy Statement
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NHI	National Health Insurance
PFMA	Public Finance Management Act
SALGA	South Africa Local Government Association
SANRAL	South African National Roads Agency
SCOA	Standing Committee on Appropriations
TCF	Technical Finance Committee



For an Equitable Sharing
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Midrand

—
2nd Floor
Montrose Place
Bekker Street
Waterfall Park, Vorna Valley
Midrand, South Africa

Private Bag X69
Halfway House
1685

Tel: +27 11 207 2300
Fax: +27 86 589 1038

Cape Town

—
12th Floor, Constitution House,
124 Adderley Street
Cape Town, South Africa

P.O. Box 1505, Cape Town 8000

Tel: 086 1315 710
Fax: +27 21 426 4935

www.ffc.co.za

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