



national regulator for
compulsory specifications

A collage of images representing various industries: a clapperboard, canned goods, a car, a cement bag, and electrical outlets. A large yellow circle with a green bottom section is overlaid on the collage, containing the text "ANNUAL REPORT 2022 2023".

**ANNUAL
REPORT
2022
2023**

**Protecting Health, Safety, the
Environment and Ensuring Fair Trade**



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PART A
GENERAL
INFORMATION

NRCS INFORMATION

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

ABBREVIATIONS/ACRONYMS

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

S & L	Standards & Labelling
SAAFoST	South African Association for Food Science and Technology
SABS	South African Bureau of Standards
SACREEE	SADC Centre for Renewable Energy and Energy Efficiency
SADC	Southern African Development Community
SADCMEL	SADC Cooperation in Legal Metrology
SANAS	South African National Accreditation System
SANEDI	South African National Energy Development Institute
SANS	South African National Standards
SAPS	South African Police Service
SARS	South African Revenue Service
SME	Small and Medium Enterprise
SMME	Small, Medium, and Micro-Enterprise
SPS	Sanitary and Phytosanitary
TBT	Technical Barriers to Trade
TC	Technical Committee
TCA	Technical Cooperation Agreement
the dtic	Department of Trade, Industry and Competition
TR	Technical Regulation
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Europe
VC	Compulsory Specification
WP	Working Party
WTO	World Trade Organization



MINISTER'S FOREWORD

Mr Ebrahim Patel
Minister of Trade and Industry
Date



CEO'S OVERVIEW

The NRCS primarily regulates the automotive, chemical, materials and mechanicals, and electro-technical sectors and is responsible for the Legal Metrology Act. The mandate of the NRCS is to protect public health, safety and the environment and promote fair trade. This is achieved by ensuring that businesses produce, import or sell products, and provide services that comply with the minimum safety and environment requirements, and do not fall short of the declared measure.

The NRCS has focused its resources to preclude presence of non-complaint goods to prevent harm, in any form, to consumers whilst promoting and maintaining fair trade and protecting our environment. The focus in this financial year was on transitioning the NRCS to be an efficient and effectively functioning organisation through improvement in Information Communication Technologies (ICT). The NRCS implemented a new Enterprise Resource system and remains on course to modernise its ICT and other systems, including data management, to inform innovative ways of working that enable the NRCS to be agile, effective, efficient, accessible and intelligent in the way it delivers on its mandate.

The regulatory model of the NRCS is anchored on effective utilisation of an innovated regulatory framework, including our Risk Based Approach to approvals and inspections, to optimise the usage of our resources in ensuring compliance. Thereby ensuring that, products manufactured locally or imported meet the minimum set standards as per the compulsory specifications

or technical regulations. The VC/TRs set the minimum requirements in terms of health, safety, environmental and Legal Metrology requirements.

Although the NRCS' primary role is to ensure that products made available for sale comply with the regulatory requirements, the organisation works with the industry role players and government to facilitate trade. The organisation also plays a critical role to ensure that local manufacturers comply with the minimum requirements and facilitates the exporting of South African goods to foreign markets, especially within the Oceans Economy. Ultimately the NRCS would like to be a partner to the local industries building sustainable industries as per the industrialisation goals set by the dtic.

PERFORMANCE

During the year under review, in ensuring that products or services complied with the regulations, the NRCS conducted 49 955 inspections across all regulated industries. This represents a 6% increase from the previous year's performance during which 47 130 inspections were conducted.

The NRCS is the competent authority for fish and fishery products in South Africa for the export of fish and fishery products and is acknowledged as such by the European Union and People's Republic of China, among others. In fulfilling its mandate, the organisation conducted 10 684 inspections on product consignments exported to various countries with a total

of 8 113 health guarantees issued. In relation to imported fish and fishery products, a total of 8 185 compliance certificates were issued.

APPROVALS

During the financial year, the NRCS processed 19 972 pre-market approval application, of those approvals, 95% were finalised within 120 days. Approximately 78% of the approved applications were for electro-technical products, 17% for automotive, 4% for chemical, materials and mechanical and 1% for measuring instruments.

NON-COMPLIANCES

The sale of non-compliant products remains a challenge. The majority of the non-compliant products are unfortunately imported and some of which are found at the retail level having already been made available for sale. During the year under review, non-compliant products worth approximately R928 million were identified on the market. The majority of these were products found non-compliant in terms of the Legal Metrology Act amounting to R675 million and electro-technical products to the value of to R160 million. Other identified non-compliances were for chemicals, materials and mechanicals to the value of R39,5 million, food products worth R26,7 million and automotive products amounting to R26,3 million.

Non-compliant products, are products that fail to meet the minimum requirements as set out in the respective technical regulations or compulsory specifications. These products were either removed or corrected to ensure compliance with the minimum safety or legal metrology requirements. The non-compliant products vary and included agricultural trailers, brake friction material, motor cycles, safety footwear, plastic carrier bags, detergent, disinfectants, incandescent lamps, compact fluorescent lamps, adaptors, cord extension sets, automotive replacement lights, hydraulic brake fluid, child restraint systems (baby seats), towing devices, safety glass, and fishery products.

INFORMATION COMMUNICATION TECHNOLOGY

The NRCS has made significant strides in modernising its ICT systems. The ERP was implemented and went live during the year. The second part of the NRCS Modernisation Project, which is the automation of operations such as approvals and inspections, has been delayed. The roll out of the operations system is now expected to start in the fourth quarter of the 2023/24 financial year. This will enable the NRCS to integrate its internal systems and other external entities and allow for end-to-end processes of its market surveillance activities.

STAKEHOLDER AND CONSUMER AWARENESS

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

FINANCE

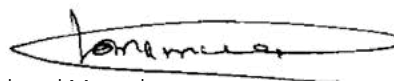
The total revenue for the year under review was R449 million. The NRCS had a deficit of R79 million for the 2022/23 financial year. The NRCS received an unqualified audit report and remains a going concern. The funding gap is receiving attention and the organisation is expecting the deficit to be significantly lower during 2023/24 financial year and for the organisation to break-even during the 2024/25 financial year going forward.

HUMAN RESOURCES

The NRCS experienced a high vacancy rate of 14% which is being addressed. During the financial year, all critical positions were filled except where some employees resigned during this period.

CONCLUSION

The NRCS received a clean, unqualified audit opinion for the 2022/23 financial year. I would like to thank Minister Ebrahim Patel, the Portfolio Committee on Trade, Industry and Competition, the dtic, members of the Audit and Risk Committee, AGSA, for their leadership and oversight. Finally I would also like to pass my sincere gratitude to the NRCS management and staff for the hard work and commitment they have shown to the organisation and in serving the people of South Africa.



Edward Mamadise
Chief Executive Officer

Date: 31 August 2023

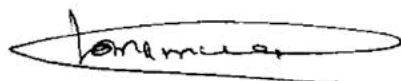
STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

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

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

In my opinion, the Annual Report fairly reflects the operations, performance information, human resources information and the financial affairs of the NRCS for the financial year that ended on 31 March 2023.

Yours faithfully



Edward Mamadise

Chief Executive Officer

Date: 31 August 2023

STRATEGIC OVERVIEW



VISION

A safe, sustainable South Africa where people and businesses can trade and purchase with confidence.



MISSION

To protect public health and safety, safeguard the environment and facilitate fair trade



VALUES

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

LEGISLATIVE AND OTHER MANDATES

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

The legislative mandate of the NRCS is derived from:

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

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

ORGANISATIONAL STRUCTURE

NRCS to supply updated structure





PART B
PERFORMANCE
INFORMATION

AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA 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 the Report to Management, with material findings reported under the 'Predetermined Objectives' heading in the 'Report on other Legal and Regulatory Requirements' section of the AGSA's Report.

Refer to page xx of the AGSA's Report, published in Part E: Financial Information of this Annual Report.

THE NRCS SITUATIONAL ANALYSIS

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

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

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

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

PERFORMANCE INFORMATION BY OBJECTIVE

Strategic Goal 1: To develop, maintain and administer compulsory specifications and technical regulations.

No.	Outcome	Output	Output Indicator /Measure	Audited Performance 2020/21	Audited Performance 2021/22	Annual Target 2022/23	Actual Performance 2022/23	Deviation from planned target to actual performance	Reason for Deviation/ Variance	Corrective Action
1.1	Build a regulatory system responsive to market needs	Develop a set of Compulsory Specifications (VC)/Technical Regulations (TR) that are responsive to market needs	Number of VC's/ Tech Regulations (new, amended or withdrawn) submitted to the dtic (1st and 2nd Gazette)	6 Compulsory Specifications / Technical Regulations submitted to the dtic for 1st or 2nd gazette	12 Compulsory Specifications/ Technical Regulations submitted to the dtic for 1st or 2nd gazette	8 Compulsory Specifications/ Technical Regulations submitted to the dtic	5 Compulsory Specifications/ Technical Regulations submitted to the dtic	-3 Compulsory Specifications/ Technical Regulations submitted to the dtic	The variance is mainly due to delays in stakeholder consultation and delays in gazetting the compulsory specification due to queries and objections	Implementation of the updated stakeholder engagement strategy and engagements with the dtic

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

No.	Outcome	Output	Output Indicator/ Measure	Audited Performance 2020/21	Audited Performance 2021/22	Annual Target 2022/23	Actual Performance 2022/23	Deviation from planned target to actual performance	Reason for Deviation/ Variance	Corrective Action
2.1	Increased compliance to compulsory specifications and technical regulations	Increase market surveillance activities and enforce compliance through regulations based on sound market intelligence	Number of inspections conducted for Automotive, Chemicals Materials and Mechanicals (CMM), Electro-technical and Legal Metrology	10 560	21 065	19 115	21 293	+2 178	The positive variance is due to the targeted inspections as part of the NRCS rural engagement strategy	N/A
2.2			Percentage of inspections conducted on locally produced, imported and exported canned fishery and meat product consignments in accordance with the compulsory specification and procedures	100% of inspections conducted on all declared canned fishery and meat products produced	100% of inspections conducted on all declared canned fishery and meat products produced	100% of inspections conducted on all declared fishery and meat products	101% of inspections conducted on all declared produced canned fishery and meat products	+1% of inspections conducted on all declared produced canned fishery and meat products	The positive variance is due to inspections conducted on inspection requests that were carried over from the 2021/22 Financial Year and NRCS carrying forward fewer inspection requests as compared to last financial year	N/A
2.3			Number of inspections conducted on locally produced fishery products (live, chilled and frozen), processed meat products, fishery and meat processing factories and vessels as well as fishery and meat retail inspections, in accordance with the compulsory specification and procedures	1 942 inspections	2 247 inspections	2 366 inspections	2 701 inspections	+335 inspections	The positive variance is due to the increase in the number of processed meat inspections that were conducted by the NRCS	N/A

No.	Outcome	Output	Output Indicator/ Measure	Audited Performance 2020/21	Audited Performance 2021/22	Annual Target 2022/23	Actual Performance 2022/23	Deviation from planned target to actual performance	Reason for Deviation/ Variance	Corrective Action
2.4			Percentage of gaming approval applications finalised (approved or rejected or closed) within the set timeframes	99,89% of all applications processed within 30 calendar days	100% of all applications processed within 30 calendar days	98% of all applications processed within 30 calendar days	99% of all applications processed within 30 calendar days	+1% of all applications processed within 30 calendar days.	The positive variance is due to improved availability of man hours in the gaming approval section	N/A
2.5			Percentage of approval applications finalised (approved or rejected or closed) within the set timeframes	92% of all approval applications processed within 120 calendar days	95% of all approval applications processed within 120 calendar days	95% of all approval applications processed within 120 calendar days	95% of all approval applications processed within 120 calendar days	No Variance	N/A	N/A

Strategic Goal 3: To inform and educate our stakeholders about the NRCS.

No.	Outcome	Output	Output Indicator /Measure	Audited Performance 2020/21	Audited Performance 2021/22	Annual Target 2022/23	Actual Performance 2022/23	Deviation from planned target to actual performance	Reason for Deviation/ Variance	Corrective Action
3.1	Informed Stakeholder on NRCS functions	Stakeholder and Public awareness platforms and events	Number of stakeholder and consumer education events or campaigns	10 Consumer education events or campaigns	21 stakeholder and consumer education events or campaigns	18 NRCS consumer education events or campaigns	27 NRCS consumer education events or campaigns	+9 NRCS consumer education events or campaigns	The positive variance is due to the identified non-compliances in some rural areas the NRCS has increased the number of stakeholder engagements and also is collaborating with other government agencies leading to an increase in stakeholder engagements.	N/A
3.2			Approved Stakeholder Engagement Strategy and % Implementation of the Stakeholder Engagement Strategy	60% implementation of the Stakeholder Engagement Strategy	98% implementation of the Stakeholder Engagement Strategy	95% implementation of the Stakeholder Engagement Strategy	95% implementation of the Stakeholder Engagement Strategy	No Variance	N/A	N/A

Strategic Goal 4: To ensure an optimally capacitated institution.

No.	Outcome	Output	Output Indicator /Measure	Audited Performance 2020/21	Audited Performance 2021/22	Annual Target 2022/23	Actual Performance 2022/23	Deviation from planned target to actual performance	Reason for Deviation/ Variance	Corrective Action
4.1	Increase effectiveness of human resources (NRCS employees)	A capacitated organisation with relevant systems to support business	Percentage (%) of vacancies. Vacancy rate of approved and funded posts	5%	8%	5%	14%	-180%	The variance is due to delays experienced in the recruitment process and Organisational Review Project that led to some positions being placed on hold and NRCS prioritising recruitment for critical positions only	A Recruitment Plan has been developed and is being implemented to expedite the filling of the vacant positions and focus being placed on the advertised critical/urgent positions.
4.2		Build IT platform and systems that supports and improve business	Percentage (%) of implementation of Modernization related projects	95% Implementation of Enterprise Resource Planning System	30% implementation of the NRCS Operations System	30% implementation of the NRCS Operations System	0% implementation of the NRCS Operations System	-100% implementation of the NRCS Operations System	The NRCS did not manage to obtain a suitable service provider to develop and start the implementation of the Operations system. The tender was advertised twice but did not manage to obtain acceptable bids.	Tender has been re-advertised to source a suitable service provider to develop and implement the operations system
4.3			Percentage (%) of implementation of the NRCS ICT Strategy	95% implementation of the NRCS ICT Strategy	95% implementation of the NRCS ICT Strategy	95% implementation of the NRCS ICT Strategy	95% implementation of the NRCS ICT Strategy	No Variance	N/A	N/A

LINKING PERFORMANCE WITH BUDGET

Table 1: Linking Performance with Budgets

	Audited outcome	Approved budget	Audited outcome	Approved budget	% Budget spent during the financial year	% Achievement of key performance indicators
R thousand	2022/23	2022/23	2021/22	2021/22	2022/23	2022/23
Administration	57,255	77,810	58,676	69,370	74%	-
Maximise compliance with all specifications and technical regulations	352,180	374,104	305,380	351,787	94%	100%
Develop, maintain and administer compulsory specifications and technical regulations	11,919	12,630	9,102	11,532	94%	0%
Inform and educate stakeholders on the regulator's mandate	12,696	16,030	12,440	15,220	79%	100%
Ensure an optimally capacitated institution	94,499	90,513	93,040	92,380	104%	33%
Total expense	528,549	571,087	478,638	540,289	93%	73%

BUSINESS UNIT PERFORMANCE



AUTOMOTIVE

OVERVIEW

The Automotive Business Unit (ABU) is one of the business units operating within the National Regulator for Compulsory Specifications (NRCS). In addition, the ABU carries out the mandate as an appointed inspectorate of Motor Vehicle Manufacturers, Builders, and Importers (MIBs). Under the provisions of the National Road Traffic Act 93 of 1996 (NRTA), the ABU is entrusted with the responsibility of conducting comprehensive market surveillance activities within the automotive industry.

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

- Agricultural tractors;
- Heavy passenger vehicles (Buses);
- Child restraints systems (Baby Seats) ;
- Heavy commercial vehicles (Trucks);
- Hydraulic brake and clutch fluid;
- Light commercial vehicles (panel vans and bakkies);
- Headlights, secondary lights, replacement lamps (bulbs);
- Motorcycles, motor tricycles and quadricycles;
- Light Passenger vehicles (cars);
- Special purpose adopted vehicles covered in the NRTA;
- Replacement brake friction material (brake pads and brake shoes);
- Replacement safety glass;

- Safety helmets for motorcyclists;
- Towing devices (tow bars);
- Tyres for commercial vehicles and passenger vehicles;
- Trailers; and
- Elastomeric cups and seals.

The ABU plays a critical role to ensure compliance with automotive compulsory specifications and the applicable road traffic act regulations. The unit is also entrusted with ensuring efficiency in the realm of motor vehicles and automotive products, in alignment with the NRTA and relevant regulations. ABU fulfils its mandate through a range of essential functions and operations to cover the scope of work and the markets:

One of the primary tasks of the ABU is to assess and register manufacturers, builders, and importers of motor vehicles (MIBs) in adherence to the NRTA. Through rigorous evaluation processes, the ABU determines the eligibility and compliance of applicants, ensuring that only qualified and accountable entities are recommended for registration by the Department of Transport for participation in the industry.

Moreover, the ABU conducts single vehicle approvals for motor vehicles that are manufactured, built, or imported by MIBs not required to be registered. This meticulous approval process verifies that these vehicles meet the necessary standards and

specifications, thereby upholding safety and quality standards across the automotive sector. All vehicles that meet the requirements are issued with a letter of authority which facilitates the registration of such vehicles in the National Traffic Information System (NaTIS).

Another critical aspect of the ABU’s responsibilities is automotive product approvals, which entail assessing compliance with compulsory specifications and the corresponding road traffic regulations. By conducting thorough evaluations, the ABU guarantees that all automotive products, including components and accessories, meet the minimum mandatory standards, ensuring the overall safety of vehicles on our roads. Vehicle models, pneumatic tyres, child restraint systems and safety helmets for motorcyclists that comply with the respective requirements are issued with the homologation certificate, and all components are issued with a Letter of Authority (LOA).

The ABU carries out market surveillance inspections to enforce compliance and ensure adherence to regulations. These inspections serve as robust enforcement mechanisms, identifying non-compliant products and taking appropriate actions, including issuing sanctions and implementing necessary measures to rectify the situation. Through these efforts, the ABU safeguards the interests of consumers and bolsters the integrity of the automotive industry.

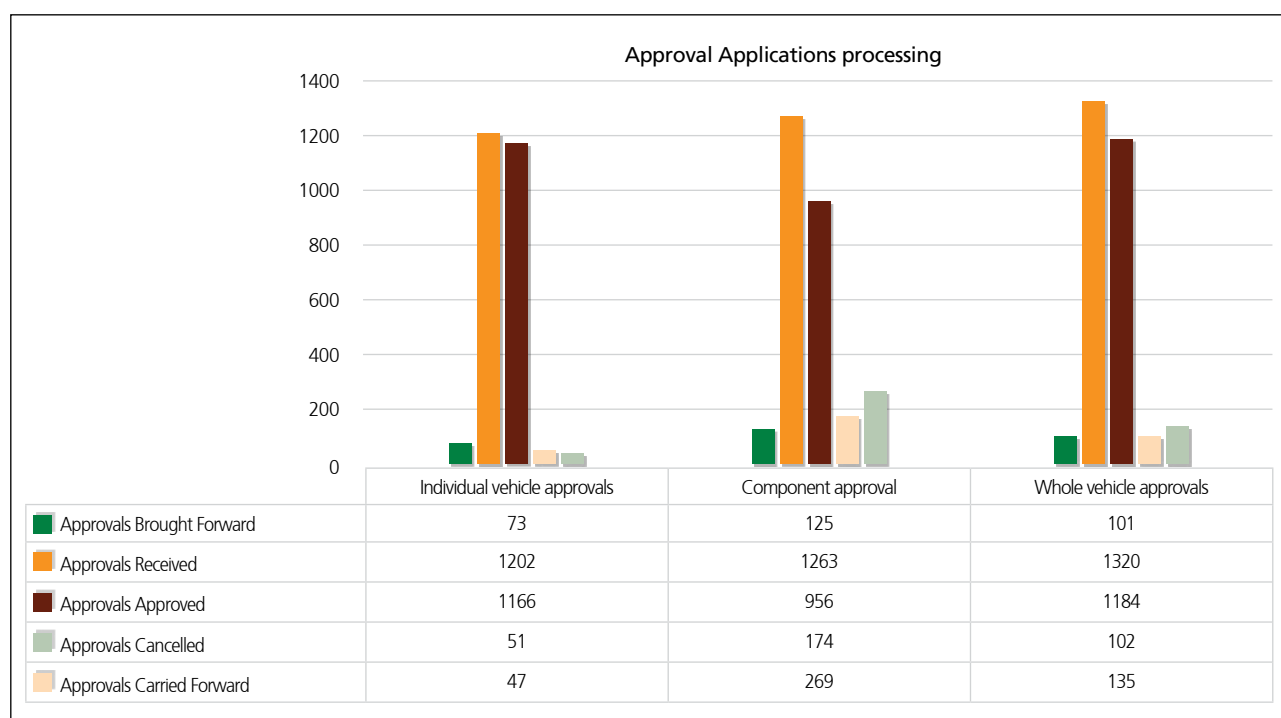
In addition to its operational functions, the ABU actively engages in stakeholder collaborations. These collaborations span various government departments, industry associations, consumers, the South African Revenue Service (SARS), the South African Police Service (SAPS), the International Trade Administration Commission (ITAC), and the National Consumer Commission (NCC). The ABU ensures a coordinated approach to regulatory compliance and addresses industry challenges collectively by fostering strong partnerships and promoting knowledge exchange.

OVERALL PERFORMANCE OF THE ABU

Approvals of the automotive-regulated products

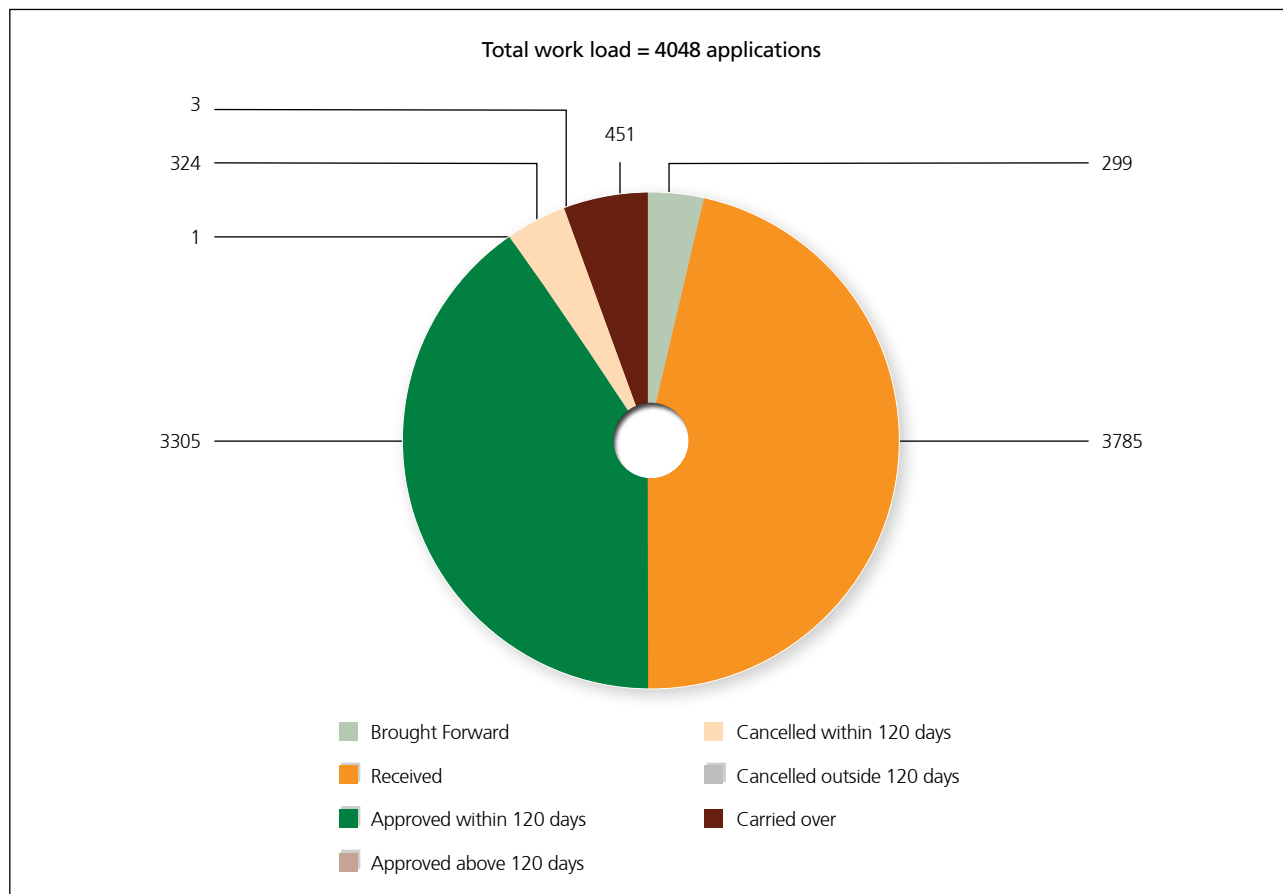
At the start of the reporting period, the business unit had 299 applications for approval that were outstanding from the 2021/22 reporting period. The table below shows how the applications were processed:

Figure 1: Approval Applications Processing



The total applications workload for the reporting period was 4 084 applications (4 449 in 2022). We granted 3 306 (3 729 in 2022) approvals of which 3 305 were within the 120 days turnaround time. Of the 327 cancelled applications, three were cancelled outside the 120 days turnaround time.

