ANNUAL REPORT 2018 2019

NRCS | national regulator for compulsory specifications

ANNUAL REPORT 2018 2019

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PART A: GENERAL INFORMATION

NRCS INFORMATION

Country of incorporation and domicile	South Africa
Legal Form of Entity	Schedule 3A Public Entity
Nature of business and principal activities	The NRCS's mandate includes promoting public health and safety, environmental protection and ensuring fair trade. This mandate is achieved through the development and administration of technical regulations and compulsory specifications as well as through market surveillance to ensure compliance with the requirements of the compulsory specifications and technical regulations. NRCS stakeholders include the South African Government, industry and the citizens.
Registered office	SABS Campus 1 Dr Lategan Rd Groenkloof 358-Jr Pretoria 0181
Business address	SABS Campus 1 Dr Lategan Rd Groenkloof 358-Jr Pretoria 0181
Holding company	Department of Trade and Industry
Bankers	ABSA
Auditors	Auditor-General South Africa
Tax reference number	NRCS is exempt from taxation in terms of the provisions of sections 10(1) (cA) (I) of the Income Tax Act, No. 58 of 1962.

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
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
ASOD	Average Speed Over Distance
BCO	Building Control Officer
BCOCC	Border Control Operational Co-ordinating Committee
CCFICS	Codex Committee on Food Import and Export Inspection and Certification Systems
CEO	Chief Executive Officer
CFL	Compact Fluorescent Lamp
CFO	Chief Financial Officer
CIPS	Companies and Intellectual Property Commission
CMM	Chemicals, Mechanical and Materials
COO	Chief Operations Officer
CPI	Consumer Price Index
DAFF	Department of Agriculture, Forestry and Fisheries
DoE	Department of Energy
DoH	Department of Health
DoT	Department of Transport
EBA	Evidential Breath Analyser
EICI	Export Inspection Council of India
EU	European Union
FAI	Food and Associated Industries
GEF	Global Environment Facility
GCIS	Government Communication Information System
GRAP	Generally Recognised Accounting Practice
HR	Human Resources
ICT	Information and Communication Technology
IEA	International Energy Agency
IEC	International Electrical Commission
IA	Internal Audit
IPAP	Industrial Policy Action Plan
IPEEC	International Partnership for Energy Efficiency Co-operation
ISO	International Standardisation Organisation
ISO COPOLCO	International Standardisation Organisation Consumer Policy Committee
IT	Information Technology
LED	Light Emitting Diode
LM	Legal Metrology
LMA	Legal Metrology Act, Act No. 9 of 2014
LoA	Letter of Authority
LoC	Letter of Certification

MIBs	Manufacturers, Importers and Builders
MoU	Memorandum of Understanding
MSP	Master Systems Plan
NBR	National Building Regulations
NBR&BS Act	National Building Regulations and Building Standards Act, Act No. 103 of 1977
NCC	National Consumer Commission
NGB	National Gaming Board
NGO	Non-Governmental Organisation
NICD	National Institute for Communicable Diseases
NMISA	National Metrology Institute of South Africa
NRCS	National Regulator for Compulsory Specifications
NRCS Act	National Regulator for Compulsory Specifications Act, Act No. 5 of 2008
OIML	International Organisation Organization of Legal Metrology
PAC	Project Approvals Committee
PFMA	Public Finance Management Act, Act No.1 of 1999 (PFMA)
PTB	Physikalisch-Technische Bundesanstalt
RBTC	Richards Bay Coal Terminal
RR&D	Regulatory Research and Development
SABS	South African Bureau of Standards
SADC	Southern African Development Community
SADCMEL	SADC Co-operation in Legal Metrology
SAFLEMA	South African Fluid Legal Metrology Association
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
SLA	Service Level Agreement
SLA	State Law Advisor
SME	Small and Medium Enterprise
SPS	Sanitary and Phytosanitary
TBT	Technical Barrier to Trade
the dti	Department of Trade and Industry
TR	Technical Regulation
UNDP	United Nations Development Programme
VC	Compulsory Specification
WTO	World Trade Organization

"The report for the National Regulator for Compulsory Specifications (NRCS) coincides with the beginning of the 6th administration of the democratic South Africa."

MINISTER'S FOREWORD

The focus of the new administration is to boost economic growth and enable deeper levels of economic inclusion and transformation.

A new Department of Trade, Industry and Competition has been established, through a merger of **the dti** and Economic Development Department, which will drive the implementation of a more focused, high-impact industrial strategy.

Over the next five years, the focus will be on practical actions and improved governance to pull our economy onto the higher growth levels we require to create decent work and entrepreneurial opportunities for many more South Africans, particularly young people. There are no quick fixes if we want to build this high-growth, high-employment, high-inclusion economy.

The role of industrial policy is to unleash private investment and energise the state to boost economic growth and inclusion. This is an essential part of building investor confidence and the platform for job-creation.

The NRCS will have a critical role to play in this new industrial strategy, in promoting public health and safety, environmental protection and ensuring fair trade through the development and administration of necessary specifications.

As priorities for the new Administration we have outlined six focus areas in the trade, industry and competition portfolio, within which the NRCS falls:

First, to support improved industrial performance, dynamism and competitiveness of local companies.

These include developing Master Plans in priority sectors to help create conducive conditions for industries to grow, improve their industrial capacities and sophistication, focus more on export orientation and reclaim domestic market space lost to imports.

The Master Plans will be action-oriented, developed and carried out in partnership with business and labour and implemented in stages, so that we can move expeditiously.

Second, to improve the levels of fixed investment in the economy.

Over the five-year period from 2018/19, Government set a target of R1.4 trillion in new investment in the economy. The vast bulk of this must come from the private sector.

The state's role will be to enable higher levels of fixed investment (both domestic and foreign), through addressing infrastructure and skills gaps; and by partnering with the private sector through a range of incentives and financial packages.

An appropriate technical standards framework will help to attract greater levels of investment.

Third, to expand markets for our products and facilitate entry to those markets.

The single biggest initiative is the African Continental Free Trade Area (AfCFTA) which will connect 1.2 billion people into a single bloc where local products will be traded between countries, with minimal tariffs. These agreements lay the basis for increased intra-African trade and can cement the continent's position as the next growth frontier.

The implementation phase was launched on 7 July 2019, at a Special African Union Summit meeting in Niger, with the intention to come into effect on 1 July 2020.

The Agreement will fundamentally change and reshape the South African economy. Already, exports to other African countries support about 250 000 South African jobs and it is the fastest-growing market for our manufactured exports.

Fourth, to promote economic inclusion.

This means opening up and changing our market structure, to bring more young people, women and Black Industrialists into the economy.

To enhance the growth of black industrialists, we will combine the efforts of the Department and its agencies into a seamless and coordinated programme. Over the next 5 years, these efforts together with commitments by the private sector can support more than 400 additional black industrialists' projects with financial support of R40 billion, through identifying sustainable businesses and promoting industrialists, new enterprise formation and worker involvement in enterprises.

Fifth, to promote more equitable spatial and industrial development.

A pillar of our industrial policy is to develop new investment clusters through special economic zones, revitalisation of industrial sites and support for business and digital hubs.

Sixth, to improve the capability of the state.

This means being more responsive to the needs of South Africa's entrepreneurs, moving faster in making decisions and carrying out functions, coordinating better between departments and agencies and creating a business-encouraging environment in which more investment and more job creation can take place.

Part of a smart state is partnering with domestic businesses to invest more in innovation and R&D, as new techniques, new products and new distribution platforms can move South Africa up the value-chain and enhance job creation.

All public entities, including NRCS will have to work with a greater sense of urgency support government in achieving these six economic priorities during the new administration. This is what has been called the spirit of *khawuleza*, and it must define our approach both within Government and public entities to addressing the structures in the economy which impede growth, economic inclusion and job creation.

I would like to thank the Chief Executive Officer, Mr Edward Mamadise, and the staff of the NRCS for their work and contribution over the last year and wish them success in the year ahead to help build an economy that creates more jobs and grows faster and more inclusively.

Ebrahim Patel
Minister of Trade and Industry

CEO'S OVERVIEW

"Since its establishment 10 years ago, the NRCS has identified non-compliant products worth approximately R2,41 billion."

As the NRCS celebrates 10 years since formation, it is an opportune moment to complete the organisational review and reconfigure the way the organisation conducts its business by inter alia embracing technology, deploying more resources at the ports of entry and local manufacturers. This is meant to intercept non-compliant products before they enter the local markets.

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

NRCS regulates a number of products that are imported from other countries and also facilitates exportation of South African goods especially within the Oceans Economy. Notably, two new compulsory specifications on Live Lobster and for Aquaculture Live Chilled Raw Bivalves Molluscs and Live Oysters were fully implemented, allowing easy market access for South African products. This led to the exportation of 2 032 live lobster and 342 live oysters consignments exported mostly to China, Japan, Hong Kong, Taiwan, United Arab Emirates and Mauritius.

The most significant challenge for the NRCS is the import leakages and proliferation of non-compliant products through various ports of entry. The NRCS in partnership with SARS, SAPS and Department of Home Affairs, among others is committed to identifying the sources of these products and plug the leakages such that the general public are not exposed to these non-compliant goods.

Non-compliances

During the year under review, non-compliant products worth approximately R319 million were found on the market. The majority of these products were electronics that amounted to R76 million and R132 million that failed to meet the Legal Metrology Act requirements. These products were either removed or corrected to ensure compliance to the minimum safety requirements. The non-compliant products included safety footwear, plastic carrier bags, detergent disinfectants incandescent lamps, compact fluorescent lamps, adaptors, cord extension sets, automotive replacement lights, friction (brake) material, hydraulic brake fluid, rubber cups and seals, child restraint systems (baby seats), towing devices, safety glass, fishery products among others. High energy consuming and non-compliant 927 323 incandescent lamps and 405 298 compact fluorescent lamps were destroyed during the 2018/19 financial year.

Since its establishment 10 years ago, the NRCS has identified non-compliant products worth approximately R2,41 billion.

Efforts will be directed towards ensuring that these products do not end up on South African markets as they are harmful to the South African consumers and also have potential to destroy the compliant industry role players.

Information Communication Technology

The NRCS is mindful that it operates in an environment where there are limited resources and as such will need to efficiently and effectively utilise resources at its disposal. In the 2019 and 2020 calendar years the entity will dedicate resources towards improvement and modernisation of its ICT environment and systems. This will enable effective and efficient utilisation of both financial and human resources, easy accessibility of the NRCS and end to end processing of approvals and other market surveillance activities. Modernisation coupled with the implementation of the risk-based approach will lead to the eradication of backlog. The ICT modernisation has been split into two phases, phase 1 Enterprise Resource Planning (ERP) system that will address its human resources, payroll, financial management and phase 2 which is the automation of operations such as approvals and inspections. This will enable the NRCS to intergrate its internal systems and linkage with other external entities.

Risk-based approach

The NRCS has managed to implement the risk-based approach to inspections and approvals, to effectively regulate the market. The Risk Based Approach has allowed the NRCS to address the approvals backlog and efficiently distribute financial and human resources. Human resources are now being directed to identified high risk areas. The NRCS' risk-based approach is centered on product risk, company risk and country of origin risk. In implementing this approach, the NRCS will continue to encourage regulated companies to comply with the regulations inorder to bring efficiency into the regulatory processes. It is highly beneficial for industries to ensure compliance with both administrative and technical requirements, as these factors strongly determine the risk of the company and affect the turnaround times.

Approvals

During the 2018/19 financial year, the NRCS issued 17 656 pre-market approvals certificates as compared to 14 148 certificates in 2017/18 financial year – 79% of those approvals were issued within 120 days. Approximately 72% of the approved applications were for electro-technical products, 24% for automotive, 3% for chemical, materials and mechanical and 1% for measuring instruments. Furthermore, in promoting South African products and facilitating trade, 9 401 health guarantees were issued for fisheries and associated product consignments destined for the EU and Far East.

Market surveillance

The NRCS conducted 50 178 inspections across all regulated industries as compared to 48 835 during the previous year. The NRCS is focusing on high impact and effectiveness of inspections inorder to remove non-compliant products from the market. Out of the 50 178 inspections, 29 748 inspections were conducted for frozen fish, fishery and canned meat processing plants, fishery vessels, export consignments, and local and imported fisheries and processed meat consignments. Furthermore, inspections within the automotive, chemical, mechanical, electro-technical and metrology industry sectors amounted to 20 828.

Stakeholder and Consumer Awareness

Effective regulation hinges on strong partnesrships with stakeholder which amongst others included, National Consumer Commission (NCC), South African Revenue Service (SARS), South African Police Service (SAPS), Department of Agriculture, Forestry and Fisheries (DAFF), Department of Environmental Affairs (DEA), Department of Health (DoH) and the Department of Transport (DoT), in keeping non-compliant products out of trade. Technical infrastrure entities will also continue to play a role, especially SABS in terms of testing products for compliance and ensuring that South Africa has testing facilities that business can utilise for ongoing compliance.

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 and Industry (**the dti**) and the National Consumer Commission (NCC) continued with the Safer Paraffin campaign. In excess of 1 200 compliant paraffin stoves were distributed, some at informal settlement of Shaka's Head near KwaDukuza in KwaZulu-Natal.

Finance

The NRCS' total revenue for the year under review was R437 million, revenue from levies and service fees plus interest was R291 million and government grant was R146 million. The NRCS had a deficit of R125.5 million for the 2018/19 financial year and the surplus for 2017/18 was adjusted upwards from R84 million to R134 million. The deficit for 2018/19 financial year was primarily due to the R144.5 million of the surplus funds from prior years that was returned to National Treasury Revenue Fund.

Human resources

The NRCS has experienced some challenges due to failure to fill critical vacancies. During the financial year, the organisation appointed a Chief Operations Officer and a head of ICT who subsequently resigned. In order to address the capacity challenges in some areas of our operations, the organisational review project was initiated which will inform the right structure of the NRCS and provide leadership with an inventory of the skills that the internal staff possess. This project will be completed by end of September 2019 and implementation of the results will begin thereafter.

Conclusion

I note the Audit Qualification and the internal control deficiencies that were highlighted by the the Auditor-General of South Africa (AGSA). Management will continue to improve the internal control environment, work with the Department of Trade and Industry (**the dti**), National Treasury and will engage the Auditor-General of South Africa (AGSA) to find a solution to the revenue qualification and will implement consequence management to improve on compliance levels and address the deficiencies noted.

I wish to extend my appreciation to the Minister of Trade, Industry and Competition Mr Ebrahim Patel and his predecessor Dr Rob Davies and the Director General Mr Lionel October for their leadership. I would also like to express my sincere appreciation to the NRCS management and staff for their hard work. My sincere gratitude also goes to the Portfolio Committee of Trade and Industry, NRCS Audit and Risk Committee and NRCS ICT Steering Committee.

Mr Edward Mamadise
Chief Executive Officer
31 August 2019

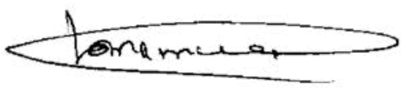
STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE NRCS ANNUAL REPORT 2018/19

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 free from 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, Act No.1 of 1999 (PFMA);
- The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgments made in this information;
- The Accounting Authority is responsible for establishing and implementing a system of internal control, designed to provide reasonable assurance as to the integrity and reliability of the performance information, Human Resources (HR) information and Annual Financial Statements; and
- The AGSA is engaged to express an independent opinion on the Annual Financial Statements.

In my opinion, the Annual Report fairly reflects the operations, performance information, HR information and the financial affairs of the NRCS for the financial year ended 31 March 2019.

Yours faithfully



Edward Mamadise
Chief Executive Officer
31 August 2019

STRATEGIC OVERVIEW

Vision

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

Mission

To develop Compulsory Specifications and Technical Regulations and maximise compliance of regulated products and services.

Values

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

LEGISLATIVE AND OTHER MANDATES

The National Regulator for Compulsory Specifications (NRCS) was established on 1 September 2008 as an entity under the Department of Trade and Industry (**the dti**). Its broad mandate is to promote public health and safety, environmental protection and fair trade through the administration, maintenance and enforcement of Compulsory Specifications (VCs) and Technical Regulations (TRs).

The legislative mandate of the NRCS is derived from:

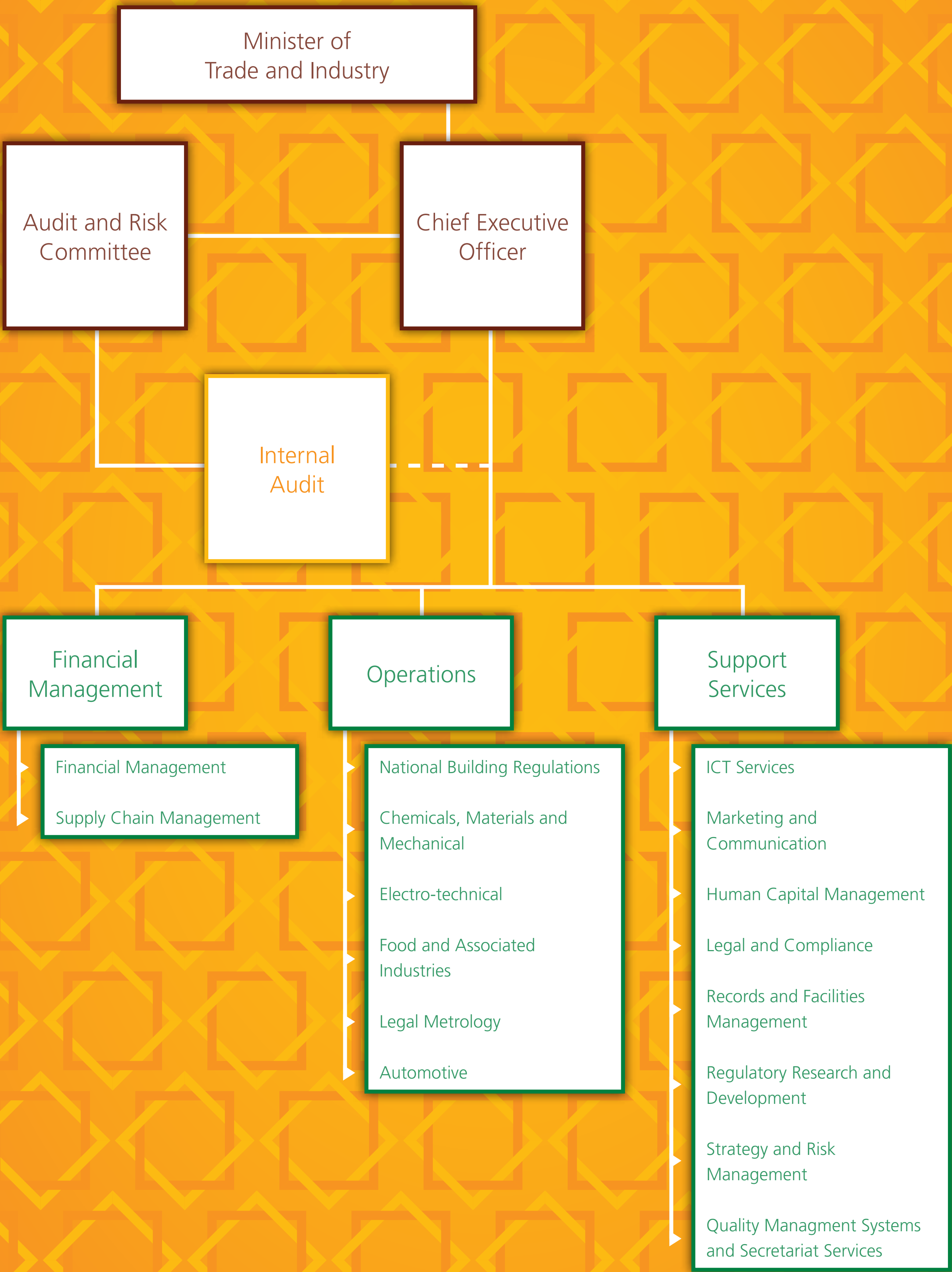
- The National Regulator for Compulsory Specifications Act, Act No. 5 of 2008 (NRCS Act);
- The Legal Metrology Act, Act No. 9 of 2014 (LMA);
- The National Building Regulations and Building Standards Act, Act No.103 of 1977 (NBR&BS Act);
- The Public Finance Management Act, Act No.1 of 1999 (PFMA);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

In addition to its legislative mandate, the NRCS Strategy is aligned with that of the Department of Trade and Industry, specifically with regard to the following strategic objectives of the department:

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

ORGANISATIONAL STRUCTURE



PART B: PERFORMANCE INFORMATION

AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

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

Refer to page 85 for the AGSA's Report, published in Part E: Financial Information.

PERFORMANCE INFORMATION BY OBJECTIVE

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

No.	Measurable Objective	Performance Indicator / Measure	Audited Performance 2017/18	Annual Target 2018/19	Actual Performance 2018/19	Variance	Reason for Variance
1.1	Develop a set of compulsory specifications (VCs)/ Technical Regulations (TRs) that are responsive to market needs	Number of VC's/Tech Regulations approved by CEO for submission to the Department of Trade and Industry for publication in the Government Gazette.	5 Compulsory Specifications	12 Compulsory Specifications/ Tech Regulations approved by CEO for submission to the Department of Trade and Industry for publication in the Government Gazette.	12 Compulsory Specifications/ Technical Regulations	No variance	
1.2		Percentage of Regulatory Impact Assessment Reports (RIA) for amended and new Compulsory Specifications and Technical Regulations submitted to **the dti** for first gazetting.		100% Regulatory Impact Assessment Reports submitted to **the dti** for all new and amended VCs/TRs submitted for 1st gazetting	100%. Impact Assessment submitted for 1 st gazetting	No variance	

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

No.	Measurable Objective/ Output	Performance Indicator / Measure	Audited Performance 2017/18	Annual Target 2018/19	Actual Performance 2018/19	Variance	Reason for Variance
2.1	Increase market surveillance activities and enforce compliance through regulations based on sound market intelligence	Number of Inspections conducted within Automotive, Chemicals Materials and Mechanicals (CMM), Electro-technical and Legal Metrology business units	21 446	20 430	20 828 Automotive: 5 142 CMM: 5 307 Electro-tech: 4 833 Legal Metrology: 5 546	+1,95%	A change in the approach by SARS in terms of border control done in partnership with the NRCS to ensure optimal co-ordination and appropriate integration in the areas of risk management. It resulted in an increase in the number of Port of Entry stoppages therefore increasing the total number of inspections for the year.

No.	Measurable Objective/ Output	Performance Indicator / Measure	Audited Performance 2017/18	Annual Target 2018/19	Actual Performance 2018/19	Variance	Reason for Variance
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 produced canned fishery and meat products Inspections conducted: 27 389	100% of inspections conducted on all declared produced canned fishery and meat products	Inspected 100% of all declared consignments and productions of canned fishery and meat products. Inspections conducted: 27 660	No variance	N/A
2.3		Number of inspections conducted on locally produced frozen products and fishery and canned meat processing factories and vessels in accordance with the compulsory specification and procedures	2 130	2 050 inspections	2 088	+1,85%	Two new compulsory specifications came in to effect in the last quarter of the year resulting in an increase in the number of facilities inspections for the year.
2.4		Percentage of gaming approval applications processed within the set timeframes	77% (735 out of 952) of all approval applications processed within 30 calendar days	100% of all applications processed within 30 calendar days	96,1% (836 out of 870) of all approval applications processed within 30 calendar days	-3,9%	The new requirement for gambling machines regarding newly issued bank notes necessitated amendment of the previously issued certificates and this created a backlog.

No.	Measurable Objective/ Output	Performance Indicator / Measure	Audited Performance 2017/18	Annual Target 2018/19	Actual Performance 2018/19	Variance	Reason for Variance
2.5		Percentage of approval applications processed within the set timeframes	81% (11 411 out of 14 148) of all approval applications processed within 120 calendar days	100% of all approval applications processed within 120 calendar days	79% (14 002 out of 17 656) of all approval applications processed within 120 calendar days Automotive: 4 225/ (4 295) CMM: 307/(459) Electro-technical LOA: 9 236/(12 652) RCC: 62/(78) Legal Metrology: 172/(172)	-21%	Backlog within the Electro-technical domain, which was created by high volumes of applications primarily due to the shorter product life cycle of goods that continuously require approval, and due to inadequate human resources capacity Applications submitted without all required documents or unacceptable test reports. Failure by the NRCS to timeously cancel applications where the applicant failed to respond to the queries raised by the NRCS.

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

No.	Measurable Objective/ Output	Performance Indicator / Measure	Audited Performance 2017/18	Annual Target 2018/19	Actual Performance 2018/19	Variance	Reason for Variance
3.1	Public awareness platforms and events	Number of stakeholder consumer education events or campaigns	20 Consumer education events or campaigns	14 NRCS consumer education events or campaigns	21 NRCS consumer education events or campaigns	+50%	Collaborated with **the dti** and other government institutions and this resulted in an increase in the overall coverage.
3.2		Approved Stakeholder Engagement Strategy and % implementation of the Stakeholder Engagement Strategy	Stakeholder Engagement Strategy approved by the NRCS CEO	100% Implementation of the Stakeholder Engagement Strategy	75%	-25%	Inadequate budget allocation and inadequate human resources capacity.

Strategic Goal 4: To ensure an optimally capacitated institution

No.	Measurable Objective/ Output	Performance Indicator / Measure	Audited Performance 2017/18	Annual Target 2018/19	Actual Performance 2018/19	Variance	Reason for Variance
4.1	A capacitated organisation with relevant systems to support business	Percentage (%) of vacancies. Vacancy rate of approved and funded positions	6%	6%	6% vacancy rate as at 31 March 2019	No variance	
4.2		Percentage (%) of women in management		33%	35%	No variance	
4.3		Percentage (%) of employees with Disability	-	0.5%	0	-100%	The NRCS could not find suitable people with disabilities for the advertised positions
4.4	Build IT platform and systems that supports and improve business	% implementation of ICT Master System Plan	-	100%	37%	-67%	Unsuccessful efforts in appointing a suitable service provider to assist with the overall ICT Master Plan. Inadequate ICT skills.

