NRCS national regulator for compulsory specifications

ANNUAL REPORT 2021/2022

NRCS | national regulator for compulsory specifications

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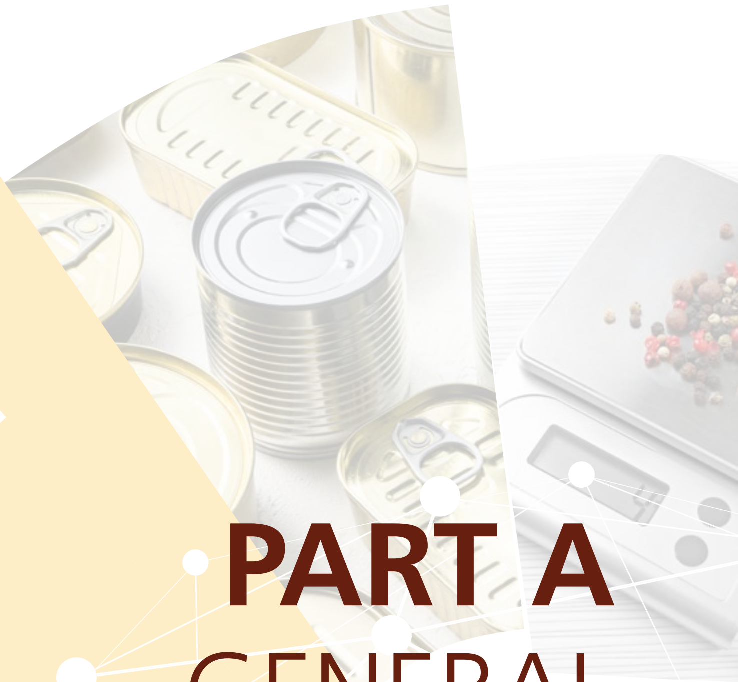


PART A
GENERAL INFORMATION

NRCS information

Registered name	National Regulator for Compulsory Specifications (NRCS)
Physical address	SABS Campus, 1 Dr Lategan Road, Groenkloof, Pretoria
Postal address	Private Bag X25, Brooklyn 0075
Telephone numbers	+27 12 482 8700
Fax number	+27 12 428 5199
E-mail address	nrcs@nrcs.org.za
Website address	http://www.nrcs.org.za/
External auditors	Auditor-General of South Africa (AGSA)
Bankers	ABSA

Abbreviations/acronyms

AFRIMETS	Intra-Africa Metrology System
AGSA	Auditor-General of South Africa
ARSO	African Organisation for Standardisation
CFO	Chief Financial Officer
CGCSA	Consumer Goods Council of South Africa
CMM	Chemicals, Materials and Mechanicals
CPF	Consumer Protection Forum
DAFF	Department of Agriculture, Forestry and Fisheries
DALRRD	Department of Agriculture, Land and Rural Development
DFFE	Department of Forestry, Fisheries and the Environment
DMRE	Department of Mineral Resources and Energy
DoH	Department of Health
DoL	Department of Labour
DoT	Department of Transport
EAC	East African Community
EACREEE	East African Centre of Excellence for Renewable Energy and Efficiency
EELA	Energy Efficient Lighting and Appliances
ERP	Enterprise Resource Planning
FAI	Food and Associated Industries
GDP	Gross Domestic Product
HR	Human Resources
ICASA	Independent Communications Authority of South Africa
ICT	Information and Communication Technology
IEC	International Electrotechnical Commission
OIML	International Organization of Legal Metrology
ISO	International Organization for Standardization
LMA	Legal Metrology Act
LoA	Letter of Authority
LoC	Letter of Certification
MEPS	Minimum Energy Performance Standard
MIBs	Manufacturers, Importers and Builders
MOU/A	Memorandum of Understanding/Agreement
NBR&BS Act	National Building Regulations and Building Standards Act
NCC	National Consumer Commission
NICD	National Institute for Communicable Diseases
NIOH	National Institute of Occupational Health

NRCS	National Regulator for Compulsory Specifications
NRT	National Road Traffic Act
OIML	International Organisation of Legal Metrology
PAC	Project Approvals Committee
PFMA	Public Finance Management Act
PPE	Personal Protective Equipment
RR&D	Regulatory Research and Development
S&L	Standards & Labelling
SAAFoST	South African Association for Food Science and Technology
SABS	South African Bureau of Standards
SACREEE	SADC Centre for Renewable Energy and Energy Efficiency
SADC	Southern African Development Community
SADCMEL	SADC Cooperation in Legal Metrology
SANAS	South African National Accreditation System
SANEDI	South African National Energy Development Institute
SANS	South African National Standards
SAPS	South African Police Service
SARS	South African Revenue Service
SME	Small and Medium Enterprise
SMME	Small, Medium, and Micro-Sized Enterprise
SPS	Sanitary and Phytosanitary
TBT	Technical Barriers to Trade
TC	Technical Committee
TCA	Technical Cooperation Agreement
the dtic	Department of Trade, Industry and Competition
TR	Technical Regulation
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Europe
VC	Compulsory Specification
WP	Working Party
WTO	World Trade Organization

Minister's foreword

The mandate of the NRCS is to protect public health, safety and the environment and promote fair trade, which is achieved through ensuring that businesses produce, import or sell products and provide services that comply with the minimum safety and environment requirements, and do not fall short of the declared measure.

I table the Annual Report of the National Regulator for Compulsory Specifications (NRCS) for the 2021/22 financial year in accordance with legislative requirements. The Report sets out the performance information, governance report, human resources and financial information for the past financial year.

The NRCS work facilitated trade in the fish and fishery products sector. It issued 7 823 health guarantee certificates that facilitated the export of fish and fishery products particularly in the European and Asian markets. In addition, the NRCS removed approximately R438 million worth of non-compliant products related to the electro-technical, chemicals, materials, mechanicals and automotive sectors before it reached consumers.

The NRCS received an unqualified audit on financial statements, which is an improvement compared to previous reports. However, there is scope for further improvements and every effort should be made to ensure supply chain prescripts are complied with and accurate financial reports are prepared regularly.

A number of regulators falling under the umbrella of the dtic have modernised and digitised regulatory controls to optimise market surveillance activities. The implementation of such ICT systems within the NRCS is a priority.

I would like to thank the Chief Executive Officer, the management team and staff of the NRCS for their contributions.

Ebrahim Patel
Minister of Trade, Industry and Competition
Date: 30 September 2022

CEO's overview

The mandate of the NRCS is to protect public health, safety and the environment and promote fair trade, which is achieved through ensuring that businesses produce, import or sell products and provide services that comply with the minimum safety and environment requirements, and do not fall short of the declared measure.

The NRCS primarily regulates the automotive, chemical, materials and mechanicals, electro-technical, foods and associated products and is responsible for the Legal Metrology Act. The regulatory model of the NRCS is focused on ensuring that products that are manufactured locally or imported meet the minimum set standards as per the compulsory specifications or technical regulations. The VC/TRs set the minimum requirements for health, safety, environmental and Legal Metrology requirements. The organisation also plays a critical role in ensuring that local manufacturers comply with the minimum requirements and facilitates exportation of South African goods to foreign markets especially within the Oceans Economy.

During the year under review, the NRCS conducted 47 130 inspections, which was 8% less than last year's performance wherein 51 386 inspections were conducted across different industries. In facilitating trade within the Oceans Economy, the NRCS issued 7 823 health guarantees for **10 438** products consignments that were exported by local manufacturers to various countries. As a result of its markets surveillance inspections, products worth R438 million that did not meet the minimum safety requirements were found on the market. The NRCS as per the legal provisions approved for some of these products to either be sent back to the country of origin, destroyed or rectified if the product meets the minimum requirements thereafter.

Global Pandemic/ COVID-19

The NRCS played a critical role in assisting businesses that were providing essential services and adjusted its operations to ensure timeous and efficient service to the industry and other stakeholders. Business improvement was enhanced to ensure timeous approval of essential goods and all other regulated products in order to assist the economy to continue functioning and recover from the negative effects of the pandemic. The NRCS also implemented business continuity plans aimed at ensuring that the NRCS delivers on its mandate regardless of the challenges posed by Coronavirus pandemic. The NRCS also developed and implemented plans aimed at promoting the health and safety of employees and stakeholders and instituted mechanisms to improve monitoring thereof.

COVID-19 had an impact on NRCS operations and revenue generation capability. The Coronavirus pandemic will continue to have a negative impact on the organisation's finances in the medium term. NRCS operations, although negatively affected the organisation, fully implemented the Risk Based Approach and will continue to target high risk products and businesses. In the medium term the market surveillance activities of the regulator are expected to increase mostly targeting high risk areas and new compulsory specifications.

Non-compliances

During the year under review, non-compliant products worth approximately R438 million were identified on the market. The majority of these products were electro-technical products amounting to R229 million, and products found non-compliant in terms of the Legal Metrology Act amounting to R127 million. Other identified non-compliances were for chemicals, materials and mechanicals amounting to R18 million, food products R42 million and automotive products amounting to R22 million.

The products failed to meet the minimum requirements as set out in the respective technical regulations or compulsory specifications. These products were either removed or corrected to ensure compliance with the minimum safety or legal metrology requirements. The non-compliant products included safety footwear, plastic carrier bags, detergent disinfectants, incandescent lamps, compact fluorescent lamps, adaptors, cord extension sets, automotive replacement lights, friction (brake) material, hydraulic brake fluid, rubber cups and seals, child restraint systems (baby seats), towing devices, safety glass, and fishery products among others. About 1,6 million high energy consuming and non-compliant incandescent lamps and compact fluorescent lamps were destroyed during the financial year.

Information Communication Technology

The NRCS has made significant strides in modernising its ICT systems compared to the previous period. The modernisation program was divided into two parts and is expected to be completed in the medium term. The first part addressing the ERP and the ICT architect is 80% complete and the NRCS will begin to fully operate on the new ERP system by the end of the 3rd Quarter 2022/23 Financial year. Phase two, which is the automation of operations such as approvals and inspections, has commenced. The roll out of the Operations System is expected to start in the latter half of the 2022/23 financial year. This will enable the NRCS to integrate its internal systems and linkage with other external entities and allow for end-to-end processes of its market surveillance.

Risk-based approach

The NRCS has managed to implement the risk-based approach to inspections and approvals to effectively regulate the market and efficiently utilise the resources at the Regulator's disposal. The Risk Based Approach coupled with the 30 day cancellation policy has enabled the NRCS to eradicate the approvals backlog, improvement in approvals turnaround times and efficiently allocate financial and human resources. Market Surveillance activities are now focused on identified high risk areas. The NRCS' risk-based approach is centred on product risk, company risk and country of origin risk. In implementing this approach, the NRCS will continue to encourage regulated companies to comply with the regulations in order to bring efficiency into the regulatory processes. It is highly beneficial for industries to ensure compliance with both administrative and technical requirements, as these factors strongly determine the risk of the company and affect the turnaround times.

Approvals

During the 2021/22 financial year, the NRCS issued 16 542 pre-market approval certificates as compared to 17 656 approvals in 2020/21financial year, 93% of those approvals were issued within 120 days. Approximately 74% of the approved applications were for electro-technical products, 23% for automotive, 2% for chemical, materials and mechanical and 1% for measuring instruments.

Market surveillance

The NRCS conducted 47 130 inspections across all regulated industries as compared to 51 386 during the previous year. The NRCS is focusing on high risk areas in order to remove non-compliant products from the market. Out of the 47 130 inspections, 26 065 inspections were conducted for frozen fish, fishery and canned meat processing plants, fishery vessels, export consignments, and local and imported fisheries and processed meat consignments. Furthermore, inspections within the automotive, chemical, mechanical, electro-technical and metrology industry sectors amounted to 21 065.

Stakeholder and Consumer Awareness

The NRCS has increased its activities in rural areas to give effect to other government priorities. The organisation is also mindful of the role that partnerships play in effective regulation and building intelligence. Such effective regulation hinges on strong partnerships with stakeholder which amongst others, included the National Consumer Commission (NCC), South African Revenue Service (SARS), South African Police Service (SAPS), Department of Agriculture, Forestry and Fisheries (DAFF), Department of Environmental Affairs (DEA), Department of Health (DoH) and the Department of Transport (DoT), in keeping non-compliant products out of trade. As part of the on-going campaign to remove unsafe paraffin stoves that entered the South African market through illicit means, the NRCS continued with its market surveillance activities, and in partnership with the Department of Trade Industry and Competition (the dtic) and the National Consumer Commission (NCC), continued with the Safer Paraffin campaign during the financial year.

Finance

The NRCS' total revenue for the year under review was R482 million. The NRCS had a surplus of R4,4 million for the 2021/22 financial year and the surplus for 2020/21 was adjusted to R18,2 million from a deficit of R19 million. This adjustment is mainly due to the levy estimates that were calculated in the previous financial period.

The NRCS has received an unqualified audit on the Annual Financial Statement and remains a going concern, however, there is an urgent need for tariff reviews as the organisation is performing some regulatory activities that are either unfunded or underfunded.

Human resources

The NRCS has experienced some challenges in the past due to failure in filling critical vacancies. During the financial year, all critical positions were filled except where some employees resigned during that period. The organisational review project was completed and the NRCS was engaging National Treasury and the Executive Authority.

Conclusion

The NRCS received an unqualified audit opinion on financial statements for the 2021/22 financial year, after a period of 6 consecutive qualified audits on revenue. It is with great pleasure that I wish to pass my gratitude and recognise the work done during the past years by the NRCS Audit Committee, the dtic, AGSA, Portfolio Committee on Trade and Industry and the Minister of Trade, Industry and Competition, Mr Ebrahim Patel for their leadership. I would also like to convey my sincere appreciation to the NRCS management and staff for the hard work and commitment they have shown to the organisation in serving the people of South Africa.

Edward Mamadise
Chief Executive Officer
Date: 30 September 2022

Statement of responsibility and confirmation of accuracy of the Annual Report

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

- All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the AGSA
- The Annual Report is complete, accurate and is free of any omissions
- The Annual Report has been prepared in accordance with the Annual Report Guide for Schedule 3A and 3C Public Entities, as issued by National Treasury
- The Annual Financial Statements (Part E) have been prepared in accordance with the Public Finance Management Act (PFMA)
- The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgments made in this information
- The Accounting Authority is responsible for establishing and implementing a system of internal controls, designed to provide reasonable assurance as to the integrity and reliability of the performance information, human resources information and Annual Financial Statements
- The AGSA is engaged to express an independent opinion on the Annual Financial Statements.

In my opinion, the Annual Report fairly reflects the operations, performance information, human resources information and the financial affairs of the NRCS for the financial year ended 31 March 2022.

Yours faithfully

Edward Mamadise
Chief Executive Officer
Date : 31 July 2022

Strategic overview

Vision

A credible and respected regulator for the protection of the public, the economy and the environment.

Mission

To develop compulsory specifications and technical regulations and maximise compliance of regulated products and services.

Values

- Professionalism – The NRCS shall act independently and take informed decisions with a high level of integrity. In doing so, the decisions that we take shall be responsive to the country's needs and ensure that we are competent in discharging our responsibilities.
- Accountability – The NRCS shall develop a high performance culture which is dictated by predictable, responsible, efficient and effective task teams.
- Innovation – The NRCS shall be proactive and respond rapidly, intelligently and appropriately, and be adaptable to dynamic consumer and market needs by ensuring maintained relevance.
- Collaboration – The NRCS will lead inclusively through dedicated teams, respecting the views, wisdom and loyalty of its valued stakeholders.
- Ethical behaviour – The NRCS shall ensure that the decisions and actions taken by our human resources display consistency and impartiality, with integrity. We shall treat our clients and the regulated industry equitability and be transparent in how we perform our functions.

Legislative and other mandates

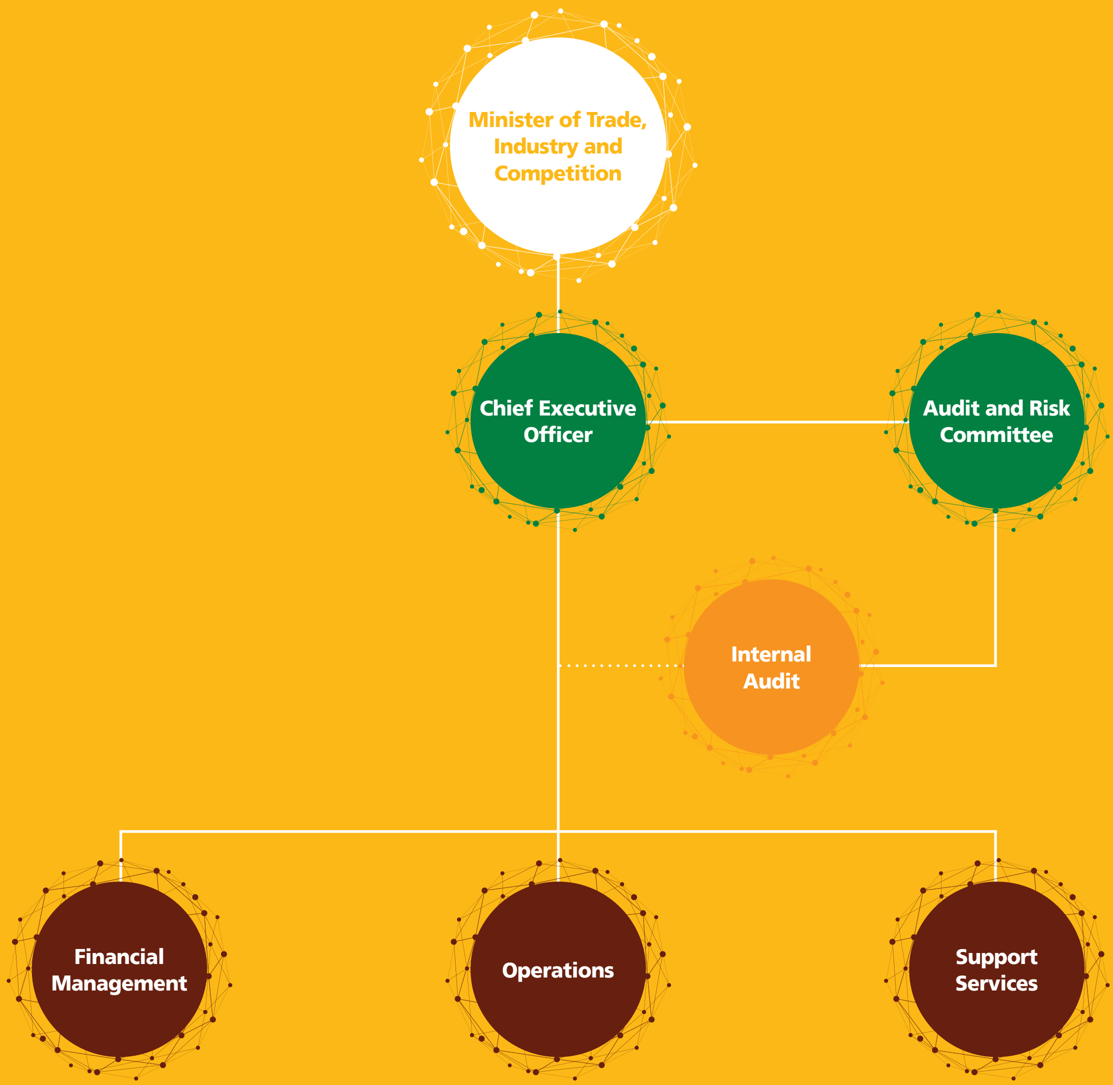
The NRCS was established on 1 September 2008 as an agency of the then dti. Its broad mandate is to promote public health and safety, environmental protection and fair trade through the administration, maintenance and enforcement of compulsory specifications (VCs) and technical regulations (TRs).

The legislative mandate of the NRCS is derived from:

- The National Regulator for Compulsory Specifications Act, Act No. 5 of 2008 (NRCS Act)
- The Legal Metrology Act, Act No. 9 of 2014 (LMA)
- The National Building Regulations and Building Standards Act, Act No. 103 of 1977 (NBR&BS Act)
- The Public Finance Management Act, Act No. 1 of 1999 (PFMA)
- The National Road Traffic Act, Act No. 93 of 1996.

The NRCS is a Schedule 3A public entity in terms of the PFMA, and its stakeholders include the South African Government, industry and citizens.

Organisational structure



Financial Management

- Financial Management
- Supply Chain Management
- Facilities Management

Operations

- Chemical, Materials and Mechanical
- Electro-Technical
- Food and Associated Industries
- Legal Metrology
- Automotive

Support Services

- ICT Services
- Marketing and Communication
- Human Capital Management
- Legal and Compliance Services
- Strategy and Risk Management
- Quality Management System and Secretarial Services
- Regulatory and Research Development & NBR

PART B
PERFORMANCE INFORMATION

The NRCS situational analysis

The NRCS's role as a regulator is to ensure that businesses produce, import or sell products or services that are not harmful to consumers or the environment or that do not fall short of the declared measure. The NRCS is also tasked to perform a regulatory function for the building industry to ensure building safety, health, structural stability, and the uniform interpretation of the NBR&BS Act and its regulations.

The strategic context within which the NRCS operates is characterised by two significant trends. The first is the increasing sophistication and activism of consumers, manufacturers and retailers. The second is the increased need for stronger relationships and cooperation with industry, other regulators, law enforcement bodies, regional and international bodies and other stakeholders.

In updating its assessment of the external environment and its potential impact, the NRCS has performed an External Performance Delivery Environment Analysis using a PESTLE analysis, a SWOT analysis, Stakeholder Analysis and a Risk Review. The NRCS's macro-environment, in particular, was assessed, taking into consideration the Political, Economic, Social, Technological, Legal/Ethics & Environmental aspects.

These trends have informed the development of strategic goals and objectives to steer the organisation on its path to deliver on its mandate.

Internally, the NRCS is in the process of reviewing its organisational design in order to implement a structure that promotes the accomplishment of the NRCS's mandate in an economical, effective and efficient manner. The Risk-Based Approach and the Port of Entry Enforcement Strategy will fundamentally impact the organisational design of the NRCS. It is envisaged that the Risk-Based Approach and Enforcement Strategy will enable the NRCS to inspect commodities at source and the focus of inspectors will become more proactive in addressing areas of non-compliance through a range of regulatory interventions as opposed to routine inspections. The Risk-Based Approach will enable inspectors to gather market intelligence and create awareness through briefings with stakeholder groupings such as trade unions, chambers of commerce and industry groupings while focusing enforcement activities where high risks exist. A new and integrated surveillance approach, informed by the intelligent application of information technology, will be adopted in order to enhance regulatory activities.

The NRCS's mandate is achieved through:

- Committed leadership
- Building on a core of committed, skilled and experienced staff
- Communicating openly, transparently and collaborating with all stakeholders
- Building and implementing an effective regulatory model
- Ensuring effective sanctioning of non-compliances
- Executing the NRCS mandate in a financially sound and sustainable manner.

Performance information by objective

Strategic Goal 1:

To develop, maintain and administer compulsory specifications and technical regulations

Expected Outcomes	Measurable Objective/ Output	Performance Indicator/Measure	Audited Performance 2019/20	Audited Performance 2020/21	Target 2021/22	Actual Performance 2021/22	Deviation from planned target to Actual Achievement	Reason for Deviations
Build a Regulatory System responsive to market needs	Develop a set of compulsory specifications (VCs)/technical regulations (TRs) that are responsive to market needs	Number of VC's/Tech Regulations (new, amended or withdrawn) submitted to the dtic	10 new and amended VCs/TRs	6 Compulsory Specifications	12 Compulsory Specifications/ Technical Regulations submitted to the dtic	12 Compulsory Specifications/Technical regulations submitted to the dtic	None	

Strategic Goal 2:

To maximise compliance with all specifications and technical regulations

Expected Outcomes	Measurable Objective/ Output	Performance Indicator/ Measure	Audited Performance 2019/20	Audited Performance 2020/21	Target 2021/22	Actual Performance 2021/22	Deviation from planned target to Actual Achievement	Reason for Deviations
Increased compliance to compulsory specifications and technical regulations	Increase market surveillance activities and enforce compliance through regulations based on sound market intelligence	Number of Inspections conducted within Automotive, Chemicals Materials and Mechanicals (CMM), Electro-technical and legal Metrology business units	21 552 inspections	10 239	19 915 inspections	21 065 inspections	+1150 Inspections	The NRCS implemented business processes for remote inspections which are now recognized as inspections and led to an increase in inspections conducted during the financial year
		Percentage of Inspections conducted on locally produced, imported and exported canned fishery and meat product consignments in accordance with the compulsory specification and procedures	100% of inspections conducted on all declared canned fishery and meat products	100% of inspections conducted on all declared canned fishery and meat products	100% of inspections conducted on all declared canned fishery and meat products produced	Inspected 100% of all declared canned fishery and meat products.	No Variance	N/A
		Number of inspections conducted on locally produced fishery products (live, chilled and frozen), processed meat products, fishery and meat processing factories and vessels as well as fishery and meat retail inspections, in accordance with the compulsory specification and procedures	2 150 inspections	1 761	2 125 inspections	2 247 Inspections	+122 Inspections	Due to the NRCS implementing the new processed meat VC, the number of inspections was increased to ensure that the NRCS was ready to regulate the processed meat industry
		Percentage of gaming approval applications processed within the set timeframes	99.89% (759 out of 760) of all approval applications processed within 30 calendar days	100% (560 out 560) of all applications processed within 30 calendar days	98% of all applications processed within 30 calendar days	100% of all approval applications processed within 30 calendar days	+2%	There was an increase in the available productivity time for gaming approvals employees
		Percentage of approval applications processed within the set timeframes	91.81% (15 187 out of 16 542) of all approval applications processed within 120 calendar days	92,1% (15 273 out of 16 578) of all approval applications processed within 120 calendar days	95% of all approval applications processed within 120 calendar days	93% of all approval applications processed within 120 calendar days	-2%	There were delays experienced in finalising approval applications for Chemical Disinfectants VC8054 due to failure by the majority of the industry to comply with the set requirements.

Strategic Goal 3:

To inform and educate stakeholders about the NRCS

Expected Outcomes	Measurable Objective/ Output	Performance Indicator/Measure	Audited Performance 2019/20	Audited Performance 2020/21	Target 2021/22	Actual Performance 2021/22	Deviation from planned target to Actual Achievement	Reason for Deviations
Informed stakeholders on NRCS functions	Public awareness platforms and events	Number of stakeholder consumer education events or campaigns	19 NRCS consumer education events or campaigns	10 NRCS consumer education events or campaigns	18 Consumer education events or campaigns	21 Consumer education events or campaigns	+3 Consumer education events	Partnered with other government entities which led to an increase in stakeholder engagements
		Approved Stakeholder Engagement Strategy and % implementation of the Stakeholder Engagement Strategy	88% implementation of the Stakeholder Engagement Strategy	68% implementation of the Stakeholder Engagement Strategy	100% implementation of the Stakeholder Engagement Strategy	98% implementation of the Stakeholder Engagement Strategy	-2%	Due to COVID-19 impact on stakeholder engagements, some of the stakeholder and community engagement could not take place

Strategic Goal 4:

To ensure an optimally capacitated institution

Expected Outcomes	Measurable Objective/ Output	Performance Indicator/Measure	Audited Performance 2019/20	Audited Performance 2020/21	Target 2021/22	Actual Performance 2021/22	Deviation from planned target to Actual Achievement	Reason for Deviations
Increase effectiveness of human resources (NRCS employees)	A capacitated organisation with relevant systems to support business	Percentage (%) of vacancies. Vacancy rate of approved and funded posts.	5%	5%	5%	12% vacancy rate.	-120%	Due to the Organisational Review Project some positions were not filed. The NRCS is only recruiting for critical positions.
	Build IT platform and systems that supports and improve business	Percentage % implementation of Modernization related projects	50% implementation of ICT Master System Plan	30% Implementation of Enterprise Resource Planning System, Human Resources and Finance Modules	100% implementation of Enterprise Resource Planning System	80% implementation of Enterprise Resource Planning System	-20%	There were implementation delays experienced for the ERP project due to changes in the proposed technology and the revenue management solution that is a custom solution

Linking performance with budgets

Table 1: *Linking performance with budgets*

Activity / Programme	2020/21				2021/22		
	Original budget	Adjusted budget	Actual expenses	(Over)/Under Expenditure	Budget	Actual	Variance
R thousand	R000's						
Administration	63 132	62 118	49 316	12 801	69 370	58 056	11 314
Maximise compliance with all VCs and TRs	382 254	358 914	291 063	67 850	351 787	301 719	50 068
Develop, maintain and administer VCs and TRs	11 507	11 729	9 423	2 306	11 532	11 347	218
To inform and educate stakeholders about the NRCS	13 213	16 251	12 114	4 137	15 220	12 308	2 912
Ensure an optimally capacitated institution	81 509	78 385	80 909	(2 524)	96 040	95 026	1 014
Total	**551 615**	**527 397**	**442 827**	**84 570**	**540 289**	**478 457**	**61 832**

Business unit performance

Automotive

Overview

The Automotive Business Unit (ABU) is responsible for the administration of Compulsory Specifications (VCs) for motor vehicles and motor vehicle replacement components identified as critical for safety. The Department of Transport (DoT), in terms of the National Road Traffic Act, Act No. 93 of 1996 (NRT Act), has appointed the NRCS as the inspectorate of manufacturers, importers and builders (MIBs) of motor vehicles. Although the main mandate is to regulate the industry, the ABU's services and regulatory mandate helps companies, (small, medium and large) to be competitive in local and global markets, whilst protecting the interest of ordinary South African consumers.

The activities of the business unit include undertaking market surveillance inspections to ensure that products being traded in the South African market comply with the relevant compulsory specifications and technical regulations. The business unit also grants approvals for regulated products prior to being available for sale in the market. Where necessary, the unit imposes sanctions for non-compliant products.

The ABU conducts approvals, inspections and sampling on the following regulated products:

- Agricultural tractors;
- Buses;
- Child restraints;
- Heavy commercial vehicles;
- Hydraulic brake and clutch fluid;
- Light commercial vehicles;
- Headlights, secondary lights, replacement lamps;
- Motorcycles, motor tricycles and quadrucycles;
- Passenger vehicles;
- Special purpose adopted vehicles covered in NRTA;
- Replacement brake friction material;
- Replacement safety glass;
- Safety helmets for motorcyclists;
- Towing devices (tow bars);
- Tyres for Commercial Vehicles and Passenger Vehicles;
- Trailers; and
- Elastomeric cups and seals.

Within the automotive industry, the LOA and/or homologation compliance letter is the first port of call for informing the public that a particular model of a product has been allowed into the market by the regulator. In terms of the mandate administered under the NRTA, the automotive business unit issues individual letters of authority for vehicles which are imported or manufactured for private use. For models of motor vehicles imported or manufactured by companies for the purpose of their business of selling such vehicles, the unit issues National Traffic Information System (NaTIS) model numbers which are subject to a successful approval process for vehicle models. A fee is charged for the approval process, varying according to the product as per the relevant gazette for NRCS fees. The process may end with either a rejection or an approval. Incomplete applications or those not meeting the minimum criteria are cancelled or rejected respectively.