Figure 2: Automotive Approvals Workload and Performance for 2022/23 Financial Year



MARKET SURVEILLANCE INSPECTIONS

Market surveillance inspections are conducted to monitor compliance with the compulsory specifications and regulations and to ensure that products granted with the approval comply with the respective requirements. During the period under review, the Automotive Business Unit conducted successful Original Equipment Manufacturer (OEM) group audits for the pre-identified companies. The unit worked on four investigative inspection projects covering vehicle body conversions, online sales of child restraint systems, misuse of trailer registration papers and towing devices.

During the financial year, the unit conducted 5 364 (5 025 in 2021/22) inspections against a target of 5 000 inspections at the points of manufacture, ports of entry and retail outlets, including motor dealerships and motor spare shops.

Figure 3: Automotive Cumulative Inspections Per Month

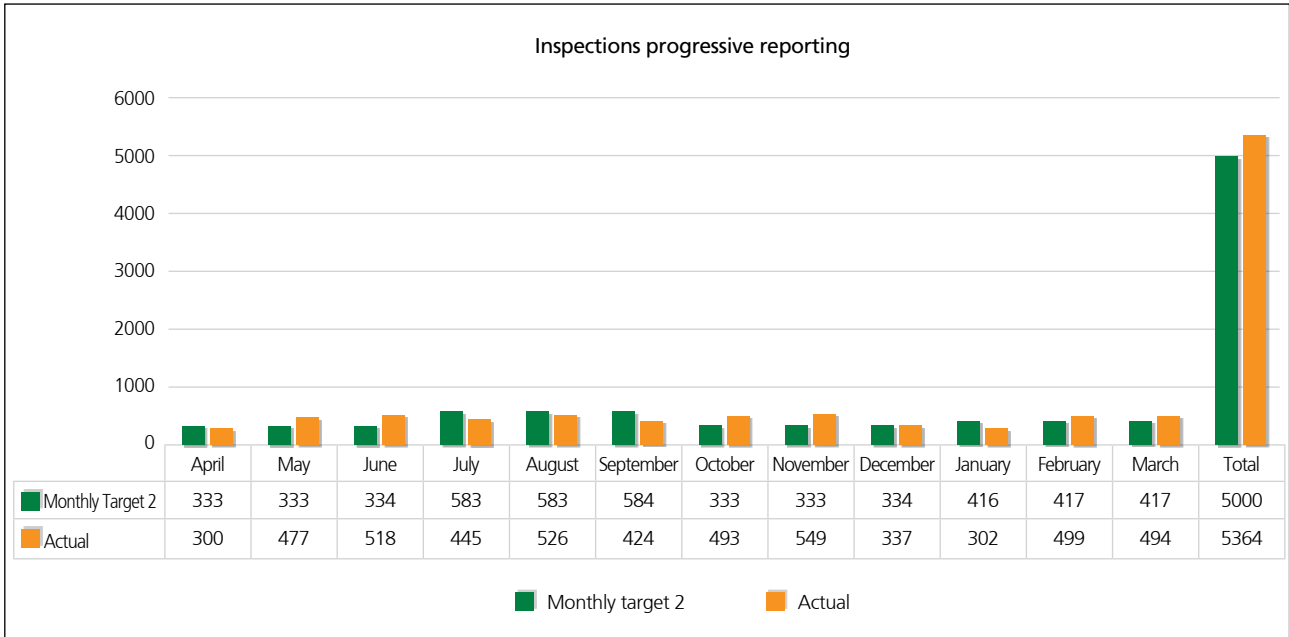
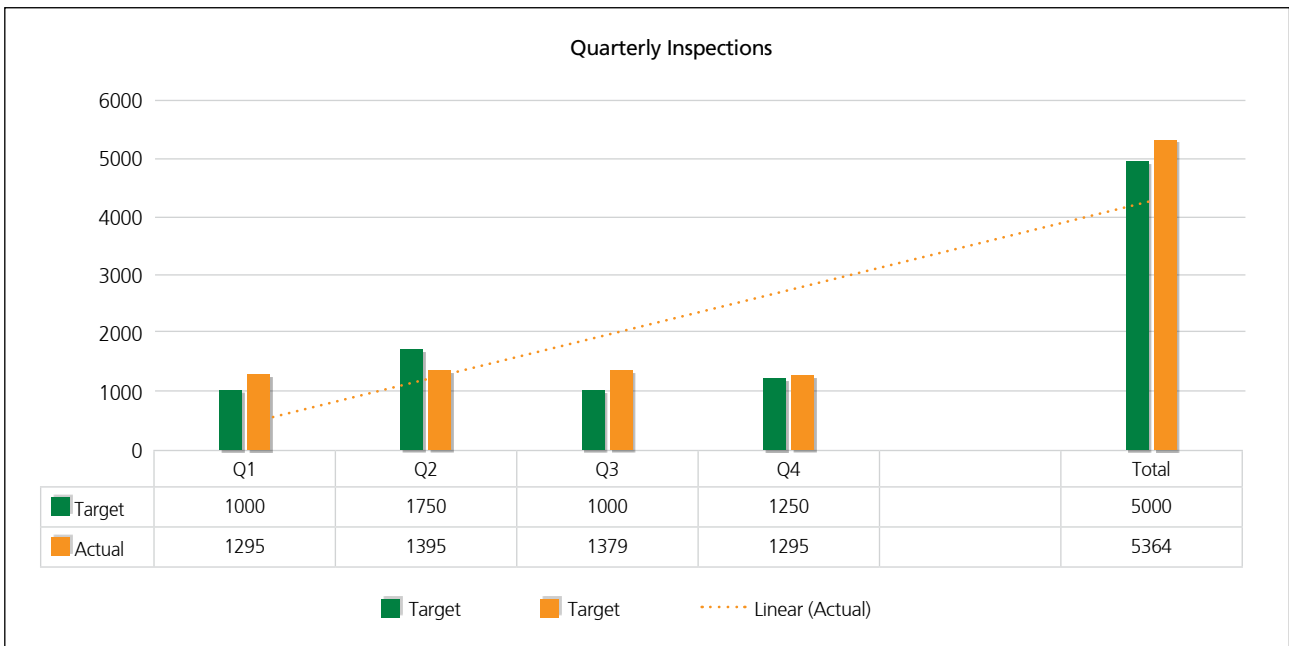


Figure 4: Automotive Quarterly Performance



SANCTIONS

The business unit continued its mission to eradicate non-compliance in the market through inspection activities. A total of 88 (128 in 2021/22) CEO directives were issued in terms of Section 15(1) of the NRCS Act for non-compliant products. The estimated market value of the non-compliant products was R26 335 006. The identified non-compliant products and the estimated value were as follows:

Table 2: Automotive Identified Non-Compliant Products

VC no.	Product Description	Number of directives	Estimated rand value
8013	Brake and clutch fluid	40	R 3,624,228.00
8016	Motorcyclist helmets	1	R 310,936.00
8026	Light trailers	4	R 885,000.00
8033	Child restraint systems	1	R 568,000.00
8048/49/50	Automotive lights	16	R 894,927.00
8053	Friction material	5	R 1,305,644.00
8056/59	New tyres	2	R 909,102.00
8057	Agricultural Trailers	4	R 13,353,641.00
8080	Elastomeric cups and seals	3	R 306,027.00
9098	Motorcycles	3	R 4,146,000.00
8013/48/49/50	Automotive lights and brake fluid	5	R 15,101.00
8050/8053	Automotive lights and friction material	1	R 16,400.00

The table above illustrates the high number of directives issued for hydraulic brake and clutch fluid. The unit's analysis of this trend has revealed that most manufacturers, importers and bottlers of this product lacked an understanding of the marking and labelling requirements. For that reason, all renewals of LOAs for the product in question were subjected to sample inspection to ensure that the marking and labelling requirements are adhered to. Furthermore, our sampling projects for testing purposes identified the need to provide oversight for the automotive lights and hydraulic brake and clutch products, considering the high number of sanctions in these areas.

The unit also ensured that imported agricultural tractors and motorcycles that were found in our markets without following the approval process were dealt with in accordance with NRCS Act. In such instances, these products were recommended to be returned to the country of origin and where possible, subjected to a homologation process.

MIBs who were suspected of issuing registration documents to the consumers for trailers were inspected and the observation was that there was no manufacturing capacity at their premises. Accordingly, 4 MIBs were delinked from the NaTIS database. Furthermore, 35 MIBs were also delinked from the database as part of the process of recommendation for the cancellation from registration on the NaTIS.

SAMPLING

We have sampled and acquired testing services within sampling projects for the following products:

Commercial and passenger tyres, hydraulic clutch and brake fluid, automotive lighting, towing devices, requirements for tilt angle for buses and brake lining assemblies. Whilst we have received test results for tyres, brake fluid and automotive lighting, the test results for other products were outstanding at the end of the reporting period. In instances where corrective action was not possible, the affected products were subjected to the NRCS sanction process.

QUALITY MANAGEMENT

The ABU is accredited by the South African National Accreditation System (SANAS) pursuant to SANS/ ISO/ IEC 17020, "General criteria for the operation of various types of bodies for performing inspection" and operates within its quality management system. The business unit seeks to maintain its accreditation on an ongoing basis and to expand its scope of accreditation to include any new compulsory specifications and any additional mandate which may be placed on the unit from time to time. The focus of the SANAS assessment for the performance period was on the business unit's inspection and approval activities. The annual assessment took place in September 2022 and all conformances raised were closed as per the SANAS requirements. The outcome of the assessment, again, and for the 12th consecutive year, confirmed that the ABU successfully upheld its accreditation status.

STAKEHOLDER ENGAGEMENT

During the reporting period, we interacted with our stakeholders in accordance with our plan. These interactions created platforms for consultations and engagements on matters of mutual benefit. We highlight the following activities from our stakeholder engagements:

- Automotive invited all the trailer MIBs for an interactive industry meeting. The attendees were introduced to the relevant operational areas of the automotive business unit and the different functions. Two meetings were convened, first with the light trailer MIBs and then medium to heavy trailers MIBs. The business unit intended to get a sense of the challenges experienced by the MIBs and their views on NRCS ABU.
- Under the programme of work for the WP.29, ABU under the chairmanship of Mr Van Tonder, led the discussion on the drafting of the Terms of Reference for the Informal Working Group on Safer and Cleaner Used and New Vehicles (IWG on SCUNV) for the Developing Countries.
- Attendance of the meetings of the international forum reinstated the much-needed network engagements with other international regulatory authorities, most of whom are implementing higher levels of vehicle regulations.
- Engagements with RMI yielded positive results in that we may utilise the free publication for three quarters in RMI's Automobil magazine. This will help the NRCS to reach out to members of the RMI and any other consumer who reads the magazine.
- The NRCS has secured a slot in the WP.29 agenda for the June session. The item to be presented relates to the work of the NRCS Automotive unit (Approval Authority).
- Participation in the forum for regulatory agencies and standards administrators adds value in the promotion of African leadership within the regulatory environment and enables the NRCS to learn more about governance in the regulatory domain and failures by regulators.
- The NRCS was involved in the workshop to discuss the objectives and plans to be implemented in support of the local market optimisation under the South African Automotive Masterplan. The workshop was arranged by the Executive Oversight Committee and formulated on behalf of the Minister under the local market optimisation pillar of the Masterplan.
- The NRCS participated in the conference arranged by the Automotive Industry in support of the South African Automotive Week during Transport Month in October. The presentation was about the activities to curb illegal and non-compliant second-hand vehicles destined for Africa.

The table below provides more details regarding our implementation of the stakeholder engagement plan:

Table 3: Automotive Stakeholder Engagements

Date	Name of Stakeholder	Nature of Engagement/issues discussed	Outcome/Recommendation
10 – 15 April 2022	Economic Community of West African States (ECOWAS)	International training workshop regarding safety requirements for used imported vehicles.	NPRCS member being nominated as possible Chairperson on the newly formed IWG on second-hand vehicles. Delegates were invited to allow members to gain valuable information that could assist the IWG with the establishment of standards.
28 March to 1 April 2022	WP.29	GRSG – Working group on harmonisation of technical regulations	Technical matters regarding general safety of motor vehicles and their components
26 – 29 April 2022	WP.29	GRE – Working group on harmonisation of technical regulations	Technical matters regarding light and lighting signals of motor vehicles
23 May 2022	Executive Oversight Committee on Local Market optimisation	Discussion on providing support for the industry to align with SAAM. Meetings held on behalf of the Minister and chaired by CEOs of OEMs.	Presentation on export levies was shared with the committee. The committee/industry expects a permanent solution from the Minister
11 May 2022	Department Of Transport Vehicle Technical Committee (VTC)	Discussions regarding matters affecting vehicle technical regulations	Ongoing engagements dealing with issues including regulatory gaps such as regulations for limousines.
09 May 2022	SA Tyre Industry (RMI, SA.TMC, TIASA)	Discussions with regards to regulatory matters within the tyre industry	First scheduled stakeholder engagement took place.
12 May 2022	Informal Working Group under the WP.29 Forum	Discussions on safety requirements for second-hand vehicles.	Attended first Informal meeting of the IWG on SCUNV.
16 May 2022	South African Vehicle and Bodybuilder Association (SAVABA)	Discussions with regards to regulatory matters within the bodybuilders and trailer industry	First scheduled stakeholder engagement took place.
23 May 2022	The Business Council. NAAAMISA	Discussions with regards to regulatory matters within the original equipment vehicle manufacturers and importers	Scheduled stakeholder engagement
24 May 2022	Informal Working Group under the WP.29 Forum	Discussions on safety requirements for second-hand vehicles.	Attended the second informal meeting of the IWG on SCUNV.
30 May 2022	Association of Motorcycle Importers and Distributors (AMID)	Discussions with regard to regulatory matters within the motorcycle and other categories L vehicle industry	Scheduled stakeholder engagement took place where matters relating to approvals and inspections of this category of vehicles were discussed.
19 May 2022	South African Bus Operators Association (SABOA)	Discussions with regards to regulatory matters within the bus manufacturers and importers industry	Scheduled stakeholder engagement took place where matters relating to approvals and inspections of this category of vehicles were discussed.
23 to 27 May 2022	WP.29 – GRVA	Technical discussion on the development and amendments of vehicle regulations	International vehicle regulation discussion on autonomous vehicles and how the developments impact the South African state of readiness for this technology.
15 June 2022	DoT	Progress reporting with respect to performance in terms of SLA	First Biannual meeting in support of the SLA. Reporting format and financial performance are to be discussed and submitted to DoT.
01 Jun'22	WP.29 Stakeholders	WP.29 Informal WG	Preparatory meeting on the informal working group on second-hand and new vehicles destined for Africa and other countries.
08 Jun'22	Automotive Industry and other parties interested in vehicle safety	Meeting to discuss upcoming WP.29 meeting	RSA WP.29 Stakeholders engagement in Preparation for attending WP.29
20 to 24 Jun'22	WP.29	Technical meeting on harmonized technical regulations	Attended the 187th Session of WP.29 and participated in the voting of proposed regulations. South Africa, as the appointed chair of the informal working group on the safety of second-hand vehicles, was afforded an opportunity to address the WP.29 stakeholders.

Date	Name of Stakeholder	Nature of Engagement/issues discussed	Outcome/Recommendation
11 July 2022	O1 & O2 trailer industry stakeholders	Stakeholder engagement meeting	Information sharing on NRCs regulatory requirements pertaining to that category of vehicles.
15 July 2022	WP.29	Engagements on matters relating to cleaner and safer used vehicles for developing countries	Discussion on terms of reference for Informal Working Group on Safer and Cleaner Used and New Vehicles (IWG on SCUNV) for Developing Countries
25 July 2022	O1 & O2 trailer industry stakeholders	Stakeholder engagement meeting	Information sharing on NRCs regulatory requirements pertaining to that category of vehicles.
16 August 2022	Tyre Forum SARS, tyre industry, "dtic", NRCs	Stakeholder engagement	Information sharing on the control of tyre imports
17 August 2022	EOC Infrastructure Development Workshop	Meeting	Information sharing on automotive industry production efficiencies .
31 August 2022	AMID – The motorcycle industry	Meeting	Discussion on the proposed amendment to L category compulsory specifications
31 August 2022	WP.29 IWG	East Africa training session on second-hand vehicles.	Attended a virtual session of a seminar held on activities related to second-hand vehicle imports in the East Africa Region.
12 September 2022	Tyre industry meeting	Technical discussions regarding requirements for tyres	Information sharing on the NRCs's regulatory requirements and processes.
13 September 2022	SABOA	Technical discussions regarding requirements for buses	Information sharing on the NRCs's regulatory requirements and processes.
20 September 2022	SAVABA	Technical discussions regarding requirements for vehicle bodybuilders and trailer manufacturers	Information sharing on the NRCs's regulatory requirements and processes.
21 September 2022	NAAMSA	Technical discussions regarding requirements for vehicle manufacturers and importers	Information sharing on the NRCs's regulatory activities.
26 September 2022	AMID	Technical discussions regarding requirements for motorcycle importers	Information sharing on the NRCs's regulatory requirements and processes.
04 – 05 Oct 2022	Inter-Provincial Policy and Procedure Committee of NDoT – IPPP	Meeting	NRTA regulation discussion and operational resolution implementation committee.
10 Oct 2022	EOC	Meeting	Executive Oversight Committee on local market optimisation to implement South African Automotive Masterplan vision and pillars.
04 – 05 Oct 2022	Inter-Provincial Policy and Procedure Committee of NDoT – IPPP	Meeting	NRTA regulation discussion and operational resolution implementation committee.
4 October 2022	WP.29 (Informal Working Group)	Safer and cleaner used and new vehicles for Africa	Meeting held with leadership members of the IWG.
17 October 2022	DoT	Discussion on Autonomous vehicles and IWG on SCUNV activities.	Information sharing and preparations for oncoming meetings.
October 2022	WP.29 Technical Working Group on General Safety (GRSG)	Technical discussions regarding regulations in the general construction of vehicles regulations	Physical participation in the proposed amendment and development of respective regulations.
20 October 2022	The dtic, SABS standards division	Discussion on overprinting of UNECE Regs.	Need to adopt UNECE regulations to be referred to in the Compulsory Specifications
20 October 2022	WP.29 (Informal Working Group)	Safer and cleaner used and new vehicles for Africa	Discussion on terms of reference for IWG
27 October 2022	Conference arranged by the auto industry in support of the South African Automotive Week	Discussion on activities to curb illegal and non-compliant second-hand vehicles destined for Africa.	Attended and participated as an invited speaker in the conference/discussion forum.
31 October 2022	WP.29 (Informal Working Group)	Safer and cleaner used and new vehicles for Africa	Attended a virtual session of a seminar held on activities related to second-hand vehicle imports in the East Africa Region.

Date	Name of Stakeholder	Nature of Engagement/issues discussed	Outcome/Recommendation
2 and 3 November 2022	International Motor Vehicle Inspection Committee (CITA) and WP.29	CITA Conference	Attended the CITA Cape Town International Conference on behalf of WP.29 IWG on SCUNV.
4 November 2022	WP.29 IWG on SCUNV	Informal working group meeting	4th formal meeting held in Cape Town.
8 November 2022	Local WP.29 stakeholders	Meeting to prepare for the WP.29 main meeting	Information sharing session held with the automotive industry on matters related to the 188th Session of WP.29 and the positions that the RSA will take on the matters; and to obtain the position of the industry as well as the dtic.
14 – 18 November 2022	WP.29	Main meeting	Participated in the 188th Session of WP.29 in Geneva.
28 Nov 2022	WP. 29's GRVA informal working group	Meeting	Development of terms of reference on accelerator pedal error control accident (AEPa).
5 – 9 December 2022	WP.29	Attended the working group meeting on General Safety of vehicles (GRSP) in Geneva	Discussions and adoption of proposals to amend and develop new vehicle regulations.
5 December 2022	Executive oversight committee on market optimisation	Participated in the workshop on thought paper	The workshop discussed the objectives and plans to be implemented in support of the local market optimisation under the South African Automotive Masterplan
14 December 2022	National Department of Transport	Biannual meeting as per service level agreement	Continuous engagements and discussions that focused on reporting, funding of the inspectorate, and challenges experienced.
23 – 27 January 2023	WP29	Attending the working group meeting on Autonomous/Automated Vehicles (GRVA) Meeting	Harmonisation of vehicle regulation for automated/autonomous vehicles
07 February 2023	UN WP.29 Secretariat	IWG on SCUNV	Discussion on programme for 2023 on IWG
15 February 2023	Leadership team of IWG	IWG on SCUNV	Sharing of information on programme of IWG on SCUNV
13 Feb 2023	Automotive industry (Pretoria)	Meeting	Information sharing on proposed levy increase and automotive-related queries
16 Feb 2023	Automotive industry (Durban)	Meeting	Information sharing on proposed levy increase and automotive-related queries
21 Feb 2023	Automotive industry (Port Elizabeth)	Meeting	Information sharing on proposed levy increase and automotive-related queries
23 Feb 2023	Automotive industry (Cape Town)	Meeting	Information sharing on proposed levy increase and automotive-related queries
06 March 2023	United Nations Road Safety Fund (UNRSF)	Presentation on activities of IWG on SCUNV by South Africa as the chair of the working group (virtual)	The presentation was welcomed as input to the overall role of the UNRSF
6 – 10 March 2023	United Nations Working Party 29.	Participated in the 189th session as the South African delegation on matters presented at the meeting	South Africa voted in favour of the proposed amendment to the UN regulations. The delegates presented the work of the IWG SCUNV and requested an agenda item to present on state of vehicle regulations in South Africa at the next meeting session.
16 March 2023	Leadership Team of Informal Working Group on Safer and Cleaner Used and New Vehicles for low-income countries (IWG SCUNV)	Sharing of information on the Programme of IWG on SCUNV (virtual)	Discussed the proposed working plan for the 2023 programme of activities.
17 March 2023	International Motor Vehicle Inspection Committee (CITA)	Meeting to appraise the association on the work of the IWG SCUNV	The chair of the IWG SCUNV presented the activities and plans of the working group.
20 March 2023	SARS – Accreditation Unit	Meeting to discuss the participation in the Single Government Authorised Economic Operator Program	The parties agreed to draft an annexure to the existing MOU between the NRCS and SARS
13 March 2023	Retail Motor Industry (RMI)	Meeting	Information sharing on NRCS regulatory information.
30 March 2023	Inter-Provincial Policy and Procedure Committee of NDoT – IPPP	Meeting	Information sharing on inter-provincial policy and procedure activities by DoT.

CHALLENGES

During the reporting period, the ABU has gathered intelligence through market surveillance activities, investigations, sanctioning, sampling and approvals. Our analysis has revealed the following challenges that require our tactical approach going into the next performance period:

- Lack of digitisation of applications for approvals as well as the manual capturing of application technical details into our database. The unit will work closely with the NRCS ICT business unit to develop an interim solution while waiting for the modernisation project to be completed.
- Testing project delays due to challenges with the service providers. The unit will strengthen the engagements with the testing service providers to ensure adherence to the Service Level Agreements (SLA).
- Increased non-compliance of hydraulic clutch and brake fluid as a result of failure to adhere to the marking and labelling requirements. The unit has started to provide in-house training for the inspectorate in order to incorporate requirements in terms of the Legal Metrology technical regulations. Furthermore, all LOA applications are subjected to the inspection of the sample before approval can be granted.
- A sudden influx of tractor imports which requires an immediate presence of the unit's inspectors to conduct inspections on each and every stoppage. This is a challenge as we have limited resources that are assigned to the port of entry activities. The ABU will explore the possibilities of remote inspections to accelerate the release of these tractors under an embargoed release. Final inspections will then be conducted at the importer's premises.

- Lack of cooperation from retailers regarding entry to conduct inspections. Some retailers deliberately return non-compliant products covered in the prohibition of sale directive without informing the NRCS. There is a lack of awareness regarding NRCS processes. The ABU will continue to work with the marketing and communication business unit in the awareness programmes and participate in the various automotive roadshows/events.

CONCLUSION

The Automotive Business Unit (ABU), operating under the National Regulator for Compulsory Specifications (NRCS), serves as a pivotal entity within the automotive sector. By conducting market surveillance activities, assessing applicants, granting approvals, enforcing compliance, and engaging with stakeholders, the ABU ensures the safety, quality, and regulatory compliance of motor vehicles and automotive products as mandated by the NRTA. Through its commitment to excellence, the ABU plays a key role in promoting consumer confidence and industry growth.



CHEMICALS, MATERIALS AND MECHANICALS

STRATEGIC HIGHLIGHTS

The CMM business unit started the 2022/23 financial year with a high number of backlog cases awaiting approval within the chemical sector. Owing to staff dedication and commitment to serve, coupled with tactical interventions taken by management the backlog was cleared by the end of first semester and, thereafter, all applications were completed within set turn-around times.

The business unit, therefore, was able to assist companies to bring products into the market faster; continue recovering from the impact of COVID-19 and sustaining jobs.