Linking performance with budget

Objective	2018/19			2017/18		
	Budget	Actual expenditure	(Over)/under expenditure	Budget	Actual expenditure	(Over)/under expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Develop, maintain and administer VCs and TRs	9 478.68	8 965.43	513.25	15 626.95	7 443.87	8 183.08
Maximise compliance with all VCs and TRs	281 445 .44	263 385.92	18 059.52	253 422.57	231 558.00	21 141.85
Inform and educate stakeholders about the NRCS	7 697.59	7 252.36	445.23	8 709.85	6 567.17	2 142.68
Ensure an optimally capacitated institution	71 261.70	235 593.70	164 332.01	74 071.40	59 160.84	14 910.56
Administration	51 102.59	47579.49	3.52	51 396.22	41 668.00	10 442.83
Total	562 776 .91	420 986.00	141 790.91	403 227.00	346 397.88	56 821.40

BUSINESS UNIT PERFORMANCE

AUTOMOTIVE



OVERVIEW

The Automotive Business Unit is responsible for the administration of Compulsory Specifications (VCs) for motor vehicles and motor vehicle replacement components identified as critical for safety. The Department of Transport (DoT), in terms of the National Road Traffic Act, Act No. 93 of 1996, has appointed the NRCS as the inspectorate of manufacturers, importers and builders (MIBs) of motor vehicles. The Automotive Business Unit had a total staff complement of 43 as at the end of the financial year.

Our strategic partners include government departments (as well as the national and provincial departments of transport), foreign governments and regional groupings such as the Southern African Development Community (SADC); national and international organisations of which South Africa is a member, such as the United Nations' Working Party 29 (WP 29), and all other parties affected by our regulatory activities, including consumers and their representative organisations.

Stakeholders include, but are not limited to South African Revenue Service (SARS) in providing effective import control at all ports of entry; South African Police Service (SAPS) to assist where there is evidence or suspicion of illegal vehicles on the market or where illegal conversion of motor vehicles or use of MIB status takes place; United Nations Economic Commission for Europe, in the harmonisation of our national Compulsory Specifications with international standards, as required in terms of the World Trade Organization (WTO) Technical Barriers to Trade (TBT) Agreement; and SADC, to further the harmonisation of technical regulations in the region in support of the SADC Trade Protocol and, wherever possible, provide assistance to SADC member countries with the establishment of an infrastructure to implement and administer technical regulations.

OVERALL PERFORMANCE

Approvals

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

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

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

Pre-market approvals

At the end of the 2017/18 reporting period, 552 approval applications were carried over to the current reporting period. An additional 4 782 approval applications were received in 2018/19, bringing the total to 5 334. Approval was granted to 4 295 applications and 483 applications were cancelled. Of the approved applications, 98% (4 225 out of 4 295) were approved within 120 calendar days.

To minimise the number of outstanding applications that are carried over to the next reporting financial year, a 30-day cancellation policy was implemented for outstanding applications where the applicant fails to provide corrective action. As a result, 556 applications were carried over to the next reporting period.

FIGURE: AUTOMOTIVE APPLICATIONS PROCESSING

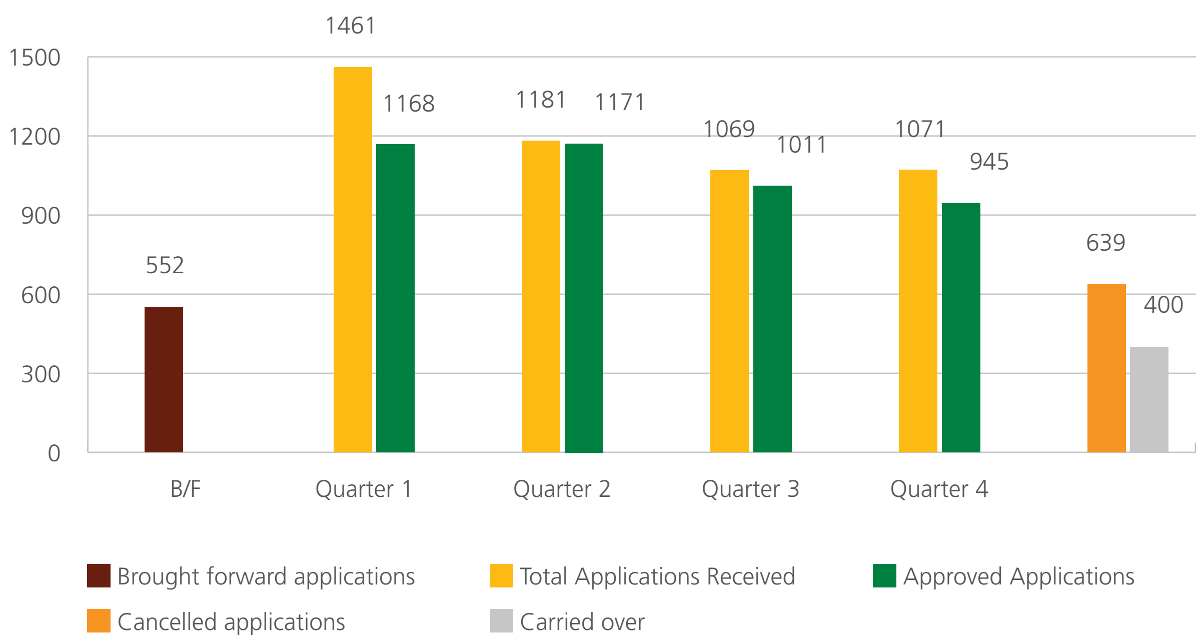
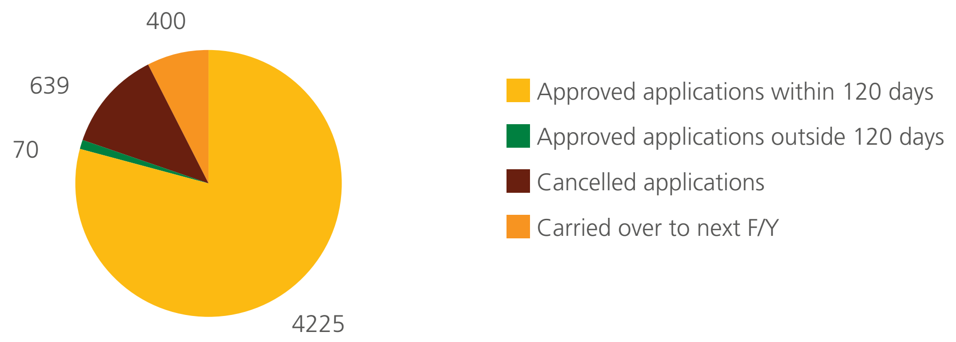


FIGURE: APPROVALS PROCESSING



Inspections

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

During the financial year, the unit conducted 5 142 inspections, comprising 3 514 source inspections, where source refers to the point of manufacture or port of entry, and 1 628 retail inspections. The group inspections that targeted specific targeted areas led a positive variance.

FIGURE: INSPECTIONS PER QUARTER

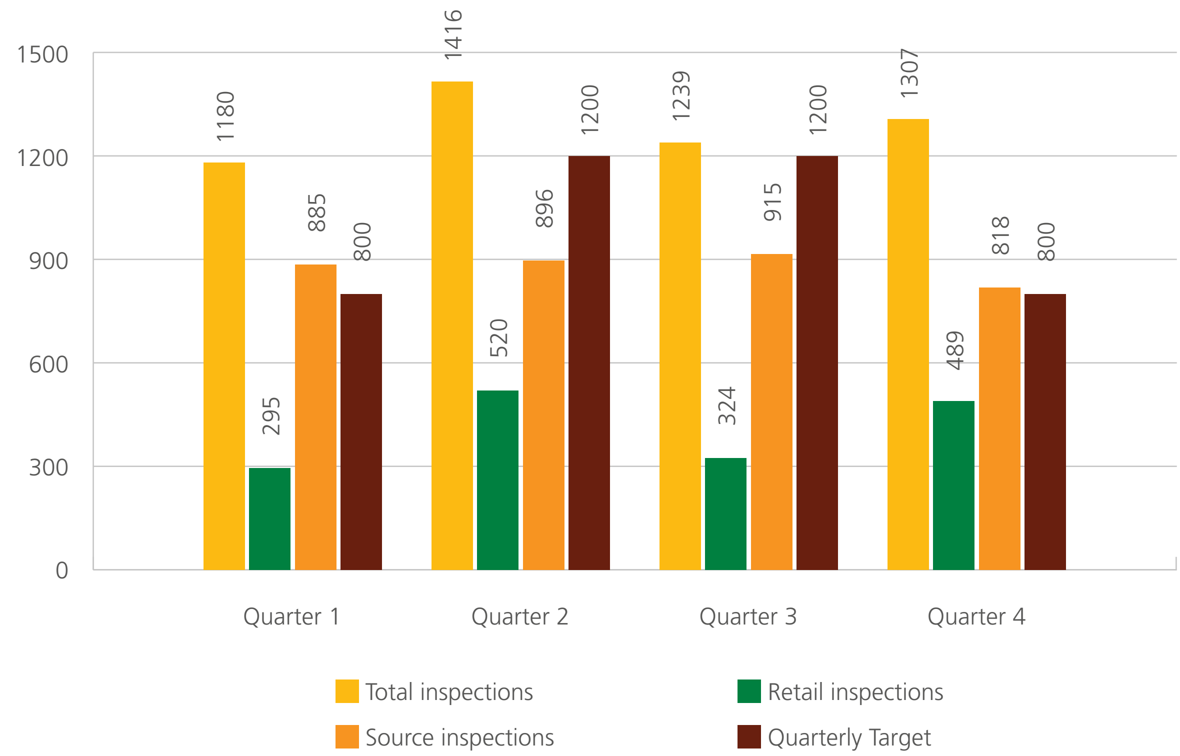
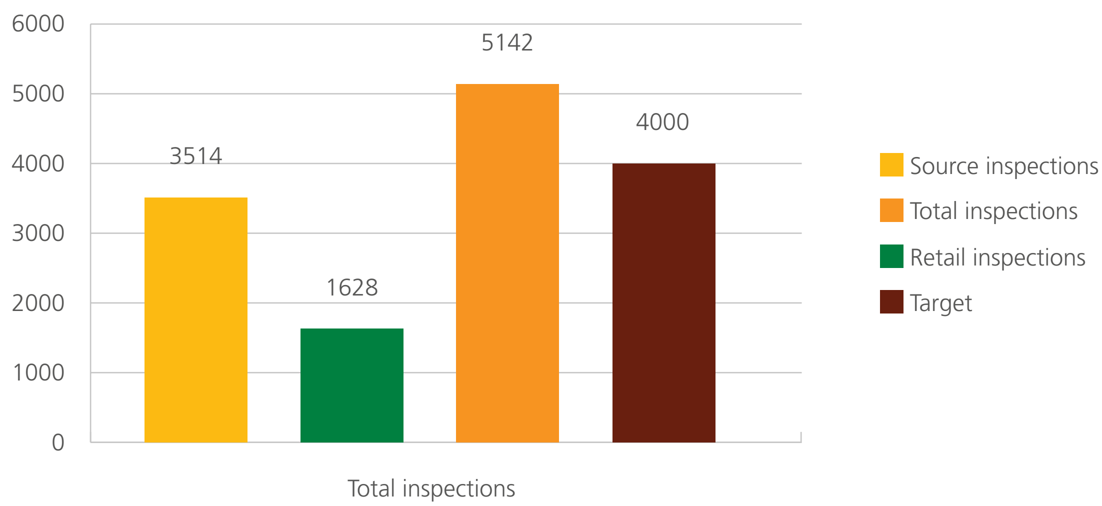


FIGURE: SUMMARY OF OVERALL INSPECTIONS



Sanctions

The business unit continued its mission to eradicate non-compliance in the market through targeted inspections. A total of 97 CEO directives were issued in terms of section 15(1) of the NRCS Act for non-compliant products. The identified non-compliant products included, among others, automotive replacement lights, friction (brake) material, hydraulic brake fluid, rubber cups and seals, child restraint systems (baby seats), towing devices and safety glass. The value of the directives issued was R 23.4 million.

Quality management

The annual South African National Accreditation System (SANAS) assessment took place during September 2018. Thirteen non-conformances were identified. All findings were attended to as per SANAS's requirements, and as a result the unit maintained its status as an accredited inspection body.

STAKEHOLDER ENGAGEMENT

The unit actively participated in the following stakeholder interactions:

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

CHALLENGES

Online trading of regulated products poses a challenge to the business unit as it is difficult to identify the importers of such products. One case was investigated and the matter has been handed over to the NRCS Legal Department for further investigation and possible prosecution, and this was still in progress at the end of the financial.

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

CONCLUSION

The Automotive Business Unit exceeded the inspections target by 28% during the reporting period, this is an increase of 17% of the 2017/18 financial year where 4 398 inspections were conducted.

The business unit implemented a risk-based approach to its approval functions. Using this approach, applications which were regarded as low risk were completed with 60 days from the date of receiving the application. As a result, the unit improved its turnaround time from 96% in 2017/18 to 98% in 2018/19.

The business unit implemented the amended compulsory specification for new pneumatic tyres for passenger and commercial vehicles. The implementation was further supported by industry consultation to provide training on the approval requirements.

CHEMICAL, MECHANICAL AND MATERIALS

OVERVIEW

The broad mandate of the NRCS is to promote public health, public safety, care of the environment, and fair trade. The Chemicals Materials and Mechanicals (CMM) Business Unit has the responsibility and accountability to implement and manage the mandate. The CMM Business Unit is mindful of the fact that a balance between consumer protection, global trading and industry development is imperative in the implementation of this mandate.

Compulsory Specifications, as administered by the CMM Business Unit, requires industries to apply for pre-market approval of their commodities. Strategically, CMM plans inspections in order to obtain maximum coverage of retailers and manufacturers, and to maintain a positive footprint at ports of entry. This strategy ensures the identification and removal of non-compliant products through surveillance inspections, according to the mandate set out by the NRCS Act and divisional procedures within CMM.

The CMM Business Unit is responsible for the administration of compulsory specifications that cover the following industry sectors:

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

The CMM Business Unit also performs a regulatory function on behalf of the following government departments:

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

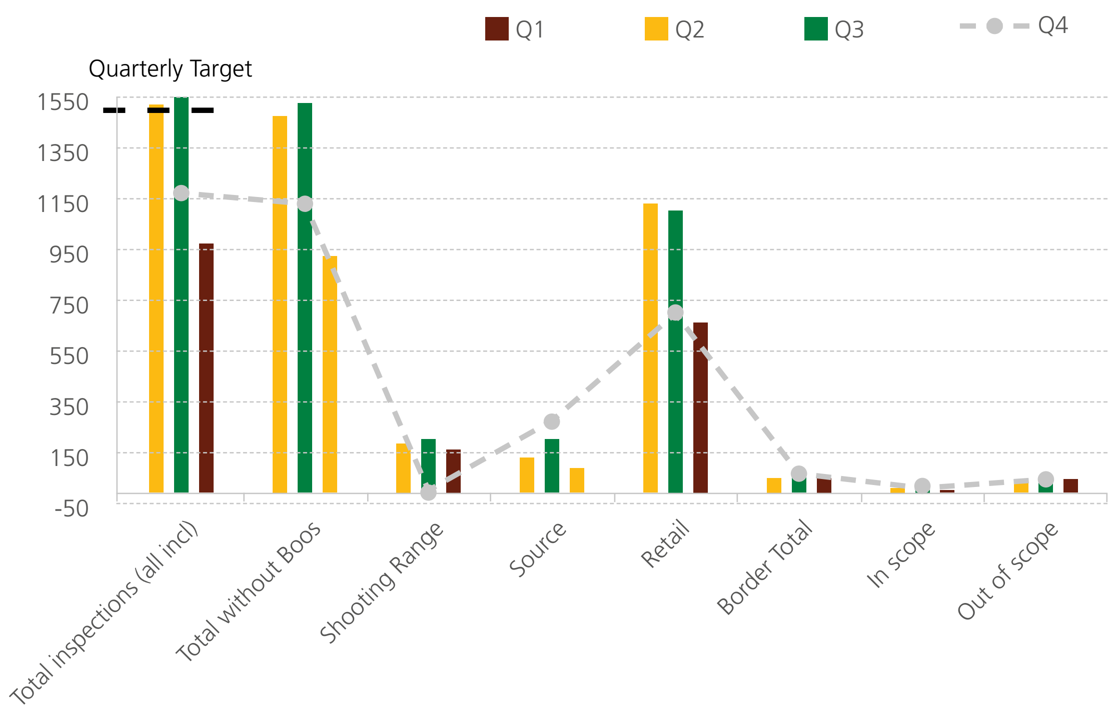
The activities of the CMM Business Unit – in the administration and maintenance of compulsory specifications – involve the processes of pre-approval, market surveillance inspection, sampling and sanctioning. The unit currently regulates 15 compulsory specifications covering vast product categories in the chemical, mechanical and material industries. The unit has a staff compliment of 28. Market surveillance is achieved through inspections at the retail, manufacturer and ports of entry.

OVERALL PERFORMANCE

Market surveillance

The CMM Business Unit conducted 5 307 surveillance inspections, against an annual target of 5 200 for the financial year ending 31 March 2019. This signifies 2.1% over achievement. As a result of a targeted approach to inspections, CMM posted a 96% in-scope inspection achievement and only 4% out-to-scope inspections. CMM continues to perform inspections across South Africa with inspectors covering all nine provinces.

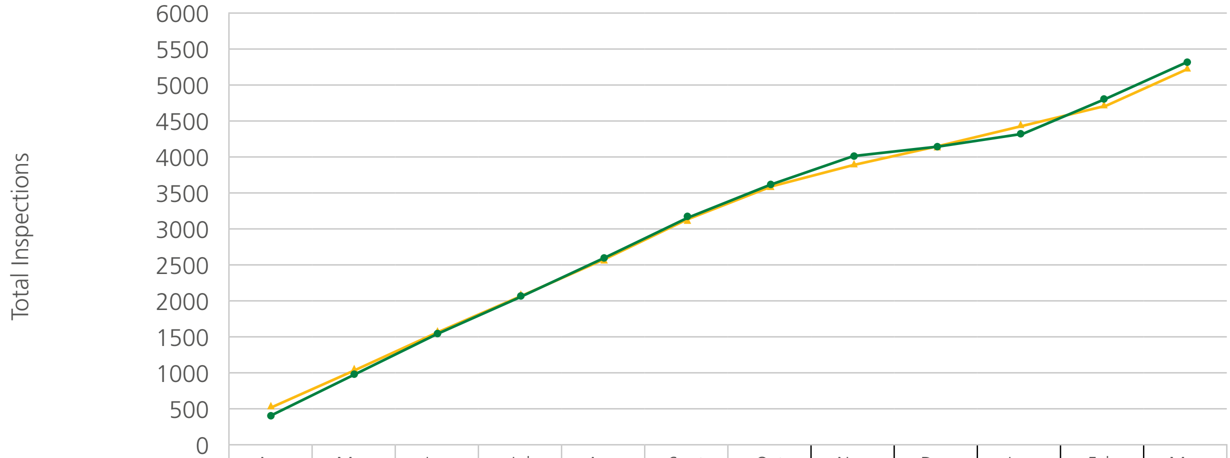
FIGURE: MARKET SURVEILLANCE PER QUARTER



During the financial year, inspections were conducted in the following outlying areas: Skukuza, Malelane, Bethal, Ermelo, Kakamas and Umtata. These areas are not inspected very often, as they are remote and small quantities of high-risk non-compliant products are found when inspections are done. Group inspections in the outskirts of Mpumalanga were conducted to effectively enforce the mandate of NRCS. The focus was on retailers as there are no sources in these areas. CMM will continue to monitor such areas to ensure the protection of human health and safety, as well as of the environment.

During 2018/19, the CMM inspectors continued to receive diverse training in compulsory specifications and various aspects of the business operation. Inspectors attended a training session on safety glass manufacturing and approval procedures as well as on cement inspection procedures.

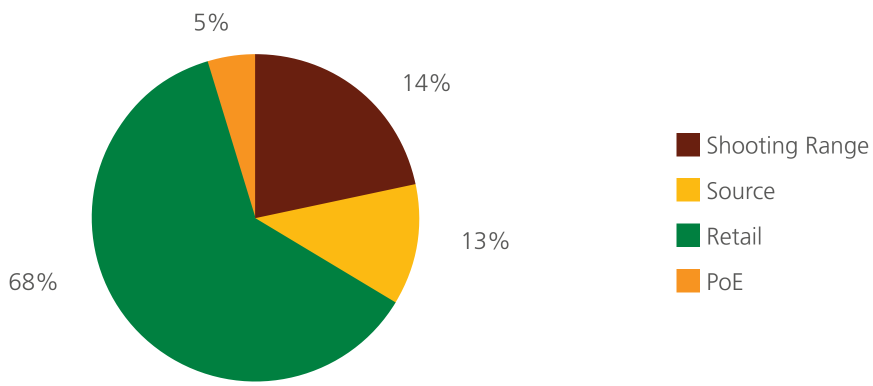
FIGURE: SUMMARY OF ANNUAL PERFORMANCE – INSPECTIONS



	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Cumulative Target	520	1040	1560	2080	2600	3120	3600	3888	4160	4432	4720	5200
Cumulative inspections	396	983	1527	2024	2586	3137	3604	4028	4118	4338	4829	5307

The business unit revised its target-setting strategy, which enabled the team to attend various group inspections, joint awareness sessions and similar events with other government departments and stakeholders. The NRCS in partnership with the Department of Trade Industry and the National Consumer Commission continued with the Safer Paraffin campaign in KwaDukuza. Phase 1 included training volunteers and subsequent door-to-door visits. In excess of 1 500 compliant paraffin stoves were distributed residents of informal settlements among them, residents of Shaka's Head near KwaDukuza in KwaZulu-Natal. This is part of the ongoing campaign to remove unsafe paraffin stoves across the country. These stoves enter the South African market through illicit means. The CMM Business Unit embarked on additional group inspections to address the seasonal influx of non-compliant goods in KwaZulu-Natal and the Western Cape during November 2018.

FIGURE: CMM INSPECTIONS

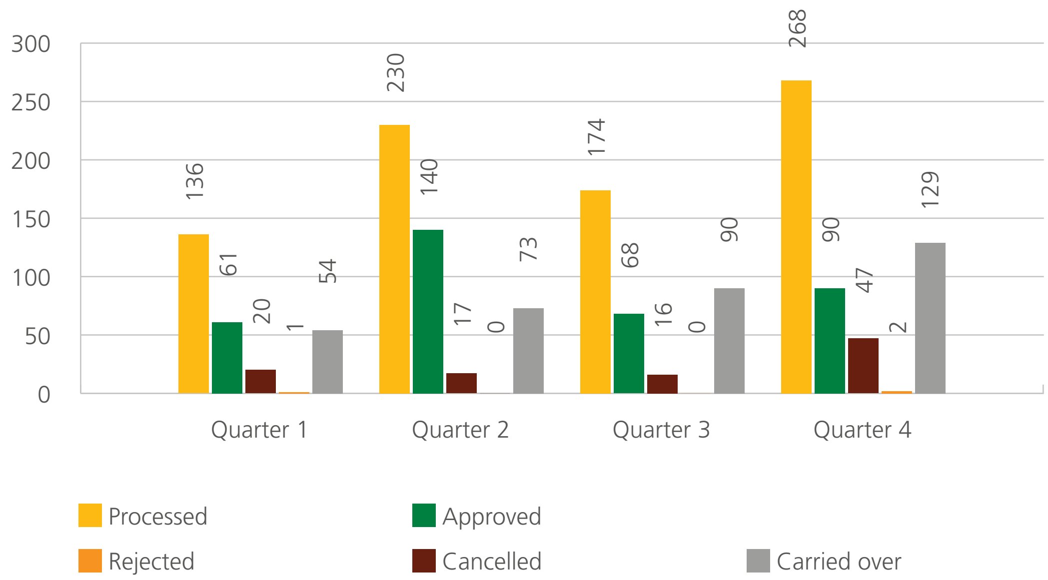


The NRCS continues to face challenges pertaining to administrative complaince (levy and company verification). During 2018/19, the CMM Business Unit continued to identify and verify nearly all companies where challenges were experienced.

Approvals

The Approvals Unit within the CMM Business Unit achieved 69% of its set target of processing pre-market certificates within the 120-calendar day timeframe. The unit evaluated a total number of 691 applications during the year under review. This includes 100 rejected applications and three cancellations. To minimise the safety footwear backlog, a 30-day cancellation policy was implemented for outstanding applications. Long outstanding applications affected the unit's performance negatively because applicants failed to provide corrective action for identified deficiencies. As a result, 66 applications for safety footwear were rejected and application files closed.

FIGURE: CMM APPROVALS



Rejections were mainly due to incomplete application information; applicants failing to submit corrective action within stipulated periods as well as poor correspondence or no response from the applicants.

A total of 359 approval certificates were issued for various compliant commodities that are regulated by the unit. Of the approved certificates that were issued, 230 applications were carried over to the next period – but remained within the 120-day period.

	Q1	Q2	Q3	Q4
2018/2019 Period	42/61	132/140	64/68	84/90
	68%	94%	94%	93%

A total of 720 inspections were performed at shooting ranges across the country. Forty-three new certificates were issued for the year and six ranges were closed during the period.

Sanctions

Warnings issued by inspectors on non-compliant products amounted to a rand value in excess of R15 500 000. Seventy six (76) CEO Directives were issued to manufacturers, importers and retailers of non-compliant goods for failure to comply with the safety requirements and failure to meet marking and performance requirements as stipulated in the relevant compulsory specifications. It also includes not possessing the necessary Letter of Authority as required by the NRCS Act as well as not performing the required conformity of production tests.

Subsequent to inadequate corrective actions received, the NRCS Technical Committee directed that the non-complaint products from these 39 companies be destroyed. Eight CEO Directive withdrawals were applied for and approved. The withdrawals were made as companies rectified the non-compliant commodities or applied for approval for the products post-import or manufacture.

The following non-compliant goods were found:

	Approximate Quantity
Chemicals	10 000 litres
Flame producing devices	1 491 units
Plastic carrier bags	1 200 000 pieces
PPE dust masks	102 897 pieces
PPE safety footwear	52 556 pairs
Treated timber	846 units
PPE swimming aids	4 124 units
Cement	210 000 kg

HIGHLIGHTS

The unit submitted detailed motivations to the Technical Committee of the NRCS for non-compliant products to be destroyed. These submissions included safety footwear, plastic carrier bags, cement, disinfectants and detergent disinfectants. The value of products directed by the Technical Committee to be destroyed is R 1 871 404.

