Annual Report 2017/18

NRCS | national regulator for compulsory specifications

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Part A General Information

NRCS information

Registered name	National Regulator for Compulsory Specifications
Physical address	SABS Campus, 1 Dr Lategan Road, Groenkloof, Pretoria
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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
Bankers	Absa

Abbreviations/acronyms

AFRIMETS	Intra-Africa Metrology System
AGSA	Auditor-General of South Africa
BCOCC	Border Control Operational Co-ordinating Committee
CCFICS	Codex Committee on Food Import and Export Inspection and Certification Systems
CEO	Chief Executive Officer
CFL	Compact Fluorescent Lamp
CFO	Chief Financial Officer
CMM	Chemicals, Mechanical and Materials
DAFF	Department of Agriculture, Forestry and Fisheries
DEA	Department of Environmental Affairs
DoE	Department of Energy
DoH	Department of Health
DoL	Department of Labour
DoT	Department of Transport
EICI	Export Inspection Council of India
EU	European Union
FAI	Food and Associated Industries
GEF	Global Environment Facility
HR	Human Resources
ICT	Information and Communication Technology
IEA	International Energy Agency
IEC	International Electrotechnical Commission
IA	Internal Audit
IPAP	Industrial Policy Action Plan
IPEEC	International Partnership for Energy Efficiency Co-operation
ISO	International Organization for Standardization
ISO COPOLCO	International Organization for Standardization's Consumer Policy Committee
IT	Information Technology
LED	Light Emitting Diode
LM	Legal Metrology
LMA	Legal Metrology Act, No. 9 of 2014
LoA	Letter of Authority
LoC	Letter of Certification
MIBs	Manufacturers, Importers and Builders
MoU	Memorandum of Understanding
MSP	Master Systems Plan
NBR	National Building Regulations
NBR&BS Act	National Building Regulations and Building Standards Act, No. 103 of 1977
NCC	National Consumer Commission
NGO	Non-Governmental Organisations

NICD	National Institute for Communicable Diseases
NRCS	National Regulator for Compulsory Specifications
NRCS Act	National Regulator for Compulsory Specifications Act, No. 5 of 2008
OIML	International Organization of Legal Metrology
PAC	Project Approvals Committee
PFMA	Public Finance Management Act, No.1 of 1999
PSC	Project Steering Committee
RR&D	Regulatory Research and Development
SAAFF	South African Association of Freight Forwarders
SABS	South African Bureau of Standards
SADC	Southern African Development Community
SADCMEL	SADC Co-operation 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
SPS	Sanitary and Phytosanitary
TBT	Technical Barrier to Trade
TC	Technical Committee
the dti	The Department of Trade and Industry
TR	Technical Regulation
UNDP	United Nations Development Programme
VC	Compulsory Specification
WTO	World Trade Organization

Over the past nine years, non-compliant products worthy more than R2.1 billion have been removed from the market.

Minister's foreword

The 1st of September 2018, marks ten years of the NRCS existence and provides an opportune time to reflect on the Entity's achievements over the past ten years. Although the NRCS mandate is to promote public health and safety, protect the environment and promote fair trade, its success is not only measured against eradication of non-compliant products from the market but the promotion of government priorities as well.

In facilitating trade, especially fish and fishery products exported to the European Union and the Far East; during 2017/18 financial year, the NRCS facilitated the exportation of 12 530 fishery consignments, which amounted to more than 72 500 tonnes of fish and fishery products.

I am encouraged that the NRCS is making strides in implementing the Legal Metrology Act, No. 9 of 2014 (LMA), which increased the scope of metrology from trade measurements to incorporate health, safety and environmental measurements. The NRCS in line with IPAP objectives must protect consumers against inaccurate measures, support local industrial competitiveness and enhance protection of the environment, public health and safety, as well as fair trade. In the medium term, the NRCS must finalise compulsory specifications related to energy and water efficient household appliances and agro-processing sectors focusing on canned meat, live aquaculture oysters, canned fish products and live rock lobster.

In line with the strategy of government to promote energy efficiency as the first fuel in driving balanced socially inclusive and environmentally sustainable economic growth, boosting job creation and leading technological innovation across the region, it is pleasing to note that the NRCS is implementing Energy Efficiency Compulsory Specifications. Energy Efficiency is part of the Standards and Labelling project initiated by the Department of Energy in collaboration with the Department of Trade and Industry and the United Nations Development Programme (Global Environment Facility) aimed at eliminating inefficient energy household appliances.

Regional and continental co-operation

South Africa remains committed to working with continental and international partners on a bilateral and multilateral basis to strengthen existing agreements and programmes to deepen industrial development. To this end, the NRCS continues to collaborate with a number of countries including Mauritius, Mozambique and Namibia, in the areas of Foods and/or Legal Metrology. Over the medium term the focus will be on harmonisation of technical regulations through Southern African Development Community Forums and the Intra-Africa Metrology System (AFRIMETS).

Strategic focus

The NRCS has implemented the Risk Based Approach to Inspections and Approvals. This is significant as the NRCS needs to promote business by processing Letters of Authority within the set timeframes. Furthermore, I am pleased that the NRCS continues to remove unsafe and non-compliant products, which amounted to R302 million in the 2017/18 financial year. Significantly, over the past nine years, non-compliant products worthy more than R2.1 billion have been removed from the market. The organisation needs to vigorously implement sanctions for non-compliance as these unsafe/non-compliant products are detrimental to our citizens.

the dti notes the improvements in performance by the NRCS and its efforts in delivering on its mandate as per the Strategic Plan and the targets contained in the Annual Performance Plan. The NRCS has continued to respond to the challenges faced by our communities especially with regard to the scourge of paraffin related fires and burns.

The NRCS will continue to reconfigure the way it conducts its business, by *inter alia*, incorporating technology and forming partnerships with organisations such as the South African Revenue Services (SARS), the South African Police Service (SAPS) and the National Consumer Commission (NCC), among others, to ensure more effective regulation of the market. The NRCS therefore needs to invest in intelligent information and systems to achieve the desired impact and high levels of effectiveness. The NRCS will need to modernise its IT systems, to enable accessibility by business through electronic applications and processing of approvals.

Finally, I am pleased that the NRCS has made progress in resolving the recurring challenges relating to revenue qualification and concerns raised by the Auditor-General. I am grateful to the CEO and the NRCS staff for their efforts towards continuing to improve the work of the organisation.

Dr Rob Davies
Minister of Trade and Industry
22 August 2018

The NRCS is mindful that effective regulation of the industry depends on strong implementation strategies and partnerships with other government entities and stakeholders to resolve the developmental challenges facing the South African economy.

CEO's overview

The mandate of the NRCS is to protect public health, safety and the environment and promote fair trade, by ensuring that businesses produce, import, sell and/or provide products and services that comply with the minimum safety and environmental requirements, and do not fall short of the declared measure. The NRCS is also tasked with providing a regulatory function for the building industry to promote building safety, health, structural stability and the uniform interpretation and implementation of the National Building Regulations and Building Standards Act, No. 103 of 1977, as amended.

The NRCS is mindful that effective regulation of the industry depends on strong implementation strategies and partnerships with other government entities and stakeholders and is committed to working with its stakeholders to resolve the developmental challenges facing the South African economy and eradicating non-compliances from the market. During the year under review, the NRCS continued to collaborate with the National Consumer Commission, South African Revenue Service, South African Police Service, and the departments of Agriculture; Forestry and Fisheries; Environmental Affairs; Health; and Transport, to keep non-compliant products out of trade.

I am pleased to present the 2017/18 Annual Report of the NRCS. It is also a great pleasure to join the NRCS as the organisation reaches its milestone of ten years since its establishment in 2008. The economic role of the NRCS is intertwined with its primary role as a regulator, which it needs to fulfil effectively and efficiently. The balancing act between these two roles requires that the NRCS works closely with its stakeholders and has systems and human and financial resources in place to achieve its mandate. In a bid to ensure that goods available for sale at the retail level comply with the minimum safety requirements, the pilot phase of a Self-Compliance Programme commenced in the fourth quarter and will be rolled out across the country, taking into consideration lessons learnt.

Information technology

Although the NRCS has recognised the need to modernise its Information Communication Technology (ICT) systems, the organisation has not been able to timeously implement systems that would allow stakeholders easy access and automate business processes. The NRCS ICT Strategy incorporates the needs of the organisation and will be approved during the first quarter of the 2018/19 financial year. Over the next 24 months financial and human resources will be dedicated the implementation of the ICT Strategy to ensure that the NRCS modernises its ICT systems, allowing easy accessibility to the NRCS and efficient utilisation of the resources at its disposal. The ICT Modernisation Project will include procurement of an Enterprise Resource Planning (ERP) system that will address human resources, payroll, financial management and automation of operations such as approvals and inspections. This will enable the NRCS to integrate its internal systems and link with external entities.

Operational performance

Risk-based approach

The NRCS has implemented a risk-based approach to inspections and approvals to effectively regulate the market. This risk-based approach has allowed the NRCS to address the approvals backlog and efficiency of financial and human resources. Human resources are now being directed at 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 to the company and affect turnaround times.

Approvals

During the financial year, the NRCS issued 14 148 pre-market approval certificates, compared to 17 484 certificates in the 2016/17 financial year. Although the number of approvals was 23.6% lower than in the previous financial year, the number of approvals issued within 120 calendar days increased from 53.5% to 81% for pre-market approvals which is 85% higher than in 2016/17. Approximately 66% of the approved applications were for electro-technical products, 30% for automotive, 3% for chemical, materials and mechanical and 1% for measuring instruments. Furthermore, in promoting South African products and facilitating trade, 7 395 health guarantees were issued for fisheries and associated product consignments destined for the EU and Far East.

Non-compliances

Although the Border Enforcement Strategy and risk-based approach have been implemented, the proliferation of non-compliant products remains an enormous challenge for the NRCS. Non-compliances are mostly due to industry participants who continue to import products prior to obtaining approval certificates, as well as a culture of non-compliance behaviour which is prevalent in some role players. The NRCS has increased its efforts at the source of manufacture and at ports of entry, and has also started to explore alternate strategies to deal with the importation or supply of products prior to approval being granted. Among these is the viability of refusing to off-load products that do not have a valid approval certificate at the port of entry. During 2017/18, non-compliant and unsafe products to the value of R302 million were removed from the market. In terms of the Legal Metrology Act, No. 9 of 2014 alone, the value of products found to be non-compliant, and either removed from the market or corrected before being sold, was R158 million. Non-compliant products included Compact Fluorescent Lamps (CFLs), switches, adaptors, air conditioners, electric ovens, speakers, incandescent lamps, washing machines, hair dryers, fans, paraffin stoves, personal protective equipment and fishery products. The majority of these products were destroyed.

Market surveillance

The NRCS conducted 50 965 inspections across all regulated industries. Of these 29 519 were conducted on all (100%) of the declared export consignments, and local and imported fish, fishery and processed meat consignments. Inspections within the automotive, chemical, mechanical, electro-technical and metrology industry sectors amounted to 21 446.

Human resources

Human resources are the backbone of NRCS operations and the organisation continues to invest in staff development programmes to enhance their skills. During the year three significant appointments were made, with the recruitment of the CEO, CFO and General Manager Automotive. Efforts are being made to fill the positions of Head of ICT and Chief Operations Officer. I am mindful that there have been capacity challenges in some areas of our operations and as such the NRCS is embarking on an Organisational Review Project, which will inform the right structure for the NRCS.

Conclusion

Significant progress has been made in eliminating the backlog of approval applications, which has reduced turnaround times. I am pleased with the progress noted by the Auditor-General of South Africa (AGSA) in management's efforts to resolve the revenue qualification audit opinion. Management will continue to improve the internal control environment, work with the Department of Trade and Industry and National Treasury, and will engage with AGSA to find a solution to the revenue qualification.

I extend my appreciation to the Minister of Trade and Industry, Dr Rob Davies, and wish to acknowledge and express my gratitude to all NRCS employees for the achievements made during the financial year. I also express sincere gratitude to the Portfolio Committee of Trade and Industry, the NRCS Audit and Risk Committee and the NRCS ICT Steering Committee.

Edward Mamadise
Chief Executive Officer
20 August 2018

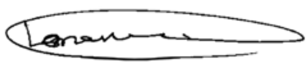
Statement of responsibility and confirmation of accuracy for the Annual Report

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

- All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the Auditor-General of South Africa (AGSA);
- The Annual Report is complete, accurate and is free from 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, No.1 of 1999 (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 control, designed to provide reasonable assurance as to the integrity and reliability of the performance information, Human Resources (HR) information and Annual Financial Statements; and
- 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, HR information and the financial affairs of the NRCS for the financial year ended 31 March 2018.

Yours faithfully



Edward Mamadise
Chief Executive Officer
20 August 2018

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.

Accountable – The NRCS shall develop a high performance culture which is dictated by predictable, responsible, efficient and effective task teams.

Innovative – The NRCS shall be proactive and respond rapidly, intelligently, appropriately and be adaptable to the dynamic consumer and market needs, by ensuring maintained relevance.

Collaborative – The NRCS will lead inclusively through dedicated teams, respecting the views, wisdom and loyalty of its valued stakeholders.

Ethical – 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 on how we perform our functions.

Legislative and other mandates

The National Regulator for Compulsory Specifications (NRCS) was established on 1 September 2008 as an agency of the Department of Trade and Industry (**the 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:

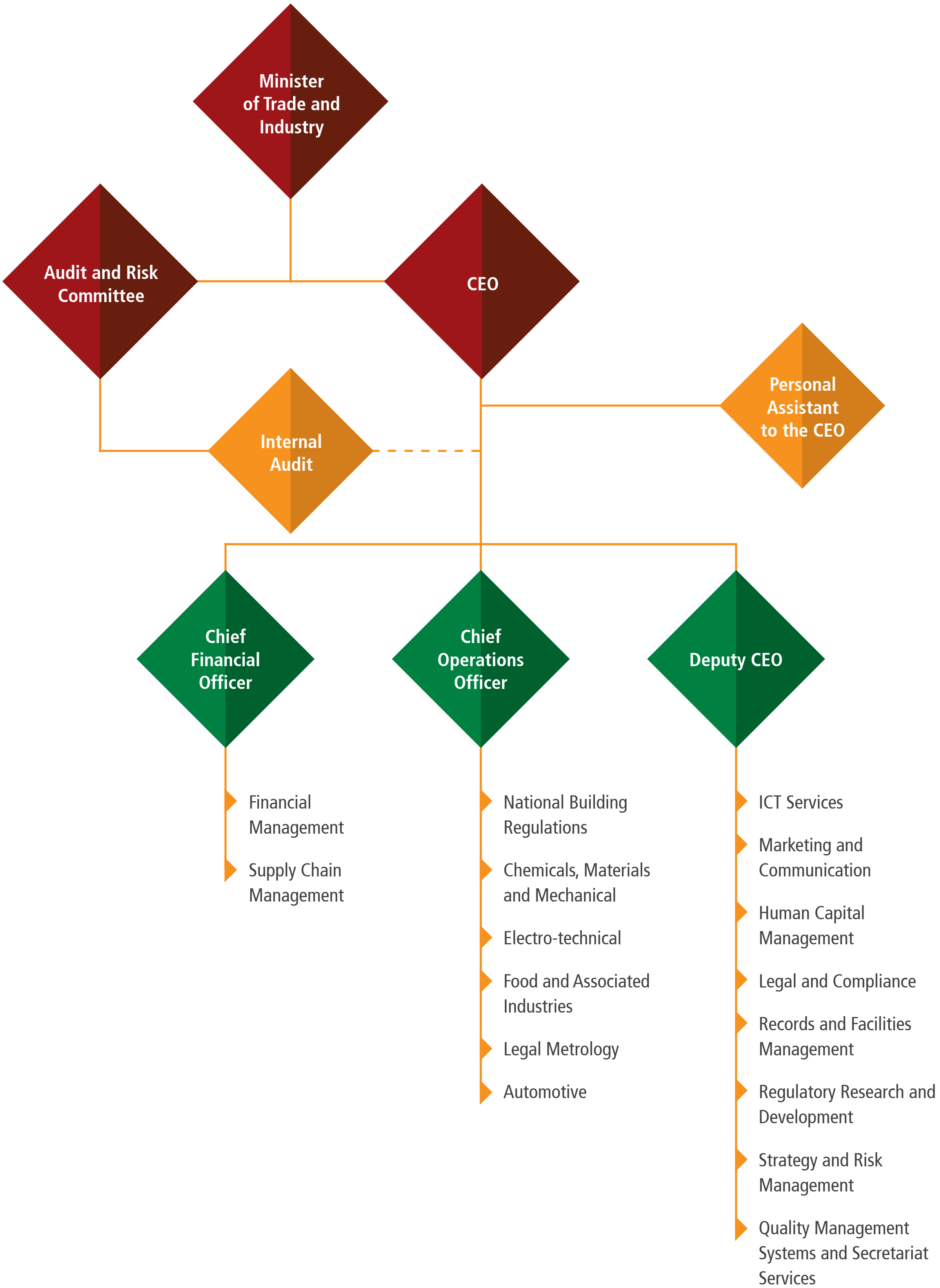
- The National Regulator for Compulsory Specifications Act, No. 5 of 2008 (NRCS Act);
- The Legal Metrology Act, No. 9 of 2014 (LMA);
- The National Building Regulations and Building Standards Act, No. 103 of 1977 (NBR&BS Act);
- The Public Finance Management Act, No. 1 of 1999 (PFMA); and
- The National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

In addition to its legislative mandate, the NRCS Strategy is aligned with that of **the dti**, specifically with regard to the following strategic objectives of the department:

- Facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation;
- Create a fair regulatory environment that enables investment, trade and enterprise development, in an equitable and socially responsible manner; and
- Build mutually beneficial regional and global relations to advance South Africa's trade, industrial policy and economic development objectives.

Organisational structure



Part B Performance Information

Auditor-General's report: Predetermined objectives

The AGSA currently performs audit procedures on the performance information made available by the NRCS to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the *Report to Management*, with material findings being reported under the *Predetermined Objectives* heading in the *Report on other Legal and Regulatory Requirements* section of the AGSA's Report.

Refer to page 89 for the AGSA's Report, published in Part E: Financial Information.

Performance information by objective

Strategic Goal 1: Develop, maintain and administer Compulsory Specifications and Technical Regulations

Expected outcome: Build a regulatory system responsive to market needs

Measurable objective/ output	Performance indicator/ measure	Audited performance 2016/17	2017/18 target	Actual performance 2017/18	% variance	Reason for variance
Develop a set of Compulsory Specifications (VCs)/Technical Regulations (TRs) that are responsive to market needs	Number of new, amended or withdrawn VCs/ TRs submitted to **the dti**	5 VCs/TRs	8 VCs/TRs	1 new and 4 amended VCs/TRs	-37.5%	Delays in stakeholders engagements in finalising some of the Compulsory Specifications. Delays in determination of levies for new Compulsory Specification.
Ensure the uniform understanding and implementation of the NBR&BS Act nationally	Administer Review Board: % of Review Board decisions finalised within 30 calendar days from the date of the Review Board hearing/s	80% (four out of five cases) of Review Board decisions finalised and communicated within 30 calendar days from the date of the Review Board hearing/s	100% of all Review Board decisions finalised and communicated within 30 calendar days from the date of the Review Board hearing/s	None	N/A	There were no cases heard during the period under review.

Strategic Goal 2: Maximise compliance with all Compulsory Specifications and Technical Regulations

Expected outcome: Increased compliance with VCs and TRs

Measurable objective/ output	Performance indicator/ measure	Audited performance 2016/17	2017/18 target	Actual performance 2017/18	% variance	Reason for variance
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	Total inspections: 20 261	18 989	21 446 inspections	+13%	Higher inspections due to the Levy Project which targeted sources of products (importers and manufactures).
	Percentage of inspections conducted on locally produced, imported and exported canned fishery and meat product consignments in accordance with the Compulsory Specification and procedures	Inspected 100% of all declared consignments and productions of canned fishery and meat products Total inspections conducted: 26 384	100% of inspections conducted on all declared produced canned fishery and meat products	Inspected 100% of all declared consignments and productions of canned fishery and meat products Total inspections conducted: 27 389	No variance	N/A
	Number of inspections conducted on locally produced frozen products and fishery and canned meat processing factories and vessels in accordance with the Compulsory Specification and procedures	1 989	2 130 inspections	2 130 Inspections	+0%	

Strategic Goal 2: Maximise compliance with all Compulsory Specifications and Technical Regulations (continued)

Measurable objective/ output	Performance indicator/ measure	Audited performance 2016/17	2017/18 target	Actual performance 2017/18	% variance	Reason for variance
Increase market surveillance activities and enforce compliance through regulations based on sound market intelligence (continued)	Percentage of gaming approval applications processed within the set timeframes	-	100% of all approval applications processed within 30 calendar days	77% (735 out of 952) of all approval applications processed within 30 calendar days	-17%	Backlog carried over from 2016/17 financial year (96 applications).
	Percentage of approval applications processed within the set timeframes (cumulative reporting)	53.5% of all approval applications processed within 120 calendar days	100% of all approval applications processed within 120 calendar days	81% (11 411 out of 14 148) of all approval applications processed within 120 calendar days	-19%	• Backlog within the Electro-technical domain • Applications submitted without all required documents or unacceptable Test Reports • Delays in implementing dormant VCs within CMM • Failure to cancel applications where applicants fail to submit required documentation.
	Number of agreements reached with self-compliant companies	-	1	1	No variance	N/A

Strategic Goal 3: Inform and educate stakeholders about the NRCS

Expected outcome: Informed stakeholders on NRCS functions

Measurable objective/ output	Performance indicator/ measure	Audited performance 2016/17	2017/18 target	Actual performance 2017/18	% variance	Reason for variance
Public awareness platforms and events	Number of stakeholder consumer education events or campaigns	12 Consumer Awareness Campaigns were conducted	12 NRCS consumer education events or campaigns	20 NRCS consumer education events or campaigns	+67%	Collaborated with Gauteng Provincial Government and Cooperative Governance and Traditional Affairs.
	Approved Stakeholder Engagement Strategy and % Implementation of the Stakeholder Engagement Strategy	-	Stakeholder Engagement Strategy approved by NRCS CEO	Stakeholder Engagement Strategy approved by NRCS CEO	No variance	N/A

Strategic Goal 4: Ensure an optimally capacitated institution

Expected outcome: Optimal functioning of the NRCS

Measurable objective/ output	Performance indicator/ measure	Audited performance 2016/17	2017/18 target	Actual performance 2017/18	% variance	Reason for variance
A capacitated organisation with relevant systems to support business	Percentage (%) of vacancy rate	12% vacancy rate as at 31 March 2017	6%	6%	No variance	N/A
Build Information Technology (IT) platform and systems that support and improve business	% implementation of ICT Master System Plan (MSP)	Draft MSP developed, but not finalised	100% implementation MSP	Not achieved	Not achieved	MSP was referred back to ICT Department for further consideration.

Linking performance with budgets

Objective	2017/18			2016/17		
	Budget R'000	Actual expenditure R'000	(Over)/under expenditure R'000	Budget R'000	Actual expenditure R'000	(Over)/under expenditure R'000
Develop, maintain and administer VCs and TRs	15 627	7 443	8 184	15 184	6 341	8 843
Maximise compliance with all VCs and TRs	253 423	231 558	21 865	231 339	209 606	21 733
Inform and educate stakeholders about the NRCS	8 7010	6 567	2 143	9 392	5 261	4 131
Ensure an optimally capacitated institution	74 071	59 161	14 910	69 000	60 818	8 182
Administration	51 396	41 668	9 728	49 532	44 335	5 197
Total	**403 227**	**346 397**	**55 830**	**374 447**	**326 361**	**48 086**

Business unit performance

Automotive

Overview

The Automotive Business Unit is responsible for the administration of Compulsory Specifications (VCs) for motor vehicles and identified motor vehicle replacement components. In terms of the National Road Traffic Act, No. 93 of 1996, the Department of Transport (DoT) has appointed the NRCS as the inspectorate of manufacturers, importers and builders (MIBs) of motor vehicles.

Our strategic partners include government departments (**the dti**, 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 (WP29), and all other parties affected by our regulatory activities, including consumers and their representative organisations.

Stakeholders include, but are not limited to:

- South African Revenue Service (SARS) in providing effective import control at all ports of entry;
- South African Police Service (SAPS) to assist where there is evidence/suspicion of illegal vehicles on the market or where illegal conversion of motor vehicles or use of MIB status takes place;
- United Nations Economic Commission for Europe, in the harmonisation of our national Compulsory Specifications with international standards, as required in terms of the World Trade Organization (WTO) Technical Barriers to Trade (TBT) Agreement; and
- SADC, to further the harmonisation of technical regulations in the region in support of the SADC Trade Protocol and, wherever possible, provide assistance to SADC member countries with the establishment of an infrastructure to implement and administer technical regulations.

The unit had a total staff complement of 43 employees as at the end of the reporting period. The positions of Manager Inspections and Candidate Inspector were vacant as at the end of the financial year, while that of the General Manager for the unit has been filled.

Overall performance

Approvals

In terms of the NRCS Act, the NRCS issues a Letter of Authority (LoA) which permits commodities or products to be sold or services to be rendered in South Africa. The unit processes pre-market approvals, which confirm that the vehicle model or vehicle component submitted by the applicant, importer or manufacturer of a regulated product has met the requirements of the relevant VC or TR.

The unit conducts homologation of vehicle models, as well as certain vehicle components, according to the relevant Compulsory Specifications. Products that are regulated and homologated for approval are:

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

Pre-market approvals

At the end of the 2016/17 reporting period, 1 641 approval applications were carried over to the current reporting period. An additional 5 552 approval applications were received in 2016/17, bringing the total to 7 193. Approval was given for 4 191 applications and 2 325 applications were cancelled. Of the approved applications, 96.40% (4 040 out of 4 191) were approved within 120 calendar days.

To minimise the high volumes of outstanding applications that are carried over to the next reporting period, a 30-day cancellation policy was implemented for outstanding applications where the applicant fails to provide corrective action. As a result, 677 applications were carried over to the next reporting period versus 1 641 in the previous period.