OPERATING HIGHLIGHTS

The CMM conducted 5 031 market surveillance inspections, 4,8% above set targets signifying improved visibility and coverage nationally. Non-compliant products worth over R39 million were found and sanctioned.

The CMM continues to maintain its accreditation as a competent Inspection Body with the South African National Accreditation System (SANAS).

LOOKING AHEAD

We have learnt that the maintenance of effective communication with our stakeholders facilitates regulatory compliance, and the availability of safe products in the market. We intend to build on this, going forward.

OVERVIEW

The current environment within which South Africa trades and the NRCS operates has been characterised by continual rapid and fundamental change. Manufacturers, importers and retailers find it challenging to keep their business afloat due to downtime and the inadvertent increase in cost associated with the manufacturing and/or importation of goods. The business is however planning ahead as this is viewed as a short-term challenge.

The CMM business unit is responsible for the administration and maintenance of Compulsory Specifications that cover a wide range of industry sectors within the South African economy. Compulsory Specifications, (also known as VCs), are technical regulations that require conformity of a product or service to health, safety or environmental protection requirements of a standard, or specific provisions of a standard. The CMM business unit has a mandate to regulate and maintain VCs ranging from personal protective equipment and chemical disinfectants. Additional health-related products include microbiological safety cabinets. Other commodities falling within the mandate of the CMM business unit include personal flotation devices, swimming aids, firearms, flame-producing devices which comprises of paraffin stoves, paraffin heaters and cigarette lighters. The BU also covers some commodities within the construction industry, such as cement, safety glazing and treated timber. CMM continues to act on behalf of the Department of Forestry, Fisheries and the Environment, by regulating plastic carrier and flat bags.

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

This strategy ensures the identification and removal of non-compliant products through surveillance inspections by the sanctioning of goods, according to the mandate set out by the NRCS Act (Act 5 of 2008) and divisional procedures within CMM. CMM continues to act on behalf of the Department of Forestry, Fisheries and the Environment, by regulating plastic carrier and flat bags.

The CMM business unit also performs a regulatory function on behalf of the following State departments:

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

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

YEAR IN REVIEW

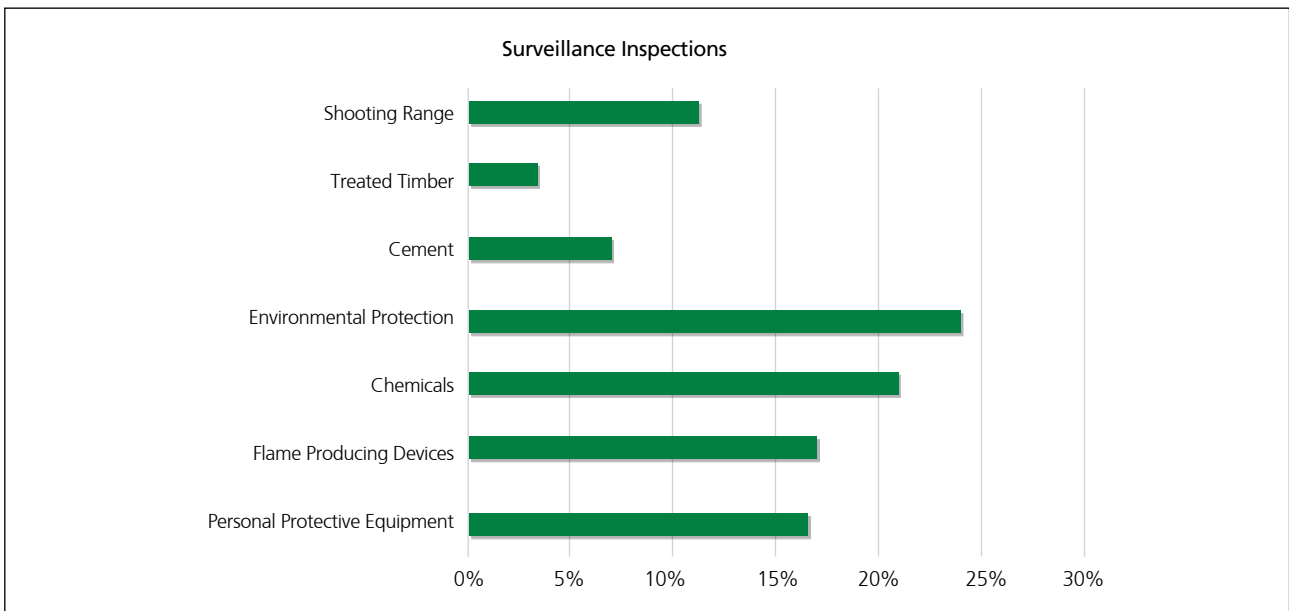
The CMM business unit recovered from the effects that COVID-19 had on its operations and performance. During the previous two financial years, at-the-height and post the pandemic, the business unit faced numerous barriers and found it hard to achieve its annual performance targets. The number of inspections conducted, and approvals processed, in a stipulated period measures the unit's performance. The measures put in place and implemented by CMM management to overcome these challenges did not only prove to be cost effective and efficient but was successful in ensuring that the business unit achieves its objectives.

OPERATING HIGHLIGHTS

The CMM business unit annually reviews its performance targets for the coming year taking into considering various micro and macro factors that possibly have a bearing on them. The business unit also considers the performance targets of other operations units and gauges itself in line with their targets. Surveillance inspections are conducted at manufacturing, importation, and retail levels post approval processes to confirm that the CMM-regulated commodities are re-registered, approved and comply with the relevant Compulsory Specification.

The CMM business unit conducted 5 031 inspections against a set annual target of 4 800 surveillance inspections for the period under review. This indicates that the CMM business unit did not only meet its performance target but exceeded it by 4.8%. The business unit achieved 104, 8% of the annual performance target for surveillance inspections. Due to the market surveillance inspections, a number of non-compliant products were found at manufacturers, retailers and ports of entries. Non-compliant goods in excess of R39 million (R39 504 933, 4) was found and sanctioned. This is double the rand value sanctioned as compared to the previous financial year.

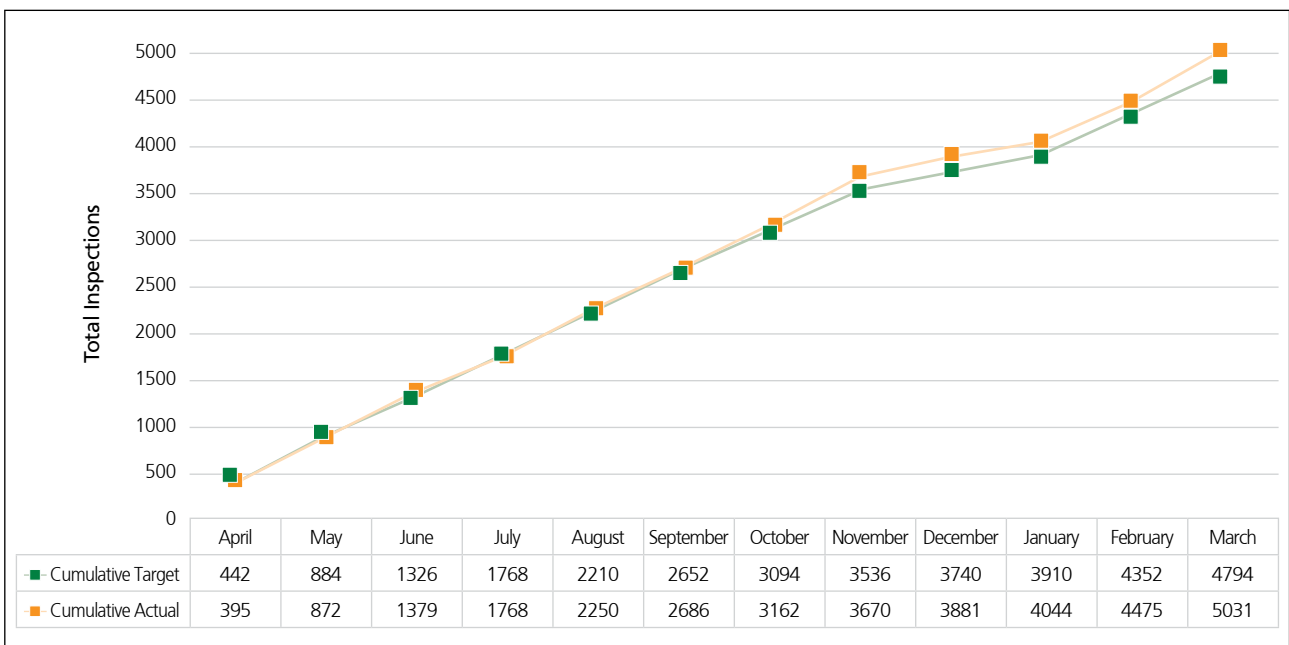
Figure 5: Surveillance Inspections 2022/23



The figure above shows that the coverage of inspections is indicative and directly proportional to the capacity of the business unit.

The business unit closely monitored the performance throughout the year keeping in mind that there are corporate commitments that must be attended to such as the NRCS’s Rural Engagement initiative. Joint operations with other business units or national or government provincial departments was attended to throughout the year. Regardless of these factors, the business unit remained focused on meeting its annual performance targets as seen in the graph labelled figure 2.

Figure 6: Cumulative Inspections Per Month



To ensure coverage across South Africa and across all industries regulated by CMM, numerous group inspections were held. The following areas were identified during the planning phase for the year:

- Limpopo
 - Targeting areas such as Polokwane, Mokopane, Mahwelereng, Tzaneen and Modjadji areas.
- Kimberley
- Eastern Cape
 - Targeting the OR Tambo district, Mdantsane and King William's Town areas.
- Southern Cape
 - Targeting George, Mossel Bay and Knysna areas.

APPROVALS

The approvals section of the CMM business unit completed 85% of all applications received and carried over from previous year, during the period under review. The unit evaluated a total number of 1 100 applications. The total includes 173 rejected applications and processed 31 cancellations. A rejected application is defined as the termination of an application that failed to meet the minimum requirements as set out in the Compulsory Specification or when the applicant did not clear all findings within the stipulated timeframe. The approval statistics for the period under review are summarised in the table below:

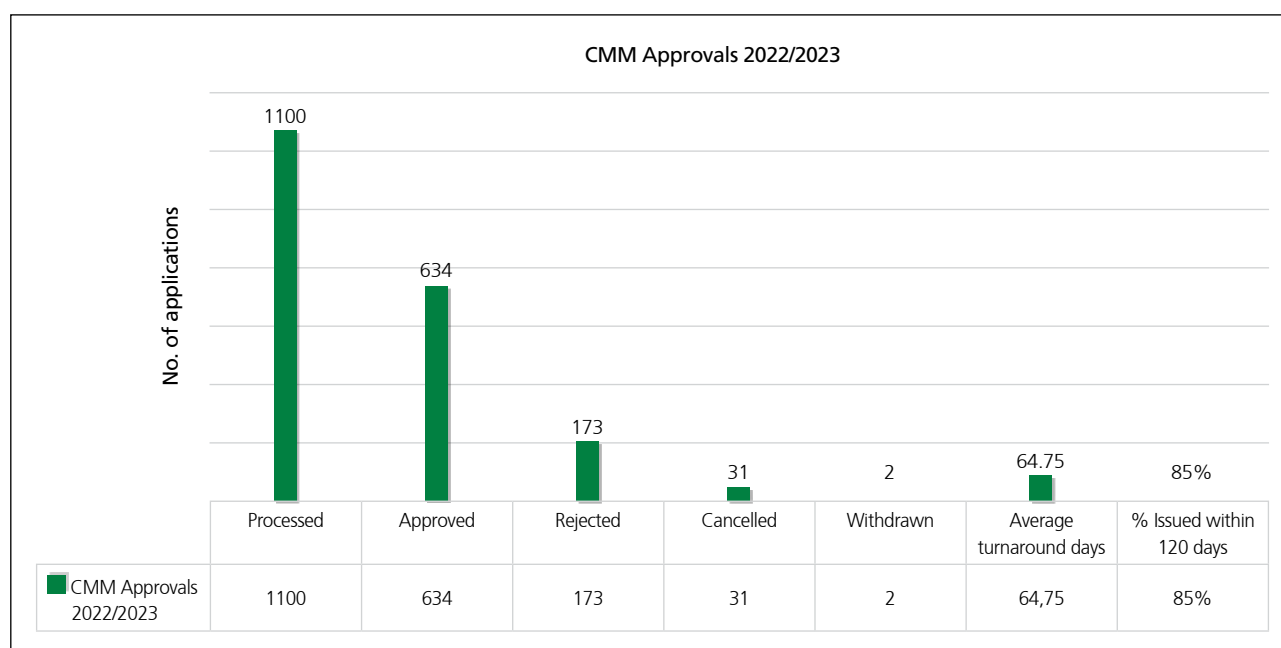
Table 4: CMM Approvals Summary 2022/23

	Processed	Approved	Rejected	Cancelled	Withdrawn	Average turnaround days	% Issued within 120 days
Q1	409	250	82	9	0	109	52%
Q2	288	157	23	10	1	51	92%
Q3	241	140	47	9	0	48	98%
Q4	162	87	21	3	1	51	97%
Total	1100	634	173	31	2	64.75	85%

The implementation of Chemical Disinfectants VC8054:2017 requirements have resulted in a backlog in the processing of approvals. These outstanding applications negatively affected the unit's performance as applicants failed to provide corrective action for identified deficiencies of their applications to Compulsory Specifications and the relevant standard.

Rejections were mainly attributed to incomplete application information, applicants failing to submit corrective action within the stipulated time as well as poor or no response from the applicants. A total of 634 approval certificates were issued for various compliant commodities that are regulated by the unit. The average number of working days to process approvals within the CMM industry, which is calculated from the date received to the date approved or rejected, is 65 days.

Figure 7: CMM Approvals Applications 2022/23



QUALITY MANAGEMENT SYSTEM REPORT

The first surveillance assessment of CMM by the South African National Accreditation System (SANAS) took place at the NRCS head office in Pretoria on 21 June 2022. Corrective action for the non-conformances identified was submitted and accepted by SANAS. Consequently, SANAS informed the CMM business unit that continued accreditation has been granted in accordance with ISO/IEC 17020:2012.

Divisional Manual No. CMM MAN 3:2023 was aligned with the relevant requirements of the following corporate documents:

- a. Corporate Policy No. NRCS CPO 160: 'NRCS Enterprise Risk Management Policy';
- b. Corporate Policy & Procedure No. NRCS-CPP 129: 'Sales permit and permit for experimental type approval application handling policy and procedure'.

Changes affected during the 2022/2023 financial year:

- i. Divisional Procedure No. CMM PROC 28:2022
 - a. Divisional Procedure No. CMM PROC 28:2022 was implemented on 17 June 2022. This document cancels and replaces Divisional Procedure No. CMM PROC 28:2012 that was implemented in November 2012.
- ii. Divisional Manual No. CMM MAN 3:2023
 - a. Divisional Manual No. CMM MAN 3:2023 was implemented on 8 March 2023. This document cancels and replaces Divisional Manual No. CMM MAN 3:2017 that was implemented in August 2017.

The CMM business unit utilises the risk management tool to identify potential risks that could affect the business unit or organisation at large and, therefore, revises the risk register periodically. Awareness training was conducted on 29 March 2023 on NRCS Policy & Procedure No. CPP 300-00: the NRCS Records Manager, 'NRCS Protection of Personal Information Policy and Procedure'.

Status of compulsory specifications (VCs)

- i. VC8087:2013
A stakeholder meeting was held by the NRCS Regulatory Research & Development Division (RR&D) on 18 November 2022 regarding the impact assessment of the revision of the Compulsory Specification for plastic carrier bags and flat bags (herein referred to as VC8087:2013) as published by Government Notice No. R. 651 (Government Gazette No. 36808) of 6 September 2013.
- ii. VC9003:2014
A task team meeting was held on 10 May 2022 to finalise the impact assessment report on the withdrawal of the Compulsory Specification for safety glass and other safety glazing materials (herein referred to as VC9003:2014) as published by Government Notice No. R. 363 (Government Gazette No. 37631) of 16 May 2014. The following decisions were taken:
 - a. Industry to make submission to the Department of Trade, Industry and Competition (the dtic) on recommendations for compulsory installation certification;
 - b. RR&D to arrange a meeting with all industry role players to present the final risk and impact assessment reports;
 - c. The RR&D stakeholder consultation meeting of 29 August 2022 is to present an impact assessment report on the withdrawal of the VC.
- iii. VC9085: 2007
On 30 November 2022 the revision of the Compulsory Specification for cement (herein referred to as VC9085:2007) as published by Government Notice No. R. 544 (Government Gazette No. 30023) of 6 July 2007 was submitted to the dtic by RR&D for its final gazetting in the Government Gazette.

SANAS Certificate of Accreditation No. INSP0023 valid for the period 11/12/2021 – 10/12/2025.

STAKEHOLDER ENGAGEMENT

The CMM business unit continually strives to strengthen its relationship with various governmental departments, industry associations and business owners. The unit achieved such interactions through periodic engagements as set out in our Stakeholder Engagement plan. This platform allows for robust discussion on challenges experienced by both the Regulator as well as the industry. It also encourages effective communication and dismisses any negative public perceptions.

The CMM business unit met with stakeholders covering the various industries throughout the year, amongst them are:

1. Revised Compulsory Specification on Plastic Carrier and Flat bags
2. Chemical disinfectant industry
3. Treated timber industry
4. Personal flotation aids industry
5. Personal protective equipment industry
6. Shooting range industry
7. Provincial Office of the Consumer Protector

These industry meeting resulted in the business unit actively addressing issues identified and putting measures in place to strengthen regulatory activities within the industry.

CONCLUSION

This financial year recognised the strength and tenacity of the business unit to improve on its overall performance. Although the unit still faces challenges, it must be noted that huge strides were made as compared to the previous financial year. The business unit will appoint a manager to head up the approvals section, thus creating stability within that section. The unit will also seek to appoint two additional staff members to capacitate its inspectorate arm.

Despite all the challenges and difficulties, the CMM business exceeded expectations and excelled in both surveillance inspections and processing approval files.



ELECTRO-TECHNICAL

OVERVIEW

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

Pre-market approvals, market surveillance, and sanctioning of non-compliant products represents the regulator's key arsenal for the enforcement of compulsory specifications. In pre-market approvals, regulated products are required to be approved by the regulator before they enter the South African market, and in post-market inspections, the regulator's inspectors conduct inspections at the source of regulated products i.e., at manufacturers premises, ports of entry, importers premises, and at retailers. Any non-compliant products found during market surveillance inspections are dealt with in accordance with the requirements of the NRCS Act, Act 5 of 2008, as amended.

In line with the legislated objects of the National Regulator, the business unit amongst other things, cooperates and enters into agreements with government departments, local authorities or other public bodies with overlapping mandates and related interests in the electro-technical sector. Existing partnerships

include Memoranda of Understanding/Agreement (MOU/A) with the following:

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

The post-COVID-19 4IR economy (Fourth Industrial Revolution), characterised by intensified advances in areas such as artificial intelligence, robotics, nanotechnology, and the Internet of Things, has brought about a proliferation of new technologies on the market. Regulators from different sectors across the globe identify innovation and complexity as the major challenges confronting them in this era, and electro-technical is not excluded. The post-Covid-19 period continued to impact global consumer behaviour, shifting global supply chain dynamics to online platforms, necessitating the adaptation to smarter ways of conducting work, including working remotely,

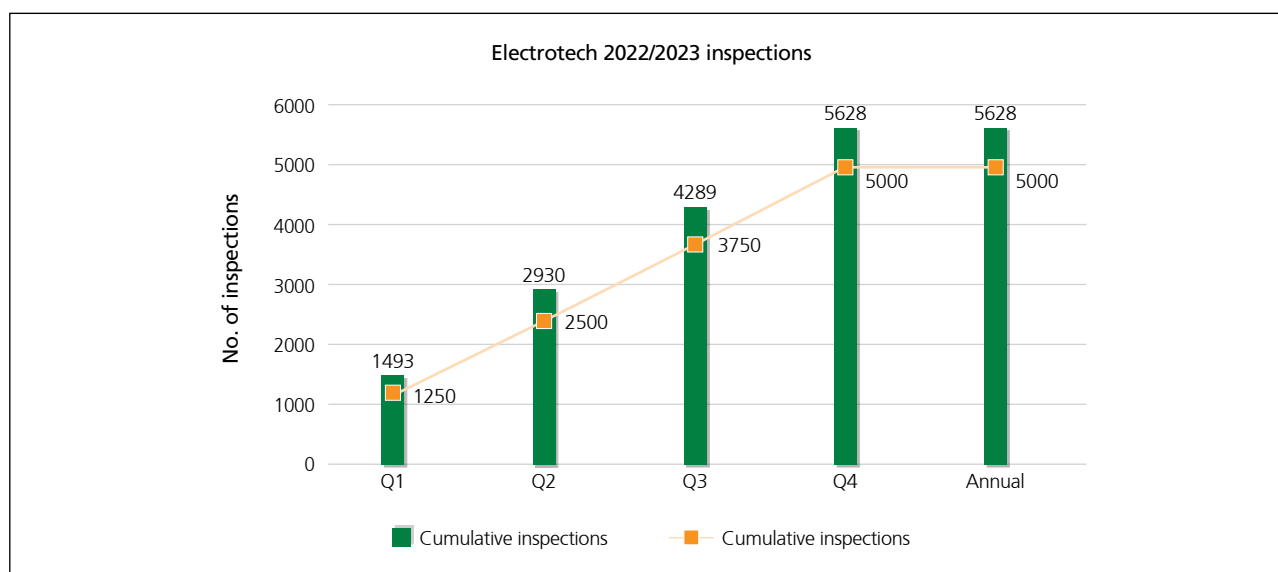
and giving urgency to interventions on online trading. In the period under review, the unit increased its focus on online trading by engaging the major online trader and developing an approach to police online trading in regulated electro-technical products.

PERFORMANCE

Inspections

In the period under review, the business unit had a significant impact on the market by levelling the playing field with the removal of approximately R160.4 million rands worth of non-compliant products. This was achieved by conducting 5 628 inspections against a target of 5 000 and issuing 417 Section 15.1 directives. Figure 1 and Table 1 show the quarterly inspections performance against the target, and the related statistics including the rand value of non-compliant products removed from the market at the time of conducting the inspections.

Figure 8: Electro-Technical Inspections Conducted Per Quarter In 2022/23



Examples of non-compliant products found included: Gizzu portable power stations, socket outlet adapters, plastic bucket water heaters, cord extension sets, Christmas lights, lamp holders, appliance switches, circuit breakers, hotplate stoves, power supplies, electric fans, and printers. In the period under review, the BU inspectors conducted joint inspections in Mpumalanga and removed several non-compliant products which would have found their way into consumer homes.

Table 5: Electro-Technical Market Surveillance Statistics

Description		Q1	Q2	Q3	Q4	ANNUAL
No. of inspections conducted	BU Total	1 493	1 437	1 359	1 339	5 628
	GP	750	644	698	643	2 735
	WC	201	188	184	189	762
	EC	290	302	260	276	1 128
	KZN	252	303	217	231	1 003
Quarterly Inspections Target		1 250	1 250	1 250	1 250	5 000
No. of Section 15.1 directives issued		74	120	97	126	417
No. of samples taken for testing		13	13	78	5	109
Rand value of non-compliant products (Rands) found		R19 230 785	R27 583 307	R17 873 346	R95 749 008	R160 436 446

An analysis of the statistics in Table 1 shows that the unit issued one directive in every 13 inspections conducted, removing approximately R28 507 worth of non-compliant products in the process. One sample was taken for testing per approximately 51 inspections conducted.

APPROVALS

In the period under review, approximately 95% of the 15 509 total processed (approved + rejected + cancelled) applications were processed within 120 calendar days. Table 2 shows the approvals statistics, while Table 4 shows the turnaround times according to the different approval certificates issued by the BU. The total number of new applications received was 15 807 resulting in a workload of 18 873 (received + carried over from previous period) compared to a workload of 16 824 in the previous financial period. The total number of applications which were closed was 766 compared to 1 561 in the previous financial period.