Safety footwear valued at approximately R1.2 million was confiscated and recalled to a centralised distribution centre of a well-known retailer. The importer was in possession of a fraudulent Letter of Authority and was identified through an investigation done by the business unit. The case was referred to legal services for possible prosecution. The levy audit team is also investigating the matter to ensure the levies are up to date. The retailer did a national recall of approximately 1 200 pairs of shoes. The NRCS confiscated 4 700 pairs of shoes (including recalled shoes) which are currently stored at the NRCS warehouse.

A load of a commonly used brand of disinfectant products worth more than R500 000 was confiscated following tip-offs from industry members. The non-compliant products have been subjected to testing and further investigations are pending.

TRAINING

The CMM inspectors attended a training session on safety glass manufacturing. This was done to ensure that inspectors are exposed to all aspects of safety glazing training in preparation for approvals and surveillance inspections.

A principal inspector of the CMM Business Unit completed training in Quality Infrastructure Development in Support of World Trade hosted by SWEDAC in Sweden. The project titled Reduction Of The Demand For Noncompliant Products In The Market Through Consumer Education focussed on active consumer participation, an element that the NRCS needs to pay more attention to.

STAKEHOLDER ENGAGEMENT

Consumer awareness and education are critical in order to prevent the non-compliant commodities from reaching unsuspecting households. Gaps in the existing consumer education strategy were identified and improvement actions recommended. The report was presented to the representative from SIDA and it was handed to the Department of Human Resources of the NRCS.

The NRCS together with the Office of the Consumer Protector and the Independent Communications Authority of South Africa held an awareness and training session at the Chinese Consulate in Cape Town. Business and community leaders representing the various provinces in China attended the training session. The event was the fourth of its kind, as previous events were held in Clanwilliam, Saldanha Bay and George.

Representatives from the following Chinese Communities attended the session:

- Cape Town Chinese CPF
- South Africa Chamber of Commerce for Shanghai
- Cape Town Chamber of Commerce for Jiang Su
- Western Cape Chinese Chamber of Commerce
- Western Cape Overseas Fujian Association
- Western Cape Chinese Student and Scholarship Association
- Cape Town Chinese Association for Peaceful Unification Of China
- Cape Town Shan Dong Chamber of Commerce
- Cape Town Zhe Jiang Chamber of Commerce
- Western Province Chinese Association
- Western Cape Guang Dong Chamber of Commerce
- Cape Town Overseas Chinese Service Center
- South Africa Soong Chingling Foundation
- Cape Town Chinese Women Association

A representative from the Chinese Consulate also attended the session and thanked the various speakers for their time and effort.

CHALLENGES

Resource constraints are posing a challenge in regulating the cement industry. In a bid to address this limitation, the business unit initiated a project to increase the levy on cement. A working group was established to deliberate on possible innovative ways to effectively and efficiently regulate the industry. The process is underway and should be completed in the coming financial year. Once consultation is finalised, a submission will be made to **the dti**.

The RBA will identify and maximise the allocation of resources to enable the regulator to become more effective and efficient. The RBA is expected to reduce the LOA turnaround time as well as the surveillance inspections without compromising the compliance of products with their relevant technical regulations. It further encourages the importers and manufactures of products to self-comply or voluntarily comply. This enables the minimisation of non-compliant products to enter the South African markets.

The RBA is a new concept for the NRCS and the implementation must take into account the need for change management. The RBA is a necessity in order for the NRCS to optimally allocate the limited resources that are available. Further staff training and engagement on the RBA will dissolve confusion about the RBA. The RBA will also depend on ICT enablement and modernisation to run smoothly in terms of profiling and data manipulation.

CONCLUSION

Non-compliant products remain a problem and still find their way into our economy and to the most vulnerable in our communities. It is therefore imperative that the NRCS finds ways to reach and educate consumers and make it easier for consumers to identify a complaint product.

ELECTRO-TECHNICAL

OVERVIEW

In implementing its mandate of protecting the safety and health of consumers, and of the environment, the Electro-technical Business Unit (Electro-technical) enforces a total of 18 compulsory specifications (VCs), covering approximately 542 product categories in the electrical and electronic technologies. The unit has a staff compliment of 48. Most of the regulated products are imported and include household appliances, power tools, ICT equipment, audio visual equipment, lighting and electrical components such as plugs, adaptors and switches.

The unit collaborates with other government departments and agencies through co-operative arrangements that leverage on the state's value chain regulatory arsenal. These include the following:

- Department of Labour (DoL) – on aspects regarding the approval of components of fixed electrical installations
- Department of Energy (DoE) – on energy efficiency of electrical and electronic apparatus
- Independent Communications Authority of South Africa (ICASA) – on aspects concerning the electro-magnetic compatibility and interference of certain electrical and electronic apparatus
- South African Revenue Service (SARS) – on the control of the movement of regulated goods at the ports of entry

The Electro-technical Business Unit is embracing the Fourth Industrial Revolution by upskilling its staff in order to cope with the technology revolution. The regulated products are becoming more digitised, integrated and complex. Therefore, compulsory specifications should keep abreast of the current technological revolution so that the regulations do not freeze or stifle innovation. The inspectorate deploys a risk-based approach in its market surveillance, focussing the available resources on areas of high risk.

OVERALL PERFORMANCE

Inspections

During the period under review, a total of 4 833 inspections were conducted against a planned target of 4 440. This was approximately 8.9% above the target. The inspections were conducted at the sources of products (ports of entry, manufacturers' premises, and importers' premises), at retailers, and distributors. During the inspections, a total of 164 samples were taken from the market for testing, while 13 were kept as evidence, and 54 449 were surrendered for voluntary destructions.

TABLE: SUMMARY OF INSPECTIONS 2018/19

	Gauteng	Western Cape	Eastern Cape	KwaZulu- Natal	Total
No. of inspections	2 246	932	1 029	626	4 833
No. of Section15.1 directives issued	24	150	85	48	307
Rand value (Millions) of non-compliant products	R18.8	R37.3	R11.4	R8.4	R75.9
No. of market surveillance inspectors	10	4	4	3	21

In line with the goal of eradicating non-compliant products from the market, a total of 307 section 15.1 directives were issued to remove unsafe products from the market. The total value of non-compliant electrotechnical products removed from the market is estimated at R75.9 million, with a majority of the products being quarantined at the ports of entry. The non-compliant products included incandescent lamps, compact fluorescent lamps, adaptors, televisions, cord extension sets, and hair clippers.

Approvals

The statistics for the period show a total of 12 793 approvals, representing an increase in throughput of approximately 36.8% from the 2017/18 figure of 9 350. A total of 1 503 approvals were for energy efficiency, accounting for approximately 12% of the total approvals in the period under review. The number of applications received were 13 010, which is comparable to the 13 095 applications received in the previous financial period, resulting in a workload of 17 856 applications compared to 16 050 applications in the previous period.

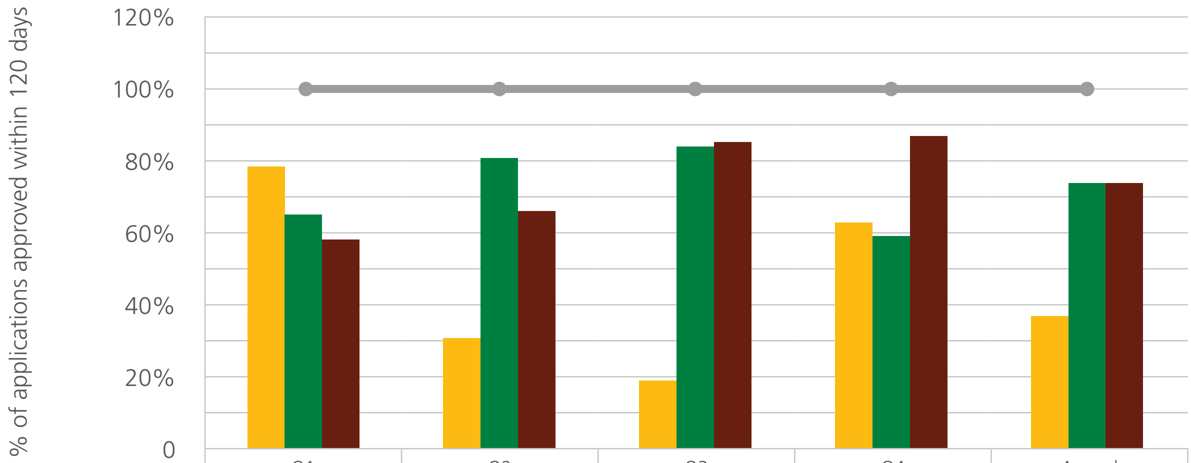
TABLE: ELECTROTECH APPROVALS STATISTICS FOR 2018/19

Approval Type	Carried over from 2017/18	Received 2018/19	Total work load in 2018/19	Approved 2018/19	Closed 2018/19	Carried over 2019/20
LOA	4 544	12 848	17 392	12 691	2 615	2 086
RCC/AC	42	162	204	102	81	21
TOTAL	4586	13010	17 596	12 793	2696	2107

During the period under review, 9 457 (~74%) approvals were issued within the target turnaround time of 120 calendar days, against a target of 100%. The figure below shows the turnaround time performance over the past three financial periods, 2016/17 to 2018/19. Although in the period under review, the percentage of applications processed within the target turnaround time of 120 days was the same as the previous financial year, the number of approvals were much higher. The improvement in the number of approvals can be attributed to four main factors:

- The additional capacity harnessed from market surveillance inspectors in the first quarter;
- The increased output from the candidate inspectors, who completed their training at the end of the period under review;
- The fruits from the implementation of the risk-based approach, whereby low risk applications were processed in shorter turnaround times; and
- The improved implementation of allowing a maximum of 30 days for corrective action on findings raised during the evaluation of the evidence of conformity. Applications that were not corrected within the set timelines were closed and applicants had to start the application process afresh.

FIGURE: QUARTER-ON-QUARTER APPROVALS TURNAROUND TIMES



	Q1	Q2	Q3	Q4	Annual
2016/17 Period	52%	31%	19%	63%	37%
2017/18 Period	65%	81%	84%	59%	74%
2018/19 Period	58%	66%	66%	87%	74%
Target	100%	100%	100%	100%	100%

A total of 2 107 applications were carried over to the next financial period, a marked improvement from the 2018/19 opening balance of 4 586 applications that were carried over from 2017/18. In the period under review, a total of 2 696 applications were closed compared to 1598 in the last financial period, showing the improved implementation of the 30 day cut-off for the correction of findings.

STAKEHOLDER ENGAGEMENT

The Electro-technical Business Unit leverages on stakeholder engagements in the regulatory value chain, to not only clarify the rules of the game, but to effect sustained behaviour change by encouraging voluntary compliance. The level of stakeholder engagement increases with the complexity, scope and level of stakeholder interest in a decision and the anticipated level of impact the decision will have on the stakeholder.

In the 2018/19 period, the stakeholder engagements can be divided into government agencies and departments, international engagements, and regulated industry and their associations. The following table shows the government agencies and departments engagements held. These included DOE, **the dti**, SABS, SANAS, and SANEDI.

TABLE: ENGAGEMENTS WITH GOVERNMENT AGENCIES AND DEPARTMENTS

Date	Name of organisation	Activity	Outcome
3 May	UNDP/DOE/dti/SABS/ESKOM/ SANAS/SANEDI/SADA/ ERIC	PSC Meeting	• Periodic S&L Project Meeting to discuss project progress • Discuss EE NRCS implementation plan
8 June	DOE	In store event	In store label and EE App activation at Hirsch's. Launched by Minister of Energy
12 June	DOE/UNDP/SANEDI/ ESKOM	Workshop	Workshop and discussions on Market Incentive Schemes for EE
2 July	DOE/UNDP/SANEDI	Meetings	Engagements with service provider, Urban Earth, on the Database Registration Project and user discussions
8 Oct	DOE/UNDP	Workshop	Internal workshop on QR Code with expert from China
22 Oct	SABS	Meeting	Discussions on way forward on VC9006 testing
15 Oct	dti	Meeting	Meeting with SADA to discuss LOAs and possible improvements or new ways
7 Nov	SABS	Meeting	Meeting on EE testing issues
29 Nov	SANEDI, DOE, UNDP, Eskom	Workshop	Workshop on energy modelling and policy impacts held at SANEDI
30 Jan	DOE/UNDP	Meeting	Progress meeting on air conditioner study by service providers Ensol and Eighty Twenty.
7 Feb	DOE/UNDP/SABS/	Meeting	Meeting with consultant (EnerLaw Solutions) on legal review of NRCS Act with respect to Energy Efficiency.
8 Feb	SABS/dti	Meeting	Meeting with SADA to discuss compliance and testing of EE products
11 Feb	DOE/UNDP/SABS/ SANEDI	Meeting	Presentation of VC 9006 Impact Study Results by University of Stellenbosch.
7 Feb	DOE/UNDP/SABS/	Meeting	Meeting with consultant (EnerLaw Solutions) on legal review of NRCS Act with respect to energy efficiency.

The table that follows, shows the international and regional engagements of the business unit during the period under review.

TABLE: INTERNATIONAL AND REGIONAL ENGAGEMENTS

Date	Name of organisation	Activity	Outcome
February	SADC	Meeting	Discussion of Technical Barriers to Trade and SADC Roadmap
June	IECEE CMC	Meeting	Acceptance, rejection and suspension of Recognising NCBs, Issuing and Recognising NCBs and of testing laboratories (CBTLs and ACTLs),
June	IEC	Technical Committee Meeting	IEC TC 61 and 59 committees in Busan, South Korea, to discuss standards and conformity assessment issues
September	Southern African Power Pool (SAPP)	Regional Workshop	Participate in regional workshop at Victoria Falls, Zimbabwe, for the Energy Efficiency S&L Project

It is crucial for the business unit to engage regularly with industry players and associations. Engagements during 2018/19 took the form of meetings, workshops, and teleconferences. These enabled the NRCS to maintain good relationships with industry; inform industry about regulations, standards and developments; and receive feedback from industry about matters that the NRCS must be aware of.

TABLE: ENGAGEMENTS WITH REGULATED INDUSTRY AND ASSOCIATIONS

Date	Name of organisation	Activity	Outcome
11 May	SMEG	Meeting	Discuss compliance to EE compulsory specifications
	Sollatek	Meeting	Discuss SANS 10142 requirements
31 May	Lighting industry	Meeting	Impact assessment of the new VC 9012
1 June	Leratadima	Meeting	Discussion on non-compliance of power supplies for set top boxes. Apply for Sales Permit and NRCS to investigate further
13 June	Test Africa	Lab visit	Visit and assess testing capacity for energy efficiency
14 June	EE Stakeholders Stellenbosch University	Workshop	Impact assessment of VC 9006 (Geysers)
19 June	SAFEHOUSE	Meeting	Discussions on CRM challenges and non-compliant products on the market
9 July	Prepaid Company	Meeting	Classification of products and tariffs for levy payments
31 July	IESSA	WG Meeting	Impact assessment of proposed VC9012 (luminaires)
1 Aug	SAIA	Meeting	Engagements with the insurance association on VC 9006, with the objective of influencing them to only pay for compliant geysers
6 Sep	SAFFER	Meeting	Engagements with plumbers association in Mokopane on VC 9006 requirements to influence plumbers to install compliant products
22 Sep	Cable Mack	Meeting	Engagements on requirements for cables, VC 8077/8075, with SABS. Cable industry is not paying levies.
26 Sep	SAAFF	Meeting.	EC - Engagement on SARS system stoppages that are out of scope. GP also participated in stakeholder meeting organised by SAAFF
10 Oct	Geyser Industry	Workshop	Workshop to introduce industry to QR Code and Approvals Database Project
23 Oct	Integrated Energy Solutions	Meeting	Discussions on progress of air conditioner Study Project with service provider
25 Oct	IESSA/ Alakriti /UNDP	Meeting	MEPS Work Session on new regulations for lighting
26 Oct	Lighting Industry	Workshop	Workshop on intention to move towards technology neutral regulations for lighting, to include LEDs
31 Oct	IESSA/dti	Meeting	Impact assessment of VC 9012 discussions
22 Nov	Shipping Lines	Meeting	Meeting with shipping lines in Durban on strengthening partnership
28 Nov	UNDP, Urban Earth, DOE	Workshop	Product Registration Database user acceptance testing
8 Feb	SABS/dti/SADA	Meeting	Meeting to discuss compliance and testing of EE products
26 Feb	Nova Economics	Meeting	Meeting to discuss inputs to the socio-economic impact assessment (SEIA) of lighting products in preparation for new regulations on LEDs
25,27 March	Aircon industry	Workshop	Workshop on air conditioning industry market structure and analysis

HIGHLIGHTS

During the financial period under review, the following operational highlights should be noted:

- o SANAS 17020 Accreditation – SANAS assessed the business unit on 18 October 2018, and reaffirmed its accreditation status. No issues were raised.
- o Destruction of non-compliant products – Non-compliant products worth approximately R20 million were destroyed during the period under review, with the bulk being 1 357 147 lighting related products, that included 405 298 CFLs and 927 323 incandescent lamps. The other non-compliant products that were destroyed included adaptors, televisions, switches, chargers, and air conditioners. In addition, a further 356 400 incandescent lamps, valued at approximately R1.5 million, were destroyed in Durban by Customs on behalf of NRCS, demonstrating the cooperation at the ports of entry.
- o Joint operations and compliance interventions – During the period under review, a number of joint operations and interventions were conducted with other government agencies, including the following:
    - Joint operations were held with SAPS Crime Intelligence, Customs, Home Affairs, and the National Consumer Commission. The joint operations targeted retailers, wholesalers, and malls, and were held in Northern Cape (Kimberly, Kuruman and Kathu); Eastern Cape (Port Elizabeth and East London); and Western Cape (Mossel Bay and George). During the joint operations, a number of non-compliant products were found including CFLs and incandescent lamps.
    - The business unit issued a section 15.1 directive at the Customs State Warehouse in Cape Town to prevent the auctioning of 335 900 light bulbs, valued at R6 718 000, that were stopped by the SARS Risk Engine at the port of entry.
    - The business unit in conjunction with SAPS presented training sessions to the Chinese business community in George and Mossel Bay. The Chinese Consul-General was present at the sessions.
- o International trips – In line with the aspiration of the NRCS Act to "...establish and maintain the necessary expertise on an internationally acceptable level", the business unit participated in international engagements during the period under review. The engagements included the following:
    - SADC Technical Barriers to Trade Meetings in Namibia.
    - IEC TC 61 and 59 committees in Busan, South Korea.
    - The IECEE CMC meeting in France during June 2018,
    - The Regional Southern African Power Pool Workshop on energy efficiency, that took place at Victoria Falls, Zimbabwe.
- o Energy efficiency implementation – In collaboration with DOE and UNDP, the business unit is implementing the Energy Efficiency Standards & Labelling (S&L) Program aimed at eliminating inefficient appliances from the market in order to contribute to the reduction of the national carbon footprint. The program is funded by the Global Environment Facility (GEF), and during 2018/19 a number of initiatives were implemented, including:
    - the implementation of energy efficiency requirements of the largest consumer of electricity in many households, namely geysers, under VC 9006. Engagements were held with manufacturers, 10 major insurance companies affiliated to SAIA, plumbers and installers, who all committed to ensuring that Class B geysers were manufactured and installed. In addition, the University of Stellenbosch conducted an impact study on the compulsory specification and presented

its recommendations to senior management from NRCS and SABS, recommending among others the ammendment of both the standards and the compulsory specification;

- the issuing of 1 503 energy efficiency LOAs compared to 1 129 in the previous period, representing an increase of approximately 33.1%;
- the conducting of an energy efficiency awareness campaign in Durban (at Gateway Mall) and in Amanzimtoti (at the Galleria Mall). The campaign was conducted in conjuction with DOE and UNDP and targeted consumers and instore sales personnel;

Other energy efficiency projects and initiatives undertaken during the period under review included: (i) the development of an approvals registration database that is expected to close out incomplete applications and reduce the turnaround times; (ii) air conditioner market study that identified gaps on the market showing that there were a number of brands that did not have LOAs; (iii) participation in discussions on the prospects of introducing technology neutral regulations for lighting products; (iv) participating in the national project steering committee; (v) participating in regulatory development technical committees; and (vi) arranging various stakeholder workshops such as on the QR Code.

- Training – During the period under review, six candidate inspectors completed their two years of training involving classroom theory, on the job training, competency assessments and training visits to testing facilities, factories, and institutions. To prepare for regulating under Industry 4.0, and keep abreast of the technology revolution, business unit staff attended the 29th edition of the South African Institute of Industrial Engineers Conference in Stellenbosch, themed Steering the Fourth Industrial Revolution. They gained insight into the subject matter from local and international experts.

- Continuous improvement projects – Throughout the period under review, Electro-technical staff organised themseves into various project teams such as BPI, Quality, and Levy to own the task of improving business processes and levy completeness and correctness. As a result, there was significant positive impact on the QMS audit and on the levy revenue realised.

CHALLENGES

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

- Testing constraints – In certain instances local test facilities are not accredited to test or have no capacity or capability to test. For example, there were no local test facilities to test the energy efficiency requirements of air conditioners.
- Storage capacity – The storage of confiscated products is a challenge. This is exacerbated by the delays in destruction of non-compliant products.
- Approvals turnaround times – Although the turnaround times have been improving in recent years, the volume of applications continues to increase due to factors such as the success of market surveillance where unregistered products are unearthed, the increasing scope of electrotechnical regulations, and the shortening product and technology life cycles.

CONCLUSION

During 2018/19, non-compliant products worth approximately R76 million were sanctioned through 307 section 15.1 directives (to eradicate unsafe products from the market). A total of 4 833 inspections were conducted at the ports of entry, retailers, and importers' premises, exceeding the inspections target by up to 8.9%. During inspections, a total of 164 samples were taken for testing, while 13 were kept as evidence and 54 449 were surrendered for voluntary destruction.

The throughput in approvals increased by approximately 36.8%, conducting 12 793 approvals compared to 9 350 in the previous period. Approximately 74% of the approvals were issued within the target turnaround time of 120 calendar days. A total of 1 503 energy efficiency LOAs were issued compared to 1 129 in the 2017/18 period. The six candidate inspectors completed their two-year training at the end of the financial period, thus adding capacity to the current 13 fully qualified approvals inspectors.

FOOD AND ASSOCIATED INDUSTRIES

OVERVIEW

The Food and Associated Industries (FAI) Business Unit protects consumers by regulating canned meat and canned fish products, frozen fish products, smoked snoek, aqua cultured live abalone and live oyster that 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 when discovered in the market. A risk-based approach to surveillance was adopted in order to improve efficiency and the effectiveness of FAI processes. Source/targeted enforcement was introduced as a measure to prevent the entry of non-compliant products into trade in South Africa.
- Conducting surveillance inspections on locally produced and imported products. Port of entry surveillance entails the profiling of various containers entering South Africa and the inspection of these containers at the point of entry. Imported fishery products are taken to various cold stores and warehouses where products are sampled for inspection at the NRCS laboratories.
- Issuing health guarantees for fish and fishery products that are exported. The NRCS is the competent authority for the issuing of health guarantees to various countries and trade groupings.
- 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) standard setting processes. At national level, it works in close co-operation with several other legislators in the food environment, including the Department of Health (DOH) and Department of Agriculture, Forestry and fisheries (DAFF). The NRCS has entered into various technical co-operation agreements with countries trading fishery products with South Africa, which act as preventative measures to ensure that safe products with the necessary health guarantees are obtained from these countries.

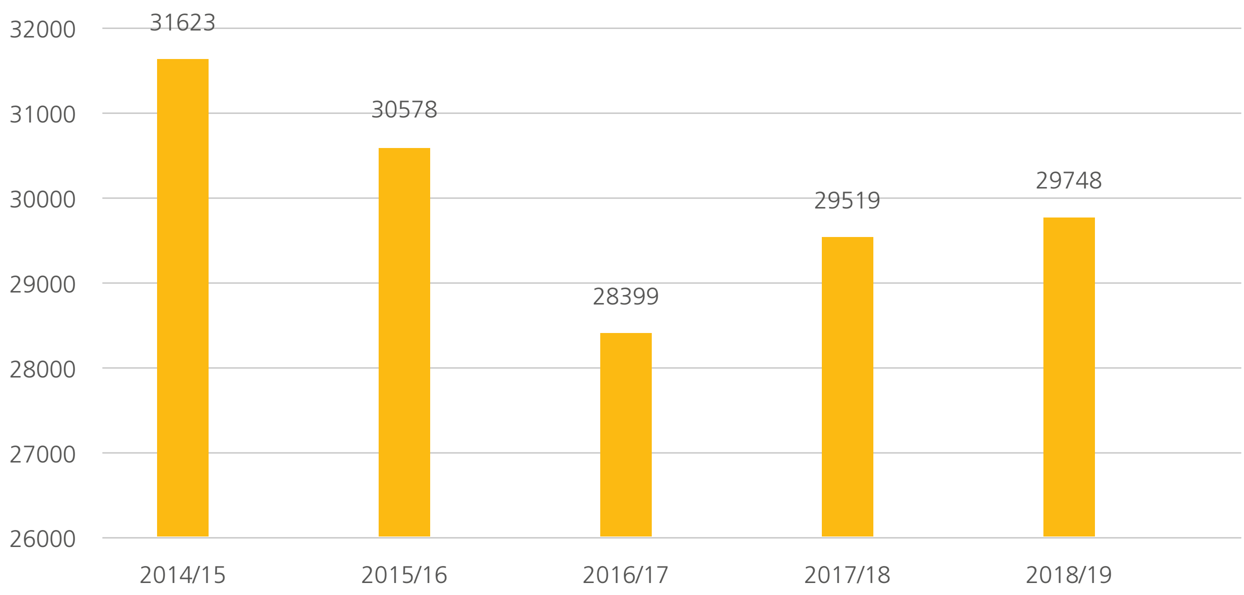
OVERALL PERFORMANCE

For the 2018/19 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 and conducted 29 748 inspections.

The business unit's overall performance for the 2018/19 financial year remained relatively steady when compared to the average of the past four years and taking into account the availability of natural resources, the current economic climate and the exchange rate. The unit conducted 244 more inspections than in the previous financial year.

In general, there was a decrease in the amount of inspections conducted for exported products while there was an increase in the number of inspections for imported inspections. This trend may be due to the lack of local natural resources especially pelagic fish for the canning industry.