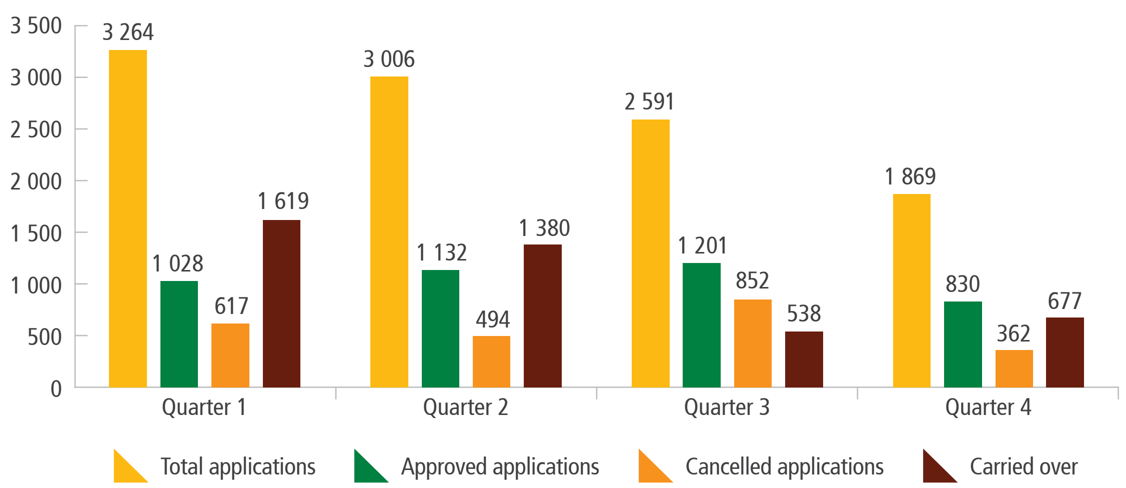


Figure 1: Automotive applications processing

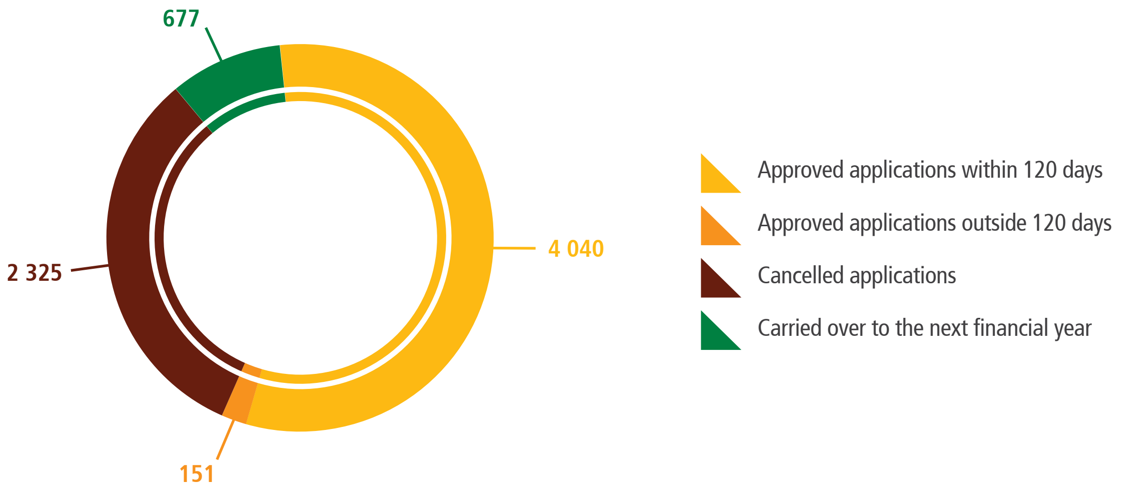


Figure 2: Overall approvals performance

Inspections

As the inspectorate of MIBs of motor vehicles, our automotive inspectors conduct inspections at the physical location of the MIBs to evaluate and recommend their registration to the provincial offices of DoT. Market surveillance inspections are conducted after approval is granted, to confirm continuity of compliance of regulated products. During the period under review, the NRCS implemented a risk-based approach to inspections, focusing on products entering South Africa through various ports of entry and the point of manufacture or premises of a builder. Original Equipment Manufacturer (OEM) group audits were conducted at targeted MIBs to provide in-depth assessment of compliance with all regulatory requirements, including levy declarations.

During the financial year, the unit conducted 4 398 inspections, comprising 3 274 source inspections, where source refers to the point of manufacture or port of entry and 1 124 retail inspections. The group inspections ensured that the unit yields a positive variance.

Sanctions

The unit's inspectors continued their mission to eradicate non-compliance in the market through targeted inspections. A total of 91 directives, served by the CEO in terms of section 15(1) of the NRCS Act, were handed to companies for non-compliant products (2016/17: 63 directives). The increase in the number of directives resulted from the decision to inspect targeted markets where coverage had been insufficient in previous reporting periods. The identified non-compliant products included, among others, automotive replacement lights, friction (brake) material, safety helmets for motorcyclists, child restraint systems (baby seats), towing devices and safety glass. The value of the directives issued was R14.4 million.

Quality management

The annual South African National Accreditation System (SANAS) assessment took place from 16–17 October 2017. Twelve (12) non-conformances were identified. All findings were attended to as per SANAS' requirements, and as a result the unit maintained its status as an Accredited Inspection Body.

Stakeholder engagement

The unit actively participated in the following stakeholder interactions:

- Working Party 29 Stakeholders Forum;
- DoT/NRCS Automotive Forum;
- DoT Vehicle Technical Committee and Abnormal Loads Committee;
- DoT Interprovincial Policies and Procedures Meeting;
- South African Revenue Services – Tyre Regulatory Forum;
- National Association of Automobile Manufacturers of South Africa/NRCS Automotive Forum;
- Retail Motor Industry Organisation;
- South African Bus Operators Association Technical Committee;
- South African Tyre Manufacturers Association;
- Tyre Importers Association of South Africa;
- Various South African Bureau of Standards (SABS) Standards Technical Committees;
- Mobility Centre Africa – Round table discussions;
- Eastern Cape Automotive Forum;
- The Competition Commission; and
- The National Consumer Commission.

Highlights

A task team comprising NRCS and DoT members was commissioned to review the Service Level Agreement between them and discuss any shortcomings in the current arrangements.

The unit consulted and met with the automotive industry to deal with alleged non-compliance regarding payment of levies on motor vehicles that are manufactured for export to other countries.

Measures were implemented to sensitise approval applicants to the NRCS's decision to cancel applications in cases where corrective action has not been received within 30 days of notification of non-compliances.

We identified and visited the premises of importers and manufacturers of tyres, where training was provided on the approvals process in order to reduce turnaround times. The training included the introduction of a soft copy application form for tyre homologation, which makes for easier integration in capturing approved tyres on the database.

Challenges

Online consumer trading has highlighted a huge platform from which some of the regulated imported products are sold without LoAs. Our technical specialist has been assigned to tackle such cases as they are received. The most dominant product group is child restraint systems (Baby seats). Reported cases are attended to at the source of the products, in accordance with NRCS procedures.

The lack of a reliable ICT system, to track applications on the LoA database that have outstanding corrective actions and are due for cancellation, remains a challenge. Currently a manual system is being used while the ICT modernisation project is finalised.

The delay in reviewing outdated Compulsory Specifications allows for products to comply with the approval process even though some of the safety-critical parts have not been confirmed to be safe. We are working closely with the Regulatory Research and Development (RR&D) Business Unit to review the identified Compulsory Specifications and align them with international best practice, while ensuring that South African conditions are also considered in the process.

Chemicals Materials and Mechanicals

Overview

The broad mandate of the NRCS is to promote public health and safety, the environment and fair trade. The Chemicals, Materials and Mechanicals (CMM) Business Unit is responsible and accountable for implementing and managing this mandate. Management is mindful of the fact that a balance between consumer protection, global trading and industry development is imperative in the implementation of this mandate.

Activities in the administration and maintenance of Compulsory Specifications involve pre-approval, market surveillance inspection, sampling and sanctioning. The unit's total staff complement of 27 currently regulates 15 Compulsory Specifications (VCs), covering a large number of products in the chemical, mechanical and material industries. Market surveillance is achieved through inspections at the retailer, manufacturer and ports of entry.

VCs dealt with by the unit cover the following industry sectors:

- Personal protective equipment (safety footwear and respiratory protective devices);
- Flotation devices and swimming aids;
- Firearms and associated products (firearms and shooting ranges);
- Flame-producing devices (paraffin stoves, heaters and cigarette lighters);
- Health-related products (microbiological safety cabinets and disinfectants);
- Construction materials (cement, safety glazing and treated timber); and
- Products that affect the environment (plastic carrier bags, etc.).

The unit also performs a regulatory function on behalf of the following government departments:

- The Department of Health (DoH) on the regulation of microbiological safety cabinets, disinfectants and detergent disinfectants;
- The Department of Labour (DoL) and the Department of Mineral Resources on the regulation of various types of personal protective equipment, such as respirators and breathing apparatus;
- The Department of Energy (DoE) on the regulation of paraffin stoves and heaters;
- The South African Police Service on the regulation of shooting ranges and firearms; and
- The Department of Environmental Affairs on the regulation of plastic bags and plastic carrier bags.

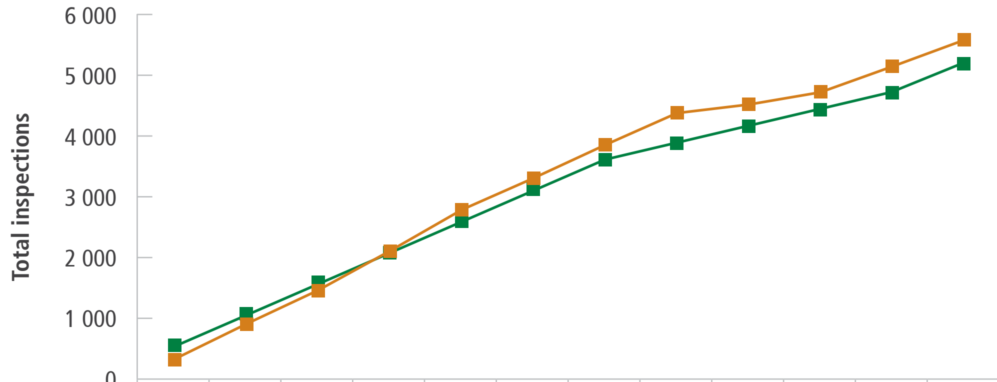
Overall performance

Market surveillance

The unit exceeded its annual performance inspections target, performing 5 583 surveillance inspections, against an annual target of 5 200. This represents a significant achievement, which was mostly due to the benefits of multiskilling of inspectors and limited projects with other government departments. This enabled inspectors to concentrate on inspections. Inspectors continue to receive diverse training in Compulsory Specifications in a bid to upskill employees and effectively utilise existing resources within the unit.

The revised planning strategy resulted in the unit meeting its quarterly targets. Quarter 2 realised an improved performance in comparison with the previous year. Where, historically, there has always been a decrease in performance across quarters 3 and 4 due to study and annual leave, there was a steady increase over these periods (see Figure 3). The focus also shifted, with inspectors adopting a more targeted approach to inspections: 197 out of scope inspections at ports of entry compared to last year's figure of 475.

The NRCS embarked on a special levy and company verification process. This resulted in the unit identifying non-compliant companies with regard to compulsory declarations and levy payments.



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Cumulative Target	520	1 040	1 560	2 080	2 600	3 120	3 600	3 888	4 160	4 432	4 720	5 200
Cumulative Inspections	325	904	1 459	2 107	2 785	3 307	3 855	4 380	4 521	4 723	5 147	5 583

Figure 3: Annual performance 2017/18

Approvals

The unit evaluated and issued pre-market approval certificates (Letters of Approval) for products that complied with the minimum requirements, as measured against the relevant Compulsory Specifications.

The unit achieved 69.62% of its set target for processing LoAs within the turnaround time of 120 calendar days (291 out of 418). This can be attributed to the number of safety footwear applications that have been received since 2014, when the Compulsory Specification was first implemented. During the period under review, 338 approval certificates were issued for various compliant commodities that are regulated by the unit. We are determined to minimise the backlog of safety footwear applications and a total of 64 applications were approved during the period.

A total of 513 applications, including 80 rejected applications and 10 cancellations were processed. Rejections were mainly due to failure by applicants to submit corrective actions within the stipulated period as well as incomplete application information. Cancellations were as a result of applicants withdrawing their applications.

Four existing LoAs were withdrawn during the period due to the approval holder contravening the conditions of the LoA.

A total of 70 shooting ranges were approved and one was closed due to unsafe conditions.

Sanctions

During the 2017/18 financial year, 69 Section 15.1 CEO directives were issued to manufacturers, importers and retailers of non-compliant goods for failure to comply with the safety requirements as detailed in the various Compulsory Specifications. Among these were failures to meet marking and performance requirements, as stipulated in the relevant compulsory specification. The performance results were obtained from samples drawn from the market and sent for testing by an International Laboratory Accreditation Co-operation (ILAC) accredited laboratory. Subsequent to inadequate corrective actions received, 74 of the Section 15.1 CEO directives resulted in Technical Committee (TC) directives to destroy these non-compliant commodities.

Table 1: Non-compliant goods identified

	Approximate quantity	Approximate rand value
Chemicals	49 692 litres	R993 853
Flame producing devices	1 129	R182 247
Plastic carrier bags	115 820	R1 844 469
Personal protective equipment	12 485	R4 873 019
Treated timber	5 874	R245 116

Non-compliances

The NRCS TC directed products for destruction and return to country of origin during the year under review. Non-compliant products motivated for destruction included swimming aids, safety footwear, plastic carrier bags, paraffin heaters and stoves, cigarette lighters, disinfectants and detergent disinfectants. Personal flotation devices were directed to be returned to the country of origin. The value of products directed by the TC to be destroyed was R2.3 million.

Stakeholder engagement

The unit was involved in 19 stakeholder engagements within the chemicals, mechanical and materials sector. The aim was to strengthen working relationships, ensure common understanding of the regulations within the sector and inform the various industries of changes in administrative requirements of the various Compulsory Specifications.

Table 2: Stakeholder meetings

Date	Name of Stakeholder	Nature of Engagement/Issues discussed
Q1	• Border Control Operational Co-ordinating Committee (BCOCC) • Department of Environmental Affairs (DEA)	• Border Enforcement • Performance
Q2	• BCOCC • South African Association of Freight Forwarders (SAAFF) x 2 • **the dti** • Stakeholder consultation	• Border Enforcement • Border Enforcement • Performance • Levy consultation for polymer film for damp-proofing and waterproofing in buildings (VC9106)
Q3	• SAAFF • **the dti** • Port of Entry Management Committee • DEA	• Border policing and container stops • Performance • Border Enforcement • Performance
Q4	• Transnet and government agencies • SAAFF x 3 • Association of Architectural Aluminium Manufacturers of South Africa • Stakeholder consultation • **the dti** • Footwear and leather task team	• Operational matters at City Deep • Border Policing and container stoppages • Proposed sector (scientific) study to assist 2019 review for safety glazing Compulsory Specification (VC9003) • Consultation on the proposed amendments for VC9085 (Compulsory Specification for cement) • Initiative meeting on sanitary towels • Safety shoe approval

Other stakeholders, who formed part of various campaigns, included the South African Police Service (SAPS) and the South African Revenue Service (SARS).

Highlights

In line with the unit's commitment to expedite the implementation of dormant Compulsory Specifications, training, approval inspections and joint inspections on both dormant and active Compulsory Specifications, were conducted across South Africa, resulting in successful operations.

The backlog in approval applications for safety shoes was processed, with 39 applications approved and 31 rejected. Group inspections were conducted and specifically one for Treated Timber in the Eastern Cape. The objective was to enforce compliance of timber treaters with the Compulsory Specification. Thirty-four (34) inspections were conducted, resulting in one Directive being served. It was however observed that most treatment plants in the Eastern Cape had Letters of Authority and the scope was expanded to other commodities regulated by the unit, such as shooting ranges and disinfectants.

A group inspection was conducted in Cape Town to eradicate non-compliant seasonal products from the marketplace. During summer, non-compliant swimming products increase due to market demand, especially in the coastal areas. A total of 41 inspections were conducted, resulting in 14 Section 15.1 CEO directives being served for products valued at approximately R24 000. A significant reduction in non-compliance was noticed which can be attributed to increased compliance by importers and/or the drought crisis in the Western Cape.

The NRCS was invited to attend a one-day trilateral operation with SAPS Public Order Police, SAPS Border Police and the local SAPS office in George, aimed at eradicating non-compliant products from various businesses in the Central Business District. Non-compliant products such as paraffin stoves and heaters, valued in excess of R20 000, were seized and sanctioned. Both CMM and the Electro-technical business units noticed a reduction in non-compliant products, which can be attributed to increased compliance by importers and/or the state of the economy, as the demand for certain products has declined.

Training

Inspectors attended a training session on the approval procedure for the Compulsory Specification on Safety Glazing. Training covered technical requirements, procedural aspects when manufacturing, and applying for a LoA. Inspectors will be exposed to further training at a manufacturing plant. As part of the unit's commitment to continuously develop inspectors, they attended training and successfully completed courses on ISO 17020 and ISO 9001, at the SABS Training Centre. Given the importance of risk and risk management, all management staff were compelled to attend training on Risk Management.

Challenges

The NRCS and the CMM Unit are facing an increased number of challenges, driven by the growing complexity of the revolutionary supply chain model affecting commerce across the world. This emerging mode of operation promises significant benefit to aspiring entrepreneurs but fails to take into account the compliance requirements of the NRCS. The supply chain now includes multiple distribution channels for a diverse range of products, with strong dependence on social media as a marketing and advertising platform. This e-commerce poses a challenge to the NRCS, as it is difficult to capacitate the organisation to effectively and decisively deal with it.

The unit complies with government's directive for cost containment and austerity measures, as issued by National Treasury, by cutting back on various budget line items including recruitment. This, however, impacts significantly on coverage, frequency of inspections performed and turnaround times in processing approval applications. Although the number of Compulsory Specifications for regulation increases annually, the unit continues to operate with limited capacity.

Operational challenges include transport and storage of non-compliant treated timber as well as obtaining the relevant material data safety sheets for confiscated chemicals in order to dispose of them in an environmentally safe manner. The manual reporting of inspections and manual processing of applications remains an opportunity for human error to manifest. The modernisation of technology will greatly improve the efficiency of the unit.

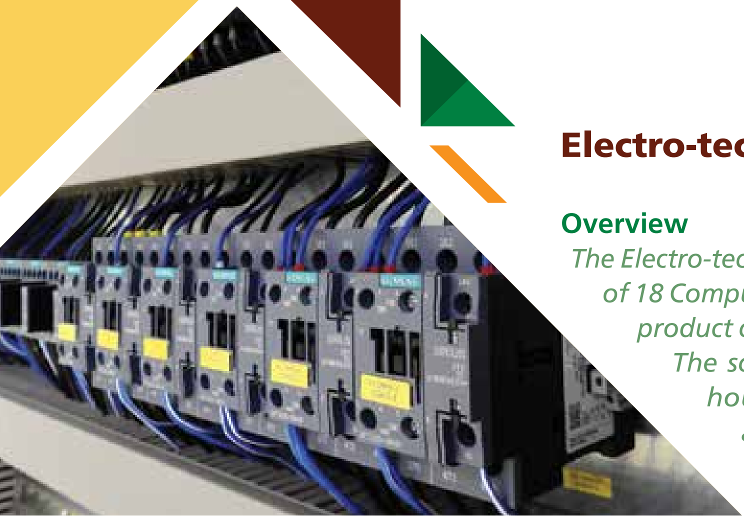
The concerted effort and commitment of our staff enabled us to exceed our annual inspection performance target. This performance was achieved through a flexible approach and involvement of the staff in planning inspections and multi-skilling across industries.

Conclusion

The CMM Business Unit performed well during the year under review, reflecting management's focus on balancing discipline and performance against agreed targets and statutory obligations. Exciting growth opportunities exist for the unit within the various industries it regulates, with new Compulsory Specifications being researched and developed.

Consistent with our commitment to adhere to good governance, the unit subjected itself to audits by the Auditor-General, Internal Audit and the South African National Accreditation System (SANAS). The internal audit review covered the period 1 April 2017–31 March 2018 and recommended that certain control measures be strengthened to provide assurance that objectives will be achieved. The internal auditor also acknowledged that certain weaknesses in internal controls that need to be corrected are beyond the scope of the unit.

The unit continuously strives to improve by periodically reviewing its standard operating procedures and policy manuals, and will continue to administer and maintain the mandate of the NRCS.



Electro-technical

Overview

The Electro-technical Business Unit (Electro-technical) regulates a total of 18 Compulsory Specifications (VCs), covering approximately 542 product categories in the electrical and electronic technologies. The scope mainly comprises imported products, including household appliances, power tools, ICT equipment, audio visual equipment and lighting; and electrical components such as plugs, adaptors and switches.

In addition, the unit undertakes regulatory work on behalf of government departments and organisations:

- Department of Labour (DoL) – aspects regarding the approval of components of fixed electrical installations;
- Department of Energy (DoE) – energy efficiency; and
- Independent Communications Authority of South Africa (ICASA) – aspects concerning the electro-magnetic compatibility and interference of certain electrical and electronic apparatus.

The advent of the Fourth Industrial Revolution, Industry 4.0, where manufacturing processes and product technologies are being transformed and optimised, has seen a paradigm shift towards the increased use of sensor technology and digitisation, resulting in the creation of multipurpose, integrated product offerings. Rapid technology and product life cycles, merging technologies, and products manufactured for global audiences that may not be suitable for the home market, are characteristic of the regulated market. Despite the increase in product complexity and administered Compulsory Specifications, the skill sets of regulatory staff are expected to keep abreast of this technological revolution.

The market surveillance and regulatory supervision strategy is centred on conducting premarket and post-market enforcement; i.e. approvals before the products enter the market, and market surveillance after the products enter the market. Market surveillance is based on risk-based approach principles, targeting the source of products, i.e. ports of entry, importers premises, and manufacturers, and retailers.

Overall performance

Inspections

During the period under review, Electro-technical conducted 5 424 inspections against a planned target of 4 440, exceeding the target by a margin of approximately 22.1%. Approximately 86% (4 651) of the inspections conducted were within the scope of electro-technical regulated products. A total of 330 Section 15.1 CEO directives were served, resulting in non-compliant products worth approximately R91.8 million being removed from the market, compared to R18.4 million in the previous financial period. The performance of the unit per regional office is summarised in Table 3.

A total of 138 samples were taken for testing, while 631 were kept as evidence, and 12 347 were surrendered for voluntary destruction.

Table 3: Electro-technical inspections per region

Region	Gauteng	Western Cape	Eastern Cape	KwaZulu-Natal	Total
Inspections	2 824	900	1 068	631	**5 423**
Section 15.1 CEO Directives	44	168	83	35	**330**
Rand value (Million) of non-compliant products	R21.5	R40.8	12.3	R17.2	**R91.8**

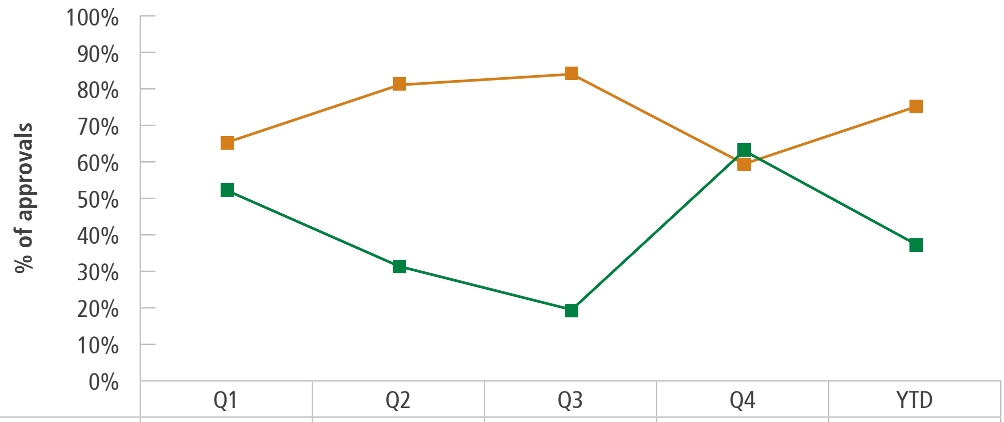
The non-compliant products included Compact Fluorescent Lamps (CFLs), switches, adaptors, air conditioners, electric ovens, speakers, incandescent lamps, washing machines, hair dryers, and fans. Comparisons between the financial period under review and the previous financial period show an improvement in all three variables; i.e. the number of inspections, rand value of non-compliant products removed from the market, and the number of directives issued.

Approvals

Although there was a decrease in the number of approvals issued, with 9 350 approvals in the period under review compared to 12 122 in the previous financial period, turnaround times improved from 37% (4 451) to 74% (6 915) issued within 120 calendar days. Energy efficiency LoAs accounted for 1 129 (~12%) of the total approvals. The decrease in the number of approvals is attributable to reduced capacity – whereas in 2016/17 market surveillance inspectors were pooled to assist with evaluations; in the period under review they did not participate in the interventions. The additional capacity of six new candidate inspectors, who started at the beginning of the financial period, was available for only 50% of the time since they were still in training.

A total of 13 095 applications were received in the 2017/18 financial year, an increase of approximately 3% compared to 12 701 in the previous period. However, there was a decrease of approximately 5.8% in the total workload for the period under review to 16 050 (having carried over 2 955 applications from the 2016/17 year), compared to the 2016/17 workload of 16 988 (having carried over 4 285 applications from the 2015/16 year).

There was an improvement in the turnaround times, with approximately 74% of the applications in 2017/18 approved within 120 calendar days compared to approximately 37% in the 2016/17 period.



	Q1	Q2	Q3	Q4	YTD
2016/17 period	52%	31%	19%	63%	37%
2017/18 period	65%	81%	84%	59%	74%

Figure 4: Approval turnaround times

Stakeholder engagements

Stakeholder engagement, to communicate, inform, and educate stakeholders, is key to the successful implementation of compliance-oriented regulations and the risk-based approach, in order to encourage voluntary compliance. During the 2017/18 period, representatives from the unit were involved in engagements with local and international stakeholders, including government departments, industry associations, regulated entities, and test laboratories.

The main stakeholder engagements are summarised in Tables 4 and 5, below.

Table 4: Main local engagements

Name of organisation	Nature of engagement	Issues discussed/outcome
SAAFF	Meetings	Periodic discussions to minimise port of entry bottlenecks.
South African National Energy Development Institute (SANEDI)/United Nations Development Programme (UNDP)	Meetings Workshop	Discussions to conceptualise a new energy efficiency database project for system-based registration/approvals of products, benchmarking with Australia. This is a Global Environment Facility (GEF) funded project.
UNDP/**the dti**/DoE/SABS/Eskom/SANAS Project Steering Committee (PSC)	Workshops Meetings	Quarterly Energy Efficiency Standards and Labelling Project meetings of the PSC. Workshop with executives from agencies to discuss the benchmarking report from consultants. Each agency was then tasked with submitting a plan of action to mitigate the findings. PSC toured SABS Test Laboratories for energy efficiency. GEF funded project.
Japan External Trade Organization (JETRO)	Meeting	Discussion on NRCS requirements for electronic/electro-technical products for Japanese Manufacturers.
International Energy Agency (IEA)/DoE/SANEDI	Meeting	Discussions with the IEA on energy efficiency best practice and collaborative approaches.
Energy efficiency stakeholders	Regional Workshops	Conducted workshops across the regions, attended by approximately 200 stakeholders, to inform, communicate, and educate them about energy efficiency regulations. Stakeholders included manufacturers, importers, major retailers, consultants, academics, and other government agencies.
Retailer Industry	Regional Workshops	Conducted workshops across the country, attended by approximately 250 representatives from the various retailers. The objective was to communicate, inform, and educate retailers about energy efficiency benefits and regulations, with a special focus on the responsibilities of retailers in the programme. Participants included supply chain practitioners, store managers, sales staff, and compliance staff.
Geyser Industry	Meeting	Engagement with local geyser manufacturer on readiness and levies for VC 9008. Constraints in testing still existed.
Government Communication and Information System (GCIS)	Meeting	Meeting with DoE and UNDP to discuss energy efficiency communications campaign.