Table 6: Electro-technical Approval Statistics for 2022/23

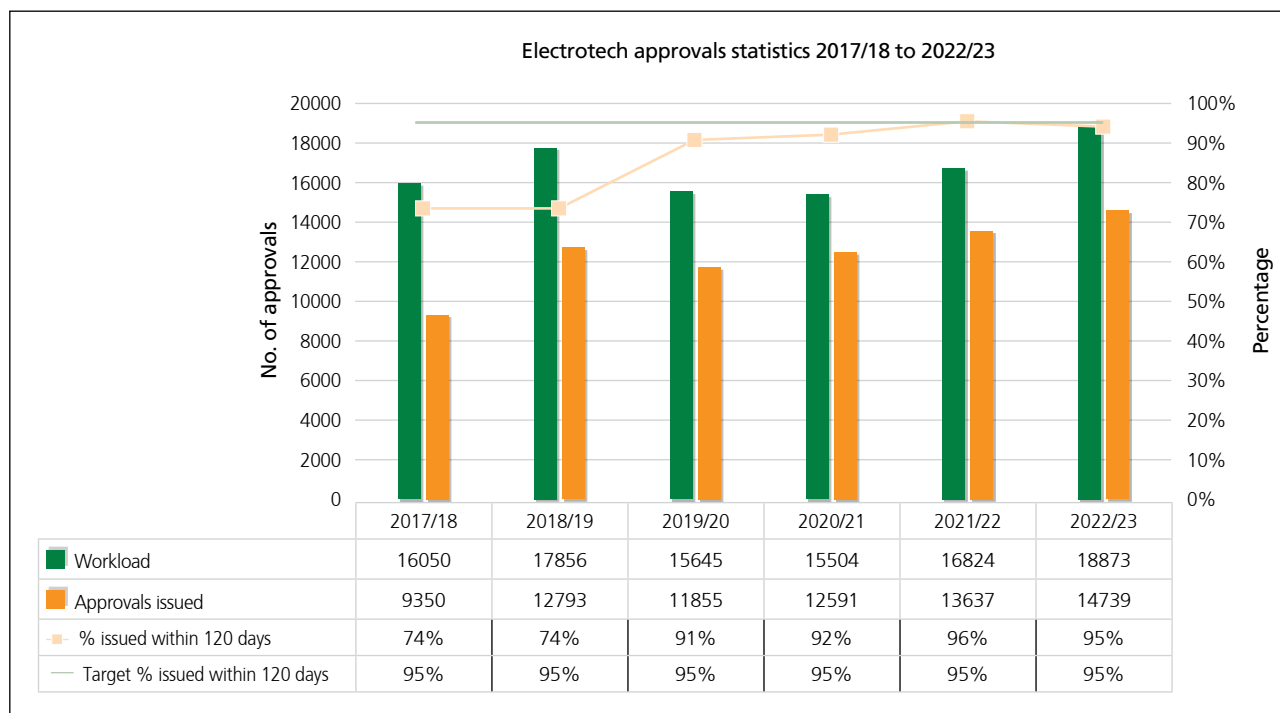
Approval Type	Carried over from 2021/22	Received in 2022/23	Total work load in 2022/23	Approved in 2022/23	Closed in 2022/23	Carried over to 2023/24
LOA	2848	14032	16 880	13 743	625	3 141
Regulatory Certificate of Compliance/Authorisation Certificates (RCC/AC)	21	174	195	143	29	52
EE LOA	197	1 601	1798	1 623	112	175
TOTALS	3 066	15 807	18 873	15 509	766	3 468

Table 7: Electro-technical turnaround times per certificate type

CERTIFICATE	TOTAL PROCESSED	>120 DAYS	% within 120 days
SAFETY LOA	13 019	724	94%
EE LOA	1 577	46	97%
RCC	121	22	82%
TOTALS	14 717	792	95%

The approval turnaround times are shown in Fig 2 together with the workload in each of the financial periods. The workload for the period under review exceeded the pre-COVID-19 and the COVID-19 era figures, suggesting that the number of applications are increasing. This is mainly due to the impact of educating and informing stakeholders about compulsory specifications, and the efforts of market surveillance, mainly at the ports of entry, where products with no approval from the regulator are denied market entry.

Figure 9: Comparison of Approval Statistics From 2017/18 to 2022/23



STAKEHOLDER ENGAGEMENT

Electro-technical seeks to achieve voluntary compliance from the majority of the regulatees by informing and educating stakeholders about VCs, thus maximising the positive input of stakeholders while minimising any negative or detrimental impact, as a result of stakeholder contributions and actions. The BU continued to deploy online tools to engage stakeholders. A stakeholder engagement plan is developed before the beginning of each financial year, targeting the priority stakeholders to be engaged in that financial period. Table 2 shows the progress in implementing the stakeholder engagement plan in the period under review, with green indicating full achievement, yellow partial achievement, and red not achieved activity.

Engagement with the regulated industry and industry associations is critical for the business unit since regulatees cannot be expected to comply with regulations of which they are not aware, among other reasons. The engagements took the form of meetings, workshops, and teleconferences. In addition, in line with one of the objects of the NRCS Act to maintain expertise at an acceptable international level, and the need to obtain membership and participate at relevant international bodies, staff participated in international and regional engagements at the IEC, SADC, and ARSO level.

In addition, BU staff participated in several compliance meetings and engagements with regulatees, assisting them to comply such as the engagements with Takealot, and the RRD-led VC development stakeholder engagements where the BU presented on compliance matters to for example the electric motor industry. BU Staff participated in the rural engagement campaigns organised by Marketing and Communications, specifically attending campaigns in Mpumalanga, Northern Cape, and North West, where joint inspections were held as well as educating and informing consumers.

Table 8: Progress Report on the Implementation of the Unit's 2022/23 Stakeholder Engagement Plan

List of stakeholders	Priority stakeholders	Rationale for engagements/ current engagements methods/Issues	Actions/ activities	Comments	Annual Report Status
Government Departments/ Agencies	the dtic, DMRE, DEFF, and SANEDI	Promote alignment with government policy and cooperation	Participate in Standards and Labelling (S&L) Project Steering Committee (PSC)	Participated in PSC Meetings and reported on progress with implementation. Participated in ad hoc Task Team on Cooling Program and the implementation of South Africa's National Cooling Action Plan	
	SABS	To influence standards for regulatory purposes	Participate in standards development	Participated in TC Meetings including TC 72 (Safety of Electrical Appliances and Electronic Equipment), TC 64 (Lighting), and chaired TC 61 (Safety of household and similar electrical appliances)	
Electro-technical Industry	Local manufacturers, importers and retailers	Educate and inform stakeholders about compulsory specifications.	Operationalise Specialist Consultative Committee (SCC) and hold inception meeting	Shortlisting of potential candidates was done. However, no appointments were made. Inception meeting scheduled for 2023/24	
		Encourage voluntary compliance to compulsory specifications	Meeting with at least two industry associations	Several engagements held with BUSA/OUTA grouping of a number of industry associations	
Regional and International bodies	International Electro-technical Commission (IEC)	Establish and maintain the necessary expertise on an internationally acceptable level and keep abreast of developments.	Participate in IEC Technical Committee and working group meetings to discuss international standards.	Attended IEC TC61 in San Francisco, USA Participated in IEC CMC Engagements in Halifax, Canada	
	Southern African Development Community (SADC)		Participate in SADCSTAN harmonisation of MEPS for cooling products.	Chaired SADCSTAN TC16 (Energy) in the development of a regional compliance framework. Participated in ARSO Meetings Participated in SADC TBT Engagements	
			Participate in promoting and implementing SADC/EAC Energy Efficiency Compliance Framework	Attended 4th EELA Project Stakeholders Forum in Nairobi, Kenya. Actively participated in the development of the regional energy efficiency compliance framework	
Internal BU stakeholders	Electro-technical staff	Employee engagements	Held a strategy session for all Electro-technical staff including regional staff	Held three days BU strategic session	

HIGHLIGHTS

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

- Protecting the health and safety of the public:** The BU in collaboration with the NCC impounded hundreds of defective portable electric power stations, which posed a fire risk to the consumer. The unsafe products will be returned to their country of origin. In addition, the BU inspectors raided a geyser refurbishing/reconditioning facility in Gauteng and impounded several unsafe hot water heaters.
- Demonstrating the competency of inspection body:** The unit retained its SANAS 17020 accreditation status with no non-compliances raised by the independent external auditors

- Contributing to the reduction of the national energy intensity and the reduction in greenhouse gas emissions: Electro-tech continued to play a major role in the energy efficiency discourse, enforcing energy efficiency compulsory specifications by ensuring that only energy-efficient appliances were found on the market, and informing and educating stakeholders about regulations.
 - A total of 1 511 energy efficiency LoAs were issued compared to 1 392 in 2021/22, 1 535 in 2021/22, 1 373 in 2019/20 and 1 503 in 2018/19, and 1 129 in 2017/18.
 - BU representatives participated in the Fourth Energy Efficient Lighting and Appliances (EELA) Stakeholders Forum in Nairobi, which brought together subject matter experts and officials from SADC and EAC regions, with the aim of creating market and institutional conditions to stimulate the diffusion of energy-efficient lighting and appliances across all sectors in the two regions.
 - The unit's staff presented at the 2022 Southern African Energy Efficiency Confederation (SAEEC) Conference on the energy efficiency database, enforcement, and compliance matters.
 - The BU participated in the *ad hoc* Task Team on Cooling Programme and the implementation of South Africa's National Cooling Action Plan, where NRCS plays a key role in the regulation of energy efficiency of air conditioners in the region.
 - The unit participated and presented at the RSA Consultations on the development of a regional Energy Efficiency Label at SACREEE.

CHALLENGES

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

- Limited storage capacity of confiscated goods
- The unavailability of testing laboratories to cover the full regulatory scope, for example, the energy efficiency of air conditioners and laundry equipment, where there was no testing capacity in the country
- The proliferation of new technologies which are not covered by the scope of compulsory specifications, and the engagement in circumvention innovation by the regulated products suppliers to circumvent the scope of the compulsory specifications.

CONCLUSION

Electro-technical protected the public by removing approximately R160,4 million worth of non-compliant products. This was achieved by exceeding the inspections target by 12,6% and issuing 417 Section 15.1 Directives. The approvals target was met by conducting approximately 95% of the approvals within 120 calendar days.

The Unit continued to leverage on the cooperative and collaborative efforts of a variety of stakeholders, through the implementation of the Stakeholder Engagement Plan. This included ongoing engagements with government departments and agencies, regulatees and industry associations, and international bodies and organisations, largely enabled by online meetings.

Some of the highlights for the period under review included:

- Maintaining SANAS 17020 accreditation
- Kick-starting enforcement on online trading platforms, starting with Takealot.



FOODS AND ASSOCIATED INDUSTRIES

OVERVIEW

The Food and Associated Industries Business Unit protects consumers by regulating processed meat, canned meat and canned fish products, frozen fish products, smoked snoek, aquacultured live abalone, including chilled bivalve molluscs 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 to improve efficiency and the effectiveness of FAI processes. Source/targeted enforcement was introduced as a measure to prevent the entry of non-compliant products into trade in South Africa.
- Conducting surveillance inspections on locally produced and imported products. Port of entry surveillance entails the profiling of various containers entering South Africa and the inspection of these containers at the point of entry. Imported fishery products are taken to various cold stores and warehouses where products are sampled for inspection at the NRCS laboratories.



- Cooperating with other food safety regulators, both nationally and internationally, and participating in food safety-related activities. The NRCS actively participates in both 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), Department of Agriculture, Land Reform and Rural Development (DALRRD) and Department of Forestry, Fisheries and the Environment (DFFE). The NRCS has entered into various technical cooperation 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.

The business unit is also the Competent Authority for fish and fishery products which are traded to various countries. In facilitating trade, the FAI issues 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.

OVERALL PERFORMANCE

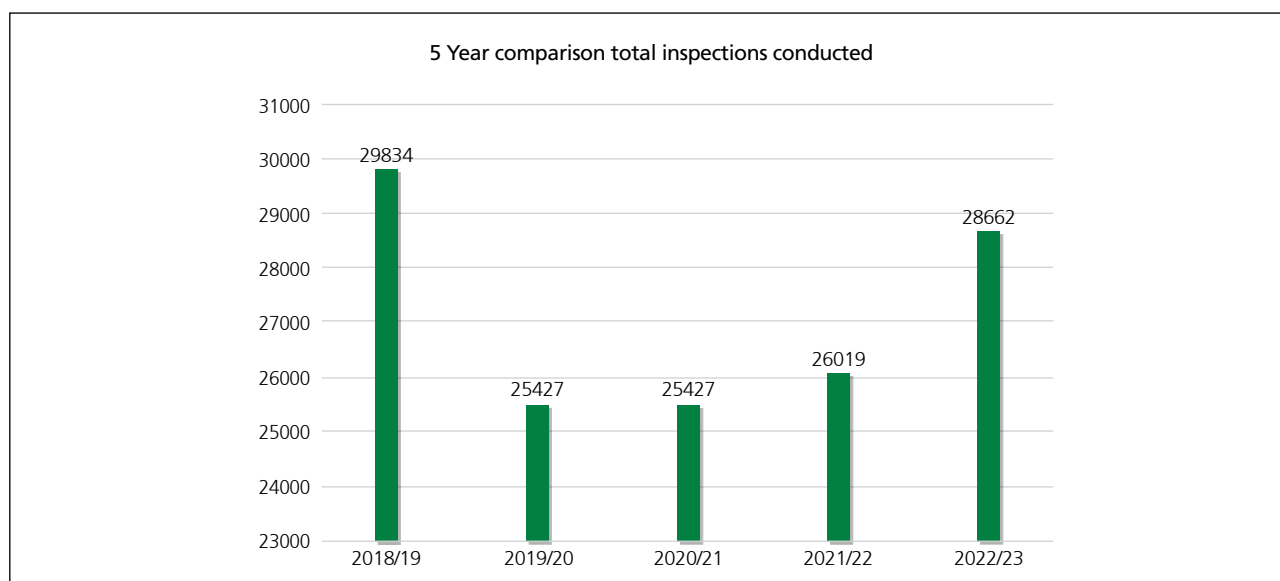
For the 2022/23 financial year there were two performance targets in the annual business plan which consisted of six product categories. The business unit achieved its targets in all categories. For the year under review, the 2022/23 financial year, a total of 28 662 inspections were conducted.

Table 9: Performance Target Achievement

Performance Indicator / Measure	Quarterly Targets as per the Business Plan	Annual Inspection requests received for 2022/23	Annual inspections conducted in 2022/23	Inspection Performance
Number of inspections conducted for : 1. Locally produced canned fish and canned meat products. 2. Imported frozen fish, canned fish and canned meat products 3. Exported live, fresh and frozen fish products including canned products	100% of all declared imported products and all productions produced locally for export.	25961	25961	
Number of Inspections conducted for : 1. Locally produced frozen fish, live products and the number of processing factory inspections 2. Landbased processing factory 3. Vessel and Retail inspections including the processed meat processing facilities	2366	n/a	2701	 14%

The business unit noted a significant increase in the total amount of inspections conducted during the 2021/22 financial year. The possible reason for this increase may be attributed to the market recovery after the COVID-19 restrictions in 2021 and the effects it had on the economic climate. The business unit conducted 2 643 more inspections than in the previous financial year. In four of the six inspection categories there was an increase in the number of inspections conducted and with local frozen fish and local canned meat inspections there was a slight decrease. However, the business unit achieved the targets for all inspections categories.

Figure 10: Inspection Trends for the Last 5 Years



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

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

Internal audits were conducted to measure the unit’s performance in terms of its documented quality management system. The business unit successfully maintained its SANAS accreditation after the external audit was conducted for the 2022/23 financial year.

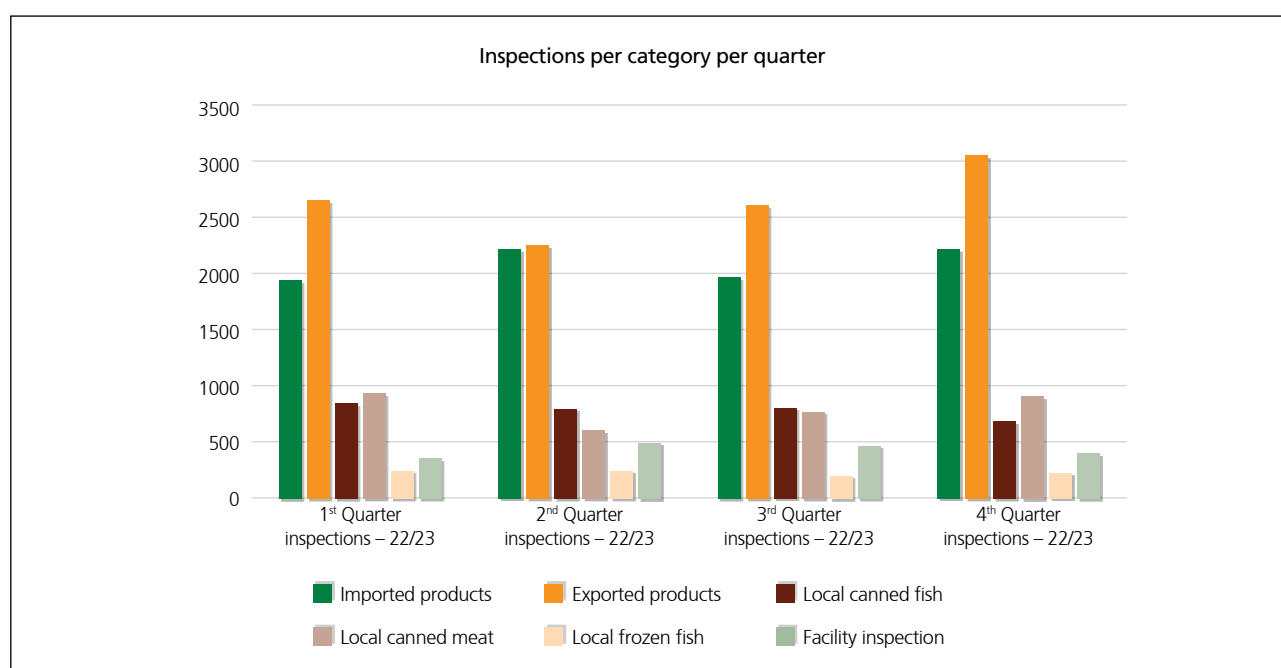
Table 10: Inspection Trends for the Last 5 years

Description	2018/19	2019/20	2020/21	2021/22	2022/23
Imported products	9339	6439	6439	7050	8707
Exported products	11906	10804	10804	10460	10785
Local canned fish	2136	2612	2612	2816	3182
Local canned meat	4303	3811	3811	3446	3287
Local frozen fish	972	805	805	949	930
Facility inspection	1178	956	956	1298	1771
Total	29834	25427	25427	26019	28662

INSPECTIONS

The business unit conducted 25 961 inspections on export, local and imported fishery and canned meat consignments and productions. In comparison to the last financial year there was a slight increase in four of the inspection categories conducted, and a slight decrease in two of the inspection categories, local canned meat inspection and local frozen fish with the total increase of 2 701 inspections.

Figure 11: Inspections Conducted Per Category Per Quarter for the 2022/23 Financial Year



HEALTH GUARANTEES AND COMPLIANCE CERTIFICATES

The NRCS is the competent authority for fish and fishery products in South Africa for the export of fish and fishery products and is acknowledged as such by the European Union and People’s Republic of China, among others. Health guarantees are certificates that are issued by competent authorities, such as the NRCS, which comply with international food laws (Codex Alimentarius) for food products, or the laws of the importing country. These health guarantees are issued for exported products, including chilled fish, frozen fish, canned fish, canned meat, canned abalone and live lobster, abalone and oysters. The business unit conducted 10 684 inspections on product consignments exported to various countries with a total of 8 113 health guarantees issued.

For all fish and fishery products imported into the country, and local canned fish and meat productions, the business unit will issue compliance certificates when compliance has been established in terms of the requirements of the Compulsory Specifications before products are released to the market place. For the period under review a total of 8 185 compliance certificates were issued by the business unit.

4. Non-compliances

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

The Business Unit issued 17 non-compliance certificates for products found to be of substandard quality where sales permits were issued, and 81 for products that were found to be not for sale. In addition, it issued 27 directives for products that were not safe for human consumption. The non-compliant products were either re-labelled, destroyed by industry at their own cost (under the supervision of NRCS), or returned to the country of origin. The products not fit for human consumption had an estimated value of R26 673 193,80 million.

Figure 12: Directives Issued for 2022/23 Financial Year



NATIONAL AND INTERNATIONAL LIAISON

Due to COVID-19 travel restrictions most national and international physical meetings could not be conducted or attended as scheduled, the business unit had to adjust its schedule to meet the stakeholder plan schedule and meetings were held virtually. 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 for Food Inspection and Certification Systems (CCFICS) including the Codex Committee for Food Hygiene (CCFH).

In the year under review, the FAI participated in the following international food standard meetings:

- The Codex Alimentarius Commission (CAC) meeting held on from 27 November to 2 December 2022. This was a consultation meeting on regulatory food standards. The purpose of the meeting was to discuss the following:
 - The proposed draft Guidelines for the control of Shiga toxin-producing *Escherichia coli* (STEC) in raw beef, sprouts etc.
 - PWG on the proposed draft Guidelines for the safe use and re-use of water in food production.
 - Revision of the Guidelines on the Application of General Principles of Food Hygiene to the Control of Viruses in Food (CXG 79-2012).
 - Proposed draft Guidelines for the safe use and re-use of water in food production etc.
- The 52nd Codex Committee for Food Hygiene (CCFH) meeting held on from 29 November to 2 December 2022. This meeting was a consultation meeting which debated food hygiene regulatory standards for all the member states and made recommendations to the Codex Alimentarius Commission.

NRCS, FAI acts as the assistant national coordinator for this meeting. In this meeting was discussed:

- Matters arising from the CAC and its subsidiary bodies.
- Information on Activities of FAO and WHO and other international organizations.
- Proposed draft guidelines for the Safe Use and Re-use of Water in Food Production

- 24th Session of the Codex FAO/WHO Coordinating Committee for Africa (CCAFRICA), that was held virtually from in September. The FAI was, once again, invited by CACPSA to represent SA at the 24th Session of the Codex FAO/WHO Coordinating Committee for Africa (CCAFRICA), that was held virtually in September. Along with the DoH, DALRRD the NRCS-FAI participated actively in the different Codex Committee meetings that are essential to attend. There was a virtual preparatory meeting held hosted by the National Department of Health in Pretoria, which was attended by various role-players, including the FAI of the NRCS. The plenary was not preceded by a workshop for all the African Codex Contact Points, which is customary arranged to discuss issues of concern to all the African sub-regions with regards to the Codex mandate. The main purpose of this continental meeting of African Contact Points is to construct a common position on the various agenda items in order to facilitate discussions at the plenary session and working groups of the CCAFRICA.
- The FAI business unit presented at the Africa Food Safety Workshop organised by Mnisa for all the African countries. The theme of the presentation was "Importance of the quality infrastructure for the fish industry in South Africa and the region".

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

- A joint Technical Cooperation Agreement (TCA) meeting between the Namibian Standards Institution (NSI) and National Regulator for Compulsory Specifications (NRCS) was conducted on 30 March 2023. The aim of the meeting was to discuss the Inspection and Certification of Fish and Fishery Products and strengthen the collaboration and working together between the two organisations to ensure product safety and fulfil their respective mandates. The purpose of the meeting was also to conclude and sign the TCA agreement. Both organisations addressed the

export and import controls between the RSA and Namibia. It was noted that the main challenge in Namibia was that fish and fishery products fall under three departments. A proposal was put forward by the NRCS that the RSA will still conduct inspections on fish and fishery products coming in, if not accompanied by a certificate from the NSI. Once the NSI is granted with certification, random inspections will still be conducted, as per the NRCS sampling plan.

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

- Competent Authority Seafood – Mauritius 18 October 2022. The meeting was aimed to review clause 3.11 & 3.13 of the Technical Cooperation Agreement.
- A meeting was held between the NRCS, the Department of Fisheries (DOF) and The Fish Inspection and Quality Control Division (FIQD) – Thailand on 7 March 2023. This was the annual Joint Management Committee meeting (JMC) held to discuss the draft, and maintain and review the Technical Cooperation Agreement (regulator audit - establish equivalence) interpretation and review of Technical Regulations between the two countries
- The 6th Meeting of Joint Management Committee and Technical Working Group on the Inspection and Certification of Fish and Fishery Products between (INIP) Mozambique and the NRCS was held on 23 June 2022. The JMC meeting was conducted to discuss the status of the TC Agreement.
- FAI and the new agricultural attaché at the Brazilian embassy in Pretoria: The meeting was conducted to discuss the following topics:
 - Introduction of the new agricultural attaché at the Brazilian embassy.
 - NRCS import products inspection process.
 - Official letter from Brazil.
 - Proposal to export aquacultured fish and fishery products from Brazil to South Africa
 - The proposed Health Certificate

The business unit also contributed to other local initiatives including the legislation and standards setting forums:

- SANS technical committees for various food standards and the relevant compulsory standards were reviewed during the financial year under review
- Several regulatory meetings were held with the Department of Agriculture, Land Reform and Rural Development

(DALRRD) and the Department of Forestry, Fisheries and Environment, (DFFE) to discuss the MOU agreement between the departments, the implementation of the residue programme and to discuss the shellfish monitoring sampling progress reports.

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

HIGHLIGHTS

The business unit met all its strategic performance targets and also over-achieved in one of the performance targets due to the continued implementation of the processed meat compulsory specification.

During the period under review the business unit continued to inspect processed meat factories and drew monitoring samples at the factories. Various meetings were held with the processed meat industry regarding the regulation of this compulsory specification. A meeting was held on 7 October 2022 between the NRCS and the Veterinary International Trade Facilitation, of the Department of Agriculture, Western Cape Government. The aim of the meeting was to discuss the new requirements for processed meat micro testing.

FAI and the South African Meat Processors Association (SAMPA) held a meeting on 1 July 2022. The purpose of the meeting session was to discuss the following:

- Processed Meat Product Microbiological sampling plan and 2021-2022 Micro results.
- SAMPA members' challenges on VC 9100 implementation.
- NRCS response on SAMPA challenges.
- Action plans on the way forward.

FAI 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 business unit's processes is paramount. The business unit maintained its accreditation status after third party audits. No incidents of food poisoning were reported from products manufactured by the industries regulated by the business unit.