FIGURE: 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 via a predetermined surveillance inspection programme.

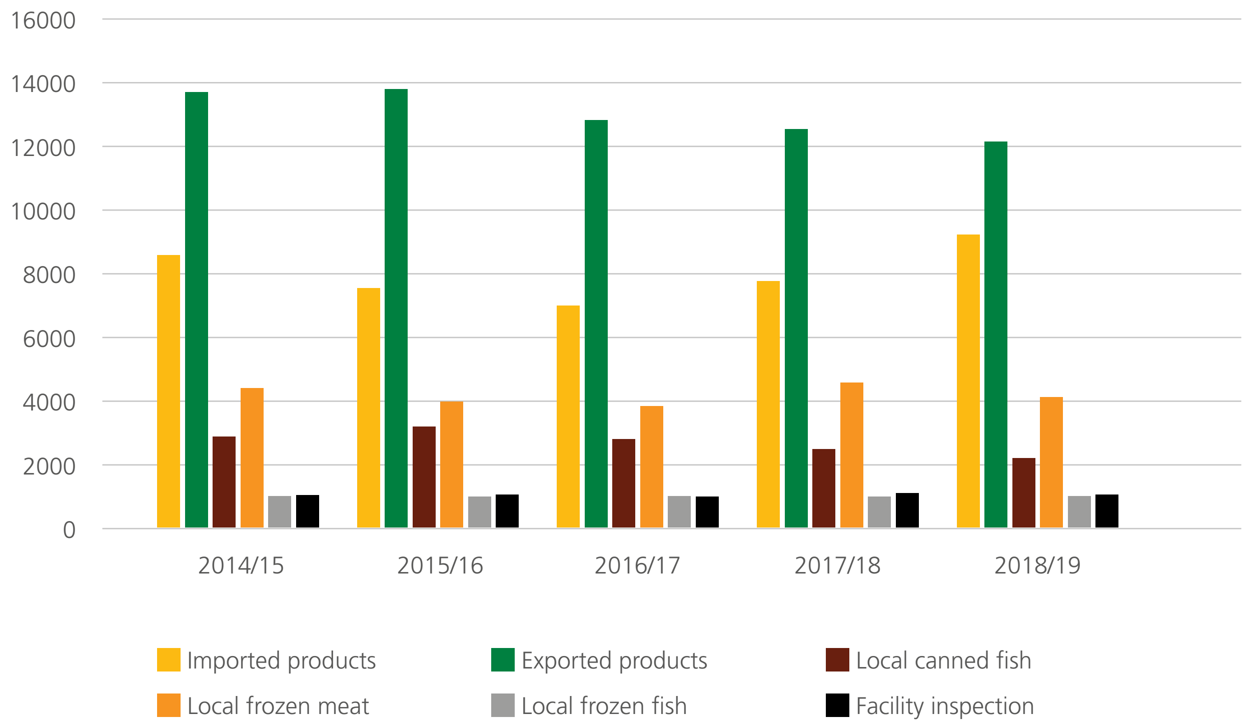
All inspections and operations of the unit are conducted according to the policies and procedures of the quality management system implemented by the business unit system (based on ISO/IEC 17020).

Internal audits were conducted to measure the unit's performance in terms of its documented quality management system. The business unit successfully maintained its SANAS accreditation after the external audit was conducted for the 2018/19 financial year.

TABLE: INSPECTION TRENDS FOR THE LAST 5 YEARS PER CATEGORY

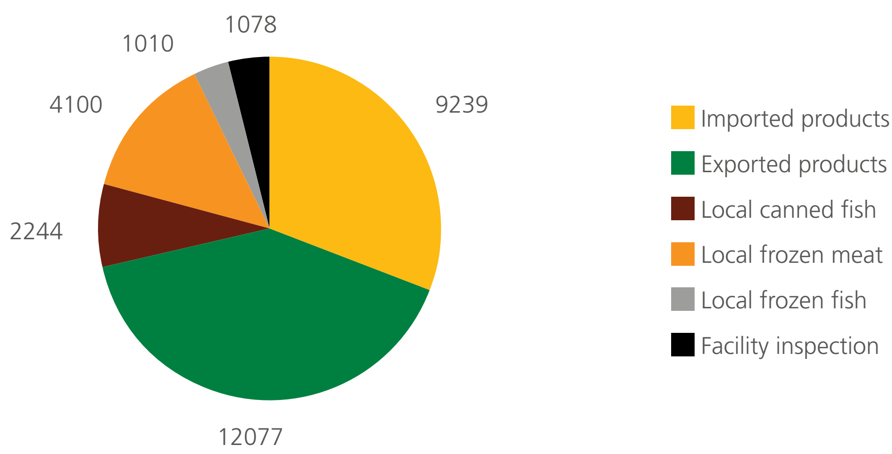
Description	2014/15	2015/16	2016/17	2017/18	2018/19
Imported products	8 569	7 524	6 938	7 793	9 239
Exported products	13 668	13 748	12 813	12 530	12 077
Local canned fish	2 842	3 193	2 774	2 493	2 244
Local canned meat	4 436	4 019	3 859	4 573	4 100
Local frozen fish	1 034	1 025	1 011	988	1 010
Facility inspection	1 074	1 069	1 004	1 142	1 078
Total	31 623	30 578	28 399	29 519	29 748

FIGURE: INSPECTION TRENDS FOR THE LAST 5 YEARS PER CATEGORY



The business unit conducted 29 748 inspections on exported, local and imported fishery and canned meat consignments and products. In comparison to last year, there was an increase in imported products and local frozen fish inspections conducted and a decrease in exported products, local canned fish and local canned meat and facility inspections.

FIGURE: INSPECTIONS CONDUCTED PER CATEGORY DURING 2018/19



Health guarantees and compliance certificates

The NRCS is the competent authority for fish and fishery products in South Africa, and is acknowledged as such by the European Union and 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 abalone and live lobster, abalone and oysters.

The unit conducted 12 077 inspections on product consignments exported to various countries, which, in comparison to last year indicate a slight decrease in inspections. A total 9 401 health guarantees and 7 917 compliance certificates were issued for the period under review.

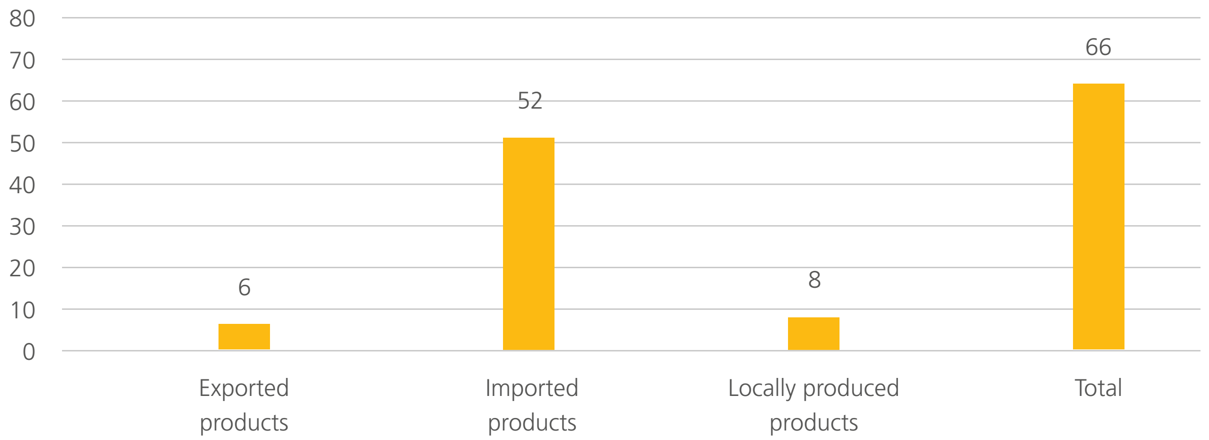
For all fish and fishery products imported into the country, the Food and Associated Industries Business Unit issues compliance certificates when compliance has been established in terms of the requirements of the compulsory specifications – before products can be released into the marketplace.

Non-compliance certificates

The NRCS issues non-compliance certificates for products that do 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 are also issued for consignments that are found to be of substandard quality or which do not fully comply with certain non-food safety related quality requirements. Sales permits, which stipulate prescribed sales conditions, are issued for these products.

During 2018/19, the Food and Associated Industries Business Unit issued 20 non-compliance certificates for products found to be of substandard quality, and 78 for products that were found to be unfit for sale. In addition, it issued 66 directives for products that were unsafe 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 R72 400 602.82 million.

FIGURE: DIRECTIVES ISSUED PER CATEGORY DURING 2018/19



STAKEHOLDER ENGAGEMENT

National and international liaison

As the competent authority for the regulation of frozen and canned fish and fishery products, canned meat and smoked snoek in South Africa, the NRCS represents the country at various international regulatory forums, notably the Codex Alimentarius Commission (CAC), the Codex Committee for Fish and Fishery Products (CCFFP) and the Codex Committee for Food Inspection and Certification Systems (CCFICS).

During the year under review, the Food and Associated Industries Business Unit participated in a range of international food safety activities. The unit sent staff representatives to attend the annual Codex Alimentarius Commission (CAC) held 2 - 8 July 2018. During the proceedings of the CAC meeting, all the work of the various committees is referred to the commission meeting for adoption. Technical matters pertaining to the requirements of Fish and Fishery Products (CCFFP) are part of these discussions as referred to the hygiene and contaminants committees

The business unit also has an interest in the proceedings of several other Committees such as CCFL (food labelling), CCFA (food additives), CCCF (contaminants in food), CCFH (food hygiene), CCFICS (food imports /exports inspection and certification systems) and CCGP (general principles) which directly affect South African food industry.

The Codex Alimentarius Committee meeting on Food Import and Export Inspection and Certification Systems(CCFICS) was attended 22 - 26 October 2018 in Australia. During this meeting, NRCS (on behalf of South Africa) participated in discussions pertaining to:

- principles and guidelines for the use of systems equivalence where various elements of a trading partner's food control system is evaluated by the importing country to determine whether it is equivalent to the exporting country;
- guidance on electronic certification that may assist us to extend our current electronic TRACES certification;
- guidance on regulatory approaches to third party assurance schemes in food safety and fair practices in the food trade, where NRCS had to motivate why and prevent the introduction of private standards in Codex Standards to the detriment of South Africa, SADC and Continental Africa; and
- Food Fraud and Food Authenticity and the CCFICS has decided to review existing Codex text and to defer this item to the Codex Committee on Food Labelling and the Codex Commission.

The relevance of attendance relates to the strengthening of the national food control system of South Africa. It further relates to the implementation of other important activities of the food safety sector, best defined as the 'non-negotiables', which includes among others, ensuring compliance with all legal and statutory obligations as stipulated in the Foodstuffs, Cosmetics and Disinfectants Act, Act No. 54 of 1972, and the relevant compulsory specifications administered by the business unit.

Apart from contributing to the proceedings, the NRCS delegates were updated on global food regulatory matters and became able to give guidance on such matters in South Africa. Cognisance was also once again taken of the economical, trade and political interests that are always at stake and that should always be borne in mind when conducting our own activities, especially as an international role player in food control. Most of the documents that were presented by South Africa, were endorsed by the commission.

The 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 Food and Associated Industries Business Unit, various joint management meetings were held with these countries during the year under review:

- NRCS joined the third joint working committee with the Department of Agriculture Forestry and Fisheries and Taiwan on 10 - 12 April 2018. The intention of this committee is to ensure collaboration between South Africa and Taiwan in terms of agricultural products, including fishery products.
- A meeting was held with the Namibian Standards Institute (NSI) on 24 May 2018 to review and discuss the technical cooperation agreement with the institute. This meeting included a visit to a Walvis Bay factory that exports canned meat products to South Africa. A follow-up meeting was conducted on March 2019 in Cape Town to discuss and finalise the cooperation agreement.
- On 8 August 2018, the business unit was part of a NRCS delegation that met with the Joint Trade Committee from Kenya to discuss trade and regulatory requirements.

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

- SANS technical committees for various food standards. The following compulsory standards were published in the financial year under review:
  - VC 9107 (references SANS 2879) Compulsory Specification for aqua cultured live and chilled raw bivalve molluscs – published/ gazette 10 August 2018. Effective date six months after publication.
  - VC 8014 (references SANS 587) Amendment of compulsory specification for canned fish canned marine molluscs and canned crustaceans, and products derived therefrom – published/gazette 22 June 2018. Effective date six months after publication.
- Several regulatory meetings were held with the Department of Agriculture, Forestry and Fisheries (DAFF) to discuss the MOU agreement between the departments, the implementation of the residue programme and to discuss the shellfish monitoring sampling progress reports.
- Meetings of the National Codex Committee were attended at the Department of Health.
- A meeting was attended on 24 April 2018 with officials from DAFF, DOH, NCID and the NCC and various discussions were held regarding the listeriosis outbreak (Listeria monocytogenes food poisoning) and health legislation – FCD Act, DAFF Legislation, dti (NRCS) Legislation and the training of EHPs.
- The business unit was invited to participate and give presentations at the Game Meat Indaba organised by the Department of Environmental Affairs (DEA). Various government departments and members of the Game Meat Associations were present at the indaba. The business unit was requested to regulate game meat that will be processed at the National Kruger Game Reserve and to assist the DEA with technical expertise for the project.
- Food Legislation Advisory Group meeting, hosted by the Department of Health, where proposed food regulations and the processes leading to the implementation of these regulations in the interest of protecting consumers were discussed.
- Aquaculture Advisory Group Committee meeting hosted by DAFF in Cape Town.
- Sanitary and Phytosanitary Technical Barriers to Trade Committee meetings hosted by the Department of Agriculture.
- Inter-governmental aquaculture forums.
- Interdepartmental Food Safety Co-ordinating Committee (established to co-ordinate food safety issues between food regulatory authorities) meeting.

HIGHLIGHTS

The business unit was involved and actively participated in the inter-departmental task group between the Department of Health, Department of Agriculture, Forestry, and Fisheries (DAFF), the Department of Trade and Industry (dti), the National Institute of Communicable Diseases (NICD) and the Department of Environmental Affairs (DEA) to investigate and manage the listeriosis outbreak in South Africa.

Various task group meetings were attended and technical input given where required. The business unit allocated two principal inspectors on a permanent basis to the interdepartmental task team who was responsible for the training of Municipal Environmental Health Practitioners and the inspection and audit of processed meat factories in all provinces in South Africa. As a result of the outbreak, **the dti** requested the NRCS to draft a compulsory specification for the regulation of processed meat. This was duly drafted and submitted to **the dti** for publication.

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

No incidents of food poisoning were reported from products manufactured by the industries regulated by the business unit.

CHALLENGES

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

CONCLUSION

The Food and Associated Industries Business Unit contributed successfully to the NRCS objective to protect consumers by effectively administrating the relevant compulsory specifications, and enhanced the trade of good quality food products nationally and internationally. The business unit supported local industry by ensuring that only good quality and safe food products were exported. The period under review experienced the second highest volume of exports in a period of 6 years 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 programs help the business unit to protect consumers. The unit continued to participate in national and international standards setting processes.

LEGAL METROLOGY

OVERVIEW

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

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 trade, health, safety and environmental sectors. The main functions of the NRCS under the LMA are to:

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

The NRCS has implemented short- and long-term strategies to ensure the effective implementation of the requirements of the LMA. Regulations to the LMA were published on 24 August 2018 and NRCS resources have been dedicated to ensure that the requirements of the Legal Metrology Regulations, 2017 (LMR) can be enforced. The NRCS has developed a costed short-term implementation plan and is awaiting the necessary financial support from **the dti** to fully implement the requirements of the LMA and LMR.
The NRCS executes its mandate of promoting fair trade as follows:

- Ensuring that measuring instruments used for a prescribed purpose are evaluated for 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 instruments that are accurate and that, there is

no short measure where manufacturers or retailers prepare pre-packages..

- Taking action against those importers, manufacturers and retailers that supply short measure products or use 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 regulator.
- Providing traceability for measurement standards, to national standards, that are used for type approval, verification and inspections of 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 gambling 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 gambling hardware and/or software is compliant with applicable standards and compulsory specifications.
- Providing input on legal metrology matters into national, regional and international standards as required by SADCMEL, AFRIMETS and OIML.

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

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

OVERALL PERFORMANCE

During the year under review, Legal Metrology received 180 new applications from instrument manufacturers and suppliers for type evaluation, processed 172 applications and issued 62 certificates of approval for instruments that met all requirements and passed mandatory tests. All applications were completed within the 120-day target period. The approval certificate allows the applicant to manufacture or import any number of replicas of the instrument approved for use in terms of the LMA and relevant technical requirements.

Legal Metrology received 884 new applications from the gambling industry for the evaluation of gambling hardware and software and 854 Letters of Certification (LOC) were issued to the gambling industry. Of the 870 applications closed during the year, 836 (96,11 %) were issued inside the 30-day target period.

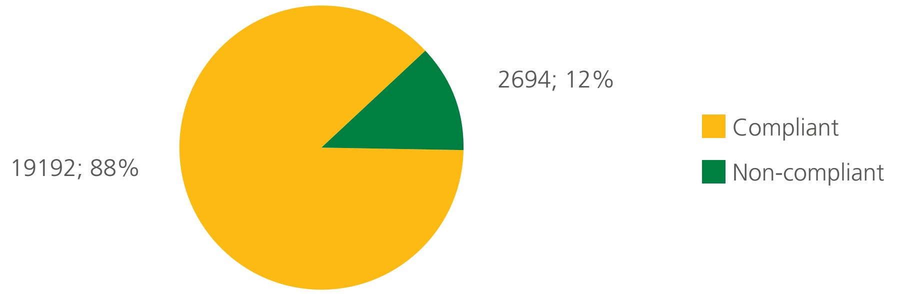
A total number of 5 546 market surveillance inspections were conducted, 746 (15,5 %) more than the inspection target of 4 800 set for the year. To regulate more effectively and efficiently, the focus of market surveillance inspections remained on importers and manufacturers of pre-packed goods and measuring instruments. Eighty one percent (81 %) of the market surveillance inspections were carried out at source (manufacturers and importers) and 19% of the inspections were carried out at retail level.

During these market surveillance inspections, 21 886 samples of different pre-packaged products were evaluated and non-compliances were uncovered as summarised in the table below.

TABLE: SALE OF GOODS – TYPE OF CONTRAVENTIONS

Sale of goods -	Incidents of non-compliance	
Type of contravention	2018/19	2017/18
Short measure	2 458 – 11,2 %	1 590 – 7,4 %
Incorrect pack size	203 – 0,9 %	195 – 0,9 %
Unmarked goods	33 – 0,2 %	93 – 0,4 %
Other	0 – 0,0 %	9 – 0,1 %
Total	2 694 – 12,3 %	1 887 – 8,8 %

Samples tested



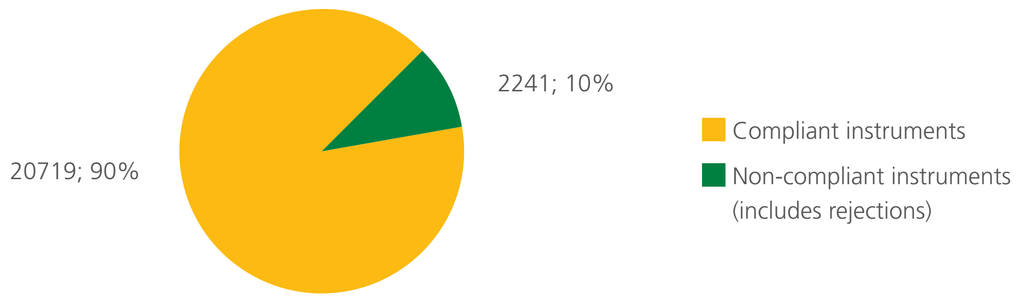
The upward trend in non-compliances can be attributed to the continued market surveillance inspections in the area of pre-packaged goods.

With regard to measuring instruments, a total number of 22 960 instruments were inspected and the following were noted:

TABLE: INSTRUMENTS – TYPE OF CONTRAVENTIONS

Instruments -	Incidents of non-compliance	
Type of contravention	2018/19	2017/18
Verification status lapsed	1 861 – 8,1 %	2 055 – 8,4 %
Unapproved	115 – 0,5 %	563 – 2,3 %
Inaccuracy	87 – 0,4 %	44 – 0,2 %
Technical, marking and other non-compliances	178 – 0,8 %	321 – 1,3 %
Total	2 241 – 9,8 %	2 983 – 12,2 %

Complliance of instruments inspected

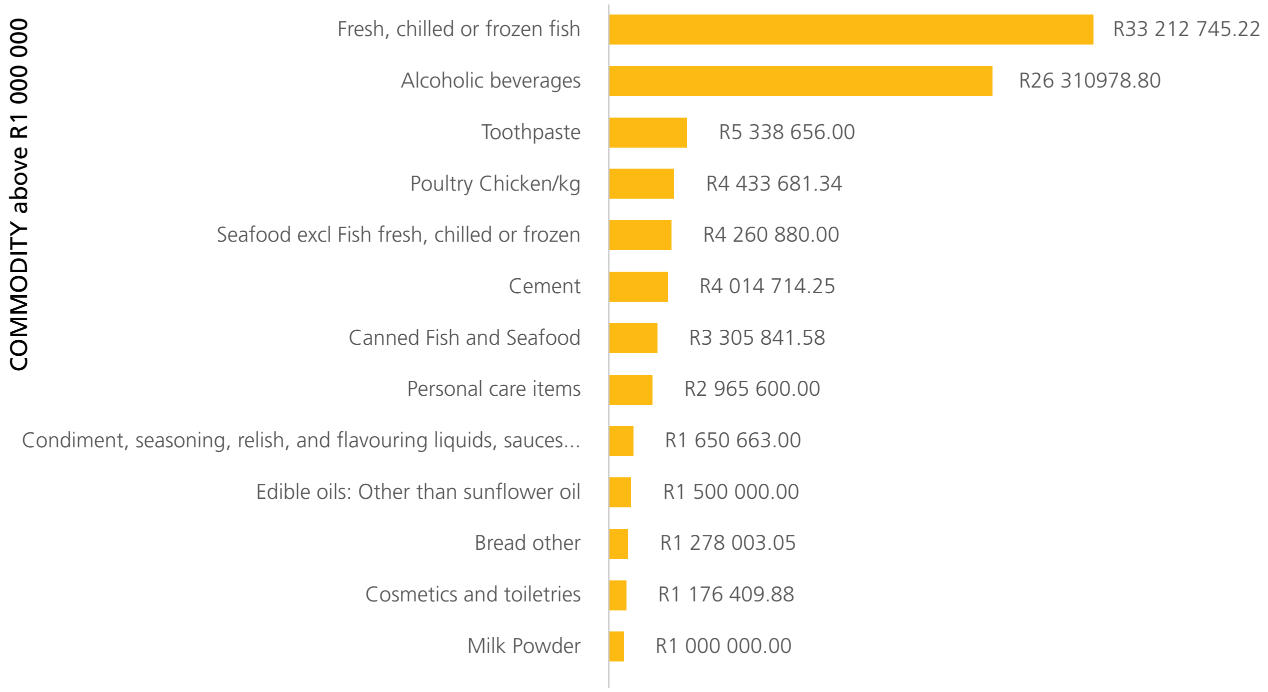


The verification status of measuring instruments as well as the number of unapproved measuring instruments that found their way into the market continued to be the main non-compliance issues. The downward trend in the number of identified non-compliances can be contributed to the effectiveness of inspections in the marketplace.

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 2 694 embargoes for pre-packed goods and 2 241 rejections for measuring instruments. Legal Metrology market surveillance inspectors also issued warnings to 216 businesses for supplying non-compliant pre-packed goods or instruments and instituted legal proceedings against 14 repeat offenders on 208 counts.

The total monetary value of the products tested by Legal Metrology market surveillance inspectors amounted to R2 135 million. The total value of the products found non-compliant through testing, that were either removed from the market or corrected before being sold, amounted to R131.9 million. This is a substantial figure if one considers that our current market coverage is below 20%.

VALUE OF NON-COMPLIANT PRODUCTS TESTED



The four SANAS accredited calibration laboratories situated in Cape Town, Durban, Port Elizabeth and Pretoria inspected and calibrated 9 503 mass verification standards, 646 volumetric verification standards and 376 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.

To ensure that verification officers working for the 122 designated verification laboratories are competent, verification officers have to pass the required theoretical and practical examinations. A total number of 285 theoretical verification officer examination papers were written, of which 172 passed. Seventy one (71) candidate verification officers passed their practical evaluations on verifying measuring instruments.

Legal Metrology further provided support to SANAS, in the form of lead or technical assessors, to conduct assessments on verification laboratories. A total number of 98 man days were utilised in the assessment of verification laboratories by assessors from Legal Metrology. The assessment of verification laboratories remains strategic to the National Regulator because it underpins confidence in the designation of the laboratories to operate under the LMA.

An interim requirement was developed by the Legal Metrology unit and approved by the CEO of the NRCS to establish the criteria for instruments that measure average speed over distance (ASOD). This will give traffic law enforcement officials the ability to make use of type-approved and verified average speed over distance measuring instruments to prosecute traffic speed violators in this respect.

Inspectorate capacity

To ensure the capacity of Legal Metrology market surveillance inspectors received theoretical and practical training on various technical regulations as well as quality system verification procedures.

National, regional and international liaison

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

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

The unit hosts the secretariat of OIML Technical Committee 6 Pre-packaged products (OIML TC 6) which deals with labelling and quantity requirements for pre-packaged goods.

The head of the Legal Metrology Business Unit represented South Africa at the 53rd CIML meeting (steering committee for the OIML) in Hamburg, Germany, to review the organisation's technical progress and administrative operations. During these meetings Legal Metrology also participated in the Regional Legal Metrology Organisation (RLMO) roundtable meeting to ensure the development of legal metrology in the region and on the African continent and attended the OIML Seminar entitled Legal Metrology in Practice.

The unit also provides the secretariat for the SADC Cooperation in Legal Metrology (SADCMEL). The secretariat was responsible for arranging the 33rd SADCMEL meeting in March 2019 in Windhoek, Namibia. Staff members of Legal Metrology also attended the SADCMEL EXCO, SADCMEL TC, SADCMET and TBTEG meetings. The involvement of the Legal Metrology unit and the attendance of the above meetings is considered valuable as it furthered the commitment of the NRCS to play a leading role in regional legal metrology matters of interest.