Table 5: International and regional engagements

Name of organisation	Nature of engagement (Place)	Issues discussed/outcome
SADC TBT	Meeting Workshop (South Africa)	33rd meeting of SADC states and stakeholders conference on technical barriers to trade hosted by South Africa. Resolutions to share information amongst bloc members
IEA/International Partnership for Energy Efficiency Co-operation (IPEEC)/European Union (EU)	Workshop Meetings (France and Belgium)	Accompanied by DoE/UNDP representatives, participated in an international conference on latest developments in energy and resource efficiency research, regulatory systems, and testing. Specific collaborative engagements held with the IEA and the IPEEC and EU Commission
IEA	Meeting (South Africa)	Follow-up discussions with IEA on energy efficiency best practice and collaborative approaches. In attendance was DoE and SANEDI.
China Certification and Inspection Group	Meeting (South Africa)	Engagement with an independent inspection and certification body from China on collaboration in regulated products.

Highlights

Energy efficiency

- The unit conducted an energy efficiency baseline market surveillance on energy labelling, inspecting 1 343 products across the country. Although the compliance rate was low (~16%), the results formed a baseline that was used to engage the industry during the regional workshops. The baseline will be used in future to gauge compliance trends in the industry.
- Staff participated in energy efficiency training, funded by GEF, and administered by a GEF-funded consultant.

Factory visits

Staff participated in training visits and tours of factories and installations. These included the Defy plants in Ladysmith and Durban, Hisense facility in Cape Town, and candidate inspector visits to Eskom and Electrolux.

Joint operations with other government agencies

The unit participated in several joint operational compliance interventions with other government entities, including:

- Operations led by SAPS in George;
- Operation led by SAPS Crime Intelligence in Colesberg and De Aar;
- Inter-governmental operations at the Port of Coega; and
- Operations with SAPS and SARS in Port Elizabeth.

Maintenance of SANAS accreditation

In October 2017, Electro-technical was audited by SANAS and successfully maintained its accreditation, achieving a clean audit with no findings.

Challenges

LoAs remained an agenda item of the Portfolio Committee on Trade and Industry, which resulted in a working visit to the NRCS in January 2017. Although turnaround times improved in the period under review, the target turnaround times were not met for two major reasons:

- Although a risk-based approach was introduced which should largely alleviate the problem, it was not yet fully deployed due to the absence of an appropriate ICT system; and
- While the six new candidate inspectors contributed to a significant volume of the throughput (approximately 30%), their availability was limited to 50% of their time in order to fulfil their training requirements.

The unit experienced challenges with the storage of confiscated products, mainly due to bottlenecks in product destructions. The available storage facilities were full.

Conclusion

In the period under review, the unit exceeded its inspections target, conducting 5 423 inspections against a planned target of 4 400. The implementation of energy efficiency Compulsory Specifications intensified with the issuance of 1 129 energy efficiency LoAs and conducting a baseline survey on energy label compliance, amongst other activities. A total of 330 Section 15.1 CEO Directives were served, yielding approximately R91.8 million worth of non-compliant products.

Although the approvals throughput was less than in the previous financial period, the turnaround times improved from 37% to 74% of approvals within 120 calendar days. Because the six new candidate inspectors were available for only 50% of the time to evaluate approvals, there remained an imbalance between the workload in approvals and the available capacity to conduct the evaluations.

The unit continued to engage multi-sectoral forums and individual stakeholders, including government agencies and departments such as SARS, NCC, SABS, SANEDI and DoE, the regulated industry, and regional forums in SADC. In addition, representatives from the unit attended and presented at international workshops, where they shared the South African regulatory requirements.

SANAS accreditation was maintained, achieving an audit with no findings.

Foods and Associated Industries

Overview

The Food and Associated Industries (FAI) Business Unit protects consumers by regulating canned meat and canned fish products, frozen fish products, smoked snoek, aquacultured live abalone and live oysters, which are traded nationally and internationally.

This is achieved by:

- Inspecting processing plants 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 testing 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 the unit's 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;
- Issuing health guarantees for fish and fishery products that are exported. The NRCS is the competent authority for the issuing of health guarantees to various countries and trade groupings; and
- Co-operating with other food safety regulators, both nationally and internationally, and participating in food safety-related activities. The NRCS actively participates in both the local and international (through Codex Alimentarius) standards setting processes. At national level, it works in close co-operation with several other legislators in the food environment, including the Department of Health (DoH) and Department of Agriculture, Forestry and Fisheries (DAFF). The NRCS has entered into various technical co-operation agreements with countries trading fishery products with South Africa, which act as preventative measures to ensure that safe products, with the necessary health guarantees, are obtained from these countries.

Overall performance

For the 2017/18 financial year there were two performance targets in the annual business plan which applied to six product categories. The unit achieved its targets in all categories and a total of 29 519 inspections was conducted.

When compared to the average for the past four years, and taking into account the availability of natural resources, overall performance remained relatively steady with all performance targets achieved. The unit conducted 1 120 more inspections than in the previous financial year.

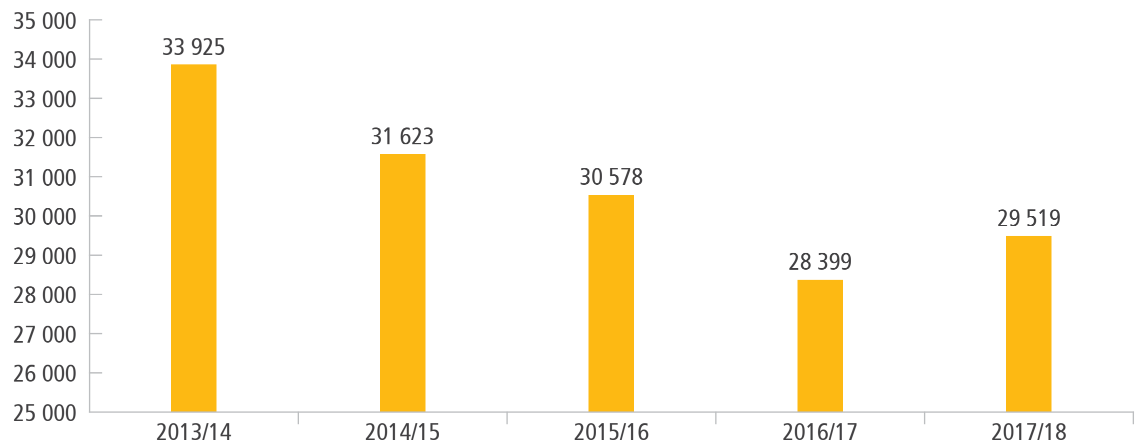


Figure 5: Comparative inspection trends

Regulatory and inspection methodologies rest firmly on the assessed risk profiles of the various food commodities. Therefore 100% of inspections were conducted on high risk products, such as canned and imported products from countries where there is no official inspection agreement. At the same time, low risk products were monitored with a predetermined surveillance inspection programme.

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

Internal audits were conducted to measure the unit's performance in terms of its documented quality management system. For the first time in its accreditation history, no findings were raised during the external audit, and the unit successfully maintained its SANAS accreditation.

Table 6: Five-year comparison per category

Description	2013/14	2014/15	2015/16	2016/17	2017/18
Imported products	13 124	8 569	7 524	6 938	7 793
Exported products	13 793	13 668	13 748	12 813	12 530
Local canned fish	2 358	2 842	3 193	2 774	2 493
Local canned meat	2 710	4 436	4 019	3 859	4 573
Local frozen fish	1 091	1 034	1 025	1 011	988
Facility inspection	849	1 074	1 069	1 004	1 142
Total	**33 925**	**31 623**	**30 578**	**28 399**	**29 519**

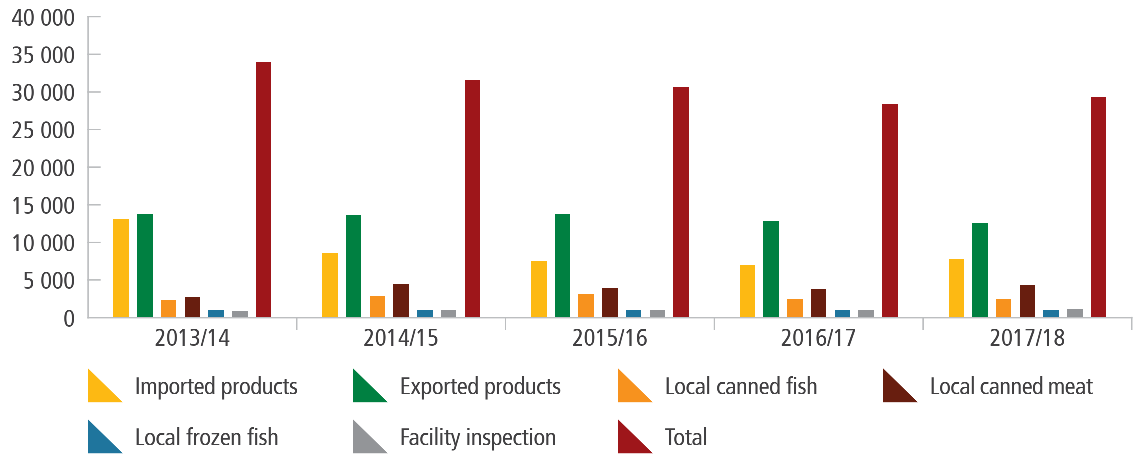


Figure 6: Five-year comparison per category

Inspections

The unit conducted 29 519 inspections on export, local and imported fishery and canned meat consignments and facilities. In comparison with 2016/17, there was an increase in imported products, local canned fish and facility inspections and a decrease in exported products, local canned fish and local frozen fish inspections.

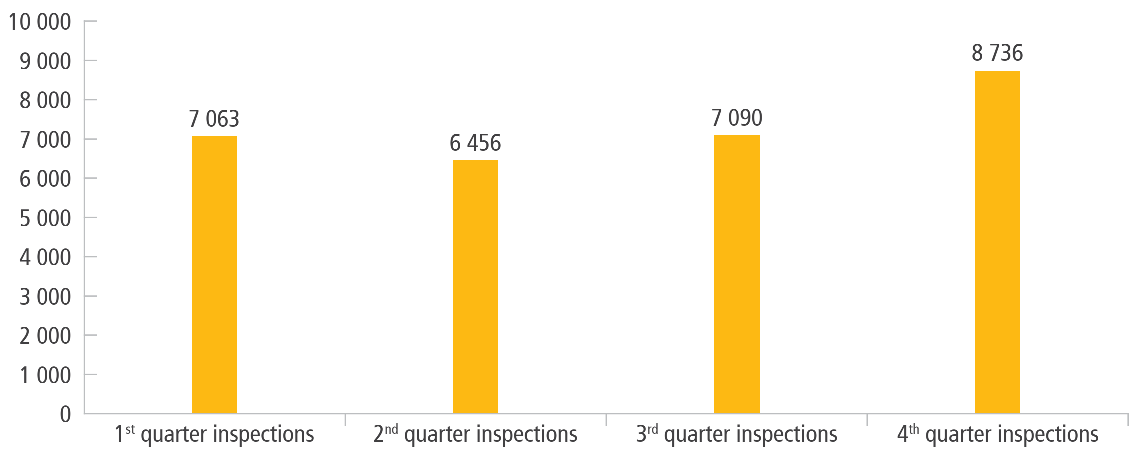


Figure 7: Inspections per quarter 2017/18

Health guarantees and compliance certificates

The NRCS is the competent authority for fish and fishery products in South Africa, and is acknowledged as such by the European Union and the People's Republic of China, among others. Health guarantees are certificates that are issued by competent authorities, such as the NRCS, for food products in compliance with international food laws (Codex Alimentarius) or the laws of the importing country. These health guarantees are issued for exported products, including chilled, frozen and canned fish; canned abalone; and live lobster, abalone and oysters. The unit conducted 12 546 inspections on product consignments exported to various countries, which, when compared with 2016/17, reflects a slight decrease in inspections.

For all fish and fishery products imported into the country, the unit issued compliance certificates only once compliance with Compulsory Specifications had been established and before products were released to the market place.

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, No. 54 of 1972; and relevant South African National Standards (SANS). 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 unit issued 59 non-compliance certificates for products found to be of substandard quality, and 81 for products that were found to be not for sale. In addition, 59 Section 15.1 CEO Directives were issued 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 R28.7 million.

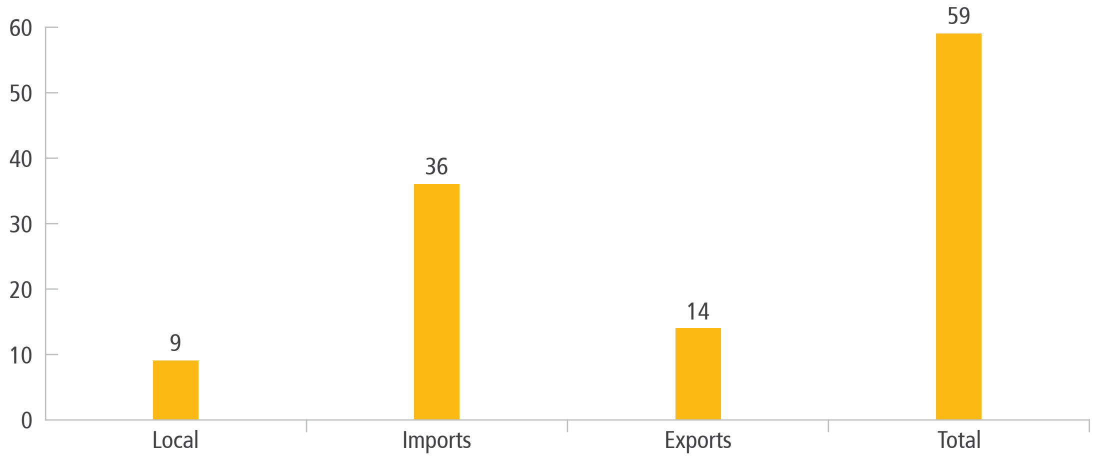


Figure 8: Section 15.1 CEO directives served in 2017/18

National and international liaison

As the 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 on Food Import and Export Inspection and Certification Systems (CCFICS).

In the year under review, the unit participated in a range of international food safety activities, including:

- **The CCFICS from 1–5 May 2017 in Mexico**
  During this meeting the NRCS, on behalf of South Africa, participated in discussions pertaining to principles and guidelines for the monitoring of the performance of National Food Control Systems, guidance on electronic certification and guidance on regulatory approaches to third party assurance schemes in food safety and fair practices in the food trade.
- **The Codex meeting on Food Hygiene from 13–17 November 2017 in the USA**
  During this meeting, NRCS actively participated in discussions pertaining to the review of the Code of Practice for Fish and Fishery Products (Histamine Guidance) and the revision of the General Principles of Food Hygiene and Hazard Analysis and Critical Control Points. During this meeting South Africa supported proposed new work on food allergen management and on guidance for the management of microbiological foodborne crises/outbreaks. This is of critical importance, given the recent *Listeria* epidemic, to strengthen attempts by government to prevent such disasters in the future.

- **The Codex Alimentarius Committee meeting for the Co-ordination of Africa from 16–20 January 2017**
  During this meeting the NRCS, on behalf of South Africa, participated in discussions pertaining to food safety and quality and the use of Codex Standards in South Africa. Discussions were also held regarding Small and Medium Enterprises (SMEs) and food trade opportunities to build regional markets using Codex Standards. These were summarised to raise the profile of Codex with SMEs and encourage the establishment of partnerships with SMEs.

  The relevance of attendance relates to the strengthening of the national food control system of South Africa. It also relates to the implementation of other important activities in 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, No. 54 of 1972, and the relevant Compulsory Specifications administered by the unit.

  The South African Delegation not only participated actively through its inputs, but was updated regarding global food regulatory matters and is able to give guidance on such matters in South Africa. Cognizance was taken of the economic, 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 Committee.

The NRCS entered into technical co-operation 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 unit, various joint management meetings and interactions were held with these and other countries during the year under review, including:

- The 10th Meeting of the Joint Management Committee of the NRCS, South Africa and the Department of Fisheries, Thailand on the Inspection and Certification of Fish and Fishery Products, held in Bangkok, Thailand on 5 March 2018. The purpose of the meeting was to discuss among others, co-operation, product certification and import control of fishery products into South Africa;
- The 5th Meeting of the Joint Management Committee of the NRCS, South Africa and the Institute for Fish Inspection of Mozambique on the Inspection and Certification of Fish and Fishery Products, held in Maputo on 21 February 2018;
- Talks with the Indian authorities via the Agricultural attaché and Embassy in an effort to secure a meeting to discuss the *Vibrio* contamination issue with the Export Inspection Council of India (EICI). Subsequently a Joint Management Meeting between the NRCS and the EICI took place from 1–2 June 2017 on *Vibrio* contamination and testing protocols of the microbiological laboratories;
- General meeting with a representative of the Belize Agricultural Health Authority, Food Safety Services on a potential technical co-operation agreement between the NRCS and the Belize Authority, in November 2017;
- Meeting with the Italian embassy in June 2017 to discuss Compulsory Specification requirements of canned fish;
- A meeting at DAFF with a delegation representing Evira, the Food Safety Authority of Finland, to obtain information regarding import controls and requirements for certain fishery products; and
- Training of inspectors and management from the Namibian Standards Institute (NSI), during July 2017.

Locally, the unit participated in and contributed to the following legislation and standards setting forums:

- SANS technical committees for various food standards;
- Several regulatory meetings with the DoH to discuss the Memorandum of Understanding (MoU) between the departments, the implementation of the residue programme and the shellfish monitoring sampling progress reports;
- Meetings of the National Codex Committee at the DoH;
- A meeting on 26 January 2018 with officials from DAFF, DoH, NICD and the NCC and various discussions were held that covered the planned meat industry workshop, the public health goals and the appropriate level of protection, as well as the establishment of microbiological performance and safety objectives for raw meat;
- A meeting of the Food Legislation Advisory Group, hosted by the DoH, where proposed food regulations and the processes leading to the implementation of these regulations in the interest of protecting consumers were discussed;
- Aquaculture Advisory Group Committee meeting, hosted by DAFF in Cape Town;

- Sanitary and Phytosanitary Technical Barriers to Trade Committee meetings, hosted by the DAFF;
- Inter-governmental Aquaculture Forums; and
- Inter-departmental Food Safety Co-ordinating Committee (established to co-ordinate food safety issues between food regulatory authorities) meeting.

Highlights

During the year under review, non-complying products with an estimated value of R28 666 867 were identified and either destroyed or returned to the country of origin. Despite the many challenges at hand, all performance targets for the financial year were met.

The unit completed a review of internal control processes, which will contribute to the closing of the AGSA qualification.

The unit not only established alignment with the Ocean Economy, but successfully facilitated the export of oysters to Mauritius, and is currently working on the process of exporting oysters and muscles to the EU. The unit retains its SANAS accreditation.

During the third quarter of 2017 the NRCS was requested to participate in an inter-departmental task group with the DoH, DAFF, **the dti**, the National Institute of Communicable Diseases and the Department of Environmental Affairs, to investigate and manage the Listeriosis outbreak in South Africa. Various task group meetings were attended and technical input was given where required.

The unit is an internationally accredited inspection body and complies fully with ISO 17020 criteria for inspection bodies. As the competent authority for the regulation of food products and processes, ongoing confirmation of the credibility of the division's processes is paramount. The unit was audited by SANAS and was recommended for continued accreditation. For the first time in the unit's accreditation history no findings were raised during the external audit.

Of the 12 546 export inspections where health guarantees were issued to various countries by the NRCS, only one instance of food poisoning from a product from South Africa was recorded and investigated by the unit.

Challenges

The extent and timing of local production and the importation of goods remain unpredictable, making operational planning extremely difficult. Operational activities and available resources need to be adjusted at short notice to accommodate sudden increases in imports or exports or fluctuations in local production. During the period under review the importation of canned fish through the Port of Durban decreased, while the importation of frozen fish through the Port of Cape Town increased, thus impacting on inspections. The cost savings strategy implemented at the NRCS due to the current economic environment also affected operations in the unit.

Conclusion

The FAI Business Unit contributed successfully to the NRCS objective of protecting consumers by effectively administrating the relevant Compulsory Specifications, and enhancing the trade of good quality food products nationally and internationally. The unit supported local industry by ensuring that only good quality and safe food products were exported, despite the fact that 2017/18 recorded the second highest volume of exports in a period of six years. All export consignments were accepted by international markets, with no notifications. In its effort to drive basic performance efficiencies, the unit constantly strives to keep abreast of new technology developments and benchmarks itself against other regulators, both nationally and internationally. The unit therefore continued to participate in national and international standards setting processes.

Multiskilling and ongoing training programmes are some of the tools that support the unit to effectively protect consumers.

Legal Metrology

Overview

The Legal Metrology Business Unit ensures that consumers receive the quantity of goods declared by an importer, manufacturer or retailer on a pre-package, or, where a measuring instrument is used to conclude a transaction, that it remains accurate within prescribed limits of error. In short, both industry and consumers are protected, promoting fair trade.

The Legal Metrology Act, No. 9 of 2014 (LMA) is administered by the NRCS and applies to all measurable products and services as well as any measuring instruments used and measurements made in trade, health, safety and the environment.

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

- Make recommendations to the Minister with regard to 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 has implemented short- and long-term strategies to ensure the effective implementation of the requirements of the LMA. Resources have been dedicated to the development of regulations, technical regulations as well as a long-term implementation plan to ensure that the requirements of the LMA can be enforced.

The NRCS executes its mandate of promoting fair trade 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;
- Undertaking 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 is no short measure;
- Taking action against those importers, manufacturers and retailers who supply short measure products or use inaccurate measuring instruments;
- Designating private verification laboratories to verify measuring instruments, used in terms of the LMA, on behalf of the National Regulator;
- 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 (such as SADC member states);

- Evaluating test reports of gaming hardware and software with a view to issuing letters of certification (LoCs) to participants in the gaming and gambling industry, as mandated by the National Gambling Act, No. 7 of 2004, as amended. This is a pre-market approval mechanism to evaluate whether gaming hardware and/or software is compliant with applicable standards and technical regulations; and
- Providing input on legal metrology into national, regional and international standards as required by SADC Co-operation in Legal Metrology (SADCMEL), the Intra-Africa Metrology System (AFRIMETS) and the International Organization of Legal Metrology (OIML).

The 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 verification standards; and
- SANS/ISO 17025 as a test laboratory for undertaking type evaluation tests.

Service delivery

The unit is responsible for the implementation of the LMA and aims to contribute to the orderly conduct of commerce; the protection of all participants in the marketing of goods and services; and the promotion of consumer confidence, by ensuring equity and correctness in all trade and other legal metrology dealings, where measurements are used as a basis for transactions.

Summary of progress against targets in the business plan

Please note that the figures in [ ] denote figures for 2016/17.

- Legal Metrology conducted a total of 6 041 [6 096] inspections during the period under review of which 80.7% [81.4%] were at source. This represents a positive variance of 252 (4.2%) [844 (13.8%)] on the target set for the year.
- During inspections 21 416 [21 564] samples were tested, with a non-compliance rate of 8.8% [15.5%], while 24 375 [17 021] instruments were inspected of which 12.2% [14.0%] were found to be non-compliant. Of the instruments inspected, 4 464 [4 367] were physically tested and 370 [219] verified.
- Products with a total market value of R38.1 billion [R1.109 billion] were tested; the total value of products tested at importers alone was R37.8 billion [R746.9 million]. The value of non-compliant products is estimated at R157.8 million [R116.05 million].
- In Type Approval 174 [213] new projects were registered, with 189 [212] closed during the year under review. Of these projects, 182 [210] were closed within the target of 120 days. Letters of conformity were issued to 115 of the completed projects.
- In Gambling 885 [1 075] applications were received, 952 [1 006] applications were completed of which 735 [505] projects were completed inside the target of 30 days.
- In total, 376 [383] verification officers wrote 676 theoretical examinations, of which 335 [243] failed, 85 [55] verification officers were practically evaluated and 74 [47] passed the practical examination.
- In the reporting period 87 [72] assessments were conducted on behalf of SANAS.
- A total of 9 849 [2 333] mass pieces, 427 [48] balances and 654 [181] volume measures were calibrated in accredited calibration laboratories countrywide.

Highlights

During the year, the following non-compliances were noted:

	2017/18	2016/17
Non-complaint pre-packed goods at local manufacturers	1 658	3 005
Non-compliant pre-packed goods at importers	229	346
Non-compliant instruments	2 983	2 375
Total monetary value of products tested	R38.1 billion	R1.109 billion
Value of products found non-compliant, which were removed or corrected	R157.8 million	R116.05 million

This is a substantial figure if one considers that our current market coverage is well below 20%.

Other highlights were as follows:

- The unit represented South Africa at the 10th General Assembly of AFRIMETS from 31 July to 1 Aug 2017. Meetings attended included:
  - AFRIMETS Technical Committee Legal;
  - AFRIMETS EXCOM;
  - AFRIMETS General Assembly (Open Session); and
  - AFRIMETS General Assembly (Closed Session).

  During these meetings, the unit represented in the capacities of Secretariat (AFRIMETS TC Legal), Vice-Chairman AFRIMETS, as well as the AFRIMETS member country.
- During market surveillance inspections, the Gauteng Regional Office found that a laboratory was verifying liquid fuel dispensers while not being accredited or designated by the NRCS. The representative of the laboratory was called in for further investigation and to establish under what authority verification activities were conducted. The matter was handed over to the assessment function within the Legal Metrology unit and is still under investigation.
- A market surveillance inspection at an importer based in Athlone, resulted in 45 280 x 500 g Gato pasta, found to be marked with the quantity mark known as the e-mark, while not being registered to use this mark. The products were prohibited from further sale until 24 April when it was released during a re-visit as the e-mark was covered with a sticker.
- The unit attended OIML Mutual Acceptance Arrangement meetings in Shanghai, China from 13–16 June 2018. The main topic under discussion was the introduction, administration and technical requirements of the new OIML Certification System for the issuing and utilising of Type Approval Certificates of Conformity by OIML member countries. The new system, introduced globally from 1 January 2018, replaces the current 'OIML Basic Certificate System' and the 'OIML MAA Certificate System'. During the meetings, South Africa was proposed and accepted as a member of the Management Committee as well as a member of the Review Committee for the administration of the new system.
- The NRCS reacted to a concern lodged in East London about non-compliant damp proofing sold at Homestuff and Hardware. On investigation, it was found that the damp-proofing did not meet the labelling requirements of SANS 289 and the actual quantities in terms of SANS 458 were short with regards the mass and thickness of the plastic sheets. The plastic sheets were prohibited from further sale.
- Legal Metrology mass and volume calibration laboratories were accredited by SANAS to provide a traceability link for reference standards used in the verification of measuring instruments used for prescribed purposes. To maintain this important accreditation, it has become necessary for all metrologists working in the calibration laboratory environment to prove competence, by obtaining a certificate to this effect from the National Laboratory Association (NLA) through their 'MetCert' certification programme. Ivor Adriaanse, a principal inspector in Cape Town, obtained his MetCert Certificate during the year following a lengthy and rigorous process of competence evaluation.

Challenges and proposals

Challenge(s)	Proposed solution
Legal Metrology Regulations taking long to be vetted by State law advisors, hampering the implementation of the expanded scope into Legal Metrology	Develop procedures to streamline implementation when regulations are published
Verification laboratories are unable to differentiate between the roles and responsibilities of SANAS and the NRCS	Increase communication with verification laboratories to inform about the NRCS role in terms of designation versus that of accreditation of SANAS. NRCS/SANAS MoU to be developed and implemented
Lack of capacity remains a challenge	Organisational review

Overall performance

The following figures provide specifics regarding the work of the unit in 2017/18.