CONCLUSION

The Food and Associated Industries Business Unit contributed successfully to the NRCS objective to protect consumers by effectively administering the relevant Compulsory Specifications. During this financial year, the business unit has observed an increase in the inspection activities, especially the exportation of fish and fishery products as compared to the previous year, which was affected by challenges brought forth by the COVID-19 pandemic. The business unit supported and facilitated trade for our local industry by ensuring that only good quality and safe food products were exported, and all export consignments were accepted in the international markets with no notifications. In its effort to drive the basic performance efficiencies, the unit constantly strives to keep abreast of new technology developments and benchmarks itself against other regulators, both nationally and internationally. Multiskilling and ongoing training programmes are some of the tools that support the business unit to effectively protect consumers. The unit continued to participate in national and international standards setting processes.



LEGAL METROLOGY

OVERVIEW

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

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

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

- make recommendations to the Minister 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 executes its mandate of promoting fair trade, protecting public health, safety and the environment by:

- Ensuring that measuring instruments used for a prescribed purpose are evaluated for proper design, construction and accuracy, taking into account the South African climate and environment.
- 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 that supply short measure products or use unapproved and/ or inaccurate measuring instruments.
- Designating private verification bodies to verify measuring instruments, used in terms of the LMA, on behalf of the National Regulator.
- Designating private repair bodies to repair measuring instruments.
- Evaluating the competence of verification officers, working for private verification laboratories, who perform verification on behalf of the National Regulator.
- Providing traceability to national standards for verification and inspection standards used to type approve, verify and inspect measuring instruments. Traceability is the unbroken chain of calibrations or comparisons linking international standards and/ or national standards to the level of verification standards used for verification and inspection.

- Providing training to inspectors, and where requested, to regional legal metrology bodies (e.g., SADC member states)
- Evaluating test reports of gaming hardware and software with the view of issuing a Letter of Certification (LOC) to participants of the gaming and gambling industry, as mandated by the National Gambling Act. This is a pre-market approval mechanism to evaluate whether gaming hardware and/or software are compliant with applicable standards and technical regulations.
- Providing input on legal metrology matters into national, regional and international standards as required by SADC MEL, AFRIMETS and OIML.

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

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

SERVICE DELIVERY

Like many other of the business units within the NRCS, Legal Metrology is still negatively affected by the COVID-19 pandemic. The unit lost a staff member due to COVID-19, which especially impacted the Cape Town office. Operational units within the Legal Metrology unit implemented a work-from-home strategy to ensure continued service delivery to the industry with regard to:

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

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

TYPE EVALUATION OF PRESCRIBED MEASURING INSTRUMENTS

During the year under review, type approval received 335 applications from instrument manufacturers and suppliers (this is in addition to the 53 applications carried over from the previous year), processed 285 applications and issued 108 Type Approval Certificates (TAC) for instruments that have met all regulatory requirements. 100 % of the type approval applications were completed within the 120 day target period.

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

ISSUING OF LETTERS OF CERTIFICATION (LOC) TO THE GAMBLING INDUSTRY

Legal Metrology received 736 new applications from the gambling industry for the evaluation of gambling hardware and software. In total, 662 applications were processed during the year and 576 LOC were issued for compliant gambling hardware and software whereas 86 applications were refused a LOC. 99.4 % of the LOC were completed within the 30 day target period.

MARKET SURVEILLANCE ACTIVITIES

A total number of 5 270 market surveillance inspections were conducted, 555 more than the inspection target of 4 715 set for the year. To regulate more effectively and efficiently, the focus of market surveillance inspections remained on importers and manufacturers of prepacked goods and measuring instruments and therefore 80 % of the market surveillance inspections were carried out at source (manufacturers and importers) and 20 % of the inspections were carried out at retail level.

During these market surveillance inspections, 14 385 samples of different prepacked products were evaluated, and the following non-compliances were uncovered:

Table 11: Sale of Goods – Type of Contraventions

Sale of goods - Type of contravention	Incidents of non-compliance	
	2022/2023	2021/2022
Short measure	711 – 4,2 %	349 – 2,8 %
Incorrectly marked	283 – 1,7 %	833 – 2,4 %
Unmarked goods	165 – 1 %	296 – 6,8 %
e-mark used without registration	58 – 0,3 %	94 – 0,8 %
Other	5 – 0,1 %	6 – 0,1 %
Total	1 222 – 7,2 %	1 578 – 12,9 %

With regard to measuring instruments, a total number of 18 463 instruments were inspected and the following were noted:

Table 12: Instruments – Type of Contraventions

Instruments - Type of contravention	Incidents of non-compliance	
	2022/23	2021/22
Verification status lapsed	2 010 – 13,2 %	3 246 – 9,4 %
Unapproved	195 – 1,3 %	1 902 – 5,5 %
Inaccuracy	40 – 0,03 %	12 – 0,03 %
Technical, marking and other non-compliances	68 – 0,04 %	40 – 0,1 %
Total	2 313 – 15 %	5 227 – 15,2 %

The verification status of measuring instruments as well as the number of unapproved measuring instruments that found their way into the market continue to be main contributors to incidents of non-compliance.

To ensure that none of the non-compliant goods found their way to the consumer and that non-compliant instruments were not used in transactions, Legal Metrology market surveillance inspectors issued a total number of 1 222 embargoes for prepacked goods and 2 313 rejections for measuring instruments.

The total monetary value of the products tested by Legal Metrology market surveillance inspectors amounted to R 1 398m. The total value of the products found non-compliant, that was either removed from the market or corrected before being sold, amounted to R 675m. This is a substantial figure compared to the previous financial year which can be attributed to the conducting of physical testing and inspections for the 2022-23 period which had not featured during the prior financial year during the COVID pandemic.

CALIBRATION OF VERIFICATION STANDARDS

The SANAS accredited calibration laboratories inspected and calibrated 12 531 mass verification standards, 733 volumetric verification standards and 235 balances. The calibrations ensured that standards used by verification officers as well as equipment used by market surveillance inspectors of the National Regulator were accurate and traceable to national standards. All calibration equipment in these laboratories have been upgraded to enable Legal Metrology to calibrate verification standards to an F1 accuracy class to serve the industry better.

COMPLIANCE SCHEMES

The e-mark (prepacked products) and ™-mark (measuring container bottles) compliance schemes are schemes of regulatory control that allow South African manufactured commodities greater access into regional and international markets and lower the risk of importing non-compliant commodities. For local companies it also means that producers and exporters can further gain access into foreign markets with less red tape and lock their business into foreign markets. The registration of a manufacturer or importer also requires them to implement a system of quantity control and traceability for the products.

There are currently 89 local manufacturers and 111 importers registered by the NRCS under these mark schemes. 21 new local manufacturers and 14 new importers were registered or re-registered during the year under review.

DESIGNATION OF VERIFICATION AND REPAIR BODIES

Legal Metrology designated 76 verification and 36 repair bodies during the year who met the legal metrology requirements for designation.

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

A total number of 285 persons wrote 322 theoretical examination papers of which 82 (25.5%) theoretical examination papers were passed.

Table 13: Demographic Breakdown of the Officers that Wrote Theoretical Exams and Passed

	Male	Female
African	125 (43.9 %)	21 (7.4 %)
Coloured	24 (8.4 %)	0 (0 %)
Indian	9 (03.2 %)	4 (1.4 %)
White	100 (35.1 %)	2 (0.7 %)
Total	258	27

19 of the 21 Candidates passed practical evaluations on verifying/repairing measuring instruments and were issued with the relevant certificate.

SUPPORT TO TECHNICAL INFRASTRUCTURE BODIES OF THE DTIC

South African National Accreditation System (SANAS)

Legal Metrology provided support to SANAS, in the form of lead or technical assessors, to conduct assessments on verification and repair laboratories. A total number of 110 man-days were utilised in the assessment of verification laboratories by assessors from Legal Metrology. The assessment of verification and repair laboratories remains strategic to the National Regulator because it underpins confidence in the designation of the laboratories to operate under the LMA.

South African Bureau of Standards (SABS)

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

DEVELOPMENT OF TECHNICAL REGULATIONS

The following Interim Requirement were developed by the Legal Metrology unit and approved by the CEO of the NRCS:

Tyre pressure gauge (Q4)

Legal Metrology has also started the process to develop

interim requirements for electrical energy meters (OIML R 46), stationary source emission (OIML R 143 and 144), vehicle exhaust emissions (OIML R 99), mass measuring and break roller testing, automatic instruments for weighing road vehicles in-motion as well as legal metrology technical regulations for tyre thread depth gauges and king pin measuring instruments.

The unit is also reviewing the existing technical regulations for meters based on the updated version of OIML R117 and verification standards based on OIML R 111.

INSPECTORATE CAPACITY

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

NATIONAL, REGIONAL AND INTERNATIONAL LIAISON

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

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

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

Legal Metrology participated actively through comments or votes on seven international projects namely:

- Update of OIML V 1 International vocabulary of terms in legal metrology (VIML)
- New publication R 87 Prepackage template
- Revision of R 137 Gas meters, R 139 Compressed gaseous fuel measuring systems for vehicles and R 140 Measuring systems for gaseous fuels
- Revision of R 51 Automatic catch weighing instruments
- Revision of R 134 Automatic instruments for weighing road vehicles in motion and measuring axle loads

- Revision of R 49: Water meters intended for the metering of cold potable water and hot water
- New document: Guide for the application of ISO/IEC 17020 to the assessment of OIML Issuing Authorities under the OIML-CS.

The Legal Metrology unit also hosts the secretariat of OIML Technical Committee 6 – *Prepackaged products* (OIML TC 6), which deals with labelling and quantity requirements for prepackaged goods and is in the process of developing an international harmonised inspection template for the evaluation of prepacked products. For the purposes of development of a template the Secretariat hosted two meetings of the OIML TC 6.

The head of the Legal Metrology business unit, and an inspection manager represented South Africa virtually at the 57th CIML Meeting (steering committee for the OIML) during October 2022 to review the organisation's technical progress and administrative operations. During this meeting the CIML also resolved to appoint a member of the Legal Metrology business unit as the new Chairperson of the OIML CEEMS AG.

During the year, Legal Metrology also participated in the Regional Legal Metrology Organisation (RLMO) round table meetings and the annual general meeting of the OIML Countries and Economies with Emerging Metrology Systems (CEEMS) to ensure the development of legal metrology in the region and on the African continent.

Legal Metrology was also represented at the OIML Certificate System Management Meeting and Review Committee Meeting during March 2023.

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

The Legal Metrology unit provides the secretariat for the SADC Cooperation in Legal Metrology (SADCMEEL). The secretariat was responsible for arranging the 36th SADCMEEL Committee meeting in May 2022 that took place virtually from Lilongwe, Malawi.

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

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

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

Due to the widespread outbreak of COVID-19 in African countries, the 15th AFRIMETS general assembly (GA) was hosted via a virtual space from 20 to 21 July 2022. Currently Mr I Willis from the NRCS Legal Metrology unit is part of the AFRIMETS joint Secretariat for Scientific and Legal Metrology. In addition to attending the GA, the secretariat arranged and hosted the AFRIMETS Legal Metrology Technical Committee Meeting that took place virtually via Zoom conference which took place on 12 and 13 July 2022.

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

STAKEHOLDER ENGAGEMENT

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

Formal Verification and Repair Body Sector Meetings was held virtually during March 2023 to inform verification and repair bodies, carrying out repair work, or verifications on behalf of the National Regulator, of the requirements and implications of the LMA on this sector.

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

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

FUNDING

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

CONCLUSION

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

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

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



REGULATORY RESEARCH AND DEVELOPMENT

OVERVIEW

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

The business unit's role within the NRCS is to ensure continued effectiveness, efficiency and relevance of regulatory activities through the development and amendment of new and existing VCs or TRs. The unit conducts impact and risk assessments to determine the feasibility of new Compulsory Specifications and Technical Regulations, as well as the revision and amendment of existing ones. Throughout these processes, RR&D focuses on building strong stakeholder relationships to encourage stakeholder participation in determining regulations. Stakeholder engagement primarily ensures transparency and accountability in the development and maintenance of VCs and TRs. To achieve wide participation, the NRCS established broad-based (multi-disciplinary sectors) stakeholder 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 RR&D develops and maintains VCs and TRs for the five broad sectors under the NRCS, namely, Automotive; Electro-technical; Chemicals, Mechanical and Materials (CMM); Food and Associated Industries (FAI); Building and Construction Materials, and for accurate measurement units and instruments under the Legal Metrology Act.

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

- Identification of the need for new or amendments to the VCs and TRs, according to the latest international and national requirements;
- Conducting feasibility studies, risk assessments, and impact assessments in the process of determining the minimum requirements in VCs and TRs;
- Collaborating with stakeholders on the determination of minimum requirements and associated conformity assessment activities in VCs and TRs;
- Conducting 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;
- Supporting the Industrial Master Plans of the Department of Trade, Industry and Competition (the dtic), by developing VCs and TRs that promote industrial development initiatives across different key action programmes, such as green industries, electro-technical, footwear, plastics and chemicals, automotive products, and components, agro-processing, and growing the Oceans Economy.

PERFORMANCE HIGHLIGHTS

The development and maintenance of Compulsory Specifications (VCs) and Technical Regulations (TRs). Twelve (8) VCs and TRs were targeted for approval by the CEO and submission for publication by the dtic and a 62% target was reached. The five Compulsory Specifications approved by the CEO of the NRCS for submission to the dtic during the period under review, are as follows:

- a. Amendment of a compulsory specification for motor vehicles category N1 – VC 8024,
- b. New compulsory specification for crude fish oil – VC9111,
- c. New compulsory specification for the efficiency of electric motors – VC 9113,
- d. Withdrawal of the compulsory specification for safety glass and other safety glazing materials – VC 9003,
- e. Amendment of the compulsory specification for gambling devices and related apparatus – VC 8079

Compulsory specifications (24) still pending first publication by the dtic:

- New compulsory specification for farmed and wild dried abalone – VC 9108,
- New compulsory specification for crude fish oil for human consumption and further processing – VC 9111,
- Amendment to the compulsory specification for frozen fish – VC 8017,
- Amendment to the compulsory specification for frozen shrimp (prawn) – VC 8031,
- Amendment of the compulsory specification for chilled smoked finfish and smoke- flavoured finfish – VC8021,
- Amendment of the compulsory specification for earth leakage protection devices – VC 8035,
- Amendment of the compulsory specification for flexible cord for appliances – VC 8006,
- Amendment of the compulsory specification for energy efficiency and labelling of appliances – VC 9008,
- Amendment of the compulsory specification for hot water storage tanks – VC 9006,
- Amendment of the compulsory specification for child restraints for use in motor vehicles – VC 8033,
- Amendment of the compulsory specification for mechanical coupling devices – VC 8065,
- Amendment of the compulsory specification motor vehicles of category M1 – VC 8022,
- Amendment of the compulsory specification for motor vehicles category N1 – VC 8024,

- Amendment of the compulsory specification for child restraints for light sources – VC 8048,
- Amendment of the compulsory specification for headlights for motor vehicles – VC8049,
- Amendment of the compulsory specification for secondary lights for motor vehicles – VC 8050,
- Amendment of the compulsory specification for safety glazing for use in road vehicles for motor vehicles – VC 8051,
- Amendment of the compulsory specification for agricultural tractors – VC 8057,
- Amendment of the compulsory specification for elastomeric cups and seals – VC 8080,
- Amendment of the compulsory specification for preservation treatment of timber – VC 9092,
- Amendment of the compulsory specification for plastic carrier bags and flat bags – VC 8087,
- Amendment of the compulsory specification for swimming aid – VC 9090.
- Amendment of the compulsory specification for personal floating aids – VC 8032

Compulsory specifications (four) still pending final publication by the dtic:

- Amendment of the compulsory specification for frozen lobster – VC 8020
- Amendment of the compulsory specification for cement – VC 9085
- Amendment of the compulsory specification for Polymer film for damp-proofing and waterproofing in buildings – VC 9106
- Amendment for the compulsory specification for electrical and electronic apparatus – VC 8055

One correction notice pending the dtic publication

VC 9100: Processed meat

The RR&D Project Approvals Committee reviewed and approved a number of project reports. Significant progress was made regarding the completion of other projects, some of which were not targeted for completion during the period under review but are part of the progressive achievement of project milestones by RR&D. In addition to the performance indicated above, extensive research was conducted as part of several feasibility studies, risk and impact assessments during the year. The reports compiled through these processes are approved by the Project Approvals Committee (PAC) of the RR&D, which is responsible for managing the progress and

quality control of projects registered in RR&D. Its main role is to appraise and approve technical reports produced during the processes and to make recommendations on actions needed to improve outcomes prior to submission to the NRCS's Forum of General Managers.

During the 2022/23 financial year, the PAC reviewed and approved the following submissions:

Three new requests to develop compulsory specifications were received by the NRCS:

- Safety of matches,
- Ark fault circuit interrupter (AFCI), and
- Roofing steel.

Periodic review reports:

Three - Periodic review reports for the following compulsory specification:

- VC 9104, compulsory specification for live lobsters;
- VC9093, the compulsory specification for pressurized paraffin-fuelled;
- VC9089, the compulsory specification for non-pressure paraffin stoves; and
- VC 9008, the compulsory specification for small arms shooting ranges;
- VC 8039, the compulsory specification for glow-starters for fluorescent lamps.

Three feasibility reports for the development of new VCs and TRs:

- Compulsory specification for lithium batteries;
- Compulsory specification for e-scooters;
- Compulsory specification for efficiency of electric motors.

Three project proposals were approved by the Projects Approval Committee:

- Compulsory specification for lithium batteries;
- Compulsory specification for efficiency of electric motors;
- Compulsory specification for chilled finfish, marine molluscs, and crustaceans and products derived therefrom.

One risk assessment report was approved by the Project Approval Committee:

- Compulsory specification for chilled finfish, marine molluscs, and crustaceans and products derived therefrom,

The PAC approved the following impact assessment reports:

- Compulsory specification for efficiency of electric motors, VC 9113;
- Compulsory specification for crude fish oil intended for human consumption;
- Compulsory specification for safety glass and other safety glazing materials, VC 9003.

STAKEHOLDER ENGAGEMENT

In the financial year 2022/23, RR&D hosted 39 official stakeholder consultation meetings on proposed regulatory interventions. These meetings are open to any affected or interested party and are widely attended. However, more effort is required to increase the participation of small, medium, and micro-sized Enterprises (SMMEs) in these meetings. The unit participated in 98 SABS technical committee meetings to develop standards. Furthermore, the unit also hosted or participated in 278 general liaison meetings with both internal and external stakeholders to discuss various aspects affecting VCs or TRs that are being developed, amended, or withdrawn. In total 81 engagement meetings were held with government departments and their agencies. RR&D focuses on stakeholder engagement through active engagement with industry and government alike. RR&D hosted or participated in inter-governmental meetings hosted by other departments such as the dtic, the Department of Transport, the Department of Environment, Forestry and Fisheries (DEFF), and the Department of Agriculture, Land and Rural Development (DALRRD).

RR&D staff members also participated in several intergovernmental coordinating structures such as the National Interdepartmental Sanitary and Phytosanitary measures (SPS) and Technical Barriers to Trade (TBT) forums, the Interdepartmental Task Team on Food Control, the Multi-sector Committee on Chemicals Management (MCCM), the Department of Transport's Vehicle Technical Committee (VTC), the Inter-Provincial Policy & Procedures working group (IPPP), the Abnormal Load Technical Committee (ALTC), the Department of Environmental Affairs' Industry Waste Management Plan (IWMP) forums, the Appliance Standards and the Labeling Group of the Department of Mineral Resource and Energy.

The Unit also 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. Four technical specialists within RR&D are chairing more than one technical committee or technical working group under the SABS. The technical specialists continue to have an influence in the international standard development forums and participate in working groups and technical committee as experts representing South Africa.

REGIONAL AND INTERNATIONAL INVOLVEMENT

RR&D participated in a number of regional and international engagements to enhance regional and international harmonisation of regulatory practices. During the period under review, RR&D participated in some 83 regional and international initiatives that are part of the ongoing efforts to foster strategic partnerships with other regulators, policymakers, and industries to ensure relevance of the outcomes of the processes to develop and maintain Compulsory Specifications.

An RR&D staff member was nominated and appointed as co-chair of the informal working group (IWG) on Environmental and Propulsion Performance Requirements (EPPR) of L-category vehicles under the United Nations Economic Commission for Europe (UNECE) Working Party on Pollution and Energy (GRPE).

The unit participated in the following regional and international engagements:

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

TRAINING

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

- a. Trade negotiations training organised by the Tripartite Secretariat
- b. ARSO webinar on the need for project standards to facilitate project implementations. ERP
- c. ICAS management training
- d. Hotline awareness sessions
- e. ICAS managerial training
- f. Enterprise Service Management system training
- g. OECD Side Event - Sanitary and Phytosanitary Approval Procedures: Key Issues, Their Impact on Trade and Ways to Address Them.
- h. Hotline awareness sessions 23 March 2023
- i. NRCS POPI training
- j. The WTO-SPS webinar in Ministerial Conference task group (attendance)
- k. The WHO global food safety strategy launch (attendance)
- l. The ARSO webinar on certification (attendance)
- m. The CSIR's 8th Biennial Conference (attendance)
- n. The Food Imbizo - Food Safety Stakeholder Mapping Workshop (attendance)
- o. The international food safety workbook as part of the WTO SPS Thematic session (attendance)
- p. Codex Alimentarius workshop as part of the WTO TBT thematic session
- q. The South African Council for Natural Scientific Professions (SACNASP) evaluation training

OPPORTUNITIES AND HIGHLIGHTS

The unit has identified the following opportunities:

- a. The RR&D has finalised the appointment of a panel of service providers to conduct comprehensive impact assessments for the unit. The appointment of the panel will assist in a proper evaluation of the regulation among various stakeholders. The gap in the skills required to conduct a comprehensive economic impact for the regulation will be closed and there will be a significant confidence in the outcomes of the impact assessment.
- b. The appointment of a service provider to conduct a review of the risk methodology used in the development process of compulsory specifications was concluded in this financial year. The review process will identify areas of improvement in the process of methodology and assist in making much informed regulatory decisions.

- c. The Automotive Technical Specialist was appointed as a co-chairperson of an international Working Group, the United Nations Economic Commission for Europe (UNECE) Working Party on Pollution and Energy: WP.29 GRPE EPPR IWG in Geneva. This appointment will go a long way to ensure that South Africa has an influence in the development of international standards.
- d. The CMM Technical Specialist provided a presentation on the regulation of plastic carrier bags (PCB) and flat bags at the World Trade Organisation's Thematic Session on good regulatory practices. The presentation addressed the regulatory model for plastic carrier bags and the inter-agency collaboration, which covers standards, regulations, conformity assessments and sanctions.
- e. The unit has an opportunity to contribute to reducing the energy demand through its energy efficiency regulations, thereby easing pressure on the supply side of electricity. These regulations would set minimum energy performance standards and only permit efficient products in the market reducing the electricity bill of consumers and the greenhouse gas emissions.

CHALLENGES

The unit faces several challenges affecting its performance, including the following:

- a. Persistent backlog in the publication of VCs submitted to the dtic. During this period of review there are more than 20 VC submissions that are still awaiting publication.
- b. New requirements for approval and implementation of VCs submitted to the dtic.
- c. Lengthy processes to clarify concurrent mandates with other regulators and government departments.
- d. Lack of succession planning within the unit.
- e. The resistance from stakeholders due to the delays in the publication of the VCs.
- f. Capacity constraints in the processing of built industry VCs.
- g. Local laboratory capacity for newly requested VCs and amendments.

CONCLUSION

The South African public rely on the regulator to ensure its safety and health from non-compliant products in the market. The development of the regulations to mitigate the risks posed by unsafe products in the markets remains the paramount objective of the units. The regulations developed by this unit should have a net benefit to the general public and at the same time does not have adverse impacts on the industry or business. The challenge in the publication of the compulsory specification remains the main risk to the unit's capabilities to achieve its objectives, and to support the NRCS's overall strategy plan. Several ongoing engagements are taking place with the dtic to resolve the challenges in the publication of the regulations and the unit is hopeful that the obstacles in this process will be resolved in the next financial year. The delays in publications continue to hinder progress in the NRCS's efforts to protect the safety and health of the public.

Collaboration with other government entities and other regulators is key to ensure that the unit produces regulations that are sound, relevant and rational. In this regard the unit will continue to work closely with other relevant entities in identifying new areas of regulations such as safety in artificial intelligence and energy efficiency/storage. The units will continue to play a vital role in weighing and balancing the interest of all stakeholders in the process of developing regulation and ensure that the process is fair and transparent to everyone involved.

The appointment of a panel of service providers to assist with much-needed skills in conducting a comprehensive economic impact assessment will strengthen the process of VC development and will properly validate the need of regulating, or not regulating, a certain product/service. The unit eagerly awaits the completion of the risk assessment methodology so that it can be assured that its internal processes are relevant and abreast of international developments. The unit will continue to undertake a gap analysis on the newly released Legal Metrology Regulation (No. 877 of August 24, 2018) and interim regulatory measures to determine the necessity for additional technical rules.



COMMUNICATIONS AND MARKETING

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

OVERVIEW

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

PERFORMANCE

Consumer education and awareness

During the period under review, the Business Unit conducted 27 consumer awareness programs working in partnership with other stakeholders such as government departments and other agencies, as well as various municipalities across the country. Through this, the organisation reached more communities and educated them about the mandate of the organisation, its regulatory activities, and the danger of using non-compliant products.