The Legal Metrology unit further provides the co-secretariat for the Intra-Africa Metrology System – AFRIMETS Legal Metrology. The secretariat was responsible to arrange a TC – Legal meeting as well as a Legal Metrology workshop covering the requirements of the OIML Certification System. Currently a staff member of Legal Metrology Business Unit is the Vice-chairperson: Legal for AFRIMETS. Staff members attended the AFRIMETS GA and AFRIMETS EXCO meetings. Participation ensured that the NRCS received exposure as a leading regulator in the field of legal metrology and associated fields and that the objectives of AFRIMETS was met.

There are currently 94 local manufacturers and 61 importers registered by the NRCS under the e-Mark scheme and 20 local manufacturers and 102 importers are in different stages of registration. The NRCS and the National Standards Institute of Namibia are currently reviewing a draft Mutual Acceptance Arrangement to formalise the recognition of the e-Mark schemes of the respective entities.

The Legal Metrology business unit chaired four SABS committees dealing with legal metrology standards, and specialists and inspectors from the unit 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 NRCS remained at the cutting edge of technological developments in the field of legal metrology.

STAKEHOLDER ENGAGEMENT

Legal Metrology created awareness and informed South African commerce and industry about legal metrology technical regulation requirements through meetings with various stakeholders in the retail, cosmetics and aerosol sectors.

A formal Verification Body Sector meeting was held with the view of informing verification bodies, carrying out verifications on behalf of the National Regulator, of the LMA and its requirements and implications.

Legal Metrology also collaborated with the Food and Associated Industries Business Unit to ensure that imported or locally manufactured fish products complied with legal metrology requirements.

HIGHLIGHTS

The overwhelming majority of applications were finalised within the target period, as elaborated under the overall performance section. The unit enjoyed mutually beneficial engagements on national, regional and international level.

CHALLENGES

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 and assessment activities. A project has commenced with the involvement of **the dti** to research and develop a suitable funding model for Legal Metrology in the future.

CONCLUSION

Through the Legal Metrology Business Unit, the NRCS remains committed to protect the right of consumers to receive the correct quantity of goods as claimed or displayed on the labels of pre-packages or services for which they pay. The unit ensured confidence in the measurements made by the South African industry that will ultimately lead to increased market access of 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 business unit's role within the NRCS is to ensure continued effectiveness, efficiency and relevance of regulatory activities through the development of new and the amendment of existing VCs or TRs. The unit conducts impact and risk assessments to determine the feasibility of new compulsory specifications, technical regulations, as well as the revision and amendment of existing ones.

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

The RR&D Business Unit develops and maintains VCs and TRs for the five broad sectors under the NRCS, namely, Automotive; Electro-technical; Chemicals, Mechanical and Materials (CMM); Food and Associated Industries (FAI); Building and Construction Materials; and for fair trade based on accurate measurements under the Legal Metrology Act. The unit develops and maintains VCs and TRs through activities such as the following:

a) Identification of the need for new or amendments to the VCs and TRs, according to the latest international and national requirement;

b) Conduct feasibility studies, risk assessment and impact assessment in the process of determining the minimum requirements in VCs and TRs;

c) Collaboration with stakeholders on the determination minimum requirements and associated conformity assessment activities in VCs and TRs;

d) Regulatory research to benchmark NRCS's regulatory practices with international best practice and to inform regulatory decisions that are included in VCs and TRs;

e) Support the Industrial Policy Action Plan (IPAP) of the Department of Trade and Industry (**the dti**) by developing VCs and TRs that promote industrial development initiatives across different key action programmes such as green industries, electro-technical, footwear, plastics and chemicals, automotive products and components, agro-processing and growing the Oceans Economy.

OVERALL PERFORMANCE

The development and maintenance of VCs and TRs

Twelve (12) VCs/TRs were targeted for approval by the CEO for submission and publication by **the dti**. Six VCs/TRs were submitted to **the dti** for first gazetting and another six VCs/TRs for final publication in the Government Gazette. This represents an achievement of 100% of the set target. The 12 compulsory specifications approved by the CEO of the NRCS for submission to **the dti** during the period under review, are as follows:

- First gazette of VC 9085, amendment of the Compulsory Specification for Cement.
- First gazette of VC 9100, proposed new Compulsory Specification for processed meat products.
- First gazette of VC 8048, amendment of the Compulsory Specification for Replacement light sources for motor vehicles.
- First gazette of VC 8049, amendment of the Compulsory Specification for Replacement headlights for motor vehicles.
- First gazette of VC 8050, amendment of the Compulsory Specification for Replacement secondary lights for motor vehicles.
- First gazette of VC 8051, amendment of the Compulsory Specification for Replacement safety glazing for use in road vehicles.
- Final gazette of VC 8014, amendment of the Compulsory Specification for canned fish, canned marine molluscs and canned crustaceans and products derived therefrom.
- Final Publication of VC 8006, amendment of the Compulsory Specification for flexible cables for electrical appliances.
- Final gazette for the proposed administrative regulatory requirements for imported fish and fishery products, and canned meat products regulated under the NRCS.
- Final gazette of VC 9107, new Compulsory Specification for aqua cultured live and raw chilled bivalves.
- Final gazette of VC 9106, proposed new Compulsory Specification for Polymer film for damp-proofing and waterproofing in buildings.
- Final gazette of VC 8036, amendment of the Compulsory specification for circuit breakers.

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

Programme/Project	Key actions/quarterly milestones	Progress to date
Technical infrastructure Realignment of technical infrastructure activities with IPAP sectors and 9-Point Plan priorities 10. Growing the Oceans Economy	2018/19 Q1-Q4: Develop a Compulsory Specification for dried abalone.	Work in progress. The feasibility study recommending the development of a compulsory specification (VC) for dried abalone was completed in 2017. SANS 2329 for dried abalone is to be referenced in the proposed VC has been published. A risk assessment report was approved by the Projects Approval Committee (PAC) on 7 December 2018.
	2018/19 Q2: Amendment of the Compulsory Specification for frozen rock lobster and frozen lobster products derived therefrom (VC 8020).	Work in progress. The amendment of VC 8020 is underway. The stakeholder meeting to discuss the draft VC 8020 was held on the 7th February 2019. Draft and impact report for VC 8020 Amendment was approved by the Projects Approval Committee on the 7 March 2019.
	2018/19 Q1-Q4: Conduct a feasibility study for developing a Compulsory Specification for fish oil.	Target met. Feasibility report to develop a compulsory specification for crude fish oil was approved in May 2018. The NRCS made a formal request to **the dti** in May 2017 for assistance with consultation with the National Department of Health (NDOH) to resolve mandate issues regarding the regulation of fish oil. The NRCS is still waiting for a written response from the NDOH on the matter.
Technical infrastructure Realignment of technical infrastructure activities with IPAP sectors and 9-Point Plan priorities 14. Consumer protection initiatives	2018/19 Q1-Q4: Feasibility study on the need for a compulsory specification for Plywood and Composite Board.	The Feasibility Report is completed and was approved by the Projects Approval Committee on 07 December 2018. The assessment concluded that it is not feasible to regulate plywood and composite boards because there is no evidence of substantive risks to public health and safety, and the environment related to the product or its intended use. The project is now closed, no further work necessary.
	2018/19 Q1-Q4: The amendment of VC 9085, the compulsory specification for Cement.	The draft amended VC 9085 was submitted to **the dti** for gazetting for public comments on 09 April 2018. Referred back to NRCS for further consultation on levy. Two levy consultation meetings have been held with the industry on 30 November 2018 and 23 January 2019. The levy increase has been finalised with the industry. A submission for the gazetting of the levies will be submitted to **the dti** through the Fees Regulations.

In addition to the above the following were achieved:

- Three (3) correction notices published by **the dti**:
  - a) VC 8056, compulsory specification for pneumatic tyres for passenger cars and their trailers: correction notice published on 8 March 2019.
  - b) VC 8059, compulsory specification for pneumatic tyres for commercial vehicles cars and their trailers: correction notice published on 8 March 2019.
  - c) VC 8011, compulsory specification for lamp holders: correction notice published on 26 October 2018.
- Four (4) final gazettes of Compulsory Specifications published by **the dti**:
  - a) Final gazette of VC 9107, new Compulsory Specification for aqua cultured live and raw chilled bivalves published on 10 August 2019).
  - b) Final gazette of VC 8014, amendment of the Compulsory Specification for canned fish, canned marine molluscs and canned crustaceans and products derived therefrom published on 22 June 2018.
  - c) The amendment of VC 8056, the Compulsory specification for pneumatic tyres for passenger cars and trailers published on 10 August 2018.
  - d) The amendment of VC 8059, Compulsory specification for pneumatic tyres for

commercial vehicles and their trailers published on 10 August 2018.

- Three (3) first gazettes/ Notices for public comments were published by **the dti**:
  - a) The proposed amendment of VC 8076, the Compulsory Specification for Safety of Lighters was published on 22 June 2018 for public comments.
  - b) The proposed compulsory specification for processed meat products was published on 20 July 2018 for public comments.
  - c) The proposed amendment of the compulsory specification for canned meat products was published on 8 March 2019.
- Six (6) compulsory specifications still pending publication by **the dti**:

  – Two (2) first gazettes for public comments:
  - a) The amendment of VC 8035, the Compulsory Specification for earth leakage
  - b) VC 9103 - the proposed VC for safety of low power generating sets (portable generators).

  – Two (2) final gazettes:
  - a) The proposed VC 9012 - Compulsory Specification for electric luminaires.
  - b) Final gazette for the proposed administrative regulatory requirements for imported fish and fishery products, and canned meat products regulated under the NRCS.
  - c) The proposed amendment of VC 8055, compulsory specification for electrical and electronic apparatus.
  - d) The proposed compulsory specification for Specification for flexible cables for electrical appliances, VC 8006.

Approvals

The RR&D Project Approvals Committee reviewed and approved a number of project reports. Significant progress was made towards completion of other projects, some of which were not targeted for completion during the period under review, but are part of the progressive achievement of project milestones by RR&D.

In addition to performance indicated above, extensive research was conducted as part of several feasibility studies, risk and impact assessments during the year. The reports produced through these processes are approved by the Project Approvals Committee (PAC) which is responsible for managing the progress and quality control of projects registered in the Regulatory Research and Development Business Unit . Its main role is to appraise and approve technical reports produced during the projects and to make recommendations on actions needed to improve outcomes prior to submission to the NRCS's Technical Committee. During the 2018/19 financial year, the PAC reviewed and approved the following submissions:

- Periodic review reports:
  - a) Periodic Review of VC 8079, Compulsory Specification for Gaming Devices.
- Feasibility reports for development of eight new VCs and TRs:
  - a) The feasibility report of the proposed development of a compulsory specification for crude fish oil.
  - b) The feasibility report of the proposed development of a technical regulation for clinical thermometers.
  - c) The feasibility report of the proposed development of a technical regulation for medical syringes.
  - d) The feasibility report of the proposed development of a technical regulation for moisture meters for cereals and grain.
  - e) The feasibility report of the proposed development of a compulsory specification for aqua cultured sea urchin.
  - f) The feasibility report of the proposed development of a compulsory specification for Plywood and Composite Board and subsequent closure of the project.
  - g) The feasibility report on the amendment of the National Building Regulations Part H: Foundations.
- Nine (9) project proposals:
  - a) Project proposal for the amendment of the compulsory specification for the replacement safety glass for use in road vehicles, VC 8051.
  - b) Project proposal for the amendment of the compulsory specification for the replacement incandescent lamps for motor vehicles, VC 8048.
  - c) Project proposal for the amendment of the compulsory specification for the replacement headlights for motor vehicles, VC 8049.
  - d) Project proposal for the amendment of the compulsory specification for the replacement secondary lights for motor vehicles, VC 8050.
  - e) Project proposal for the amendment of compulsory specification for gaming devices, VC 8079.
  - f) Project proposal for the new compulsory specification for Dried Abalone, VC 9108.

g) Project proposal for the amendment of compulsory specification for frozen lobsters and products derived therefrom, VC 8020.

h) Project proposal for the amendment of compulsory specification for ball type couplings and towing brackets for towing caravans and light trailers, VC 8065.

- Three (3) risk assessment reports:
  - a) The risk assessment report for the proposed compulsory specification for dried abalone.
  - b) The risk assessment report for the proposed compulsory specification for sea urchin.
  - c) The risk assessment report for the proposed compulsory specification for the ballistic resistance of body armour.
- Six (6) impact assessment reports:
  - a) The impact assessment report for the proposed amendment of a compulsory specification for frozen lobsters and products derived therefrom.
  - b) The impact assessment report for the proposed compulsory specification for processed meat products.
  - c) The impact assessment report for the proposed amendment of VC 8048, the compulsory specification for replacement light sources for motor vehicles.
  - d) The impact assessment report for the proposed amendment of VC 8049, the compulsory specification for replacement headlights for motor vehicles.
  - e) The impact assessment report for the proposed amendment of VC 8050, the compulsory specification for Replacement secondary lights for motor vehicles.
  - f) The impact assessment report for the proposed amendment of VC 8051, the Compulsory Specification for replacement safety glazing for use in road vehicles.

STAKEHOLDER ENGAGEMENT

During 2018/19, the Regulatory Research and Development Business Unit hosted 16 official stakeholder consultation meetings on proposed regulatory interventions. These meetings are open to any affected or interested party and are widely attended, however, more effort is needed to attract more participation of small, medium and micro-sized enterprises (SMMEs) to these meetings. The unit participated in 35 SABS technical committee meeting to develop standards. Furthermore, the unit also hosted or participated in 160 general liaison meetings with internal and external stakeholders to discuss various aspects affecting VCs or TRs that are being developed or amended.

The business unit hosted or participated in intergovernmental meetings hosted by other departments such as **the dti**, Department of Transport, Department of Environmental Affairs, Department of Health and the Department of Agriculture, Fisheries and Forestry (DAFF). Staff members also participated in several intergovernmental coordinating structures such as the National Interdepartmental Sanitary and Phytosanitary measures (SPS) and Technical Barriers to Trade (TBT) fora; Interdepartmental Task Team on Food Control; the Multi-sector Committee on Chemicals Management (MCCM); Department of Transport's Vehicle Technical Committee (VTC) forum; and the Appliance Standards and Labelling group of the Department of Energy.

The unit participated in the 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. A staff member of the Regulatory Research and Development Business Unit was appointed as chairperson of SABS/TC 022 – Construction of motor vehicles. Furthermore, the unit also co-hosted the 2018 Annual BCO Convention with the City of Johannesburg. The convention was attended by over 200 delegates from various municipalities and entities around South Africa.

RR&D participated in the Listeria Economic Impact Steering Committee meetings led by **the dti** and the Listeriosis Outbreak Response Task Team meetings and workshops led by the National Institute for Communicable Diseases (NICD). RR&D participated as a panelist for the topic on Food Safety In The Digital Era at the Annual Summit of the Consumer Goods Council held on 14 November 2018. The unit also provided training and/or made presentations to relevant forums that deal with TRs such as the Agro-processing Forum led by DAFF and **the dti** held on 8 May 2018, and the Mobility Centre for Africa (MCA) Autonomous Vehicle (AV) pilot programme.

Regional and international involvement

During the period under review, the Regulatory Research and Development Business Unit participated in several regional and international initiatives that are part of the on-going effort to foster strategic partnerships with other regulators, policy makers and industries in order ensure relevance of the outcomes of the processes to development and maintain compulsory specifications. The first event was the 40th Annual International Standards Organisation's (ISO) Consumer Policy Committee (COPOLCO) meeting in Bali, Indonesia on 7 - 11 May 2018. The NRCS is a Participating (P)-Member of the SABS/ Technical Committee (TC) 007 for Consumer Standards/ Consumer Policy Committee, also known as COPOLCO. TC 007 is SA's mirror committee of the ISO COPOLCO dealing with SA National Standards that affect consumer interests. COPOLCO is a strategic think tank to enhance a constructive dialogue and collaboration on the emerging consumer needs to enable standardisers and regulatory authorities to respond appropriately. The NRCS also participated in two SADC Technical regulations liaison committee meeting on approximation of fishery products and cement technical regulations in June (4 - 7) and November (12 - 16) 2018, respectively.

TRAINING

Regulatory Research and Development staff members were engaged in many training programmes nationally and internationally to improve skills and competency. Two staff members attended the Regulatory Impact Assessment (RIA) training in Rome, Italy on 15 - 19 October 2018. One staff member participated at the World Trade Organization's advanced course on Sanitary and Phytosanitary measures (SPS) follow-up session on 4 - 13 July 2018. The course required participant to develop action plans to address specific SPS implementation challenges and opportunities in their own countries through the assistance of fellow participants, speakers and coaches. One staff member attended the International Organization of Legal Metrology (OIML) training 14 - 17 July 2018.

CHALLENGES

The unit is faced with several challenges affecting its performance, including the following:

- Intra-governmental consultation process to obtain concurrence on proposed regulatory interventions are lengthy due to lack of, or slow, response from relevant departments. Certain matters need to be cleared with relevant departments to avoid infringement in to their scope of work or duplication of regulatory effort, this delays the process of making regulatory decisions.
- The unit's performance remains constrained in terms of alignment of development of technical regulations under the Legal Metrology Act, 2014 (Act No. 9 of 2014) as well as the increased scope thereof. Availability of South African National Standards (SANS) for referencing in proposed regulatory interventions can also result in delays.
- Challenges with the rapid technological changes together with lack of participation by experts in various fields including the availability of official research articles or relevant quantitative data to aid in comprehensive regulatory impact assessments in proposed compulsory specifications.
- Delays in publication of several VCs submitted to **the dti** due to objections to proposals by industry members with differing positions on regulatory or technical requirements. These objections significantly delay the progress of other projects and the performance of the unit because of the length of time it takes to resolve these issues. This matter is now a standing item on NRCS and **the dti** meetings.
- The lack of required testing facilities such as accredited laboratories delay the implementation of new regulatory requirements to align with the availability of testing services.

CONCLUSION

The RR&D Business Unit provided the necessary support to the achievement of the NRCS Strategy during 2018/19. In the coming financial year, RR&D will focus on NRCS-SABS liaison committee on standards development as well as finding solutions for testing facilities needed for new regulatory interventions. Furthermore, the unit will conduct a gap analysis on the newly published Legal Metrology Regulation (No. 877 of 24 August 2018) and interim regulatory measures in order to assess the need for individual additional technical regulations.

The unit intends to improve human capacity by employing economists as they can add value to the regulatory impact assessments for all new and amended VCs and TRs in line with the socio-economic impact assessments (SEIAS). This will strengthen good regulatory practices and support evidence-based decision-making for all VCs and TRs.

COMMUNICATIONS AND MARKETING

OVERVIEW

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

The unit is responsible for the NRCS 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.

OVERALL PERFORMANCE

Consumer education and awareness

During the year under review, the Communications and Marketing Business Unit continued to work with various stakeholders in marketing the NRCS and strengthen its brand. The unit conducted several consumer awareness programmes in partnership with other government departments and agencies as well various municipalities across the country.

The unit conducted 22 consumer awareness programmes exceeding the annual performance target of 2018/19. These programmes – conducted in North West, Limpopo, Northern Cape, Western Cape, Gauteng, KwaZulu-Natal and Northern Cape – played a key role in educating thousands of vulnerable community members about the dangers of using unsafe products.

Multi-media campaigns

During the Safer Paraffin Stoves Campaign, the unit hosted a community radio link up programme with 15 community radio stations across the country. The main link was in KwaZulu-Natal. It was transmitted via satellite throughout the country.

The unit participated in a live broadcast hosted by the SABC during the World Consumer Rights Month in KwaZulu-Natal. The unit is also in the process of finalising the appointment of a communications company to render various service such as television production, printing and so on, to robustly market the organisation.

Media statements and interviews

The unit communicates organisational messages and key activities through various media platforms. During the period under review, the unit compiled and distributed several media releases on topical issues and regulatory activities of the NRCS. It is through this platform that the unit is able to reach and educate a wider audience. Eight media statements were issued during this period, aimed at popularising a variety of NRCS campaigns. The unit facilitated several media interviews with media houses such ENCA, SABC radio, East Coast radio and Capricorn FM, to mention a few.

Publications

To enhance communication with staff and with industry, the unit compiled 12 internal newsletters and produced four industry focused publications. All are available on the intranet and the NRCS website, respectively.

Marketing

The unit continuously used digital media platforms to market the organisation and create easy access to NRCS information, including regular updates of the website and Facebook page.

STAKEHOLDER ENGAGEMENT

The unit facilitated numerous stakeholder engagements aimed at shaping perceptions and creating awareness of the NRCS. Stakeholders included, among others, municipalities, government departments and NGOs.

HIGHLIGHTS

Working with various stakeholders, the unit successfully staged events such as the BCO Conference in Johannesburg; the 10th year anniversary commemoration in Centurion; a Destruction Function in Midrand; and the OIML R 117 Project group meeting in Cape Town (in collaboration with the Legal Metrology Business Unit).

CHALLENGES

There were capacity issues during the year under review as the business unit did not have a full staff compliment.

CONCLUSION

The Communications and Marketing Business Unit achieved all its targets for the year. During 2018/19, the unit continued to make major strides in its drive to market and promote the NRCS and create an understanding of its role and mandate.

PART C: GOVERNANCE REPORT

Introduction

The NRCS was established on 1 September 2008, with the promulgation of the National Regulator for Compulsory Specifications Act, Act No. 5 of 2008 (NRCS Act). As a public entity, the NRCS is guided by the protocol on good corporate governance, as defined in the PFMA. In managing its activities, the organisation strives to achieve transparency, accountability, efficiency and the effective use of resources.

Executive Authority

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

Accounting Authority

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

Governance Committees

Audit and Risk Committee

The role of the Audit and Risk Committee is discussed on page 60.

Technical Committee

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

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

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

Risk management

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

The Audit and Risk Committee plays a significant role in ensuring compliance with good corporate governance principles, aiding the Accounting Authority in the management of the NRCS's risks. The committee also plays a significant role in identifying strategic areas of concern.

Internal control

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

Internal audit

Key activities and objectives

The NRCS considers efficiency and effectiveness in its operations, compliance with applicable laws, regulations, codes and its own ethical standard and internal policies to be integral part of its business culture. Its Internal Audit unit therefore provides independent, objective assurance and consulting services to add value and improve organisations operations. It brings 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, compliance, performance, financial, IT as well as forensic audits. At present, the unit comprises four employees in total and is complemented by co-sourced internal audit partner.

The Audit Committee is satisfied that the Internal Audit unit is independent and appropriately resourced to provide assurance on the adequacy and effectiveness of the internal control environment of the NRCS. The Internal Audit Manager reports functionally to the Audit Committee and administratively to Chief Executive Officer / Accounting Authority

Audit engagements during the year

Blended engagements (Both assurance and consulting) were conducted within all core business units, Finance, Information Technology, Performance Information, Human Capital Management including payroll with specific focus on risk management, control and governance's processes. The results of these engagements highlighted instances where some internal controls are partially and not adequate and therefore not effective in providing reasonable assurance that the objectives will be achieved. *Management has since provided an action plan to address all the deficiencies noted.*

Internal Audit followed up on the Auditor-General audit findings. Particular attention was given to information Technology audit findings, where results from the follow up –revealed inadequate controls that requires urgent intervention's.

During the year Internal Audit conducted preliminary investigations in-house as well investigations through appointed service providers and reports were issued with findings, conclusions and recommendations for management considerations.

Among others Internal Audit strategy, charter and policies were reviewed and approved by the Audit & Risk Committee to ensure continued alignment with the International Professional Practice Framework on Internal Auditing.

Fraud and corruption

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

Minimising conflict of interest

The NRCS has a Conflict of Interest Policy which guides employees with regards to potential conflicts of interest and acceptance of gifts from suppliers or regulated organisations. The Conflict of Interest Policy was reviewed during the financial year. Employees are required to declare their financial interests annually, at management meetings, and for each project that requires a decision of a financial nature. All gifts above the value of R350 must be declared and entered into the Gifts Register. To minimise potential conflicts of interest, no NRCS employee is allowed to undertake remunerative work outside of the NRCS without prior approval.

Code of conduct

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

Health, safety and environment

The NRCS operates under the Occupational Health and Safety Act No. 181 Of 1993 and the Compensation of Occupational Injuries and Diseases Act, No 61 of 1997. The NRCS had no serious injuries for the reported period.

Employee wellness programme

The employee wellness programme within NRCS is overseen by the HR Business Unit and the employee wellness program is outsourced to an independent company that provides professional assistance to employee as far as their emotional wellbeing is concerned. During the period under review newsletters were published on different health, wellness and safety conditions. Consultations on health and wellness issues were conducted and referrals were made accordingly. Various groups sessions were also provided to NRCS employees and various "Wellness days" were conducted.