The inspection activities focus on market surveillance inspections and project-based inspections. Market surveillance focuses on monitoring compliance in the market while project-based focus on registration of new MIBs, investigations and the identification and implementation of projects focused on specific product or industry segment. The project-based inspections also deal with sampling projects that are implemented during the course of the financial year. As the inspectorate of MIBs, the automotive inspectors conduct inspections at the physical location of the MIBs to evaluate and recommend their registration to the provincial offices of DoT.

The Automotive Business Unit had a total staff complement of 45 as at the end of the financial year.

Our strategic partners include:

- Government departments (the dtic as well as the national and provincial departments of transport),
- Foreign governments and regional groupings such as the Southern African Development Community (SADC),
- National and international organisations of which South Africa is a member, such as the United Nations' Working Party 29 (WP. 29), and
- All other parties affected by our regulatory activities, including consumers and their representative organisations.

Overall performance

Pre-market approvals

The business unit processes pre-market approvals, that confirm that a vehicle model or vehicle component submitted by an applicant, importer or manufacturer of a regulated product has met the requirements of the relevant Compulsory Specification or Technical Regulation.

At the beginning of the reporting period, the business unit had 285 applications for approval that were outstanding from the 2020/21 reporting period. The table below shows how the applications were processed:

Table 2: *Automotive Total Approvals Workload*

Approval type	Applications carried over from 2020/21 FY	Applications received in 2021/22 FY	Applications workload for 2021/22 FY	Applications approved in 2021/22 FY	Applications rejected/ cancelled in 2021/22 FY	Applications carried over to Next Financial Year
Individual vehicles (LOA)	59	1510	1569	1386	110	73
Automotive components (LOA)	135	1327	1462	1180	157	125
Vehicle Homologation (NaTIS)	91	1327	1418	1163	154	101
Total	**285**	**4164**	**4449**	**3729**	**421**	**299**

Automotive total approvals workload for the financial year was 4449 applications, 3729 of which were approved within the 120 days turnaround time and 421 applications were either cancelled or rejected. Figures 1A and 1B depict the processing of approval applications according to the type of product regulated within the automotive business unit:

Figure 1: *Approvals Unit focusing on Letters of authority issued in terms of the National Road Traffic act for individual vehicles as well as the motor vehicle replacement components and accessories*

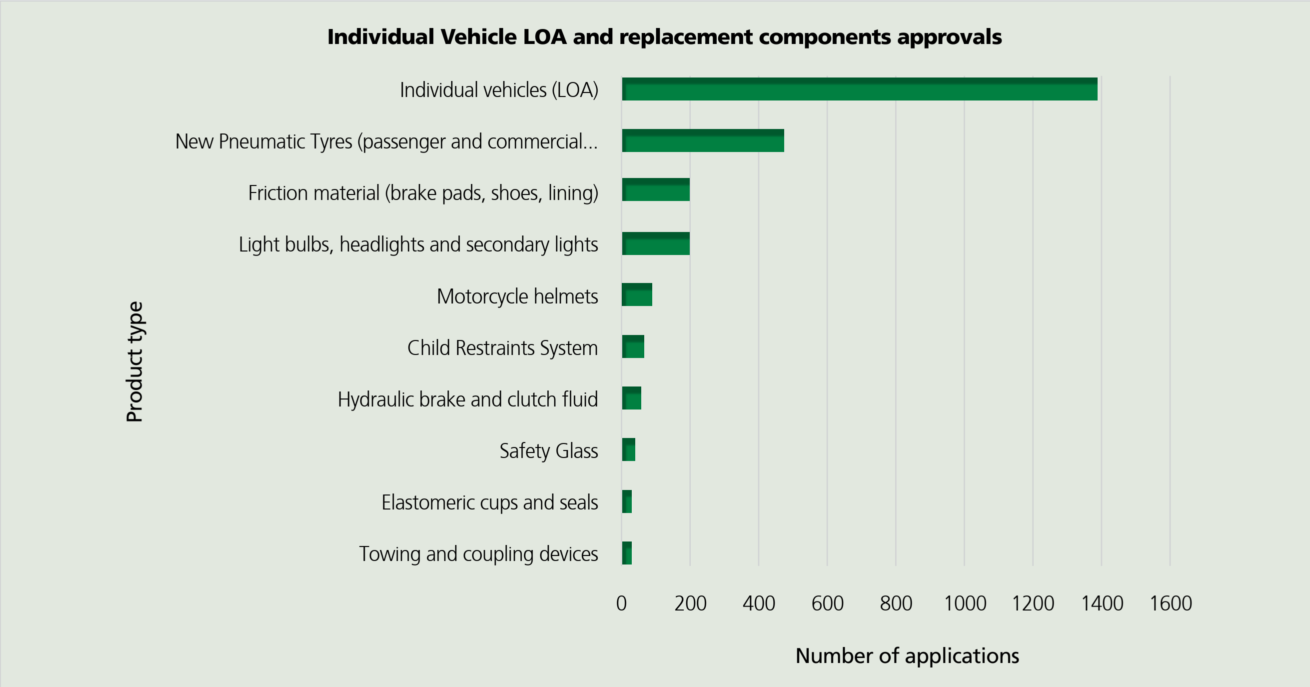
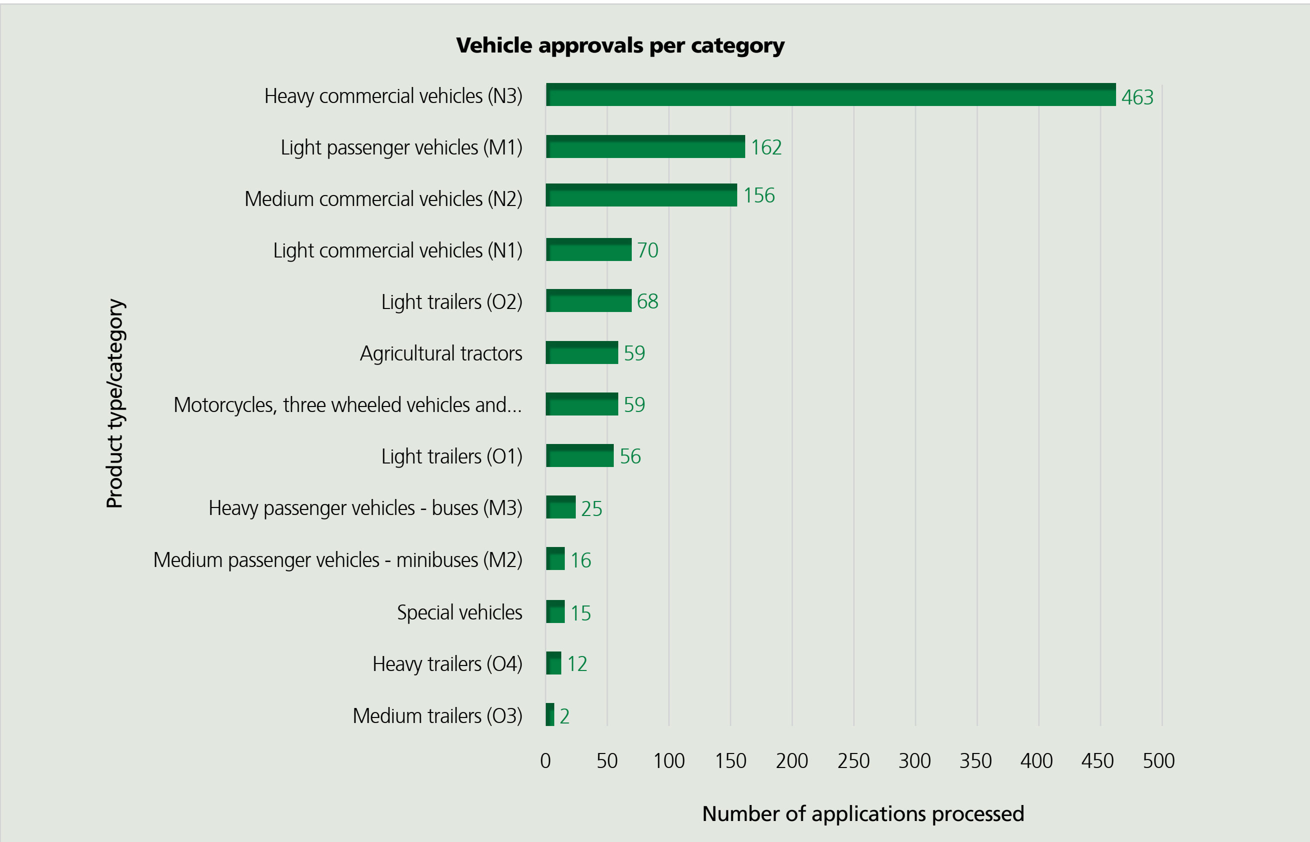


Figure 2: *Approvals Unit focusing on the homologation of motor vehicle*



Inspections

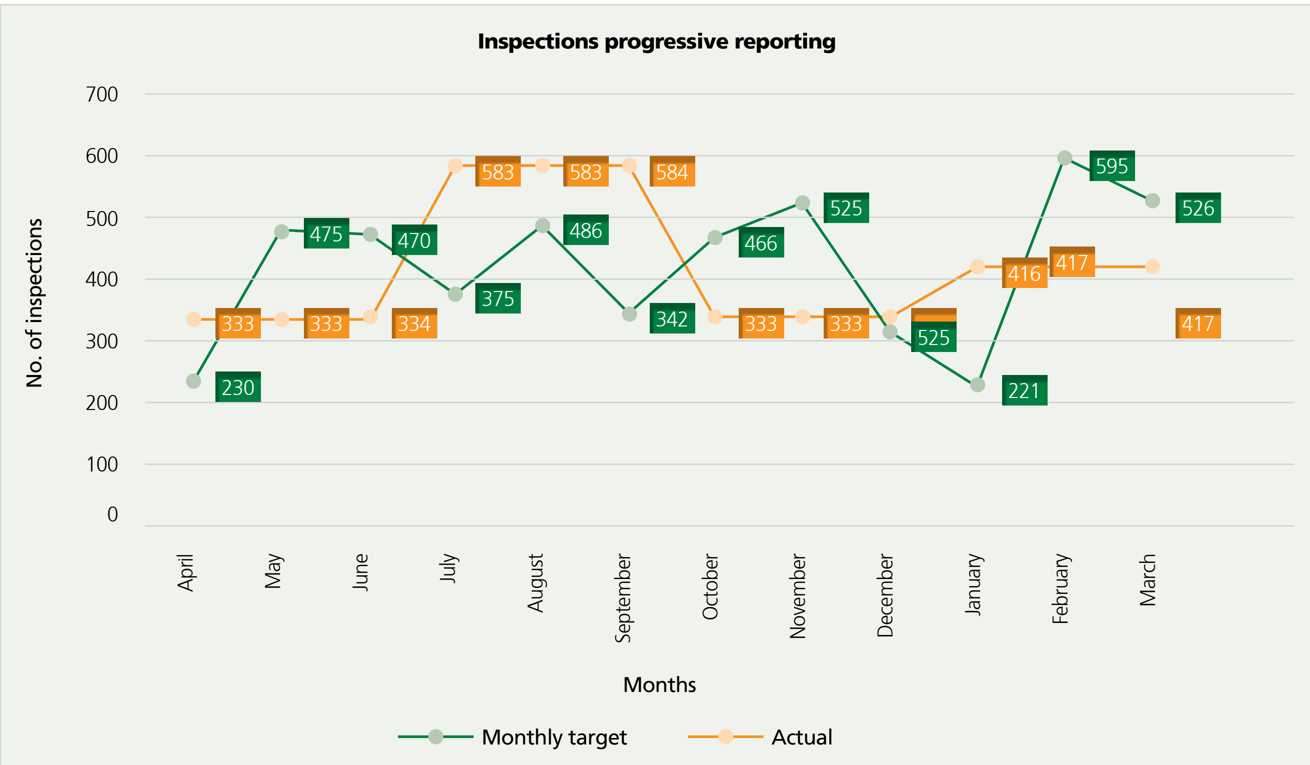
As the inspectorate of MIBs of motor vehicles, our automotive inspectors conduct inspections at the MIB's physical locations to evaluate and recommend their registration to the provincial offices of the Department of Transport. Market surveillance inspections are conducted after approval is granted to confirm compliance of regulated products. During the period under review, the automotive business unit conducted successful Original Equipment Manufacturer (OEM) group audits for the pre-identified companies. The unit worked on four investigative inspections projects covering vehicle body conversions, online sales of child restraint systems, misuse of trailer registration papers and towing devices.

- In order to respond to challenges identified with the proliferation of the alleged illegal process of converting panel van vehicles into passenger carrying taxis, we identified a project to inspect all known converters of motor vehicles. The vehicle converters were classified into small, medium and large companies in order to ensure proper resource allocation during the implementation of the project. During inspections, the team confirmed closure of the companies that were linked with the allegations of illegal panel van conversions into minibus taxis as purported in the Public Protector's report on illegal conversion of goods carrying vehicles (Toyota Quantum Panel Vans) into passenger carrying minibus taxis to transport members of the public in 2019. Furthermore, the findings identified included companies that were closed and no longer active, and in possession of approval documents and those whom we could not find at their registered addresses but also not active. Throughout the inspections, the non-compliances identified resulted in the implementation of corrective action with respect to seats and wheelchair anchorages, correct fitment of emergency exits and fitment of approved tow bars.
- We investigated the misuse of trailer registration papers where we de-activate model numbers from the National Traffic Information System (NaTIS) and recommended the de-registration of MIBs found to be non-compliant and those have subsequently closed down their premises. In addition, two directives were issued.
- We also conducted a project to inspect online sales of child restraint systems as well as towing devices. Through this project and other inspection activities, we were able to issue 9 directives for the non-compliant child restraint systems and 9 directives for non-compliant towing devices.

The inspectorate concluded a report for the South African Police regarding the provision of technical expertise during the search and seizure operation that took place in the Eastern Cape Province during the previous reporting period.

During the financial year, the unit conducted 5 025 inspections at the points of manufacture, ports of entry and retail outlets, including motor dealerships and motor spare shops.

Figure 3: *Cumulative inspections per month*



Quarterly performance

Figure 4: *Automotive Quarterly Performance*

Sanctions

The business unit continued its mission to eradicate non-compliance in the market through inspection activities. A total of 128 (61 in 2020/21) CEO directives were issued in terms of section 15(1) of the NRCS Act for non-compliant products. The identified non-compliant products and the estimated value were as follows:

Table 3: *Automotive Sanctions/ Non-compliances*

Description of product	Directives issued (Qty)	Estimated value
Pneumatic Tyres	12	R 6 118 500
Hydraulic brake and clutch fluid	67	R 1 066 700
Automotive lights	20	R 1 499 393
Friction materials	16	R 2 712 510
Child restraints systems	9	R 470 019
Tow bars	9	R 6 385 537
M2 vehicles	1	R 1 527 191
Trailers	2	R 72 700
Truck	1	R 1 825 270
Agricultural Tractor	1	R 975 000
Total	**138**	**R 22 652 820**

Sampling

We report that we identified 11 sampling projects and we have fully completed 9, those that are still in testing stage will be completed in the next reporting period. Where non-compliance was identified, sanctions were implemented accordingly. The products that were sampled and tested included:

- Braking systems for passenger vehicles, heavy load vehicles as well as heavy trailers.
- Friction materials (brake linings and brake pads),
- Automotive safety glazing (glass),
- Automotive lights,
- Pneumatic tyres, and
- Tilt angle requirements for buses.

Quality management

The ABU is accredited by South African National Accreditation System (SANAS) pursuant to SANS/ ISO/ IEC17020, "General criteria for the operation of various types of bodies for performing inspection" and operates within its quality management system. The business unit seeks to maintain its accreditation on an on-going basis and to expand its scope of accreditation to include any new compulsory specifications and any additional mandate which may be placed on the unit from time to time. The focus for the SANAS assessment for the performance period was on the business unit's inspection and approval activities. The annual assessment took place during September 2021 on a virtual platform, which was also the first time that the assessment focused entirely on the market surveillance activities. A total of 12 non-conformances were raised which could be interpreted as "soft" non-conformances as these were all related to records of inspections documents that were not comprehensively completed. All 12 non-conformances were responded to and corrective action was communicated to SANAS. The outcome of the assessment, confirmed that the ABU successfully upheld its accreditation status for the 11th consecutive.

Stakeholder engagement

During the reporting period, we interacted with our stakeholders in accordance with our plan. As part of strengthening our relationship with the Department of Transport, the NRCS concluded and signed a reviewed Service Level Agreement in terms of section 5 of the National Road Traffic Act 93 of 1996. The reviewed agreement emphasises the responsibilities of both the NRCS and DoT. In this regard, the NRCS carries the mandate to evaluate applicants who should be registered as MIBs, issues an individual vehicle letter of authority to applicants who are not required to register as MIBs in respect of their vehicle models and issues a NaTIS model number to registered MIBs for vehicle models that comply with all the relevant legislated requirements. Thus, the NRCS is not a registration or a vehicle licensing authority but an approval authority in respect of motor vehicle models that comply.

The Automotive business unit also conducted a webinar with various stakeholders including SARS Customs, where information was shared regarding the functions and responsibilities within the automotive regulatory space. The interaction with our stakeholders created a platform for consultations and engagements on matters of mutual benefit where the following stakeholders, amongst others, can be highlighted:

- World Forum for harmonization of vehicle regulations under the United Nations Economic Commission for Europe Working Party No. 29 (UNECE WP.29)
- The Automotive Business Council – National Association of Automobile Manufactures of South Africa (NAAMSA),
- National Association of Automotive Component and Allied Manufacturers (NAACAM),
- Retail Motor Industry (RMI),
- Southern African Bus Operators Association (SABOA),
- Association of Motorcycle Importers & Distributors (AMID),
- South African Vehicle And Body Builders' Association (SAVABA),
- South African Tyre Manufacturers Conference (SATMC),
- Taxi Recapitalisation South Africa (TRSA),
- Tyre Importers Association of South Africa (TIASA),
- South African Bureau of Standards (SABS),
- the Department of Transport (DOT) and
- the Department of Trade, Industry and Competition (**the dtic**).

Our Stakeholder engagement further contributed in closing the gap regarding the identified challenge of low levels of regulatory requirement in South Africa. In this regard, we worked very closely with the Regulatory Research and Development business unit to ensure that the safer vehicles 2025 project is accelerated. When we identified this project, our objectives amongst others, included the incorporation of regulatory requirement to address the regulatory gap in the modification of vehicles as well as the vehicle systems that are not within the scope of the compulsory specification such as fire risks. Through the RRND processes, we participated in various technical engagements in support of the amendment of the compulsory specifications for light passenger and commercial vehicles, which resulted in the drafting of amendments which were concluded and processed for approval.

These amendments address improved vehicle safety technology, vehicle emissions, fire risks requirements and the introduction of compulsory conformity of production requirements.

Our participation on the international forum, WP.29, was consistent throughout the reporting period. In the main, we highlight our presence throughout the engagements in the development of regulations in the space of Autonomous Vehicles where our technical representatives participated in the activities of the technical relevant working group, which focuses on Automated/Autonomous and Connected Vehicles which held three sessions during the reporting period. As an active member and participant of the WP.29, during the 186th session in March 2022, South Africa was nominated for chair of the informal working group (IWG) that has the mandate to establish the technical safety requirements for second hand vehicles. The appointment in this regard is due to be announced during the 187th session in June 2022.

Furthermore, regular engagements with our stakeholders served as a means to enhance communication between the NRCS and the automotive industry on matters concerning challenges and improvements regarding automotive approvals and inspections activities despite the COVD-19 related impact on both the NRCS and the Industry.

The COVID-19 pandemic has had a major impact on the activities of the World Forum for Harmonization of Vehicle regulations as international travel and the physical attendance of sessions had to proceed using Virtual Platforms. Automotive did however ensure that all scheduled meetings were attended during the reporting period with virtual platforms being used as the medium for all engagements.

Challenges

We have conducted and investigated the alleged illegal conversion of Motor vehicles by registered MIBs, however could not locate any active MIB with whom we raised a finding in respect of illegal conversions. This area remains for a concern to the NRCS as there could still be unregistered manufacturers and builders of motor vehicles who continue to conduct this illegal activity for their own private purposes. We have to strengthen our participation and involvement with the Department of Transport forums that are concerned with eradication of fraudulent activities within the automotive industry.

Exacerbated by the advent of COVID-19, the business unit is challenged by online trading of non-compliant regulated products. Our response to this challenge is, amongst others, to continue with our project approach where certain products traded on social media platforms will be targeted.

The afore-mentioned challenges has driven the business unit tactical approach to engage in various projects including amongst others,

- Working closely with other governmental departments such as the Department of Transport in order to identify and take action against unlawful activities such as misuse of NaTIS model numbers issued by the NRCS (Specific focus will be within the vehicle bodybuilders and trailer manufacturers industries),
- Review and upgrade of motor vehicle regulations including the adoption of United Nations Vehicle Regulations in order to give effect to the NRCS's Safer Vehicles 2025 project.
- Online Sales of regulated automotive products
- Sampling projects on various regulated automotive products
- As the vehicle and vehicle components approval authority in the country in terms of the UNECE World Forum for the harmonisation of vehicle regulations (WP.29), the automotive business unit will initiate the process of implementing a UN Type Approval system for locally manufactured automotive products in support of the international competitiveness of South African automotive products.

The lack of a reliable ICT system to support the inspections and approval processes creates inefficiencies within the business unit. There was a considerable amount of duplicated work. Information on the databases often needed to be corrected due to the use of manual systems.

Conclusion

We have learned and adapted with the advent of the COVID-19 pandemic and implemented our operational plan and achieved our targets in respect of stakeholder engagement, approvals activities as well as inspections activities.


FUEL

Chemicals, Materials and Mechanicals

Overview

The CMM business unit is responsible for the administration and maintenance of Compulsory Specifications that cover a wide range of industry sectors within the South African economy. Compulsory Specifications (also known as VCs), are technical regulations that require conformity of a product or service to health, safety or environmental protection requirements of a standard, or specific provisions of a standard. The CMM business unit has a mandate to regulate and maintain VC's ranging from Personal Protective Equipment and Chemical Disinfectants, which have proven to be an essential commodity during the Coronavirus pandemic. Additional Health related products include Microbiological Safety Cabinets. Further commodities falling within the mandate of the CMM business unit include Personal Flotation Devices, Swimming aids, Firearms, Flame-producing devices which comprises of paraffin stoves, paraffin heaters and cigarette lighters.

The BU also covers some commodities within the Construction industry, such as Cement, Safety glazing and Treated Timber. CMM continues to act on behalf of the Department of environmental Affairs by regulating plastic carrier and flat bags.

Compulsory Specifications, as administered by the CMM business unit, requires industries to apply for pre-market approval of their commodities. CMM is actively conducting surveillance inspections in all the various chains of sale, port of entry, manufacturers, distributors and retailers. We plan to achieve maximum coverage across the country.

This strategy ensures the identification and removal of non-compliant products through surveillance inspections by the sanctioning of goods, according to the mandate set out by the NRCS Act (Act 5 of 2008) and divisional procedures within CMM. CMM continues to act on behalf of the Department of environmental Affairs by regulating plastic carrier and flat bags. The CMM business unit also performs a regulatory function on behalf of the following State departments:

- The South African Police Service
  - The Firearms Control Act
  - The regulation of shooting ranges and firearms
- The Department of Environment Forestry and Fisheries
  - Waste Bureau – Memorandum of Agreement
  - The regulation of plastic carrier and flat bags.

The activities of the CMM Business Unit, in the administration and maintenance of compulsory specifications, involve the processes of pre-approval, market surveillance inspection, sampling and sanctioning. The CMM Business Unit currently regulates 15 Compulsory Specifications covering vast product categories in the chemical, mechanical and material industries, with a total staff compliment of 28.

The external strategic environment within which South Africa trades and the NRCS operates, has been characterised by rapid and fundamental economic change. The on-going novel coronavirus disease 2019 (COVID-19) caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) and its' variants was first discovered in China in November 2019. Since the outbreak, COVID-19 subsequently spread rapidly to almost all countries in the world. On 30 January 2020, the World Health Organisation declared COVID-19 a public health emergency of international concern and thereafter pronounced it a global pandemic on 11 March 2020. The pandemic hit the South African economy at a time that the economy was already under substantial strain. The recent global economic downturn has seen an increase in global competition with companies having to supply products and services to a limited consumer marketplace, thereby placing extreme pressure on their margins and profitability, which has the potential to result in the production of sub-standard and non-compliant products. The work of CMM surveillance inspectors is therefore imperative as it protects the South African consumer from non-compliant products.

The National Regulator for Compulsory Specifications were called upon during the global novel coronavirus pandemic to ensure that personal protective equipment and chemical disinfectants comply with Compulsory Specifications of the South African National Standards and to confirm that any of these products in the market are registered. Local manufacturers and importers are issued with an approval certificate, such as a *LOA or Sales permit*, at the end of the application process when the product is deemed compliant.

In the wake of COVID-19 and the resultant shortage of essential supplies, the NRCS prioritised these commodities and introduced sales permits as a temporary measure. These commodities still had to comply with specific critical safety measures and compliance must be proved by means of a test report from an ILAC accredited laboratory.

Year under Review

The CMM business unit performance is measured by the number of inspections conducted and approvals processed in a stipulated period. The completed training of the candidate inspector and return of inspectors, who was restricted to approvals duties, due to underlying conditions, enabled the CMM business unit to increase its Annual Performance Surveillance inspection. With the decreasing infection rate of COVID-19 and the easing of restrictions, surveillance inspectors were able to work unencumbered yet still maintaining COVID-19 protocols, which resulted in an increase in performance.

Several contingency measures were implemented to overcome the challenges in the regulatory space addressing some of the challenges the country faced, including COVID-19 along with new variants, looting in various parts of the country and the recent floods. These measures included desktop inspections and multi-skilling with surveillance inspectors assisting with the processing of approval files thereby addressing the approvals backlog for chemical disinfectants, safety footwear and sales permits. Microsoft Teams enabled the business unit to conduct training sessions, meetings, internal and external audits and workshops. These measures proved to be cost effective and efficient. The business unit not only had to battle with an elevated level of sick leave attributable to the pandemic, but also the resignation of staff integral to the achievement of its target. Despite these challenges, the business unit was able to ensure that training continued and that there is minimal interruption in operations.

The business unit continued with border profiling and allocating approval applications to surveillance inspectors to guarantee productivity continues throughout the lockdown period. Management continued to closely monitor and implement corrective action to ensure that the Annual performance target is met. Numerous calls and email queries pertaining to essential goods or commodities were received and attended to. CMM assisted potential clients with questions and difficulties in understanding requirements of the Compulsory Specifications for product approval.

Operational Highlights

Sanctions are applied in terms of section 15 of the NRCS Act (Act 5 of 2008) where and when it is necessary. A total of one hundred and twenty-five (125) NRCS Act section 15(1) Directives and thirty-four (34) NRCS section 15(3) Directives were issued during the period under review. The common non-compliances identified were products not registered with the NRCS and therefore do not possess a Letter of Authority and do not meet the requirements of the Compulsory Specification in particular *Conformity of Production and Marking requirements.*

Non-compliant products were sanctioned, in line with the policy of the NRCS, in excess of R18 million (R18 415 502.13), these products were identified at manufacturers, ports of entry, and retailers, throughout South Africa.

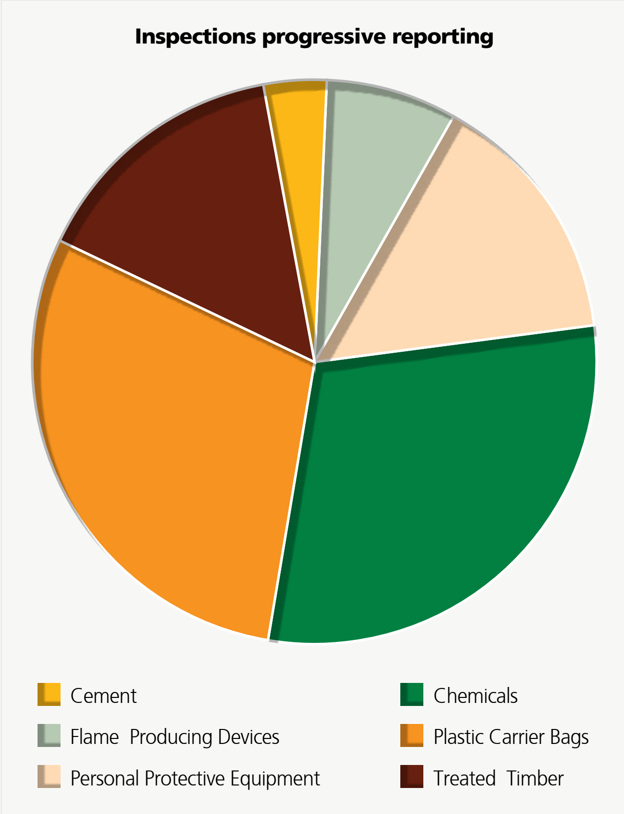
During a focussed operation in the Kwa-Zulu Natal Province, the CMM business unit raided illicit treated timber wholesalers and seized non-compliant treated timber. As part of its responsibility to safeguard consumers and the environment, the CMM Business Unit was responding to the growing number of illegally treated timber identified in the South African market. The business unit also conducted raids in East London with specific attention on environmental protection, the identified non-complaint products included plastic carrier and flat bags. Although the focus was on environmental protection i.e. plastic carrier bags, it was incumbent on the inspectors not to disregard other CMM regulated commodities such as cement, safety footwear, paraffin stoves and chemical disinfectants.

Most of these non-compliant products were destroyed in Cape Town and Pretoria in the last quarter of the financial year.

Surveillance Inspections

As part of the feasibility study of the Compulsory Specification development, the NRCS' Regulatory Research and Development process includes determining the human resource capacity required to regulate a commodity. This involves evaluating existing constraints and future needs, as well as aligning the process with the NRCS' mandate and strategic goals. The long-term impact of human resource capacity remains a prevalent and consequential challenge that may place CMM and the NRCS, at risk of not fulfilling its mandate.