MEDIA LIAISON ACTIVITIES

Multimedia campaigns

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

- The TV advert was aired on various SABC platforms
- The radio engagement was with Kurara FM

Media Statements and Interviews

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

The following 12 media statements and one media response were issued during the period under review:

- Treated timber raid in Limpopo
- World Legal Metrology Day
- NRCS Mahikeng rural engagement
- NRCS Mahikeng rural engagement, post event
- NRCS clean audit finding
- Mpumalanga rural engagement campaign
- Mpumalanga rural engagement campaign, post event
- BCO convention
- Reconditioned geysers
- Northern Cape rural engagement

- Report on the assessments/rollover test of panel vans, (media response)
- WCRD Joint Statement with NCC and DEDECT
- Free State rural engagement campaign

The unit facilitated media interviews with various radio stations about the confiscation of non-compliant articles and the mandate of the organisation in general, thereby reaching millions of listeners. The unit also coordinated interviews based on media statements issued to various media houses in the country and, thus, generated free publicity for the organisation. The interviews were conducted with the following radio stations/publications:

- Mahikeng FM x2
- Bokone Bophirima FM x2
- Mmabatho FM
- Power FM
- Radio Bushbuckridge
- Rise FM
- Phalaphala FM
- Interact Media
- Business Focus Magazine
- Kurara FM
- Motswedding FM
- SABC Radio (countrywide)

The organisation was covered by media houses such as Business Live, Herald Live, Times Live and Engineering News, amongst others.

Media queries

The Unit received four media queries for the period under review.

SOCIAL MEDIA

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

STAKEHOLDER MANAGEMENT

The unit:

- Hosted the Parliamentary Portfolio Committee on Trade, Industry and Competition which conducted an oversight visit'
- Organised a webinar assisting small businesses attached to the Small Enterprise Development Agency (SEDA);
- Conducted joint inspections with the North West Department of Economic Development, Conservation, Environment and Tourism's Consumer Affairs Unit, and MIOSA, to name a few, as part of the Mahikeng rural engagement programme;
- Conducted Timber Raids in Umtata with the Chemical Mechanical and Materials (CMM) business unit;
- Attended a webinar on debt counselling organised by the NCR.
- Successfully organised the NRCS Rural Engagement Campaign that was held in Mpumalanga from 26 - 29 September 2022;
- Attended four Consumer Education Committee (CEC) meetings;
- Attended the dtic session to deliver a presentation on the mandate of the NRCS;
- Coordinated the FAI industry meeting;
- Hosted the 11th Annual BCO Convention;
- Attended a raid conducted by Electro Technical where non-compliant refurbished geysers were confiscated;
- Facilitated the CEO and business units' participation at the Pakistan-Africa Trade Development Conference and Exhibition;
- Successfully executed the four NRCS rural engagement campaigns working with various stakeholders ;
- Attended four meetings of the Consumer Protection Forum (CPF);
- Hosted levy consultation sessions with various industries in Pretoria, Durban, Port Elizabeth and Cape Town;
- Facilitated the hotline awareness sessions ;
- Exhibited at the South Africa-Uganda Trade and Investment Business Forum.

PUBLICATIONS

The unit developed and issued two external publications during the period under review aimed at enhancing communication with the industry.

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

CONCLUSION

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





PART C **GOVERNANCE** **REPORT**

INTRODUCTION

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

EXECUTIVE AUTHORITY

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

ACCOUNTING AUTHORITY

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

GOVERNANCE COMMITTEES

AUDIT AND RISK COMMITTEE

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

TECHNICAL COMMITTEE

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

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

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

RISK MANAGEMENT

The Audit and Risk Committee exercises oversight on risk management matters within the organisation. In managing risks, the NRCS instituted a system of internal controls. The system of internal controls covers NRCS business operations, financial and information communication technology aspects. The system of internal control is also designed to fulfil the requirements as set out in the NRCS Governance Framework.

In terms of risk management, the NRCS has a risk management policy, risk management strategy and other relevant policies and procedures that provides the basis for a system of enterprise risk management. Through this system, management identifies threats and activities and that, should these arise, may negatively affect the organisation's ability to achieve its objectives and opportunities. The system also creates an environment where management can prioritise risks and develop a Risk Response Strategy in accordance with the NRCS Materiality Framework. The Accounting Authority is responsible for ensuring that the system of internal controls is effective, efficient and transparent.

During the reporting period, the NRCS conducted a strategic risk assessment exercise at a corporate level to identify key risks.

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

INTERNAL CONTROL

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

INTERNAL AUDIT

KEY ACTIVITIES AND OBJECTIVES

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

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

AUDIT WORK DURING THE YEAR

During the year under review, the Internal Audit Unit planned twelve (12) risk-based audit engagements, which were mainly successfully concluded.

- Review of Annual Financial Statements;
- Review of internal financial controls;
- Assurance on revenue estimations
- Review of expenditure and contract – SCM;
- Follow up on internal audit findings;
- ERP consulting;
- Review of ERP Project;
- Validation of quarterly performance information;
- Review of Strategic Risk Register;
- Compliance Reviews; and
- HCM and payroll review

It also concluded the following tasks, in consultation with the Audit and Risk Committee:

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

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

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

- Objectives and values are established and communicated
- The accomplishments of objectives are monitored

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

FRAUD AND CORRUPTION

The NRCS is committed to zero tolerance to fraud and corruption. The NRCS has an independent hotline for reporting fraud and allegations thereof. The NRCS has an approved three-year risk management plan which incorporates anti-fraud and corruption interventions which was implemented during the financial year. The NRCS efforts are channelled towards reducing the potential for fraud and corruption. The NRCS has approved Fraud and Corruption Prevention Policy and Whistle-Blowing Policy. The whistle-blowing policy is aimed at promoting a culture of whistle-blowing to eliminate fraud and corruption. The NRCS has an independent hotline and encourages employees and stakeholders to utilise this facility and report any acts of fraud and corruption. Customer complaints that were received and not classified as fraud and corruption were handled as per the NRCS customer complaints handling procedure. During the period under review the NRCS concluded the disciplinary case emanating from fraud amounting to R4,5 million that was discovered in the 2020/21 financial year.

MINIMISING CONFLICT OF INTEREST

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

CODE OF ETHICS

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

HEALTH, SAFETY AND THE ENVIRONMENT

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

INJURY ON DUTY

The following tables provide basic information on injury on duty.

Table 14: Injury on Duty, 1 April 2022 to 31 March 2023

Nature of injury on duty	Number	% of total
Required basic medical attention only	1	100%
Temporary Total Disablement	0	
Permanent Disablement	0	
Fatal	0	
Total	1	100%

PROCUREMENT/SUPPLY CHAIN INFORMATION

Table 15: Procurement by Other Means:

Number of Contracts	Amount
2	R4,284,153.18

Table 16: Variation Orders 2022/23 Financial Year

Number of Variation orders	Number of Contracts Varied	Total Varied Amount
6	3	R12,199,131.45

Irregular expenditure

Reconciliation of Irregular expenditure

Description	2022/23	2021/22
	R'000	R'000
Opening balance	37,757,191	31,326,033
Add: Irregular expenditure confirmed	5,199,136	6,431,158
Closing balance	42,956,327	37,757,191

Irregular Expenditure 2022/23

Reconciling notes to the annual financial statement disclosure

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure for the current year	5,199,136	6,431,158
Total	5,199,136	6,431,158

Irregular Expenditure under Determination

Details of current and previous year irregular expenditure (under assessment, determination, and investigation)

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure under assessment	101,200	0
Total	101,200	0

NRCS B-BBEE REPORT

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

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

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

The B-BBEE Act mandates that each government institution must annually include in their reports how they have implemented Section 10 of the B-BBEE Act as highlighted above. To comply with the requirements of the Act, this report presents the work that the NRCS undertook during the 2022/23 financial year to comply with Section 10 of the B-BBEE Act.

PREFERENTIAL PROCUREMENT

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

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

Name of sphere of Government/ public entity/organ of state	Public Entity
Registration number(if applicable)	N/A
Physical address	SABS Campus, 1 Dr Lategan Road, Groenkloof, Brooklyn 0075
Type of sphere of government/ public entity/organ of state	Public Entity (Schedule 3A)
Organisation industry/sector	National Regulator For Compulsory Specifications (NRCS)

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

Table 17:

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

AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2023.

COMMITTEE MEMBERS AND ATTENDANCE

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

Table 18: Audit and Risk Committee Members and Meetings

Name and surname	Qualifications	Tenure Period	Number of meetings attended	Special meetings
Ms M Ramatla, Representative of the dtic	BCom (Hons)	N/A	3/4	2/2
Mr Suleman Badat, Chairperson	BAcc, CA (SA)	28 January 2019 – 27 January 2022 28 January 2022 – 27 January 2025	4/4	2/2
Ms Sizo Mzizi	BCom (Hons), ACMA, CGMA, ACIS	28 January 2019 – 27 January 2022 28 January 2022 – 27 January 2025	4/4	2/2
Adv. Johannes Weapond	BJuris, LLB, BCom (Hons), B.Tech	25 March 2019 – 24 March 2022 25 March 2022 – 24 March 2025	3/4	2/2

AUDIT AND RISK COMMITTEE RESPONSIBILITY

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

THE EFFECTIVENESS OF INTERNAL CONTROL AND RISK MANAGEMENT

From our review of the reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and the Independent Auditor's Management Report, we can conclude that the system of internal control as a whole, as applied over financial and non-financial matters and enterprise risk management at the NRCS, is partially adequate and not effective. This is consistent with the previous year. Management is in the process of instituting measures to remediate the deficiencies identified relating to governance, internal controls, risk management and compliance. The Committee has noted Management's commitment to address control deficiencies and will be monitoring Management's progress in resolving these findings.

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

- Annual Financial Statements;
- Internal Financial Controls;
- Assurance on revenue;
- Supply Chain Management;
- ERP Reviews;
- Performance Information;
- Risk Management;
- Compliance;
- Human Capital Management and Payroll; and
- Follow-up reviews on previously reported findings

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

risk register were monitored and discussed at the EXCO and Audit and Risk Committee meetings as part of the Enterprise Risk Management Strategy.

INTERNAL AUDIT

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

CORPORATE GOVERNANCE

NRCS continues to strive towards complying with sound principles of corporate governance. However, poor contract management has resulted in irregular expenditure amounting to approximately R5m being incurred during the year. This irregular expenditure relates to contracts awarded in previous financial periods.

In addition, several of the entity's policies were not reviewed and updated on a timely basis.

The Committee was concerned that the CFO and Senior Manager: Supply Chain Manager positions were vacant for a significant portion of the year. The CFO position remained vacant at the date of this report.

IN-YEAR MANAGEMENT AND MONTHLY/QUARTERLY REPORT

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

EVALUATION OF FINANCIAL STATEMENTS

The Audit and Risk Committee has:

- reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report with the independent auditors and management;
- reviewed the Independent Auditor's Management Report and their audit findings;

- reviewed changes, if any, to accounting policies and practices as reported in the Annual Financial Statements;
- reviewed the NRCS's processes for compliance with legal and regulatory provisions;
- reviewed the information on predetermined objectives as reported in the Annual Report; and
- reviewed material adjustments resulting from the audit.

INDEPENDENT AUDITOR'S REPORT

We commend the Accounting Authority and Management for obtaining an unqualified audit opinion on the annual financial statements with no findings ("clean audit"), which is an improvement from the previous year.

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

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

APPRECIATION

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

On behalf of the Audit and Risk Committee.

Mr Suleman Badat

Chairperson of the Audit & Risk Committee

31 August 2023





PART D **HR** **MANAGEMENT**

OVERVIEW OF HUMAN RESOURCES

INTRODUCTION

The Human Capital Management (HCM) Business Unit is aligned and seeks to contribute in achieving the Strategic Goal Four, which is to ensure an optimally capacitated institution. The Business have always tried to work towards achieving its goal by ensuring that the NRCS effectively and efficiently utilises all available human capital in the most optimal manner. The NRCS has been working on improving the attraction and retention of Human Capital that is highly engaged, skilled and competent.

The Human Capital Management's main objective is to ensure that the NRCS is capacitated with competent, effective and adequate human capital that will ensure that the NRCS mandate is carried out efficiently and effectively.

HR PRIORITIES FOR THE YEAR

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

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

WORKFORCE PLANNING FRAMEWORK

A long term Human Capital Strategy has been developed and approved.

EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

The NRCS has been implementing the performance management framework to improve performance within the organisation and ensure that performance is monitored and measured accordingly.

EMPLOYEE WELLNESS PROGRAMME

The BU has developed an employee Wellness Strategy. The aim is for NRCS employees to have The strategy continues to enhance employee wellness and also address work psychosocial challenges through empowering employees with health education and lifestyle skills that enable them to achieve their best possible health, thereby positively impacting on employee morale and job satisfaction, optimize performance and productivity.

ACHIEVEMENT HIGHLIGHTS AND CHALLENGES FACED

The HCM business unit has successfully submitted the Workplace Skills Plan and the Annual Training Report as well as the employment Equity Report and Plan as required by legislations pertaining to skills development and Employment Equity Act. With system improvement, HCM has managed to implement an employee self-service and manager self-service through the ERP which resulted in efficiency on leave management and other systems that relies on Employee Self Service. The implementation of Cost of Living Adjustment for both bargaining employees and management employees for the financial year 2022/23 were delayed due to protracted negotiation process for bargaining employees and delayed DPSA pronouncement for management employees. Cola for management was implemented in December 2022 and that of bargaining employees the salary agreement was only signed in May 2023.

FUTURE HCM PLANS/GOALS

- All HCM Modules have been configured. Go live is being finalised for the rest of the other HCM modules
- HCM is continuing to realign its policies, people, processes and technology to meet defined human resources demands.
- To implement the Human Capital Strategy

HUMAN RESOURCES OVERSIGHT STATISTICS

Human Resources Expenditure

Table 19: Personnel Cost by Programme

	Total Expenditure	Personnel Expenditure	Performance Bonus	Training Expenditure	Personnel Cost as a percent of total expenditure	Average Personnel cost per employee
	(R'000)	(R'000)		(R'000)		(R'000)
Develop, maintain and administer VCs and TRs (8)	11,919	10,305.21	435.79	88.60	86%	1,472.17
Maximise compliance with all specifications and TRs (238)	352,180	316,244.25	15,704.97	2,748.55	90%	1,334.36
Inform and educate our stakeholders about the NRCS (7)	12,696	5,458.58	218.12	46.46	43%	1,091.72
Ensure an optimally capacitated institution (59)	94,499	49,459.22	1,976.86	437.31	52%	696.61
Administration (18)	57,255	23,765.64	1,097.04	208.43	42%	1,828.13
	528,549	405,233	19,433	3,529	77%	1,216.92

Table 20: Personnel Cost by Salary Band 2022/23

Salary bands	Personnel cost Including Bonus and Overtime Expenditure	Personnel cost Excluding overtime and Bonus Expenditure	% of total personnel cost	Average personnel cost per employee Including Bonus and Overtime	Average personnel cost per employee Excluding overtime and Bonus
	(R'000)	(R'000)		(R'000)	(R'000)
Contractor (4)	3,662.79	3,662.79	1%	228.92	228.92
Interns (19)	1,976.07	1,976.07	0%	98.80	98.80
Lower level skill (4)	1,606.97	1,435.29	0%	803.49	717.65
Skilled (64)	60,407.35	50,642.58	15%	805.43	675.23
Professional (176)	248,044.90	213,819.62	61%	1,485.30	1,280.36
Senior manager (53)	85,631.40	79,694.03	21%	1,615.69	1,503.66
Top management (1)	3,903.41	3,680.61	1%	1,951.71	1,840.30
Total (321)	405,232.91	354,910.99	100%	1,262.41	1,105.64

Table 21: Salary, Performance Bonus Overtime and Allowances by Programme

Programme	Basic Salaries		Overtime		13th cheque		Performance Bonus		Home Owners Allowance		Medical Assistance		Pension		Training	
	Amount	Salaries as a % of personnel cost	Amount	Overtime as a % of personnel cost	Amount	13th as a %	Amount (000)	PMS as % of personnel cost	Amount	HOA as a % of personnel cost	Amount	Medical as a % of personnel cost	Amount	Pension as a % of personnel cost	Amount	Training as a % of personnel cost
Develop, maintain and administer VCs and TRs	8,260,884.02	2.04%		0.00%	249,277.73	0%	435,786.03	0.11%	20,200.00	0.00%	457,438.48	0.11%	724,177.02	0.18%	88,601.15	0.02%
Maximise compliance with all specifications and TRs	235,954,893.88	58.23%	1,117,757.98	0.28%	17,907,723.26	4%	15,704,974.58	3.88%	3,843,393.01	0.95%	12,902,095.08	3.18%	20,217,854.10	4.99%	2,748,550.02	0.68%
Inform and educate our stakeholders about the NRCS	4,205,354.54	1.04%		0.00%	355,608.58	0%	218,121.93	0.05%	60,600.00	0.01%	204,908.54	0.05%	331,067.58	0.08%	46,455.03	0.01%
Ensure an optimally capacitated institution	36,445,571.04	8.99%	2,117,333.31	0.52%	2,461,345.81	1%	1,976,859.74	0.49%	559,000.00	0.14%	1,881,737.13	0.46%	2,842,671.75	0.70%	437,313.74	0.11%
Administration	18,851,898.68	4.65%	697.68	0.00%	674,658.78	0%	1,097,038.04	0.27%	202,250.00	0.05%	876,525.56	0.22%	1,514,816.67	0.37%	208,430.55	0.05%
Total	303,718,602	74.95%	3,235,789	0.80%	21,648,614	5%	19,432,780	4.80%	4,685,443	1.16%	16,322,705	4.03%	25,630,587	6.32%	3,529,350	0.87%

Table 22: Salary, Performance Bonus, Overtime and Allowances by Salary Band

Programme	Basic Salaries		Overtime		13th cheque		Performance Bonus		Home Owners Allowance		Medical Assistance		Pension		Training	
	Amount (R'000)	Salaries as a % of personnel cost	Amount (R'000)	Overtime as a % of personnel cost	Amount (R'000)	13th as a %	Amount (R'000)	PMS as % of personnel cost	Amount (R'000)	HOA as a % of personnel cost	Amount (R'000)	Medical as a % of personnel cost	Amount (R'000)	Pension as a % of personnel cost	Amount (R'000)	Training as a % of personnel cost
Contractor (4)	3,435,722.96	0.85%	104,416.55	0.03%											36,073.74	0.01%
Interns (19)	1,890,040.74	0.47%	54,530.60	0.01%											19,302.39	0.00%
Lower level skill (2)	1,047,245.42	0.26%		0.00%	87,145.91	0.02%	73,646.22	0.02%	60,850.00	0.02%	219,636.30	0.05%	93,214.96	0.02%	14,344.18	0.00%
Skilled (75)	41,528,057.72	10.25%	937,407.56	0.23%	3,848,106.71	0.95%	2,838,302.90	0.70%	1,390,100.00	0.34%	3,501,280.27	0.86%	3,637,166.17	0.90%	518,632.37	0.13%
Professional (167)	182,769,799.74	45.10%	2,139,434.26	0.53%	16,039,706.48	3.96%	12,633,761.36	3.12%	3,234,493.01	0.80%	9,813,729.96	2.42%	15,502,721.08	3.83%	2,172,523.42	0.54%
Senior manager (53)	69,893,887.70	17.25%	-	0.00%	1,666,424.34	0.41%	3,690,713.18	0.91%	-	0.00%	2,736,081.84	0.68%	6,147,348.60	1.52%	733,972.47	0.18%
Top management (1)	3,153,847.88	0.78%	-	0.00%	-	0.00%	196,356.66	0.05%	-	0.00%	51,976.42	0.01%	250,136.31	0.06%	34,501.92	0.01%
Total (321)	303,718,602.16	74.95%	3,235,788.97	0.80%	21,641,383.44	5.34%	19,432,780.32	4.80%	4,685,443.01	1.16%	16,322,704.79	4.03%	25,630,587.12	6.32%	3,529,350.49	0.87%

EMPLOYMENT AND VACANCIES

Table 23: Employment and vacancies by programme, 31 March 2022/2023

Programme (Business units)	Number of posts	Number of posts filled	Number of vacant budgeted posts	Positions Not budgeted for/on hold	Vacancy Rate for budgeted	Vacancy Rate For budget and unbudgeted
Automotive	47	44	2	0	4%	4%
Business Support	2	1	1	0	50%	50%
CMM	34	30	6	0	18%	18%
Communications	7	5	2	0	28%	28%
Electro-technical	50	46	3	0	6%	6%
Finance	28	24	3	1	11%	14%
Foods	77	56	15	10	19%	32%
HR	12	12	2	0	17%	17%
Internal Audit	4	4	0	0	0%	0%
IT Services	8	6	2	0	25%	25%
Legal Metrology	64	50	10	2	16%	19%
Legal services	5	5	0	0	0%	0%
NBR	2	2	0	0	0%	0%
Facilities	8	7	1	0	13%	13%
RR&D	6	5	0	1	0%	17%
Regulatory Management	3	2	0	1	0%	33%
Strategy & Risk	3	2	0	2	33%	66%
QMS	2	1	2	0	100%	100%
Total	362 (66)	321 (302+19 interns)	49	18	14%	18%

Table 24: Employment and Vacancies by Salary Bands – 31 March 2023

Salary band	Number of posts	Number of posts filled	Vacancy Rate Budget and unbudgeted	Number of posts filled additional to the staff establishment
Top Management (P2-3)	3 (2)	1	66%	
Senior Management & high Level specialists (P4-6)	72 (19)	53	26%	
Middle Management superintendents and lower level specialists (P7-9)	177 (10)	167	6%	
Supervisors and high-level skilled/clerical (P10-12)	104 (35)	75	34%	6 positions were above the staff establishment
Lower-level skilled/clerical (P13- 16)	6	6	0%	
Interns	19	19	0%	
Total	362 (66)	321 (Total including interns & contractors)	18%	

Table 25: Annual Turnover Rates by Salary Band for the Period 1 April 2021 to 31 March 2023

Salary Band	Number of employees per band as on 31 March 2023	Appointments and transfers into the NRCS	Terminations/transfers out of the NRCS	Turnover rate
Top Management (P2-3)	1	1	2	50%
Senior Management & high Level specialists (P4-6)	53	2	3	5.6%
Middle Management superintendents and lower level specialists (P7-9)	167	1	6	3.6%
Supervisors and high-level skilled/clerical (P10-12)	75	7	7	9.3%
Lower-level skilled/clerical (P13-16)	6	0	0	0%
Unskilled	19	0	19 (interns)	100%
Total (including interns & contractors)	321	11	37	12%

Table 26: Annual Turnover Rates by Critical Occupation for the Period 1 April 2022 to 31 March 2023

Occupation:	Number of employees per occupation	Appointments and transfers	Terminations and transfers out of the NRCS	Turnover rate
Top Management (P2-3)	1	1	2	50%
Senior Management & high Level specialists (P4-6)	53	2	3	5.6%
Middle Management superintendents and lower level specialists (P7-9)	167	1	6	3.6%
Supervisors and high-level skilled/clerical (P10-12)	75	7	7	9.3%
Lower-level skilled/clerical (P13-16)	6	0	0	0%
Unskilled	19	0	19 (interns)	100%
Total (including interns & contractors)	321	11	37	12%

Table 27: Reasons Why Staff are Leaving the NRCS

Termination Type	Number	% of total
Death	0	0
Resignation	8	22%
Expiry of contract	25	68%
Dismissal – operational changes	0	0%
Dismissal – misconduct	1	3%
Dismissal – inefficiency	0	0%
Discharged due to ill-health	0	0%
Retirement	3	8%
Transfers to other Business unit Departments	0	0%
Other – Mutual separation	0	0%
Total	37	99.99
Total number of employees who left as a % of the total employment		(321)

Note! *internship programme ended and terminated 30 March 2023

EMPLOYMENT EQUITY

Table 28: Total Number of Employees (Including Employees With Disabilities) In Each of the Following Occupational Categories As On 1 April 2022 - 31 March 2023

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management (P1-P3)	1	0	0	0	0	0	0	0	1
Senior Management (P4-P6)	23	2	0	10	15	1	0	2	53
Professionally qualified and experienced specialists and mid-management, supervisors, foremen, and superintendent (P7-P9)	68	16	7	10	67	4	1	3	176
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents (P10-P12)	10	3	0	0	38	6	4	5	66
Semi-skilled and discretionary decision (P13-P16)	1	0	0	0	5	0	0	0	6
Unskilled and defined decision making (Interns)	9	0	0	0	10	0	0	0	19
Total	112	21	7	20	135	11	5	10	321
Employees with disabilities					3			1	4
Overall Total	112	21	7	20	135	11	5	11	321

*Total is including disabled employees

Table 29: Total Number of Employees With Disabilities Only In Each of the Following Occupational Bands As On 1 April 2021- 31 March 2022

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management (P1-P3)	0	0	0	0	0	0	0	0	0
Senior Management (P4-P6)	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid-management, supervisors, foremen, and superintendent (P7-P9)	0	0	0	0	0	0	0	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents (P10-P12)	0	0	0	0	0	0		1	1
Semi-skilled and discretionary decision (P13-P16)	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making (Interns)	0	0	0	0	3	0	0	0	3
Total	0	0	0	0	3	0	0	1	4