The identified health risks were:

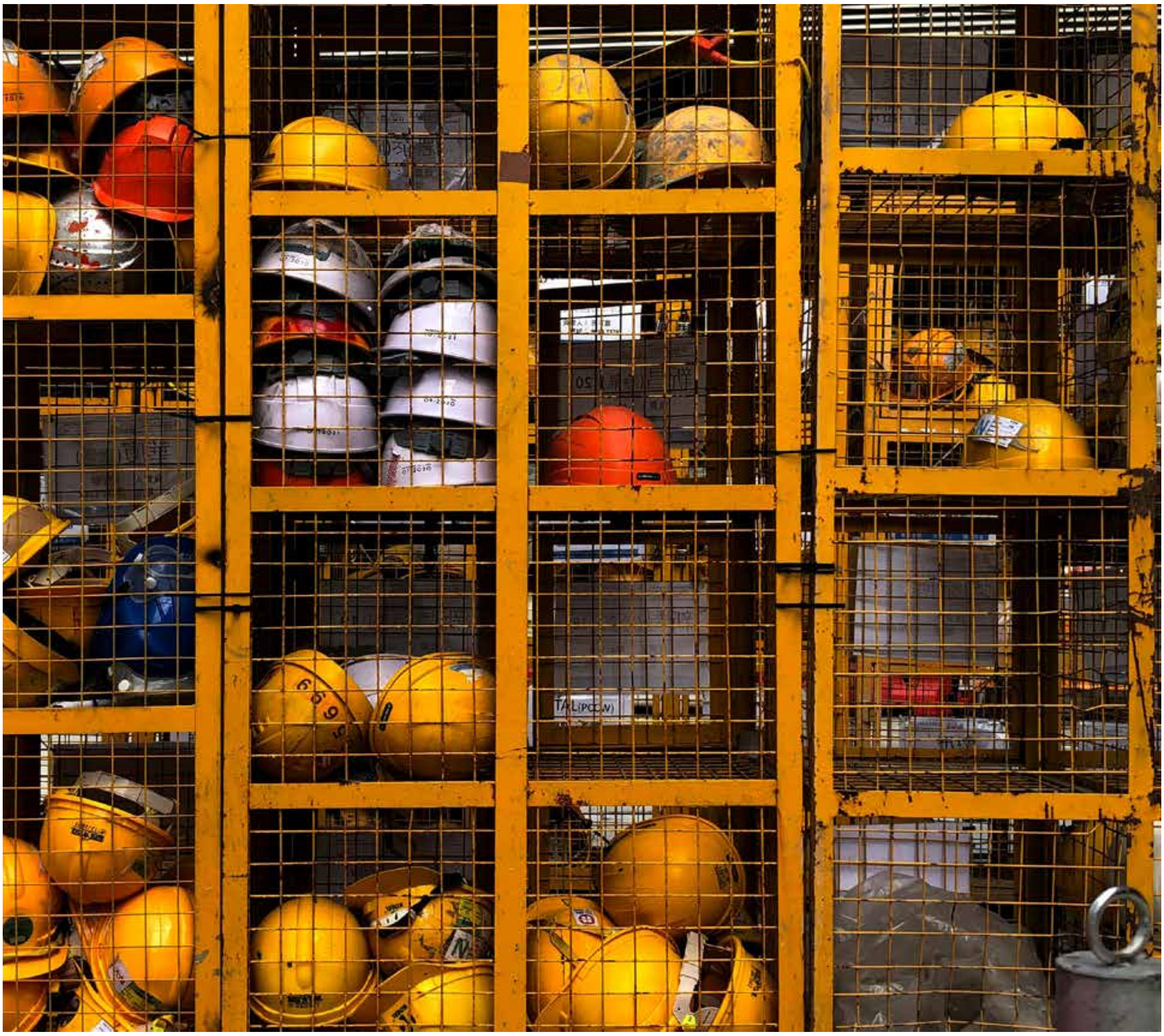
1. Cardio Vascular diseases (High Blood Pressure)
2. Muscular-skeletal problems
3. Diabetes Mellitus (Sugar)

Therefore, the following were conducted as mitigating measures:

- Wellness days were held
- Exercise program is running Monday to Thursday.
- Wellness consultations are done
- Primary health care consultations and monitoring are done for new and chronic diseases
- Lifestyle and safety articles are send to all employees.

Occupational Safety

- Risk assessments were done in all areas to ensure hazards are identified and mitigated.
- Safety audits were done to identify and correct any non-compliances against the OHS act.
- Incidents are investigated as and when and causes mitigated.
- PPE is supplied to employees according to the risks they are exposed to.



REPORT OF THE AUDIT AND RISK COMMITTEE

The Audit & Risk Committee (the committee) is pleased to present its report for the financial year ended 31 March 2019.

The committee's statutory responsibilities are defined by the Public Finance Management Act and Treasury Regulations

ABOUT THE COMMITTEE

The committee operates under a formal terms of reference which is regularly reviewed. The committee has conducted its affairs and discharged its responsibilities in compliance with these terms of reference.

Committee members and attendance

In terms of its terms of reference, the committee should comprise three independent members. During the year under review, four Audit & 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:

Name and surname	Qualifications	Tenure Period (1)	Tenure Period (2)	Number of meetings attended	Special meetings
Mr Sikkie Kajee - Chairperson	Chartered Director (SA), MBA,CIA, FCIS and BCompt (Hons)	20 March 2013 -29 February 2016	29 Feb 2016 – 29 March 2019	4/4	0/0
Mr Adam Cowell	CA(SA)	01 March 2013 -29 February 2016	29 Feb 2016 – 29 March 2019	4/4	0/0
Ms Crystal Abdoll*	CA(SA), CIA	27 June 2017- 26 June 2020	N/A	2/4	0/0
Ms R Ramatla Representative of **the dti**	BCom (Hons)	N/A	N/A	4/4	0/0
Mr Suleman Badat	CA (SA) BCom	28 January 2019 – 27 January 2022		1/1	0/0
Ms Sizo Mzizi	BCom (Hons) ACMA, CGMA, ACIS	28 January 2019 – 27 January 2022		0/0	0/0
Adv Johannes Weapond	B.Juris, LLB, B.Com (Hons), BTech	25 March 2019 – 24 March 2022		0/0	0/0

*Ms Crystal Abdoll ceased to be a member during the year due to her termination for failure to attend meetings as per the committee's terms of reference

Role and responsibilities
For the financial year ended 31 March 2019, the Committee reviewed:

- The external audit plan and fee
- Quarterly financial and performance reports
- Appropriateness of accounting policies
- Internal audit and risk management reports

- The internal audit plan and the adequacy of internal audit resources
- The internal audit charter and policies
- The Audit Committee Charter
- The unaudited annual financial statements, annual report and report on predetermined objectives prior to submission to the external auditors

Internal control, risk governance, legal and regulatory compliance and safety management

Based on the results of internal and external audit reports, and information and explanations given by management, the committee is of the view that the systems of internal control, risk governance and legal and regulatory compliance were partially adequate and therefore not effective in providing reasonable assurance that the objectives will be achieved. Management is in the process of instituting measures to remediate the deficiencies identified relating to governance, risk management and compliance.

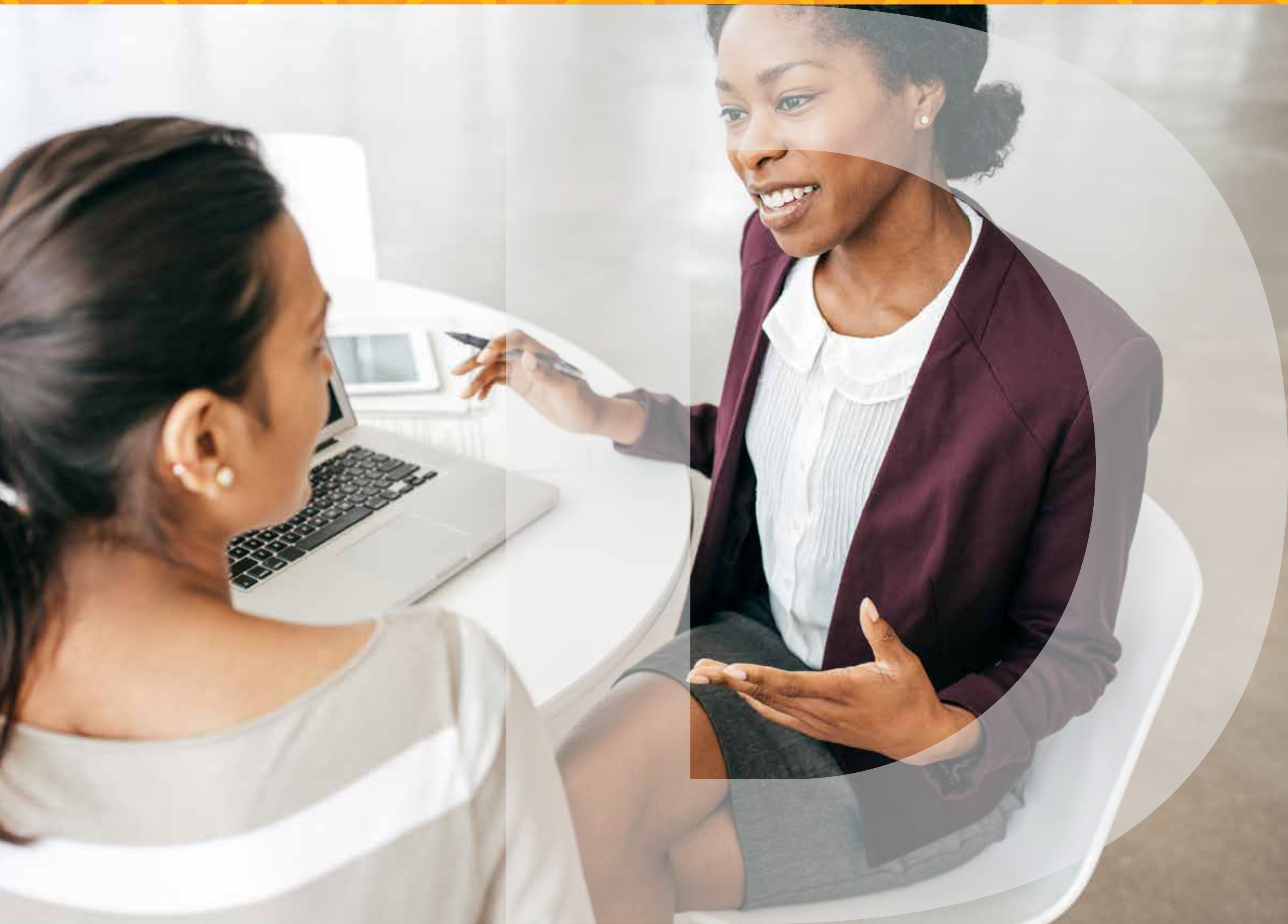
External audit outcome

The Committee noted the qualified audit opinion which the entity received on its annual financial statements. The revenue qualification remains an issue in spite of the many actions taken by management to try and resolve the matter. More work still needs to be done in this area.

The external auditors raised more findings than the previous year including a concern with respect to the adequacy of oversight regarding financial reporting processes to ensure complete and accurate financial reporting. These findings require urgent attention by management and oversight by the committee.

On behalf of the Audit and Risk Committee

Suleman Badat
Chairman
10 September 2019



PART D: **HR MANAGEMENT**

Introduction

The Human Resource main objective is to ensure that the NRCS is capacitated with competent, effective and adequate human resources that will ensure that the NRCS mandate is carried out efficiently and effectively.

Overview of HR matters

HR priorities for the year

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

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

Workforce planning framework

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

Employee performance management framework

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

Employee wellness programme

The employee wellness programme within NRCS is divided into two parts, one overseen by the HR Business Unit and the other part outsourced to an independent company that provides professional assistance to employee as far as their emotional wellbeing is concerned. During the period under review newsletters were published on a monthly basis on different health, wellness and safety conditions, as required by the employees. Consultations on health and wellness issues were conducted and referrals were made accordingly. Various groups sessions were also provided to NRCS employees and wellness days were conducted.

Policy development

HR business unit embarked on a project to review NRCS HR policies to align them to the wage agreements signed and also to relevant legislation. The project is ongoing.

Achievement highlights and challenges faced

Wage agreements were concluded within the period under review and 80% of what was in the agreement was implemented within the agreed timelines. The remainder 20% not finalised due to other stakeholders (NEHAWU) not participating. This has also affected the progress in finalising the review of the HR policies.

Future HR plans/goals

- To automate and take ownership of the payroll system as it is currently manual and outsourced to an external service provider.
- To review and revised NRCS fundamental roles, responsibilities, processes and accountabilities.
- To realign NRCS's organisation policies, people, process and technology to meet defined human resources demands.
- To Revised roles for human resources
- Optimise human resources business processes to ensure organisational efficiency
- Integrate the entire human resources value chain from human resources governance framework to service delivery

HR oversight statistics

Human Resources Expenditure

Personnel costs by programme, 2018/19

Programme	Total Expenditure (R'000)	Total Employment Costs (R'000)	Personnel Expenditure including Performance Bonus and Overtime *	Personnel Expenditure Excluding Performance Bonus and Overtime **	Training Costs	Personnel cost including performance bonus as % of total expenditure	Personnel cost excluding performance bonus as % of total expenditure	Average Personnel Cost per employee Incl Performance Bonus and Overtime	Average Personnel Cost per employee (guaranteed package) Excl Performance Bonus and Overtime
Develop, maintain and administer VCs and TRs	8 965,00	8 232,00	7 187,00	6 878,00	128,93	80,17%	76,72%	798,56	764,22
Maximise compliance with all specifications and TRs	263 386,00	234 387,00	232 149,00	222 812,00	3 671,02	88,14%	84,60%	1 045,72	1 003,66
Inform and educate our stakeholders about the NRCS	7 252,00	4 732,00	4 695,00	4 464,00	74,11	64,74%	61,56%	782,50	744,00
Ensure an optimally capacitated institution	235 160,00	40 731,00	39 048,00	36 805,00	637,90	16,60%	15,65%	887,45	836,48
Administration	48 013,00	20 192,00	19 026,00	18 264,00	316,25	39,63%	38,04%	1 057,00	1 014,67
Total	562 776,00	308 274,00	302 105,00	289 223,00	4 828,21	53,68%	51,39%	1 010,38	967,30

* Personnel Expenditure = Total Employment costs - (Committee fees + Training costs + Long service awards + Post employment health care benefits)

** Performance bonus amounting to R11 473 million and overtime amounting to R1 409 million are not part of employee's package that is not part of the guaranteed employee package.

Personnel costs by salary bands, 2018/19

Salary bands	Employment Costs (R'000)	Personnel Costs (R'000)	% of total personnel cost	Personnel costs excluding performance bonus & Overtine (Guaranteed Package)	Average Personnel Cost per employee Incl Performance Bonus and Overtime	Average Personnel Cost per employee Excl Performance Bonus and Overtime
Contractors	276,00	276,00	0,09%	267,00	138,00	133,50
Interns 0	0,00	0,00	0,00%	0,00	0,00	0,00
Lower level skilled(13-16)	235,00	235,00	0,08%	231,00	235,00	231,00
Skilled(10-12)	52 282,49	51 118,59	16,92%	48 741,59	786,44	749,87
Professionally qualified(7-9)	192 179,39	188 093,90	62,26%	180 381,90	1 074,82	1 030,75
Senior management(4-6)	58 934,27	58 239,50	19,28%	55 516,50	1 098,86	1 047,48
Top management(2-3)	4 367,25	4 142,00	1,37%	4 085,00	1 380,67	1 361,67
Total/Average	308 274,40	302 105,00	100,00%	289 223,00	1 010,38	967,30

Salaries, Overtime, Home Owners Allowance and Medical Assistance by programme, 2018/19.

Programme	Personnel Expenditure	Basic Salaries		Overtime	
	Amount (R'000)	Amount (R'000)	Salaries as a % of personnel cost	Amount (R'000)	Overtime as a % of personnel cost
Develop, maintain and administer VCs and TRs	7 187,00	5 608,00	78,03%	-	0,00%
Maximise compliance with all specifications and TRs	232 149,00	179 417,00	77,29%	282,00	0,12%
Inform and educate our stakeholders about the NRCS	4 695,00	3 504,00	74,63%	65,00	1,38%
Ensure an optimally capacitated institution	39 048,00	29 460,00	75,45%	1 062,00	2,72%
Administration	19 026,00	15 526,00	81,60%	-	0,00%
Total	302 105,00	233 515,00	77,30%	1 409,00	0,47%

Salaries, Overtime, Home Owners Allowance and Medical Assistance by salary bands, 2018/19

Salary Bands	Personnel Expenditure	Basic Salaries		Perfomance Bonus/ 13th Cheque (Guaranteed Bonus)	
	Amount (R'000)	Amount (R'000)	Salaries as a % of personnel cost	Bonus/13th Cheque/ Guaranteed (R'000)	Bonus 13th Cheque as % of personnel cost
Contractors	276,00	267,00	96,74%	-	0,00%
Interns	-	-	-	-	-
Lower level skilled	235,00	146,00	62,13%	12,00	5,11%
Skilled	51 118,59	37 495,59	73,35%	3 656,00	7,15%
Professionally qualified	188 093,90	144 992,90	77,09%	12 492,00	6,64%
Senior management	58 239,50	46 978,50	80,66%	1 164,00	2,00%
Top management	4 142,00	3 635,00	87,76%	-	0,00%
Total	302 105,00	233 515,00	77,30%	17 324,00	5,73%

Perfomance Bonus/ 13th Cheque (Guaranteed Bonus)		Performance Bonus		Home Owners Allowance		Medical Assistance		Pension	
13th Cheque/ Guaranteed (R'000)	Bonus as % of personnel cost	Amount (000)	Performance Bonus as % of Personnel Costs	Amount (R'000)	HOA as a % of personnel costs	Amount (R'000)	Medical Assistance as a % of personnel cost	Amount	pension as a % of personnel cost
182,00	2,53%	309,00	4,30%	95,00	1,32%	370,00	5,15%	623,00	8,67%
13 771,00	5,93%	9 055,00	3,90%	3 617,00	1,56%	9 737,00	4,19%	16 270,00	7,01%
365,00	7,77%	166,00	3,54%	98,00	2,09%	187,00	3,98%	310,00	6,60%
2 555,00	6,54%	1 181,00	3,02%	595,00	1,52%	1 587,00	4,06%	2 608,00	6,68%
451,00	2,37%	762,00	4,01%	210,00	1,10%	658,00	3,46%	1 419,00	7,46%
17 324,00	5,73%	11 473,00	3,80%	4 615,00	1,53%	12 539,00	4,15%	21 230,00	7,03%

Performance Bonus		Overtime		Home Owners Allowance		Medical Assistance		Pension	
Amount (000)	Performance Bonus as % of Personnel Costs	Amount (000)	Overtime as a % of personnel cost	Amount (R'000)	HOA as a % of personnel costs	Amount ((R'000)	Medical Assistance as a % of personnel cost	Amount	pension as a % of personnel cost
-	0,00%	9,0	3,26%	-	0,00%	-	0,00%	-	0,00%
-	-	-	-	-	-	-	-	-	-
4,00	1,70%	-	0,00%	18,00	7,66%	42,00	17,87%	13	5,53%
1 803,00	3,53%	574,0	1,12%	1 291,00	2,53%	2 884,00	5,64%	3 415	6,68%
6 886,00	3,66%	826,0	0,44%	2 891,00	1,54%	7 273,00	3,87%	12 733	6,77%
2 723,00	4,68%	-	0,00%	415,00	0,71%	2 215,00	3,80%	4 744	8,15%
57,00	1,38%	-	0,00%	-	0,00%	125,00	3,02%	325	7,85%
11 473,00	3,80%	1 409,0	0,47%	4 615,00	1,53%	12 539,00	4,15%	21 230	7,03%

Employment and vacancies

Employment and vacancies by programme, 31 March 2019

Programme (Business units)	Number of posts	Number of posts filled	Vacancy Rate	Number of posts filled additional to the establishment
Automotive	45(2)	43	4.4%	
Business Support	5(3)	3	60%	
CMM	29(1)	28	3.4%	
Communications	6	6	0%	
Executive business	1	2	0%	
Electrotechnical	63	47	0%	
Finance	28(3)	27	10.7%	1X SCM Officer (Contract)
Foods	51(3)	47	5.8%	1X Admin Officer (Contract)
HR	11(3)	10	27.2%	
Internal Audit	4	4	0%	
IT Services	7(1)	6	14.2%	1X Project Manager: ICT Modernisation (Secondment)
Legal Metrology	69(3)	56	4.9%	
Legal services	5	5	0%	
NBR	3	3	0%	
Records Facilities	3	3	0%	
RR&D	6	6	0%	
Regulatory Management	2	1	0%	
Total	330(19)	297	6.05%	

***NB: The 330 is all positions on the structure and the 17 positions are the budgeted vacancies and 16 unfunded / unbudgeted for. Staff complement excluding temps.

Employment and vacancies by salary bands, 31 March 2019

Salary band	Number of posts	Number of posts filled	Vacancy Rate	Number of posts filled additional to the establishment
Top Management (P2-3)	3	3	0%	
Senior Management & high Level specialists (P4-6)	58 (8)	53	13.7%	1X Project Manager: ICT Modernisation (Secondment)
Middle Management superintendents and lower level specialists (P7-9)	193 (5)	175	2.7%	
Supervisors and high-level skilled/ clerical (P10-12)	71 (6)	65	8.4%	2 Contract Positions
Lower-level skilled/clerical (P13- 16)	5(0)	1	0%	
Total	330 (19)	297	6.05%	

Employment and vacancies by critical occupation, 31 March 2019

Critical occupations	Post level	Number of posts	Number of posts filled	Vacancy Rate	Number of posts filled additional to the establishment
Senior Manager: Legal Services	5	1	1	100%	-
General Manager: FAI	4	1	1	100%	-
General Manager: Electrotechnical	4	1	1	100%	-
General Manager: Legal Metrology	4	1	0	0,14%	-
Senior Manager Inspections	5	1	1	100%	-
Chief Financial Officer	3	1	1	100%	-
Chief Executive Officer	2	1	1	100%	-
Chief Operations Officer	3	1	1	100%	-
Chief Information Officer	5	1	0	0.14%	1
Total		9	7	99.28%	1

Critical occupation is from post level P1-P5

Job evaluation

Job Evaluation, 1 April 2018 to 31 March 2019

Salary band	Number of posts	Number of Jobs Evaluated	% of posts evaluated by salary bands	Posts Upgraded		Po sts downgraded	
				Numb er	% of posts evaluated	Number	% of posts evaluated
Lower skilled (Levels 1-2)	3	-	-	-	-	-	-
Top Management (P2-3)	4	-	-	-	-	-	-
Senior Management & high Level specialists (P4-6)	53	2	3.5%	1	50%	-	-
Middle Management superintendents and lower level specialists (P7-9)	171	5	3.14%	-	-	-	-
Supervisors and high-level skilled/clerical (P10-12)	89	-	-	-	-	-	-
Lower-level skilled/clerical (P13- 16)	10	-	-	-	-	-	-
Total	330	1	11.11%	-	-	-	-

Employees whose salary level exceeds the grade determined by job evaluation, 1 April 2018 to 31 March 2019

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

Profile of employees whose salary level exceed the grade determined by job evaluation, 1 April 2018 to 31 March 2019

Beneficiaries	African	Asian	Coloured	White	Total
Female	45	3	8	10	66
Male	19	1	5	1	26
Total	64	13	4	11	92
Employees with a disability	0	0	0	0	0

Employment changes

Annual turnover rates by salary band, 1 April 2018 to 31 March 2019

Salary Band	Number of employees per band as on 31 March 2019	Appointments and transfers into the NRCS	Terminations and transfers out of the NRCS	Turnover rate
Top Management (P2-3)	3	1	0	0%
Senior Management & high Level specialists (P4-6)	53	3	4	14%
Middle Management superintendents and lower level specialists (P7-9)	175	0	8	2.2%
Supervisors and high-level skilled/clerical (P10-12)	65	5	1	0%
Lower-level skilled/clerical (P13- 16)	1	0	0	0%
Total	297	9	13	3.7%

Annual turnover rates by critical occupation, 1 April 2018 to 31 March 2019

Occupation:	Number of employees per occupation	Appointments and transfers	Terminations and transfers out of the NRCS	Turnover rate
Senior Manager: Legal Services	1	0	0	0
General Manager: FAI	1	0	0	0
General Manager: Electrotechnical	1	0	0	0
General Manager: Legal Metrology	1	0	0	0
Senior Manager Inspections	1	0	0	0
Chief Financial Officer	1	0	0	0
Chief Executive Officer	1	0	0	0
Chief Operations Officer	1	1	0	0%
Financial Manager	1	0	1	100%
HRA Manager	1	1	0	0%
SCM Manager	1	0	1	0%
Senior Manager: HCM	1	0	1	100%
ER Specialist	1	0	1	100%
Chief Information Officer	1	0	0	0%
Total	14	2	4	29%

Reasons why staff leave the NRCS

Termination Type	Number	% of total
Death	-	-
Resignation	4	30%
Expiry of contract	2	15.38%
Dismissal – operational changes	-	-
Dismissal – misconduct	2	15.38%
Dismissal – inefficiency	1	7.69%
Discharged due to ill-health	-	-
Retirement	4	30.7%
Transfers to other Public Service Departments	-	-
Other	-	-
Total	13	100%
Total number of employees who left as a % of the total employment	-	4.4% (299)

Promotions by critical occupation

Occupation	Employees as at 31 Mar 2019	Promotions to another salary level	Salary level promotions as a % of employees by occupation	Progressions to another notch within a salary level	Notch progressions as a % of employees by occupation
Senior Manager: Legal Services	1		0%	1	100%
General Manager: FAI	1		0%	1	100%
General Manager: Electrotechnical	1		0%	1	100%
General Manager: Legal Metrology	0		0%	0	0%
Senior Manager Inspections	1		0%	1	100%
Chief Financial Officer	1		0%	0	0%
Chief Executive Officer	1		0%	0	0%
Chief Operations Officer	1		0%	0	0%
Chief Information Officer	1		0%	0	0%
Total	8		0%	4	100%

Promotions by salary band

Salary Band	Employees 1 April 2018-31 March 2019	Promotions to another salary level	Salary bands promotions as a % of employees by salary level	Progressions to another notch within a salary level	Notch progressions as a % of employees by salary band
Top Management (P2-3)	3	-	-	-	-
Senior Management & high Level specialists (P4-6)	53	-	-	52	99%
Middle Management superintendents and lower level specialists (P7-9)	175	2	1.14%	173	96%
Supervisors and high-level skilled/ clerical (P10-12)	65	-	-	65	100%
Lower-level skilled/clerical (P13-16)	1	-	-	1	100%
Total	297	2	1.14%	291	98.86%

Employment equity

Total number of employees (including employees with disabilities) in occupational categories as on 31 March 2019

Occupational categories	Male				Female				
	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Top Management (P1-P3)	1	-	-	-	1	-	1	-	3
Senior Management (P4-P6)	22	3	-	12	13	1	-	3	54
Professionally qualified and experienced specialists and mid-management, supervisors, foremen, and superintendent (P7-P9)	69	19	8	18	54	6	2	3	179
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents (P10-P12)	13	5	-	-	26	6	3	7	60
Semi-skilled and discretionary decision (P13-P16)	-	-	-	-	1	-	-	-	1
Unskilled and defined decision making (Interns)	-	-	-	-	-	-	-	-	-
Total	104	27	9	30	95	13	6	13	297
Employees with disabilities	-	-	-	-	-	-	-	-	-

Total number of employees with disabilities in occupational bands as on 31 March 2019

There are no employees with disabilities within NRCS.