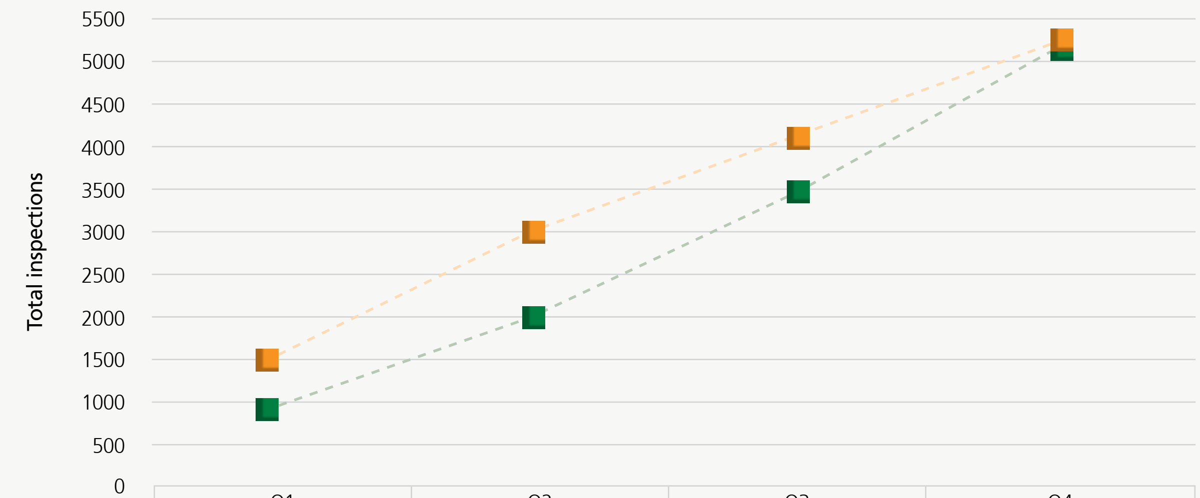
Figure 5: *Chemicals, Materials and Mechanicals Industry breakdown - Inspections*



Due to resource capacity constraints, CMM management realised the gaps in its operational plan and determined that surveillance inspectors would undertake approval functions on an ad-hock basis. This will have had a significant effect on the effectiveness and efficiency of the business unit as individual and divisional key performance areas will be inadvertently adversely affected.

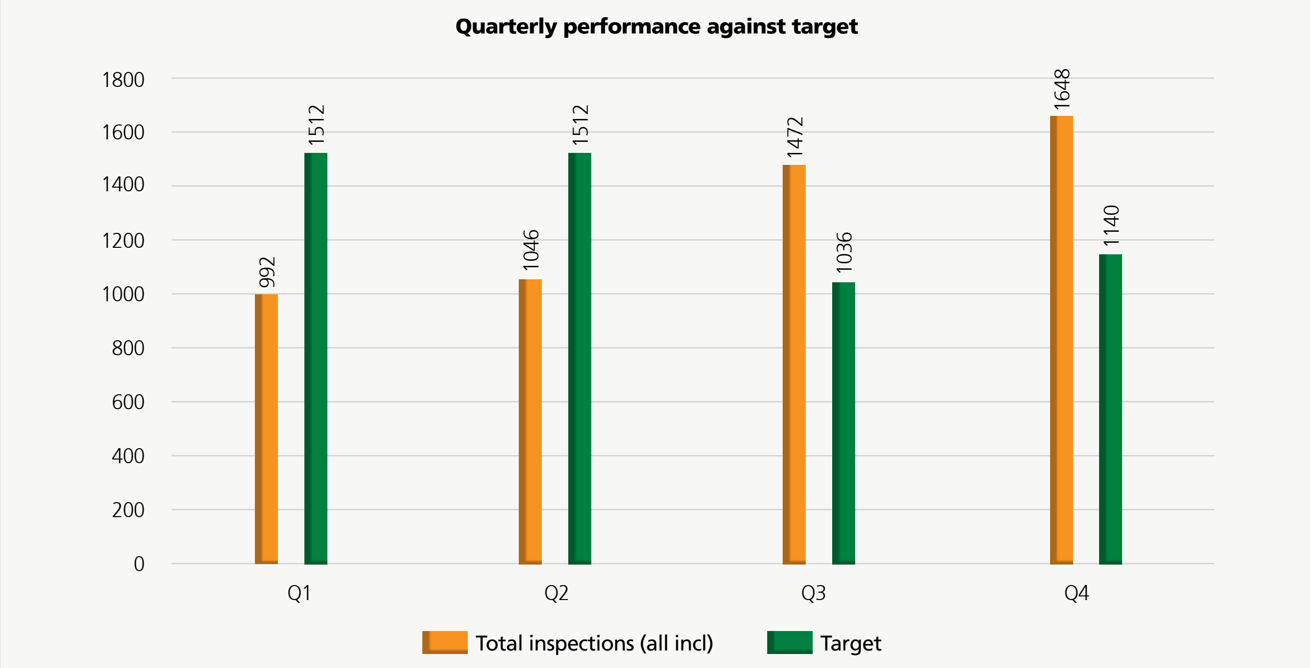
The CMM business unit conducted 5158 inspections during the period under review against the annual target of 5200.

Figure 6: *CMM Annual Performance 2021/22*



	Q1	Q2	Q3	Q4
Series 3	992	2038	3510	5158
Series 4	1512	3024	4060	5200

Figure 7: *Quarterly Performance Against Target*



The above graphs indicate how the CMM business unit was at risk of not meeting its Annual Performance target throughout the year but due to considered planning and adaptive measures by the management team, the unit performance improved significantly.

Approvals Report

The Approvals section of the CMM business unit continued to contend with the influx and consequent backlog of approval applications caused by the COVID-19 pandemic. The management of the business unit applied measures in mitigation of performance. These measures, amongst others, included a revision of the Compulsory Specification of Chemical Disinfectants as well as multi-skilling surveillance inspectors to ensure that crucial skills and resources are available to attend to these applications. Additional budget for overtime also had to be considered in order to compensate inspectors working outside normal working hours to process, examine, issue findings and or approve applications.

It was incumbent on managers and surveillance inspectors alike to realise the annual performance targets for both Approvals and Surveillance inspections. This proved difficult as the applications did not abate but continued to stream in. CMM business unit regulates fifteen Compulsory Specifications which cover a variety of products and industries which must be serviced and attended to regularly. This constant inflow of applications posed a challenge to the business unit considering that it continues to struggle with resource constraints.

The Approvals section of the CMM business unit completed 83% of all applications received and carried over from previous year, during the period under review. The unit evaluated a total number of 1262 applications for the 2021/22 financial year. This includes 279 rejected applications and the approval unit processed 81 cancellations. The implementation of Chemical Disinfectants VC8054:2017 requirements and the national lockdown have resulted in a backlog in the processing of approvals. These outstanding applications negatively affected the units' performance as applicants failed to provide corrective action for identified deficiencies of their applications to Compulsory Specifications and the relevant Standard.

Rejections were mainly due to incomplete application information, applicants failing to submit corrective action within the stipulated 30-day period as well as poor correspondence or no response from the applicants. A total of 902 approval certificates were issued for various compliant commodities that are regulated by the unit.

Quality Management System Report

Status of audit non-conformances

During the 2021 South African National Accreditation System (SANAS) audit of CMM, four (4) non-conformances were raised against the requirements of SANS 17020:2012. Corrective actions on the non-conformances were submitted to SANAS on 28 July 2021. On 07 September 2021 CMM has received confirmation from SANAS that all four (4) non-conformances were cleared after SANAS has accepted all corrective actions submitted and that the renewal of the accreditation of CMM has been granted. During the last quarter of 2021, CMM was issued with a new SANAS accreditation certificate with an effective date of 11 December 2021 and an expiry date of 10 December 2025.

Extent to which the Divisional Management System objectives have been achieved:

Objectives	Status for current review period	Comments
Objective 1: "To establish, maintain, measure and improve a documented Divisional Management System that satisfies the requirements of SANS 17020 for the administration of compulsory specifications for which the Division is responsible in terms of Act No. 5 of 2008 by means of the implementation of Divisional Manual No. CMM MAN 3."	Achieved	Implemented Divisional Manual No. CMM MAN 3:2017.
Objective 2: "To implement management system measures that shall ensure the impartiality of Divisional inspection activities by means of the implementation of Divisional Manual No. CMM MAN 3."	Achieved	Paragraphs 4.1.1 to 4.1.5 of Divisional Manual No. CMM MAN 3:2017
Objective 3: "To achieve and maintain accreditation from SANAS in order to demonstrate the Division's competence as an inspection body in accordance with SANS 17020 for the management system as set out in paragraph 2.1 for the administration of the following compulsory specifications: VC8032:2009; VC8054:1999; VC8072:2011; VC8076:2002; VC8087:2003; VC9088:2004; VC9089:2006; VC9090:2009."	Achieved	Valid SANAS accreditation certificate
Objective 4: "To implement and maintain the requirements, obligations and duties of an accredited facility as set out in SANAS Requirement Document No. R 05 for those operations of the Division that are covered by the scope of SANAS accreditation by means of the implementation of Divisional Manual No. CMM MAN 3."	Achieved	Implemented Divisional Manual No. CMM MAN3:2017.

Compulsory specifications

A revised Divisional Procedure No. CMM PROC 3:2021: 'Registration of chemical disinfectants' was implemented in order to address the registration of chemical disinfectants pursuant to the new requirements of the Compulsory Specification for chemical disinfectants (herein referred to as VC8054:2017) as published by Government Notice No. 1119 (Government Gazette No. 41186) of 20 October 2017. In accordance with the requirement of paragraph 4.2.5 of SANAS Document No. R 03, SANAS was informed of the aforementioned revision. A turnaround strategy was implemented to reduce the processing time and eliminate the backlog in the processing of applications for the registration of chemical disinfectant formulations that resulted from the implementation of the new VC8054:2017.

In a letter dated 19 August 2021, the Southern African Protective Equipment Marketing Association (SAPEMA), has expressed its concern regarding the issuing of Sales Permits in terms of section 14(4) of the National Regulator for Compulsory Specifications Act, 2008 (Act No. 5 of 2008), for N95/KN95 particle filtering half masks that did not meet all the applicable requirements of the Compulsory Specification for respiratory protective devices (herein referred to as VC8072:2011) as published by Government Notice No. R. 407 (Government Gazette No. 34272) of 13 May 2011. As a result, a letter was drafted to inform stakeholders of the following:

a. All particle filtering half mask types shall satisfy all the applicable requirements of VC8072:2011 and the latest edition of SANS 50149;
b. All particle filtering half mask types shall be approved in accordance with requirements of paragraphs 4.1 and 4.2 of VC8072:2011;
c. The NRCS will no longer issue Sales Permits for the importation, sale and supply of particle filtering half masks.

However, no decision was reached by the NRCS regarding the communication of the abovementioned letter to stakeholders.

On 22 July 2021, a stakeholder meeting was held by the NRCS Regulatory Research & Development Division regarding the revision of the Compulsory Specification for plastic carrier bags and flat bags (herein referred to as VC8087:2013) as published by Government Notice No. R. 651 (Government Gazette No. 36808) of 6 September 2013. The following major changes will be made according to the requirements of the aforementioned compulsory specification (VC):

a. Plastic carrier bags and flat bags must comply with minimum post-consumer recycled material content specified in sub-regulation (3) of the Regulations made under section 24(d) of the Environment Conservation Act, 1989 (Act No. 73 of 1989) in respect of Plastic Carrier Bags and Plastic Flat Bags, published under Government Notice R.625 in Government Gazette No. 44421 of 07 April 2021;
b. A manufacturer or importer shall appoint a conformity assessment body that shall verify post-consumer recycled material content;
c. Post-consumer recycled material content requirements shall not apply to biodegradable plastic carrier bags and flat bags;
d. Plastic carrier bags and flat bags shall be marked in accordance with the requirements of the latest edition of SANS 695;
e. Changes to the transitional provisions of the VC that will allow sufficient time for holders of approvals to meet the new requirements of the revised VC and to apply for extensions of approvals, and sufficient time for CMM to process applications for extension of approval;
f. Each NRCS Letter of Authority for the approval of plastic carrier bags and flat bags shall have a validity period of only five (5) years.

During 2021, a stakeholder meeting was held regarding the possible withdrawal of the Compulsory Specification for safety glass and other safety glazing materials (herein referred to as VC9003:2014) as published by Government Notice No. R. 363 (Government Gazette No. 37631) of 16 May 2014. During the meeting, it was determined that the residual risk rating for non-compliant safety glass and other safety glazing materials was low enough to request the withdrawal of the aforementioned VC. It was also decided that a follow-up meeting has to be convened to determine the impact of the withdrawal of the VC.

Human resources

During the 2021/2022 financial year, four (4) positions within CMM remained vacant, an additional two (2) positions became vacant, and approval was not given to create and fill an additional seven (7) required positions in CMM, due to funding challenges and the impact of COVID-19 on revenue of the entity. This has increased the likelihood of the following risks:

a. Ineffective administration of compulsory specifications which will be mitigated by the implementation of the Risk based approach
b. Inadequate market coverage to identify and sanction suppliers of non-compliant commodities, products and facilities;
c. Non-achievement of set performance targets.
d. Failure to achieve set performance targets.

Challenges

The department faced challenges regarding the completion of applications received on the revised Compulsory Specification for disinfectants and detergent-disinfectants VC8054:2017, which was fully enforced and implemented in October 2021. After the implementation, we still experienced challenges in terms of a:

- High number of applications received,
- Delayed response on submitting corrected documents,
- Limited resources on approval inspectors as market surveillance inspectors had to focus on surveillance inspections as well as approvals.

Timber remains challenging to surveil as there are no proper resources to implement sanctions such as confiscation, storage, transport and destruction of non-compliant timber in the market.

Conclusion

This year was challenging for the business unit mainly due to COVID-19 forcing CMM to adapt when performing inspections and dealing with the public. It also forced the business unit to consider business improvement and apply unconventional methods in dealing with the backlog of applications for product approval. Although we were 0.8% (42 inspections) shy of meeting its 'Annual Performance target, the business unit learnt valuable lessons throughout the financial year and is ready to embrace the opportunities that comes with change and thereby progressing in the new year.

The business unit is planning quarterly focussed group/joint inspections with other business units and other governmental organisations at both national and provincial levels. This will strengthen bonds and working relationships within agencies in an effort to eliminate a silo approach.

CMM will continuously work towards strengthening bonds with its stakeholders and is committed to the mandate and objectives of the NRCS.

Electro-technical

Overview

Protecting the safety and health of consumers and the environment in the electrical and electronic technology areas is at the epicentre of the mandate of the Electro-Technical Business Unit (Electro-technical). Electro-technical is an accredited inspection body and conducts its operations in accordance with the requirements of SANS/ISO/IEC 17020: *Conformity assessment — Requirements for the operation of various types of bodies performing the inspection*. The accreditation demonstrates the technical competency of the staff for the defined scope and the operation of an effective management system.

Enforcement of compulsory specifications is conducted at two stages: pre-market approvals; where regulated products are required to be approved by the regulator before they enter the South African market, and post-market inspections; where products within the regulatory scope are inspected at source i.e. manufacturers premises, ports of entry, and importers premises, and at retailers. Any non-compliant products found during market surveillance inspections are dealt with in accordance with the requirements of the NRCS Act, Act 5 of 2008, as amended.

The business unit continues to leverage on cooperative and collaborative working arrangements with other government departments and agencies with overlapping mandates and related interests in the electro-technical sector. Some of the partnerships in place include Memoranda of Understanding/ Agreement (MOU/A) with the following:

- Department of Labour and Employment (DoL) – on aspects regarding the approval of components of fixed electrical installations
- Department of Mineral Resources and Energy (DMRE) – on energy efficiency of electrical and electronic apparatus
- Independent Communications Authority of South Africa (ICASA) – on aspects concerning the electro-magnetic compatibility and electro-magnetic interference of certain electrical and electronic apparatus
- SARS – on the control of the movement of regulated goods at the ports of entry
- NCC – on establishing and maintaining a cooperative relationship for the provision of mutual assistance and advice to ensure the consistent application of the relevant legislation.

Rapid technological advancement and convergence of technologies continue to characterise the sector, with the blurring of technology boundaries, shifting products from exclusive to concurrent jurisdiction of different regulatory authorities, thus creating uncertainty as to which authority should regulate such products, for example in the case of multifunctional products. The 4IR economy (Fourth Industrial Revolution), led by advances in areas such as artificial intelligence, robotics, nanotechnology, and the Internet of Things, demands that the business unit continues to update the skills and capability of its human capital. The new normal under the threat of the COVID-19 pandemic has impacted on global consumer behaviour, shifting global supply chain dynamics to online platforms, necessitating the adaptation to smarter ways of conducting work, including working remotely and giving urgency to interventions on online trading.

Performance

Inspections

In the period under review, the business unit conducted 4 987 inspections against a target of 5 000. A Total of 252 Section 15.1 directives were issued to remove approximately R229 million worth of non-compliant products from the market. Table 4 and Table 5 shows the statistics per region; i.e. the number of inspections conducted, the number of Section 15.1 directives issued, and the rand value of non-compliant products found in the market.

Table 4: *Inspections breakdown*

Region	Q1	Q2	Q3	Q4	Total
Gauteng	587	524	602	625	2338
Western Cape	222	172	181	182	757
KwaZulu-Natal	190	166	201	231	788
Eastern Cape	270	296	281	257	1104
Total per Quarter	**1 269**	**1 158**	**1 265**	**1 295**	**4 987 Total annual inspections**

Table 5: *Electro-technical market surveillance statistics*

Description	GP	WC	KZN	EC	TOTAL
No. of inspections conducted	2 338	757	788	1104	4 987
No. of Section 15.1 directives issued	99	84	31	38	252
Rand value of non-compliant products (Rands)	R142 438 797	R25 449 663	R59 678 992	R1 416 644	R228 984 096

Examples of non-compliant products included: incandescent lamps, compact fluorescent lamps, chargers, sewing machines, ICLs, power banks, LED panels, inverters, electric cookers, heat exchangers, adapters, lamp holders, plastic bucket water heaters, sewing machines, cash registers, hand dryers, vacuum cleaners, power tools, toasters, and adult toys.

Approvals

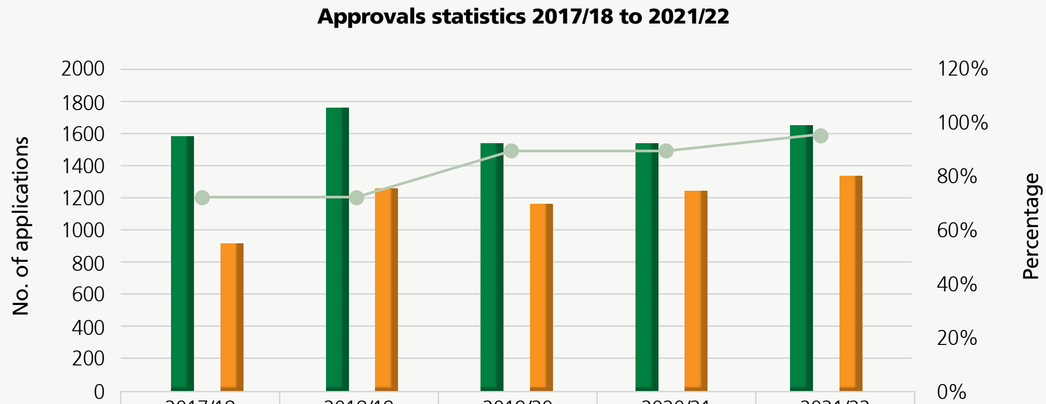
The approval statistics for the period under review are summarised in Table 6. The total number of new applications received was 15 328, with 99.2 % being LOA applications and the balance of 0.8% being RCC/AC applications, resulting in a workload of 16 824 applications for the 2021/22 period. A total of 13 637 approvals were issued, with ~96.2% of them being issued within the target of 120 calendar days against a target of 95%. The total number of applications which were closed was 1 561.

Table 6: *Electro-technical approval statistics for 2021/22*

Approval Type	Carried over from 2020/21	Received in 2021/22	Total work load in 2021/22	Approved in 2021/22	Closed in 2021/22	Carried over to 2022/23
LOA	1 486	15 207	16 693 (1 711 EE & 14 982 safety)	13 562 (1 392 EE & 12 170 safety)	1 525 (117 EE & 1 408 safety)	2 105
Regulatory Certificate of Compliance/ Authorisation Certificates (RCC/AC)	10	121	131	75	36	20
Total	**1 496**	**15 328**	**16 824**	**13 637**	**1 561**	**2125**

Figure 8 shows the positive trend in turnaround times, from 74% within 120 days in 2017/18 to 96.2% in the period under review. The target which had been elusive over the past years was achieved in 2021/22, with staff mainly working remotely, having adapted to the available technologies in the COVID-19 era. The increased workload suggests a recovery in applications received to pre-COVID-19 levels.

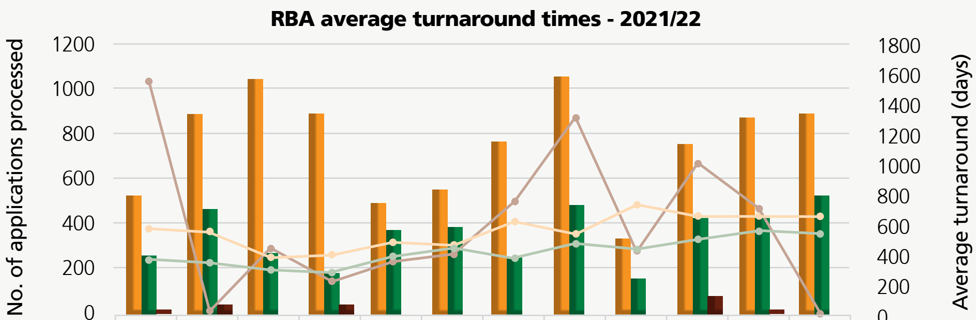
Figure 8: *Comparison of approval statistics from 2017/18 to 2021/22*



	2017/18	2018/19	2019/20	2020/21	2021/22
Workload	16050	17856	15645	15504	16824
Approvals issued	9350	12793	11855	12591	13637
% Issued within 120 days	74%	74%	91%	92%	96%

The breakdown in the turnaround times is further illustrated in Table 7 according to the risk based approach. In the period under review, the average turnaround times achieved were approximately 41 days for low risk applications, 55 days for medium risk, and 66 days for high risk. The applications processed in 2021/22 were divided according to their risk categories as follows: 66.9% low risk, 31.8% medium risk, and 1.3% high risk.

Table 7: *Electro-technical approval processing*



	April	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
No. of Low risk applications processed	526	887	1048	894	490	554	768	1055	333	760	867	892
No. of Medium risk applications processed	247	470	316	167	377	388	250	484	158	451	479	531
No. of High risk applications processed	10	26	6	26	2	8	3	8	5	71	9	0
Low risk average turnaround times	37	34	30	28	38	44	37	48	43	50	55	53
Medium risk average turnaround times	56	54	39	40	48	43	61	54	72	65	65	65
High risk average turnaround times	155	4	45	23	35	44	76	130	43	100	73	0

Stakeholder engagement

Electro-technical seeks to achieve voluntary compliance from the majority of the regulatees by informing and educating stakeholders about VCs, thus maximising the positive input of stakeholders while minimising any negative or detrimental impact, as a result of stakeholder contributions and actions. The BU continued to deploy online tools to engage stakeholders.

In line with one of the objects of the NRCS Act of maintaining expertise at an acceptable international level, and the need to obtain membership and participate at relevant international bodies, staff participated in international and regional engagements as shown in Table 8.

***Table 8:** Electro-technical engagements with international and regional stakeholders*

Country/ Stakeholder	Activity	Outcome/Activity
International Electro-technical Commission (IEC)	Virtual Meeting	IEC TC61/MT23: Review of international standards: Functional safety related aspects of electronic circuits, remote control of household appliances and insulation co-ordination
	Virtual Meeting	IEC TC61/MT32: Review of international standards: safety of household and similar electrical appliances electrical commercial catering equipment
SADC, EAC, CLASP, UNDP, SACREEE, EACREEE	Virtual Webinar	Discussions on a common approach to regional compliance framework on energy efficiency within SADC and EAC
	Virtual webinar	Discussion on RSA position with regards to harmonisation of MEPS in region after negative vote from South Africa
	Virtual Workshop	Official launch and overview of the EELA E-Learning Platform
	Virtual Meeting	NRCS chaired the Inaugural TC16 Meeting on the harmonisation of MEPS for Cooling Products within the SADC and EAC.
	Virtual Meeting	Virtual Training on the Implementation of Viable Energy Efficient Lighting & Appliances Projects Through Energy Service Business Models
	Virtual Meeting	Energy Efficient Lighting & Appliances (EELA) Project workshop on the Regional Compliance Framework where NRCS presented a case study.
	Virtual Meeting	Meeting to discuss the introduction of MEPS for cooling products i.e. air conditioners and refrigerators
	Virtual Meeting	Chairing of SADCSTAN TC16 Workshop on MEPS for Cooling Appliances involving 16 countries in SADC, National Focal Points for Energy Efficiency, and the National Ozone Focal Points.
	Virtual Workshop	Participated in workshop on the development of a regional compliance framework for energy efficiency under the EELA Project. Presented on RSA Compliance Framework.
The Trade Commission of Pakistan in Johannesburg	Virtual Meeting	The Pakistan Government was hosting its first ever Engineering and Healthcare Show 2022, and invited some South African Companies and the NRCS to attend the exhibitions in Pakistan. Electro-tech, Automotive, and CMM were found to be the relevant Bus, based on the product categories and industries listed in the catalogues. NRCS was to nominate delegates.

In the period under review, Electro-technical held several engagements with a number of government agencies and departments as summarised in Table 6.

***Table 9:** Electro-technical engagements with government agencies and departments*

Stakeholder	Nature of engagement	Outcomes/purpose
SANEDI	Virtual Workshop	Meetings to discuss EE Database • Planned stakeholder Training • Funding for system maintenance and support • Discussion with ICT on taking over EE Database System
SANEDI/DTIC/ DMRE	Virtual	Introductory meeting to street lighting energy performance standards, with consultants from CLASP
	Meeting	Introductory Meeting on MEPS for Electronic Displays with consultants from CLASP
		Attended Workshop on provisional findings for the study on MEPS for Electric Motors, presented by SANEDI.
ICASA	Virtual Webinar	Meetings to discuss MOU progress, products under dual mandate, and highlight risk to NRCS posed by the ICASA Government Gazette of 2000.
SARS	Virtual Meeting	Meetings to discuss on Authorised Economic Operator Program, previously called Preferred Traders Program in line with best practice as stipulated by the World Customs Organisation (WCO).
SABS TCs	Virtual Meeting	Some members participated in TC Meetings, in particular TC 72 (Performance of household and similar electrical appliances) and SWG TC64 (Lighting)
DMRE/SANEDI/ SABS	Virtual Meeting	Quarterly Meetings to review the progress of the Standards and Labelling (S&L) Program. All implementing agencies including the NRCS reported on progress with respect to their specific tasks,
SANAS	Virtual Audit	Underwent SANAS Annual Audit. Business unit retained its accreditation with zero findings.
SITA	Virtual Meeting	Discussion on collaborative approaches to conformity assessment of ICT Equipment. Proposal to investigate areas of possible collaboration and the need for a formal agreement.
DTIC	Virtual Meeting	Discussion on the feasibility of regulating street lights, with conclusion that it was feasible based on mandate, previous experience, and available skills.

Engagement with the regulated industry and industry associations is critical for the business unit since regulatees cannot be expected to comply with regulations of which they are not aware, among other reasons. The engagements took the form of meetings, workshops, and teleconferences as shown in Table 7.

Table 10: *Electro-technical engagements with regulated industry and associations*

Stakeholder	Nature of engagement	Outcomes/purpose
Cable Industry	Virtual Meetings	On-going discussions on levy model and compliance matters. Industry was requested to supply further information, e.g. market size and production figures, with DTIC and SABS in attendance.
		Discussion on the requirements of magnesium contact cables and their regulation with DTIC in attendance
		Engagements on compliance matters with respect to cables, VCs 8006 and 8075/77. Mark scheme holders LOAs will be processed via the SABS.
Energy Efficiency Stakeholders	Virtual Meeting	In partnership with SANEDI, Urban Earth and Blue Sky, ran three-days training for applicants on the use of the EE Database for EE LOA applications. Attended by over 200 participants, training administered on all the products under VC 9008 and 9006.
SAAF	Virtual Meeting	Periodic meeting to review operations with POE Authorities
Premarket Approvals Agents and Consultants	Virtual Meeting	Introductory meeting with Regulatory Agents, with the intention to formalise the relationship with the NRCS.
UP Enterprises	Virtual Meeting	Discussion on collaborative arrangements for training of staff by the university and the development of accredited modules
OUTA/BUSA	Physical Meeting	Electro-tech representative participated in a meeting led by the CEO to discuss OUTA letter on perceived NRCS bottlenecks and inefficiencies affecting the industry. Further engagements were agreed on.
Appliances Industry	Virtual Meeting	Compliance meeting in line with Stakeholder Engagement Plan, with presentation to the industry followed by addressing questions.
Lighting Industry	Virtual Meeting	Review of public comments on gazetted VCs 9109 and 9110. Meeting led by RRD with Electro-tech presenting on the proposed Implementation Plan. DMRE and the dtic in attendance.
Electric motor stakeholders	Virtual Workshop	Discussion on the findings from the energy efficiency of electric motors feasibility study and the cost benefit analysis with a cross function of industry sectors which use and deal in electric motors.
Cooling Appliances Industry	Virtual Meeting	Chaired by the NRCS, South Africa National Consultative Meeting on the Harmonisation of MEPS for cooling appliances (refrigerating appliances and air conditioners) and presentation on the Regional Compliance Framework

Highlights

During the review period, the following operational highlights are noted:

- **Non-compliant product destruction:** the BU destroyed R27 million worth of non-compliant products at events held in Cape Town and Gauteng province. The destroyed products included CFLs, incandescent lamps, adaptors, extension cords, chargers, lamp holders, hair dryers, hair straighteners, spiral hotplates, steam irons, water heaters, microwaves, electric kettles, and vacuum cleaners.
- SANAS 17020 Accreditation: The unit retained its accreditation status with no non-compliances raised
- **Energy efficiency implementation:**
    - A total of 1 392 energy efficiency LoAs were issued compared to 1 535 in 2021/22, 1 373 in 2019/20 and 1 503 in 2018/19, and 1 129 in 2017/18.
    - A blitz on energy labels in Q3 of the period under review yielded a compliance rate of 86% compared to 14% at the start of the program in 2016/17.
    - The business unit successfully implemented the Energy Efficiency Database from 1 April 2021.
    - The NRCS chaired SADCSTAN TC 16, which culminated in the development of harmonised MEPS for Cooling Products in SADC and the EAC, and the development of a Regional Compliance Framework.

Challenges

The main challenges faced by the business unit in the financial period included:

- Limited storage capacity of confiscated goods
- The unavailability of testing laboratories to cover the full regulatory scope, for example, the energy efficiency of air conditioners and laundry equipment, where there was no testing capacity in the country
- The continued risk posed by the COVID-19 pandemic.

Conclusion

A total of 4 987 inspections were conducted against an annual target of 5 000, while the approvals target was met by conducting approximately 96% of the approvals within 120 calendar days.

Non-compliant products with a rand value of approximately R229 million were removed from the market by issuing 252 Section 15.1 directives.

Engagements with a variety of stakeholders, including government departments and agencies, regulatees and industry associations, and international bodies and organisations, continued by using online tools.