Product inspections

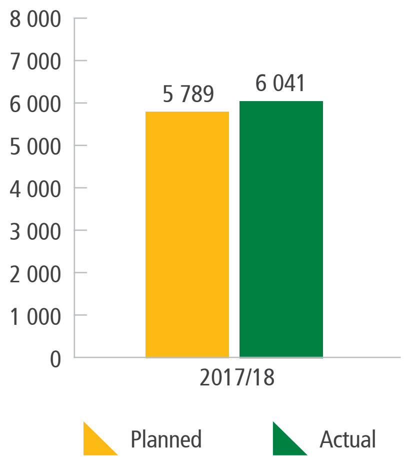


Figure 9: Inspection performance 2017/18

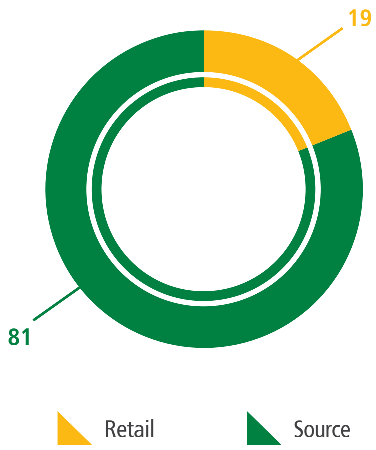


Figure 10: Inspections per the 80/20 principle

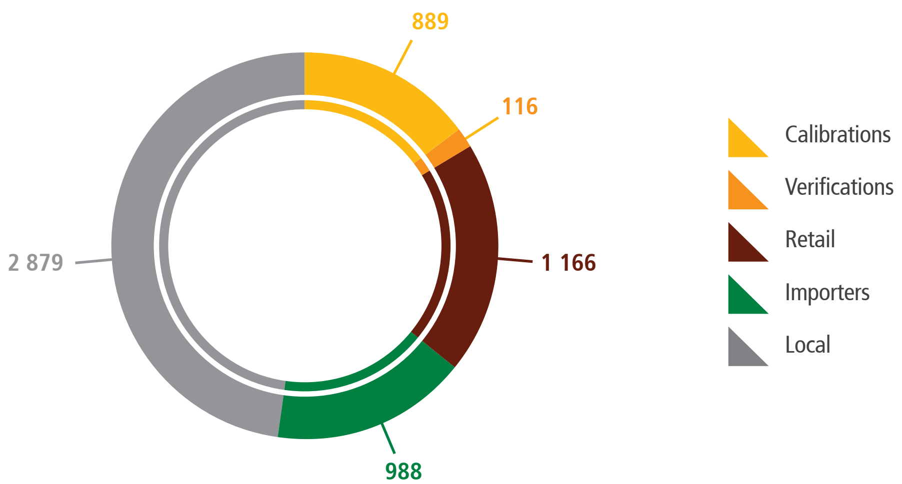


Figure 11: Inspection type

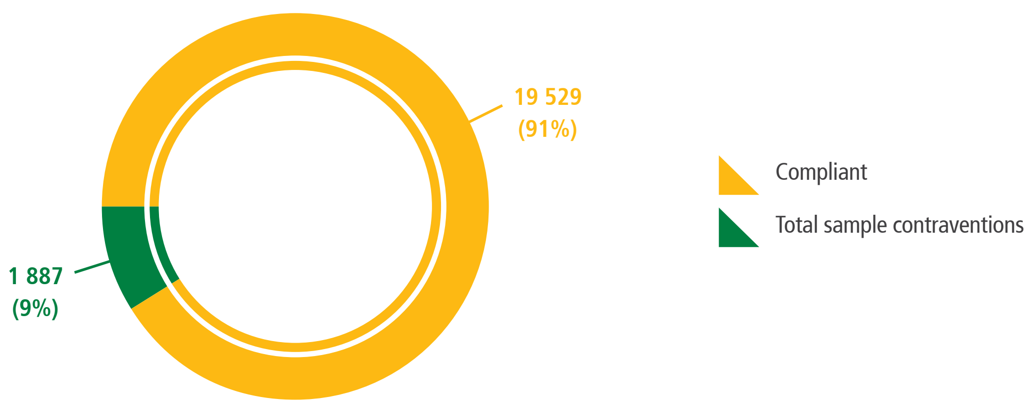


Figure 12: Goods inspected vs contraventions

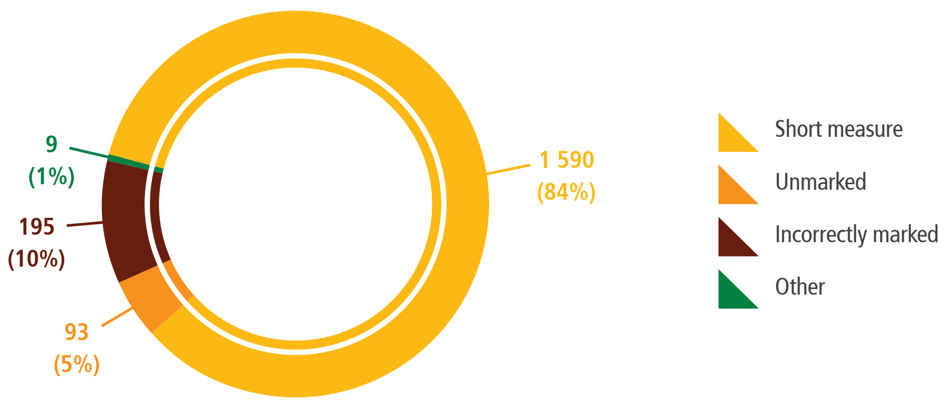


Figure 13: Contravention type

Market value of non-compliant products

Products with a total market value of R38.1 billion were tested; the total value of products tested at importers alone was R37.8 billion. The total value of non-compliant products was R157.8 million of which the following commodities were above R1 million.

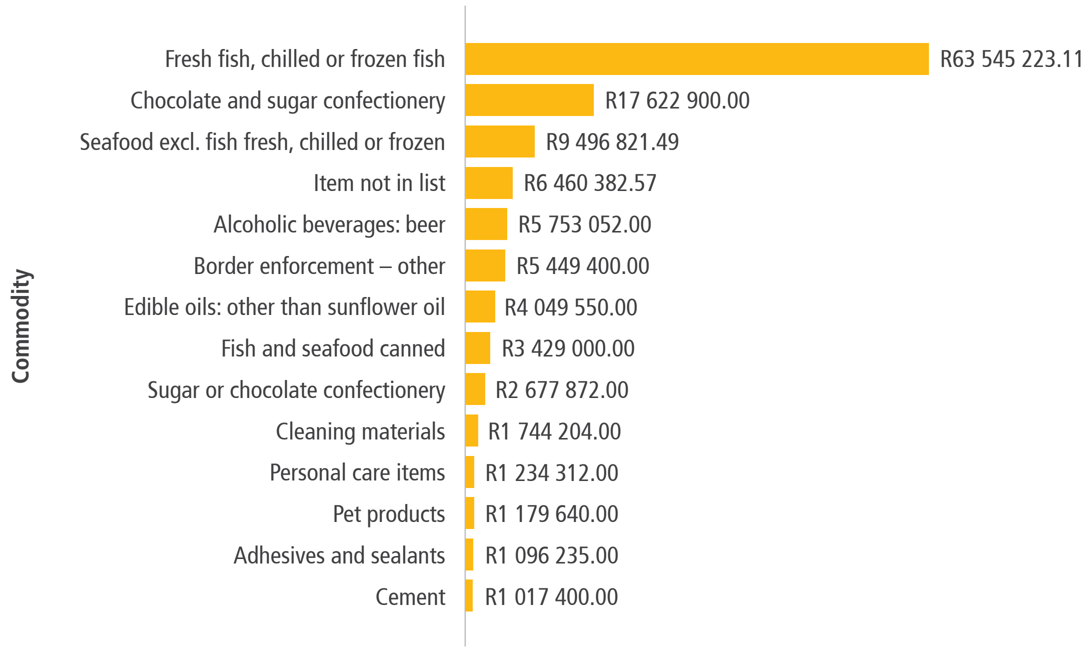


Figure 14: Market value of non-compliant products by type

Instrument inspections

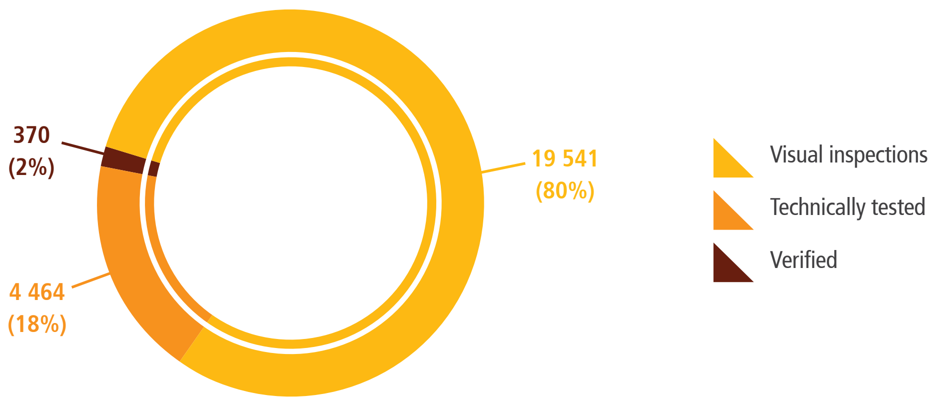


Figure 15: Instrument inspections

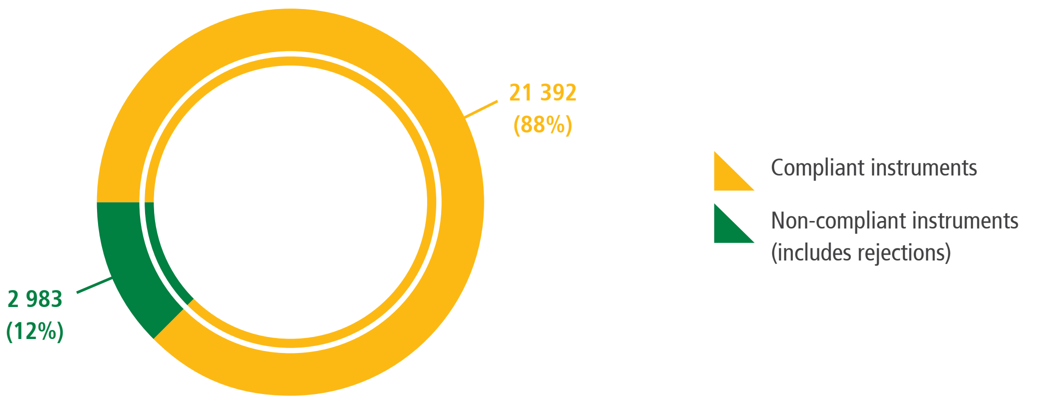


Figure 16: Instrument compliance

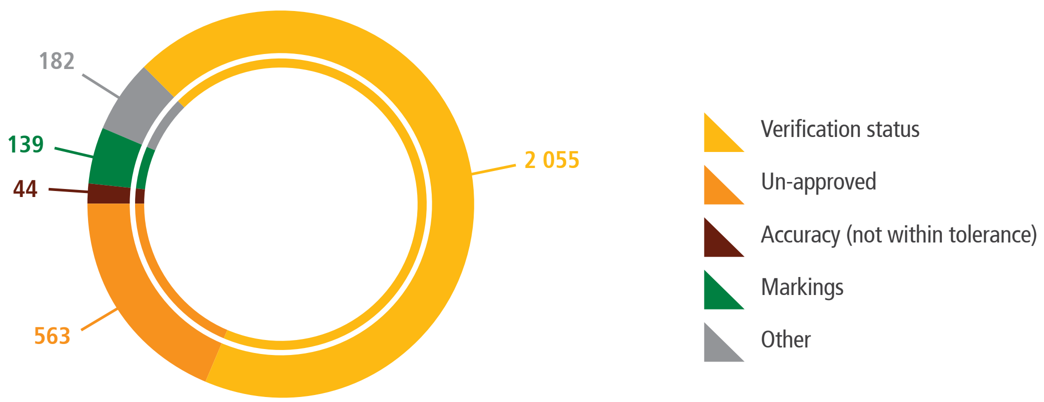


Figure 17: Instrument non-compliance types

Inspections per regional office

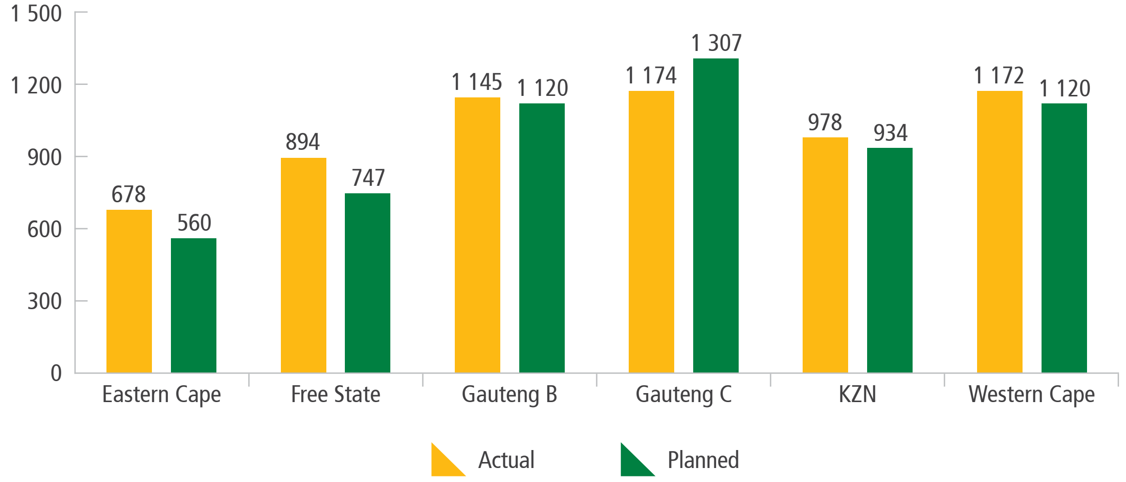


Figure 18: Inspections conducted per regional office of Legal Metrology

Sanctions implemented

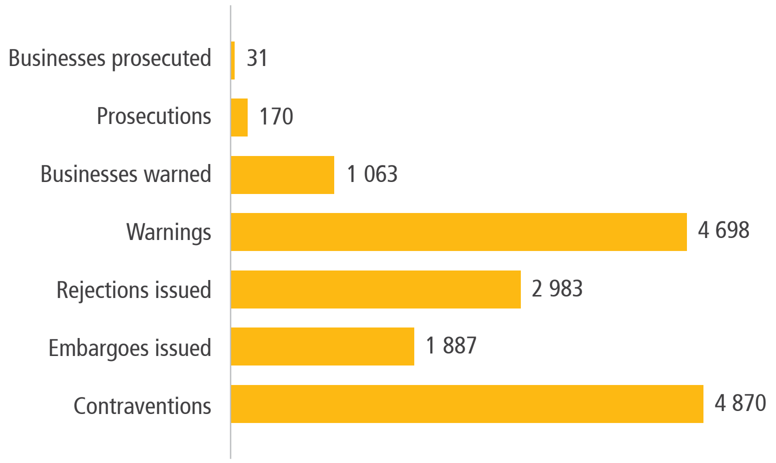


Figure 19: Sanctions by type

Calibrations

Our accredited calibration laboratories in Cape Town, Durban, Gauteng and Port Elizabeth carried out the following calibrations:

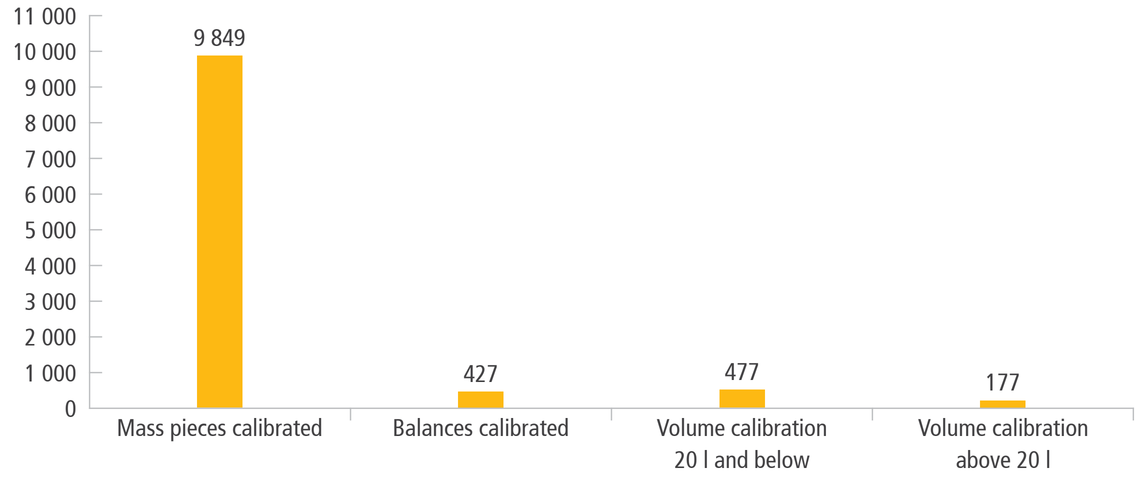


Figure 20: Calibrations by type

Type Approval

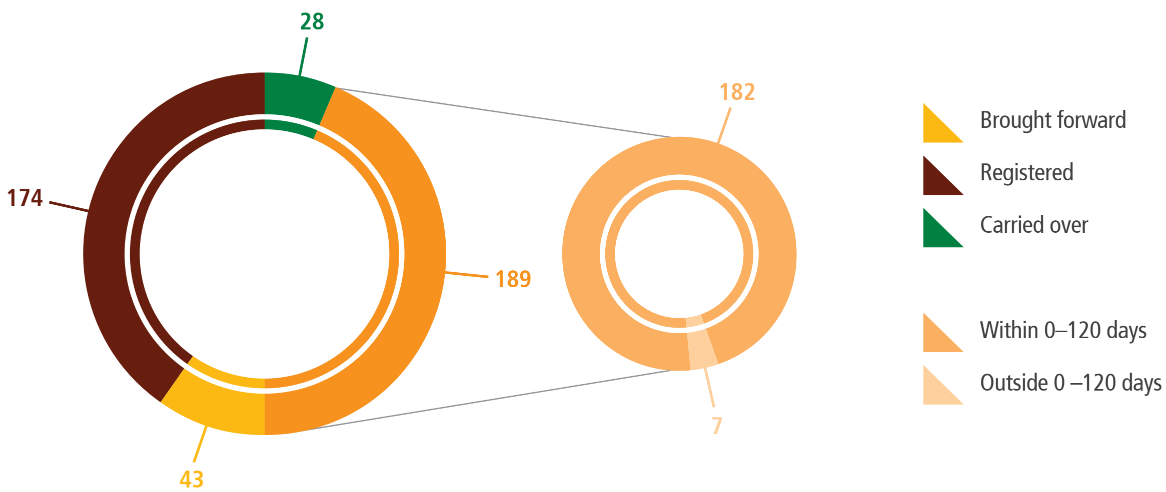


Figure 21: Type approval turnaround times

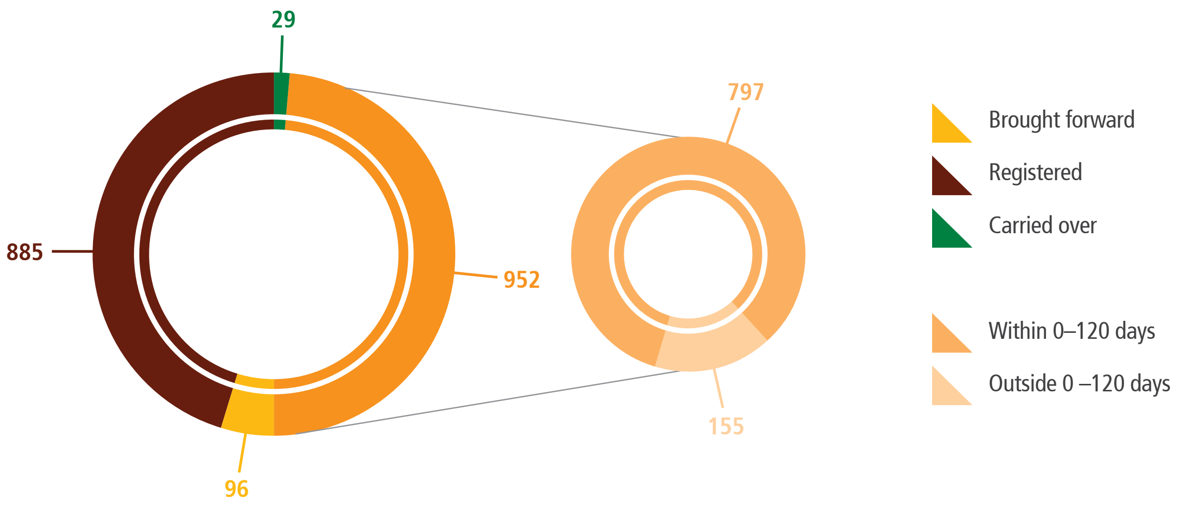


Figure 22: LoCs for gaming hardware and software

Laboratories assessed on behalf of SANAS

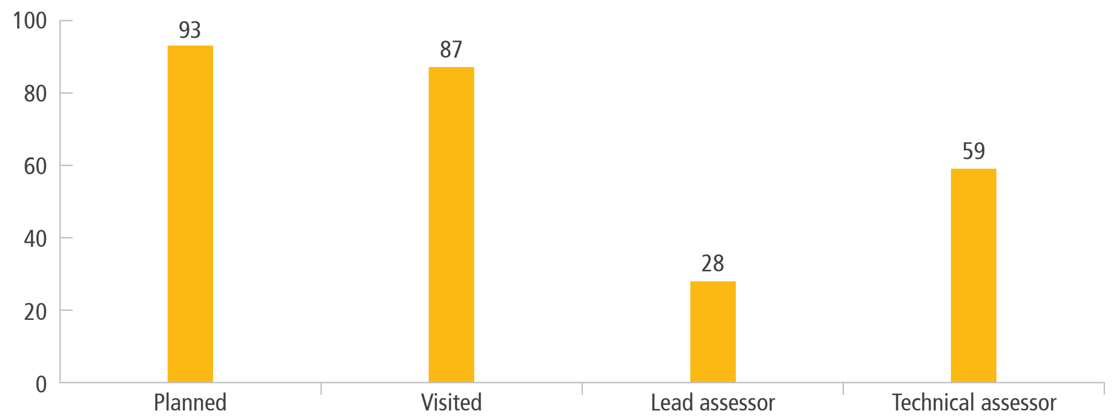


Figure 23: Assessments on behalf of SANAS

Training of verification officers

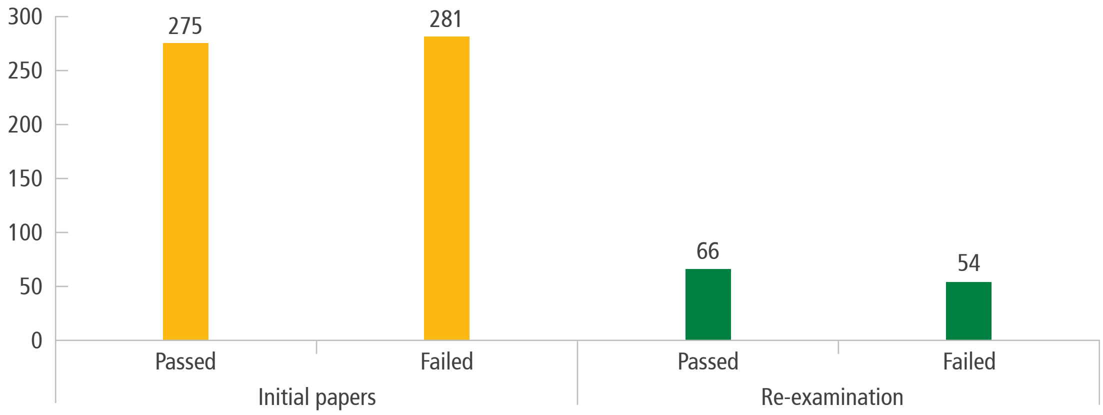


Figure 24: Theoretical training of verification officers

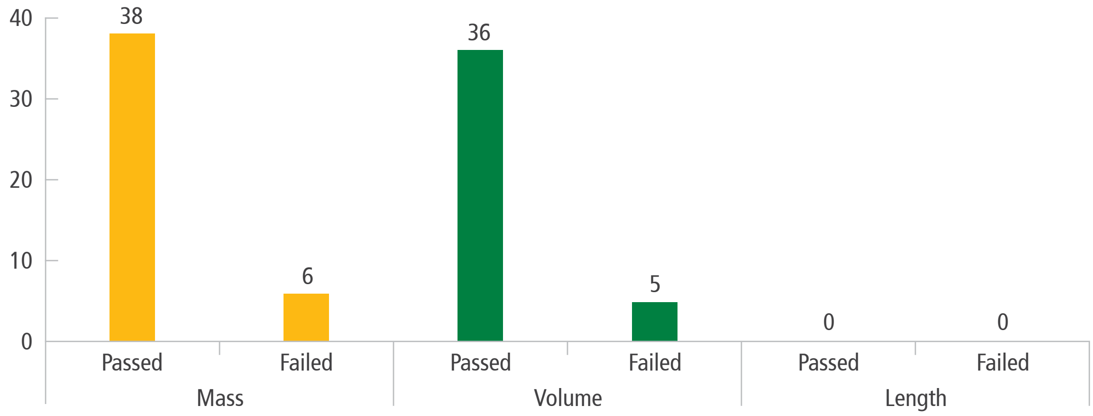


Figure 25: Practical evaluations of verification officers

Road test truck movements

The NRCS Test Truck was utilised to test weighbridges and transport cement for destruction in Gauteng, Mpumalanga, Limpopo, Free State, Eastern and Western Cape in the period under review.

Inspection data sheet

Office	Legal Metrology Year 2017/18	
Inspections	**Planned**	**Actual**
Source – Local		2 723
E-mark – Local		156
Source – Importer		849
E-mark – Importer		139
Source		3 867
Retail		1 166
Total inspections		5 033
Verifications		116
Verification laboratories visited		3
Calibrations		889
Total inspection, verification and verification laboratory interactions	**5 789**	**6 041**

	80/20 ratio	
	Inspections	**Time**
Source	80.7%	88.0%
Retail	19.3%	12.0%

	R	R
Value of non-compliant products	17.5 million	140.3 million
Value of inspected products	260.6 million	37.8 billion
Value of short measure products	5 million	90.3 million

Samples	R	R
Tested	21 416	
Compliant	19 529	
Non-compliant on actual mass measurements –Local	1 513	1 590
Non-compliant on actual mass measurements – Imports	77	
Non-compliant on marking requirements – Local	145	297
Non-compliant on marking requirements – Importers	152	
Total sample contraventions	1 887	8.8%
Sample contraventions	1 887	
Short measure – Local	1 513	1 590
Short measure – Imports	77	
Unmarked – Local	82	297
Unmarked – Imports	11	
Incorrect pack size – Local	60	
Incorrect pack size – Imports	135	
Other – Local	3	
Other – Imports	6	

Instruments	R	R
Visual inspections	19 541	
Technically tested	4 464	
Verified	370	
Total number of instruments inspected	24 375	
Compliant instruments	21 392	
Non-compliant instruments (includes rejections)	2 983	12.2%
Instrument contraventions	2 983	
Verification status	2 055	2 983
Un-approved	563	
Accuracy (not within tolerance)	44	
Markings	139	
Other	182	
Sanctions		
Contraventions	4 870	
Embargoes	1 887	4 870
Rejections issued	2 983	
Directives issued	-	
Businesses directed	-	
Warnings	4 698	4 868
Businesses warned	1 063	
Prosecutions	170	
Businesses prosecuted	31	
Calibration		10 930
Mass pieces calibrated	9 849	
Balances calibrated	427	
Volume calibration 20 ℓ and below	477	654
Volume calibration above 20 ℓ	177	

Regulatory Research and Development

Overview

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

The unit's role within the NRCS is to ensure continued effectiveness, efficiency and relevance of regulatory activities through the development of new and the amendment of 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.