Recruitment for the period 1 April 2018 to 31 March 2019 (inclusive of interns)

Occupational Bands	Male				Female				
	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Top Management	-	-	-	-	1	-	-	-	1
Senior Management	-	-	-	-	-	-	-	-	
Professionally qualified and experienced specialists and mid-management	1	-	-	-	2	-	-	-	3
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	2	-	-	-	3	-	-	-	5
Semi-skilled and discretionary decision making	1	-	-	-	3	-	-	-	4
Unskilled and defined decision making	-	-	-	-	-	-	-	-	-
Total	4	-	-	-	9	-	-	-	13
Employees with disabilities	-	-	-	-	-	-	-	-	-

Promotions for the period 1 April 2018 to 31 March 2019

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

Terminations for the period 1 April 2018 to 31 March 2019 (inclusive of interns)

Occupational Bands	Male				Female				
	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Top Management	-	-	-	-	-	-	-	-	-
Senior Management	4	-	-	2	1	-	-	1	8
Professionally qualified and experienced specialists and mid-management	1	-	-	1	1	-	-	-	3
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	-	-	-	-	1	-	1	-	2
Semi-skilled and discretionary decision making	-	-	-	-	-	-	-	-	-
Unskilled and defined decision making	-	-	-	-	-	-	-	-	-
Total	5	-	-	3	3	-	1	1	13
Employees with disabilities	-	-	-	-	-	-	-	-	-

Disciplinary action for the period 1 April 2018 to 31 March 2019

	Male				Female				
	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Disciplinary action	2	-	-	-	1	-	-	1	4

Skills development for the period 1 April 2018 to 31 March 2019

Occupational categories	Male				Female				
	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Top Management P 2-3	-	-	-	-	-	-	1	-	1
Senior Management P4-6	22	3		12	13	1		3	54
Professionally qualified and experienced specialists and mid-management P7-9	69	19	8	18	28	2	1	1	146
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents P10-12	11	2	-	-	28	6	3	6	56
Semi-skilled and discretionary decision making P13-16	-	-	-	-	4	-	-	-	4
Unskilled and defined decision making	-	-	-	-	-	-	-	-	-
Total	102	24	8	30	73	9	5	10	261
Employees with disabilities	-	-	-	-	-	-	-	-	-

Performance Bonus

Performance bonus were paid to NRCS employees during the 2018/19 financial year in order to promote and drive a high performance culture.

Salary Bands	Personnel Expenditure	Performance Bonus		
	Amount (R'000)	Amount (R'000)	Performance Bonus as % of Personnel Costs	Average Performance Bonus per employee (R'000)
Contractors	276,00	-	0,00%	-
Interns	-	-	-	-
Lower level skilled	235,00	4,00	1,70%	4,00
Skilled	51 118,59	1 803,00	3,53%	27,74
Professionally qualified	188 093,90	6 886,00	3,66%	39,35
Senior management	58 239,50	2 723,00	4,68%	51,38
Top management	4 142,00	57,00	1,38%	19,00
Total	302 105,00	11 473,00	3,80%	38,37

Foreign workers

Foreign workers by salary band, 1 April 2018 to 31 March 2019

Salary Band	1 April 2018		31 March 2019		Change	
	Number	% of total	Number	% of total	Number	% change
Top Management (P2-3)	-	-	-	-	-	-
Senior Management & high Level specialists (P4-6)	1	0.3%	1	0.3%	-	-
Middle Management superintendents and lower level specialists (P7-9)	-	-	-	-	-	-
Supervisors and high-level skilled/clerical (P10-12)	-	-	-	-	-	-
Lower-level skilled/clerical (P13- 16)	-	-	-	-	-	-
Total	1	0.3%	1	0.3%	-	-

Foreign workers by major occupation, 1 April 2018 to 31 March 2019

Major Occupation	1 April 2018		31 March 2019		Change	
	Number	% of total	Number	% of total	Number	% change
Technical Specialist	1	0.3%	1	0.3%	-	-
Total	1	0.3%	1	0.3%	-	-

Leave utilisation

Sick leave, 1 April 2018 to 31 March 2019

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)	25	(21) 84%	3	(3) 100%	12	154 639
Senior Management & high Level specialists (P4-6)	278	(195.5) 70%	41	(50) 82%	14.7	1 244 051
Middle Management superintendents and lower level specialists (P7-9)	1 132	(669) 59%	98	(176) 55.68%	8.65	3 326 844
Supervisors and high-level skilled/clerical (P10-12)	501	(305) 60.8%	38	(67) 56.7%	7.5	899 580
Lower-level skilled/clerical (P13- 16)	4	100%	1	100%	1	554.51
Total	1 940	-	181	-	43.85	5 625 668

Disability leave (incapacity – temporary and permanent), 1 April 2018 to 31 March 2019

Salary Band	Total days taken	% days with medical certification	Number of employees using disability leave	% of total employees using disability leave	Average days per employee	Estimated cost (R'000)
Top Management (P2-3)	-	-	-	-	-	-
Senior Management & high Level specialists (P4-6)	-	-	-	-	-	-
Middle Management superintendents and lower level specialists (P7-9)	252	28.76%	2	0.67%	0.84	R126 361.22
Supervisors and high-level skilled/clerical (P10-12)	504	57%	1	0.33%	1.69	R63 180,61
Lower-level skilled/clerical (P13- 16)	120	13.69%	1	0.33%	0.40	R63 180,61
Total	876	99.45	4	1	2.93	252 722.44

Note: Employees on disability are paid through the pension fund insurance component.

Annual Leave, 1 April 2018 to 31 March 2019

Salary Bands	Total days taken	Average per employee
Top Management (P2-3)	32	16
Senior Management & high Level specialists (P4-6)	703	(51) 13
Middle Management superintendents and lower level specialists (P7-9)	1 947.5	(147) 13
Supervisors and high-level skilled/clerical (P10-12)	859.5	(63) 13
Lower-level skilled/clerical (P13- 16)	15	15
Total	3 557	(264) 13.5

Capped leave, 1 April 2018 to 31 March 2019

Salary Bands	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 March 2019
Top Management (P2-3)	-	-	-
Senior Management & high Level specialists (P4-6)	333.5	(37) 9	13.5
Middle Management superintendents and lower level specialists (P7-9)	1 620.5	(130) 12.4	(50) 12
Supervisors and high-level skilled/clerical (P10-12)	384.5	(38) 10.1	11
Lower-level skilled/clerical (P13- 16)	-	-	-
Total	2 338.5	31.5	28

Leave pay-outs for the period 1 April 2018 to 31 March 2019

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	-	-	-
Capped leave & Current leave pay-out on termination of service	R568 625.46	7	R81 232.50
Total	R568 625.46	7	R81 232.50

HIV and AIDS & health promotion programmes

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

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	
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		1 person H de Beer
3. Has the NRCS introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of this programme.	x		Counselling & Promotion of all areas
4. Has the NRCS established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.		x	
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		
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	
7. Does the NRCS encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have you achieved.	x		20 tested
8. Has the NRCS developed measures/indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/indicators.		x	

Labour relations

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

Collective agreements, 1 April 2018 to 31 March 2019

Subject Matter	Date
Wage Agreement for Bargaining Unit	February 2017-19
Management Settlement Agreement	November 2014-15

Outcome of disciplinary hearings for the year under review

Misconduct and disciplinary hearings finalised, 1 April 2018 to 31 March 2019

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	2	33.33%
Verbal warning	0	
Written warning	0	
Final written warning	0	
Suspended without pay	0	
Fine	0	
Demotion	0	
Dismissal	4	66,66%
Not guilty	0	
Case withdrawn	0	
Total	6	100%

If there were no disciplinary hearings, then use the following table

Disciplinary hearings – 2018/19	4

Types of misconduct addressed at disciplinary hearings

Type of misconduct	Number	% of total
Fraud and Absenteeism	1	33,3%
Unacceptable Behaviour	1	33,3%
Fruitless and wasteful expenditure	2	33,3%
Total	4	100%

Grievances lodged for the period 1 April 2018 to 31 March 2019

	Number	% of Total
Number of grievances resolved	3	50%
Number of grievances not resolved	3	50%
Total number of grievances lodged	6	100%

Disputes lodged for the period 1 April 2018 to 31 March 2019

There were no disputes lodged.

Strike actions for the period 1 April 2018 to 31 March 2019

Total number of person working days lost	None
Total cost (R'000) of working days lost	18
Amount (R'000) recovered as a result of no work no pay	36671,644

Precautionary suspensions for the period 1 April 2018 to 31 March 2019

Number of people suspended	None
Number of people whose suspension exceeded 30 days	4
Average number of days suspended	90
Cost (R'000) of suspensions	1 385

Skills development

Training needs identified 1 April 2018 to 31 March 2019

Occupational Categories	Gender	Number of employees as at 1 April 2018	Training needs identified at start of reporting period			
			Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Top management	Female	1		1		1
	Male	0		0		0
Senior management	Female	17		17		17
	Male	37		37		37
Professionally qualified and experienced specialists and mid-management	Female	65		65		65
	Male	114		114		114
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	Female	44		44		44
	Male	18		18		18
Semi-skilled and discretionary decision making	Female	1		1		1
	Male	0		0		0
Unskilled and defined decision making	Female	0		0		0
	Male	0		0		0
Total		297		297		297

Training provided 1 April 2018 to 31 March 2019

Occupational Categories	Gender	Number of employees as at 31 March 2019	Training provided within the reporting period			
			Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Top management	Female	0		0		0
	Male	1		1		1
Senior management	Female	8		8		8
	Male	24		24		24
Professionally qualified and experienced specialists and mid-management	Female	26		26		26
	Male	56		56		56
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	Female	26		26		26
	Male	10		10		10
Semi-skilled and discretionary decision making	Female	1		1		1
	Male	5		5		5
Unskilled and defined decision making	Female	0		0		0
	Male	0		0		0
Sub Total	Female	61		61		61
	Male	97		97		97
Total		157		157		157

Injury on duty

The following tables provide basic information on injury on duty.

Injury on duty, 1 April 2018 to 31 March 2019

Nature of injury on duty	Number	% of total
Required basic medical attention only	7	88%
Temporary Total Disablement	1	12%
Permanent Disablement	0	0
Fatal	0	0
Total	8	100

Utilisation of consultants

Report on consultant appointments using appropriated funds

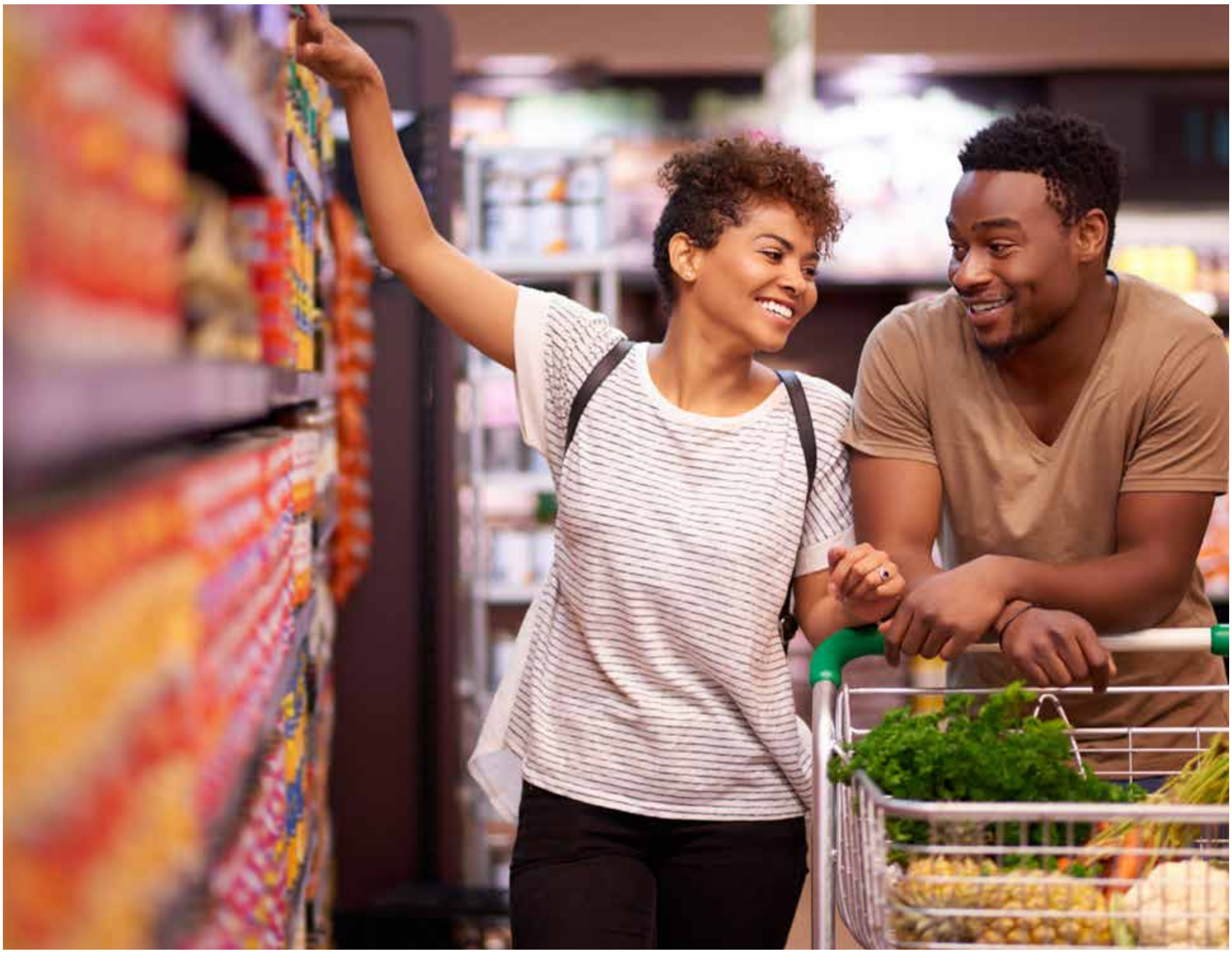
Project Title	Total number of consultants that worked on the project	Duration: Work days	Contract value in Rand
None			
Total number of projects	Total individual consultants	Total duration: Work days	Total contract value in Rand
MIE	2	N/A	100 890.68
ICAS Employee and Organisation Enhancement Services Southern Africa (Pty) Ltd	2	N/A	R456 876,00
Work Dynamics (Pty) Ltd	4	N/A	R 2 656 270.00
Ergonomix (Pty) Ltd	3	N/A	R 284 050.00
Deloitte Consulting (Pty) Ltd	3	N/A	R113 253.15

Report on consultant appointments using donor funds

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

Analysis of consultant appointments using donor funds, in terms of historically disadvantaged individuals (HDIs)

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



PART E:
FINANCIAL INFORMATION

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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the National Regulator for Compulsory Specifications set out on pages 92 to 147, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the National Regulator for Compulsory Specification as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PMFA).

Basis for qualified opinion

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

3. I was unable to obtain sufficient appropriate audit evidence that management had adequately accounted for all non-exchange levies for compulsory specifications for the current and prior year, due to deficiencies in the internal control environment and its inability to account for revenue in the correct accounting period. I was unable to confirm the non-exchange revenue from levies for compulsory specifications by alternative means.
4. Consequently, I was unable to determine whether any adjustments were necessary to non-exchange revenue from levies for compulsory specifications amounting to R213 703 820 (2018: R264 334 268) and other receivables from non-exchange transactions amounting to R37 298 128 (2018: R88 549 008) in the financial statements.

Employee benefit obligation

5. I was unable to obtain sufficient appropriate audit evidence that management had adequately accounted for all employee benefit obligations for the current year, due to deficiencies in the internal control environment and its inability to submit supporting information for the employee benefit obligation. I was unable to confirm the employee benefit obligation by alternative means.
6. Consequently, I was unable to determine whether any adjustments were necessary to the employee benefit obligation amounting to R40 942 980 and the long-service awards expense amounting to R1 568 147 and pension costs expense amounting to R21 229 939 in the financial statements.

Provision for leave

7. I was unable to obtain sufficient appropriate audit evidence that management had adequately accounted for provision for leave for the current year, due to deficiencies in the internal control environment and its inability to submit supporting information for the provision for leave. I was unable to confirm the employee benefit obligation by alternative means.
8. Consequently, I was unable to determine whether any adjustments were necessary relating to the accrued leave pay amounting to R26 855 862 in note 10 and leave pay expense as included in employee related cost in note 16 amounting to R 308 274 400 in financial statements.

General expenses

9. The public entity did not recognise expenditure in the period to which it relates as required by GRAP

1, Presentation of Financial Statements. General expenditure related to the prior financial year was incorrectly recognised in the current financial year. Consequently, general expenditure was overstated by R7 925 427. Additionally, there was a corresponding impact on the current year surplus and the accumulated surplus.

Context for the opinion

10. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
11. I am independent of the public entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
12. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Responsibilities of the accounting authority for the financial statements

13. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
14. In preparing the financial statements, the accounting authority is responsible for assessing the National Regulator for Compulsory Specification's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

15. 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.
16. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

17. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected strategic goals presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
18. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
19. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic goals presented in the annual performance report of the public entity for the year ended 31 March 2019.

Goals	Pages in the annual performance report
Strategic Goal 1: To develop, maintain and administer compulsory specifications and technical regulations	16
Strategic Goal 2: To maximise compliance with all specifications and technical Regulations	16 – 18
Strategic Goal 3: To inform and educate stakeholder about the NRCS	18

20. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

21. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following strategic goals:
    - Strategic Goal 1: To develop, maintain and administer compulsory specifications and technical regulations
    - Strategic Goal 2: To maximise compliance with all specifications and technical regulations
    - Strategic Goal 3: To inform and educate stakeholder about the NRCS.

Other matters

22. I draw attention to the matters below.

Achievement of planned targets

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

Report on the audit of compliance with legislation

Introduction and scope

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

25. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements, performance and annual report

26. The financial statement submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records as required by section 55(1)(a) and section 55(1)(b) of the PFMA. Material misstatements of general expenses and limitation of scope relating to revenue, receivables, employee benefit obligation and provision for leave were identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

27. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R15 354 938 as disclosed in note 23 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by payments effected on expired lease contracts.

Revenue Management

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

Other information

29. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected strategic goals presented in the annual performance report that have been specifically reported in this auditor's report.
30. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
31. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected strategic goals presented in the annual performance report, or my knowledge obtained in the audit or otherwise appears to be materially misstated.
32. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

33. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the findings on compliance with legislation included in this report.
34. Leadership did not exercise adequate oversight in certain instances regarding financial reporting processes to ensure accurate and complete financial reporting.
35. Management did not always implement effective controls in certain instances over daily and monthly processing and reconciling transactions to allow accurate and complete financial reports.
36. Management did not in certain instances adequately monitor and review compliance with laws and regulations.

Other reports

37. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigations

38. The internal audit division of the public entity was investigating four allegations of possible deviations from the supply chain management policy of the public entity at the request of the accounting authority, which covered the period 1 April 2018 to 31 March 2019. These investigations were still in progress at the time of this audit report.
39. An independent consultant was investigating allegations of irregularities in the appointment of two service providers at the request of the public entity, which covered the periods 21 October 2015 to 20 October 2017 and 17 May 2018 to 25 October 2018 respectively. These investigations were still in progress at the time of this audit report.

Auditor-General

Pretoria

30 August 2019

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence


Q2
Q3
600
400
200
0
1 2 3 4 5 6 7 8 9 10 11
35% 22%
33% 24%
33% 26%
36% 23%
37% 13%
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36%
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2,500
2,000
6,579
5,483
4,836
4,521
3,872
3,269
3,395
2,786
2,557
2,241
1,949
1,875
6 7 8 9 10 11 12
Fig.3
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1,000
800
600
1,125
339
715
704
682
594
528
517
495

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected strategic goals and on the public entity's compliance with respect to the selected subject matters.

Financial statements

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

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
- conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Regulator for Compulsory Specifications' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Accounting Authority's
Responsibilities and Approval

The Accounting Authority is required by the Public Finance Management Act, No 1 of 1999, to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Accounting Authority to ensure that the Annual Financial Statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period that ended. The external auditors were engaged to express an independent opinion on the Annual Financial Statements and were given unrestricted access to all financial records and related data.

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

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

The Accounting Authority is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Accounting Authority has reviewed the entity's cash flow forecast for the year to 31 March 2020 and, in light of this review and the current financial position, is satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

Although the Accounting Authority is primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The Annual Financial Statements set out on pages 92 to 147, which have been prepared on the going concern basis, were approved by the Accounting Authority on 30 August 2019 and was signed by:

Edward Mamadise
Chief Executive Officer
30 August 2019

Statement of Financial Position

as at 31 March 2019

	Notes	2019 R	2018 Restated* R
Assets			
Current Assets			
Receivables from non-exchange transactions	3	37 298 128	88 549 008
Receivables from exchange transactions	4	14 274 296	34 055 956
Cash and cash equivalents	5	230 475 955	286 641 562
		282 048 379	**409 246 526**
Non-Current Assets			
Property, plant and equipment	6	32 171 322	22 173 666
Intangible assets	7	1 559 007	1 178 102
Deposits	8	328 266	328 266
		34 058 595	**23 680 034**
Total Assets		**316 106 974**	**432 926 560**
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	47 621 407	39 702 918
Finance lease obligation	9	538 523	931 973
Employee benefit obligation	11	4 718 234	4 268 743
		52 878 164	**44 903 634**
Non-Current Liabilities			
Finance lease obligation	9	616 068	
Employee benefit obligation	11	36 224 746	36 118 022
		36 840 814	**36 118 022**
Total Liabilities		**89 718 978**	**81 021 656**
Accumulated Surplus/Net Assets		**226 387 996**	**351 904 904**
Total Net assets and Labilities		316 106 974	432 926 560

Statement of Financial Performance

for the Year Ended 31 March 2019

	Notes	2019 R	2018 Restated* R
Revenue from exchange transactions			
Rendering of services	13	51 637 559	65 114 734
Sundry Income	14	634 803	864 352
		52 272 362	**65 979 086**
Revenue from non-exchange transactions			
Levies for compulsory specifications		213 703 820	264 334 268
Transport annual registration fee		2 100 000	2 171 988
Government grants and core funding		146 104 000	128 745 000
		361 907 820	**395 251 256**
Revenue from investment			
Interest income	15	23 079 820	19 457 868
Other operating expenses			
Advertising		(1 906 731)	(2 193 065)
Amortisation		(871 407)	(835 953)
Finance costs		(1 134 047)	(183 818)
Depreciation		(4 839 148)	(4 257 589)
Employee related costs	16	(308 274 400)	(280 262 027)
Surplus returned to the National Revenue Fund via **the dti**		(144 500 000)	
Contract Services	17	(15 676 817)	(9 044 088)
Lease rentals on operating lease		(13 116 955)	(12 776 783)
Tests and Sampling		(4 831 558)	(4 042 926)
General Expenses	18	(44 909 359)	(14 929 811)
Travel expenditure		(22 716 488)	(17 879 558)
Total Expenditure		**(562 776 910)**	**(346 405 618)**
Surplus/(deficit) for the year		**(125 516 908)**	**134 282 592**

Statement of Changes in Net Assets

for the Year Ended 31 March 2019

	Accumulated surplus R	Total net assets R
Balance at 1 April 2017 Adjustments	**216 392 592**	**216 392 592**
Prior year adjustments	1 229 720	1 229 720
Restated* Balance at 1 April 2017	217 622 312	217 622 312
Changes in net assets		
Surplus for the year	84 509 775	84 509 775
Total changes	84 509 775	84 509 775
Opening balance as previously reported	302 132 087	302 132 087
Adjustments		
Prior year adjustments	49 772 817	49 772 817
Restated* Balance at 1 April 2018	**351 904 904**	**351 904 904**
Changes in net assets		
Deficit for the year	(125 516 908)	(125 516 908)
Total changes	(125 516 908)	(125 516 908)
Balance at 31 March 2019	**226 387 996**	**226 387 996**

Statement of Cash Flows

for the Year Ended 31 March 2019

	Notes	2019 R	2018 Restated* R
Cash flows from operating activities Receipts			
Cash received from rendering of services		71 419 219	43 985 552
Grants		146 104 000	128 745 000
Interest income		23 079 820	19 457 868
Other receipts		2 734 803	4 907 960
Cash received from non-exchange transactions		241 064 234	193 252 974
		484 402 076	390 349 354
Payments			
Employee costs		(301 218 842)	(269 942 270)
Suppliers		(222 283 478)	(58 674 511)
		(523 502 320)	(328 616 781)
Net Cash Flows from operating activities	24	**(39 100 244)**	**61 732 573**
Cash flows from investing activities			
Purchases of property, plant and equipment	6	(14 901 623)	(3 117 552)
Purchases of intangible assets	7	(1 252 311)	-
Net cash flows from investing activities		(16 153 934)	(3 117 552)
Cash flows from financing activities			
Finance Lease Payments		(847 708)	(827 079)
Finance costs - Finance lease		(63 721)	(183 818)
Net cash flows from financing activities		**(911 429)**	**(1 010 897)**
Net increase/(decrease) in cash and cash equivalents		**(56 165 607)**	**57 604 124**
Cash and cash equivalents at the beginning of the year		286 641 562	229 037 438
Cash and cash equivalents at the end of the year	5	**230 475 955**	**286 641 562**

Statement of Comparison of Budget and Actual Amounts for the Year Ended 31 March 2019

	Approved Budget	Adjust-ments	Final budget	Actual Amounts on comparable basis	Difference between final budget and actual	Reference see Note 31 for comment
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	55 831 395	-	**55 831 395**	51 637 559	**(4 193 836)**	A
Sundry income	180 000	-	**180 000**	634 803	**454 803**	B
Interest received - Investment	10 780 000	-	**10 780 000**	23 079 820	**12 299 820**	C
Total revenue form exchange transactions	**66 791 395**	**-**	**66 791 395**	**75 352 182**	**8 560 787**	
Revenue from non- exchange transactions						
Levies for compulsory specifications	219 690 605	-	**219 690 605**	213 703 820	**(5 986 785)**	D
Transport and annual registration fee	2 400 000	-	**2 400 000**	2 100 000	**(300 000)**	E
Transfer revenue						
Government grants and core funding	132 104 000	-	**132 104 000**	146 104 000	**14 000 000**	F
Total revenue from non-exchange transactions	**354 194 605**	**-**	**354 194 605**	**361 907 820**	**7 713 215**	
Total revenue	**420 986 000**	**-**	**420 986 000**	**437 260 002**	**16 274 002**	
Expenditure						
Personnel	(330 421 210)	-	**(330 421 210)**	(308 274 400)	**22 146 810**	G
Depreciation and Amortisation	(5 072 412)	-	**(5 072 412)**	(5 710 555)	**(638 143)**	H
Finance costs	(61 680)	-	**(61 680)**	(1 134 047)	**(1 072 367)**	I
Lease rentals and operating lease	(15 144 564)	-	**(15 144 564)**	(13 116 955)	**2 027 609**	J
Advertising and marketing expenditure	(2 435 677)	-	**(2 435 677)**	(1 906 731)	**528 946**	K
Testing and Sampling	(8 505 250)	-	**(8 505 250)**	(4 831 558)	**3 673 692**	L
Contracted Services	(11 791 731)	-	**(11 791 731)**	(15 676 817)	**(3 885 086)**	M
Travel Expenditure	(20 905 643)	-	**(20 905 643)**	(22 716 488)	**(1 810 845)**	N
General Expenses	(26 647 833)	-	**(26 647 833)**	(44 909 359)	**(18 261 526)**	O
Surplus retuned to the national revenue Fund via **the dti**	-	-	**-**	**(144 500 000)**	**(144 500 000)**	P
Total Expenditure	**(420 986 000)**	**-**	**(420 986 000)**	**(562 776 910)**	**(141 790 910)**	
Surplus/(Deficit)	**-**	**-**	**-**	**(125 516 908)**	**(125 516 908)**	
Actual amounts on a comparable basis as presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**(125 516 908)**	**(125 516 908)**	

Accounting policies
for the Year Ended 31 March 2019

1 Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act, No 1 of 1999.