Some of the highlights for the period under review included:

- Maintaining SANAS 17020 accreditation
- Implementation of the Energy Efficiency Database from 1 April 2021
- A marked reduction in approval applications carried over to the next financial period

Major challenges include lack of adequate storage capacity for non-compliant products, the continued presence of the COVID-19 pandemic, and a lack of testing facilities for certain products.


12.00

Foods and Associated Industries

Overview

The Food and Associated Industries Business Unit protects consumers by regulating processed meat, canned meat and canned fish products, frozen fish products, smoked snoek, aquacultured live abalone, live including chilled Bivalve Molluscs, which are traded nationally and internationally. This is achieved by:

- Inspecting processing establishment and fishing vessels used to produce, process or transport food products.
- Taking samples of food products in accredited surveillance facilities and submitting these for testing in accredited laboratories.
- Ensuring that non-compliant products do not enter the market and removing such products if discovered in the market. A risk-based approach to surveillance was adopted in order to improve efficiency and the effectiveness of FAI processes. Source/targeted enforcement was introduced as a measure to prevent the entry of non-compliant products into trade in South Africa.
- Conducting surveillance inspections on locally produced and imported products. Port of entry surveillance entails the profiling of various containers entering South Africa and the inspection of these containers at the point of entry. Imported fishery products are taken to various cold stores and warehouses where products are sampled for inspection at the NRCS laboratories.
- Cooperating with other food safety regulators, both nationally and internationally, and participating in food safety-related activities. The NRCS actively participates in both local and international (through Codex Alimentarius) standards setting processes. At national level, the NRCS works in close co-operation with several other legislators in the food environment, including the Department of Health(DOH), Department of Agriculture, Land Reform and Rural Development (DALRRD) and Department of Forestry, Fisheries and the Environment (DFFE). The NRCS has entered into various technical co-operation agreements with countries trading fishery products with South Africa, which puts in place preventative measures ensuring that safe products with the necessary health guarantees are sourced from these countries.

The business Unit is also the Competent Authority for fish and fishery products which are traded between various countries, in order to facilitate trade FAI issues health guarantees for fish and fishery products that are exported. The NRCS is a competent authority tasked with the issuing of health guarantees to various countries and trade groupings.

Overall performance

For the 2021/22 financial year, there were two performance targets in the annual business plan which consisted of six product categories. The business unit achieved its targets in all categories despite the challenges experienced as a results of the COVID-19 pandemic with the accompanying government lockdown levels procedures and restrictions in 2021. For the year under review, 2021/22 financial year, a total of **26 065** inspections were conducted.

Table 11: *Total Inspections Conducted by FAI*

Key Performance Indicator / Measure	Number of inspections conducted in FY 2021/22	Inspection Performance
Number of Inspections conducted for locally produced and imported canned fishery and meat products and exported frozen fishery product consignments in accordance with the compulsory specification and procedures	23818	↑
Number of inspections conducted on locally produced frozen fish, live products and the number of processing factory inspections (locally produced canned meat, frozen and canned fish and fishery products, processed meat products, live products), vessels and retail inspections in accordance with the compulsory specification and procedures	2247	↑ 6%

The business unit noted a significant decline in the total amount of inspections conducted during the 2020/21 financial year, however, there has been a slight increase in the financial year 2021/22. The predominant reason for the decline in the number of inspections conducted can be attributed to the continued COVID-19 pandemic restrictions in 2021 and the effects it had on the economic climate including the exchange rates together with the continuous decrease in the availability of natural resources. The business unit conducted **638** more inspections than in the previous financial year. In four (4) of the six (6) inspection categories there was an increase in the amount of inspections conducted and export inspections and in local canned meat inspections there was a slight decrease. In spite of the overall decrease inspection activities the business unit achieved the targets for all inspection categories.

Figure 9: *FAI Inspection trends for the last 5 years*

The business unit implemented a risk-based approach and the regulatory and inspection methodologies rest firmly on the assessed risk profiles of the various food commodities it regulates. Therefore, 100% of inspections on high-risk products such as canned and imported products from countries where there is no official inspection agreement, were conducted. At the same time, low risk products are monitored with a predetermined surveillance inspection programme.

All inspections and operations of the unit are conducted according to the policies and procedures of the quality management system implemented by the business unit system based on ISO/IEC 17020.

Internal audits were conducted to measure the unit's performance in terms of its documented quality management system. The business unit successfully maintained its SANAS accreditation after the external audit was conducted for the 2021/22 financial year.

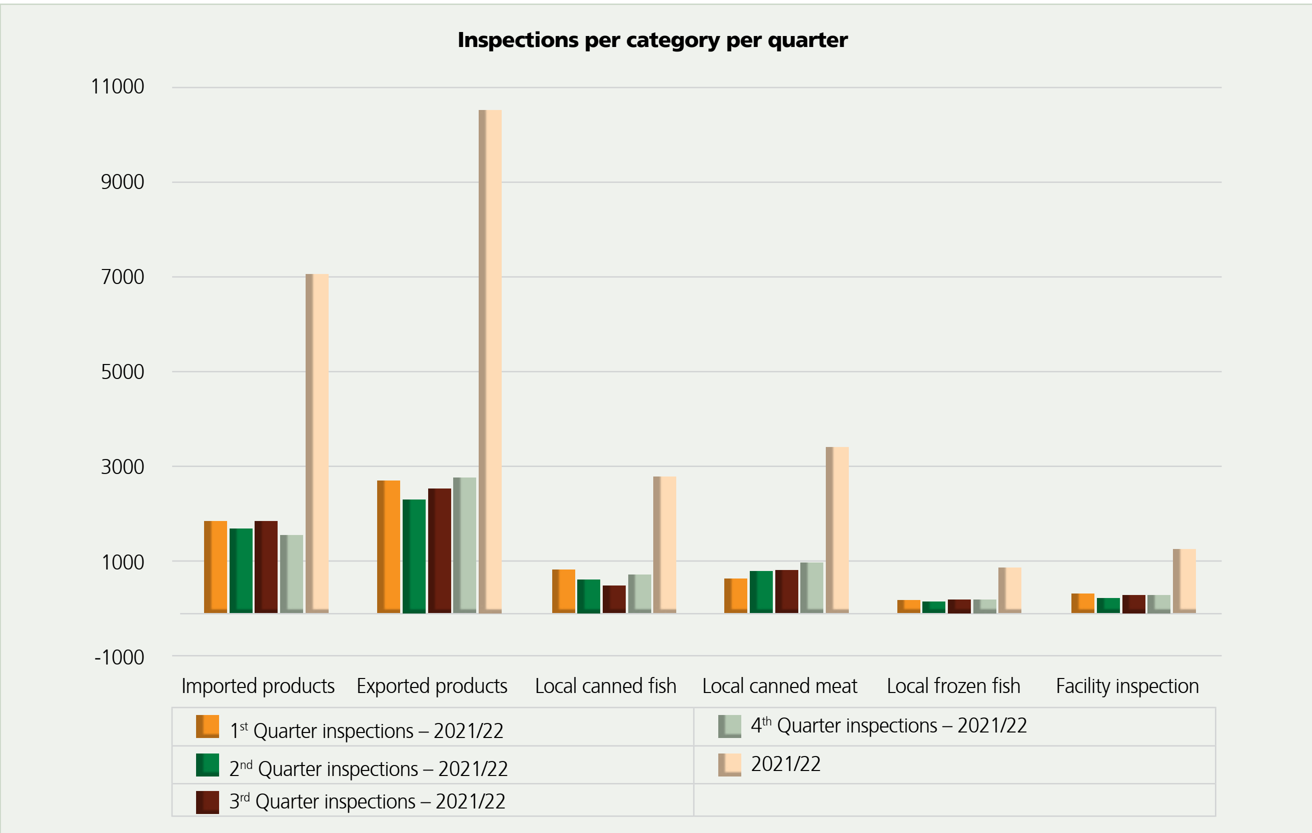
Table 12: *Inspection trends for the last 5 years per category*

Description	2017/18	2018/19	2019/20	2020/21	2021/22
Imported products	7793	9339	6439	6439	7095
Exported products	12530	11906	10804	10804	10461
Local canned fish	2493	2136	2612	2612	2816
Local canned meat	4573	4303	3811	3811	3446
Local frozen fish	988	972	805	805	949
Facility inspection	1142	1178	956	956	1298
Total	**29519**	**29834**	**25427**	**25427**	**26065**

Inspections

The business unit conducted 26 065 inspections on export, local and imported fishery and canned meat consignments and productions, processed meat products as well as fishery and canned meat retail facilities. In comparison to the last financial year, there was a slight increase in four (4) of the inspection categories conducted and a slight decrease in two of the inspection categories which are local canned meat and exported products with a slight increase of 638 inspections.

Figure 10: *Inspections conducted per category per quarter for the 2021/22 financial year*



Health guarantees and Compliance Certificates

The NRCS is a competent authority for fish and fishery products in South Africa for the export of fish and fishery products, and acknowledged as such by the European Union and People's Republic of China, among others. Health guarantees are certificates that are issued by competent authorities, such as the NRCS, which comply with international food laws (Codex Alimentarius) for food products, or the laws of the importing country. These health guarantees are issued for exported products, including chilled fish, frozen fish, canned fish, canned meat, canned abalone and live lobster, abalone and oysters. The business unit conducted **10 438** inspections on product consignments exported to various countries with a total of **7 823** health guarantees issued.

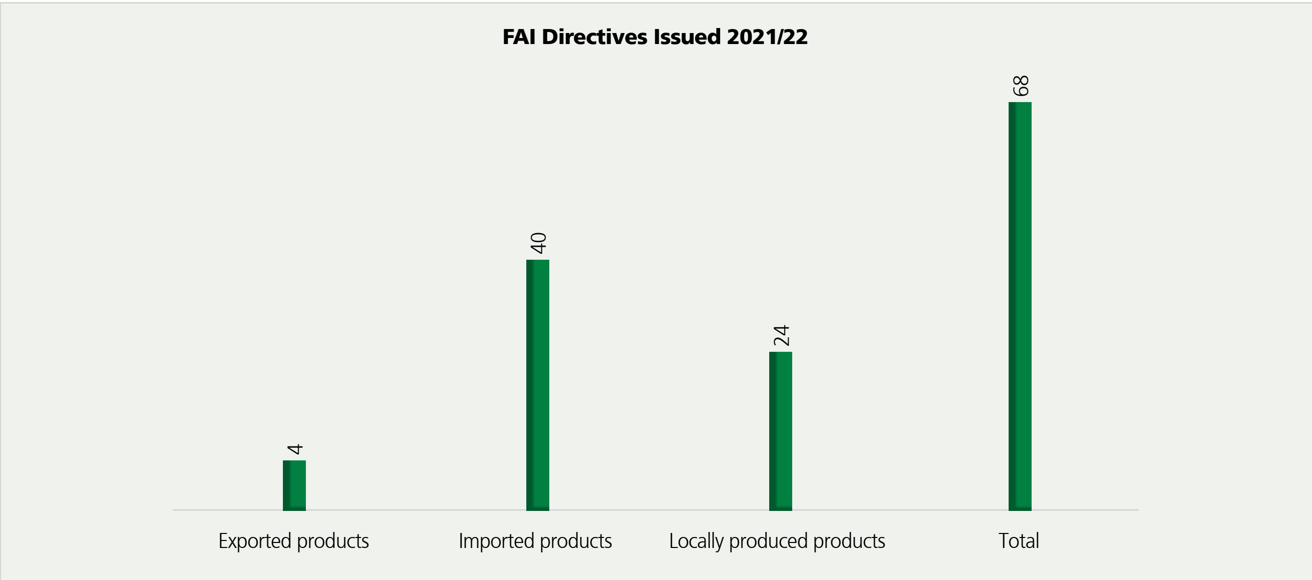
For all fish and fishery products imported into the country and local canned fish and meat productions, the Business Unit will issue compliance certificates when compliance has been established in terms of the requirements of the Compulsory Specifications before products are released into the market place. For the period under review, a total of **7 201** compliance certificates were issued by the Business Unit.

Non-compliances

Non-compliance certificates were issued for products that did not comply with the requirements of the relevant Compulsory Specifications, labelling requirements as specified in the Foodstuffs, Cosmetics and Disinfectant Act, Act No. 54 of 1972, and relevant SANS standards. Non-compliance certificates were also issued for products or consignments that were found to be of substandard quality or which did not fully comply with certain non-food safety related quality requirements. Sales permits, which stipulate prescribed sales conditions, were issued for these products.

The Business Unit issued 17 non-compliance certificates for products found to be of substandard quality, and 76 for products that were found not to have met the requirements for compliance. In addition, the Business Unit issued **68** directives for products that were not safe for human consumption. The non-compliant products were either re-labelled, destroyed by industry at their own cost (under the supervision of NRCS), or returned to the country of origin. The products not fit for human consumption had an estimated value of **R42 309 952, 42**

Figure 11: *Directives issued for the 2020/21 financial year*



National and international liaison

Due to the COVID-19 travel restrictions, most national and international face to face meetings could not be conducted or attended as scheduled, the business unit had to adjust its schedule in order to meet the stakeholder plan schedule resulting in meetings having to be held virtually. As a competent authority for the regulation of frozen and canned fish and fishery products, canned meat and smoked snoek in South Africa, the NRCS represents the country at various international regulatory forums, notably, the Codex Alimentarius Commission (CAC), the Codex Committee for Fish and Fishery Products (CCFFP) and the Codex Committee for Food Inspection and Certification Systems (CCFICS) including Codex Committee for Food Hygiene (CCFH).

In the year under review, the FAI participated in only four (4) virtual international food safety activities:

- An audit carried out in south Africa from 19 April 2021 to 30 April 2021 in order to evaluate the control systems in place governing the production of fishery products intended for export to the European Union

The Food and Associated Industries, as a Competent Authority for the Export of Fish and Fishery Products to the European Union, has undergone a successful audit by the European Union from 19 April 2021 until 30 April 2021.The objective of the audit was to verify compliance of South Africa's legislation and systems, including official certification with the EU Food and Food Safety rules. This was aimed at verifying the capacity of the control system in place to ensure that fishery products exported to the EU complies with general rules, and particularly the health attestations.

The audit was centred around the sampling, inspection and certification of fishery products, facility inspections (factories and fishing vessels), food safety verifications, trace-ability of fishery products, training and competency of staff. A positive outcome to the audit is critical in ensuring the on-going bilateral trade of fish and fishery products between the EU and South Africa, and to give effect to the Economic Partnerships Agreements with the EU and Operation Phakisa objectives aimed at augmenting the exports of fishery products. It is therefore important for the NRCS-FAI as a Competent Authority in South Africa to demonstrate competence in this area and to continue offering sufficient health guarantees for fishery products intended for export to the EU.

Excluded in the auditing scope were the shellfish monitoring programme and the production of aquaculture abalone together with mussels and oysters, which NRCS is still engaging the EU to consider the assessment of the South African Aquaculture industry in order to extend the export and the trade of fish and fishery products to aquacultured products between the two countries.

The Codex Committee for Food Import and Export Inspection and Certification Systems meeting was held on 31 May 2021 – 08 June 2021. This meeting was held virtual and had been staggered for five days.

NRCS, FAI has once again attended and participated actively at the International Standard setting Codex Committee meeting on Food Import and Export Inspection and Certification Systems (CCFICS) that was held virtually, on 31 May right up to 4 June and 8 June 2021, at the invitation of the Government of Australia.

NRCS, FAI acts as the national coordinator for this meeting and is inter alia responsible to arrange national preparation and feedback meetings and to take the lead during this Codex meeting.

The agenda of this meeting covered topics such as the Principles and Guidelines for the assessment and use of voluntary third party assurance programmes, paperless electronic certificates, recognition and maintenance of equivalence of National Food Control Systems, Equivalence, Food fraud, Use of ICT tools in Regulatory Frameworks and Traceability.

As part of the South African Delegation, NRCS-FAI contributed to the competency of technical input with the main purpose to protect the consumer and ensure fair trade practices

- The Codex Committee for Fish and fishery products meeting was held on 20 September to 25 October 2021. This meeting was held virtually.
- The Codex Committee for Food Hygiene meeting was held on 31 May 2021 to 08 June 2021. This meeting was held virtual and had been staggered for five days.

NRCS, FAI has once again attended and actively participated at the International Standard setting Codex Committee on Food Hygiene (CCFH) that was held virtually from 28 February to 4 March and on 9 March 2022 at the invitation of the Government of the United States of America.

NRCS, FAI normally acts as the assistant national coordinator at the (CCFH), but in the aforementioned meeting, they were requested by the Department of Health to act as national coordinator and to lead all meetings related to CCFH.

The BU was congratulated by all stakeholders in regards to the degree of leadership and coordination of this cross-cutting meeting.

The agenda of this meeting covered topics such as the Guidelines for the Management of Biological Foodborne Outbreaks, Food Hygiene, Control of Pathogens in beef, milk, cheese and vegetables, safe use and re-use of water in food production, Control of Pathogens in seafood and foods in general.

As part of the South African Delegation, NRCS-FAI contributed to the competency of technical input with the main purpose of protecting the consumer and ensuring fair trade practices.

The Guidance on the management of biological foodborne outbreaks and Control of Pathogens in food will further strengthen South Africa's preparedness and management of food borne outbreaks.

- The Codex Alimentarius Commission meeting was held on 11 November to 14 December 2021. This meeting was held virtually and has been staggered for five days.

The South African Delegation participated actively with its inputs. Apart from contributing to the proceedings, the delegates were updated on global food regulatory matters and were able to give guidance on such matters in South Africa. There was particular focus on economical, trade and political interests that are always at stake and that should always be borne in mind when conducting our own activities, especially as an international role player in food control. Most of the documents that were presented by South Africa were endorsed by the Commission

The relevance of attendance relates to the strengthening of the national food control system of South Africa. It further relates to the implementation of other important activities of the food safety sector, best defined as the 'non-negotiables', which include among others, ensuring compliance with all legal and statutory obligations as stipulated in the Foodstuffs, Cosmetics and Disinfectants Act, 1972 (Act 54 of 1972) and the relevant compulsory specifications administered by FAI.

The NRCS continued to interact and collaborate internationally with other regulators. The NRCS entered into technical cooperation agreements with various countries, including Namibia, Mozambique, Mauritius and Thailand. These agreements are designed to ensure that foods traded between the countries are safe for human consumption and comply with all specifications and regulations. Through the FAI Business Unit, various virtual joint management meetings were held with these countries during the year under review.

- A joint Technical Cooperation Agreement (TCA) meeting between the Namibian Standards Institution (NSI) and National Regulator for Compulsory Specifications (NRCS) was conducted on the 4th November 2021. This meeting was aimed at discussing the Inspection and Certification of Fish and Fishery Products and strengthen the collaboration and working together between the two organisations in ensuring product safety and fulfilling respective mandate. The purpose of the meeting was also to conclude and sign the TCA agreement. Both organisations addressed the Exports and Import controls between RSA and Namibia. It was noted that the main challenge in Namibia was that Fish and fishery products fall under three departments, hence small boarders still remain a challenge. A proposal was put forward by NRCS that RSA will still conduct inspections on Fish and fishery products imported into South Africa, even they are not accompanied by a certificate from NSI. Once NSI is granted with certification, random inspections will still be conducted, as per NRCS sampling plan.

Both organisations are commitment to ensure a good continuous relationship and knowledge sharing.

- Continued engagements with General Administration of Customs (GACC) of the People's Republic of China , were held regarding the implementation of Chinese requirements on import and export of food products to China, which included the registration of all establishments exporting to china from South Africa

Locally, the unit participated in various food safety initiatives and events, NRCS-FAI joined its global partners in celebrating the World Food Safety Day (WFSD) on 7 June 2021. The World Food Safety Day is a United Nations (UN) initiative and is commemorated annually across the world to promote food safety and reduce the burden of foodborne diseases which kill hundreds of thousands across the world.

Other local initiatives where the business unit also contributed are the legislation and standards setting forums such as SANS technical committees for various food standards. The following compulsory standards were published in the financial year under review:

Several regulatory meetings were held with the Department of Agriculture, Land Reform and Rural Development (DALRRD) and the Department of Forestry, Fisheries and Environment (DFFE), to discuss the MOU agreement between the departments, the implementation of the residue programme, and to discuss the shellfish monitoring sampling progress reports.

An inter-departmental meeting was held with the Department of Economic Development, Tourism and Environmental Affairs (EDTEA), the Small Enterprise Development Agency (Seda), the Department of Agriculture, Land Reform and Rural Development (DALLRD) and the NRCS, to clarify the roles that need to be played by each organisation in assisting the selected SMME`s on the Fisheries Programme.

Highlights

The outcome of the European Audit indicated that the official control system developed by the Competent Authority (FAI) cover the entire production chain. The legislation adopted allows each country to make use of the control system to verify, and where necessary, enforce the relevant EU requirements supported by adequate procedures. The impact of COVID-19 on the food safety control system has been mitigated by the Business Unit and activation of contingency arrangements with a view of supporting international trade and the food supply chain. The business unit achieved all its targets as per the annual performance plan.

During the period under review the business unit also continued to inspect processed meat factories with the intention of implementing processed meat compulsory specifications.

FAI is an internationally accredited inspection body and complies fully with ISO 17020 criteria for inspection bodies. As a competent authority for the regulation of food products and processes, on-going confirmation of the credibility of the business unit's processes is paramount. The business unit maintained its accreditation status after third party audits. No incidents of food poisoning were reported from products manufactured by the industries regulated by the business unit.

Conclusion

Although the government introduced COVID-19 pandemic protocols and restrictions impacted the activities of the Business Unit, the Food and Associated Industries Business unit contributed successfully to the NRCS objective in protecting consumers by effectively administrating the relevant Compulsory Specifications. During this period, the Business Unit successfully drafted and implemented operational continuity plans and procedures which reduced and mitigated most of the challenges brought forth by the COVID-19 pandemic. The Business Unit supported and facilitated trade for our local industry by ensuring that only good quality and safe food products were exported and all export consignments were accepted in the international markets with no notifications. In its effort to drive the basic performance efficiencies, the unit constantly strives to keep abreast of new technology developments and benchmarks itself against other regulators, both nationally and internationally. Multi-skilling and on-going training programmes is one of the tools that support the Business Unit to effectively protect consumers. The unit continued to participate in national and international standards setting processes.

Legal Metrology

Overview

Legal Metrology ensures that consumers receive the correct quantity of goods, declared by an importer, manufacturer or retailer on a pre-package, when providing a service, or where a measuring instrument is used to conclude a measurement in trade, health, safety and the environment, and also that it remains accurate within the prescribed limits of error. Both industry and consumers are protected. Legal Metrology promotes fair trade and protect public health and safety and the environment.

The Legal Metrology Act (LMA) is administered by the NRCS and applies to all measurable products and services as well as measuring instruments used and measurements made in the fields of trade, health, safety and the environment.

The main functions of the NRCS under the LMA are to:

- make recommendations to the Minister regarding legal metrology technical regulations;
- enforce compliance with legal metrology technical regulations;
- approve and verify measuring instruments;
- control the repair of measuring instruments;
- participate and represent South Africa at international and regional levels on matters relating to legal metrology;
- issue certificates that permit instruments or products to be sold or services to be supplied in respect of legal metrology matters; and
- provide for compliance schemes and control the use of distinctive marks and verification marks.

The NRCS executes its mandate of promoting fair trade, protecting public health, safety and the environment by:

- Ensuring that measuring instruments used for a prescribed purpose are evaluated for proper design, construction and accuracy taking into account the South African climate and environment.
- Conducting market surveillance to ensure that importers, manufacturers and retailers of products use accurate instruments for trade and that where manufacturers or retailers prepare pre-packages, there are no short measure.
- Taking action against importers, manufacturers and retailers that supply short measure products or use unapproved and or inaccurate measuring instruments.

- Designating private verification bodies to verify measuring instruments used in terms of the LMA, on behalf of the National Regulator.
- Designating private repair bodies to repair measuring instruments.
- Evaluating the competence of verification officers working for private verification laboratories, who perform verification on behalf of the National Regulator.
- Providing traceability to national standards for verification and inspection standards used to type approve, verify and inspect measuring instruments. Traceability is the unbroken chain of calibrations or comparisons linking international standards and or national standards to the level of verification standards used for verification and inspection.
- Providing training to inspectors, and where requested, to regional legal metrology bodies (e.g. SADC member states)
- Evaluating test reports of gaming hardware and software with the view of issuing a Letter of Certification (LOC) to participants of the gaming and gambling industry, as mandated by the National Gambling Act. This is a pre-market approval mechanism to evaluate whether gaming hardware and or software are compliant with applicable standards and technical regulations.
- Providing input on legal metrology matters into national, regional and international standards as required by SADCMEL, AFRIMETS and OIML.

The Legal Metrology business unit is accredited through the South African National Accreditation System (SANAS) under the following SANS standards:

- SANS/ISO 17020 as an inspection body for market surveillance inspections.
- SANS/ISO 17025 as a mass and volume calibration laboratory for calibrating measurement (verification) standards.
- SANS/ISO 17025 as a test laboratory for undertaking type evaluation tests.

Service delivery

Like many other Business Units within the NRCS, Legal Metrology is still negatively affected by the COVID19 pandemic. The unit lost a staff member due to COVID'19, which impacted operations in the Cape Town regional office. All operational units within the Legal Metrology unit implemented a work-from-home strategy to ensure continued service delivery to the industry regarding:

- the type approval of measuring instruments and issuing Letters of Compliance (LOC) to the gambling industry to ensure that measuring equipment and gambling equipment is suitable for use for a prescribed purpose,
- the designation of verification and repair bodies to ensure that private laboratories could repair and verify measuring instruments required by industry for prescribed measurements, and
- the surveillance of the marketplace to identify non-compliant measuring instruments, pre-packages and services and general measurements in the fields of regulation.

During the period under review, the business unit also focused its resources on the development of interim requirements for measuring instruments not previously regulated, in an attempt to extend the scope of regulatory activities into the areas of health, safety and the environment.

Type Evaluation of prescribed measuring instruments

A total number of 64 applications were brought forward from the previous year. During the year under review, type approval received an additional 247 new applications from instrument manufacturers and suppliers and have processed 262 applications and issued 90 Type Approval Certificates (TAC) for instruments that have met all regulatory requirements. All type approval applications were completed within the 120-day target period and 49 applications were carried over to the next financial year.

The TAC authorises a person to sell or make available an approved measuring instruments for use in terms of the LMA and relevant technical requirements.

Issuing of Letters of Certification (LOC) to the gambling industry

A total number of 18 applications were brought forward from the previous year. During the year under review, type approval received an additional 448 new applications from the gambling industry for the evaluation of gambling hardware and software. In total, 436 applications were processed during the year and 334 LOC were issued for compliant gambling hardware and software, whereas 102 applications were refused a LOC. All of the LOC were completed within the 30-day target period and 30 applications were carried over to the next financial year.

Market surveillance activities

A total number of 5 895 market surveillance inspections were conducted, 1 180 more than the inspection target of 4 715 set for the year due to successfully implementing the work-from-home strategy developed. To regulate more effectively and efficiently, the focus of market surveillance inspections remained on importers and manufacturers of pre-packed goods and measuring instruments and therefore 82 % of the market surveillance inspections were carried out at source (manufacturers and importers) and 18 % of the inspections were carried out at retail level.

During these market surveillance inspections, 12 273 samples of different pre-packed products were evaluated and the following non-compliances were uncovered:

Table 13: *Sale of goods – Type of contraventions*

Sale of goods - Type of contravention	Incidents of non-compliance	
	2021/2022	2020/2021
Short measure	349 – 2,8 %	106 – 1,3 %
Incorrectly marked	833 – 2,4 %	327 – 1,1 %
Unmarked goods	296 – 6,8 %	94 – 3,9 %
e-mark used without registration	94 – 0,8 %	
Other	6 – 0,1 %	6 – 0,1 %
Total	**1 578 – 12,9 %**	**533 – 6,4 %**

Unmarked pre-packages that found their way into the market increased over the period and continues to be one of the main contributors to incidents of non-compliance. This could be attributed to the increase in focus of the Business Unit on unregistered quantity mark scheme users.

With regard to measuring instruments, a total number of 34 398 instruments were inspected and the following were noted:

Table 14: *Instruments – Type of contraventions*

Instruments - Type of contravention	Incidents of non-compliance	
	2021/22	2020/21
Verification status lapsed	3 250 - 9.4 %	1 195 – 7,5 %
Unapproved	1 902 - 5.5 %	326 – 2,0 %
Inaccuracy	12 - 0.1 %	2 – 0,01 %
Technical, marking and other non-compliances	67 - 0.2 %	321 – 2,0 %
Total	**5 231 – 15,2 %**	**1 844 – 11,5 %**

The verification status of measuring instruments as well as the number of unapproved measuring instruments that found their way into the market continues to be the main contributors to incidents of non-compliance. This increase could be attributed to the new work-from-home strategy implemented and investigative inspections carried out by the Business Unit on measuring instruments.

To ensure that none of the non-compliant goods found their way to the consumer and that non-compliant instruments were not used in transactions, Legal Metrology market surveillance inspectors issued a total number of 1 578 embargoes for pre-packed goods and 5 231 rejections for measuring instruments. Legal Metrology market surveillance inspectors issued directives to 1 096 businesses for supplying non-compliant pre-packed goods or instruments.

The total monetary value of the products tested by Legal Metrology market surveillance inspectors amounted to R 1 544 m. The total value of the products found non-compliant, that were removed from the market or corrected before being sold, amounted to R 127 m. This is a substantial figure if one considers that the market coverage of the unit is below 20 %.

Calibration of verification standards

The four calibration laboratories of the Legal Metrology unit inspected and calibrated 13 629 mass verification standards, 559 volumetric verification standards and 249 balances. The calibrations performed ensured that standards used by verification officers as well as equipment used by market surveillance inspectors of the National Regulator were accurate and traceable to national standards. All calibration equipment in these laboratories have been upgraded to enable Legal Metrology to calibrate verification standards to an F1 accuracy class to serve the industry better.

Compliance schemes

The e-mark (pre-packed products) and Ǝ-mark (measuring container bottles) compliance schemes are schemes that allow South African manufactured commodities greater access into regional and international markets and lowers the risk of importing non-compliant commodities. For local companies, it also means that producers and exporters can further gain access into foreign markets with less red tape. Registration of a manufacturer or importer also requires the implementation of a system of quantity control and traceability for the products.

There are currently 92 local manufacturers and 114 importers registered by the NRCS under these mark schemes and three (3) new local manufacturers and 16 new importers were registered during the year under review.

Designation of verification and repair bodies

Legal Metrology designated 104 verification and 93 repair bodies during the year.

To ensure that personnel working for the above mentioned bodies were competent, verification officers and persons responsible for repairs (repairers) had to pass all required theoretical and practical examinations.

A total number of 270 persons wrote 428 theoretical examination papers of which 222 (51, 9 %) examination papers were passed.