The main output is VCs and TRs published by the Minister of Trade and Industry prescribing minimum requirements for products that are regulated by the NRCS. The unit 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 fair trade, based on accurate measurements under the Legal Metrology Act. The unit performs within the NRCS's strategic goal number one, which is primarily to develop and maintain VCs and TRs through at least the following activities:

- Identification of the need for new, or amendments to existing, VCs and TRs according to the latest international and national requirement;
- Conducting feasibility studies, risk assessment and impact assessment in the process of determining the minimum requirements in VCs and TRs;
- Collaboration with stakeholders to determine minimum requirements and associated conformity assessment activities in VCs and TRs;
- Regulatory research to benchmark the NRCS's regulatory practices with international best practice and to inform regulatory decisions that are included in VCs and TRs; and
- Support the Industrial Policy Action Plan (IPAP) of the Department of Trade and Industry (**the dti**) 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 and agro-processing.

Performance highlights

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

Eight VCs/TRs were targeted for approval by the CEO for submission for publication by **the dti**, five of which were met. This represents an achievement of 62.5% of the set target. Further consultation with stakeholders is required to complete the drafts of the three outstanding VCs before they are finalised for publication for public comment by **the dti**. The five Compulsory Specifications completed (i.e. approved by the CEO of the NRCS for submission) during the period under review, are as follows:

- The proposed regulations for import conditions for *fish, fishery products and canned meats*;
- The amendment of VC 8035, the Compulsory Specification for *circuit breakers;*
- The proposed amendment of VC 8019, the Compulsory Specification for *canned meat products*;
- The proposed amendment of VC 9098, the Compulsory Specification for *motor vehicles of category L*; and
- The proposed VC 9106, the Compulsory Specification for polymer film for *damp-proofing and waterproofing in buildings*.

The unit also contributes to IPAP Projects that support the realignment of technical infrastructure and 9-Point Plan Activities. The following projects were rolled out during the 2018/19 financial year:

IPAP projects/9-point Plan activity No.	Key actions/quarterly milestones	Progress to date
3. Revitalisation of Agriculture and Agro-Processing Value Chain	2017/18 Q1–Q4: Amend VC 8019, the Compulsory Specification for canned meat products	Target met. The draft amendment of the Compulsory Specification was submitted to **the dti** for gazetting for public comment.
6. Clothing, textiles, leather and footwear	2017/18 Q1–Q4: Develop a Compulsory Specification for laundry process management	Work in progress – the feasibility assessment has been completed. Completion of VC is awaiting the publication of SANS 10146, Laundry processes and management which is being split into two parts (SANS 10146-1, Laundry – Part 1 – Process Management and SANS 10146-2 Laundry – Part 2: Quality Management) by the relevant SABS TC 1042. The split aims to separate health, safety and performance requirements for Laundry from quality management systems. SANS 10146-2 is needed to provide for third party certification of Quality Management Systems in Laundry facilities.
10. Growing the Oceans Economy	2018/19 Q1–Q4: Conduct a feasibility study for developing a Compulsory Specification for dried abalone	The feasibility study recommending the development of a VC for dried abalone was approved by the Projects Approval Committee in Q3. The development of the VC will commence once the SANS is published. SANS 2329 for dried abalone is under development at the SABS, currently at Draft South African Standard stage.
	2017/18 Q1–Q4: Conduct a feasibility study for developing a Compulsory Specification for live and chilled fish	Target met. The feasibility study was approved by the Projects Approval Committee in February 2018. A meeting was also held with the DoH to obtain their concurrence on the regulatory mandate on 25 January 2018. The DoH undertook to provide a Ministerial letter to confirm their concurrence for the NRCS to develop Compulsory Specifications for live and chilled fish as well as for fish oil.
	2017/18 Q1–Q2: Proposed regulations for Import conditions for Fish & Fishery products and canned meats	Target met. The proposed Regulations were published in a Government Gazette for public comment on 20 September 2017 with a subsequent WTO TBT Notification for international comments. The NRCS will soon undertake the comments review process and then proceed to finalise the Regulations.
11. Resolving the Energy Challenge/supporting Green Industries	2017/18 Q1–Q3: Conduct a feasibility study for developing a Compulsory Specification for Light Emitting Diode (LED) lights	Feasibility completed in February 2017. The Compulsory Specification for LED lamps is now under development.
14. Consumer protection initiatives	2018/19 Q1–Q4: Conduct a feasibility study for ethanol gel for domestic cooking and other gel burning appliances	Feasibility study was completed in March 2017. The study recommends the development of a Compulsory Specification for cleancook stoves to regulate domestic cooking appliances that use alternative fuels such as liquefied petroleum gas (LPG), biogas, ethanol, solar power, etc. in order to promote access to healthier, safer and more efficient options for the public. The international standards for cleancook stoves are being developed by ISO/TC 285 – Cleancook stoves and clean cooking solutions. The NRCS is monitoring the ISO process and will request the adoption as SANS when the standards are published. The development of a VC will be considered when SANS is available in the near future.

In addition to the above the following were achieved.

Three final gazettes of Compulsory Specifications by **the dti**:

- The amendment of VC 8075, the Compulsory Specification for electric cables with extruded solid dielectric insulation for fixed installations (300/500 v to 1 900/3 300 v) electrical and electronic apparatus was published on 18 August 2017 and become effective six months after publication.
- The amendment of VC 8054, the Compulsory Specification for chemical disinfectants was published on 20 October 2017 and will become effective in October 2019.
- The amendment of VC 8103, the Compulsory Specification for hydraulic brake and clutch fluid was published on 2 March 2018 and will become effective six months after the date of publication.

Seven first gazettes/Notices for public comments were published by **the dti**:

- The amendment of VC 8055, the Compulsory Specification for electrical and electronic apparatus was published on 26 May 2017;
- VC 9106, the Compulsory Specification for aquacultured live and chilled raw bivalve molluscs was published on 6 October 2017;
- VC 9107, the Compulsory Specification for live and raw chilled bivalves (oysters, mussels) was published on 6 October 2017;
- The administrative regulatory requirements for imported fish and fishery products and canned meat products, regulated under the NRCS Act, were published on 20 October 2017;
- The amendment of VC 8014, the Compulsory Specification for canned fish, canned marine molluscs and canned crustaceans and products derived therefrom was published on 1 December 2017;
- The amendment of VC 8036, the Compulsory Specification for circuit breakers was published on 1 December 2017; and
- VC 9106, the proposed Compulsory Specification for polymer film for damp-proofing and waterproofing in buildings was published for comments on 2 March 2018.

Nine Compulsory Specifications still pending publication by **the dti**:

Six first gazettes for public comments:

- The amendment of VC 8035, the Compulsory Specification for circuit breakers;
- The proposed amendment of VC 8019, the Compulsory Specification for canned meat products;
- The proposed amendment of VC 9098, the Compulsory Specification for motor vehicles of category L;
- The proposed amendment of VC 9085, the Compulsory Specification for cement;
- VC 9103, the proposed Compulsory Specification for safety of low power generating sets (portable generators); and
- VC 8076, the Compulsory Specification for the safety of (cigarette) lighters.

Three final gazettes:

- The amendment of VC 8056, the Compulsory Specification for pneumatic tyres for passenger cars and trailers;
- The amendment of VC 8059, Compulsory Specification for pneumatic tyres for commercial vehicles and their trailers; and
- The proposed VC 9012, Compulsory Specification for electric luminaires.

The RR&D Project Approvals Committee reviewed and approved a number of project reports. Significant progress was made towards 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 the unit. 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 produced through these processes are approved by the Project Approvals Committee (PAC) of RR&D which is responsible for managing the progress and quality control of projects registered in the unit. PAC's main role is to appraise and approve technical reports produced during the projects and to make recommendations on actions needed to improve outcomes prior to submission to the NRCS's Forum of General Managers. During the 2017/18 financial year the PAC reviewed and approved the following submissions:

Periodic review reports:
- Periodic review of VC 9001, the Compulsory Specification for live aquacultured abalone;
- Periodic review of VC 9090, the Compulsory Specification for swimming aids; and
- Periodic review of VC 8032, the Compulsory Specification for personal floatation aids.

Feasibility reports for the development of eight new VCs and TRs:
- Proposed development of a VC for laundry processes and management;
- Proposed development of a TR for tyre pressure gauges for motor vehicles;
- Proposed development of a VC for part-worn tyres;
- Proposed development of a VC for dried abalone;
- Proposed development of a TR for in-motion weighing of road vehicles;
- Proposed development of a TR for automatic instruments for weighing road vehicles in motion and measuring axle loads;
- The development of a VC for live and raw chilled finfish; and
- The development of a TR for non-invasive mechanical and automated sphygmomanometers i.e. Blood pressure measuring equipment.

Nine project proposals were considered and approved by the Projects Approval Committee:
- Project proposal for the amendment VC 9085, cement;
- Project proposal for the amendment of VC for treatment of timber;
- Project proposal for VC 8036, for circuit-breakers;
- The amendment of VC 9098, motor vehicles of category L;
- The amendment VC 8019, the manufacture, production, processing and treatment of canned meat products;
- The amendment of VC8019, canned meat products;
- Project proposal for the amendment of VC 8048, replacement incandescent lamps for motor vehicles;
- Project proposal for the amendment of VC 8049, replacement headlights for motor vehicles; and
- Project proposal for the amendment of VC 8050, replacement secondary lights for motor vehicles.

Stakeholder engagement

In the financial year 2017/18, RR&D hosted 11 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 needed to attract greater participation by Small, Medium and Micro Enterprises (SMMEs). The unit also hosted or participated in 157 general liaison meetings with both internal and external stakeholders to discuss various aspects affecting VCs or TRs that are being developed or amended.

The unit focuses on stakeholder engagement through active engagement with industry and government. The focus is 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 establishes broad-based (multi-disciplinary/sectors) stakeholder groups representing common interests and 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 unit hosted or participated in inter-governmental meetings hosted by other departments such as **the dti**, DoT, DEA, DoH and DAFF. Staff members participated in several inter-governmental co-ordinating structures such as the Interdepartmental Task Team on Food Control, the Multi-sector Committee on Chemicals Management, and the Appliance Standards and the Labelling group of the DoE. The unit participated in meetings of Technical Committees of the South African Bureau of Standards (SABS) responsible for developing, adopting and maintaining South African National Standards (SANS) applicable to commodities that are regulated by the NRCS.

RR&D attended the Annual Summit of the Consumer Goods Council, held from 4–5 October 2017 at Vodaworld, with the theme 'Shared value creation, does it exist?'. The summit was a useful platform to focus on issues affecting industry in the current challenging economic environment and share ideas and solutions on how our businesses can survive and grow in this climate.

The unit attended and made a presentation at the 3rd Future Mobility Conference held in Cape Town on 13 February 2018. The event brought together government, industry and academia to collaborate in a drive to prepare South Africa to be a tech-savvy nation in the rapidly changing world of transportation, through effective management of mobility disruptive forces, using a conducive legislative and policy environment. The conference focused on addressing the legislative and policy framework required to support the deployment of new mobility solutions and the central role of government in achieving this objective was highlighted and emphasised.

Regional and international involvement

The unit participated in a number of regional and international engagements in an effort to enhance regional and international harmonisation of regulatory practices. During the period, efforts were made to foster strategic partnerships with other Regulators, policy makers and industries to ensure the relevance and maintenance of Compulsory Specifications. The unit participated in and contributed to these initiatives by either providing technical assistance in discussions/technical documents or attending meetings as national representatives.

The first event was the 39th Meeting of the International Organization for Standardization's Consumer Policy Committee (ISO COPOLCO) held in Kuala Lumpur, Malaysia from 15–18 May 2017. The NRCS is a Participating (P)-Member of the SABS Technical Committee (TC) 007 for Consumer Standards/Consumer Policy Committee, also known as COPOLCO. TC 007 is South Africa's mirror committee of the ISO COPOLCO, dealing with South African National Standards that affect consumer interests. COPOLCO is a strategic think tank to enhance constructive dialogue and collaboration on the emerging consumer needs, to enable standardisers and regulatory authorities to respond appropriately. Globally, Regulators are faced with emerging risks, some of which arise from, or are exacerbated by, the online-based trading of goods and services, which has disrupted traditional value chains. The meeting provided very useful insights, information and knowledge on issues affecting consumers of such products and services, and grappled with the challenge of anticipatory responses to address these emerging trends, using standardisation and regulation to protect vulnerable consumers.

The NRCS hosted the Swedish Board for Accreditation and Conformity Assessment (SWEDAC) training programme delegation on 17 January 2018, comprising African and Swedish members, and presented on the NRCS's regulatory model and the other South African Technical Infrastructure institutions.

The unit attended the African Regional Standards Organisation (ARSO) Technical Harmonization Committee (ARSO/THC 02) on Agriculture and Food Products meeting, which was held in Nairobi, Kenya from 27 February to 03 March 2018, to discuss harmonisation of food standards in the region towards facilitating intra-regional trade in fish and fishery products. The NRCS's Technical Specialist was appointed by the SABS Technical Committee to represent South Africa as a subject matter specialist in the Technical Committee.

RR&D also took part in the SADCTBTSC, held from 11–16 March 2018 in Johannesburg. The purpose of the meeting was to discuss the implementation of the TBT and Sanitary and Phytosanitary (SPS) Annexes to the SADC Protocol on Trade, in order to address issues of standards and technical regulations that could pose barriers to trade within the region. A workshop was held on 14 March 2018, to further discuss the new operating model and to solicit interest and support from the targeted stakeholders in accordance with the SADC TBT protocol.

Training

An individual development programme is developed for each staff member at the beginning of the financial year, and training is thereafter provided in conjunction with the Human Resources Unit.

Among courses attended, two staff members represented South Africa at the World Trade Organization's training for developing countries on SPS and TBT Agreements. Both courses were held in Geneva, Switzerland. The SPS Agreement training was held from 23 October to 10 November 2017. The course required the participant to develop action plans to address specific SPS implementation challenges and opportunities in their own countries, with the assistance of fellow participants, speakers and coaches. As part of this programme, the participant developed a robot profile for the South African Aquaculture Food Safety Value Chain Framework to enhance compliance with the provisions of the SPS Agreement. The advanced training on the TBT Agreement was held from 12–23 March 2018. The course covered aspects of the work of the WTO in general, the TBT Agreement and the work of the TBT Committee in particular. Participants were equipped with a deeper, comprehensive and practical understanding of the WTO TBT Agreement and other equally important protocols such as the SPS and the Trade Facilitation Agreements.

Challenges and opportunities

The unit is faced with several challenges affecting its performance, some of which are the following:

- Intra-governmental consultation processes to obtain concurrence on proposed regulatory interventions are lengthy due to lack of, or slow, response from them. When matters need to be cleared with them to avoid infringement on their scope of work or duplication of regulatory effort, this delays the process of making regulatory decisions.
- The unit's performance remains constrained by human resource capacity problems, notwithstanding the appointment of two new Technical Specialists. These appointees are undergoing training; therefore the unit's performance is only expected to improve in the next financial year. There is a persistent backlog on the review of VCs and TRs due to the ever-increasing workload and demand for new regulatory interventions.
- Delays in publication of several VCs submitted to **the dti**, due to objections by industry members with differing positions on regulatory or technical requirements. These objections significantly delay the progress of other projects and the performance of the unit because of the length of time it takes to resolve these issues. The unit is continuously engaging with **the dti** on these matters; however a clear guideline for dealing with objections should be developed to ensure that they are resolved in a legally sound manner.
- Poor participation by relevant stakeholders in some stakeholder consultation processes holds back the progress of some projects. As it currently stands, there is minimal or no participation by SMEs in consultation processes, despite the fact that this is the group most affected by the cost of regulation.
- The lack of technical competence and other resources to regulate complex and innovative products, and to develop evidence based regulations. Strong emphasis must be put on performance-based regulation frameworks that focus on the purpose of the technological innovation, rather than the traditional technical specifications. In order for the NRCS to remain relevant, the unit needs to respond to emerging regulatory concerns over public health, safety and environmental risks posed by complex and innovative products, disruptive technologies, e-commerce and energy efficiency. These new technologies are challenging existing social, economic, and legal norms, and are raising privacy and safety concerns for consumers.

Conclusion

In the coming financial year, the unit will focus on understanding the rapid and progressive growth of internet-based services that support the supply of products from counter to door. E-commerce poses serious challenges to Regulators because the traditional value chains that facilitated regulatory interventions are no longer in place. An anticipatory response is needed to address this emerging trend in the regulatory field and to ensure the continued relevance of regulation. To address these challenges, the NRCS needs to develop a Multi-Stakeholder Collaboration Strategy to help shape regulatory frameworks and ethical solutions for technology, trade and regulation.

Furthermore, the unit will conduct Regulatory Impact Assessments for all new and amended VCs and TRs to support the Socio-Economic Impact Assessments that will be conducted by **the dti**, in line with the Presidency's Policy. This will strengthen good regulatory practices and support evidence-based decision making for all VCs and TRs. Another focus area will be to unpack the impact of the Legal Metrology Act in order to understand the full scope of work and the required input to achieve the objectives of the Act.

Going forward, the research function needs to be enhanced to deal with the global regulatory environment that has evolved over the last few years in the advent of the fourth industrial revolution. A strong research function will assist the NRCS to respond and adapt to emerging regulatory challenges in a manner that will offer great benefits to the public and the environment, whilst assisting the industry to survive and thrive.

Communications and Marketing

Overview

The role of the Communications and Marketing Business Unit within the NRCS is to facilitate and co-ordinate 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 among its stakeholders. Solutions include internal and external communication, public relations, media liaison, marketing, branding and advertising.

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 Report

Consumer education

The unit continued to work with various stakeholders in an effort to market the Regulator and strengthen its brand. In the period under review, the unit conducted several consumer awareness programmes in partnership with other government departments and agencies as well various municipalities across the country. Nineteen consumer awareness programmes were conducted, exceeding the annual performance target for 2017/18. These programmes, conducted in the North West, Limpopo, Northern Cape, Western Cape, Gauteng and KwaZulu-Natal, played a key role in educating thousands of the most vulnerable community members about the dangers of using unsafe products.

Media liaison activities

Media Campaigns

The unit placed newspaper advertisements across the country during the levy consultation session, aimed at strengthening the profile of the Regulator. The unit also finalised the hosting of a community radio link-up programme, which will be aired in the new financial year.

Media statements and interviews

The unit communicates organisational messages and key activities through various media platforms. During the period under review, the unit compiled and issued six media releases on topical issues and regulatory activities of the NRCS. The media statements were aimed at popularising a variety of NRCS campaigns. It is through this platform that the unit is able to reach a wider audience and educate them about the mandate of the Regulator.

Publications

To enhance communication with both staff and the industry, the unit compiled and issued 12 internal newsletters on the intranet as well as four industry focused publications.

Marketing

The unit continuously used digital media platforms to market the organisation and create easy access to NRCS information. Regular updates of the website and Facebook page were undertaken. The unit also used platforms such as the Rand Easter show to market the organisation.

Stakeholder management

The unit facilitated numerous stakeholder engagements aimed at shaping perceptions and creating awareness of the NRCS, and assisted with information and consultation sessions with industry members on the proposed levy increase. Stakeholders included municipalities, government departments and NGOs, to name just a few.

Event management

Together with various stakeholders, the unit successfully staged events such as the Building Control Officers Conference in Cape Town.

Conclusion

Despite capacity issues, the unit achieved all its targets for the year. It 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, with the promulgation of the National Regulator for Compulsory Specifications Act, No. 5 of 2008 (NRCS Act). As a public entity, the NRCS is guided by the protocol on good corporate governance, as defined in the PFMA. In managing its activities, the organisation strives to achieve transparency, accountability, efficiency and the effective use of resources.

Executive Authority

The NRCS is an entity of **the dti**, and complied with its obligations in terms of its Shareholder Compact by submitting quarterly reports to **the dti**. These reports were approved by the Executive Authority.

Accounting Authority

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

Governance Committees

Audit and Risk Committee

The role of the Audit and Risk Committee is discussed on page 66.

Technical Committee

The Technical Committee was established to assist the Accounting Authority in fulfilling his corporate governance responsibilities relating to technical and related matters. In brief, the committee is responsible for:

- Considering and advising the CEO on proposed 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; and
- Addressing any issues as requested by the Executive Authority in the public interest.

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 control, focusing on financial and risk management and including relevant policies and procedures. Through this system, management identifies threats and activities that, should they arise, may negatively impact on the organisation's ability to achieve its objectives. It 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 control is effective, efficient and transparent. During the reporting period, the NRCS conducted a risk assessment exercise at 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 plays a significant role in identifying strategic areas of concern.

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. It 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 in total and is complemented by the co-sourced internal audit partner. The contract for the co-sourced internal audit partner has subsequently expired and the process of appointing a new service provider is under way.

Audit work done during the year

All the core business units were reviewed in terms of governance, risk and internal controls. The results of these reviews highlighted instances where some internal controls are partially adequate and therefore not effective in providing reasonable assurance that the objectives will be achieved.

Internal Audit followed up on the Auditor-General's audit findings. Particular attention was given to Information Technology audit findings, where results from the follow-up revealed inadequate controls within ICT that require urgent interventions. Security vulnerability assessments were also performed and revealed instances that are of concern and need to be addressed as a matter of urgency.

The Finance Business Unit was audited focussing on Supply Chain Management, Internal Financial Controls, Asset Management and Revenue. Deficiencies were noted in finance audits and action plans were provided by management to address the deficiencies going forward. The 2017/2018 Annual Financial Statements were also reviewed at a high level, and deficiencies were noted and reported.

Payroll was reviewed and deficiencies were noted and action plans provided by management to address the deficiencies. Performance Information validation was done and results reflected that controls are partially adequate.

During the year Internal Audit conducted preliminary investigations and issued reports. Among others, the Internal Audit Charter, strategy and methodology were reviewed to ensure continued alignment with new IIA standard were applicable.

Due to limited internal capacity, Internal Audit appointed a co-source internal audit service provider late in the year, which negatively impacted on its timing to provide reasonable assurance as required.

Fraud and corruption

The NRCS is committed to 'zero tolerance' with regards to fraud and corruption. A Fraud and Corruption Prevention Policy, and Whistle-Blowing Policy are in place and were reviewed during the period. The NRCS also has a Fraud Prevention Plan as part of its efforts to manage and reduce fraud and corruption. The policies and plan are aimed at promoting a culture of whistle-blowing. Complaints that were received from customers were directed to the Quality Management (QM) Unit for resolution.

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 from suppliers or regulated organisations. The Conflict of Interest Policy was reviewed during the financial year. Employees are required to declare their financial interests annually, at management meetings, and for each project that requires a decision of a financial nature. All gifts above the value of R350 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 conduct

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 the perusal of all NRCS employees, and guides employees on how to behave when interacting with stakeholders.

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 no serious injuries in the reporting period. The health clinic ensures that employees who have physical problems are assisted immediately. Wellness is supported onsite and by an external service provider.

Report of the Audit and Risk Committee

A competent and independent Audit and Risk Committee is vital to the achievement of the NRCS's strategic vision to be a credible and respected regulator for the protection of the public, the economy and the environment.

The Audit and Risk Committee confirms that it has complied with its responsibilities arising from section 38(1) (a) of the PFMA and Treasury Regulations 3.1.13. The Audit and Risk Committee also reports that it has an appropriate Audit and Risk Committee Charter (including terms of reference) which is regularly reviewed. It regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

The Committee is pleased to present its report for the financial year ended 31 March 2018.

Audit and Risk Committee Members and attendance

The Committee's terms of reference require that three (3) independent members, who have sufficient qualifications and experience, render the services associated with the Audit and Risk Committee function. During the year under review, four (4) Audit and Risk Committee meetings were held.

Invitees to committee meetings included EXCO Members, General Managers, the Risk Manager, internal and external auditors, as well as the Acting CIO, and any other managers when necessary.

Names, tenure period, and qualifications of the Audit and Risk Committee Members are as follows:

Name and surname	Qualifications	Tenure period (1)	Tenure period (2)	Number of meetings attended	Special meeting
Non-Executive Members					
Mr Sikkie Kajee **(Chairperson)**	Chartered Director (SA), MBA, CIA, FCIS and BCompt (Hons)	20 March 2013–29 February 2016	29 Feb 2016–29 March 2019	4/4	0/0
Mr Adam Cowell	CA(SA)	1 March 2013–29 February 2016	29 Feb 2016–29 March 2019	4/4	0/0
Ms Crystal Abdoll	CA(SA), CIA	27 June 2017–26 June 2020	N/A	3/4	0/0
Ms M Ramatla – Representative of **the dti**	BCom (Hons)	N/A	N/A	3/4	0/0
NRCS EXCO					
Mr Edward Mamadise **(CEO)**	LLM (Commercial Law), LLB	N/A	N/A	3/4	0/0
Ms R Abdool **(Chief Financial Officer)**	MBA	N/A	N/A	4/4	0/0

Audit and Risk Committee responsibility

The committee is pleased to report that it has complied with its responsibility arising from its terms of reference, including relevant legislative requirements. The committee formalised an annual work plan that assists in carrying out its responsibilities and monitoring progress. The committee and relevant stakeholders also completed an annual committee assessment to evaluate its efficiency and effectiveness.

For the financial year ended 31 March 2018, the Audit and Risk Committee reviewed:

- Quarterly Financial Statements;
- Unaudited Annual Financial Statements before submission to the AGSA;
- The appropriateness of accounting policies and procedure;
- The effectiveness of the system of Risk Management, including:
  - Compliance with relevant laws and regulations;
  - The system of IT Governance;
- The Annual Report and predetermined objectives prior to submission to the AGSA and final publication;
- The plans, work and reports of Internal Audit and the Auditor General, including separate meetings with the assurance providers; and
- The Internal Audit and Audit and Risk Committee Charters.

Review and evaluation of the Annual Financial Statements

The committee had the opportunity to review the draft Annual Financial Statements before the AGSA review and discussed them with management. The committee made the following comments:

- The accounting policies and practices applied are appropriate;
- We are satisfied that, based on accounting conventions, the financial statements reflect a well-run organisation;
- The financial statements were appropriately prepared.
- Management takes the comments by Internal Audit (IA) and the AGSA seriously and is committed to taking corrective actions on findings raised.

The Audit and Risk Committee reviewed and discussed the audited annual financial statements to be included in the annual report with the Auditor-General and the Accounting Officer; reviewed the Auditor-General's management report and management's responses thereto; reviewed changes in accounting policies and practices; and reviewed the NRCS's compliance with legal and regulatory provisions.

The Audit and Risk Committee concurs and accepts the Auditor-General's conclusions on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements should be accepted and read together with the report of the Auditor-General.

Efficiency and effectiveness of internal control

The systems of internal control are designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed.

The committee has considered the work performed by Internal Audit on a quarterly basis and IA tracking of outstanding audit findings on a quarterly basis.