Table 30: Total Number of Employees With Disabilities Only In Each Of The Following Occupational Bands As On 1st April 2022 - 31 March 2023

The NRCS had four disability persons during the reporting period

No:	Number of employees with disability (indefinite)	Gender	Race	Level
1	1	Female	White	P10 (14760)
2	3	Females	Africans	P13-16 (interns)

Table 31: Recruitment for the Period 1 April 2022 to 31 March 2023 (inclusive of interns)

Occupational bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management 2-3	1	0	0	0	0	0	0	0	1
Senior Management 4-6	0	1	0	0	1	0	0	0	2
Professionally qualified and experienced specialists and mid-management 7-9	0	1	0	0	0	0	0	0	1
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents 10-12	0	0	0	0	7	0	0	0	7
Semi-skilled and discretionary decision making 13-15	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making (contracts – Temps) 16-18	0	0	0	0	0	0	0	0	0
Total (including Interns / Contractors)	1	2	0	0	8	0	0	0	11
Employees with disabilities	0	0	0	0	0	0	0	0	0

Table 32: Skills Development for the Period 1 April 2022 to 31 March 2023

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

Table 33 – Training Provided 1 April 2022 to 31 March 2023

Occupational Categories	Gender	Number of employees as at 1 April 2022	Training provided within the reporting period			
			Learnerships / Interns	Skills Programmes & other short courses	Other forms of training	Total
Top management	Female	0	0	0	0	0
	Male	1	0	0	0	1
Senior management	Female	19	0	0	0	19
	Male	35	0	0	0	35
Professionally qualified and experienced specialists and mid-management	Female	75	0	0	0	75
	Male	101	0	0	0	101
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	Female	51	0	0	0	51
	Male	13	0	0	0	13
Semi-skilled and discretionary decision making	Female	5	0	0	0	5
	Male	1	0	0	0	1
Unskilled and defined decision making	Female	10	0	0	0	10
	Male	9	0	0	0	9
Sub Total	Female	320	0	0		320
	Male	0	0	0	0	0
Total		320 (including interns)	19 (interns)		0	320

*With the exception the employee on disability for the FY

Table 34: Terminations for the period 1 April 2022 to 31 March 2023 (inclusive of interns)

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	1	0	0	0	0	0	1	0	2
Professionally qualified and experienced specialists and mid-management	1	0	0	0	3	0	0	0	3
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	2	0	0	0	4	0	0	0	6
Semi-skilled and discretionary decision making	3	0	0	0	4	0	0	0	7
Unskilled and defined decision making	5	0	0	0	14	0	0	0	19
Total	12	1	0	5	25	0	1	0	18 (7-19)
Employees with disabilities	0	0	0	0	0	0	0	0	0

LEAVE UTILISATION FOR THE PERIOD 1 APRIL 2022 TO 31 MARCH 2023

Table 35: Sick Leave, 1 April 2022 to 31 March 2023

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)	7	6	1	(1)		
Senior Management & high Level specialists (P4-6)	201	91	53	(53)		
Middle Management superintendents and lower level specialists (P7-9)	366	101	167	(167)		
Supervisors and high-level skilled/ clerical (P10-12)	511	146	75	(75)		
Lower-level skilled/clerical (P13-16)	32	12	25	(25)		
Total	1117	356	321	-		

Table 36: Incapacity-temporary and permanent), 1 April 2022 to 31 March 2023

Salary Band	Total calendar 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)	0	0	0	0	0	0
Senior Management & high Level specialists (P4-6)	0	0	0	0	0	0
Middle Management superintendents and lower level specialists (P7-9)	365	99.9%	1	0.33%	0.84	R2 096,578.49
Supervisors and high-level skilled/ clerical (P10-12)	0	0	0	0	0	0
Lower-level skilled/clerical (P13- 16)	0	0	0	0	0	0
Total	365	28.76	1	0.33%	0.84	R2 096 578.49

Table 37: Annual Leave, 1 April 2022 to 31 March 2023

Salary Bands	Total days taken	Average per employee
Top Management (P2-3) 1	16.0833	6.2
Senior Management & high Level specialists (P4-6) 53	1351.33	3.9
Middle Management superintendents and lower level specialists (P7-9) 176	4183.33	4.2
Supervisors and high-level skilled/clerical (P10-12) 64	1663.83	3.8
Lower-level skilled/clerical (P13- 16) 27	106.5	25
Total (321)	7321.07	43.11

Table 38: Leave pay-outs for the Period 1 April 2022 to 31 March 2023

Category (Reason)	Total Amount (R'000)	Number of Employees	Average payment per employee
Leave pay-out due to non-utilisation of leave for the previous cycle (2377.05)	R132 312.23	4	10.65
Capped leave & Current leave pay-out on termination of service	R725 808.94	19	12.30
Total	R8 125 470.88	23	22.95

LABOUR RELATIONS

Table 39: Misconduct and Disciplinary Hearings Finalised, 1 April 2022 to 31 March 2023

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	0	0%
Verbal warning	0	0%
Written warning	0	%
Final written warning	0	%
Suspended without pay	0	0%
Fine	0	0%
Demotion	0	%
Dismissal	1	0.1%
Not guilty	0	0%
Case withdrawn	0	0%
Total	1	10%

Table 40: Types Of Misconduct Addressed At Disciplinary Hearings

Type of misconduct	Number	% of total
Fraud and Absenteeism	1	0.1
Unacceptable Behaviour	0	0
Fruitless and wasteful expenditure	0	0
Total	1	10

Table 41: Grievances Lodged For The Period 1 April 2022 To 31 March 2023

	Number	% of Total
Number of grievances resolved	5	55%
Number of grievances not resolved	4	45%
Total number of grievances lodged	9	100%

Table 42: Disputes lodged With Councils For The Period 1 April 2022 To 31 March 2023

	Number	% of Total
Number of disputes upheld	2	29
Number of disputes dismissed	5	71
Total number of disputes lodged	7	100

Table 43: Precautionary Suspensions For The Period 1 April 2022 To 31 March 2023

Number of people suspended	1
Number of people whose suspension exceeded 30 days	1
Average number of days suspended	214 (calendar days)
Cost (R'000) of suspensions	R 466 732.38

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 employee as far as their wellbeing is concerned. During the period under review articles were published on a monthly basis on different health, wellness and safety solutions. Various wellness online sessions were provided to All NRCS employees in all the NRCS regions.

HIV and AIDS & health promotion programmes (P119)

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

Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any)	Key steps taken to reduce the risk
No occupational exposure is experienced in the NRCS	HIV testing and counselling available in Pretoria office
Covid-19 Compliance	<ul style="list-style-type: none"> OHS Committee is responsible for all the NRCS offices Work from home protocols in place. Rotational work days implemented Covid-19 policies and procedures are in place.

Table 45: Details of Health Promotion and HIV and AIDS Programmes (tick the applicable boxes and provide the required information)

Question	Yes	No	Details, if yes
1. Has the entity designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.	X		OHS & W Officer and Covid-19 Compliance officer H de Beer
2. Does the NRCS have a dedicated unit or has it designated specific staff members to promote the health and well-being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	X		OHS & W Committee (19) members in all offices Wellness Budget R 200 000.00
3. Has the NRCS introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of this Programme.	x		Wellness program is established, with counselling & information promotion of all areas. Wellness webinars Wellness days
4. Has the NRCS established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.	x		OHS& W Committee: CEO, management, Union members and OHS representatives
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.	x		Policies under review.
6. Has the NRCS introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.	X		Confidential medical care. Non-disclosure of personal information
7. Does the NRCS encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have you achieved.	X		Yes. No new positive cases tested or reported
8. Has the NRCS developed measures/indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/ indicators.	X		Support and check-ins with sick employees Feedback after online wellness sessions.





PART E
FINANCIAL
INFORMATION

GENERAL INFORMATION

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

1. I have audited the financial statements of the National Regulator for Compulsory Specifications set out on pages xx to xx, which comprise the statement of financial position as at 31 March 2023, statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Regulator for Compulsory Specifications as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

BASIS FOR OPINION

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

EMPHASIS OF MATTERS

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

Receivables – Debt impairment

7. As disclosed in note 19 of the financial statements, material losses of R17 329 956 (2021-2022: R17 521 867) were incurred due to the impairment of long outstanding receivables from exchange and non-exchange transactions resulting from management's inability to collect amounts receivable as they become due.

OTHER MATTERS

I draw attention to the matter below. My opinion is not modified in respect of this matter.

NATIONAL TREASURY INSTRUCTION NOTE NO. 4 OF 2022-23: PFMA COMPLIANCE AND REPORTING FRAMEWORK

8. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 31 and 32 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of the National Regulator for Compulsory Specification. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

9. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the 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.
10. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

RESPONSIBILITIES OF THE AUDITOR-GENERAL FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

13. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected strategic goal presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

14. I selected the following strategic goal presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected a strategic goal that measures the public entity's performance on its primary mandated functions and that is of significant national, community or public interest.

Strategic Goal	Page numbers	Output
To maximise compliance with all specifications and technical regulations	xx	To increase market surveillance activities and enforce compliance through regulations based on sound market intelligence.

15. I evaluated the reported performance information for the selected strategic goal against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

16. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there are adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

17. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

18. I did not identify any material findings on the reported performance information of Strategic Goal 2: To maximise compliance with all specifications and technical regulations.

OTHER MATTER

19. I draw attention to the matter below.

Achievement of planned targets

20. The annual performance report includes information on reported achievements against planned targets and provides explanations for the overachievements.

Material misstatements

21. I identified material misstatement in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Strategic Goal 2: To maximise compliance with all specifications and technical regulations. Management subsequently corrected all the misstatements and I did not include any material findings in this report.

REPORT ON COMPLIANCE WITH LEGISLATION

22. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.
23. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
24. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
25. I did not identify any material non-compliance with the selected legislative requirements.

OTHER INFORMATION IN THE ANNUAL REPORT

26. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected strategic goal presented in the annual performance report that have been specifically reported on in this auditor's report.
27. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
28. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected strategic goal presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
29. The other information I obtained prior to the date of this auditor's report is the information on irregular and fruitless and wasteful expenditure, and the general information (including a report of the accounting officer), governance information (including the audit committee report) and human resource management information are expected to be made available to us after 31 July 2023.
30. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.
31. When I do receive and read the general information (including a report of the accounting officer), Governance information (including the audit committee report in terms of treasury regulations) and human resource management information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

32. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
33. I did not identify any significant deficiencies in internal control.

Auditor - General

Pretoria

31 July 2023



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected strategic goal and on the public entity's compliance with selected requirements in key legislation.

Financial statements

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

Communication with those charged with governance

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.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

COMPLIANCE WITH LEGISLATION – SELECTED LEGISLATIVE REQUIREMENTS

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act No.1 of 1999 (PFMA)	Section 51(1)(a)(iv); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii); 53(4); 54(2)(c'); 54(2)(d); 55(1)(a); 55(1)(b); 55(1)(c)(i); 56(1); 56(2); 57(b);
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Treasury Regulation 8.2.1; 8.2.2; 16 A3.1; 16 A3.2; 16A 3.2(a); 16A 3.2(a)(i); 16A 6.1; 16A6.2(a) & (b); 16A6.2(e);16A 6.3(a); 16A 6.3(b); 16A 6.3(c); 16A 6.3(d); 16A 6.3(e); 16A 6.4; 16A 6.5; 16A 6.6; 16A 7.1; 16A.7.3; 16A.7.6; 16A.7.7; 16A 8.2(1); 16A 8.2(2); 16A 8.3; 16A 8.3(d); 16A 8.4; 16A9.1 16A9; 16A9.1(b)(ii); 16A9.1(c); 16A 9.1(d); 16A 9.1(e); 16A9.1(f); 16A 9.2; 16A9.2(a)(ii);16A9.2(a)(iii); 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1; 31.1.2(c'); 31.2.1; 31.3.3; 33.1.1; 33.1.3
Public Service Regulation (PSR)	Section 13(c); 18; 18(1); 18(2)
Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA)	Section 34(1); 29
Construction Industry Development Board Act No.38 of 2000 (CIDB)	Section 18(1)
CIDB Regulations	CIDB regulation 17; 25(1); 25(5); 25(7A)
Preferential Procurement Policy Framework Act (PPPFA)	Section 1(i); 2.1(a); 2.1(b); 2.1(f)
Preferential Procurement Regulations (PPR) 2017	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7;6.1; 6.2; 6.3; 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5; 7.6; 7.8; 8.2; 8.5; 9.1; 9.2; 10.1; 10.2; 11.1; 11.2; 12.1 and 12.2
Preferential Procurement Regulations (PPR) 2022	Regulation 3.1; 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
NT SCM Instruction note 09 of 2021/22	Paragraph 3.1; 3.3(b); 3.3(c); 3.3(e); 3.6
National Treasury Instruction No.1 of 2015/16	National Treasury Instruction No.1 of 2015/16 par 3.1
National Treasury Instruction No.1 of 2015/16 par 4.1 & 4.2	
NT SCM Instruction Note 03 2021/22	Paragraph. 4.1; 4.2(b); 4.3; 4.4; 4.4 (a); 4.4 (c) -(d); 4.6; 5.4; 7.2; 7.6
NT SCM Instruction 4A of 2016/17	Paragraph 6
NT SCM Instruction Note 03 of 2019/20	Paragraph 5.5.1(vi); 5.5.1(x)
NT SCM Instruction Note 11 2020/21	IN 3.1; 3.4(a); 3.4(b); 3.9; 6.1; 6.2; 6.7
NT SCM Instruction note 2 of 2021/22	IN 3.2.1; 3.2.2; 3.2.4(a); 3.2.4(b); 3.3.1; 3.2.2; 4.1
NT SCM Instruction note 04 of 2022/23	Paragraph 4(1); 4(2) and 4(4)
Practice Note 5 of 2009/10	Paragraph 3.3
NT SCM Instruction Note 8 of 2022/23	Paragraph 3.2; 4.3.2; 4.3.3
Competition Act	Paragraph 4(1)(b)(ii)
NT instruction note 4 of 2015/16	NT Instruction note 4 of 2015/16 Par 3.4
Second amendment of NTI 05 of 2020/21	Second amendment of NTI 05 of 2020/21 4.8; 4.9 ; 5.1 ; 5.3
Erratum NTI 5 of 202/21	Erratum NTI 5 of 202/21 Par 1
Erratum NTI 5 of 202/21	Erratum NTI 5 of 202/21 Par 2
Practice note 7 of 2009/10	Practice Note 7 of 2009/10 Par 4.1.2
Practice note 11 of 2008/9	Paragraph 3.1; 3.1(b)
NT instruction note 1 of 2021/22	NT instruction note 1 of 2021/22 Par 4.1
Public Service Act 2007	Section 30(1)
Employment of Educator Act 76 of 1998	Section 33(1)

ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The accounting authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the accuracy, validity and completeness of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting authority to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

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

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

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

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

The accounting authority has reviewed the entity's cash flow forecast for the year to March 31, 2024 and, in the light of this review and the current financial position, he is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The external auditors are responsible for independently auditing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 4.

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the on 31 May 2023 and were signed on its behalf by:

Edward Mamadise

Chief Executive Officer

Pretoria

Sunday, 31 July 2022

STATEMENT OF FINANCIAL POSITION

as at 31 March 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	8	15,182,675	12,709,056
Receivables from non-exchange transactions	9	97,393,218	119,657,358
Deposits	7	152,200	152,200
Cash and cash equivalents	10	94,385,211	199,781,337
		207,113,304	332,299,951
Non-Current Assets			
Property, plant and equipment	3	15,570,564	21,356,328
Intangible assets	5	15,186,102	13,627,537
Deposits	7	568,438	568,438
		31,325,104	35,552,303
Total Assets		238,438,408	367,852,254
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	54,305,472	58,470,242
Post retirement medical obligation	6	562,000	491,000
Provisions	11	41,291,796	31,116,348
Long service awards	12	1,016,000	950,000
		97,175,268	91,027,590
Non-Current Liabilities			
Post retirement medical obligation	6	7,614,000	8,458,000
Long Service Awards	12	3,354,000	3,731,000
		10,968,000	12,189,000
Total Liabilities		108,143,268	103,216,590
Net Assets		130,295,140	264,635,664
Accumulated surplus		130,295,142	264,635,664

STATEMENT OF FINANCE PERFORMANCE

for the year ended 31 March 2022

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Rendering of services	15	19,245,137	28,771,832
Approval application fee income	14	44,061,868	46,287,893
Sundry income	14	1,590,558	1,605,928
Interest income from exchange	14	14,213,551	10,116,816
Actuarial gains/loss		1,381,672	-
Total revenue from exchange transactions		80,492,786	86,782,469
Revenue from non-exchange transactions			
Levies for compulsory specifications	14	214,814,039	246,727,867
Interest income from non exchange		4,412,510	3,703,996
Registration fee income		1,416,800	1,513,600
Government grants and core funding		147,560,000	144,099,000
Total revenue from non-exchange transactions		368,203,349	396,044,463
Total revenue	14	448,696,135	482,826,932
Expenditure			
Employee related cost	16	(405,232,905)	(369,194,934)
Depreciation and amortisation	17	(6,152,538)	(6,571,075)
Finance costs	18	(1,611,050)	(1,192,814)
Lease rentals on operating lease		(16,624,443)	(17,897,071)
Debt Impairment	19	(17,329,956)	(17,521,867)
Bad debts written off		(976,672)	(1,183,587)
Advertsing and marketing expenses		(6,014,627)	(1,454,230)
Testing and sampling		(7,851,992)	(5,557,501)
Contracted services		(8,740,818)	(9,597,153)
Travel expenditure		(24,013,511)	(12,061,553)
Actuarial losses		-	(1,112,161)
General Expenses	20	(28,991,830)	(28,930,670)
Auditors remuneration	21	(5,008,315)	(6,363,639)
Total expenditure		(528,548,657)	(478,638,255)
(Deficit) surplus for the year		(79,852,522)	4,188,677

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2023

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 April 2021	291,892,987	291,892,987
Changes in net assets		
Surplus for the year	4,188,677	4,188,677
Transfer to National Treasury	(31,446,000)	(31,446,000)
Total changes	(27,257,323)	(27,257,323)
Opening balance as previously reported	264,817,086	264,817,086
Correction of errors	(181,422)	(181,422)
Restated balance at 01 April 2022	264,635,664	264,635,664
Changes in net assets		
Surplus (Deficit) for the period	(79,852,522)	(79,852,522)
Transfer to National Treasury	(54,488,000)	(54,488,000)
Total changes	(134,340,522)	(134,340,522)
Balance at 31 March 2023	130,295,142	130,295,142

CASH FLOW STATEMENT

for the year ended 31 March 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
		290,085,647	294,416,355
Cash received from rendering of services		147,560,000	144,099,000
Grants		11,152,710	9,413,189
Interest income		448,798,357	447,928,544
Payments			
Employee costs		(398,780,851)	(377,921,703)
Suppliers		(98,829,582)	(70,853,260)
		(497,610,433)	(448,774,963)
Net cash flows from operating activities	22	(48,812,076)	(846,423)
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(302,609)	(43,788)
Purchase of other intangible assets	5	(1,793,441)	(5,834,628)
Net cash flows from investing activities		(2,096,050)	(5,878,416)
Cash flows from financing activities			
Payments to DTI		(54,488,000)	(31,446,000)
Net increase/(decrease) in cash and cash equivalents		(105,396,126)	(38,170,839)
Cash and cash equivalents at the beginning of the year		199,781,337	237,952,176
Cash and cash equivalents at the end of the year	10	94,385,211	199,781,337

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

for the year ended 31 March 2023

Budget on Accrual Basis						
Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	33,793,873	(2,099,532)	31,694,341	19,245,137	(12,449,204)	A note 33
Approval application fee income	41,564,527	-	41,564,527	44,061,868	2,497,341	B note 33
Sundry income	1,676,051	-	1,676,051	1,590,558	(85,493)	
Interest received	12,594,882	-	12,594,882	14,213,551	1,618,669	C note 33
Total revenue from exchange transactions	89,629,333	(2,099,532)	87,529,801	79,111,114	(8,418,687)	
Revenue from non-exchange transactions						
Interest income from non-exchange	-	-	-	4,412,510	4,412,510	
Levies for compulsory specifications	333,099,981	-	333,099,981	214,814,039	(118,285,942)	D note 33
Registration fee income	2,908,218	-	2,908,218	1,416,800	(1,491,418)	E note 33
Government grants and core funding	147,550,000	10,000	147,560,000	147,560,000	-	
Total revenue from non-exchange transactions	483,558,199	10,000	483,568,199	368,203,349	(115,364,850)	
Total revenue	573,187,532	10,000	571,098,000	447,314,463	(123,783,537)	
Expenditure						
Employee related costs	(436,935,959)	(2,602,000)	(439,537,959)	(405,232,905)	34,305,054	F note 33
Depreciation and amortisation	(8,659,867)	2,167,000	(6,492,867)	(6,152,538)	340,329	
Finance costs	(281,217)	(7,000)	(288,217)	(1,611,050)	(1,322,833)	G note 33
Lease rentals on operating lease	(18,480,001)	-	(18,480,001)	(16,624,443)	1,855,558	H note 33
Debt Impairment	-	-	-	(17,329,956)	(17,329,956)	I note 33
Bad debts written off	-	-	-	(976,672)	(976,672)	
Advertising and marketing expenditure	(9,508,458)	(10,945)	(9,519,403)	(6,014,627)	3,504,776	J note 33
Testing and sampling	(9,058,419)	-	(9,058,419)	(7,851,992)	1,206,427	K note 33
Contracted Services	(12,011,230)	1,021,000	(10,990,230)	(8,740,818)	2,249,412	L note 33
Travel expenditure	(27,478,817)	1,100,000	(26,378,817)	(24,013,511)	2,365,306	
General expenses	(46,349,064)	421,477	(45,927,587)	(28,991,830)	16,935,757	M note 33
Auditors remuneration	(4,424,500)	-	(4,424,500)	(5,008,315)	(583,815)	
Total expenditure	(573,187,532)	2,089,532	(571,098,000)	(528,548,657)	42,549,343	
Operating deficit	-	-	-	(81,234,194)	(81,234,194)	
Actuarial gains/losses	-	-	-	1,381,672	1,381,672	
Surplus	-	-	-	(79,852,522)	(79,852,522)	
Actual Amount Presented in the Budget and Actual Comparative Statement	-	-	-	(79,852,522)	(79,852,522)	

All variances above 10 % are explained in Note 33.

ACCOUNTING POLICIES

for the year ended 31 March 2023

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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

Trade receivables impairment

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

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

Provisions

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

Useful lives of property, plant and equipment

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

ACCOUNTING POLICIES

for the year ended 31 March 2023 (continued)

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

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

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

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

ACCOUNTING POLICIES

for the year ended 31 March 2023 (continued)

1.4 Property, plant and equipment (continued)

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

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

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

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

All assets costing less than R5 000 will be classified as 'minor assets'. These assets must be recorded in the asset register but will be fully depreciated/written-off in the year of acquisition and not over its useful life, as is the case with assets costing R5 000 and more.

It is required that all assets are classified and recorded, both minor and major assets. The assets costing less than R5 000 will be included under "current expenditure" on the income statement.

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

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

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

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

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

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

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

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

ACCOUNTING POLICIES

for the year ended 31 March 2023 (continued)

1.4 Property, plant and equipment (continued)

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

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

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

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

1.5 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.

ACCOUNTING POLICIES

for the year ended 31 March 2023 (continued)

1.5 Intangible assets (continued)

- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	2-5 years

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

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

Intangible assets are derecognised:

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

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

1.6 Financial instruments

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

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

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

ACCOUNTING POLICIES

for the year ended 31 March 2023 (continued)

1.6 Financial instruments (continued)

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

Classification

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

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

ACCOUNTING POLICIES

for the year ended 31 March 2023 (continued)

1.6 Financial instruments (continued)

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

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

Receivables from exchange and non transactions

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

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

Payables from exchange transactions

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

1.7 Cash and cash equivalents

Cash and cash equivalents consist of the following

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

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

1.8 Statutory receivables

Identification

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

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

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

ACCOUNTING POLICIES

for the year ended 31 March 2023 (continued)

1.8 Statutory receivables (continued)

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

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

Recognition

The entity recognises statutory receivables as follows:

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

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

ACCOUNTING POLICIES

for the year ended 31 March 2023 (continued)

1.8 Statutory receivables (continued)

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

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

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

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

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

Derecognition

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

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

In this case, the entity:

- derecognise the receivable; and
- recognise separately any rights and obligations created or retained in the transfer.

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

ACCOUNTING POLICIES

for the year ended 31 March 2023 (continued)

1.9 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.10 Employee benefits

Short-term employee benefits

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

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

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

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Long Service Awards

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

ACCOUNTING POLICIES

for the year ended 31 March 2023 (continued)

1.10 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

Post retirement medical obligations

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

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

ACCOUNTING POLICIES

for the year ended 31 March 2023 (continued)

1.10 Employee benefits (continued)

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

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

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

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

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

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

1.11 Provisions and contingencies

Provisions are recognised when:

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

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

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating surplus.

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

ACCOUNTING POLICIES

for the year ended 31 March 2023 (continued)

1.11 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

A contingent liability is defined a

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

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

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

1.12 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

ACCOUNTING POLICIES

for the year ended 31 March 2023 (continued)

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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

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

Measurement

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

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

Rendering of services

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

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

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

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

Interest Income

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non- exchange transactions is classified based on the nature of the underlying transaction.