***Table 15:** Demographic breakdown of the officers that wrote theoretical exams and passed*

	Male	Female
African	119 (48.1 %)	22 (95.6 %)
Coloured	17 (6.9 %)	0 (0 %)
Indian	2 (0.9 %)	0 (0 %)
White	109 (44.1 %)	1 (4.4 %)
Total	**247**	**23**

A total number of 45 out of 51 candidate verification officers passed practical evaluations on verifying or repairing measuring instruments and were issued with the relevant certificates.

Support for Technical Infrastructure bodies of the dtic

SANAS

Legal Metrology provided support to SANAS, in the form of lead or technical assessors, to conduct assessments on verification and repair laboratories. A total number of 94 man-days were utilised in the assessment of verification laboratories by assessors from Legal Metrology. The assessment of verification and repair laboratories remains strategic to the National Regulator because it underpins confidence in the designation of the laboratories to operate under the LMA.

SABS

Personnel members from the Legal Metrology unit chaired SABS Committees dealing with legal metrology standards, specialists and inspectors from the unit participated in various other work groups dealing with new standards and amendments of existing standards covering legal metrology technical requirements. The involvement of Legal Metrology in these activities ensured that the Regulator remained on the cutting edge of technological developments in the field of legal metrology.

Development of technical regulations

The following interim requirements were developed by the Legal Metrology unit and approved by the CEO of the NRCS:

- Average Speed over distance (ASOD(Q1)
- Long, Fixed–Distance Speed Meters (LFDSM)(Q3)
- Multi-Dimensional Instruments (Q3)
- Tyre pressure gauge (Q4)

Legal Metrology has also started a process to develop interim requirements for tyre pressure gauges (OIML R 23), electrical energy meters (OIML R 46), stationary source emission (OIML R 143 and 144), vehicle exhaust emissions (OIML R 99), automatic instruments for weighing road vehicles in-motion as well as legal metrology technical regulations for tyre thread depth gauges and king pin measuring instruments.

The unit is also reviewing the existing technical regulation for liquid meters based on the updated version of OIML R117.

Inspectorate capacity

During COVID-19, inspectors underwent refresher training on all technical regulations as well as quality system procedures.

National, Regional and International Liaison

During the past year, the Legal Metrology business unit continued to work closely with other national, regional and international regulators as well as standard bodies in the field of legal metrology.

OIML - enabling economies to put in place an effective legal metrology infrastructure that are mutually compatible and internationally recognised.

The Legal Metrology Business Unit represents South Africa as a participating member on 18 technical committees of the International Organisation of Legal Metrology (OIML), which is responsible for drafting model regulations (recommendations) to be used in legal metrology and input regarding several of these recommendations was provided to ensure that South African requirements were considered in the development of new harmonised international requirements.

Legal Metrology participated actively through comments or votes on five (5) international projects namely:

- Revision of 126 Evidential breath analysers
- New publication 87 Pre-package template
- Revision of 140 Measuring systems for gaseous fuels
- Revision of 51 Automatic catch weighing instruments
- Revision of 134 Automatic instruments for weighing road vehicles in motion and measuring axle loads

The Legal Metrology unit also hosts the secretariat of OIML Technical Committee 6 – Pre-packaged products (OIML TC 6), which deals with labelling and quantity requirements for pre-packaged goods and is in the process of developing an international harmonised inspection template for the evaluation of prepacked products.

The head of the Legal Metrology Business Unit, the senior manager inspections and two members of ***the dtic virtually*** represented South Africa at the 16th International Conference on Legal Metrology and 56th CIML Meeting (steering committee for the OIML) during October 2021. The aim was to review the organisation's technical progress and administrative operations and to set strategic goals for the organisation for the next 4 years. During the year, Legal Metrology also participated in the Regional Legal Metrology Organisation (RLMO) round table meeting and the OIML Countries and Economies with Emerging Metrology Systems (CEEMS) annual general meeting to ensure the development of legal metrology in the region and on the African continent.

Legal Metrology was also represented at the OIML Certificate System Management Meeting and Review Committee Meeting during March 2022.

SADC - promoting sustainable and equitable economic growth and socio-economic development

The Legal Metrology unit provides the secretariat for the SADC Cooperation in Legal Metrology (SADCMEL) and was responsible for arranging the 35th SADCMEL Committee meeting in May 2021 that took place virtually from Maputo, Mozambique.

The involvement of the Legal Metrology unit and the attendance of the above meeting is considered valuable as it affirmed the commitment of the NRCS in playing a leading role in sub-regional legal metrology matters of interest.

AFRIMETS - facilitating intra–African and international trade and to ensure the safety, health, and consumer and environmental protection of its citizens

The Legal Metrology unit further participates and acts as the co-secretariat for the Intra-Africa Metrology System – AFRIMETS Legal Metrology.

Due to the widespread outbreak of COVID-19 in African countries, the AFRIMETS meeting took place virtually in June 2021. Currently a staff member of Legal Metrology unit is the Vice-Chairperson Legal for AFRIMETS.

Full participation in AFRIMETS activities ensures that the NRCS receives exposure as a leading regulator in the field of legal metrology and associated fields and that the objectives of AFRIMETS can be met.

Stakeholder engagement

Legal Metrology continued to create awareness and informed South African commerce and industry about Legal Metrology technical regulation requirements, through meetings with various stakeholders in the retail and instrument manufacturer sectors.

Formal Verification and Repair Body Sector Meetings were held virtually during March 2022 with the view of informing verification and repair bodies, carrying out repair work or verifications on behalf of the National Regulator, of the requirements and implications of the LMA in this sector.

The unit had a meeting with the quantity and measurement mark scheme holders during March 2022, to provide an update mark scheme holders on legal metrology requirements and challenges in this sector.

External stakeholder work group meetings for the development of interim requirements for tyre pressure gauges for motor vehicles, vehicle exhaust emissions, stationary source emissions and automatic instruments for weighing road vehicles in motion and measuring axel loads were also virtually hosted by the Legal Metrology unit.

The unit consulted with various other stakeholders, which included RTMC, SANRAL, the DFFE, and SAMIA, to carry out of the mandate of the unit.

After interaction with ***the dtic*** sector desk, the NRCS with the assistance of UNIDO has committed resources in assisting the essential oil industry through SAEOPA (Southern African Essential Oil Producers Association). A number of essential oil producers in South Africa had been identified to determine adherence to pre-packaging requirements as per the relevant OIML recommendation (international requirements) as well as NRCS technical regulatory requirements (local requirements). LM has prepared a guide on legal metrology and pre-packaging requirements to create awareness in this industry.

Legal Metrology also collaborated with Food and Associated Industry (FAI) of the NRCS to ensure that imported or locally manufactured fish products complied with legal metrology requirements.

Funding

Legal Metrology receives its principal source of funding through a government grant through the NRCS. Additional funding is generated from its calibration, verification, type approval, the issuing of LOCs and assessment activities.

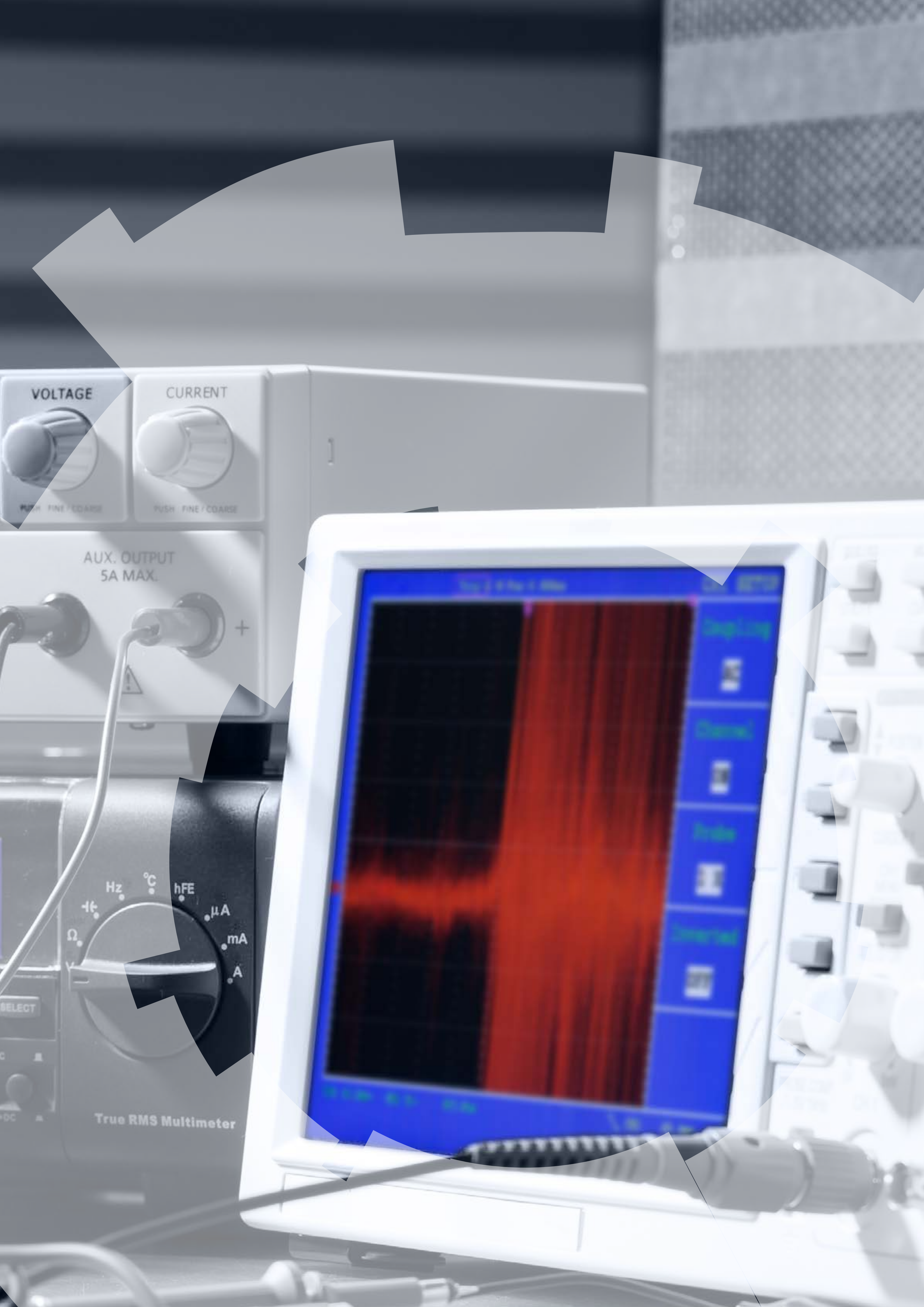
The Legal Metrology mandate is currently underfunded and the NRCS has submitted a plan to the DTIC in terms of the implementation of the expanded scope and the funding requirements. The initial amount required for the outlay of the extended mandate by the NRCS was R22m. There will also be operational costs incurred each year that will increase by a factor of CPI plus one percent each year. The Legal Metrology funding is a matter also under consideration by the dtic.

Conclusion

Through their Legal Metrology unit, the NRCS remains committed to:

- expand the scope of legal metrology to include measurements made in the fields of health, safety and the environment;
- strengthen the enforcement of legal metrology;
- develop an appropriate legislative framework;
- protect consumers against short measure or inaccurate measurement;
- establish a level playing field for industry; and
- support local industry competitiveness.

The Legal Metrology unit ensures confidence in the measurements made by the South African industry that lead to increased market access for local manufacturers.


VOLTAGE
CURRENT
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5A MAX.
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SELECT
True RMS Multimeter

Regulatory Research and Development

Overview

The Regulatory Research and Development (RR&D) Business Unit supports the NRCS's first strategic goal, which is to develop and maintain Compulsory Specifications (VCs) and Technical Regulations (TRs) under the NRCS Act, 2008 (Act No.5 of 2008) as amended, Legal Metrology Technical Regulations under the Legal Metrology Act, 2014 (Act No.9 of 2014) and National Building Regulations and Building Standards Act, 1977 (Act No.103 of 1977).

The Business Unit's role within the NRCS is to ensure continued effectiveness, efficiency and relevance of regulatory activities through the development and amendment of new and existing VCs or TRs. The Unit conducts impact and risk assessments to determine the feasibility of new Compulsory Specifications and Technical Regulations, as well as the revision and amendment of existing ones.

Throughout these processes, RR&D focuses on building strong stakeholder relationships to encourage stakeholder participation in determining regulations. Stakeholder engagement primarily ensures transparency and accountability in the development and maintenance of VCs and TRs. To achieve wide participation, the NRCS established broad-based (multi-disciplinary sectors) stakeholder group representing common interests composed of experts (technical, academic, and industrial), other government departments and government entities, non-governmental organisations (NGOs), industry bodies, consumer bodies, and other organised civil society groups, as may be necessary.

The RR&D develops and maintains VCs and TRs for the five broad sectors under the NRCS, namely,

Automotive;
Electro-technical;
Chemicals,
Mechanical and Materials (CMM);
Food and Associated Industries (FAI);
Building and Construction Materials, and for accurate measurement units and instruments under the Legal Metrology Act.

The Unit develops and maintains VCs and TRs through the following activities:

-Identification of the need for new or amendments to the VCs and TRs, according to the latest international and national requirements;

a. conducting feasibility studies, risk assessment, and impact assessment in the process of determining the minimum requirements in VCs and TRs;
b. collaboration with stakeholders on the determination of minimum requirements and associated conformity assessment activities in VCs and TRs;
c. conducting regulatory research to benchmark NRCS's regulatory practices with international best practice and to inform regulatory decisions that are included in VCs and TRs;
d. supporting the Industrial Master Plans of the Department of Trade, Industry and Competition (***the dtic***), by developing VCs and TRs that promote industrial development initiatives across different key action programmes such as green industries, electro-technical, footwear, plastics and chemicals, automotive products, and components, agro-processing and growing the Oceans Economy.

Performance highlights

The development and maintenance of Compulsory Specifications (VCs) and Technical Regulations (TRs).

Twelve (12) VCs and TRs were targeted for approval by the CEO and submission for publication by the dtic and a 100 % target was reached.

The 12 Compulsory Specifications approved by the CEO of the NRCS for submission to ***the dtic*** during the period under review, are as follows:

- Amendment of a compulsory specification for Preservative treated timber – **VC 9092**.
- Amendment of the compulsory specification for Frozen shrimps (prawns), langoustines and crabs, and products derived therefrom – **VC 8031**.
- Amendment of the compulsory specification for Frozen fish, frozen marine mollusks and frozen products derived therefrom – **VC 8017**.
- Amendment of the compulsory specification for Child restraints for use in motor vehicles – **VC 8033**.
- Amendment of a compulsory specification for Frozen lobsters submitted for final gazette to dtic – **VC 8020** (for final gazette).
- Amendment of a compulsory specification for Energy labeling and efficiency of appliances – **VC 9008**.
- Amendment of a compulsory specification for Mechanical coupling components – **VC 8065**.
- Amendment of a compulsory specification for Motor vehicles of category M1 – **VC 8022**.
- Amendment of a compulsory specification for Plastic carrier bags and flat bags – **VC 8087**.
- Amendment of a compulsory specification for Cement – **VC 9085** (for final gazette).
- Compulsory specification for Performance of general service lamps – **VC 9109** (for final gazette).
- Compulsory Specification for Safety of general service lamps – **VC 9110** (for final gazette).

Compulsory Specifications still pending publication by the dtic: Four (4):

a. VC 9012, Electric luminaires
b. VC 8055, Electrical and electronic apparatus
c. VC 9108, Compulsory Specification for Dried abalone
d. The Correction Notice for VC9100, Processed meats

The RR&D Project Approvals Committee reviewed and approved a number of project reports

Significant progress was made regarding the completion of other projects, some of which were not targeted for completion during the period under review but are part of the progressive achievement of project milestones by RR&D. In addition to the performance indicated above, extensive research was conducted as part of several feasibility studies, risk and impact assessments during the year. The reports compiled through these processes are approved by the Project Approvals Committee (PAC) of the RR&D, which is responsible for managing the progress and quality control of projects registered in RR&D. Its main role is to appraise and approve technical reports produced during the processes and to make recommendations on actions needed to improve outcomes prior to submission to the NRCS's Forum of General Managers. During the 2021/22 financial year, the PAC reviewed and approved the following submissions:

New request: One (1) - Request to develop a VC for e-scooters

Periodic review reports: One (1) - Periodic review report for VC, Respiratory protective devices (RPDs)

Feasibility reports for the development of four (4) new VCs and TRs:

- Flare Emission feasibility report
- Feasibility report for the Kingpin measuring instrument
- Feasibility report for Vehicle exhaust emissions measuring instrument
- Feasibility report for Tyre tread depth measuring instrument

Three (3) Project proposals which were reviewed and approved by the Projects Approval Committee:

- VC 8078 - Retro-reflective material for contour markings
- VC 8079 - The control of gambling devices and related apparatus - VC 8072 - Respiratory Protective Devices (RPDS).

Risk assessment reports: Two (2)

- Risk assessment report for crude fish oil proposed VC approved by PAC
- Risk assessment report for VC 9003, the Compulsory Specification for Safety Glass and other safety glazing materials approved by PAC

The PAC approved nine (9) Impact assessment reports:

- The impact assessment report for VC 8065 – Mechanical coupling components.
- The impact assessment for VC 8022 – Motor vehicles of category M1.
- PAC approved The impact assessment for VC 8024 – Motor vehicles of category N1.
    a. PAC approved the impact assessment for VC 8087 – Plastic carrier bags and flat bags.
- VC 8033 - Child restraints for use in motor vehicles-VC9008-energy efficiency and labelling of electrical appliances
- Compulsory Specification for frozen shrimps (prawns), langoustines and crabs, and products derived therefrom – VC 8031
- Amendment of the compulsory specification for frozen fish, frozen marine mollusks and frozen products derived therefrom – VC 8017
- Proposed amendment to VC 9008, energy efficiency and labeling of appliances

Stakeholder engagement

In the financial year 2021/22, RR&D hosted thirty six (36) official stakeholder consultation meetings on proposed regulatory interventions. These meetings are open to any affected or interested party and are widely attended. However, more effort is required to increase the participation of Small, Medium, and Micro-Sized Enterprises (SMMEs) in these meetings.

The Unit participated in eighty eight (88) SABS technical committee meetings to develop standards. Furthermore, the Unit also hosted or participated in 291 general liaison meetings with both internal and external stakeholders to discuss various aspects affecting VCs or TRs that are being developed, amended, or withdrawn. In total sixty eight (68) engagement meetings were held with government departments and their agencies. RR&D focuses on stakeholder engagement through active engagement with industry and government alike.

RR&D hosted or participated in inter-governmental meetings hosted by other departments such as the **dtic**, Department of Transport, Department of Environment, Forestry and Fisheries (DEFF), Department of Agriculture, Land and Rural Development (DALRRD). RR&D staff members also participated in several intergovernmental coordinating structures such as the National Interdepartmental Sanitary and Phytosanitary measures (SPS) and Technical Barriers to Trade (TBT) fora, Interdepartmental Task Team on Food Control, the Multi-sector Committee on Chemicals Management (MCCM), Department of Transport's Vehicle Technical Committee (VTC)), Inter-Provincial Policy & Procedures working group (IPPP) and Abnormal Load Technical Committee (ALTC), Department of Environmental Affairs' Industry Waste Management Plan (IWMP) forums, the Appliance Standards and the Labeling group of the Department of Energy. The Unit also participated in Technical Committees of the South African Bureau of Standards (SABS) meetings responsible for developing, adopting, and maintaining South African National Standards (SANS) applicable to commodities that are regulated by the NRCS. An RR&D staff member was nominated and appointed as chairperson of the SABS TC 22 (motor vehicles), TC 31 (tyres), TC 1092 (motor vehicles designed or adapted for use by persons with disability) and TC 1034 (Agricultural, mining and forestry vehicles). RR&D staff member was also nominated and appointed as convener of the SANS 10319 (MIB registration) and SANS 10267 (Homologation) working groups.

The Unit also provides training and or makes presentations to relevant forums that deal with Technical Regulations when required.

Regional and international involvement

RR&D participated in a number of regional and international engagements in an effort to enhance regional and international harmonization of regulatory practices. During the period under review, RR&D participated in several regional and international initiatives that are part of the on-going effort to foster strategic partnerships with other Regulators, policymakers, and industries to ensure relevance of the outcomes of the processes to develop and maintain Compulsory Specifications. An RR&D staff member was nominated and appointed as co-chair of the informal working group (IWG) on Environmental and Propulsion Performance Requirements (EPPR) of L-category vehicles under the United Nations Economic Commission for Europe (**UNECE**) Working Party on Pollution and Energy (**GRPE**).

The participation of regional and international engagement are as follows:

- UNECE WP.29 GRPE – EPPR IWG

a. UNECE WP.29 GRPE
b. SADC go-live demonstration of the SADC TBT/SPS NTM's Database
c. ARSO TC 59
d. working group for ARSO Fishery production
e. WTO SPS
f. ARSO COCO
g. SADCMEL
h. COPOLCO
i. ARSO Automotive harmonized standards launch webinar
j. The AfCFTA and the Auto Sector - African Association of Automotive Manufacturers (AAAM)
k. IEC TC

Training

RR&D staff members were engaged in various training programs nationally and internationally to improve skills, competency, and awareness, including:

- Regulatory Impact Assessment(RIA) training arranged by SADC

a. NRCS: Signing Hub Training
b. ERP system Training –performance management
c. ERP Project- Performance Management & Training Management System
d. Trade facilitation workshop with SACU
    - WTO SPS Risk Assessment workshop
e. 17021 training organised by SABS IC committee
f. Africa Food Safety Workshop
g. Trade Map training
h. Laboratory Systems Course: ISO/IEC 17025 NRCS
i. POPIA & PAIA TRAINING
j. Workshop on Safety Standards for Unmanned Aerial Vehicle (Drones)
k. Lead Exposure and Lead Poisoning Training
    - Basic HIV Course for Health Care Professionals
    - Advanced Training on Globally Harmonised System of Classification and Labelling of Chemicals (The GHS). Responsible Packaging Management Association of South Africa (RPMASA)
    - Good Regulatory Practice webinar by STDF

Challenges and opportunities

The Unit faces several challenges affecting its performance, some of which are the following:

- Extended project (CSP 350 processes) timelines:

a. Persistent backlog in the publication of VCs submitted to the dtic.
b. New requirements for approval and implementation of VCs submitted to the dtic.
c. Lengthy processes to clarify concurrent mandates with other regulators and government departments (NDoH, DoE, DoT, etc.).
d. The lack of control over time duration for approval and publication of regulation.
e. Poor stakeholder participation in consultation meetings (improving with online meetings).
f. Capacity for requests in the plumbing components/ building materials fields and economist
g. Local laboratory capacity for newly requested VCs and amendments.

The RR&D's Risk Assessment methodology was challenged at some of the VC stakeholder meetings. The review of the methodology has been commissioned and at BEC stage - submitted to BAC for re-advert.

Conclusion

COVID-19 resulted in significant changes in the business processes of the Business Unit. The use of online tools to attend external meetings and convene stakeholder consultation meetings is the most noticeable development. Meeting attendance has increased as online meetings have become more accessible to stakeholders around the country at no cost. Another advantage is the money saved on logistical arrangements for organising these meetings, such as transport and refreshments for attendees. Because they all worked from home, the Unit's personnel was able to acclimatise to the unexpected changes and learnt how to use the web tools needed to work remotely.

The strategic objectives and goals/objectives of the RR&D Business Unit to support the NRCS Strategy, as well as their performance against those objectives, were divulged in this report for the fiscal year 2021/22. RR&D will focus on strengthening its processes and procedures in the approaching fiscal year 2022/23 in order to streamline VC/TR development, reduce VC development objections, and produce high-quality and sound VCs/TRs. RR&D will work with all stakeholders to produce VCs/TRs that address market problems while causing the least amount of harm to the industry and the general public.

RR&D will also appoint a service provider to conduct an independent review of the risk assessment process in order to determine its relevance and efficacy. In keeping with the Socio-Economic Impact Assessments (SEIAS), the RR&D will also work to strengthen human capacity (such as economists, researchers, and data analysts) that may add value to the Regulatory Impact Assessments for all new and amended VCs and TRs.

RR&D will also undertake a gap analysis on the newly released Legal Metrology Regulation (No. 877 of August 24, 2018) and interim regulatory measures in order to determine the necessity for additional technical rules. For both VCs and TRs, this will strengthen Good Regulatory Practices and support evidence-based decision-making. Finally, the RR&D will keep up with worldwide developments by participating in national and international forums on a regular basis.


K Green

Communications and Marketing

Executive summary

The role of the Communications and Marketing Business Unit of the NRCS is to facilitate and coordinate an array of integrated communication solutions in line with the business strategy and objectives of the Regulator, thereby promoting and enhancing the image of the Regulator to all its stakeholders. These solutions include internal and external communication, public relations, media liaison, marketing, branding and advertising.

Overview

The Unit is responsible for the NRCS's Strategic Goal 3: *to inform and educate our stakeholders about the NRCS.* Activities of the Unit are arranged in line with this goal, as outlined in the NRCS Strategic Plan and the Annual Performance Plan.

Performance

Consumer education and awareness

During the period under review, the Business Unit conducted 21 consumer awareness programs working in partnership with other stakeholders such government departments and other agencies as well as various municipalities across the country. This was part of the organisational Annual Performance Plan on stakeholder management. Through this, the organisation reached more communities and educated them about the mandate of the organisation, its regulatory activities and the danger of using non-compliant products.

Media liaison activities

Multimedia campaign

The Unit implemented two multi-media campaigns in the form of a community radio link up and TV adverts as part of its marketing plan to profile the organisation and improve its recognition among various stakeholders.

The radio engagement linked up the following community radio stations:

- Mafisa FM
- Makhado FM,
- Soshanguve Community Radio
- and Zibonele FM

More than two hundred thousand (200 000) listeners were reached and educated about the role of the organisation and its regulatory activities. These radio stations are based in rural communities where sub-standard products are sold to unsuspecting consumers.

The TV Adverts were aired on the following Commercial TV stations from 30 March 2022 and will continue to run until 05 June 2022:

- Mzansi Magic and CNBC Africa

Approximately 8 million viewers including industry stakeholders were reached and educated about the various regulatory activities of the organisation. Mzansi is the most watched channel attracting both young and old audiences while CNBC Africa attracts captains of the industry due to its offerings which are business and market orientated.

Media statements and interviews

The Unit communicates organisational messages and key activities through various media platforms. During the period under review, it compiled several media releases for distribution on topical issues around regulatory activities of the NRCS.

The following eight (8) media statements were developed and issued during the period under review:

- Surprise raid on suspected illegal treated timber products
- Johannesburg raid with Chemical, Mechanical and Materials
- Gauteng Destruction event
- A joint media statement on the commemoration of the 2022 World Consumer Rights Day through the Consumer Protection Forum (CPF) which the NRCS is a member
- Cape Town destruction event
- Rural Community Engagement Programme
- Building Control Officers Convention
- Commemoration of the Legal Metrology Day

The Unit facilitated a media interview with various radio stations such as Motsweding FM, Mafisa FM, Jozi FM, Phalaphala FM, Nongoma FM, Makhado FM, SABC Radio about destruction of non-compliant products and the mandate of the organisation in general, thereby reaching millions of listeners.

The Unit also coordinated interviews based on media statements issued with various media houses in the country and thus generating free publicity for the organisation. They were covered in media houses such as Business Live, Times Live and Sowetan Online, Business Insider, Benoni City Times, Engineering News, among others.

Media queries

The Unit received eight (8) media queries for the period under review. The following queries were received from the following media houses:

- Jozi fm, Makhado fm and Mafisa fm - About the destruction of products in Gauteng- Midrand
- Jozi fm- About the broader mandate of the NRCS.
- SABC Limpopo which includes Thobela fm, Munghana Lonene fm and Phalaphala fm about the Rural Engagement Community Programme which was held in Vhembe District, Limpopo.
- Unisa Radio- About the broader mandate of the NRCS.

Social media

As part of its integrated communication and marketing plan, the Unit developed the Social Media Strategy and plan which saw the establishment of various media platforms such as Facebook, Twitter, Instagram, YouTube, LinkedIn and Google Account. These platforms were used to market the organisation and create easy access to NRCS information. As a result of the implementation of the Social Media Strategy, the NRCS experienced an increase in the number of followers and interaction on all the platforms.

Stakeholder management

Stakeholder engagement is intended to be an ongoing process of maximising the involvement of internal and external stakeholders to help craft, implement, and adapt strategies to achieve targeted outcomes. Stronger stakeholder relationships benefits the organisation through, increased customer loyalty, improved reputation, and a more committed workforce.

The Unit has developed the NRCS stakeholder plan for 2020-2023 for the organisation. It was implemented during the period under review.

The following activities are part of the implementation of the stakeholder plan:

- The Unit participated in the webinar hosted by the National Consumer Commission (NCC) to educate consumers about their rights and obligations.
- It also participated in the webinar hosted by the Consumer Goods Service Ombuds (CGSO).
- The Unit organised a meeting with the Department of Transport regarding NRCS participation during the upcoming Transport Month in October. The meeting discussed the NRCS's involvement in all the transport month's activities to outline its Safer Vehicle Project 2025.

- It also attended several meetings of a Multi-Stakeholder Quality Forum of South Africa (MSQF) pertaining to the creation of an information-sharing website amongst the four entities namely SABS, NMISA, SANAS and NRCS.
- The Unit also attends the Consumer Protection Forum (CPF), meetings including the Compliance Committee and Education Committee Meetings.

Publications

The Unit developed and issued three (3) external publications during the period under review aimed at enhancing communication with the Industry.

The Unit also compiled eleven (11) internal newsletters aimed at communicating developments around the organisation to employees.

Event management

The Unit organised the following activities during the period under review:

- Destruction Functions in Western Cape and Gauteng where thousands of non-compliant products were destroyed. Approximately R84 million worth of non- compliant products were destroyed thus saving the economy of the country and the lives of South African consumers.
- BCO Convention is attended by building control officers from various municipalities across the country with the aim to implement the National Building regulation and Standard Act (NBR/BS Act) in a uniform manner. This platform also allows NRCS to build relations with municipalities across the country.
- Rural Engagement Community Programme where hundreds of members of Lwamondo community at Vhembe District Municipality were educated about the role of the Regulator and its activities. This programme is also strengthening ties with traditional authorities, community based organisations and local and district municipalities in predominately rural provinces.

The Unit is planning to develop a billboard campaign which will run for 3 months where billboards will be placed in various areas around Gauteng, North West, Limpopo and Mpumalanga provinces respectively.

Conclusion

Despite capacity issues, the Unit achieved all its targets for the year. The Unit continues to make major strides in its drive to market and promote the NRCS, and create an understanding of its role and mandate.