In line with the PFMA, Internal Audit provides the Audit and Risk Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of an appropriate quarterly reporting process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

Resolving of internal control findings

The follow-up internal audit processes indicated that management is still in the process of instituting adequate corrective action to address control weaknesses identified and specifically with regard to audit qualification on revenue.

The committee noted that management has taken many actions to address the revenue qualification, including the gazetting of quarterly levy returns, obtaining import information from SARS and implementing a Client Relationship Management system. However, the committee expects the revenue qualification to recur, or at least receive comment as an emphasis of matter, because of the quantum of work which still needs to be done. This includes consultation with the industry, implementation of new systems and technology, review of processes, revision of the legislation and regulations, business process optimisation and industry consultation.

Internal Audit effectiveness

Internal Audit forms part of the third line of defence as set out in the Integrated Assurance Strategy of **the dti** and engages with the first and second lines of defence to facilitate the escalation of key control breakdowns. The Internal Audit function has a functional reporting line to the Audit and Risk Committee Chairperson and an operational reporting line to the Chief Executive Officer. The committee, with respect to its evaluation of the adequacy and effectiveness of internal controls, receives reports from Internal Audit on a quarterly basis, assesses the effectiveness of the Internal Audit function, and reviews and approves the Internal Audit Operational, Coverage and Three-Year Rolling plans. The Coverage and Three-Year Rolling plans were approved by the Audit and Risk Committee.

The Audit and Risk Committee is responsible for ensuring that the NRCS's Internal Audit function is independent and has the necessary resources, standing and authority within the NRCS to enable it to discharge its duties. The committee monitored and challenged, where appropriate, action taken by management with regard to adverse Internal Audit findings.

The committee has overseen a process by which Internal Audit has performed audits according to a risk-based audit plan, where the adequacy and effectiveness of the risk management, internal controls and governance process were evaluated. These evaluations were the main input considered by the committee in reporting on the effectiveness of internal controls. The committee is satisfied with the independence and effectiveness of the Internal Audit function. Towards the end of the 2017/18 financial year additional co-source resources were appointed to ensure the Internal Audit function is adequately resourced, specifically with regard to financial and IT audits.

Performance information

The performance information fairly reflects the operations and actual output against planned targets for performance indicators as per the Annual Performance Plan of the NRCS for the financial year ended 31 March 2018. However, there is a need for continued improvement in relation to LoA turnaround times, building the IT platform and systems that support and improve business, as well as speedy review and development of Technical Regulations.

The performance information has been reported on in accordance with the requirements of the guidelines on annual reports as issued by National Treasury. A system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of performance information.

The AGSA currently performs audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion on the performance information reported by the NRCS. The audit conclusion on the performance against predetermined objectives is included in a Report to Management, with material findings being reported under the 'Predetermined Objectives' heading in the Report on other Legal and Regulatory Requirements section of the AGSA's Report.

Risk management

The Audit and Risk Committee monitors and oversees the control of risk identification throughout the NRCS. In managing risks, the NRCS instituted a system of internal control, focusing on financial and risk management and including relevant policies and procedures. Through this system, management identifies threats and activities that, should they arise, may negatively impact on the organisation's ability to achieve its objectives. It 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 control is effective, efficient and transparent. During the reporting period, the NRCS conducted a 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.

Conclusion

The committee remains optimistic that progress will continue to be made by the NRCS in improving the areas outlined in this report. Management is committed to good governance and to achieving an unqualified audit opinion in the near future.

The Audit and Risk Committee noted some non-compliance with prescribed policies and procedures up to 31 March 2018. From observations, analyses and reports presented to the Audit and Risk Committee by management and assurance providers, including Internal Audit and the AGSA, as well as the Audit and Risk Committee's evaluation of the Risk Management process, the committee concludes that in some instances, the systems of internal control tested were found to be inadequate and ineffective. These require further improvement and we have received assurance that they are being addressed. The most urgent of these is the modernisation of IT Systems and the IT platform of the NRCS.

The committee wishes to express its appreciation to the management of the NRCS, the Auditor-General of South Africa and IA who assisted the committee in performing its functions effectively.

Mr SAH Kajee
Chairperson of the Audit and Risk Committee
20 August 2018

Part D HR Management

Introduction

The main objective of the Human Resources (HR) Business Unit is to ensure that the NRCS is capacitated with competent, effective and adequate human resources to ensure that the NRCS mandate is carried out efficiently and effectively.

Overview of HR matters

HR priorities for the year

The business unit's objectives for the year were as follows:

- To ensure that the organisation has the necessary capacity to deliver on its mandate by recruiting the right people for the right positions, at the right time in line with NRCS policies and relevant employment legislation;
- Develop a Workplace Skills Plan to ensure enforcement of the Skills Development Act within the organisation by ensuring that employees have the required skills and competencies;
- Promote sound employee relations; and
- Ensure integrated employee wellness programmes and occupational health and safety.

Workforce planning framework

The HR Plan was compiled and submitted to **the dti**, outlining the distribution of the workforce, recruitment targets and training to be provided within the NRCS.

Employee performance management framework

A new Performance Management Framework was introduced in the financial year under review to assist in ensuring that performance is monitored and measured accordingly. Workshops were conducted to get buy-in and ensure that employees understand the performance tool utilised. The framework was introduced to ensure that employee performance is aligned with the strategic goals of the organisation and also complies with the Annual Performance Plan.

Employee wellness programme

The employee wellness programme within NRCS is divided into two parts, one overseen by the HR Business Unit and the other part outsourced to 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 a monthly basis on different health conditions, work life balance and financial wellness. Consultations on wellness issues and medical/health conditions were conducted as required and referrals were made accordingly. Various group sessions were also provided to NRCS employees and Wellness Days were conducted in all the NRCS regions.

Policy development

The HR Business Unit embarked on a project to review NRCS HR policies in order to align them with the wage agreements signed and also with relevant legislation. The project is still in progress.

Achievement highlights and challenges faced

Wage agreements were concluded within the period under review and 80% of the content of agreement was implemented within agreed timelines. The remaining 20% was not finalised due to the need for further consultation with the trade union. This has affected progress in finalising the review of HR policies.

Future HR plans and goals

HR's future plans and goals are to:

- Automate and take ownership of the payroll system as it is currently manual and outsourced to an external service provider;
- Review and revise the NRCS fundamental roles, responsibilities, processes and accountabilities;
- Realign the NRCS's organisational policies, people, processes and technology to meet defined human resources demands;
- Optimise human resources business processes to ensure organisational efficiency; and
- Integrate the entire human resources value chain from human resources governance framework to service delivery.

HR oversight statistics

Human Resources Expenditure

Table 7 – Personnel costs by programme, 2017/18

Programme	Total expenditure (R'000)	Personnel expenditure (R'000)	Training expenditure (R'000)	Professional and special services (R'000)	Personnel cost as a percent of total expenditure	Average personnel cost per employee (R'000)
Develop, maintain and administer VCs and TRs	7 443	6 455	161	-	86.73%	807
Maximise compliance with all specifications and TRs	231 558	215 572	2 847	-	93.10%	921
Inform and educate our stakeholders about the NRCS	6 567	4 413	105	-	67.20%	630
Ensure an optimally capacitated institution	59 161	35 542	714	-	60.08%	740
Administration	41 668	18 280	399	-	43.87%	914
Total	**346 397**	**280 262**	**4 226**	-	**80.91%**	**884**

Table 8 – Personnel cost by salary band, 2017/18

Salary band	Personnel expenditure (R'000)	% of total personnel cost	Average personnel cost per employee (R'000)
Contractors	1 050	0.37%	75
Interns	145	0.05%	24
Lower level skilled	198	0.07%	198
Skilled	38 832	13.86%	637
Professionally qualified	176 532	63.00%	986
Senior management	60 270	21.50%	1 116
Top management	3 235	1.15%	1 618
Total	**280 262**	**100.00%**	**884**

Table 9 – Salary, overtime, home owners allowance and medical assistance by programme, 2017/18

Programme	Salaries		Overtime		Home owners allowance		Medical assistance	
	Amount (R'000)	Salaries as a % of personnel cost	Amount (R'000)	Overtime as a % of personnel cost	Amount (R'000)	HOA as a % of personnel cost	Amount (R'000)	Medical assistance as a % of personnel cost
Develop, maintain and administer VCs and TRs	4 888	75.72%	-	0.00%	76	1.18%	312	4.83%
Maximise compliance with all specifications and TRs	148 728	68.99%	1 408	0.65%	3 497	1.62%	8 623	4.00%
Inform and educate our stakeholders about the NRCS	3 159	71.58%	-	0.00%	95	2.15%	169	3.83%
Ensure an optimally capacitated institution	26 758	75.29%	369	1.04%	606	1.71%	1 476	4.15%
Administration	13 438	73.51%	-	0.00%	223	1.22%	615	3.36%
Total	**196 971**	**70.28%**	**1 777**	**0.63%**	**4 497**	**1.60%**	**11 195**	**3.99%**

Table 10 – Salary, overtime, home owners allowance and medical assistance by salary band, 2017/18

Salary band	Salaries		Overtime		Home owners allowance		Medical assistance	
	Amount (R'000)	Salaries as a % of personnel cost	Amount (R'000)	Overtime as a % of personnel cost	Amount (R'000)	HOA as a % of personnel cost	Amount (R'000)	Medical assistance as a % of personnel cost
Contractors	628	59.81%	-	0.00%	-	0.00%	-	0.00%
Interns	144	99.31%	1	0.69%	-	0.00%	-	0.00%
Lower level skilled	128	64.65%	-	0.00%	17	8.59%	31	15.66%
Skilled	27 209	70.07%	607	1.56%	1 068	2.75%	2 426	6.25%
Professionally qualified	119 646	67.78%	893	0.51%	2 922	1.66%	6 737	3.82%
Senior management	47 068	78.10%	276	0.46%	490	0.81%	1 992	3.31%
Top management	2 148	66.40%	-	0.00%	-	0.00%	9	0.28%
Total	**196 971**	**70.28%**	**1 777**	**0.63%**	**4 497**	**1.60%**	**11 195**	**3.99%**

Employment and vacancies

Table 11 – Employment and vacancies by programme, 31 March 2018

Programme (business unit)	Number of posts	Number of posts filled	Vacancy rate	Number of posts filled additional to the establishment
Automotive	44	43	2.2%	
Business support	3	3	0.0%	
CMM	33	28	15.1%	
Communications	6	6	0.0%	
Executive business	1	0	100.0%	
Electro-technical	47	47	0.0%	
Finance	27	27	0.0%	
Foods	49	46	6.1%	1 contract employee
HR	11	9	18.1%	
Internal audit	4	4	0.0%	
IT Services	8	6	25.0%	1 project manager on 12 month contract
Legal metrology	63	60	4.8%	
Legal Services	5	5	0.0%	
NBR	3	3	0.0%	
Records Facilities	3	3	0.0%	
RR&D	6	6	0.0%	
Regulatory management	2	2	0.0%	
Total	**315**	**297**	**5.7%**	

Table 12 – Employment and vacancies by salary band, 31 March 2018

Salary band	Number of posts	Number of posts filled	Vacancy rate	Number of posts filled additional to the establishment
Top management (P2-3)	3	2	33%	
Senior management and high-level specialists (P4-6)	63	54	16.6%	
Middle management superintendents and lower-level specialists (P7-9)	180	179	0.55%	
Supervisors and high-level skilled/clerical (P10-12)	68	61	11.6%	1 contract position
Lower-level skilled/clerical (P13-16)	1	1	0%	
Total	**315**	**297**	**5.7%**	

Table 13 – Employment and vacancies by critical occupation, 31 March 2018

Critical occupations	Number of posts	Number of posts filled	Vacancy rate	Number of posts filled additional to the establishment
CEO/CFO/COO	3	2	33%	-
Chief Information Officer	1	0	100%	-
Inspector	10	10	0%	-
Senior Inspector	12	12	0%	-
Principal Inspector	119	119	0%	-
Senior Technologist	2	2	0%	-
Technical Specialist	17	13	23.5%	-
Total	**164**	**158**	**3.7%**	**-**

Job evaluation

Table 14 – Job Evaluation, 1 April 2017 to 31 March 2018

Salary band	Number of posts	Number of jobs evaluated	% of posts evaluated by salary band	Posts upgraded		Posts downgraded	
				Number	% of posts evaluated	Number	% of posts evaluated
Top management (P2-3)	3	-	-	-	-	-	-
Senior management and high-level specialists (P4-6)	63	2	3.17%	1	50%	-	-
Middle management superintendents and lower-level specialists (P7-9)	180	5	2.77%	-	-	-	-
Supervisors and high-level skilled/clerical (P10-12)	68	-	-	-	-	-	-
Lower-level skilled/clerical (P13-16)	1	-	-	-	-	-	-
Total	**315**	**7**	**2.22%**	**1**	**0.3%**	**-**	**-**

Table 15 – Employees whose salary level exceeds the grade determined by job evaluation, 1 April 2017 to 31 March 2018

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
Admin Officer/Co-ordinator	21	P11	P10	Wage agreement 2015/2016
Asset Accountant	1	P10	P9	Wage agreement 2015/2016
Call Centre Operator	4	P12	P11	Wage agreement 2015/2016
Contract Specialist	1	P8	P7	Wage agreement 2015/2016
Credit Controller: Accounts Receivable	2	P10	P9	Wage agreement 2015/2016
Creditors Officer	3	P11	P10	Wage agreement 2015/2016
Evaluator	4	P10	P9	Wage agreement 2015/2016
Financial Officer: Accounts Receivable	6	P11	P10	Wage agreement 2015/2016
Health & Safety Officer	1	P8	P7	Wage agreement 2015/2016
HR Officer	4	P9	P8	Wage agreement 2015/2016
HRD Officer	1	P9	P8	Wage agreement 2015/2016
Internal Auditor	3	P8	P7	Wage agreement 2015/2016
IT Business App Officer	1	P9	P8	Wage agreement 2015/2016
IT Engineer	1	P8	P7	Wage agreement 2015/2016
IT Network Specialist	1	P7	P6	CCMA Settlement
IT Security Specialist	1	P7	P6	CCMA Settlement
IT Support Officer	2	P9	P8	Wage agreement 2015/2016
Laboratory Assistant	6	P13	P12	Wage agreement 2015/2016
Laboratory Assistant/Truck Driver	1	P13	P12	Wage agreement 2015/2016
Laboratory Metrologist	1	P11	P10	Wage agreement 2015/2016
Legal Admin Officer	1	P11	P10	Wage agreement 2015/2016
Legal Advisor	2	P7	P6	CCMA Settlement
Levy Auditor	1	P9	P8	Wage agreement 2015/2016
Manager: Fixed Assets & Recon	1	P8	P7	Wage agreement 2015/2016
Media & PR Specialist	1	P6	P8	CCMA Settlement
Messenger/Admin Officer	2	P13	P10	Wage agreement 2015/2016
Payroll Specialist	1	P8	P7	Wage agreement 2015/2016
Personal Assistant	7	P10	P9	Wage agreement 2016/2017
Purchasing/Procurement Officer	3	P10	P9	Wage agreement 2015/2016
QMS Officer	1	P8	P7	Wage agreement 2015/2016
Receipting Officer: Accounts Receivable	1	P11	P10	Wage agreement 2015/2016
Receptionist	3	P12	P11	Wage agreement 2015/2016
Sampler	3	P12	P11	Wage agreement 2015/2016
Total number of employees whose salaries exceeded the level determined by job evaluation in 2015/16				**92**
Percentage of total employment				**31%**

Table 16 – Profile of employees whose salary level exceeds the grade determined by job evaluation, 1 April 2017 to 31 March 2018

Beneficiaries	African	Asian	Coloured	White	Total
Female	45	3	8	10	**66**
Male	19	1	5	1	**26**
Total	**64**	**13**	**4**	**11**	**92**
Employees with disabilities	-	-	-	-	-

Employment changes

Table 17 – Annual turnover rate by salary band for the period 1 April 2017 to 31 March 2018

Salary band	Number of employees per band as on 31 March 2018	Appointments and transfers into the NRCS	Terminations and transfers out of the NRCS	Turnover rate
Top management (P2-3)	2	2	0	66.6%
Senior management and high-level specialists (P4-6)	54	1	0	0%
Middle management superintendents and lower-level specialists (P7-9)	179	0	2	0.56%
Supervisors and high-level skilled/clerical (P10-12)	61	9	2	10.29%
Lower-level skilled/clerical (P13-16)	1	0	0	0%
Total	**297**	**12**	**4**	**2.54%**

Table 18 – Annual turnover rate by critical occupation for the period 1 April 2017 to 31 March 2018

Occupation	Number of employees per occupation as on 1 April 2017	Appointments and transfers	Terminations and transfers out of the NRCS	Turnover rate
Chief Executive Officer	0	1	0	100%
Chief Financial Officer	0	1	0	100%
Chief Information Officer	0	0	0	0%
Total	**0**	**2**	**0**	**100%**

Table 19 – Reasons why staff are leaving the NRCS

Termination type	Number	% of total
Death	-	
Resignation	1	11.11%
Expiry of contract	4	44.4%
Dismissal – operational changes	-	
Dismissal – misconduct	-	
Dismissal – inefficiency	-	
Discharged due to ill-health	-	
Retirement	4	44.4%
Transfers to other Public Service Departments	-	
Other	-	
Total	**9**	**100%**
Total number of employees who left as a % of the total employment		**3.0% (297)**

Table 20 – Promotions by critical occupation

Occupation	Employees as at 31 March 2018	Promotions to another salary level	Salary level promotions as a % of employees by occupation	Progressions to another notch within a salary level	Notch progressions as a % of employees by occupation
CEO/CFO/COO	-	-	-	-	-
Chief Information Officer	-	-	-	-	-
Inspector	10	-	-	10	100%
Senior Inspector	13	1	7.69%	12	92.3%
Principal Inspector	118	0	-	118	100%
Senior Technologist	2	0	-	2	100%
Technical Specialist	11	0	-	11	100%
Total	**154**	**1**	**7.69%**	**154**	**99.3%**

Table 21 – Promotions by salary band

Salary band	Employees 1 April 2017	Promotions to another salary level	Salary band promotions as a % of employees by salary level	Progressions to another notch within a salary level	Notch progressions as a % of employees by salary band
Top management (P2-3)	-	-	-	-	-
Senior management and high-level specialists (P4-6)	54	2	3.7%	52	96%
Middle management superintendents and lower-level specialists (P7-9)	179	0	-	179	100%
Supervisors and high-level skilled/ clerical (P10-12)	55	0	-	55	100%
Lower-level skilled/clerical (P13-16)	1	-	-	1	100%
Total	**289**	**2**	**0.7%**	**287**	**99%**

Employment equity

Table 22 – Total number of employees (including employees with disabilities) in each of the following occupational categories as on 31 March 2018

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management (P1-P3)	-	-	-	-	-	-	1	-	1
Senior management (P4-P6)	22	3	-	12	13	1	-	3	54
Professionally qualified and experienced specialists and mid-management, supervisors, foremen, and superintendent (P7-P9)	69	19	8	18	54	6	2	3	179
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents (P10-P12)	13	5	-	-	28	6	3	7	62
Semi-skilled and discretionary decision (P13-P16)	-	-	-	-	1	-	-	-	1
Unskilled and defined decision making (Interns)	-	-	-	-	-	-	-	-	-
Total	**104**	**27**	**9**	**30**	**96**	**13**	**5**	**13**	**297**
Employees with disabilities	-	-	-	-	-	-	-	-	-

Table 23 – Total number of employees with disabilities only in each of the following occupational bands as on 31 March 2018

The NRCS has no employees with disabilities.

Table 24 – Recruitment for the period 1 April 2017 to 31 March 2018 (inclusive of interns)

	Male				Female				
Occupational bands	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Top management	1	-	-	-	-	-	1	-	2
Senior management	1	-	-	-	-	-	-	-	1
Professionally qualified and experienced specialists and mid-management	-	-	-	-	-	-	-	-	-
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	4	-	-	-	5	-	-	-	9
Semi-skilled and discretionary decision making	-	-	-	-	-	-	-	-	-
Unskilled and defined decision making	-	-	-	-	-	-	-	-	-
Total	**6**	**-**	**-**	**-**	**5**	**-**	**1**	**-**	**12**
Employees with disabilities	-	-	-	-	-	-	-	-	-

Table 25 – Promotions for the period 1 April 2017 to 31 March 2018

	Male				Female				
Occupational band	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Top management	-	-	-	-	-	-	-	-	-
Senior management	1	-	-	-	-	-	-	-	1
Professionally qualified and experienced specialists and mid-management	-	-	-	-	1	-	-	-	1
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	-	-	-	-	-	-	-	-	-
Semi-skilled and discretionary decision making	-	-	-	-	-	-	-	-	-
Unskilled and defined decision making	-	-	-	-	-	-	-	-	-
Total	**1**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**2**
Employees with disabilities	-	-	-	-	-	-	-	-	-

Table 26 – Terminations for the period 1 April 2017 to 31 March 2018 (inclusive of interns)

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	-	-	-	-	-	-	-	-	-
Senior management	-	-	-		-	-	-	-	0
Professionally qualified and experienced specialists and mid-management		1	-	1	-	-	-	-	2
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	-	-	-	-	-	-	-	2	2
Semi-skilled and discretionary decision making	3	-	-	-	2	-	-	-	5
Unskilled and defined decision making	-	-	-	-	-	-	-	-	3
Total	**3**	**0**	**-**	**1**	**2**	**-**	**-**	**3**	**9**
Employees with disabilities	-	-	-	-	-	-	-	-	-

Table 27 – Disciplinary action for the period 1 April 2017 to 31 March 2018

	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Disciplinary action	1	-	-	-	1	-	-	1	3

Table 28 – Skills development for the period 1 April 2017 to 31 March 2018

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management (P2-3)	-	-	-	-	-	-	1	-	1
Senior management (P4-6)	22	3	-	12	13	1	-	3	54
Professionally qualified and experienced specialists and mid-management (P7-9)	69	19	8	18	28	2	1	1	146
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents (P10-12)	11	2	-	-	28	6	3	6	56
Semi-skilled and discretionary decision making (P13)	-	-	-		4	-	-	-	4
Unskilled and defined decision making	-	-	-	-	-	-	-	-	-
Total	**102**	**24**	**8**	**30**	**73**	**9**	**5**	**10**	**261**
Employees with disabilities	-	-	-	-	-	-	-	-	-

Performance rewards

No performance bonus was paid to employees by the NRCS during the period under review.

Foreign workers

Table 29 – Foreign workers, 1 April 2017 to 31 March 2018, by salary band

	1 April 2017		31 March 2018		Change	
Salary band	**Number**	**% of total**	**Number**	**% of total**	**Number**	**% change**
Top management (P2-3)	-	-	-	-	-	-
Senior management and high-level specialists (P4-6)	1	0.3%	1	0.3%	-	-
Middle management superintendents and lower-level specialists (P7-9)	-	-	-	-	-	-
Supervisors and high-level skilled/clerical (P10-12)	-	-	-	-	-	-
Lower-level skilled/clerical (P13-16)	-	-	-	-	-	-
Total	**1**	**0.3%**	**1**	**0.3%**	**-**	**-**

Table 30 – Foreign Workers, 1 April 2017 to 31 March 2018, by major occupation

	1 April 2017		31 March 2018		Change	
Major occupation	**Number**	**% of total**	**Number**	**% of total**	**Number**	**% change**
Technical specialist	1	0.3%	1	0.3%	-	-
Total	**1**	**0.3%**	**1**	**0.3%**	**-**	**-**

Leave utilisation for the period 1 April 2017 to 31 March 2018

Table 31 – Sick leave, 1 April 2017 to 31 March 2018

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)	6	(1) 16%	1	100%	6	34.079
Senior management & high Level specialists (P4-6)	498.5	(351) 70%	44	8.8%	11.32	2 048.695
Middle management superintendents and lower level specialists (P7-9)	1 047.5	(610) 58.2%	139	13.2%	7.5	2 801.874
Supervisors and high-level skilled/clerical (P10-12)	458.5	(261) 57%	48	10.0%	9.5	752.472
Lower-level skilled/clerical (P13-16)	0	0	0	0	0	0
Total	**2 016.5**	**-**	**232**	**-**	**8.69**	**5 637.12**

Table 32 – Disability leave (temporary and permanent), 1 April 2017 to 31 March 2018

Salary band	Total days taken	% days with medical certification	Number of Employees using disability leave	% of total employees using disability leave	Average days per employee	Estimated Cost (R'000)
Top management (P2-3)	-	-	-	-	-	-
Senior management and high-level specialists (P4-6)	-	-	-	-	-	-
Middle management superintendents and lower-level specialists (P7-9)	260	100%	1	0.55%	260	-
Supervisors and high-level skilled/clerical (P10-12)	260	100%	1	1.47%	260	-
Lower-level skilled/clerical (P13-16)	-	-	-	-	-	-
Total	**520**	**-**	**2**	**0.67%**	**260**	**-**

Table 33 – Annual Leave, 1 April 2017 to 31 March 2018

Salary bands	Total days taken	Average per employee
Top management (P2-3)	3	1.5
Senior management and high-level specialists (P4-6)	384	7.1
Middle management superintendents and lower-level specialists (P7-9)	1 342	7.4
Supervisors and high-level skilled/clerical (P10-12)	618	10
Lower-level skilled/clerical (P13-16)	12	12
Total	**2 359**	**7.9**

Table 34 – Capped leave, 1 April 2017 to 31 March 2018

Salary Bands	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 March 2018
Top management (P2-3)	-	-	-
Senior management and high Level specialists (P4-6)	982	18	14.9
Middle management superintendents and lower-level specialists (P7-9)	2 579	14	13.6
Supervisors and high-level skilled/clerical (P10-12)	646	10.5	4.8
Lower-level skilled/clerical (P13-16)	4	4	2
Total	**4 211**	**14.1**	**11.96**

Table 35 – Leave pay-outs for the period 1 April 2017 to 31 March 2018

Reason	Total amount R	Number of employees	Average payment per employee R
Leave pay-out due to non-utilisation of leave for the previous cycle	-	-	-
Capped leave and current leave pay-out on termination of service	560 532.71	12	46 711.05
Total	**560 532.71**	**12**	**46 711.05**

HIV and AIDS and health promotion programmes

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 at the NRCS	HIV testing and counselling are available at the Pretoria office

Table 37 – Details of Health Promotion and HIV and AIDS Programmes

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.		N	
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.	Y		1 person H de Beer
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.	Y		Counselling and 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.		N	
5. Has the NRCS reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.		N	
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.		N	
7. Does the NRCS encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have you achieved.		Y	13 tested
8. Has the NRCS developed measures/indicators to monitor and evaluate the impact of its health promotion programme? If so, list these measures/indicators.		N	

Labour relations

The following collective agreements were entered into with trade unions within the NRCS.

Table 38 – Collective agreements, 1 April 2017to 31 March 2018

Total collective agreements	**0**

The following table summarises the outcome of disciplinary hearings conducted within the NRCS for the year under review.