1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

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

ACCOUNTING POLICIES

for the year ended 31 March 2023 (continued)

1.14 Revenue from non-exchange transactions (continued)

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

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

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

Taxes

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

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

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

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law

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

Non refundable application fees

The NRCS gazettes application fee for premarket approval of products. These service include approval applications in Electrotechnical, Automotive, Chemicals Materials and Mechanicals and Gaming approval applications in Legal Metrology.

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

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.

ACCOUNTING POLICIES

for the year ended 31 March 2023 (continued)

1.14 Revenue from non-exchange transactions (continued)

Taxes requires that an entity recognises an asset in respect of taxes when the taxable events occur and the asset recognition criteria is met.

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

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

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

Registration fees income

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

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

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

Government grants

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

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

ACCOUNTING POLICIES

for the year ended 31 March 2023 (continued)

1.15 Comparative figures

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

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

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

1.16 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Fruitless and wasteful expenditure when incurred and confirmed is recorded in the annual financial statements disclosure. This relates to fruitless and wasteful expenditure incurred in the current financial year, with a one previous financial year comparative analysis.

Fruitless and wasteful expenditure for previous financial year (comparative amounts) must be recognised in the period in which they occurred as follows:

- (a) fruitless and wasteful expenditure incurred and confirmed in the previous financial year;
- (b) fruitless and wasteful expenditure that was under assessment in the previous financial year and confirmed in the current financial year; and
- (c) fruitless and wasteful expenditure that was not discovered in the previous financial year and identified and confirmed in the current financial year.

Additional information relating to fruitless and wasteful expenditure under assessment, determination, investigations, narratives and a process of dealing with the concerned fruitless and wasteful expenditure must be recorded in the annual report of the entity.

1.17 Irregular expenditure

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

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

National Treasury instruction note no. 4 of 2022/2023 which was issued in terms of sections 76(2)(e) to 76(4)(a) of the PFMA requires the following (effective from 3 January 2023):

Irregular expenditure when incurred and confirmed is recorded in the annual financial statements disclosure. This relates to irregular expenditure incurred in the current financial year, with a one financial year comparative analysis.

Additional information relating to irregular expenditure under assessment, determination, investigation, narratives, and the process of dealing with the irregular expenditure is recorded in the annual report of the entity.

ACCOUNTING POLICIES

for the year ended 31 March 2023 (continued)

1.18 Budget information

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

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

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

The approved budget covers the fiscal period from 4/1/2022 to 3/31/2023.

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

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

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

1.19 Related parties

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

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

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

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

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

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

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

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

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

ACCOUNTING POLICIES

for the year ended 31 March 2023 (continued)

1.20 Events after reporting date

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2023

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 April 1, 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	April 1, 2023	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	April 1, 2099	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	April 1, 2023	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	April 1, 2023	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	April 1, 2099	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	April 1, 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	April 1, 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	April 1, 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	April 1, 2023	Unlikely there will be a material impact

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2023

3. PROPERTY, PLANT AND EQUIPMENT

Figures in Rand	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	3,000,000	-	3,000,000	3,000,000	-	3,000,000
Buildings	5,000,000	(5,000,000)	-	5,000,000	(5,000,000)	-
Leasehold property	131,723	(126,877)	4,846	131,723	(114,787)	16,936
Plant and machinery	184,578	(175,992)	8,586	184,578	(158,818)	25,760
Motor vehicles	6,270,348	(5,924,148)	346,200	6,270,348	(5,780,038)	490,310
Office equipment	34,974,508	(28,742,334)	6,232,174	34,859,887	(24,250,362)	10,609,525
Laboratory equipment	14,867,901	(8,889,143)	5,978,758	14,868,401	(7,654,604)	7,213,797
Total	64,429,058	(48,858,494)	15,570,564	64,314,937	(42,958,609)	21,356,328

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

Reconciliation of property, plant and equipment - 2023

Figures in Rand	Opening balance	Additions	Disposals	Minor assets Write off	Depreciation	Total
Land	3,000,000	-	-	-	-	3,000,000
Leasehold property	16,936	-	-	-	(12,090)	4,846
Plant and machinery	25,760	-	-	-	(17,174)	8,586
Motor vehicles	490,310	-	-	-	(144,110)	346,200
Office equipment	10,609,525	302,609	(6,589)	(38,318)	(4,635,053)	6,232,174
Laboratory equipment	7,213,797	-	(3)	-	(1,235,036)	5,978,758
	21,356,328	302,609	(6,592)	(38,318)	(6,043,463)	15,570,564

Reconciliation of property, plant and equipment - 2022

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

Pledged as security

No assets that were pledged as security

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

General expenditure	612,615	1,070,039
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2023

4. CHANGE IN ESTIMATE

NRCS performed annual useful lives assessment and there were no material adjustment noted except assets disposed.

5. INTANGIBLE ASSETS

Figures in Rand	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5,432,076	(5,194,209)	237,867	5,859,063	(5,386,320)	472,743
Intangible assets under development	14,948,235	-	14,948,235	13,154,794	-	13,154,794
Total	20,380,311	(5,194,209)	15,186,102	19,013,857	(5,386,320)	13,627,537

Reconciliation of intangible assets - 2023

Figures in Rand	2023			2022	
	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	472,743	-	(125,782)	(109,094)	237,867
Intangible assets under development*	13,154,794	1,793,441	-	-	14,948,235
	13,627,537	1,793,441	(125,782)	(109,094)	15,186,102

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

Reconciliation of intangible assets - 2022

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

Pledged as security

There were no intangible assets that were pledged for security.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2023

6. EMPLOYEE BENEFIT OBLIGATIONS

Figures in Rand	2023	2022
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Non current liability	(7,614,000)	(8,458,000)
Current liability	(562,000)	(491,000)
	(8,176,000)	(8,949,000)
Opening balance	8,949,000	6,902,613
Current service cost	101,000	92,376
Interest	892,000	857,770
Actuaries (gains)/loss	(1,252,672)	309,524
Benefits paid	(513,328)	(483,283)
Inclusion of death-after-retirement benefit	-	1,270,000
	8,176,000	8,949,000

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

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

Valuations of these obligations are carried out annually by independent qualified actuaries. The most recent valuation was done as at 31 March 2023.

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

Discounted rate per annum	11,10 %	10,24 %
Medical aid inflation	5,69 %	5,58 %
Average Retirement Age	64	64
Active members expected to continue after retirement	100,00 %	100,00 %

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2023

6. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

Figures in Rand	2023	2022
Sensitivity analysis		
Opening balance	(1,228,262)	(2,004,649)
Net expense recognised in the statement of financial performance	(773,000)	776,387
	(2,001,262)	(1,228,262)

The effects on the central basis liability results for 2023 when the medical aid inflation rate is increased or decreased by 1%.

	Liability	Change in liability	Liability	Change in liability
+1%	9,025,000	849,000	9,969,000	1,020,000
Central	8,176,000	-	8,949,000	-
-1%	7,446,000	(1,579,000)	8,082,000	(867,000)

The effects on the central basis liability results for 2023 when the medical aid discount rate is increased or decreased by 1%.

	Liability	Change in liability	Liability	Change in liability
+1%	7,468,000	(708,000)	8,105,000	(844,000)
Central	8,176,000	-	8,949,000	-
-1%	9,009,000	830,000	9,954,000	1,005,000

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

Current service cost	101,000	92,376
Interest cost	892,000	857,770
Actuarial (gains) losses	(1,252,672)	309,524
Benefits vesting	(513,328)	(483,283)
	(773,000)	776,387

7. DEPOSITS

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

Operating Leases	704,372	704,372
Fleet cards	10,000	10,000
Municipality	6,266	6,266
	720,638	720,638

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2023

8. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Figures in Rand	2023	2022
Trade debtors	31,834,101	29,872,730
Impairment related to receivables	(21,514,516)	(19,318,856)
Employee advances- subsistence and travel allowances	3,831,629	2,155,182
Prepaid expenses	1,031,461	-
	15,182,675	12,709,056

Statutory receivables included in receivables from exchange transactions:

Statutory receivables as at 31 March 2023, R 31 834 101; (2022: R 29 872 730).

Receivables from exchange transactions past due but not impaired

Trade and other receivables which are less than 4 months past due are not considered to be impaired. At 31 March 2023, R 10 319 585 (2022: R 10 580 482) were past due but not impaired.

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

1 month past due	3,934,669	5,264,836
2 months past due	4,400,675	2,158,197
3 months past due	1,512,170	2,344,055
4 months past due	472,071	813,394
	10,319,585	10,580,482

Receivables from exchange transactions impaired

The amount of the impairment was R 21 514 516 as of 31 March 2023 (2022: R 19 318 856).

The ageing of these receivables is as follows:

Over 6 months	21,514,516	19,318,856
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Reconciliation of provision for impairment of trade and other receivables

Opening balance	19,318,856	5,262,887
Provision for impairment	2,195,660	14,055,969
	21,514,516	19,318,856

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2023

9. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Figures in Rand	2023	2022
Levies	150,291,425	157,421,270
Impairment	(57,396,571)	(42,262,276)
Other debtors: non-exchange revenue	4,498,364	4,498,364
	97,393,218	119,657,358

Statutory receivables included in receivables from non-exchange transactions:

Statutory receivables as at 31 March 2023, R 150 291 425 ; (2022: R 157 421 270).

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

Other receivables from non-exchange transactions which are less than 4 months past due are not considered to be impaired. At March 31, 2023, R 92 894 854 (2022: R 115 132 382) were past due but not impaired.

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

1 month past due	76,341,311	96,427,233
2 months past due	9,774,816	10,895,415
3 months past due	6,105,635	6,693,333
4 months past due	673,092	1,116,401
	92,894,854	115,132,382

Trade receivables from non-exchange transactions impaired

The amount of the impairment is R 57 396 571 as of March 31, 2023 (2022: R 42 262 276).

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

Over 6 months	57,396,571	42 262 276
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Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	42,262,276	38,796,377
Provision for impairment	15,134,295	3,465,899
	57,396,571	42,262,276

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2023

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Figures in Rand	2023	2022
Cash on hand	15,233	15,233
Bank balances	34,967,028	41,916,882
Short-term deposits	59,402,950	157,849,222
	94,385,211	199,781,337

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

11. PROVISIONS

Figures in Rand	2023	2021
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Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Total
Leave pay	14,616,348	2,040,590	(587,975)	16,068,963
Provision for performance bonus	16,500,000	19,621,785	(19,321,785)	16,800,000
Provision for backpay salary	-	8,422,833	-	8,422,833
	31,116,348	30,085,208	(19,909,760)	41,291,796

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Total
Leave pay	26,790,379	(4,801,056)	(7,372,975)	14,616,348
Provision for performance bonus	13,500,000	16,500,000	(13,500,000)	16,500,000
	40,290,379	11,698,944	(20,872,975)	31,116,348

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

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

Provision for backpay salary is provided for in terms of NRCS policy which allows for the entity to have annual salary increase.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2023

12. LONG SERVICE AWARDS (CONTINUED)

Age		
20 - 24	9%	12%
25 - 29	8%	12%
30 - 34	6%	10%
35 - 39	5%	10%
40 - 44	5%	6%
45 - 49	4%	6%
50 - 54	3%	2%
55+	0%	0%

Average Retirement Age

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

Sensitivity analysis

The effects on the liability results for 2023 when the discount rate is increased or decreased by 1%.

Figures in Rand	Liability	Change in liability	Liability	Change in liability
1%	4,164,000	(206,000)	4,436,000	(245,000)
Central	4,370,000	-	4,681,000	-
-1%	4,595,000	225,000	4,953,000	272,000

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

Figures in Rand	Liability	Change in liability	Liability	Change in liability
65 years	4,588,500	218,500	4,860,000	179,000
64 years	4,370,000	-	4,681,000	-
63 years	4,195,200	(174,800)	4,541,000	(140,000)

Amount recognised in the statement of financial performance

	2023	2022
Net expense recognised in the statement of financial performance	639,000	828,026

13. PAYABLES FROM EXCHANGE TRANSACTIONS

Figures in Rand	2023	2022
Trade payables	9,600,452	18,320,055
Trade debtors with credit balances	27,113,255	23,040,475
Unallocated Deposits	7,802,560	5,716,650
Other payables	243,638	161,310
Salary related accruals	6,215,009	8,945,068
Operating lease payables	3,330,566	2,286,684
Medical control	(8)	-
	54,305,472	58,470,242

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2023

14. REVENUE

Figures in Rand	2023	2022
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rendering of services	19,245,137	28,771,832
Approval application fee income	44,061,868	46,287,893
Sundry income	1,590,558	1,605,928
*Interest income	14,213,551	10,116,816
	79,111,114	86,782,469

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

	2023	2022
Interest from investment	12,663,208	9,413,189
Interest from exchange debtors	1,550,343	703,627
	14,213,551	10,116,816

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

Taxation revenue	2023	2022
Levies for compulsory specifications	214,814,039	246,727,867
Interest income from non exchange	4,412,510	3,703,996
Registration fee	1,416,800	1,513,600
Government grants and core funding	147,560,000	144,099,000
	368,203,349	396,044,463

15. RENDERING OF SERVICES (EXCHANGE)

Figures in Rand	2023	2022
Test and services	5,623,269	15,076,563
Export certification	4,640,992	5,986,527
Vehicle homologation	6,862,043	6,387,550
Electrical compliance certificate	1,151,212	844,845
Gaming: Letter of compliance	967,621	476,347
	19,245,137	28,771,832

16. EMPLOYEE RELATED COSTS

Figures in Rand	2023	2022
Basic salary and performance bonus	338,878,068	301,816,856
13th Cheques	17,653,062	19,815,333
Medical aid	16,354,622	15,823,736
Long-service awards	371,000	335,492
Training and SDL	5,694,421	4,364,027
Pension costs	26,180,732	25,677,114
Post-employment medical benefits	101,000	1,362,376
	405,232,905	369,194,934

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2023

17. DEPRECIATION AND AMORTISATION

Figures in Rand	2023	2022
Property, plant and equipment	6,043,444	6,432,847
Intangible assets	109,094	138,228
	6,152,538	6,571,075

18. FINANCE COSTS

Figures in Rand	2023	2022
Finance cost	1,611,050	1,192,814

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

19. DEBT IMPAIRMENT

Figures in Rand	2023	2022
Debt impairment	17,329,956	17,521,867

20. GENERAL EXPENSES

Figures in Rand	2023	2022
Office and administration expenses	5,400,984	4,137,461
Bank charges	144,009	120,314
Consulting services	1,886,537	5,725,685
IT Services	3,417,275	2,126,869
Legal fees	3,793,294	1,512,382
Consumables	88,586	46,703
Entertainment	300	-
Insurance	1,461,527	1,020,170
Loss on asset disposals and other writes offs	165,797	2,666,659
Motor vehicle expenses	757,502	303,252
Repairs and maintenance	610,023	1,070,039
Software expenses	4,590,711	2,020,535
Staff welfare	1,354,157	2,354,338
Accreditation services	693,811	645,520
Municipal services	2,647,680	3,895,071
Casual labour	89,550	49,700
Storage of seized goods	731,524	556,784
Staff recruitment costs	231,226	5,405
Foreign exchange loss	424	34,767
Non- executive committee fees	926,913	639,016
	28,991,830	28,930,670

21. AUDITORS' REMUNERATION

Figures in Rand	2023	2022
Fees	5,008,315	6,363,639

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2023

22. CASH USED IN OPERATIONS

Figures in Rand	2023	2022
(Deficit) surplus	(79,852,522)	4,188,677
Adjustments for:		
Depreciation and amortisation	6,152,538	6,571,075
Carrying amount of disposed assets	132,374	155,718
Debt impairment	17,329,956	17,521,867
Non cash - provision for doubtful debts	976,672	1,183,587
Loss on assets written off	38,318	2,495,407
Movements in employee benefit-Post retirement medical	(773,000)	2,046,387
Movements in provisions-Leave and performance bonus	10,175,448	(9,174,031)
Movement in employee benefit-Long service awards	(311,000)	828,026
Changes in working capital:		
Receivables from exchange transactions	(4,669,279)	(15,538,603)
Receivables from non exchange	6,153,172	(19,639,076)
Payables from exchange transactions	(4,164,753)	8,514,543
	(48,812,076)	(846,423)

23. COMMITMENTS

Figures in Rand	2023	2022
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	5,416,879	318,161
• Intangible assets	12,581,008	17,695,159
	17,997,887	18,013,320
Total capital commitments		
Already contracted for but not provided for	17,997,887	18,013,320

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

Operating leases - as lessee (expense)

Minimum lease payments due

• within one year	16,716,807	15,904,363
• in second to fifth year inclusive	41,902,799	58,619,606
	58,619,606	74,523,969

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2023

24. CONTINGENCIES

Figures in Rand	2023	2022
List of cases against NRCS	Amount (R)	Amount (R)
1. The Employee was charged with allegations of misconduct pertaining to the audit findings. The matter is with Labour Court.	572,064	572,064
2. Matter between the applicant and NRCS relating to the building that NRCS used to occupy in Durban in which the applicant intends on referring the dispute relating to alleged outstanding rentals/damages and costs relating to the air- conditioning system to Arbitration.	1,139,229	1,449,133
	1,711,293	2,021,197

3. Accumulated Surplus

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

Accumulated surplus at year end is R 101 982 226 after taking into accounts National Treasury Instruction No. 12 of 2021.

25. RELATED PARTIES

Relationships

Controlling entity

Department of Trade and Industry and competition (DTIC)

Entities controlled by the dtic

South African Bureau of Standards (SABS)

South African National Accreditation System (SANAS)

Companies and Intellectual Property Commission (CIPC)

Companies Tribunal (CT)

National Empowerment Fund (NEF)

Export Credit Insurance Corporation of South Africa SOC Limited (ECIC)

National Credit Regulator (NCR)

National Gambling Board (NGB)

National Consumer Tribunal (NCT)

National Metrology Institute of South Africa (NMISA)

International Trade Administration Commission (ITAC)

Competition Commission (CT)

Industrial Development Corporation (IDT)

National Consumer Commission (NCC)

National Lotteries Commission (NLC)

Competition Tribunal (CT)

Takeover Regulation Panel (TRP)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2023

25. RELATED PARTIES (CONTINUED)

Figures in Rand	2023	2022
Non - Executive ICT Steering Committee		
2023		
Name	Fees for services	Total
Norman Baloyi*	80,563	80,563
CG de Kock	31,581	31,581
A Latchu**	29,392	29,392
	141,536	141,536
2022		
Name	Fees for services	Total
Norman Baloyi*	23,847	23,847
CG de Kock	60,583	60,583
A Latchu**	4,511	4,511
	88,941	88,941

*Normal Baloyi was appointed as ICT member on 1 November 2021.

**A Latchu was appointed as ICT member on 1 November 2021.

Management class: Executive management

2023

Name	Basic salary	Bonuses and performance related payments	Retirement and medical aid	Other benefits (cellphone allowances/travel)	Total
E Mamadise - CEO	2,136,633	296,548	196,971	42,170	2,672,322
J Marneveck - AGM*	1,431,147	112,371	209,325	157,867	1,910,710
Mandla Mokoena - ACFO***	893,362	-	83,044	71,004	1,047,410
BA Khanyile	1,533,973	120,137	213,746	26,659	1,894,515
MN Katz	1,634,341	102,470	211,756	30,805	1,979,372
MT Madzivhe	1,706,501	90,103	194,062	29,110	2,019,776
MD Mutengwe	1,552,457	102,203	192,043	182,169	2,028,872
R Ramcharan - CFO**	905,881	94,952	79,733	75,739	1,156,305
KJO Kgasago	1,648,984	60,069	222,937	8,770	1,940,760
	13,443,279	978,853	1,603,617	624,293	16,650,042

2022

Name	Basic salary	Bonuses and performance related payments	Retirement and medical aid	Other benefits (cellphone allowances/travel)	Total
E Mamadise CEO	1,869,693	78,260	204,863	98,397	2,251,213
AA Thulane - COO	843,280	-	33,297	137,804	1,014,381
BA Khanyile	1,445,590	63,529	234,458	195,866	1,939,443
MN Katz	1,527,593	61,672	209,600	174,812	1,973,677
MT Madzivhe	1,481,885	63,529	198,163	87,795	1,831,372
MD Mutengwe	1,336,377	57,959	186,572	217,078	1,797,986
R Ramcharan - CFO**	1,328,906	-	149,091	145,092	1,623,089
KJO Kgasago	1,455,525	-	229,119	23,125	1,707,769
	11,288,849	324,949	1,445,163	1,079,969	14,138,930

* Mr J Marneveck is acting General Manager for Legal Metrology .

**Ms R Ramcharan resigned as Chief Financial Officer on 30 October 2022.

***Mr M Mokoena was appointed as Acting Chief Financial Officer on 1 November 2022.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2023

26. PRIOR-YEAR ADJUSTMENTS

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

General expenses/Payable from exchange

NRCS identified committee membership fees which was not recognised in 2022 financial period. These have been corrected and the adjusted retrospectively as required by GRAP 3.

Receivables from exchange transactions/Travel expenditure/Payable from exchange

NRCS identified subsistence and travel transactions which were not correctly accounted for in 2022 financial period. These have been corrected and the adjusted retrospectively as required by GRAP 3.

Statement of financial position

2023

Note	As previously reported	Correction of error	Restated
Payables from exchange transactions	(58,406,831)	(63,411)	(58,470,282)
Receivables from exchange transaction	12,827,067	(118,011)	12,709,056
Accumulated surplus	(264,817,086)	181,422	(264,635,664)
	(310,396,850)	-	(310,396,890)

Statement of financial performance

2022

Note	As previously reported	Correction of error	Restated
General expenses	28,872,665	58,005	28,930,670
Travel expenditure	11,938,136	123,417	12,061,553
Surplus for the year	40,810,801	181,422	40,992,223

Errors

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

Prior year adjustments on surplus/deficit

	2022 (Increase)/Decrease	Accumulated Surplus (Increase)/Decrease	Total
Correction of subsistence and travel advances	123,417	-	123,417
Correction of committees membership fees	58,005	-	58,005
	181,422	-	181,422

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2023

27. COMPARATIVE FIGURES

The effects of the reclassification is shown above.

28. RISK MANAGEMENT

Financial risk management

Liquidity risk

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

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

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

At 31 March 2022

Payables from exchange transaction

Carrying amount	Contractual cashflows	1 year or less	> 1 year
54,305,472	54,305,472	54,305,472	-
54,305,472	54,305,472	54,305,472	-

At 31 March 2021

Payables from exchange transaction

Carrying amount	Contractual cashflows	1 year or less	> 1 year
58,470,242	58,470,242	58,470,242	-
58,470,242	58,470,242	58,470,242	-

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.

Financial assets exposed to credit risk at year end were as follows:

Figures in Rand	2023	2022
Receivables from exchange transactions	15,182,675	12,709,056
Cash and bank	94,385,211	199,781,337

Market risk

Interest rate risk

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

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

Figures in Rand	2023	2022
Cash and cash equivalents	94,385,211	199,781,337

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2023

29. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Management has assessed the NRCS's ability to continue as going concern and no material uncertainty was identified.

30. EVENTS AFTER THE REPORTING DATE

NRCS is not aware of any material matters or significant circumstances arising after the reporting date that were not adjusted or disclosed in the Annual financial statements.

31. FRUITLESS AND WASTEFUL EXPENDITURE

Figures in Rand	2023	2022
Fruitless and wasteful expenditure	101,230	2,785,895

Fruitless and wasteful expenditure is disclosed in terms of Treasury Note 04 of 2022/2023. The only disclosure required for Annual financial statement relates to expenditure incurred only in current financial year.

Management assessed and identified amount incurred in the current year but still under investigation.

32. IRREGULAR EXPENDITURE

Figures in Rand	2023	2022
Irregular Expenditure	5,199,136	6,431,158

Irregular Expenditure is disclosed in terms of Treasury Note 04 of 2022/2023. The only disclosure required for Annual financial statement relates to expenditure incurred only in current financial year.

33. BUDGET DIFFERENCES

Material differences between budget and actual amounts

- Actual rendering of services revenue is lower than budget due to economic challenges such as unprecedented energy crisis that caused more entities to close or reduce production levels.
- NRCS received more pre-market approval applications as compared to prior year.
- Interest received is more than budget amounts due to customers taking long to settle their accounts as the South African economic shrinks.
- The economy trading environment within the regulated industries has not picked pre-covid period. As such a number of regulated industries have struggled leading to lower than expected levies for NRCS.
- There has been an increase in number of administratively non-compliant companies leading to a reduction in revenue for NRCS.
- NRCS has embarked on an organisational review project and also experienced delays in the recruitment process leading to cost saving.
- Finance cost increased due to actuarial valuation element of finance cost which is not budgeted for.
- There was rent reduction for one of the NRCS regional offices.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2023

33. BUDGET DIFFERENCES (CONTINUED)

- i. Debt impairment is not budgeted for.
- j. The marketing events that were deferred to the new year led to the savings.
- k. There are limited testing houses in South Africa which has led to some test request being attended to timeously and conversely leading to a cost saving for NRCS.
- l. The savings were associated with a number of ICT and Facilities contracts that are pending.
- m. The application of the cost containment lead to the savings on stationery, consultants and other general expenses.



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