PART C
GOVERNANCE REPORT

Introduction

The NRCS was established on 1 September 2008, through the promulgation of the NRCS Act. As a public entity, the NRCS is guided by the protocol on good corporate governance, as defined in the Public Finance Management Act, Act No. 1 of 1999 (PFMA). In managing its activities, the organisation strives to achieve transparency, accountability, efficiency and the effective use of resources.

Executive Authority

The NRCS is a schedule 3(A) entity in terms of the PFMA. As an entity of **the dtic**, the Minister of Trade, Industry and Competition is the Executive Authority. The NRCS complied with its obligations in terms of the PFMA and shareholder expectations from the Executive Authority.

Accounting Authority

The governance structure of the NRCS was amended with the promulgation of the Legal Metrology Act, Act No. 9 of 2014, subsequent to which the CEO is the Accounting Authority of the NRCS.

Governance Committees

Audit and Risk Committee

The role and report of the Audit and Risk Committee are discussed on page 79.

Technical Committee

The Technical Committee fulfils the role of a management committee, assisting the Accounting Authority in fulfilling corporate governance responsibilities relating to technical and related matters. In brief, the committee was responsible for:

- Considering and advising the CEO on proposed compulsory specifications (VCs) or proposed amendments to VCs in terms of Section 13 of the NRCS Act
- Recommending actions to be taken against non-compliant products in terms of Section 15(3) of the NRCS Act
- Considering and advising the CEO on the regulations published in Government Notice R924 in terms of Section 36 of the NRCS Act
- Considering and advising the CEO on technical and related matters as outlined in the Trade Metrology Act
- Addressing any issues that are in the public interest as requested by the Executive Authority.

The committee met its obligations and played a major role in the administration and destruction of non-compliant products during the financial year.

Risk Management

In managing risks, the NRCS instituted a system of internal controls, focusing on financial and risk management including risk management policy, risk management strategy and other relevant policies and procedures. Through this system, management identifies threats and activities and that, should these arise, may negatively affect the organisation's ability to achieve its objectives and opportunities. The system also creates an environment where management can prioritise risks and develop a Risk Response Strategy in accordance with the NRCS Materiality Framework. The Accounting Authority is responsible for ensuring that the system of internal controls is effective, efficient and transparent. During the reporting period, the NRCS conducted a strategic risk assessment exercise at a corporate level to identify key risks.

The Audit and Risk Committee plays a significant role in ensuring compliance with good corporate governance principles, aiding the Accounting Authority in the management of the NRCS's risks. The committee also played a significant role in identifying strategic areas of concern. There has been an improvement in the risk maturity level within the NRCS and the identified internal Audit findings continue to receive attention from management.

Internal Control

The system of internal control is designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. The Audit and Risk Committee noted significant weaknesses in the internal control environment, as well as instances of non-compliance with laid down procedures. Together with the Accounting Authority, appropriate action is being taken to deal with transgressions and to prevent the recurrence of control failures.

Internal audit

Key activities and objectives

The NRCS considers compliance with applicable laws, regulations, codes and its own ethical standards and internal policies to be an integral part of its business culture. Its Internal Audit Unit therefore provides independent, objective assurance and consulting services to add value to and improve the organisation's operations. The unit takes a systematic, disciplined approach to evaluate and improve the adequacy of risk management, control and governance processes.

The unit is primarily responsible for the execution of operational and compliance audits, performance audits, financial audits, IT audits, forensic audits as well as ad hoc assignments. At present, the unit comprises four employees and is complemented by a co-sourced internal audit partner.

Audit work during the year

During the year under review, the Internal Audit Unit planned nine (9) risk-based audit engagements, which were mainly successfully concluded. It also concluded the following tasks, in consultation with the Audit and Risk Committee:

- A three-year rolling Strategic Internal Audit Plan, based on its assessment of key risk areas to the NRCS, having regard for current operations and operations proposed in the Strategic Plan and Risk Management Strategy
- A risk-based annual Internal Audit Plan
- Development of the scope, cost and timelines of each audit set out in the annual Internal Audit Plan
- Audit reports, directed to the Audit and Risk Committee, detailing the unit's performance against the plan, and allowing for effective monitoring and intervention when necessary.

The internal audits were, where possible, coordinated with the AGSA to ensure proper audit coverage and to minimise the duplication of efforts. The unit assisted the Accounting Authority to maintain the system of internal control, by evaluating controls and developing recommendations for enhancement or improvement. The overall conclusion of internal audit for the year was that controls were partially performed and therefore, not yet effective in providing reasonable assurance that the objectives would be achieved.

The Internal Audit Unit assisted the Accounting Authority in achieving the NRCS's objectives by evaluating and developing recommendations for the enhancement or improvement of internal processes, through which:

- Objectives and values are established and communicated
- The accomplishments of objectives are monitored
- Accountability is ensured
- Corporate values are preserved
- The adequacy and effectiveness of the system of internal control is reviewed and appraised
- The relevance, reliability and integrity of management, financial and operating data, and reports are appraised
- Systems are established or reviewed to ensure compliance with policies, plans, procedures, statutory requirements and regulations, which could have a significant impact on operations
- The means of safeguarding assets are reviewed and, when appropriate, their existence verified
- The economy, efficiency and effectiveness with which resources are employed are appraised
- The results of operation or programmes are reviewed to ascertain whether results are consistent with the NRCS's established objectives and goals, and whether the operations or programmes are being carried out as planned
- The adequacy of established systems and procedures are assessed.

Fraud and corruption

The NRCS is committed to zero tolerance regarding fraud and corruption. A Fraud Prevention Plan is committed to its efforts to manage and reduce fraud and corruption, and has put in place Fraud and Corruption Prevention Policy and Whistle-Blowing Policy. The whistle-blowing policy is aimed at promoting a culture of whistle-blowing to eliminate fraud and corruption. The NRCS has an independent hotline and encourages employees and stakeholders to utilise this facility and report any acts of fraud and corruption. Customer complaints that were received and not classified as fraud and corruption were handled as per the NRCS customer complaints handling procedure. During the period under review there was a disciplinary case emanating from fraud amounting to R4,5 million that was discovered in the 2020/21 financial year. The implicated employee was placed on suspension and the disciplinary process was in progress as at the end of the financial year.

Minimising conflict of interest

The NRCS has a Conflict of Interest Policy, which guides employees with regards to potential conflicts of interest and acceptance of gifts. The policy, among other things, provides guidance to employees pertaining to their relationships with suppliers or regulated organisations. Employees are required to declare their financial interests annually, at governance or management meetings as well as for each project that requires a decision – especially of a financial nature. All gifts must be declared and entered into the Gifts Register. To minimise potential conflicts of interest, no NRCS employee is allowed to undertake remunerative work outside of the NRCS without prior approval.

Code of ethics

The NRCS has a Code of Ethics Policy which guides and commits all employees to high ethical standards of conduct. The full suite of NRCS policies is available for perusal by all employees, and provides guidance on how to behave when interacting with stakeholders.

Health, safety and the environment

The NRCS operates under the Occupational Health and Safety Act, Act No. 181 of 1993 and the Compensation of Occupational Injuries and Diseases Act, Act No. 61 of 1997. The NRCS did not record any serious injury in the reporting period. Safety audits are performed to identify, assess and mitigate risks.

Table 16: *Injury on duty, 1 April 2021 to 31 March 2022*

Nature of injury on duty	Number	% of total
Required basic medical attention only	5	100%
Temporary Total Disablement	0	
Permanent Disablement	0	
Fatal	0	0
Total	**5**	**100%**

Employee wellness programme

The NRCS's employee wellness function is undertaken by the Human Resources Business Unit together with an independent company that provides professional assistance to employees as far as their emotional wellbeing is concerned.

During the period under review, newsletters were published on different health, wellness and safety conditions. Consultations on health and wellness issues were conducted and referrals were made accordingly.

Various online wellness programmes were launched for employees.

COVID-19

The NRCS, in response to the COVID-19 pandemic, implemented the following health and safety protocols for the protection of employees and stakeholders:

- Risk assessments were completed at all offices and business units to ensure hazards are identified and mitigated
- Based on the regulations and risk assessments that were conducted, the NRCS implemented working arrangements that were designed to minimise the risks to employees and stakeholders
- Incidents were investigated as and when they occurred and causes were mitigated
- PPE was supplied to all employees according to the risks to which they were exposed.

NRCS B-BBEE Report

Section 10 of the Broad-Based Black Empowerment Act obliges government to implement B-BBEE when procuring goods and services by stating the following:

Every organ of state and public entity must apply any relevant code of good practice issued in terms of this Act in:

- Determining qualification criteria to the issues of licenses, concessions or other authorisation in respect of economic activity in terms of any law;
- Developing and implementing a preferential procurement policy;
- Determining qualification criteria for the sale of state-owned enterprises;
- Developing criteria for entering into partnerships with the private sector and
- Determining criteria for the awarding of incentives, grants and investment schemes in support of B-BBEE.

The B-BBEE Act mandates that each government institution must annually include in their reports how they have implemented Section 10 of the B-BBEE Act as highlighted above. To comply with the requirements of the Act, this report presents the work that the NRCS undertook during the 2021/22 financial year to comply with Section 10 of the B-BBEE Act

Preferential Procurement

The organisation fully supports transformation and inclusivity of the economy in all its procurement. Policies have been amended and implemented fully to ensure compliance with the Preferential Procurement Policy Framework Act (PPPFA).

TEMPLATE ON REPORTING BY ORGANS OF STATE AND PUBLIC ENTITIES IN TERMS OF SECTION 13(G)(1) OF THE BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT NO. 53 OF 2003 AS AMENDED BY ACT NO. 46 OF 2013.

Name of sphere of Government/public entity/organ of state	Public Entity
Registration number(if applicable)	N/A
Physical address	SABS Campus, 1 Dr Lategan Road, Groenkloof, Brooklyn 0075
Type of sphere of government/public entity/organ of state	Public Entity
Organisation industry/sector	National Regulator For Compulsory Specifications (NRCS)

Has the sphere of government/public entity/organ of state applied any relevant code of good practice B-BBEE Certificate level 1-8) with regard to the following:

Criteria	Circle relevant answer	Attachment
Determining qualification criteria for the issuing of licenses, concessions, or other authorisations in respect of economic activity in terms of any law	Yes	As per the Regulations to the Legal Metrology Act, the NRCS implemented the B-BBEE requirements. The NRCS may designate private laboratory to perform verification or repair activities. The designation may be done in terms of section 7(verification bodies) and section 9 (repair bodies), in a prescribed manner. The prescribed criteria is outlined in the regulations, for verification and repair bodies.
Developing and implementing a preferential procurement policy	Yes	The NRCS is implementing the government policy on preferential procurement and has aligned its supply chain policy to the policy
Determining qualification criteria for the sale of state-owned enterprise	No	The NRCS has no land available for sale
Developing criteria for entering into partnership with private sector	No	The NRCS has not entered into any partnership with the private sector
Determining criteria for the awarding of incentives, grants, investment schemes in support of Broad- Based Black Economic Empowerment	No	Not applicable to the NRCS

Audit and Risk Committee Report

We are pleased to present our report for the financial year ended 31 March 2022.

Committee members and attendance

According to its terms of reference, the committee should comprise three independent members. During the year under review, six Audit and Risk committee meetings were held. The Chief Executive Officer, Chief Financial Officer, Internal Audit Manager, other executives and the external auditor regularly attend meetings by invitation.

Names, tenure period and qualifications of the Audit and Risk Committee members were as follows:

Table 17: *Audit and Risk Committee members and meetings*

Name and surname	Qualifications	Tenure Period	Number of meetings attended	Special meetings
Ms Mpho Ramatla, Representative of the dtic	BCom (Hons)	dtic Representative	4/4	1/2
Mr Suleman Badat, Chairperson	BAcc, CA (SA)	28 January 2019 – 27 January 2022 28 January 2022 – 27 January 2025	4/4	2/2
Ms Sizo Mzizi	BCom (Hons), ACMA, CGMA, ACIS	28 January 2019 – 27 January 2022 28 January 2022 – 27 January 2025	4/4	2/2
Adv. Johannes Weapond	BJuris, LLB, BCom (Hons), B.Tech	25 March 2019 – 24 March 2022 25 March 2022 – 24 March 2025	4/4	2/2

Audit and Risk Committee Responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from **Section 51(1) (a) (ii)** of the **Public Finance Management Act (PFMA) and National Treasury Regulations 27.1.** The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with this Charter, and has discharged all its responsibilities as contained therein.

The Effectiveness of Internal Control and Risk Management

From our review of the reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and the Independent Auditor's Management Report, we can conclude that the system of internal control as a whole, as applied over financial and non-financial matters and enterprise risk management at the NRCS, is inadequate and not effective.

This is consistent with the previous year. Management is in the process of instituting measures to remediate the deficiencies identified relating to governance, internal controls, risk management and compliance. The Committee has noted Management's commitment to address control deficiencies and will be monitoring Management's progress in resolving these findings.

The following internal audit reviews were completed during the year under review:

- Consulting engagement on of COVID-19 related work;
- Follow up on audit action plans;
- Consulting on ERP project;
- Audit of predetermined objectives;
- Compliance;
- Risk management;
- Review of refunds;
- Follow-up reviews on previously reported findings

There is an Enterprise Risk Management Framework in place, which includes the Enterprise Risk Management Strategy, Fraud Prevention Plan and Policy as well as the Fraud Hotline. An updated formal risk assessment was also undertaken, and risk-based internal audit plans were developed and approved by the Committee. Key strategic risks that were highlighted in the risk register were monitored and discussed at the EXCO and Audit and Risk Committee meetings as part of the Enterprise Risk Management Strategy.

Internal Audit

We are satisfied that the internal audit function has operated effectively, that it has addressed the risks pertinent to the NRCS in its audits and has assisted the entity with value-adding services to ensure that both financial and operational objectives were achieved.

Corporate Governance

NRCS continues to strive towards complying with sound principles of corporate governance. However, poor contract management has resulted in irregular expenditure amounting to R 6,4m being incurred during the year, mainly in ICT and Facilities Management, which is concerning. There was also fruitless and wasteful expenditure incurred amounting to R2,8m related to the water leakage at the NRCS owned but unoccupied building in Port Elizabeth. The fruitless expenditure is being investigated to identify the cause and determine consequence management actions.

In-Year Management and Monthly/Quarterly Report

The Accounting Authority has tabled the in-year management and monthly/quarterly reports to the Minister and to the Committee, as required by the treasury regulations. The Committee is satisfied with the content and quality of these reports. As per our regular discussion with NRCS Management, it was confirmed that these reports were properly formulated in compliance with the PFMA and treasury regulations.

Evaluation of financial statements

The Audit and Risk Committee has:

- reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report with the independent auditors and management;
- reviewed the Independent Auditor's Management Report and their audit findings;
- reviewed changes, if any, to accounting policies and practices as reported in the Annual Financial Statements;
- reviewed the NRCS's processes for compliance with legal and regulatory provisions;
- reviewed the information on predetermined objectives as reported in the Annual Report; and
- reviewed material adjustments resulting from the audit.

Independent Auditor's Report

We commend the Accounting Authority and Management for obtaining an unqualified audit opinion on the annual financial statements, which is an improvement from the previous year.

We have on a quarterly basis, reviewed the NRCS's implementation plan for audit findings raised in the previous year. Certain findings raised by the auditors in the previous year, prevailed again in the current year. Audit and Risk Committee has met with the Independent Auditor to ensure that there are no unresolved issues that emanated from the audit.

The Audit and Risk Committee accepts the Independent Auditor's opinion regarding the Annual Financial Statements and proposes that the Audited Annual Financial Statements be accepted and read together with the report of the Independent Auditor.

Appreciation

The Committee wishes to acknowledge the dedication and hard work performed by the Accounting Authority, other governance structures, management as well as the officials. The Audit and Risk Committee wishes to express its appreciation to the Independent Auditors and the Internal Audit Unit for the co-operation and information they have provided to enable us to compile this report.

On behalf of the Audit and Risk Committee.

Mr Suleman Badat

Chairperson of the Audit & Risk Committee

31 July 2022

PART D
HR MANAGEMENT

Introduction

The Human Capital Management (HCM) Business Unit seeks to contribute in the achievement of the Strategic Goal Four, which is to ensure an optimally capacitated institution. The Business Unit will always endeavour to achieve this goal by ensuring that the NRCS effectively and efficiently utilises all available human capital in the most optimal manner. The NRCS seeks to attract and retain a human capital that is highly engaged, skilled and competent.

The Human Capital Management's main objective is to ensure that the NRCS is capacitated with competent and adequate human capital that will ensure that the NRCS' mandate is carried out efficiently and effectively. The integral outcome of the HCM Business Unit is increased effectiveness of human capital, which will yield a capacitated organisation with relevant systems to support the business strategy.

Overview of HR matters

HR priorities for the year

The HCM BU focused on the following areas with specific activities aimed to optimise and make best use of the limited resources to meet the organisation goals and objectives

- Recruitment of competent employees (to provide candidates with the right skills specific for NRCS business and mandate).
- Human Capital Management and Administrative Services (to ensure appropriate and adequate administration and management of employee information).
- Remuneration & Benefits administration (to manage effective implementation of NRCS remuneration system)
- Organisational Development and Transformation (to foster business optimisation and continuous improvement).
- Learning and Development (to develop and implement training initiatives through the Work Place Skills plan and Competency Development Programmes to ensure capacity building to deliver on NRCS' mandate
- Employee Relations (to create a suitable labour environment for the NRCS to effectively carry out its mandate).

Workforce planning framework

A long-term Human Capital Strategy is being developed, a consultation process will be embarked on to ensure that it captures all strategic needs of the organisation.

Employee performance management framework

The NRCS has been implementing the performance management framework to improve performance within the organisation, and ensure that performance is monitored and measured accordingly. The entity has just embarked on a process to review the framework to ensure continued alignment to the strategic goals and the Annual Performance Plan.

Employee wellness programme

The BU has developed an employee Wellness Strategy which will form part of the overall Human Capital Strategy. The aim is for NRCS employees to have access to this benefit as and when required. The strategy seeks to enhance employee wellness and address work psychosocial challenges through empowering employees with health education to achieve their best possible health, thereby positively impacting on performance and productivity.

Achievement highlights and challenges faced

The HCM business unit has successfully submitted the Workplace Skills Plan and the Annual Training Report as well as the employment Equity Report and Plan. Payroll administration and management is now implemented in-house. An employee self-service and manager self-service module has been successfully implemented as part of the NRCS ERP upgrade. Cost of Living Adjustment for both bargaining employees and management employees for the financial year 2021/22 was implemented, it was delayed due to protracted negotiation process for bargaining employees and DPSA pronunciation respectively.

Future HR plans/goals

- To finalise the remaining modules of the ERP system, which is Skills Development and E-Recruitment.
- To continue realigning NRCS's organisation policies, people, processes and technology to meet defined human resources demands.
- To approve and implement the Human Capital Strategy.
- To develop an analytical tool for displaying human resources-related facts, insights, and metrics with the primary goal of using HR dashboards to improve organisational goals and objectives as well as other important HR operations.

Table 18: *Personnel Costs by Programme*

Strategic Goal	Programme	Total Expenditure	Personnel Expenditure	Personnel Expenditure as % of Total Expenditure	Number of employees	Average Personnel Cost per employee
Strategic Goal 1	Develop, maintain and administer VCs and TRs (8)	11,346,881	9,157,756	81%	7	1,308,251
Strategic Goal 2	Maximise compliance with all specifications and TRs (238)	301,719,373	291,437,132	97%	233	1,250,803
Strategic Goal 3	Inform and educate our stakeholders about the NRCS (7)	12,308,615	5,370,558	44%	5	1,074,112
Strategic Goal 4	Ensure an optimally capacitated institution (59)	95,025,672	43,118,841	45%	64	673,732
Administration	Administration (18)	58,056,293	20,110,647	35%	21	957,650
Total		**478,456,833**	**369,194,934**	**77%**	**330**	**1,118,773**

Table 19: *Personnel Costs by salary band*

Salary bands	Personnel cost Including Bonus and Overtime Expenditure	Personnel Costs Excluding Performance Bonus, Leave, Long Service Awards, Reimbursement, Overtime, Other Allowances, Bursary, Training, Post Retirement Benefits R'000	% of total personnel cost	Average personnel cost per employee R'000	Average Personnel Costs Excluding Performance Bonus, Overtime, Leave, Long Service Awards, Reimbursement, Overtime, Other Allowances, Bursary, Training, Post Retirement Benefits
Contractors (10)	1,330,022	1,330	0%	133	133
Interns (21)	1,326,064	1,320	0%	63	63
Lower level skilled(13-16) 6	1,000,485	966	0%	167	161
Skilled (10-12) 68	58,792,122	52,444	14%	865	771
Professionally qualified (7-9) 169	230,672,737	216,393	59%	1,365	1,280
Senior management (4-6) 54	71,265,038	69,099	19%	1,320	1,280
Top management (2-3) 2	4,808,465	4,754	1%	2,404	2,377
Total (330)	**369,194,934**	**346,305**	**94%**	**1,119**	**1,049**

Table 20: *Salary, overtime, home owners allowance and medical assistance by salary band*

Programme	Basic Salaries		Overtime		13th cheque		Home Owners Allowance		Medical Assistance		Performance Bonus		Pension		Training	
	Amount (000)	Salaries as a % of Personnel Costs	Amount (000)	Overtime as a % of Personnel Costs	Amount (000)	13th as a %	Amount (000)	PMS as %	Amount (000)	HOA as a % of Personnel costs	Amount (000)	Medical as a % of Percentage of Personnel costs	Amount (000)	pension as a % of personnel costs	Amount (000)	Training as a % of personnel costs
Contractor (10)	1,337	0%	7,29	0%												
Interns (21)	1,314	0%	13,00	0%											18	0%
Lower level skill (6)	742	0%		0%	45	0%	17	0%	146	0%			70	0%	12	0%
Skilled (68)	40,903	11%	782,00	0%	4,229	1%	1,434	0%	3,579	1%	2,323	1%	3,932	1%	710	0%
Professional (169)	163,902	44%	2,746.00	1%	15,542	4%	3,189	1%	9,324	3%	10,732	3%	15,235	4%	2, 744	1%
Senior manager (54)	51,663	14%	-	0%		0%	-	0%	2 687	1%	3,298	1%	6 125	2%	822	0%
Top management (2)	4,356	1%	-	0%	-	0%	-	0%	88	0%	78		315	0%	58	0%
Total (330)	**264,217**	**72%**	**3,548**	**1%**	**19,815**	**5%**	**4,640**	**1%**	**15,824**	**4%**	**16,431**	**5%**	**25,677**	**7%**	**4,364**	**1%**

Employment and vacancies

Table 21: *Employment and vacancies by programme - 31 March 2022*

Programme (Business units)	Number of posts	Number of posts filled	Number of vacant budgeted posts	Positions Not budgeted for/ On hold	Vacancy Rate for budgeted	Vacancy Rate for budget and unbudgeted
Automotive	47	45	1	0	4%	4%
Business Support	2	1	1	0	50%	50%
CMM	34	28	6	0	18%	18%
Communications	7	5	2	0	28%	28%
Electro-technical	50	46	3	0	6%	6%
Finance	28	24	3	1	11%	14%
Foods	77	61	6	11	13%	27%
HR	12	13	1	0	17%	17%
Internal Audit	4	4	0	0	0%	0%
IT Services	8	6	3	0	37%	37%
Legal Metrology	64	53	10	2	16%	19%
Legal services	5	5	0	0	0%	0%
NBR	2	2	0	0	0%	0%
Records	8	7	1	0	13%	13%
RR&D	6	5	0	1	0%	17%
Regulatory Management	3	2	0	1	0%	33%
Strategy & Risk	3	2	0	1	33%	66%
QMS	2	0	2	0	100%	100%
Total	**362 (56)**	**306** (330 excluding 21 interns and 03 temps appointed over and above the establishment)	**39**	**17**	**12%**	**14%**

Table 22: *Employment and vacancies by salary bands - 31 March 2022*

Salary band	Number of posts	Number of posts filled	Vacancy Rate Budget and unbudgeted	Number of posts filled additional to the establishment
Top Management (P2-3)	3 (1)	2	33%	
Senior Management & high Level specialists (P4-6)	72 (18)	54	25%	
Middle Management superintendents and lower level specialists (P7-9)	179 (8)	171	5,6%	01 Temp within ICT which is not linked to a position on the organisational structure
Supervisors and high-level skilled/ clerical (P10-12)	102 (29)	73	32.6%	02 temporary admin (HR)are additional to the staff establishment
Lower-level skilled/clerical (P13- 16)	6	6	0%	
Interns	21	21	0%	
Total	**362 (56)**	**327** (Total (including interns x 21, excluding contractor 03)	**14w%**	

Table 23: *Annual turnover rates by salary band for the period 1 April 2021 to 31 March 2022*

Salary Band	Number of employees per band as on 31 March 2022	Appointments and transfers into the NRCS	Terminations and transfers out of the NRCS	Turnover rate
Top Management (P2-3)	2	-	1	50%
Senior Management & high Level specialists (P4-6)	54	-	2	3.7%
Middle Management superintendents and lower level specialists (P7-9)	171	2	8	4.67%
Supervisors and high-level skilled/clerical (P10-12)	73	10	7	9.5%
Lower-level skilled/clerical (P13- 16)	6	7	1	16.67%
Total (excluded interns x 21 ,contractor x 03)	**306**	**19**	**19**	**6.21%**
Total: (including interns & contractors)	**330**	**19**	**19**	**5.76%**

Table 24: *Reasons why staff are leaving the NRCS*

Termination Type	Number	% of total
Death	4	21%
Resignation	6	31.58%
Expiry of contract	7	36.84%
Dismissal – operational changes		
Dismissal – misconduct		
Dismissal – inefficiency		
Discharged due to ill-health		
Retirement	2	10.526%
Transfers to other Business unit Departments		
Other –Mutual separation		
Total	**19**	
Total number of employees who left as a % of the total employment		**(330)**

Employment equity

Table25: *Total number of employees (including employees with disabilities) in each of the following occupational categories as on 1st April 2021 to 31 March 2022*

Occupational categories	Male				Female				
	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Top Management (P1-P3)	1						1		2
Senior Management (P4-P6)	22	4		9	16	1		2	54
Professionally qualified and experienced specialists and mid-management, supervisors, foremen, and superintendent (P7-P9)	69	16	7	11	60	5	1	3	172
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents (P10-P12)	18	5			34	9	3	6	75
Semi-skilled and discretionary decision (P13-P16)	1				5				6
Unskilled and defined decision making (Interns)	9				12				21
Total	**120**	**25**	**7**	**20**	**127**	**15**	**5**	**11**	**330**
Employees with disabilities					3			1	4

Table 26: *Total number of employees with disabilities only in each of the following occupational bands as on 1st April 2021 to 31 March 2022*

Occupational categories	Male				Female				
	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Top Management (P1-P3)									
Senior Management (P4-P6)									
Professionally qualified and experienced specialists and mid-management, supervisors, foremen, and superintendent (P7-P9)									
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents (P10-P12)								1	1
Semi-skilled and discretionary decision (P13-P16)									
Unskilled and defined decision making (Interns)					3				3
Total					**3**			**1**	**4**

Table 27: *Skills development for the period 1 April 2021 to 31 March 2022*

Occupational Categories	Gender	Number of employee s as at 31 March 2020	Training needs identified at the beginning of the reporting period			
			Learnerships / Internships	Skills Programmes & other short courses	Other forms of training	Total
Top management	Female	1	0	0	0	1
	Male	1	0	0	0	1
Senior management	Female	17	0	0	0	17
	Male	35	0	0	0	35
Professionally qualified and experienced specialists and mid-management	Female	69	0	0	0	69
	Male	103	0	0	0	103
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	Female	69	0	0	0	69
	Male	16	0	0	0	16
Semi-skilled and discretionary decision making	Female	5	0	0	0	5
	Male	1	0	0	0	1
Unskilled and defined decision making	Female	12	0	0	0	12
	Male	9	0	0	0	9
Total		**330**	**0**	**0**		**330**

Table 28: *Training provided 1 April 2021 to 31 March 2022*

Occupational Categories	Gender	Number of employees as at 1 April 2021	Training provided within the reporting period			
			Learnerships / Interns	Skills Programmes & other short courses	Other forms of training	Total
Top management	Female	2	0	2	0	2
	Male	1	0	1	0	1
Senior management	Female	17	0	17	0	17
	Male	35	0	35	0	35
Professionally qualified and experienced specialists and mid-management	Female	69	0	69	0	69
	Male	103	0	103	0	103
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	Female	69	0	69	0	69
	Male	16	0	16	0	16
Semi-skilled and discretionary decision making	Female	5	0	0	0	5
	Male	1	0	0	0	1
Unskilled and defined decision making	Female	12	12	12	0	12
	Male	9	9	9	0	9
Sub Total	Female	154	12	154	0	154
	Male	176	9	176	0	176
Total		**330 (including interns)**	**21 (interns)**	**330**	**0**	**330**

Leave utilisation for the period 1 April 2021 to 31 March 2022

Table 29: *Annual Leave, 1 April 2021 to 31 March 2022*

Salary Bands	Total days taken	Average per employee
Top Management (P2-3) 2	7	3,67
Senior Management & high Level specialists (P4-6) 54	50	11,03
Middle Management superintendents and lower level specialists (P7-9) 171	136	8,38
Supervisors and high-level skilled/clerical (P10-12) 76	121	6,20
Lower-level skilled/clerical (P13- 16) 27	16	1,3
Total (330)	**330**	**30,58**

Table 30: *Sick leave, 1 April 2021 to 31 March 2022*

Salary Band	Total days	% days with medical certification	Number of Employees using sick leave	% of total employees using sick leave	Average days per employee	Estimated Cost (R'000)
Top Management (P2-3)	2	3	2	100%	5.6	118
Senior Management & high Level specialists (P4-6)	74	86	54	82%	5	869.53
Middle Management superintendents and lower level specialists (P7-9)	801	624	171	55.68%	10.38	4472.09
Supervisors and high-level skilled/ clerical (P10-12)	167	118	76	56.7%	10.89	1143.10
Lower-level skilled/clerical (P13- 16)	5	6	27	100%	1.2	4.083
Total	**1049**	**837**	**330**	**-**	**8.9**	**6606.80**

Labour relations

Table 31: *Misconduct and disciplinary hearings finalised, 1 April 2021 to 31 March 2022*

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	0	0%
Verbal warning	0	0%
Written warning	3	60%
Final written warning	1	20%
Suspended without pay	0	0%
Fine	0	0%
Demotion	1	20%
Dismissal	0	0%
Not guilty	0	0%
Case withdrawn	0	0%
Total	**5**	**100%**

Table 32: *Types of misconduct addressed at disciplinary hearings*

Type of misconduct	Number	% of total
Fraud and Absenteeism	2	0.02
Unacceptable Behaviour	0	0
Fruitless and wasteful expenditure	0	0
Total	**2**	**0.02**

Table 33: *Grievances lodged for the period 1 April 2021 to 31 March 2022*

	Number	% of Total
Number of grievances resolved	6	66%
Number of grievances not resolved	3	34%
Total number of grievances lodged	**9**	**100%**

Table 34: *Disputes lodged with Councils for the period 1 April 2021 to 31 March 2022*

	Number	% of Total
Number of disputes upheld	Number of disputes upheld	0
Number of disputes dismissed	Number of disputes dismissed	0
Total number of disputes lodged	**Total number of disputes lodged**	**0**

Table 35: *Precautionary suspensions for the period 1 April 2021 to 31 March 2022*

Number of people suspended	1
Number of people whose suspension exceeded 30 days	1
Average number of days suspended	365 (calendar days)
Cost (R'000) of suspensions	**R 774 767.34**

Health, safety and environment

The NRCS operates under the Occupational Health and Safety Act No. 181 of 1993 and the Compensation of Occupational Injuries and Diseases Act, No 61 of 1997. The NRCS had four work-related COVID-19 cases with full recovery for the reported period. COVID-19 Risk Assessment was performed and the risks were mitigated. Employees received training on COVID-19 and the risks therefore, and how to operate during the pandemic. COVID-19 cases were investigated and contact tracing performed.