Table 39 – Misconduct and disciplinary hearings finalised, 1 April 2015 to 31 March 2016

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

Table 40 – Types of misconduct addressed at disciplinary hearings

Type of misconduct	Number	% of total
Fraud and absenteeism	0	0%
Unacceptable behaviour	3	100%
Total	**3**	**100%**

Table 41 – Grievances lodged for the period 1 April 2017to 31 March 2015

	Number	% of total
Number of grievances resolved	2	50%
Number of grievances not resolved	2	50%
Total number of grievances lodged	**4**	**100%**

Table 42 – Disputes lodged with Councils for the period 1 April 2017 to 31 March 2018

	Number	% of total
Number of disputes upheld	5	87.50%
Number of disputes dismissed	1	12.50%
Total number of disputes lodged	**6**	**100%**

Table 43 – Strike actions for the period 1 April 2017 to 31 March 2018

Total number of person working days lost	None
Total cost (R'000) of working days lost	None
Amount (R'000) recovered as a result of no work no pay	None

Table 44 – Precautionary suspensions for the period 1 April 2017 to 31 March 2018

Number of people suspended	2
Number of people whose suspension exceeded 30 days	2
Average number of days suspended	R201 241.70
Cost (R'000) of suspensions	R408 483.41

Skills development

Table 45 – Training needs identified, 1 April 2017 to 31 March 2018

Occupational Categories	Gender	Number of employees as at 1 April 2017	Training needs identified at start of reporting period			
			Learnerships	Skills Programmes and other short courses	Other forms of training	Total
Top management	Female	0		1		1
	Male	0		0		0
Senior management	Female	17		17		17
	Male	39		37		37
Professionally qualified and experienced specialists and mid-management	Female	47		65		65
	Male	112		114		114
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	Female	60		44		44
	Male	13		18		18
Semi-skilled and discretionary decision making	Female	1		1		1
	Male	0		0		0
Unskilled and defined decision making	Female	0		0		0
	Male	0		0		0
Total		**289**		**297**		**297**

Table 46 – Training provided 1 April 2017 to 31 March 2018

Occupational Categories	Gender	Number of employees as at 1 April 2017	Training provided within the reporting period			
			Learnerships	Skills Programmes and other short courses	Other forms of training	Total
Top Management	Female	1	0	1	0	1
	Male	0	0	0	0	0
Senior Management	Female	17	0	17	0	17
	Male	37	0	37	0	37
Professionally qualified and experienced specialists and mid-management	Female	32	0	32	0	32
	Male	114	0	114	0	114
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	Female	43	0	43	0	43
	Male	13	0	13	0	13
Semi-skilled and discretionary decision making	Female	0	0	0	0	0
	Male	4	0	4	0	4
Unskilled and defined decision making	Female	0	0	0	0	0
	Male	0	0	0	0	0
Sub-total	Female	93	0	93	0	93
	Male	168	0	168	0	168
Total		**261**	**0**	**261**	**0**	**261**

Injury on duty

The following tables provide basic information on injury on duty.

Table 47 – Injury on duty, 1 April 2017 to 31 March 2018

Nature of injury on duty	Number	% of total
Required basic medical attention only	6	100%
Temporary total disablement	0	
Permanent disablement	0	
Fatal	0	
Total	**6**	**100%**

Utilisation of consultants

Table 48 – Report on consultant appointments using appropriated funds

Project title	Total number of consultants that worked on the project	Duration: Work days	Contract value in Rand
None			
Total number of projects	**Total individual consultants**	**Total duration: Work days**	**Total contract value in Rand**
GIJIMA	1		
Work Dynamics	1		
MIE	1		

Table 49 – Report on consultant appointments using donor funds

The NRCS did not receive donor funding during the financial year under review.

Table 50 – Analysis of consultant appointments using donor funds, in terms of Historically Disadvantaged Individuals (HDIs)

The NRCS did not receive donor funding during the financial year under review.

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 and Industry
Auditors	Auditor-General South Africa
Tax status	NRCS is exempt from taxation in terms of the provisions of section 10(1)(cA)(I) of the Income Tax Act, No. 58 of 1962.

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The reports and statements set out below comprise the Annual Financial Statements presented to the parliament:

Report of the Auditor-General to Parliament on the National Regulator for Compulsory Specifications

Report on the audit of the Financial Statements

Qualified opinion

1. I have audited the financial statements of the National Regulator for Compulsory Specifications set out on pages 95 to 149 which comprise the statement of financial position as at 31 March 2018, 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 the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matter described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the National Regulatory for Compulsory Specification as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PMFA).

Basis for qualified opinion

Non-exchange revenue and non-exchange receivables from levies for compulsory specifications

3. I was unable to obtain sufficient appropriate audit evidence that management had adequately accounted for all non-exchange levies for compulsory specifications for the current and prior year, due to deficiencies in the internal control environment and its inability to account for revenue in the correct accounting period. I was unable to confirm the non-exchange revenue from levies for compulsory specifications by alternative means.
4. Consequently, I was unable to determine whether any adjustment relating to non-exchange revenue from levies for compulsory specifications amounting to R214 553 121 (2017: R198 283 726) and other receivables from non-exchange transactions amounting to R57 571 262 (2017: R17 543 103) in the financial statements, was necessary.

Context for the opinion

5. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
6. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Responsibilities of accounting authority for the Financial Statements

8. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP and the requirements of the 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.

9. In preparing the financial statements, the accounting authority is responsible for assessing the National Regulatory for Compulsory Specification's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public 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

10. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected goals presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
14. I 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 goals presented in the annual performance report of the public entity for the year ended 31 March 2018.

Goals	Pages in the annual performance report
Strategic Goal 1: Develop, maintain and administer Compulsory Specifications and Technical Regulations	17
Strategic Goal 2: Maximise compliance with all specifications and Technical Regulations	18–19

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
16. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following strategic goals:
    - Strategic Goal 1: Develop, maintain and administer Compulsory Specifications and Technical Regulations
    - Strategic Goal 2: To maximise compliance with all specifications and technical regulations

Other matters

17. I draw attention to the matters below.

Achievement of planned targets

18. Refer to the annual performance report on pages 17 to 20 for information on the achievement of planned targets for the year and explanations provided for the over and under achievement of a number of targets.

Adjustment of material misstatements

19. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Strategic Goal 2: To maximise compliance with all specifications and technical regulations. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

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 compliance of the public entity 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 legislations are as follows:

Annual Financial Statement, performance report and annual report

22. The financial statement submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected, which resulted in the financial statements receiving a qualified audit opinionn.

Expenditure management

23. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R 696 844 as disclosed in note 25 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.

Revenue management

24. Effective and appropriate steps were not taken to collect all money due, as required by section 51(1)(b)(i) of the PFMA.

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 goals 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 thereon.
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 goals presented in the annual performance report, or my knowledge obtained in the audit or otherwise appears to be materially misstated.
28. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

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 basis for the qualified opinion and the findings on compliance with legislation included in this report.

Leadership

30. Leadership did not exercise adequate oversight in certain instances regarding financial reporting processes to ensure accurate and complete financial reporting.

Financial and performance management

31. Management did not always implement effective controls in certain instances over daily and monthly processing and reconciling transactions to allow accurate and complete financial reports.
32. Management did not in certain instances adequately monitor and review compliance with laws and regulations.

Auditor General

Pretoria
31 July 2018

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 goals and on the public 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 public 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 related to events or conditions that may cast significant doubt on the National Regulator for Compulsory Specifications' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting 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 confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

Accounting Authority's Responsibilities and Approval

The Accounting Authority is required by the Public Finance Management Act, No. 1 of 1999, to maintain adequate accounting records and is responsible for the content and integrity 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 were 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 ultimate responsibility for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the NRCS to meet these responsibilities, the Accounting Authority sets standards for internal control aimed at reducing the risk of error or loss 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 loss.

The Accounting Authority has reviewed the entity's cash flow forecast for the year to 31 March 2019 and, in the light of this review and the current financial position, 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 is primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The Annual Financial Statements set out on pages 95 to 149, which have been prepared on the going concern basis, were approved by the Accounting Authority on 30 July 2018 and was signed by:

Edward Mamadise
Chief Executive Officer
30 July 2018

Statement of Financial Position

as at 31 March 2018

	Notes	2018 R	2017 Restated* R
Assets			
Current assets			
Receivables from exchange transactions	3	15 171 092	14 644 228
Receivables from non-exchange transactions	4	57 571 262	17 543 103
Cash and cash equivalents	5	286 641 562	229 037 438
		359 383 916	**261 224 769**
Non-current assets			
Property, plant and equipment	6	20 952 250	22 093 943
Intangible assets	7	1 178 102	2 014 056
Deposits	8	328 266	328 266
		22 458 618	**24 436 265**
Total assets		**381 842 534**	**285 661 034**
Liabilities			
Current liabilities			
Finance lease obligation	9	931 973	827 079
Payables from exchange transactions	10	18 927 459	17 300 179
Employee benefit obligation	11	4 268 743	1 971 180
Provisions	12	20 693 997	16 546 769
		44 822 172	**36 645 207**
Non-current liabilities			
Finance lease obligation	9	-	931 973
Employee benefit obligation	11	36 118 022	31 691 288
		36 118 022	**32 623 261**
Total liabilities		**80 940 194**	**69 268 468**
Net assets		**300 902 340**	**216 392 566**
Accumulated surplus		300 902 340	216 392 566

* See Notes 33 and 32.

Statement of Financial Performance

for the year ended 31 March 2018

	Notes	2018 R	2017 Restated* R
Revenue			
Revenue from exchange transactions			
Rendering of services	13	65 114 734	50 790 456
Sundry income	14	864 352	5 204 501
Interest received – investment	15	19 457 868	16 622 729
Total revenue from exchange transactions		**85 436 954**	**72 617 686**
Revenue from non-exchange transactions			
Levies for compulsory specifications		214 553 121	198 283 726
Transport annual registration fee		2 171 988	1 831 127
Government grants and core funding		128 745 000	86 418 000
Total revenue from non-exchange transactions		**345 470 109**	**286 532 853**
Total revenue		**430 907 063**	**359 150 539**
Expenditure			
Employee related costs	16	(280 262 025)	(258 177 098)
Depreciation and amortisation		(5 085 212)	(4 271 857)
Impairment loss		-	(3 188 602)
Finance costs		(183 818)	(259 695)
Lease rentals on operating lease		(12 776 783)	(12 411 127)
Advertising and marketing expenses		(2 193 066)	(1 307 452)
Testing and sampling		(4 042 926)	(3 263 463)
Contracted services	17	(9 044 088)	(8 650 347)
Travel expenditure		(17 879 558)	(15 617 554)
General expenses	18	(14 929 812)	(19 473 139)
Total expenditure		**(346 397 288)**	**(326 620 334)**
Surplus for the year		**84 509 775**	**32 530 205**

* See Notes 33 and 32.

Statement of Changes in Net Assets

for the year ended 31 March 2018

	Accumulated surplus R	Total net assets R
Balance at 1 April 2016	**183 862 361**	**183 862 361**
Changes in net assets		
Surplus for the year	32 530 205	32 530 205
Total changes	32 530 205	32 530 205
Opening balance as previously reported	211 560 099	211 560 099
Adjustments		
Prior year adjustments	4 832 466	4 832 466
Restated* Balance at 1 April 2017 as restated*	**216 392 565**	**216 392 565**
Changes in net assets		
Surplus for the year	84 509 775	84 509 775
Total changes	84 509 775	84 509 775
Balance at 31 March 2018	**300 902 340**	**300 902 340**

* See Notes 33 and 32.

Cash Flow Statement

for the year ended 31 March 2018

	Notes	2018 R	2017 Restated* R
Cash flows from operating activities			
Receipts			
Cash received from rendering of services		43 985 552	48 283 011
Grants		128 745 000	86 418 000
Interest income		19 457 868	16 622 729
Other receipts		4 907 960	373 321
Cash received from non-exchange transactions		193 252 974	196 230 729
		390 349 354	347 927 790
Payments			
Employee costs		(269 942 270)	(253 704 968)
Suppliers		(58 674 511)	(61 790 366)
		(328 616 781)	(315 495 334)
Net cash flows from operating activities	19	**61 732 573**	**32 432 456**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(3 117 552)	(2 248 079)
Cash flows from financing activities			
Finance lease payments		(827 079)	(733 991)
Finance costs – Finance Lease		(183 818)	(259 695)
Net cash flows from financing activities		**(1 010 897)**	**(993 686)**
Net increase/(decrease) in cash and cash equivalents		**57 604 124**	**29 190 691**
Cash and cash equivalents at the beginning of the year		229 037 438	199 846 747
Cash and cash equivalents at the end of the year	5	**286 641 562**	**229 037 438**

* See Notes 33 and 32.

Statement of Comparison of Budget and Actual Amounts

for the year ended 31 March 2018

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference: See Note 26 for comments
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	52 496 445	-	**52 496 445**	65 114 734	**12 618 289**	A
Sundry income	22 129 422	-	**22 129 422**	864 352	**(21 265 070)**	B
Interest received – investment	14 499 996	-	**14 499 996**	19 457 868	**4 957 872**	C
Total revenue from exchange transactions	**89 125 863**	**-**	**89 125 863**	**85 436 954**	**(3 688 909)**	
Revenue from non-exchange transactions						
Levies for compulsory specifications	185 935 906	-	**185 935 906**	214 553 121	**28 617 215**	D
Transport annual registration fee	2 099 232	-	**2 099 232**	2 171 988	**72 756**	
Transfer revenue						
Government grants and core funding	128 745 000	-	**128 745 000**	128 745 000	**-**	
Total revenue from non-exchange transactions	**316 780 138**	**-**	**316 780 138**	**345 470 109**	**28 689 971**	
Total revenue	**405 906 001**	**-**	**405 906 001**	**430 907 063**	**25 001 062**	

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference: See Note 26 for comments
Expenditure						
Personnel	(296 733 883)	-	**(296 733 883)**	(280 262 025)	**16 471 858**	E
Depreciation and amortisation	(4 382 074)	-	**(4 382 074)**	(5 085 212)	**(703 138)**	
Finance costs	-	-	**-**	(183 818)	**(183 818)**	L
Lease rentals on operating lease	(15 244 564)	-	**(15 244 564)**	(12 776 783)	**2 467 781**	F
Advertising and marketing expenditure	(4 160 900)	-	**(4 160 900)**	(2 193 066)	**1 967 834**	G
Testing and sampling	(9 868 728)	-	**(9 868 728)**	(4 042 926)	**5 825 802**	H
Contracted services	(14 323 650)	-	**(14 323 650)**	(9 044 088)	**5 279 562**	I
Travel expenditure	(20 006 883)	-	**(20 006 883)**	(17 879 558)	**2 127 325**	J
General expenses	(38 506 319)	-	**(38 506 319)**	(14 929 812)	**23 576 507**	K
Total expenditure	**(403 227 001)**	**-**	**(403 227 001)**	**(346 397 288)**	**56 829 713**	
Surplus	**2 679 000**	**-**	**2 679 000**	**84 509 775**	**81 830 775**	
Actual amount on comparable basis as presented in the Budget and Actual Comparative Statement	**2 679 000**	**-**	**2 679 000**	**84 509 775**	**81 830 775**	

Accounting Policies

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 91(1) of the Public Finance Management Act, No. 1 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.

These accounting policies are consistent with the previous period.

1.1 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.

1.2 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:

Receivables from exchange and non-exchange transactions

The entity assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or loss, 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 receivables is calculated on an individual basis, based on historical loss ratios, adjusted for conditions and other indicators present at the reporting date that correlate with defaults on the individual receivables.

The impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition. Impairment is recorded through an allowance account.

Provisions

Provisions 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 provision. Additional disclosure of these estimates of provisions are included in Note 12 – 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.

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 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 pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 11.

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price, non-refundable taxes 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.

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.

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.

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

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
Vehicles: Trucks and vehicles	Straight line	5–10 years
Vehicles: Trailers	Straight line	10 years
Office equipment: Office equipment	Straight line	5–7 years
Office equipment: Office furniture	Straight line	10 years
Leasehold improvements	Straight line	Lease term
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 loss unless it is included in the carrying amount of another asset.

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

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

1.4 Intangible assets

An 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; and
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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, other	Straight line	3–5 years

Intangible assets are derecognised:

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

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

1.5 Financial instruments

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

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 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses.

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

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - 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.

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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 transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	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
Borrowings	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

Receivables from exchange and non-exchange transactions

Trade receivables are measured at initial recognition 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 or financial reorganisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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 operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries 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.

Borrowings

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the Statement of Financial Performance.

Financial assets measured at cost:
If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets
The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset 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 asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities
The entity removes a financial liability (or a part of a financial liability) from its Statement of Financial Position when it is extinguished – i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or loss. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation
Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or loss.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or loss.

A financial asset and a financial liability are only offset and the net amount presented in the Statement of Financial Position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.6 Leases

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

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 interest rate implicit in the lease.

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.

1.7 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Designation

At initial recognition, the entity designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of an entity's objective of using the asset.

The entity designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the entity designates the asset as a non-cash-generating asset and applies the accounting policy on impairment of non-cash-generating assets, rather than this accounting policy.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or loss.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or loss.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and

- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.8 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Designation

At initial recognition, the entity designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of an entity's objective of using the asset.

The entity designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The entity designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the entity designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of non-cash-generating assets.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or loss.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or loss.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.9 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

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

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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 entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

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

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

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date; and
- plus any liability that may arise as a result of a minimum funding requirement.

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

- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost; and
- the effect of any curtailments or settlements.

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post-retirement obligations

The entity provides post-retirement health care benefits upon retirement 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. The NRCS also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes (as a minimum):

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.10 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.

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in Note 21.

1.11 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.

1.12 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.

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.

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 services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

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

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

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

1.13 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.

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.

Recognition

Revenue arising from non-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

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

Levies

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

Levies for compulsory specifications are recognised only when a levy payer filed a levy declaration as this is when the initial recognition criteria is met.

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, multiplied by the number of units declared. If it is deemed reliable, levy debtors may be estimated with reference to historical levy declarations, to the maximum number of units over a period of five years.

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.

Transport annual registration fees

Transport annual registration fees are collected in terms of the National Road Traffic Act, No. 93 of 1996 on 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.

Government grants

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equaling 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.

1.14 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous Annual Financial Statements are recognised in surplus or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or loss, any exchange component of that gain or loss is recognised in surplus or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.17 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.

1.18 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, No. 86 of 1968, or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

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

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the Financial Statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the Financial Statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the Financial Statements.

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

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

1.19 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's Financial Statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's Financial Statements.

1.20 Budget information

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 an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/04/2017 to 31/03/2018.

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.

1.21 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.

Management identifies all relevant related parties and disclose them in the notes to the Annual Financial Statements in line with GRAP 20. The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the DTI and its entities are considered to be related parties.

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 considered to be those family members who may be expected to influence, or be influenced by, that management 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.

1.22 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 adjusts the amount recognised in the Financial Statements to reflect adjusting events after the reporting date once the event occurred.

The entity discloses 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

2. New standards and interpretations

2.1 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 1 April 2018 or later periods:

Standard/Interpretation	Effective date: Years beginning on or after	Expected impact
GRAP 34: Separate Financial Statements	Not yet determined	Unlikely there will be a material impact
GRAP 35: Consolidated Financial Statements	Not yet determined	Unlikely there will be a material impact
GRAP 36: Investments in Associates and Joint Ventures	Not yet determined	Unlikely there will be a material impact
GRAP 37: Joint Arrangements	Not yet determined	Unlikely there will be a material impact
GRAP 38: Disclosure of Interests in Other Entities	Not yet determined	Unlikely there will be a material impact
Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	Not yet determined	Unlikely there will be a material impact
GRAP 110: Living and Non-living Resources	1 April 2020	Unlikely there will be a material impact
GRAP 110 (as amended 2016): Living and Non-living Resources	1 April 2020	Unlikely there will be a material impact
GRAP 18 (as amended 2016): Segment Reporting	1 April 2018	Unlikely there will be a material impact
GRAP 20: Related parties	1 April 2019	Unlikely there will be a material impact
GRAP 32: Service Concession Arrangements: Grantor	1 April 2019	Unlikely there will be a material impact
GRAP 105: Transfers of functions between entities under common control	1 April 2018	Unlikely there will be a material impact
GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	1 April 2018	Unlikely there will be a material impact
GRAP 107: Mergers	1 April 2018	Unlikely there will be a material impact
GRAP 108: Statutory Receivables	1 April 2019	Unlikely there will be a material impact
GRAP 109: Accounting by Principals and Agents	1 April 2019	Unlikely there will be a material impact
IGRAP 11: Consolidation – Special purpose entities	1 April 2018	Unlikely there will be a material impact
IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	1 April 2018	Unlikely there will be a material impact
IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	1 April 2019	Unlikely there will be a material impact
IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	1 April 2019	Unlikely there will be a material impact
IGRAP 19: Liabilities to Pay Levies	1 April 2019	Unlikely there will be a material impact
GRAP 12 (as amended 2016): Inventories	1 April 2018	Unlikely there will be a material impact
GRAP 16 (as amended 2016): Investment Property	1 April 2018	Unlikely there will be a material impact
GRAP 17 (as amended 2016): Property, Plant and Equipment	1 April 2018	Unlikely there will be a material impact
GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	1 April 2018	Unlikely there will be a material impact
GRAP 26 (as amended 2016): Impairment of cash-generating assets	1 April 2018	Unlikely there will be a material impact
GRAP 27 (as amended 2016): Agriculture	1 April 2018	Unlikely there will be a material impact
GRAP 31 (as amended 2016): Intangible Assets	1 April 2018	Unlikely there will be a material impact
GRAP 103 (as amended 2016): Heritage Assets	1 April 2018	Unlikely there will be a material impact
Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	1 April 2018	Unlikely there will be a material impact

3. Receivables from exchange transactions

	2018 R	2017 R
Receivables	15 566 374	11 636 081
Impairment related to receivables	(2 992 172)	(3 635 037)
Prepayments	1 902 660	2 113 902
Employee advances	694 230	581 700
Insurance – Port Elizabeth building	-	3 947 582
	15 171 092	**14 644 228**

Receivables from exchange transactions past due but not impaired

At 31 March 2018, R3 571 322 (2017: R2 513 208) were past due but not impaired.

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

	2018 R	2017 R
Not past due or impaired	9 003 044	5 487 836
1 month past due	1 419 213	1 311 425
2 months past due	777 577	409 348
3 months past due	472 197	149 330
4 months past due	902 335	643 105
	12 574 366	**8 001 044**

Receivables from exchange transactions impaired

The amount of the provision was R(2 992 173) as of 31 March 2018 (2017: R3 635 067).

The ageing of these receivables is as follows:

	2018 R	2017 R
3 to 6 months	1 455 660	-
Over 6 months	1 536 512	3 635 037
	2 992 172	**3 635 037**

Reconciliation of provision for impairment receivables from exchange transactions

	2018 R	2017 R
Opening balance	3 635 037	3 537 728
Provision for impairment	-	102 004
Amounts written off as uncollectible	-	(4 695)
Reversal of prior year impairment	(642 865)	-
	2 992 172	**3 635 037**

Receivables from exchange transactions 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.

The following is considered as objective evidence that a trade receivable is impaired:

- All legal collections and avenues have been exhausted;
- Customer in liquidation;
- Judgment awarded in favour of the entity; and
- Uneconomical to initiate legal action or to continue legal pursuit.

The NRCS does not hold any collateral as security.

4. Receivables from non-exchange transactions

	2018 R	2017 R
Levies	58 494 413	20 782 042
Impairment of receivables	(923 151)	(3 238 939)
	57 571 262	**17 543 103**

Receivables from non-exchange transactions past due but not impaired

At 31 March 2018, R8 868 909 (2017: R5 850 864) were past due but not impaired.

	2018 R	2017 R
The ageing of amounts past due but not impaired is as follows:		
Not past due or impaired	48 702 353	11 692 239
1 month past due	1 953 555	4 224 417
2 months past due	306 981	479 449
3 months past due	590 812	138 153
4 months past due	6 017 561	1 008 845
	57 571 262	**17 543 103**

Receivables from non-exchange transactions impaired

As of 31 March 2018, other receivables from non-exchange transactions of R923 151 (2017: R3 238 939) were impaired and provided for.

	2018 R	2017 R
The ageing of these receivables is as follows:		
3 to 6 months	231 659	-
Over 6 months	691 592	3 238 939
	923 251	**3 238 939**

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

	2018 R	2017 R
Opening balance	3 238 939	3 857 855
Prior year impairment reversed	(2 315 788)	(618 916)
	923 151	**3 238 939**

Receivables from non-exchange transactions 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.

The following is considered as objective evidence that a trade receivable is impaired:

- All legal collections and avenues have been exhausted;
- Customer in liquidation;
- Judgment awarded in favour of the entity; and
- Uneconomical to initiate legal action or to continue legal pursuit.

The NRCS does not hold any collateral as security.

5. Cash and cash equivalents

Cash and cash equivalents consist of:

	2018 R	2017 R
Cash on hand	15 233	15 233
Bank balances	40 812 024	20 522 022
Short-term deposits	245 814 305	208 500 183
	286 641 562	**229 037 438**

The maximum exposure to credit risk, as a result of carrying cash and cash equivalents, is limited to the carrying value of the cash and cash equivalents.

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.

6. Property, plant and equipment

	2018			2017		
	Cost R	Accumulated depreciation and accumulated impairment R	Carrying value R	Cost R	Accumulated depreciation and accumulated impairment R	Carrying value R
Buildings	8 766 291	(5 658 012)	3 108 279	8 766 291	(5 606 933)	3 159 358
Motor vehicles	6 270 348	(2 667 659)	3 602 689	6 270 348	(1 715 218)	4 555 130
Office equipment	20 266 564	(12 577 247)	7 689 317	17 387 629	(10 160 894)	7 226 735
Work-In-Progress	-	-	-	695 084	-	695 084
Laboratory equipment	10 304 557	(3 752 592)	6 551 965	9 455 078	(2 997 442)	6 457 636
Total	**45 607 760**	**(24 655 510)**	**20 952 250**	**42 574 430**	**(20 480 487)**	**22 093 943**

Reconciliation of property, plant and equipment – 2018

	Opening balance R	Additions R	Disposals R	Transfers R	Depreciation R	Total R
Buildings	3 159 358	-	-	-	(51 079)	3 108 279
Motor vehicles	4 555 130	-	-	-	(952 441)	3 602 689
Office equipment	7 226 735	2 960 715	(9 637)	-	(2 488 496)	7 689 317
Work-In-Progress	695 084	-	-	(695 084)	-	-
Laboratory equipment	6 457 636	156 837	(350)	695 084	(757 242)	6 551 965
	22 093 943	**3 117 552**	**(9 987)**	**-**	**(4 249 258)**	**20 952 250**

Reconciliation of property, plant and equipment – 2017

	Opening balance R	Additions R	Disposals R	Transfers R	Depreciation R	Impairment loss R	Total R
Buildings	6 467 329	-	-	-	(119 369)	(3 188 602)	3 159 358
Motor vehicles	5 487 728	-	-	-	(932 598)	-	4 555 130
Office equipment	7 146 923	2 183 179	(35 831)	-	(2 067 536)	-	7 226 735
Work-In-Progress	6 077 971	-	-	(5 382 887)	-	-	695 084
Laboratory equipment	1 339 272	64 900	(13 023)	5 382 887	(316 400)	-	6 457 636
	26 519 223	**2 248 079**	**(48 854)**	**-**	**(3 435 903)**	**(3 188 602)**	**22 093 943**

	2018 R	2017 R
Assets subject to finance lease (Net carrying amount)		
Description	2 018	2 017
Office equipment	1 453 594	1 952 202
	1 453 594	**1 952 202**
Other information		
Repairs and maintenance		
Property, plant and equipment	**1 084 029**	**511 968**

7. Intangible assets

	2018			2017		
	Cost R	Accumulated amortisation and accumulated impairment R	Carrying value R	Cost R	Accumulated amortisation and accumulated impairment R	Carrying value R
Computer software, other	4 179 765	(3 001 663)	1 178 102	4 179 766	(2 165 710)	2 014 056

Reconciliation of intangible assets – 2018

	Opening balance R	Amortisation R	Total R
Computer software, other	2 014 056	(835 954)	1 178 102

Reconciliation of intangible assets – 2017

	Opening balance R	Amortisation R	Total R
Computer software, other	2 850 009	(835 953)	2 014 056

8. Deposits

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

	2018 R	2017 R
Operating leases	312 000	312 000
Fleet cards	10 000	10 000
Municipalities	6 266	6 266
	328 266	**328 266**

9. Finance lease obligation

	2018 R	2017 R
Minimum lease payments due		
- within one year	993 655	993 656
- in second to fifth year inclusive	-	993 655
	993 655	1 987 311
less: future finance charges	(61 682)	(228 259)
Present value of minimum lease payments	**931 973**	**1 759 052**
Present value of minimum lease payments due		
- within one year	931 973	827 079
- in second to fifth year inclusive	-	931 973
	931 973	**1 759 052**
Non-current liabilities	-	931 973
Current liabilities	931 973	827 079
	931 973	**1 759 052**

The lease liabilities are effectively secured, as the rights to the leased assets revert to the lessor in the event of default. The carrying amount of leased assets is R1 435 594 (2017: R1 952 202).