Employee wellness programme

The employee wellness programme within NRCS is divided into two parts, overseen by the HCM Business Unit. NRCS has outsourced to an independent company that provides professional assistance to employee in so far as their wellbeing is concerned. During the period various wellness online sessions were provided to all NRCS employees. A number of health, wellness and safety solutions wellness related articles were published on a monthly basis and distributed to all employees.

Wellness topics included the COVID-19 pandemic and how to cope with the different stressors thereof. A 24 hour counselling that caters for all types of wellness challenges is available for all NRCS employees.

Table 36: *Steps taken to reduce the risk of occupational exposure*

Units/categories of employees identified to be at high risk of contracting HIV and related diseases (if any)	Key steps taken to reduce the risk
No occupational exposure is experienced in the NRCS	HIV testing and counselling available in Pretoria office and on Wellness days in the regional offices
COVID-19 Compliance	• COVID-19 response team for all the NRCS offices • The COVID-19 Steering Committee was operational for the period as required by the Regulations. • Compliance audits were done on continuous basis and reports submitted to the COVID-19 Steering Committee • High-risk employees identified and have been provided with the opportunity to work remotely. • COVID-19 protocols were implemented.

Table 37: *Details of Health Promotion and HIV and AIDS Programmes (tick the applicable boxes and provide the required information)*

Question	Yes	No	Details, if yes
1. Has the entity designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.	X		OHS & Wellness Officer Ms. H. De Beer
2. Does the NRCS have a dedicated unit or has it designated specific staff members to promote the health and well-being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	X		OHS&W team with members in all offices
3. Has the NRCS introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of this Programme.	x		Wellness program was established, with counselling & promotion of all areas.
4. Has the NRCS established a committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.	x		OHS & W Committee established.
5. Has the NRCS reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees based on their HIV status? If so, list the employment policies/practices so reviewed.	x		Policies review in progress
6. Has the NRCS introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.	X		Yes, the following is in place: • HIV awareness. • Confidential testing and counselling.
7. Does the NRCS encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have you achieved.	X		Yes. • No new positive cases tested or reported
8. Has the NRCS developed measures/indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/indicators.	X		Yes. • Support and check-ins with sick employees • Feedback after online wellness sessions.

PART E
FINANCIAL INFORMATION

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Schedule 3A Public Entity
Nature of business and principal activities	The NRCS's mandate includes promoting public health and safety, environmental protection and ensuring fair trade. This mandate is achieved through the development and administration of technical regulations and compulsory specifications as well as through market surveillance to ensure compliance with the requirements of the compulsory specifications and technical regulations. NRCS stakeholders include the South African Government, industry and the citizens.
Registered office	1 Dr Lategan Rd Groenkloof 358-Jr Pretoria 0181
Business address	1 Dr Lategan Rd Groenkloof 358-Jr Pretoria 0181
Controlling entity	Department of Trade, Industry and Competition
Auditors	Auditor-General South Africa

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE NATIONAL REGULATOR FOR COMPULSORY SPECIFICATIONS

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the National Regulator for Compulsory Specifications set out on pages 101 to 148, which comprise the statement of financial position as at 31 March 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as 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 National Regulator for Compulsory Specifications as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act 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 entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other 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.

Restatement of corresponding figures

7. As disclosed in note 26 to the financial statements, the corresponding figures for 31 March 2021 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 31 March 2022.

Material impairment of accounts receivables

8. As disclosed in note 19 of the financial statements, material losses of R17 521 867 (2020-2021: R7 633 170) was incurred as a result of impairment of debtors.

Responsibilities of the accounting authority for the financial statements

9. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and for such internal control as the accounting authority 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 authority is responsible for assessing the entity'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 appropriate governance structure either intends to liquidate the entity or to 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 the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on the audit of the annual performance report

Introduction and scope

13. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

14. My procedures address the usefulness and reliability of the reported performance information, which must be based on the entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or 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 strategic goal presented in the entity's annual performance report for the year ended 31 March 2022:

Strategic Goal	Pages in the annual performance report
Strategic Goal 2: To maximise compliance with all specifications and technical regulations	23

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 identify any material findings on the usefulness and reliability of the reported performance information for this strategic goal:

- Strategic Goal 2: To maximise compliance with all specifications and technical regulations

Other matter

18. I draw attention to the matter below.

Achievement of planned targets

19. Refer to the annual performance report on pages 22 to 24 for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets.

Report on the 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 entity'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 on compliance with specific matters in key legislation are as follows:

Annual financial statements, performance and annual report

22. The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the Public Finance Management Act 1 of 1999 (PFMA). Material misstatements of current assets, expenditure and cash flow statement identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure Management

23. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R6 431 158 as disclosed in note 32 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure relates to expenditure incurred contrary to supply chain management prescripts.

Procurement and Contracts Management

24. Some of the quotations were accepted from prospective suppliers who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by Treasury Regulation 16A8.4 and paragraph 4.1.2 of Practice Note 7 of 2009/2010.

Other information

25. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

26. 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 on it.

27. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

28. I did not receive the other information prior to the date of this auditor's report. When I do receive and read 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 retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary

Internal control deficiencies

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

30. Management did not prepare regular, accurate and complete financial reports that are adequately supported by relevant information. Material differences, which management subsequently corrected were noted between amounts disclosed on the financial statements and the underlying supporting schedules. These misstatements were not detected and prevented by the entity's internal controls timeously.

31. Management did not review and monitor compliance with applicable legislation. As a result, non-compliance with supply chain management prescripts that could have been prevented by strengthened control mechanisms occurred.

Auditor-General

Pretoria

31 July 2022

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 programme and on the entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
- conclude on the appropriateness of the accounting authority'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 relating to events or conditions that may cast significant doubt on the ability of the National Regulator for Compulsory Specifications 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 my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine 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 authority 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 provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Accounting Authority's Responsibilities and Approval

The accounting authority is required by the Public Finance Management Act as amended (Act 29 of 1999), to maintain adequate accounting records and is responsible for the accuracy, validity and completeness of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting authority to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

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 authority acknowledges that he is ultimately responsible and accountable for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the accounting authority to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting authority is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting authority has reviewed the entity's cash flow forecast for the year to 31 March 2023 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.

Although the accounting authority are primarily responsible for the financial affairs of the entity, assurance is provided by the entity's external auditors.

The external auditors are responsible for independently auditing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 95.

The annual financial statements set out on page 101, which have been prepared on the going concern basis, were approved by the accounting authority on 31 July 2022 and were signed on its behalf by:

Edward Mamadise
Chief Executive Officer
Pretoria
Sunday, 31 July 2022

Statement of Financial Position

as at 31 March 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	8	12 827 067	10 692 651
Receivables from non-exchange transactions	9	119 657 358	105 598 839
Deposits		152 200	-
Cash and cash equivalents	10	199 781 337	237 952 176
		332 417 962	**354 243 666**
Non-Current Assets			
Property, plant and equipment	3	21 356 328	30 396 509
Intangible assets	5	13 627 537	7 931 138
Deposits	7	568 438	323 266
		35 552 303	**38 650 913**
Total Assets		**367 970 265**	**392 894 579**
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	58 406 831	49 955 626
Post retirement medical obligation	6	491 000	478 295
Provisions	11	31 116 348	40 290 379
Long service awards	12	950 000	635 000
		90 964 179	**91 359 300**
Non-Current Liabilities			
Post retirement medical obligation	6	8 458 000	6 424 318
Long Service Awards	12	3 731 000	3 217 974
		12 189 000	**9 642 292**
Total Liabilities		**103 153 179**	**101 001 592**
Net Assets		**264 817 086**	**291 892 987**
Accumulated surplus		264 817 086	291 892 987

Statement of Finance Performance

for the year ended 31 March 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Rendering of services	15	28 771 832	23 188 192
Approval application fee income	14	46 287 893	42 641 367
Sundry income	14	1 605 928	5 097 205
Interest income from exchange	14	10 116 816	11 142 678
Actuarial gains/loss		-	452 012
Total revenue from exchange transactions		**86 782 469**	**82 521 454**
Revenue from non-exchange transactions			
Levies for compulsory specifications	14	246 727 867	213 124 934
Interest income from non exchange		3 703 996	3 639 301
Registration fee income		1 513 600	1 156 873
Government grants and core funding		144 099 000	126 126 000
Total revenue from non-exchange transactions		**396 044 463**	**344 047 108**
Total revenue	14	**482 826 932**	**426 568 562**
Expenditure			
Employee related cost	16	(369 194 934)	(359 139 162)
Depreciation and amortisation	17	(6 571 075)	(8 726 492)
Impairment loss		-	(1 237 636)
Finance costs	18	(1 192 814)	(1 390 759)
Lease rentals on operating lease		(17 897 071)	(18 551 860)
Debt Impairment	19	(17 521 867)	(7 633 170)
Bad debts written off		(1 183 587)	(6 080)
Advertising and marketing expenses		(1 454 230)	(5 662 988)
Testing and sampling		(5 557 501)	(4 168 454)
Contracted services		(9 597 153)	(3 728 600)
Travel expenditure		(11 938 136)	(6 010 781)
Actuarial losses		(1 112 161)	-
General Expenses	20	(28 872 665)	(24 667 057)
Auditors remuneration	21	(6 363 639)	(3 834 681)
Total expenditure		**(478 456 833)**	**(444 757 720)**
Surplus (deficit) for the year		**4 370 099**	**(18 189 158)**

Statement of Changes in Net Assets

for the year ended 31 March 2022

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	339 110 429	339 110 429
Correction of errors	1 108 716	1 108 716
Balance at 01 April 2020 as restated*	**340 219 145**	**340 219 145**
Changes in net assets		
Deficit for the year	(18 189 158)	(18 189 158)
Transfer to National Treasury	(30 137 000)	(30 137 000)
Total changes	(48 326 158)	(48 326 158)
Opening balance as previously reported	292 810 999	292 810 999
Correction of errors	(918 012)	(918 012)
Restated balance at 01 April 2021	**291 892 987**	**291 892 987**
Changes in net assets		
Surplus (Deficit) for the period	4 370 099	4 370 099
Transfer to National Treasury	(31 446 000)	(31 446 000)
Total changes	(27 075 901)	(27 075 901)
Balance at 31 March 2022	**264 817 086**	**264 817 086**

Note(s)

Cash Flow Statement

for the year ended 31 March 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Cash received from rendering of services		294 416 355	260 618 159
Grants		144 099 000	126 126 000
Interest income		9 413 189	10 821 606
		447 928 544	397 565 765
Payments			
Employee costs		(377 921 703)	(357 083 085)
Suppliers		(70 853 260)	(54 900 526)
		(448 774 963)	(411 983 611)
Net cash flows from operating activities	22	**(846 423)**	**(14 417 846)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(43 788)	(7 057 766)
Purchase of other intangible assets	5	(5 834 628)	(7 320 166)
Net cash flows from investing activities		**(5 878 416)**	**(14 377 932)**
Cash flows from financing activities			
Payments to DTI		(31 446 000)	(30 137 000)
Finance lease payments		-	(197 750)
Net cash flows from financing activities		**(31 446 000)**	**(30 334 750)**
Net increase/(decrease) in cash and cash equivalents		**(38 170 839)**	**(59 130 528)**
Cash and cash equivalents at the beginning of the year		237 952 176	297 082 704
Cash and cash equivalents at the end of the year	10	199 781 337	237 952 176

Statement of Comparison of Budget and Actual Amounts

for the year ended 31 March 2022

Budget on Accrual Basis						
Figures in Rand	**Approved budget**	**Adjustments**	**Final Budget**	**Actual amounts on comparable basis**	**Difference between final budget and actual**	**Reference**
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	30 663 611	-	**30 663 611**	28 771 832	**(1 891 779)**	A note 33
Approval application fee income	38 060 621		**38 060 621**	46 287 893	**8 227 272**	B note 33
Sundry income	888 794	-	**888 794**	1 605 928	**717 134**	
Interest received	14 178 561	-	**14 178 561**	10 116 816	**(4 061 745)**	
Total revenue from exchange transactions	**83 791 587**	**-**	**83 791 587**	**86 782 469**	**2 990 882**	
Revenue from non-exchange transactions						
Interest income from non-exchange	-	-	**-**	3 703 996	**3 703 996**	
Levies for compulsory specifications	309 734 988	-	**309 734 988**	246 727 867	**(63 007 121)**	A note 33
Registration fee income	2 663 054	-	**2 663 054**	1 513 600	**(1 149 454)**	A note 33
Government grants and core funding	144 100 000	-	**144 100 000**	144 099 000	**(1 000)**	
Total revenue from non-exchange transactions	**456 498 042**	**-**	**456 498 042**	**396 044 463**	**(60 453 579)**	
Total revenue	**540 289 629**	**-**	**540 289 629**	**482 826 932**	**(57 462 697)**	
Expenditure						
Employee related costs	(419 875 147)	-	**(419 875 147)**	(369 194 934)	**50 680 213**	E note 33
Depreciation and amortisation	(8 118 080)	-	**(8 118 080)**	(6 571 075)	**1 547 005**	F note 33
Finance costs	(268 080)	-	**(268 080)**	(1 192 814)	**(924 734)**	H note 33
Lease rentals on operating lease	(18 306 561)	-	**(18 306 561)**	(17 897 071)	**409 490**	G note 33
Debt Impairment	-	-	**-**	(17 521 867)	**(17 521 867)**	O note 33
Bad debts written off	-	-	**-**	(1 183 587)	**(1 183 587)**	
Advertising and marketing expenditure	(6 706 537)	-	**(6 706 537)**	(1 454 230)	**5 252 307**	L note 33
Testing and sampling	(7 235 290)	-	**(7 235 290)**	(5 557 501)	**1 677 789**	M note 33
Contracted Services	(18 211 396)		**(18 211 396)**	(9 597 153)	**8 614 243**	I note 33
Travel expenditure	(16 617 874)	-	**(16 617 874)**	(11 938 136)	**4 679 738**	J note 33
Actuaries losses	-	-	**-**	(1 112 161)	**(1 112 161)**	
General expenses	(40 370 664)	-	**(40 370 664)**	(28 872 665)	**11 497 999**	K note 33
Auditors remuneration	(4 580 000)	-	**(4 580 000)**	(6 363 639)	**(1 783 639)**	N note 33
Total expenditure	**(540 289 629)**	**-**	**(540 289 629)**	**(478 456 833)**	**61 832 796**	
Surplus	**-**		**-**	**4 370 099**	**4 370 099**	
Actual Amount Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**4 370 099**	**4 370 099**	

All variances above 10 % are explained in Note 33.

Accounting Policies

for the year ended 31 March 2022

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Public Finance Management Act as amended (Act 29 of 1999).

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. They are presented in South African Rand.

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

1.1 Presentation currency

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

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Trade receivables impairment

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a based on customers owing more than 120 days and other indicators present at the reporting date that correlate with defaults on the customer or industry.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11 - Provisions.

Useful lives of property,plant and equipment

The entity's management determines the estimated useful lives and related depreciation charges for the property,plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Accounting Policies

for the year ended 31 March 2022 (continued)

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 6.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure 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.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Accounting Policies

for the year ended 31 March 2022 (continued)

1.4 Property, plant and equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

All assets costing less that R 5 000 will be classified as minor assets.These assets must be recorded in the asset register but will be fully depreciated/written off in the year of acquisition and not over its useful life, as is the case with assets costing R 5 000 and more.

It is required that all assets are classified and recorded both as minor or major assets.The assets costing less that R 5 000 will be included under current expenditure in the income statement.

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

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	30 years
Plant and machinery	Straight-line	8 years
Furniture and fixtures	Straight-line	10 years
Trucks and vehicles	Straight-line	5-10 years
Leasehold improvements	Straight-line	Lease term
Office equipment	Straight-line	5-7 years
Laboratory equipment	Straight-line	10-15 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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 entity. 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 entity assesses at each reporting date whether there is any indication that the entity 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 entity 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.

Accounting Policies

for the year ended 31 March 2022 (continued)

1.4 Property, plant and equipment (continued)

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 entity assesses its property,plant and equipment for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the value of property,plant and equipment.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 3).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3).

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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 entity; and
- the cost or fair value of the asset can be measured reliably.

The entity 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.

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Accounting Policies

for the year ended 31 March 2022 (continued)

1.5 Intangible assets (continued)

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.

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	2-5 years

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

The entity assesses its intangible assets for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the value of intangible assets.

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 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).

1.6 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.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

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.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Accounting Policies

for the year ended 31 March 2022 (continued)

1.6 Financial instruments (continued)

A financial asset is:

- cash;
- 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.

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

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

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

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

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

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange and non exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalent	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance Leases	Financial liability measured at amortised cost

Accounting Policies

for the year ended 31 March 2022 (continued)

1.6 Financial instruments (continued)

Receivables from exchange and non transactions

Trade receivables are initially recognised at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor probability that the debtor will enter bankruptcy of financial reorganisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within the operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent receivables of amounts previously written off are credited against operating expenses in surplus or deficit

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method if they are expected to be settled after 12 months.

1.7 Cash and cash equivalents

Cash and cash equivalents consist of the following

i. cash
ii. cash in current bank accounts
iii. cash in interest bearing bank accounts or money market accounts where the funds are available immediately; and

These are initially measured at fair value and subsequently measured at cost.

1.8 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Accounting Policies

for the year ended 31 March 2022 (continued)

1.8 Statutory receivables (continued)

Recognition

The entity recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the entity levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the entity is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The entity assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

Accounting Policies

for the year ended 31 March 2022 (continued)

1.8 Statutory receivables (continued)

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the entity considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The entity derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the ntity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

Accounting Policies

for the year ended 31 March 2022 (continued)

1.9 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.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

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

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and 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.

Long Service Awards

The NRCS provides long service awards to permanent employees with uninterupted or unbroken services of five years and longer within NRCS.

Accounting Policies

for the year ended 31 March 2022 (continued)

1.10 Employee benefits (continued)

The award to employees is in form of a monetary award and certificate that an employee will receive after being loyal to the NRCS for a predetermined period.

Where an employee has a broken service, only continuous service since the most recent date of engagement will be considered for a long service award, unless if the broken service was less than a year as stated in the Basic Conditions of Employment Act.

The long service monetary award and ceremony will be processed and implemented yearly at the and of the financial year (end March).

The value of long service awards may be revised from time to time at NRCS's discretion, taking into account factors such as cost of living and the financial position of NRCS.

The present value of the long service awards depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of long service awards.

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the long service award. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related long service award.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Post retirement medical obligations

The entity provides post-retirement health care benefits to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

Accounting Policies

for the year ended 31 March 2022 (continued)

1.10 Employee benefits (continued)

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement medical obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related post retirement medical liability.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.11 Provisions and contingencies

Provisions are recognised when:

- the entity 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.

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. Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

for the year ended 31 March 2022 (continued)

1.11 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Leave day accruals were raised and management determined an estimate based on the information available. In each leave cycle, an employee shall take 50% of their uninterrupted annual leave, the remainder thereof shall be taken within the same leave cycle. Any annual leave not utilised from the previous cycle shall be given a grace period of 6 months to utilise, otherwise they will be forfeited. It is impractical to determine the exact number of days that will be forfeited upon calculation of leave pay accrual.

A contingent liability is defined a

a. a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
b. a present obligation that arises from past events but is not recognised because:
   - (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
   - (ii) the amount of the obligation cannot be measured with sufficient reliability.

The amount of the contigent liability is measured at the best estimate required to settle the possible obligation at the reporting date.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 24.

1.12 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Accounting Policies

for the year ended 31 March 2022 (continued)

1.13 Revenue from exchange transactions

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 NRCS 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.

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.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

NRCS as a regulator render services for premarket approval of products in terms of the NRCS Act or the Legal Metrology Act

Non-refundable application fees

The application fees for premarket approval of products are as gazetted. These service include approval applications in Electro-technical, Automotive, Chemicals Materials and Mechanicals and Gaming approval applications in Legal Metrology.

Recognition

Revenue arising from exchange transactions is only recognised if:

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

Measurement

Application fees are measured at the fair value of the consideration received

Accounting Policies

for the year ended 31 March 2022 (continued)

1.14 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.

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.

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.

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.

Taxes

The entity recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the entity controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The entity analyses the taxation laws to determine what the taxable events are for the various taxes levied.

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

The income from levy is treated as taxes in terms of GRAP interpretation

Accounting Policies

for the year ended 31 March 2022 (continued)

1.14 Revenue from non-exchange transactions (continued)

Levies

Levies for compulsory specifications are based on declarations of volumes of regulated products manufactured or imported

The recognition of the levy debtor is initially measured at the transaction amount which is determined by reference to published tariff per unit on regulated products multiply by units declared.If it is deemed realiable levy debtors maybe estimated with reference to historical declarations.

The NRCS does not have an obligation that arises in respect of levies for compulsory specifications and therefore the levy revenue is recognised at the amount of the levy debtor, or if earlier, the cash received with levy declaration. Levy revenue is then only recognised once it becomes due and payable.

Registration fees income

Transport annual registration fees are collected in terms of the National Road Traffic Act, No 93 of 1996 for all registered manufacturers, importers and builders (MIB) of motor vehicles.

Transport annual registration fees are levied annually on the date of first registration. An adjustment is made for annual registration fees that have not accrued to the NRCS yet.

Transport and registration fees are measured at the fair value of the consideration received or receivable

Government grants

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Accounting Policies

for the year ended 31 March 2022 (continued)

1. 15 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparatives amounts are also reclassified and restated, unless such reclassification and/or restatement is not required by a standard of GRAP. The nature and reason of such reclassification and restatements are also disclosed, where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change is accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods except where stated.

1.16 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.

1.17 Irregular expenditure

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

a. 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.

Accounting Policies

for the year ended 31 March 2022 (continued)

1.18 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.

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

The approved budget covers the fiscal period from 2021/04/01 to 2022/03/31.

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.

A difference of 10% or more between budget and actual amounts is regarded as material. All material differences are explained in the notes to the Annual Financial Statements.

1.19 Related parties

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

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

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

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

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

Accounting Policies

for the year ended 31 March 2022 (continued)

1.20 Events after reporting date

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

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

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

The entity 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.

Notes to the Annual Financial Statements

for the year ended 31 March 2022

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	01 April 2021	The impact of the is not material.

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	01 April 2019	The impact of the is not material.
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2019	The impact of the is not material.
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2019	The impact of the is not material.
• GRAP 104 (as revised): Financial Instruments	01 April 2025	The impact of the is not material.
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	The impact of the is not material.

Notes to the Annual Financial Statements

for the year ended 31 March 2022

3. Property, plant and equipment

	2022			2021		
Figures in Rand	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	3 000 000	-	3 000 000	3 000 000	-	3 000 000
Buildings	5 000 000	(5 000 000)	-	5 000 000	(5 000 000)	-
Leasehold property	131 723	(114 787)	16 936	218 826	(175 929)	42 897
Plant and machinery	184 578	(158 818)	25 760	184 578	(140 619)	43 959
Motor vehicles	6 270 348	(5 780 038)	490 310	6 270 348	(5 629 777)	640 571
Office equipment	34 859 887	(24 250 362)	10 609 525	38 045 344	(20 121 283)	17 924 061
Laboratory equipment	14 868 401	(7 654 604)	7 213 797	15 035 203	(6 290 182)	8 745 021
Total	**64 314 937**	**(42 958 609)**	**21 356 328**	**67 754 299**	**(37 357 790)**	**30 396 509**

Reconciliation of property, plant and equipment - 2022

Figures in Rand	**Opening balance**	**Additions**	**Disposals**	***Minor assets Write off**	**Depreciation**	**Total**
Land	3 000 000	-	-	-	-	3 000 000
Leasehold property	42 897	-	(6 776)	-	(19 185)	16 936
Plant and machinery	43 959	-	-	-	(18 199)	25 760
Motor vehicles	640 571	-	-	(1 886)	(148 375)	490 310
Office equipment	17 924 061	43 788	(148 928)	(2 224 731)	(4 984 665)	10 609 525
Laboratory equipment	8 745 021	-	(14)	(268 790)	(1 262 420)	7 213 797
	30 396 509	**43 788**	**(155 718)**	**(2 495 407)**	**(6 432 844)**	**21 356 328**

*Refer to Note 26.

Reconciliation of property, plant and equipment - 2021

Figures in Rand	**Opening balance**	**Additions**	**Disposals**	**Depreciation**	**Impairment loss**	**Total**
Land	3 000 000	-	-	-	-	3 000 000
Buildings	1 099 579	-	-	(94 863)	(1 004 716)	-
Leasehold property	62 081	-	-	(19 184)	-	42 897
Plant and machinery	56 264	-	-	(12 305)	-	43 959
Motor vehicles	1 253 500	-	-	(612 929)	-	640 571
Office equipment	17 371 727	6 305 704	(5 857)	(5 747 513)	-	17 924 061
Work-in-progress	232 920	-	-	-	(232 920)	-
Laboratory equipment	9 348 715	754 017	(6 219)	(1 351 492)	-	8 745 021
	32 424 786	**7 059 721**	**(12 076)**	**(7 838 286)**	**(1 237 636)**	**30 396 509**

Impairment relates to the main building in Port Elizabeth which was destroyed by fire. The building which include work in progress was devalued to nil after the assessments by professional valuators.

Pledged as security

No assets that were pledged as security

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
General expenditure	340 684	700 353

Notes to the Annual Financial Statements

for the year ended 31 March 2022

4. Change in estimate

Figures in Rand		2022	2021
Impact on Depreciation	**Depreciation before change in estimate**	**Depreciation charge for 2022**	**Change**
Intangible Assets	441 644	111 232	(330 412)
Laboratory equipment	75 425	26 868	(48 557)
Motor vehicle	11 400	2 171	(9 229)
Office Equipment	544 604	261 428	(283 176)
	1 073 073	**401 699**	**(671 374)**

Impact on Carrying Amount	**Carrying amount before change in estimate**	**Carrying amount for 2022**	**Total**
Intangible Assets	142 332	472 741	330 409
Laboratory equipment	21 023	69 579	48 556
Motor vehicle	1	9 229	9 228
Office Equipment	57 496	288 375	230 879
	220 852	**839 924**	**619 072**

Effect of depreciation on future periods	**Effect of changes in depreciation for future periods**	**Total**
Intangible Assets	330 408	330 408
Laboratory equipment	48 555	48 555
Motor vehicle	9 227	9 227
Office Equipment	230 878	230 878
	619 068	**619 068**

NRCS perfomed annual useful lives assessment which resulted in change of useful lives for some assets.This have been prospectively adjusted as required by GRAP 3.

Notes to the Annual Financial Statements

for the year ended 31 March 2022

5. Intangible assets

Figures in Rand	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5 859 063	(5 386 320)	472 743	6 515 943	(5 904 971)	610 972
Intangible assets under development	13 154 794	-	13 154 794	7 320 166	-	7 320 166
Total	**19 013 857**	**(5 386 320)**	**13 627 537**	**13 836 109**	**(5 904 971)**	**7 931 138**

Reconciliation of intangible assets - 2022

Figures in Rand				2022	2021
	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	610 972	-	(1)	(138 228)	472 743
Intangible assets under development*	7 320 166	5 834 628	-	-	13 154 794
	7 931 138	**5 834 628**	**(1)**	**(138 228)**	**13 627 537**

*NRCS is in the process of developing an Enterprise Resource Planning (ERP) system.

Reconciliation of intangible assets - 2021

Figures in Rand	Opening balance	Additions	Amortisation	Total
Computer software	1 499 178	-	(888 206)	610 972
Intangible assets under development	-	7 320 166	-	7 320 166
	1 499 178		**(888 206)**	**7 931 138**

Pledged as security

There were no intangible assets that were pledged for security.

Notes to the Annual Financial Statements

for the year ended 31 March 2022

6. Employee benefit obligations

Figures in Rand	2022	2021
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Non current liability	(8 458 000)	(6 424 318)
Current liability	(491 000)	(478 295)
	(8 949 000)	**(6 902 613)**
Opening balance	6 902 613	7 402 759
Current service cost	92 376	100 393
Interest	857 770	932 396
Actuaries (gains)/loss	309 524	(1 070 003)
Benefits paid	(483 283)	(462 932)
Inclusion of death-after-retirement benefit	1 270 000	-
	8 949 000	**6 902 613**
Current portion of employee benefit obligations	491 000	478 295
Non-current portion of employee benefit obligations	8 458 000	6 424 318
	8 949 000	**6 902 613**

The NRCS contributes towards medical aid contributions after retirement of employees, subject to the following conditions:

- The employee was employed before 1 September 1998 (within the SABS);
- The employee participated in the Bestmed medical aid scheme for at least ten years and
- The employee retired after the age of 64.

Valuations of these obligations are carried out annually by independent qualified actuaries. The most recent valuation was done as at 31 March 2022.

Key assumptions used (expressed as weighted averages) are as follows:		
Discounte rate per annum	10,24 %	12,68 %
Medical aid inflation	5,58 %	8,14 %
Average Retirement Age	6	6
Active members expected to continue after retirement	100,00 %	100,00 %

Notes to the Annual Financial Statements

for the year ended 31 March 2022

6. Employee benefit obligations (continued)

Figures in Rand	2022	2021
Sensitivity analysis		
Opening balance	(2 004 649)	(1 504 502)
Net expense recognised in the statement of financial performance	776 387	(500 147)
	(1 228 262)	**(2 004 649)**

The effects on the central basis liability results for 2022 when the medical aid inflation rate is increased or decreased by 1%.

	Liability	Change in liability	Liability	Change in liability
+1%	9 969 000	1 020 000	7 545 892	643 278
Central	8 949 000	-	6 902 613	-
-1%	8 082 000	(867 000)	6 348 140	(554 473)

The effects on the central basis liability results for 2022 when the medical aid discount rate is increased or decreased by 1%

	Liability	Change in liability	Liability	Change in liability
+1%	8 105 000	(844 000)	6 321 578	(581 036)
Central	8 949 000	-	6 902 613	-
-1%	9 954 000	1 005 000	7 568 458	665 844

Net expense recognised in the statement of financial performance: Post-retirement medical aid

Current service cost	92 376	100 393
Interest cost	857 770	932 396
Actuarial (gains) losses	309 524	(1 070 004)
Benefits vesting	(483 283)	(462 932)
	776 387	**(500 147)**

7. Deposits

Deposits are for property held under an operating lease, fleet card services and for municipality services. These are accounted for at cost

Operating Leases	704 372	307 000
Fleet cards	10 000	10 000
Municipality	6 266	6 266
	720 638	**323 266**

Notes to the Annual Financial Statements

for the year ended 31 March 2022

8. Receivables from exchange transactions

Figures in Rand	2022	2022
Trade debtors	29 872 730	14 329 835
Impairment related to receivables	(19 318 856)	(5 262 888)
Employee advances	2 273 193	1 625 704
	12 827 067	**10 692 651**

Statutory receivables included in receivables from exchange transactions:

Statutory receivables as at 31 March 2022 , R 29 899 339; (2021 : R 14 329 835).

Receivables from exchange transactions past due but not impaired

Trade and other receivables which are less than 4 months past due are not considered to be impaired. At 31 March 2022, 10 580 482 (2021: 5 839 099) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	5 264 836	3 737 335
2 months past due	2 158 197	885 820
3 months past due	2 344 055	828 442
4 months past due	813 394	387 502
	10 580 482	**5 839 099**

Receivables from exchange transactions impaired

The amount of the impairment was 19 318 856 as of 31 March 2022 (2021: 5 262 888).

The ageing of these receivables is as follows:

Over 6 months	19 318 856	5 262 888

Reconciliation of provision for impairment of trade and other receivables

Opening balance	5 262 887	4 896 071
Provision for impairment	14 055 969	366 816
	19 318 856	**5 262 887**

Receivables are impaired on an individual basis. The impairment of trade receivables has been determined with reference to past default experience and the current economic environment in which these entities trade.

Notes to the Annual Financial Statements

for the year ended 31 March 2022

9. Receivables from non-exchange transactions

Figures in Rand	2022	2021
Levies	157 421 270	139 896 922
Impairment	(42 262 276)	(38 796 377)
Other taxes	-	(70)
Other debtors: non-exchange revenue	4 498 364	4 498 364
	119 657 358	**105 598 839**

Statutory receivables included in receivables from non-exchange transactions:

Statutory receivables as at 31 March 2022 , R 157 421 270; (2021 : R 139 896 922).

Trade receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 4 months past due are not considered to be impaired. At 31 March 2022, 115 132 382 (2021: 103 796 646) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	96 427 233	95 794 675
2 months past due	10 895 415	6 935 297
3 months past due	6 693 333	929 725
4 months past due	1 116 401	136 949
	115 132 382	**103 796 646**

Trade receivables from non-exchange transactions impaired

The amount of the impairment is 42 262 276 as of 31 March 2022 (2021: 38 796 377.

The ageing of these trade recivables from non exchange are as follows:

Over 6 months	42 262 276	38 796 377

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	38 796 377	31 530 024
Provision for impairment	3 465 899	7 266 353
	42 262 276	**38 796 377**

Trade receivables are impaired on an individual basis. The impairment of trade receivables has been determined with reference to past default experience and the current economic environment in which these entities trade.

Notes to the Annual Financial Statements

for the year ended 31 March 2022

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Rand	2022	2021
Cash on hand	15 233	20 233
Bank balances	41 916 882	34 413 156
Short-term deposits	157 849 222	203 518 787
	199 781 337	**237 952 176**

None of the cash and cash equivalents are considered to be impaired and consequently no provision was raised for the irrecoverability of these financial assets. No restrictions have been placed on the use of cash and cash equivalents for the operations of the entity.

11. Provisions

Figures in Rand	2022	2021
Reconciliation of provisions - 2022		

	Opening Balance	Additions	Utilised during the year	Total
Leave pay	26 790 379	(4 801 056)	(7 372 977)	14 616 346
Provision for performance bonus	13 500 000	16 500 000	(13 500 000)	16 500 000
	40 290 379	**11 698 944**	**(20 872 977)**	**31 116 346**

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Total
Leave pay	23 212 338	3 578 041	-	26 790 379
Provision for performance bonus	17 679 055	13 500 000	(17 679 055)	13 500 000
	40 891 393	**17 078 041**	**(17 679 055)**	**40 290 379**

The performance bonus is estimated on the results of staffs perfomance evaluations. The payout is limited to the available budget and has been provided for on that basis.

The leave provision is provided for in terms of NRCS leave policy which allows for forfieture of leave balances that are not utilised within 6 months after a leave cycle.

Notes to the Annual Financial Statements

for the year ended 31 March 2022

12. Long Service Awards

The NRCS implimented long service award policy in the current financial year. This relates to awarding employees a monetory amount for each 5 years of service worked.

Figures in Rand	2022	2021
Amount recognised in the statement of financial position		
Non current liability	3 731 000	3 217 974
Current liability	950 000	635 000
	4 681 000	**3 852 974**

	2022	2021
Opening balance*	3 852 975	3 153 220
Current service cost	335 492	335 082
Interest cost	334 897	275 682
Benefits vesting	(645 000)	(530 000)
Actuaries (gains)/loss on assumptions	802 637	284 773
Actuarial (gain)/ loss on experience	-	333 218
	4 681 001	**3 852 975**

The NRCS implimented long service award policy in the current financial year.

Key assumptions used

Discount rates used	9,47%	8,64%
Average Retirement Age: Males (years)	64	64
Average Retirement Age: Females (years)	64	64

The assumptions used are based on statistics and market data as at 31 March 2022.

Discount rate

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However,where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 9.47% per annum has been used. This yield was obtained by calculating the duration of the liability and then taking the yield from the yield curve at that duration using an iterative process (because the yield depends on the duration, which in turn depends on the liability). This rate does not reflect any adjustment for taxation, and was deduced from the interest rate data obtained from the JSE after the market close on 31 March 2022. The duration of the total liability was estimated to be 7.00 years.

Withdrawal rates

The table below used reflect a sample of the rates of withdrawal used to value the liabilities for males and females. We have used the same withdrawal rate with that used in the entity's post employment medical aid GRAP 25 valuation.

Notes to the Annual Financial Statements

for the year ended 31 March 2022

12. Long Service Awards (continued)

Age		
20 - 29	12%	12%
30 - 39	10%	10%
40 - 49	6%	6%
50 - 54	2%	2%
55+	0%	0%

Average Retirement Age

The normal retirement age of employees is 64. It has been assumed that employees will retire at age 64 on average, which thus assumes that expected rates of ill-health and early retirement are nil. Employees who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

Sensitivity analysis

The effects on the liability results for 2022 when the discount rate is increased or decreased by 1%.

Figures in Rand	Liability	Change in liability	Liability	Change in liability
1%	4 436 000	(245 000)	3 700 052	(152 922)
Central	4 681 000	-	3 852 974	-
-1%	4 953 000	272 000	4 018 420	165 446

The effects on the liability results for 2022 when the retirement age is increased or decreased by 1 year.

Figures in Rand	Liability	Change in liability	Liability	Change in liability
65 years	4 860 000	179 000	3 932 987	80 013
64 years	4 681 000	-	3 852 974	-
63 years	4 541 000	(140 000)	3 831 186	(21 787)

Amount recognised in the statement of financial perfomance

	2022	2021
Net expense recognised in the statement of financial performance	828 026	3 852 974

13. Payables from exchange transactions

Figures in Rand	2022	2021
Trade payables	18 256 644	17 437 557
Trade debtors with credit balances	23 040 475	19 211 006
Unallocated Deposits	5 716 650	3 435 248
Other payables	161 310	-
Salary related accruals	8 945 068	9 129 025
Operating lease payables	2 286 684	804 426
Medical control	-	(61 636)
	58 406 831	**49 955 626**

Notes to the Annual Financial Statements

for the year ended 31 March 2022

14. Revenue

Figures in Rand	2022	2021
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rendering of services	28 771 832	23 188 192
Approval application fee income	46 287 893	42 641 367
Sundry income	1 605 928	5 097 205
*Interest income	10 116 816	11 142 678
	86 782 469	**82 069 442**

*Interest Income includes interest from investment and interest from debtors.

	2022	2021
Interest from investment	9 413 189	10 821 607
Interest from exchange debtors	703 626	321 071
	10 116 815	**11 142 678**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue	2022	2021
Levies for compulsory specifications	246 727 867	213 124 934
Interest income from non exchange	3 703 996	3 639 301
Registration fee	1 513 600	1 156 873
Government grants and core funding	144 099 000	126 126 000
	396 044 463	**344 047 108**

15. Rendering of services (Exchange)

Figures in Rand	2022	2021
Test and services	15 076 563	9 720 511
Export certification	5 986 527	5 942 192
Vehicle homologation	6 387 550	6 204 206
Electrical compliance certificate	844 845	689 619
Gaming: Letter of compliance	476 347	631 664
	28 771 832	**23 188 192**

16. Employee related costs

Figures in Rand	2022	2021
Basic salary and performance bonus	301 816 856	294 252 145
13th Cheques	19 815 333	18 853 268
Medical aid	15 823 736	14 980 630
Long-service awards	335 492	3 189 706
Training and SDL	4 364 027	4 210 290
Pension costs	25 677 114	23 552 730
Post-employment medical benefits	1 362 376	100 393
	369 194 934	**359 139 162**

Notes to the Annual Financial Statements

for the year ended 31 March 2022

17. Depreciation and amortisation

Figures in Rand	2022	2021
Property, plant and equipment	6 432 847	7 838 286
Intangible assets	138 228	888 206
	6 571 075	**8 726 492**

18. Finance costs

Figures in Rand	2022	2021
Finance cost	1 192 814	1 390 759

Finance cost includes interest cost relating to actuaries valuations for long service awards and post retirement benefits.

19. Debt impairment

Figures in Rand	2022	2021
Debt impairment	17 521 867	7 633 170

20. General expenses

Figures in Rand	2022	2021
Office and administration expenses	4 137 461	3 062 201
Bank charges	120 314	147 747
Consulting services	5 725 685	2 476 085
IT Services	2 126 869	1 305 670
Legal fees	1 512 382	599 442
Consumables	46 703	352 605
Insurance	1 020 170	995 833
Loss on asset disposals and other writes offs	2 666 659	10 380
Motor vehicle expenses	303 252	110 336
Repairs and maintenance	1 070 039	1 727 371
Software expenses	2 020 535	4 642 642
Staff welfare	2 354 338	3 330 437
Accreditation services	645 520	282 453
Municipal services	3 895 071	3 910 241
Casual labour	49 700	33 980
Storage of siezed goods	556 784	226 776
Staff recruitment costs	5 405	807 664
Foreign exchange loss	34 767	1 645
Non- executive committee fees	581 011	643 549
	28 872 665	**24 667 057**

21. Auditors' remuneration

Figures in Rand	2022	2021
Fees	6 363 639	3 834 681

Notes to the Annual Financial Statements

for the year ended 31 March 2022

22. Cash used in operations

Figures in Rand	2022	2021
Surplus (deficit)	4 370 099	(18 189 158)
Adjustments for:		
Depreciation and amortisation	6 571 075	8 726 492
Carrying amount of disposed assets	155 718	12 076
Impairment deficit	-	1 237 636
Debt impairment	17 521 867	7 633 170
Non cash - provision for doubtful debts	1 183 587	6 080
Loss on assets written off	2 495 407	-
Movements in employee benefit-Post retirement medical	2 046 387	(500 146)
Movements in provisions-Leave and perfomance bonus	(9 174 031)	(601 014)
Movement in employee benefit-Long service awards	828 026	3 852 974
Changes in working capital:		
Receivables from exchange transactions	(15 656 613)	52 848
Receivables from non exchange	(19 639 076)	(24 111 350)
Payables from exchange transactions	8 451 131	7 462 546
	(846 423)	**(14 417 846)**

23. Commitments

Figures in Rand	2022	2021
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	318 161	-
• Intangible assets	17 695 159	22 287 006
	18 013 320	**22 287 006**
Total capital commitments		
Already contracted for but not provided for	18 013 320	22 287 006

Approved capital expenditure relates to the implementation of the ERP project and purchase of furniture.

Operating leases - as lessee (expense)		
Minimum lease payments due		
• within one year	15 904 363	12 620 541
• in second to fifth year inclusive	58 619 606	42 531 050
	74 523 969	**55 151 591**

Operating lease payments represent rentals payable by the entity for certain of its office properties.

The operating lease is straight-lined in terms of the lease agreement.

Notes to the Annual Financial Statements

for the year ended 31 March 2022

24. Contingencies

Figures in Rand	**2022**	**2021**
List of cases against NRCS	**Amount (R)**	**Amount (R)**
1. Claims for failure to pay an amount owing. Performance bonus after resignation. The matter is with Labour Court. However the applicant has not responded to oppossing affidavit and there is no foreseable contigency on this matter.	-	130 000
2. The Employee was charged with allegations of misconduct pertaining to the audit findings. The matter is with Labour Court.	572 064	572 064
3. The applicant essentially wants an order from the court requiring that the NRCS refund it all the levies paid by the company. NRCS has received judgement in this matter in favour of NRCS.The cost are currently difficult to determine since the taxing master of the court still need to determine amount to be paid.	-	1 145 754
4. Matter between the applicant and NRCS relating to the building that NRCS used to occupy in Durban in which the applicant intends on referring the dispute relating to alleged outstanding rentals/damages and costs relating to the air-conditioning system to Arbitration	1 449 133	-
	2 021 197	**1 847 818**

5. Applicant vs NRCS
Applicant sought that NRCS's directive in terms of the provision of the directive that was issued on 18 September 2018 be set aside. NRCS was orderd to pay the cost of the review application,jointly and severally. The complainant initiated the process of bill of cost through the Taxing Master of the court. This matter was settled in the current financial year.

6. Accumulated Surplus

In terms of the section 53(3) of the PFMA the entity at the end of financial year needs to declare surplus to the National Treasury.The National Treasury may apply such surplus to reduce any proposed allocation to the entity; or require that all or part of it be surrendered to National Treasury.

Accumulated surplus at year end is R 236 194 441 after taking into accounts National Treasury Instruction No. 12 of 2021.

25. Related parties

Relationships	
Controlling entity	Department of Trade and Industry and competition (DTIC)
Entities controlled by the dtic	South African Bureau of Standards (SABS) South African National Accreditation System (SANAS)
	Companies and Intellectual Property Commission (CIPC)
	Companies Tribunal (CT)
	National Empowerment Fund (NEF)
	Export Credit Insurance Corporation of South Africa SOC Limited (ECIC)
	National Credit Regulator (NCR)
	National Gambling Board (NGB)
	National Consumer Tribunal (NCT)
	National Metrology Institute of South Africa (NMISA)
	International Trade Administration Commission (ITAC)
	Competittion Commission (CT)
	Industrial Development Corporation (IDT)
	National Consumer Commission
	National Lotteries Commission
	Competition Tribunal

Notes to the Annual Financial Statements

for the year ended 31 March 2022

25. Related parties (continued)

Related party transactions	**2022**	**2021**
Payables from exchange: related parties		
South African Bureau of Standards (SABS)	3 083 054	5 050 415
South African National Accreditation System	-	30 150
Non-exchange revenue from related parties		
Government grants and core funding	144 099 000	126 126 000
Surplus Retentions		
Surplus returned to the national revenue fund via the dtic	31 446 000	30 137 000

The NRCS is leasing offices from SABS. This is a 5 year lease agreement subject to 5,3% increase annually. Included in accruals is an amount of R 1 061 357 for this rental.

SABS also performs various testing for NRCS. The amount above includes R 2 021 697 for testing services.

As per the Grap 20, if the transactions occur within normal supplier and /or client relationships only outstanding balances need to be disclosed as per the above.

Remuneration of Commitee members

Non-executive: Audit and Risk Committee

Figures in Rand	**2022**	**2021**
2022		
Name	**Fees for services**	**Total**
S Badat (Chairperson) Appointed 31 January 2019	140 355	140 355
JC Weapond (Appointed 31 January 2019)	215 211	215 211
SP Mzizi (Appointed 31 January 2019)	184 021	184 021
M Ramatla*	-	-
	539 587	**539 587**
2021		
Name	**Fees for services**	**Total**
S Badat (Chairperson) Appointed 31 January 2019	189 621	189 621
JC Weapond (Appointed 31 January 2019)	168 425	168 425
SP Mzizi (Appointed 31 January 2019)	204 294	204 294
M Ramatla*	-	-
	562 340	**562 340**

*dtic representatives are not remunerated by NRCS.

Human Resource Committee

2022		
Name	**Fees for services**	**Total**
AZ Ndlala	1 308	1 308
Dr PS Zulu	9 180	9 180
	10 488	**10 488**

Notes to the Annual Financial Statements

for the year ended 31 March 2022

25. Related parties (continued)

Figures in Rand	2022	2021

Non - Executive ICT Steering Committee

2022

Name	Fees for services	Total
CG de Kock	30 936	30 936

2021

Name	Fees for services	Total
AL Radolo	10 956	10 956
CG de Kock	50 271	50 271
Z Kabini	19 979	19 979
	81 206	**81 206**

Management class: Executive management

2022

Name	Basic salary	Bonuses and performance related payments	Retirement and Medical aid	Other benefits (cellphone allowances/ Travel)	Total
E Mamadise - CEO	1 869 693	78 260	204 863	98 397	2 251 213
AA Thulare - COO***	843 280	-	33 297	137 804	1 014 381
BA Khanyile	1 445 590	63 529	234 458	195 866	1 939 443
MN Katz	1 423 807	61 672	209 600	174 812	1 869 892
MT Madzivhe	1 481 885	63 529	198 163	87 795	1 831 372
MD Mutengwe****	1 336 377	57 959	186 572	217 078	1 797 986
R Ramcharan -CFO	1 328 906	-	149 091	145 092	1 623 089
KJO Kgasago*	1 455 525	-	229 119	23 125	1 707 769
	11 288 849	**324 949**	**1 445 163**	**1 079 969**	**14 138 930**

2021

Name	Basic salary	Bonuses and performance related payments	Retirement and medical aid employee benefits	Other benefits (cellphone/Travel)	Total
E Mamadise CEO	1 831 449	163 601	366 136	26 422	2 387 608
Ms Magagula P -Interim CFO**	1 285 556	-	-	6 276	1 291 832
AA Thulane -COO	1 495 235	137 575	55 203	173 545	1 861 558
MN Katz	1 367 568	161 938	358 477	7 927	1 895 910
BA Khanyile	1 399 902	171 668	348 539	7 927	1 928 036
MT Madzivhe	1 434 655	171 667	313 785	7 926	1 928 033
MD Mutengwe	1 293 843	157 480	297 007	7 926	1 756 256
R Ramcharan -CFO**	216 770	-	48 986	21 639	287 395
	10 324 978	**963 929**	**1 788 133**	**259 588**	**13 336 628**

**Ms R Ramcharan was appointed Chief Financial Officer on 1 February 2021.

*Mr Kgasago was appointed Chief Information Officer on 08 March 2021.

***Ms Thulare COO resigned effective 25 October 2021.

**** MD Mutengwe acting COO effective November 2021.

Notes to the Annual Financial Statements

for the year ended 31 March 2022

26. Prior-year adjustments

The NRCS's annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP). The basis is consistent with the prior year except for restatements reflected below.

Property, Plant and Equipment

NRCS identified that there were assets which were incorrectly depreciated.Corrections have been made in the current financial year,where these items have been corrected and prior period amounts adjusted retrospectively in accordance with GRAP 3 –Changes in Accounting Policies, Accounting Estimates and Errors.

Actuaries gains/loss and finance cost

NRCS identified that actuaries gains/loss and finance cost relating to long service awards and post retirement medical benefit were incorrectly classified as employees cost.These have been corrected classified and the adjustments made retrospectively as required by GRAP 3.

Receivables from exchange transactions

NRCS identified invoices for test and services relating 2021 financial year which were posted in 2022 financial period.These have been corrected and the adjustments made retrospectively as required by GRAP 3.

Receivables from non exchange revenue/levy

NRCS revised levy revenue with actual declarations received in the current financial period.This has been corrected and adjusted as levies were recognised using actual quantities manufactured/import based on actual declarations form from the customers for each declarations period.Related accruals and levy revenue were corrected restrospectively in accordance with GRAP 3 –Changes in Accounting Policies, Accounting Estimates and Errors.

Accumulated surplus

Accumulated surplus was affected by depreciation corrections;levy revenue and test and services as stated on property,plant and equipment;levies for compulsory specifications and test and services revenue above.These have been corrected and the adjustments made retrospectively as required by GRAP 3.

Segment reporting

NRCS has re-evaluated the disclosure of segment reporting in the financial statement.Upon re-assessment of GRAP 18,it was decided that NRCS will no longer disclose segment reporting since the information NRCS discloses in terms of segment reporting is not adequate in terms of Grap 18.

NRCS have functional departments or business units namely Automotive, Electros, Food, CMM who generate different income streams within the entity.

However, these departments are not stand-alone unit who are allocated resources separately to achieve their objectives.

Management reports are reported per objective level for NRCS as an entity as whole.

Approval application fee Income

NRCS have identified that approval application fee income was incorrectly classified as non exchange revenue.These have been corrected and the adjustments made retrospectively as required by GRAP 3.

Notes to the Annual Financial Statements

for the year ended 31 March 2022

26. Prior-year adjustments (continued)

Sundry income/Payables

NRCS identified that fraudulent refunds were incorrectly recorded as creditors instead of sundry income.These have been corrected and the adjustments made retrospectively as required by GRAP 3.

Testing and sampling/Leases expenses/General expenses and Contracted services

NRCS identified transactions relating to the above expenses classes which was incorrectly GRVed.These have been corrected and the adjustments made retrospectively as required by GRAP 3.

Statement of financial position

2021

	Note	As previously reported	Correction of error	Restated
Property,Plant and equipment		29 626 413	770 098	30 396 509
Receivable for exchange		10 534 971	157 680	10 692 651
Receivables from non exchange transactions		109 429 611	(3 830 772)	105 598 839
Payables from exchange transactions		(54 885 348)	4 929 720	(49 955 626)
Accumulated surplus		(289 866 261)	(2 026 726)	(291 892 987)
		(195 160 614)	**-**	**(195 160 614)**

Statement of financial performance

2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Depreciation and amortisation		8 553 766	172 723	-	8 726 489
Employee related cost		359 814 823	80 405	(756 066)	359 139 162
Testing and sampling		4 437 884	(269 430)	-	4 168 454
General expenses		24 720 424	(53 366)	-	24 667 058
Contracted services		3 778 528	(49 928)	-	3 728 600
Lease rental from operating leases		18 690 900	(139 040)	-	18 551 860
Finance cost		182 681	-	1 208 078	1 390 759
Actuarial gains/loss		-	-	(452 012)	(452 012)
Levies for compulsory specifications		(217 196 329)	4 071 395	-	(213 124 934)
Rendering of services		(23 030 512)	(157 680)	-	(23 188 192)
Sundry income		(524 114)	(4 573 091)	-	(5 097 205)
Approval application fee income-Non-exchange revenue		(42 641 367)	-	42 641 367	-
Approval application fee income-exchange revenue		-	-	(42 641 367)	(42 641 367)
Surplus for the year		**136 786 684**	**(918 012)**	**-**	**135 868 672**

Errors

The errors relates to transactions that were not recorded in the correct accounting period and adjustments of balances based on errors happened in the past.

Notes to the Annual Financial Statements

for the year ended 31 March 2022

26. Prior-year adjustments (continued)

Figures in Rand		2022	2021
Prior year adjustments on suplus/deficit	**2021 (Increase)/Decrease**	**Accumulated Surplus (Increase)/Decrease**	**Total**
Correction of accumulated depreciation	-	(942 821)	(942 821)
Correction of depreciation	172 723	-	172 723
Amount erroneously GRVed	(511 764)	-	(511 764)
Correction of Long service awards	80 405	-	80 405
Recognition of test and services revenue in the correct accounting period	(157 680)	-	(157 680)
Sundry income for bad debts voided	(74 727)	-	(74 727)
Correct accounting of refund debtors	(4 498 364)	-	(4 498 364)
Accruals and levies adjustment	4 071 395	(165 895)	3 905 500
	(918 012)	**(1 108 716)**	**(2 026 728)**

Change in accounting policy

The following change in accounting policies occurred:

Minor Assets Write off

Change in accounting policy is made in accordance with GRAP 3.

All assets costing less that R 5 000 is now classified as minor assets.These assets are recorded in the asset register at R 1 but will be fully depreciated/written off in the year of acquisition and not over its useful life, as is the case with assets costing R 5 000 and more.

	*Prior effects change in accounting policy	Current year	Change
Motor vehicle	-	1 886	1 886
Office equipment	-	2 224 731	2 224 731
Laboratory equipment	-	268 790	268 790
	-	**2 495 407**	**2 495 407**

The effects of the retrospective application are not determinable due to changes in assets history not available since its inception of transfer from SABS/purchase.

27. Comparative figures

Certain comparative figures have been reclassified.

a. Actuaries gains/loss and finance cost relating to long service awards and post retirement medical benefit was re classified from employees cost.

b. Letter of authority application fees has been reclassified from non exchange transactions to exchange transactions to reflect the true nature of these transactions.

The effects of the reclassification is shown above

Notes to the Annual Financial Statements

for the year ended 31 March 2022

28. Risk management

Financial risk management

Liquidity risk

The entity manages liquidity risk through the compilation and monitoring of cash flow forecasts as well as ensuring that there are adequate banking facilities.

The data for this analysis is determined from internal reports presented to key management personnel. It is based on information that is managed internally on the entity's financial management system. NRCS has adequate resources to meet obligations as they become due.

The following are the contractual maturities of the financial liabilities including interest payments and excluding the impact of netting agreements:

At 31 March 2022	Carrying amount	Contractual cashflows	1 year or less	> 1 year
Payables from exchange transaction	58 406 831	58 406 831	58 406 831	-
	58 406 831	**58 406 831**	**58 406 831**	**-**

At 31 March 2021	Carrying amount	Contractual cashflows	1 year or less	> 1 year
Payables from exchange transaction	49 955 626	49 955 626	49 955 626	-
	49 955 626	**49 955 626**	**49 955 626**	**-**

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Surplus funds are invested with the Reserve Bank of South Africa in compliance with the Treasury Regulations.

Trade receivables comprise a large number of customers, dispersed across different industries and geographical areas. All new customers must pay in advance for tests and services rendered. Trade and other receivables are shown net of impairment.

The NRCS did not consider there to be any significant concentration of credit risk which had not been insured or adequately provided for at the reporting date. The amount in the Statement of Financial Position is the maximum exposure to credit risk.

Market risk

Interest rate risk

The entity is exposed to interest rate risk as it places funds in the current and investment account at floating interest rates. Interest rate risk is managed through effective cash management.

The interest rate re-pricing profile at 31 March 2022 is summarised as follows:

Figures in Rand	2022	2021
Cash and cash equivalents	199 838 617	237 952 176

Notes to the Annual Financial Statements

for the year ended 31 March 2022

29. 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.

Management has assessed the NRCS's ability to continue as going concern including the effect of COVID 19 and no material uncertainity was identified.

30. Events after the reporting date

NRCS is not aware of any material matters or significant circumstances arising after the reporting date that were not adjusted or disclosed in the Annual financial statements.

31. Fruitless and wasteful expenditure

Figures in Rand	2022	2021
Opening balance as previously reported	587 649	551 709
Closing balance	**587 649**	**551 709**
Add: Expenditure identified - current	2 785 895	-
Add: Expenditure identified - prior period	-	35 940
Less: Amounts recoverable - current	-	-
Less: Amounts recoverable - prior period	-	-
Less: Amount written off - current	-	-
Less: Amount written off - prior period	-	-
	-	-
Closing balance	**3 373 544**	**587 649**

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	2022	2021	Total
Interest/penalties charges on late payments	Matters pending for final decision	82	10 478	10 560
Duplicated payment to supplier	Matters pending for final decision	-	25 462	25 462
Municipal services in the PE office owned building	Assessment still undertaken for F&W expenditure	2 785 813	-	2 785 813
		2 785 895	**35 940**	**2 821 835**

Notes to the Annual Financial Statements

for the year ended 31 March 2022

32. Irregular expenditure

Figures in Rand	2022	2021
Opening balance as previously reported	31 350 803	20 163 044
Prior period error	(24 770)	1 818 994
Opening balance as restated	**31 326 033**	**21 982 038**
Add: Irregular Expenditure - current	6 431 158	9 368 765
Add: Irregular Expenditure - prior period	-	-
Less: Amounts recoverable - current	-	-
Less: Amounts recoverable - prior period	-	-
Less: Amount written off - current	-	-
	-	-
Closing balance	**37 757 191**	**31 350 803**

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	2022	2021
Payments contravening treasury regulations	Irregular expenditure referred to loss control functions	158 903	119 226
Payments effected on expired contracts	Irregular expenditure referred to loss control functions	3 051 279	6 915 139
Tender advertised for less than 21 days	Irregular expenditure referred to loss control functions	3 220 976	2 334 399
		6 431 158	**9 368 764**

The above irregular expenditure relates to expenditure incurred contrary to supply chain management prescripts and regulations.

An investigation and discplinary process was undertaken for irregular expenditure incurred under expired contracts.

Notes to the Annual Financial Statements

for the year ended 31 March 2022

33. Budget differences

Material differences between budget and actual amounts

a. The Covid 19 pandemic had a negative impact on companies importing,manufacturing and build. This therefore negatively effected revenue.

b. This amount was under budgeted for inline with decreasing revenue stream impacted by Covid.

c. Savings on employee costs due vacancies that need to be filled.

d. The under expenditure in depreciation and amortisation was mainly as a result of ERP system not being fully utilised and the change in accounting policy for minor assets.

e. Increase in operating leases rentals are mainly due to new contracts entered into for most of the facilities rented by NRCS.

f. Finance costs have increased due to long service and post medical retirement interest from actuaries valuation.

g. Decreases is due to some of the contracted contracts that have ended and are in the process of being appointed.

h. Travel restriction due to lockdown major contributed to the savings in the travel budget.

i. Lockdown restrictions contributed to under spending on general expenses There a major savings on items like stationery and telephone and communication accounts, due to working from home arrangements..

j. Savings in advertising and marketing are due to cancellation of exhibitions and outdoor projects that required physical interaction that were put on hold due to Covid 19 restriction.

k. Fewer testing done due to slow economic activity associated with COVID 19 restrictions.

l. Amount increase due to interim audit that was included and audit of the new ERP system.

m. Debt impairment is not budgeted for due to the impact of Covid debtors are taking longer to pay.

Notes

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