None of the finance lease liabilities have purchase options. All finance leases maybe renewed three months before expiry date. Escalations are linked to prime bank overdraft rate charged by any cessionary.

10. Payables from exchange transactions

	2018 R	2017 R
Trade payables	7 674 387	4 494 393
Trade receivables with credit balances	235 140	228 093
Other payables	370 332	272 199
Salary related accruals	5 865 222	5 600 082
Operating lease payables	1 364 001	2 519 205
Unallocated receipts	3 418 377	4 186 207
	18 927 459	**17 300 179**

11. Employee benefit obligations

Defined benefit plan

	2018 R	2017 R
The amounts recognised in the statement of financial position are as follows:		
Non-current liabilities	(36 118 022)	(31 691 288)
Current liabilities	(4 268 743)	(1 971 180)
	(40 386 765)	**(33 662 468)**

	Post-retirement medical aid R	Long service leave awards R	Total R
2018			
Opening balance	8 907 262	24 755 206	33 662 468
Current service cost	856 751	2 681 149	3 537 900
Interest cost	200 257	2 026 251	2 226 508
Actuarial (gain)/loss	(330 110)	4 968 526	4 638 416
Benefits paid	(311 755)	(3 366 772)	(3 678 527)
	9 322 405	**31 064 360**	**40 386 765**
Current portion of employee benefit obligations	454 169	3 814 574	4 268 743
Non-current portion of employee benefit obligations	8 868 236	27 249 786	36 118 022
	9 322 405	**31 064 360**	**40 386 765**

	Post-retirement medical aid R	Long service leave awards R	Total R
2017			
Opening balance	9 359 148	20 684 398	30 043 546
Current service cost	938 705	2 383 510	3 322 215
Interest	230 892	1 892 027	2 122 919
Actuarial (gain)/loss	(1 390 603)	1 963 482	572 879
Benefits paid	(230 880)	(2 168 211)	(2 399 091)
	8 907 262	**24 755 206**	**33 662 468**
Current portion of employee benefit obligations	620 799	1 350 381	1 971 180
Non-current portion of employee benefit obligations	8 286 463	23 404 825	31 691 288
	8 907 262	**24 755 206**	**33 662 468**

Post-retirement medical aid obligation

The NRCS contributes 50% of 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 2018.

Key assumptions used (expressed as weighted averages) are as follows:

	2018	2017
Discount rate per annum	8.96%	9.86%
Medical aid inflation	5.99%	6.89%
Average retirement age	64	62
Active members expected to continue after retirement	100.00%	100.00%

There are no plan assets for this liability.

Sensitivity analysis

	2018 R	2017 R
Opening balance	(451 886)	-
Net expense recognised in the statement of financial performance	415 143	(451 886)
	(36 743)	**(451 886)**

The effects on the central basis liability results for 2018 when the medical aid inflation rate is increased or decreased by 1%.

	Liability R	Change in liability R
+1%	10 530 450	1 208 045
Central	9 322 405	-
-1%	8 308 492	(1 013 913)
	28 161 347	**194 132**

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

	2018 R	2017 R
Current service cost	856 751	938 705
Interest cost	200 257	230 892
Actuarial (gains) losses	(330 110)	(1 390 603)
Benefits paid	(311 755)	(230 880)
	415 143	**(451 886)**

Net expense recognised in the statement of financial performance: Long service award

	2018 R	2017 R
Current service cost	2 681 149	2 383 510
Interest cost	2 026 251	1 892 027
Actuarial (gain)/loss	4 968 526	1 963 482
Benefits paid	(3 366 772)	(2 168 211)
	6 309 154	**4 070 808**

Long service award obligation

NRCS provides employees, previously employed by the SABS before 1 March 2008, with three additional leave days after five years of service and another three days after ten years of service. Employees' annual leave entitlement is increased with these days. The NRCS's net obligation in this regard is the amount of future benefits that employees have earned in return for their services in current and prior periods. This obligation is valued annually by independent qualified actuaries. Any unrecognised actuarial gains/losses and past service costs are recognised immediately.

A settlement agreement reached with organised labour during the previous reporting period had the impact that employees that joined the SABS or NRCS after 1 March 2008 are entitled to an additional five leave days after five years of service, another three days after ten years of service and another three days after fifteen years of service.

Key assumptions used

Assumptions used (expressed as weighted averages):

	2018	2017
Discount rates used	8.04%	8.78%
Salary inflation	6.29%	6.78%
Retirement age	64	64

There are no plan assets for this liability.

Sensitivity analysis

The effects on the central basis liability results for 2018 when the discount rate is increased and decreased by 1%.

	Liability R	Change in liability R
+1%	29 071 434	(1 773 671)
Central	31 064 360	-
-1%	33 325 268	1 997 061

Historical information relating to employee benefit obligations are as follows:

	2018 R	2017 R	2016 R	2015 R	2014 R
Post-retirement medical aid liability	9 322 405	8 907 262	9 359 148	9 301 236	9 141 780
Experience adjustments	(130 755)	(1 390 603)	(911 724)	(865 905)	(1 887 410)
Long service leave award liability	31 064 360	24 755 206	20 684 398	14 485 390	12 044 833
Experience adjustments	2 930 764	1 963 482	6 189 774	2 206 156	90 534

12. Provisions

Reconciliation of provisions – 2018

	Opening Balance R	Additions R	Utilised during the year R	Total R
Leave pay	16 546 769	4 800 775	(653 547)	20 693 997

Reconciliation of provisions – 2017

	Opening Balance R	Additions R	Utilised during the year R	Total R
Leave pay	15 693 560	1 931 466	(1 078 257)	16 546 769

Leave pay includes annual and backlog leave pay provided for in terms of employment contracts and the internal policies of the NRCS.

13. Rendering of services (Exchange)

	2018 R	2017 R
Test and services	10 113 288	9 395 175
Export certification	6 322 890	6 125 766
Vehicle homologation	6 084 057	5 795 850
Letter of Authority	40 608 275	27 603 571
Electrical compliance certificate	630 500	589 376
Gaming: Letter of compliance	1 355 724	1 280 718
	65 114 734	**50 790 456**

14. Other revenue

	2018 R	2017 R
Sundry income	864 352	5 204 501
The amount included in other revenue arising from exchanges of goods or services are as follows:		
Surplus on transfer functions from SABS	-	872 260
SETA refunds	716 474	109 973
Insurance claim on Port Elizabeth Building	-	3 947 582
Refunds for expenses incurred	78 354	204 887
Realised net foreign exchange gain	8 426	11 338
Rental income: Parking	61 098	58 461
	864 352	**5 204 501**

15. Interest income

	2018 R	2017 R
Interest revenue		
Investments	18 430 666	15 954 765
Interest charged on trade and other receivables	1 027 202	667 964
	19 457 868	**16 622 729**

16. Employee related costs

	2018 R	2017 R
Basic	221 364 926	208 450 771
Medical aid – company contributions	11 195 768	9 936 895
Committee fees	380 805	271 861
Long-service awards	6 309 154	4 070 808
13th Cheques	16 511 187	14 014 696
Training costs	4 226 453	3 677 052
Pension costs	19 858 589	18 206 902
Post-employment health care benefits	415 143	(451 886)
	280 262 025	**258 177 099**

17. Contract services

	2018 R	2017 R
Internal audit services	37 025	729 501
Levy audit	1 467 891	1 776 230
IT Services	5 088 387	4 687 515
Accreditation	485 223	451 200
HR and labour-related costs	498 551	122 679
Special investigations	-	294 120
National Building Regulations Review Board representation	-	53 921
Travel agency commission	406 190	381 519
Other contractual services	1 060 000	153 662
	9 043 267	**8 650 347**

18. General expenses

	2018 R	2017 R
Office and administration expenses	4 285 659	4 910 274
Auditors remuneration	2 820 909	2 997 397
Doubtful debts	(2 953 994)	(516 913)
Consulting and professional fees	1 603 955	2 762 486
Consumables	287 584	138 657
Entertainment	2 655	-
Insurance	711 008	825 659
IT expenses	9 987	48 854
Motor vehicle expenses	327 279	302 415
Repairs and maintenance	1 084 029	511 968
Software expenses	1 638 123	2 360 282
Staff welfare	1 012 607	1 634 432
Electricity	3 580 321	3 032 705
Casual labour	72 400	65 550
Storage of seized goods	99 108	289 106
Staff recruitment costs	348 182	98 804
Foreign exchange loss	-	11 463
	14 929 812	**19 473 139**

19. Cash generated from operations

	2018 R	2017 R
Surplus	84 509 775	32 530 205
Adjustments for:		
Depreciation and amortisation	5 085 212	4 271 856
Loss on disposal of assets	9 987	48 854
Finance costs – Finance leases	183 818	259 695
Impairment loss	-	3 188 602
Debt impairment	2 953 994	(521 607)
Bad debts written off	-	4 695
Movements in retirement benefit liabilities	6 724 297	3 618 922
Movements in provisions	4 147 228	853 209
Changes in working capital:		
Receivables from exchange transactions	(1 165 072)	(6 455 027)
Other receivables from non-exchange transactions	(42 343 947)	(3 884 124)
Payables from exchange transactions	1 627 281	(1 482 824)
	61 732 573	**32 432 456**

20. Commitments

	2018 R	2017 R
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	97 584	1 370 869
Total capital commitments		
Already contracted for but not provided for	97 584	1 370 869
Authorised operational expenditure		
Already contracted for but not provided for		
• Operating expenditure	12 156 379	6 711 462
Total operational commitments		
Already contracted for but not provided for	12 156 379	6 711 462

This committed expenditure relates to property, plant and equipment and will be financed by retained surpluses, existing cash resources and funds internally generated.

Operating leases – as lessee (expense)

	2018 R	2017 R
Minimum lease payments due		
- within one year	9 919 028	10 932 975
- in second to fifth year inclusive	11 174 938	24 374 212
	21 093 966	**35 307 187**

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

Rental expenses relating to operating leases

	2018 R	2017 R
Land and buildings	12 674 225	12 188 379
Equipment	40 873	222 748
	12 715 098	**12 411 127**

The lease agreement with the SABS contains an escalation clause that is linked to CPI. Therefore the lease agreement has not been straight-lined and inflation related increases are viewed as contingent rental. None of the other lease agreements contain any contingent rent clauses and it is assumed that there are no contingent rent payments. The entity does not have the option to purchase any property. Escalation clauses on these contracts vary from contract to contract averaging between 6% and 10%. The leases may be renewed not later than three calendar months before the expiry of the initial period of the lease.

21. Contingencies

Summons were served on the NRCS by a company that had submitted applications to the NRCS for Letters of Authority. The company seeks the judgment against the NRCS in the sum of R102 793 927.68; costs on the attorney and own client scale; interest on the outstanding amount at the rate of 10.5% per annum *a tempore morae*; and further and/or alternative relief. The NRCS has so far filed notices in the matter including a notice to remove cause for complaint in respect of the papers filed by the company.

22. Related parties

Relationships

Controlling entity	Department of Trade and Industry
Entities controlled by **the dti**	South African Bureau of Standards (SABS)
Members of key management	Executive and management officers
	Committee members

Related party transactions

	2018 R	2017 R
Purchases from (exchange revenue to) related parties		
South African Bureau of Standards (SABS)-rental and purchases	12 776 242	12 397 336
South African Bureau of Standards (SABS)-revenue	(56 931)	(65 617)
	12 719 311	**12 331 719**
Receivables (exchange): related parties		
South African Bureau of Standards (SABS)	26 922	20 193
	26 922	**20 193**
Non-exchange revenue from related parties		
Transfer payments received from **the dti**	128 745 000	86 418 000
	128 745 000	**86 418 000**

Remuneration of Committee members

Non-executive: Audit and Risk Committee

	Fees for services as a member R	Reimbursive travel claims R	Total R
2018			
SAH Kajee (Chairperson)	120 779	-	120 779
AD Cowell	98 067	1 026	99 093
M Ramatla*	-	-	-
C Abdol (Appointed on 27 June 2017)	93 753	-	93 753
	312 599	**1 026**	**313 625**

	Fees for services as a member R	Reimbursive travel claims R	Total R
2017			
SAH Kajee (Chairperson)	136 272	-	136 272
AD Cowell	134 715	874	135 589
M Ramatla*	-	-	-
	270 987	**874**	**271 861**

* **the dti** representatives are not remunerated by NRCS.

ICT Steering Committee

	Fees for services as a member R	Reimbursive travel claims R	Total R
2018			
A Radolo (Re-appointed on 12 May 2017)	35 867	1 853	37 720
C de Kock (Appointed on 21 August 2017)	23 935	915	24 850
Z Kabini (1 September 2017)	4 610	-	4 610
	64 412	**2 768**	**67 180**

The emoluments above were paid to the committee members. These amounts do not include travel expenses paid by the NRCS on behalf of the committee.

Key management

	Basic salary R	Retirement and medical aid R	Other benefits received R	Total R
2018				
E Mamadise – Acting CEO	932 398	88 315	735 625	1 756 338
E Cornelius – Acting CFO (1 April–30 April 2017)	79 236	8 814	10 197	98 247
R Abdool – CFO (Appointed on 1 May 2017)	1 215 357	125 727	8 250	1 349 334
MN Katz	1 157 345	179 653	7 200	1 344 198
BA Khanyile	1 226 995	156 676	7 200	1 390 871
MT Madzivhe	1 223 172	159 206	7 200	1 389 578
MD Mutengwe (Appointed effective 1 November 2017)	1 015 345	129 334	15 752	1 160 431
	6 849 848	**847 724**	**791 423**	**8 488 996**

	Basic salary R	Retirement and medical aid R	Other benefits received R	Total R
2017				
E Mamadise – Acting CEO (Appointed on 17 October 2016)	423 403	38 261	342 877	804 541
A Moodley – CEO (Resigned effective 30 November 2016)	1 232 481	-	52 800	1 285 281
MC Thibela – Deputy CEO (Resigned effective 8 December 2016)	979 577	93 932	13 500	1 087 009
MC Thibela – Deputy CEO (settlement)	-	-	2 267 282	2 267 282
R Mathura (Resigned effective 31 December 2016)	877 945	114 285	57 204	1 049 434
E Cornelius – Acting CFO (Commenced Acting on 1 January 2017)	235 018	26 197	30 296	291 511
A Hirachund (Resigned effective 31 July 2016)	369 339	55 951	207 469	632 759
MN Katz	1 088 838	167 363	7 200	1 263 401
B Khanyile	1 151 789	146 770	7 200	1 305 759
MT Madzivhe	1 150 425	148 134	7 200	1 305 759
PN Mazibuko (Resigned effective 31 July 2016)	376 401	48 889	254 669	679 959
P Mazibuko	906 301	93 755	5 400	1 005 456
MS Mkhabela (Resigned effective 28 February 2017)	893 628	86 508	56 409	1 036 545
	9 685 145	**1 020 045**	**3 309 506**	**14 014 696**

23. Fruitless and wasteful expenditure

	2018 R	2017 R
Opening balance	472 896	472 896
Fruitless and wasteful expenditure incurred during the period	-	-
Rescinding of judgement without authority	4 904	-
A company was appointed to provide temporary creditors officer for a period of four months and they were only allowed to render their services for one month. The placement fee was paid based on salary for four months.	17 317	-
Closing balance	**495 117**	**472 896**

	2017 R
Opening balance of fruitless and wasteful expenditure is made up as follows:	
Interest paid	66 923
Duplicated services	387 169
Training paid for and not attended	18 804
	472 896

Investigations into fruitless and wasteful expenditure that has not been condoned/written off are in progress.

An employee was subsequently charged with the matter for rescinding judgement without authority after year-end **(R4 904)**. This amount will be recovered through the payroll.

24. Losses through criminal conduct

	2018 R	2017 R
Equipment stolen derecognised at carrying value	-	22 720

25. Irregular expenditure

	2018 R	2017 R
Opening balance	679 261	202 293
Add: Irregular expenditure – current year	696 844	476 968
Less: Amounts condoned	(4 560)	-
	1 371 545	**679 261**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	2018 R
Payments effected contravening NRCS delegation	Pending disciplinary hearing	4 904
Payments contravening treasury regulations	Investigations currently in progress	619 178
Payments effected on expired contracts	Investigations currently in progress	72 762
		696 844

Details of irregular expenditure condoned

	Condoned by (condoning authority)	2017 R
Normal procurement processes not followed	Accounting Authority	4 560

Details of irregular expenditure included in the opening balance

	2017 R
Payments contravening Treasury Regulations	679 261

26. Budget differences

Material differences between budget and actual amounts

A There was a positive variance on the revenue from rendering of services. This was as a result of the fact that revenue included Plastic Bag grant the Department of Environmental Affairs to regulate compliance amounting to R11 million for the current year. In addition, Letter of Authority backlogs were cleared.

B Budgeted sundry revenue did not materialise.

C Interest exceeded budget due to actual expenditure being lower than budget. In addition, some the procurement plan projects were deferred to financial year 2019 resulting higher than budgeted cash in bank.

D The positive variance for levies was as result of concerted efforts to contact customers for the submission of levy declarations.

E The positive variance was mainly due to approved vacancies not filled. The Human Resources Department is in the process of filling critical positions.

F The saving was partially due to the 15% discount on Head Office rental. In addition, storage of seized goods warehousing costs has not been realised; in the process of locating suitable premises.

G The underspending was due to delays in rolling out the planned marketing campaigns.

H NRCS did not realise its budget due to a decline in demand for testing and sampling commensurate to a downturn in the economy. Plans to market the NRCS services are underway.

I The savings were due to the application of the cost containment and the unspent funds that were set aside to role-out the modernisation project.

J Foreign and local travel costs lower than budget due to pre-planning trips and cost containment initiatives.

K The funds were set aside for new software licenses and existing software licenses that did not materialise. Planned maintenance of the head office building that was scheduled to take place during the year but did not materialise.

L Finance costs were not budgeted for in 2017/18 financial year.

27. Change in estimate

Property, plant and equipment

The useful life of certain items of property and equipment was increased in the current. The effect of this revision has decreased the depreciation charges for the current and future periods depreciation charges will be decreased by R216 696.

Change in useful lives

	2018 R	2017 R
Decrease in depreciation	216 696	142 990

28. Comparative figures

Certain comparative figures have been reclassified.

Operating surplus for the year has been revised to include Interest received and finance costs for the purposes of cash flow disclosure.

Finance costs from finance leases have been reclassified from operating activities to financing activities for better presentation.

The effects of the reclassification are as follows:

	As initially stated R	Interest received R	Finance costs R	Prior period adjustments R	Revised amount: 2017 R
Comparatives					
Operating surplus for the year – Cash Flow Statement	11 334 704	16 622 729	(259 695)	4 832 467	32 530 205
Cash flows from financing activities	(733 991)	-	(259 695)	-	(993 686)
	10 600 713	**16 622 729**	**(519 390)**	**4 832 467**	**31 536 519**

29. Risk management Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance. The accounting authority provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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 maturity profiles of the financial instruments are summarised below.

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.

	Within 1 month R	1–3 months R	3–12 months R	1–5 years R	Total R
At 31 March 2018					
Trade and other payables	(7 156 927)	(1 051 573)	(6 099 480)	(3 119 935)	(17 427 915)
Finance lease obligation	(82 805)	(248 414)	(662 437)	-	(993 656)
	(7 239 732)	**(1 299 987)**	**(6 761 917)**	**(3 119 935)**	**(18 421 571)**

	Within 1 month R	1–3 months R	3–12 months R	1–5 years R	Total R
At 31 March 2017					
Trade and other payables	(4 766 592)	(4 928 379)	(4 857 910)	(228 093)	(14 780 974)
Finance lease obligation	(82 805)	(248 415)	(662 436)	(993 655)	(1 987 311)
	(4 849 397)	**(5 176 794)**	**(5 520 346)**	**(1 221 748)**	**(16 768 285)**

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 is summarised as follows:

	2018 R	2017 R
Cash and cash equivalents	286 641 562	229 037 438
Surplus for the year	84 509 775	32 530 305
Change in surplus if interest rates changed by 100 basis points higher or lower	2 866 416	2 290 374

Foreign exchange risk

The entity does not hedge foreign exchange fluctuations.

Foreign currency exposures arise from the purchase of capital equipment. When orders are placed the risk is assessed to determine whether or not forward cover is required.

No forward exchange contracts were entered into during the reporting periods ended 31 March 2018 and 31 March 2017.

The entity reviews its foreign currency exposure, including commitments on an ongoing basis.

30. Events after the reporting date

The Annual Financial Statements were approved by the NRCS Accounting Authority on 31 May 2018. Summons were served on the NRCS in or about June 2018, by a company that had allegedly received homologation of its products from the NRCS. The company seeks judgment against the NRCS in the sum of R77 266 730.45; interest on the amount of R77 266 730.46 at a rate of 10% per annum from the date of morae until date of final payment; costs of suit; and further and/or alternative relief.

31. Segment information

Identification of segments

The NRCS is organised and reports to management on the basis of six major functional areas.

The segments were organised by the type of service delivered and the applicable industry in which these operate.

These segments are:

- Automotive;
- Chemical, Mechanical and Materials (CMM);
- Electro-technical;
- Foods and Associated Industries (FAI);
- Legal Metrology (LM); and
- Regulatory Research and Development (RR&D) included under Support.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes. Segments were not aggregated for reporting purposes.

The RR&D segment of the NRCS do not meet the criteria for reportable segment and therefore the results for this segments are not reported.

Information relating to segment assets and liabilities are not disclosed as these are not separately reported to management.

Information relating to geographical segments is not disclosed as the NRCS operates within the confines of the Republic of South Africa and geographical segments are not used for the purposes of management reporting.

The NRCS does not supply services between its own segments, therefore no inter-segment transfers have been eliminated.

The Support section does not meet the criteria for a segment, this is used for allocation and reconciling to the totals as per the Statement of Financial Position.

Segment surplus or deficit, assets and liabilities

	Automotive R'000	CMM R'000	Electro-technical R'000	FAI R'000	LM R'000	Support R'000	Total R'000
2018							
Revenue							
Levies for compulsory specifications	52 165	22 251	114 748	25 779	-	(392)	214 551
Transport annual registration fee	2 174	-	-	-	-	-	2 174
Government grants and core funding	-	-	-	13 971	50 920	63 854	128 745
Rendering of services	10 191	12 883	25 772	7 714	8 505	50	65 115
Interest received	-	-	18	-	4	19 436	19 458
Sundry income	83	3	3	2	3	770	864
Total segment revenue	**64 613**	**35 137**	**140 541**	**47 466**	**59 432**	**83 718**	**430 907**
Entity's revenue							**430 907**
Expenditure							
Employee costs	43 169	27 042	41 036	43 151	53 847	72 017	280 262
Depreciation and amortisation	57	24	36	124	1 449	3 395	5 085
Other expenses	4 010	3 084	6 913	4 192	4 136	38 531	60 866
Finance costs	-	-	-	-	-	184	184
Allocation of overheads	(11 333)	(6 163)	(24 651)	(5 875)	(1 493)	49 515	-
Total segment expenditure	**35 903**	**23 987**	**23 334**	**41 592**	**57 939**	**163 642**	**346 397**
Total segmental surplus							**84 510**

	Automotive R'000	CMM R'000	Electro-technical R'000	FAI R'000	LM R'000	Support R'000	Total R'000
2017							
Revenue							
Levies for compulsory specifications	57 222	27 041	72 001	31 867	-	10 151	198 282
Transport annual registration fee	1 831	-	-	-	-	-	1 831
Government grants and core funding	-	-	-	5 054	46 300	35 064	86 418
Rendering of services	10 284	1 742	23 198	7 274	8 263	29	50 790
Interest received	-	-	-	-	-	16 623	16 623
Sundry income	-	5	120	-	-	5 080	5 205
Total segment revenue	**69 337**	**28 788**	**95 319**	**44 195**	**54 563**	**66 947**	**359 149**
Entity's revenue							**359 149**
Expenditure							
Employee costs	37 745	24 188	36 915	39 311	50 058	69 960	258 177
Depreciation and amortisation	74	31	48	177	1 014	2 928	4 272
Other expenses	2 007	3 263	5 792	4 707	3 491	44 650	63 910
Finance costs	-	-	-	-	-	260	260
Allocation of overheads	(22 900)	(9 508)	(31 481)	(12 927)	(2 729)	79 545	-
Total segment expenditure	**16 926**	**17 974**	**11 274**	**31 268**	**51 834**	**197 343**	**326 619**
Total segmental surplus							**32 530**
Levies for compulsory specifications restatement							
Balance as previously stated	56 624	25 805	70 561	30 310	-	10 151	193 451
Accruals adjusted	598	1 236	1 440	1 557	-	-	4 831
Total segment assets	**57 222**	**27 041**	**72 001**	**31 867**	**-**	**10 151**	**198 282**
Total assets as per Statement of Financial Position							**198 282**

32. Prior period errors

Revenue for 2016/17 financial period was incorrectly recorded in 2017/18. The adjustment is correcting the cut-off error.

The correction of the errors results in adjustments as follows:

	2018 R	2017 R
Statement of Financial Position		
Trade and other receivables from non-exchange transactions	-	4 832 467
Opening accumulated surplus or deficit	-	4 832 467
Statement of Financial Performance		
Revenue from non-exchange transactions	-	4 832 467

33. Prior-year adjustments

Presented below are items contained in the Statement of Financial Position, Statement of Financial Performance and Cash Flow Statement that have been affected by prior year adjustments:

Statement of Financial Position

2017

	Note	As previously reported R	Correction of error R	Restated R
Receivables from non-exchange transactions		12 710 637	4 832 466	17 543 103
Accumulated surplus: 2017		211 560 099	4 832 466	216 392 565
		224 270 736	**9 664 932**	**233 935 668**

Statement of Financial Performance

2017

	Note	As previously reported R	Correction of error R	Restated R
Revenue from non-exchange transactions		193 451 259	4 832 467	198 283 726

Cash Flow Statement

2017

	Note	As previously reported R	Correction of error R	Restated R
Cash flow from operating activities				
Changes in receivables from non-exchange transactions		948 343	(4 832 467)	(3 884 124)

Notes

Notes

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