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in the South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual Financial Statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These Annual Financial Statements have been prepared based on the expectation that the entity will continue to operate as a going concern for the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

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

Receivables from exchange and non-exchange transactions

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

The impairment for receivables is calculated on an individual basis, based on historical loss ratios, adjusted for conditions and other indicators present at the reporting date that correlate with defaults on the individual receivables.

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.

Post-retirement benefits

The present value of the post retirement benefit 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.

1.2 Significant judgements and sources of estimation uncertainty (continued)

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

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

1.3 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits 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.

Work in progress is measured at cost when:
- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	30 years
Plant and machinery	Straight line	8 years
Vehicles Trucks and vehicles	Straight line	5-10 years
Vehicles: Trailers	Straight line	10 years
Office equipment: office equipment	Straight line	5-7 years
Office equipment: office furniture	Straight line	10 years
Leasehold improvements	Straight line	Remaining lease term
Laboratory equipment	Straight line	10-15 years

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

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least once at each reporting date and, if there has been 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 on 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 year is recognised in surplus or loss unless it is included in the carrying amount of another asset.

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

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

1.4 Intangible assets

An asset is identifiable if it

- is either; 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

1.4 Intangible assets (continued)

- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from 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.

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3-5 years

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

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

1.5 Financial instruments

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

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

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

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

Derecognition is the removal of a previously recognised financial asset of financial liability form an entity's Statement of Financial Position.

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

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

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

1.5 Financial instruments (continued)

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Classification

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

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

The entity has the following type 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

Initial recognition

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

The entity recognises financial assets using the trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial asset and financial liabilities

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

- Financial instruments at amortised cost.

Receivables from exchange 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 allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within 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.

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.

Cash and cash equivalents

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

1.5 Financial instruments (continued)

Impairment and uncollectibility of financial assets

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

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

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

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

Financial liabilities

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

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

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

Presentation

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

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

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

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

1.6 Leases

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

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

Finance lease - lessee

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

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

1.6 Leases (continued)

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 on the remaining balance of the liability.

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

Operating lease - lessee

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

1.7 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Designation

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

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

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

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or loss.

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

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

Reversal of impairment loss

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

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

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

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

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

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

1.7 Impairment of cash-generating assets (continued)

Redesignation

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

1.8 Impairment of non-cash-generating assets

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

Designation

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

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or loss.

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

Impairment of non-cash-generating assets (continued)

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

Reversal of an impairment loss

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

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

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

Redesignation

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

1.9 Employee benefits

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

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

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

Termination benefits are employee benefits payable as a result of either:

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

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

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

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

1.9 Employee benefits (continued)

Short-term employee benefits

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

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

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

Post-employment benefits

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

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

Post-employment benefits: Defined contribution plans

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

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

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

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

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

1.9 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and naturally compatible.

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

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

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

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

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

Other post-retirement obligations

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

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

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

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

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

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

Termination benefits

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

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

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

1.9 Employee benefits (continued)

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

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

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

1.10 Provisions and contingencies

Provisions are recognised when:
- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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

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

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

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

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

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

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

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

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

1.11 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.12 Revenue from exchange transactions

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

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

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

Measurement

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

Rendering of services

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

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

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

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

1.12 Revenue from exchange transactions (continued)

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

Interest

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

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

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

1.13 Revenue from non-exchange transactions

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

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

Recognition

Revenue arising from non-exchange transactions is only recognised if:

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

Measurement

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

Levies

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

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

The recognition of the levy debtor is initially measured at the transaction amount which is determined by reference to published tariff per unit on regulated products, multiplied by the number of units declared. If it is deemed reliable, levy debtors may be estimated with reference to historical levy declarations, to the maximum number of units over a period of five years.

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

Transport annual registration fees

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

1.14 Borrowing costs

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

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

1.15 Translation of foreign currencies

Foreign currency transactions

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

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

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

1.15 Translation of foreign currencies (continued)

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

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

1.16 Comparative figures

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

1.17 Fruitless and wasteful expenditure

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

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

1.18 Irregular expenditure

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

(a) this Act; or

(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

(c) any legislation providing for procurement procedures in that public entity.

National Treasury practice note no.1 of 2018/2019 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 December 2018):

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

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

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

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

1.19 Segment information

A segment is an activity of an entity

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

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

Measurement

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

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

1.20 Budget information

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

The approved budget is prepared on a accrual basis and presented by economic classification The approved budget covers the fiscal period from 2018/04/01 to 2019/03/31.

The Annual Financial Statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of Budget and Actual Amounts.

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

1.21 Related Parties

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

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

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

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

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

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

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

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

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

1.22 Events after reporting date

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

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

The entity adjusts the amount recognised in the Financial Statements to reflect adjusting events after the reporting date once the entity discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the Financial Statements.

2. New Standards Interpretations

2.1 Standards and Interpretations issued, but not yet effective

The entity has not yet applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 1 April 2019 or later periods.

Standard/ Interpretation	Effective Date: Years Beginning on or After	Expected Impact
GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
GRAP 38: Disclosure of interests in Other Entities	01 April 2020	Unlikely there will be a material impact
Guideline: Accounting for Arrangements Undertaken I.t.o the National Housing Programme	01 April 2019	Unlikely there will be a material impact
GRAP 110: Living and Non-Living Resources	01 April 2019	Unlikely there will be a material impact
GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact
GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Unlikely there will be a material impact
GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
GRAP 109: Accounting Principles and Agents	01 April 2019	Unlikely there will be a material impact
IGRAP 1: Applying the probability test on initial recognition revenue (amendments)	01 April 2020	Unlikely there will be a material impact
IGRAP 17: Service Concession arrangements where a grantor controls a significant residual interest in an asset	01 April 2019	Unlikely there will be a material impact
IGRAP 18: Recognition and derecognition of Land	01 April 2019	Unlikely there will be a material impact
IGRAP 19: Liabilities to pay levies	01 April 2019	Unlikely there will be a material impact

	2019 R	2018 R

3. Receivables from non-exchange transactions

Levies	61 414 690	89 472 159
Impairment of trade receivables	(24 116 562)	(923 151)
	37 298 128	**88 549 008**

Trade receivables from non-exchange transactions past due but not impaired		
At 31 March 2019, R17 106 901 R (2018: 8 868 909) were past due but not impaired		
The ageing of amounts past due but not impaired is as follows:		
Not passed due or impaired	20 191 227	76 680 099
1 month past due	13 523 506	1 953 555
2 month past due	1 520 900	306 981
3 month past due	2 062 495	590 812
4 month past due	-	6 017 561
	37 298128	**85 549 008**

Trade receivables from non-exchange transactions Impaired

As of 31 March 2019, other receivables from non-exchange transactions of R24 116 562 (2017: R923 151) were impaired and provided for. The total receivable outstanding for more than 120 days was impaired in the current year.

The ageing of these receivables is as follows 3 to 6 months	9 897 102	231 659
Over 6 months	14 219 460	691 592
	24 116 562	**923 251**

Reconciliation of provision for Impairment of trade receivables		
from non-exchange transactions		
Opening balance	923 151	3 238 939
Prior impairment reversed	-	(2 315 788)
Impairment recognised in the current year	23 193 411	-
	24 116 562	**923 151**

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

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

- All legal collections and avenues have been exhausted;
- Customer in liquidation
- Judgment awarded in favor of the entity; and;
- Uneconomical to initiate legal action or to continue legal pursuit. The NRCS does not hold any collateral as security.

	2019 R	2018 R

4. Receivables from exchange transactions

Receivables	17 402 753	34 369 775
Impairment of trade receivables	(4 172 803)	(2 992 172)
Employee Advances	786 067	775 693
other receivables	258 279	-
Prepayments	-	1 902 660
	14 274 296	**34 055 956**

Trade receivables from exchange transactions past due but not impaired

At 31 March 2019 R10 837 905 (2018: R3 571 322) were past due but not impaired.

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

Not past due or impaired	2 392 045	27 806 281
1 month past due	11 103 617	1 419 213
2 months past due	(612 732)	777 577
3 months past due	347 020	472 197
4 months past due	-	902 335
	13 229 950	**31 377 603**

Trade receivables from exchange transaction Impaired

The amount of the provision was R4 172 803 (2018: R2 992 173) the ageing of these receivables is as follows:

3 to 6 months	-	1 455 660
Over 6 months	4 172 803	1 536 512
	4 172 803	**2 992 172**

Reconciliation of provision for impairment of trade receivables from exchange transactions

Opening balance	2 992 172	3 635 037
Impairment recognised in current year	1 180 631	-
Reversal of prior year impairment	-	(642 865)
	4 172 803	**2 992 172**

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

	2019 R	2018 R

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

- All legal collections and avenues have been exhausted;
- Customer in liquidation;
- Judgment awarded in favor of the entity; and
- Uneconomical to initiate legal action or to continue legal pursuit The NRCS does not hold any collateral as security.

5. Cash and cash equivalents

	2019 R	2018 R
Cash and cash equivalents consist of:		
Cash on hand	15 233	15 233
Bank balances	19 640 161	40 812 024
Short-term deposits	210 820 561	245 814 305
	230 475 955	**286 641 562**

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

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

6. Property, plant and equipment

	2019			2018		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	3 000 000	-	3 000 000	3 000 000	-	3 000 000
Buildings	5 232 920	(3 805 555)	1427 365	5 000 000	(3 785 606)	1 214 394
Plant and machinery	184 578	(166 120)	18 458	184 578	(166 120)	18 458
Motor vehicles	6 270 348	(3 571 359)	2 698 989	6 270 348	(2 667 659)	3 602 689
Office equipment	34 656 989	(15 608 686)	19 048 303	20 266 564	(12 577 247)	7 689 317
Leasehold improvements	581 713	(510 425)	71 288	581 713	(484 870)	96 843
Laboratory Equipment	10 465 343	(4 558 424)	5 906 919	10 304 557	(3 752 592)	6 551 965
Total	**60 391 891**	**(28 220 569)**	**32 171 322**	**45 607 760**	**(23 434 094)**	**22 173 666**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Work in Progress	Depreciation	Total
Land	3 000 000					3 000 000
Buildings	1 214 394			232 920	(19 949)	1 427 365
Plant and machinery	18 458					18 458
Motor vehicles	3 602 689				(903 700)	2 698 989
Office equipment	7 689 317	14 499 567	(64 819)		(3 075 762)	19 048 303
Leasehold improvements	96 843				(25 555)	71 288
Laboratory equipment	6 551 965	169 136			(814 182)	5 906 919
Total	**22 173 666**	**14 668 703**	**(64 819)**	**232 920**	**(4 839 148)**	**32 171 322**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	3 000 000	-	-	-	-	3 000 000
Buildings	1 234 343	-	-	-	(19 949)	1 214 394
Plant and machinery	18 458	-	-	-	-	18 458
Motor vehicles	4 555 130	-	-	-	(952 441)	3 602 689
Office equipment	7 226 735	2 960 715	(9 637)	-	(2 488 496)	7 689 317
Leasehold improvements	136 304	-	-	-	(39 461)	96 843
Laboratory equipment	6 457 636	156 837	(350)	695 084	(757 242)	6 551 965
Capital - Work in progress	695 084	-	-	(695 084)	-	-
Total	**23 323 690**	**3 117 552**	**(9 987)**	**-**	**(42 575 589)**	**22 173 666**

	2019 R	2018 R
Assets subject to a finance lease (Net carrying amount)		
Office equipment	954 985	1 453 594
	954 985	**1 453 594**

Repairs and maintenance

Property plant and equipment	547 597	1 084 029

7. Intangible assets

	2019			2018		
	Cost	Accumulated amortisation And accumulated impairment	Carrying value	Cost	Accumulated amortisation	Carrying value
	R	R	R	R	R	R
Computer software	5 432 077	(3 873 070)	1 559 007	4 179 765	(3 001 663)	1 178 102

Reconciliation of Intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	1 178 102	1 252 311	(871 406)	1 559 007

Reconciliation of intangible assets - 2018

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

8. Deposits

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

	2019 R	2018 R
Operating leases	312 000	312 000
Fleet cards	10 000	10 000
Municipalities	6 266	6 266
	328 266	**328 266**

	2019 R	2018 R

9. Finance lease obligation

Minimum lease payments due		
Not later than one year	656 532	993 655
Later than one year and not later than five years Later than five years	655 961	-
	1 312 493	993 655
less: future finance charges	(157 902)	(61 682)
Present value of minimum lease payments	**1 154 591**	**931 973**
Present value of minimum lease payments due	540 971	931 973
Not later than one year		
Later than one year and not later than five years Later than five years	613 620	-
	1 154 591	**931 973**
Non-current liabilities	616 068	-
Current liabilities	538 523	931 973
	1 154 591	**931 973**

The lease liabilities are effectively secured, as the rights to the leased assets revert to the lessor in the event of default. The carrying amount of leased assets is R 954 985 (2018: 1 453 594).

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

10. Payables from exchange transactions

Trade payables	9 172 500	7 674 388
Trade receivables with credit balances	235 139	235 135
Other payables	2 213 287	370 332
Accrued leave pay	26 855 862	20 693 997
Salary Deduction Control	86 624	81 465
Salary related accruals	6 202 701	5 865 223
Operating lease payables	87 192	1 364 001
Unallocated Receipts	2 768 102	3 418 377
	47 621 407	**39 702 918**

11. Employee benefit obligations

Defined benefit plan

	2019 R	2018 R
The amounts recognised in the statement of financial position are as follows:		
Non-current liabilities	(36 224 746)	(36 118 022)
Current liabilities	(4 718 234)	(4 268 743)
	(40 942 980)	**(40 386 765)**

	Post-retirement medical aid R	Long service leave awards R	Total R
2019			
Opening balance	9 322 405	31 064 360	40 386 765
Current service cost	181 802	2 389 611	2 571 413
Interest cost	815 089	2 775 779	3 590 868
Actuarial (gain)/loss	(1 642 780)	367 660	(1 275 120)
Benefits paid	(366 043)	(3 964 903)	(4 330 946)
	8 310 473	**32 632 507**	**40 942 980**
Current portion of employee benefit obligations	471 668	4 246 566	4 718 234
Non-current portion of employee benefit obligations	7 838 805	28 385 941	36 224 746
	8 310 473	**32 632 507**	**40 942 980**

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

Post-retirement medical aid obligation

The NRCS contributes 50% of medical aid contributions after retirement of employees, subject to the following conditions:

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

Valuations of these obligations are carried out annually by independent qualified actuaries. The most recent valuation was done as at 31 March 2019.

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

	2019	2018
Discount rate per annum	10.12%	8.96%
Medical aid inflation	6.07%	5.99%
Average retirement age	64	64
Active members expected to continue after Retirement	100, 00%	100, 00%

There are no plan assets for this liability

Sensitivity Analysis

	2019 R	2018 R
Opening balance	415 143	(451 886)
Net expense recognised in the statement of financial performance	(1 011 931)	415 143
	596 788	**(36 743)**

The effects on the central basis liability results for 2019 when the medical aid inflation rate is increased or decreased by 1%.

	Liability R	Change in liability R
+1%	7 490 615	(819 859)
Central	8 310 474	-
-1%	9 289 547	979 073
	25 090 636	**159 214**

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

	2019 R	2018 R
Current service cost	181 802	856 751
Interest cost	815 089	200 257
Actuarial (gains) losses	(1 642 780)	(330 110)
Benefits paid	(366 042)	(311 755)
	(1 011 931)	**415 143**

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

Current service cost	2 389 611	2 681 149
Interest cost	2 775 779	2 026 251
Actuarial (gains) losses	367 660	4 968 526
Benefits paid	(3 964 903)	(3 366 772)
	1 568 147	**6 309 154**

Long service award obligation

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

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

Key assumptions used

Assumptions used (expressed as weighted averages):

Discount rates used	8, 83%	8.04%
Salary inflation	5, 90%	6.29%
Retirement age	64	64

There are no plan assets for this liability.

Sensitivity analysis

The effects on the central basis liability results for 2019 when the discount rate is increased and decreased by 1%

	Liability R	Change in liability R
+1%	30 664 755	(1 967 752)
Central	32 632 507	-
-1%	34 849 762	2 217 255
	98 147 024	**249 503**

Historical information relating to employee benefit obligations are as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Post-retirement medical aid liability	8 310 473	9 322 405	8 907 262	9 359 148	9 301 236
Experience adjustments	(461 607)	(130 755)	(1 390 603)	(911 724)	(865 905)
Long service leave award liability	32 632 507	31 064 360	24 755 206	20 684 398	14 485 390
Experience adjustments	3 031 545	2 930 764	1 963 482	6 189 774	2 206 156

12. Provisions

The leave pay accrual was incorrectly classified to provisions in the prior year. A reclassification of the leave pay accrual to trade payables has been made in the current year.

13. Rendering of Services

	2019 R	2018 R
Test and other services	8 381 956	10 113 288
Export Certification	6 437 643	6 322 890
Vehicle homologation	6 501 989	6 084 057
Letter of Authority	27 960 145	40 608 275
Electrical compliance certificate	1 149 960	630 500
Gaming: Letter of compliance	1 205 866	1 355 724
	51 637 559	**65 114 734**

Notes to the Annual Financial Statements

for the Year Ended 31 March 2019

	2019 R	2018 R

14. Sundry income

The amount Included In other revenue arising from exchange of goods or services are as follows:		
Sundry Income - General	574 245	794 828
Realised net foreign exchange gain	68	8 426
Rental Income: Parking	55 490	61 098
Stock Write offs and adjustments	5 000	-
	634 803	**864 352**

15. Interest Income

Interest earned on investments	20 896 733	18 430 666
Interest charged on trade and other receivables	2 183 087	1 027 202
	23 079 820	**19 457 868**

16. Employee related costs

Basic	251 012 306	221 364 926
Bonus	17 324 092	16 511 187
Medical aid - company contributions	12 538 703	11 195 769
Committee fees	433 208	380 805
Training Costs	4 828 253	4 226 454
Long-service awards	1 568 147	6 309 154
Post-employment health care benefits	(660 248)	415 143
Pension Costs	21 229 939	19 858 589
	308 274 400	**280 262 027**

17. Contract Services

Internal Audit services	1 054 283	37 025
Levy audit	3 052 435	1 467 891
IT Services	6 144 341	5 088 387
Accreditation services	767 511	485 223
Travel agency commission	-	406 190
Other contractual services	2 101 830	1 060 821
HR and labour-related costs	2 556 417	506 458
	15 676 817	**9 051 995**

18. General expenses

	2019 R	2018 R
Office and administration	4 740 886	4 285 659
Auditors Remuneration	2 583 970	2 820 909
Doubtful debts	23 890 466	(2 953 994)
Legal fees	3 112 564	1 603 955
Consumables	67 046	287 583
Entertainment	245 012	2 655
Insurance	932 106	711 008
IT expenses	64 819	9 987
Motor vehicle expenses	425 703	327 279
Repairs and maintenance	826 243	1 084 029
Software expenses	2 656 506	1 638 123
Staff welfare	1 047 264	1 012 607
Electricity	3 121 580	3 580 321
Casual Labour	101 770	72 400
Storage of seized goods	510 589	99 108
Staff recruitment costs	577 224	348 182
Foreign exchange loss	5 611	-
	44 909 359	14 929 811

	2019 R	2018 R

19. Commitments

	2019 R	2018 R
Authorised capital expenditure		
Already contracted for but not provided for		
Property, plant and equipment	-	97 584
Total capital commitments		
Already contracted for but not provided for	-	97 584
Authorised operational expenditure		
Already contracted for but not provided for		
Operating expenditure excluding operating lease	13 681 957	12 156 379
Total operational commitments	13 681 957	13 047 058

This committed expenditure relates to security, facilities management, software, internal audit and legal services and will be financed by retained surpluses, existing cash resources and funds internally generated.

Operating leases - as lessee (expense)

	2019 R	2018 R
Minimum lease payments due		
Not later than one year	9 856 614	9 919 028
Later than one year and not later than five years	5 199 970	11 174 938
Later than five years	15 056 584	21 093 966

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

	2019 R	2018 R

20. Related parties

Relationships

Controlling Entity	Department of Trade and Industry
Entities controlled by **the dti**	South African Bureau of Standards (SABS)
	South African National Accreditation System (SANAS)
	Government Communication Information System (GCIS)
	South African Revenue Services (SARS)
Members of the key management	Executive management officers Committee members

Related party balances

	2019 R	2018 R
Receivables (exchange): related parties		
South African Bureau of Standards (SABS)	26 000	26 922
	-	**26 922**
Payables (exchange): related parties		
South African Bureau of Standards (SABS)	2 926 773	-
	2 926 773	**-**

Related party transactions

	2019 R	2018 R
Purchases from/ (exchange revenue to) related parties		
South African Bureau of Standards (SABS)-rental and purchases	14 050 595	12 776 242
South African National Accreditation System (SANAS)	757 697	(56 931)
Government Communication Information System (GCIS)	1 902 660	-
	16 710 952	**12 719 311**
Non- exchange revenue from related parties		
Government grants and core funding	146 104 000	128 745 000
	146 104 000	**128 745 000**
Other operating expenses		
Surplus returned to the national revenue fund via **the dti**	(144 500 000)	-

Notes to the Annual Financial Statements

for the Year Ended 31 March 2019

21. Remuneration of key personnel

Key Management

2019

	Basic Salary R	Retirement and medical aid R	Other Benefits Received R	Performance Bonus R	Total R
E Mamadise - CEO	1 710 109	191 764	29 276	30 977	1 962 126
R Abdool - CFO	1 393 746	134 426	14 935	26 198	1 569 305
AA Thulare - COO (Appointed on 1 November 2018))	567 642	43 815	72 104	-	683 561
MN Katz	1 132 770	194 903	7 448	77 748	1 412 869
BA Khanyile	1 301 555	180 922	7 448	80 259	1 570 184
MT Madzivhe	1 309 531	172 946	15 621	80 259	1 578 357
MD Mutengwe	1 184 433	153 660	18 092	66 587	1 422 772
	8 599 786	**1 072 436**	**164 924**	**362 028**	**10 199 174**

2018

	Basic Salary R	Retirement and medical aid R	Other benefits received R	Total R
E Mamadise - Acting CEO	932 398	88 315	735 625	1 756 338
E. Conrnelius - Acting CFO (1 April- 30 April 2017)	79 236	8 814	10 197	98 247
R Abdool - CFO (Appointed on 1 May 2017)	1 215 357	125 727	8 250	1 349 334
MN Katz	1 157 345	179 653	7 200	1 344 198
BA Khanyile	1 226 995	156 676	7 200	1 390 871
MT Madzivhe	1 223 172	159 206	7 200	1 389 578
MD Mutengwe (Appointed effective 1 November 2017)	1 015 345	129 334	15 752	1 160 431
	6 849 848	**847 725**	**791 424**	**8 488 997**

Audit and Risk Committee

2019

	Fees for services as a member R	Reimbursive travel claims R	Total R
SAH Kajee (Chairperson) - terminated on 31 January 2019	129 743	-	129 743
AD Cowel - terminated on 31 January 2019	89 156	805	89 961
M Ramatla *	-	-	-
C Abdol - terminated on 31 January 2019	25 884	-	25 884
	244 783	**805**	**245 588**

2018

	Fees for services as a member R	Reimbursive travel claims R	Total R
SAH Kajee (Chairperson)	120 779	-	120 779
AD Cowel	98 067	1 026	99 093
M Ramatla*			
C Abdol (Appointed on 27 June 2017)	93 753	-	93 753
	312 599	**1026**	**313 625**

*the dti representatives are not remunerated by NRCS.

ICT Steering Committee

2019

	Fees for services as a member R	Reimbursive travel claims R	Total R
A Radolo	45 760	1 004	46 764
C de Kock	33 514	866	34 380
Z Kabini	44 071	484	44 555
	123 345	**2 354**	**125 699**

2018

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

	2019 R	2018 R

22. Fruitless and wasteful expenditure

	2019 R	2018 R
Opening balance	495 117	472 896
Rescinding of judgement without authority	-	4 904
A company was appointed to provide temporary creditors officer for a period of four months and they were only allowed to render their services for one month.	-	17 317
The placement fee was paid based on salary for four months.		
	495 117	**495 117**

23. Irregular expenditure

	2019 R	2018 R
Opening balance - Restated	2 217 158	679 261
Add: irregular expenditure current year	15 354 938	696 844
Less: amounts condoned	(610 735)	(4 560)
Add: irregular expenditure 2017/2018 adjustment	-	845 613
	16 961 361	**2 217 158**

Details of irregular expenditure-current year

	2019 R	2018 R
Payments contravening treasury regulations	14 983 835	619 178
Payments effected on expired contracts	371 103	918 375
Payments effected contravening NRCS delegation	-	4 904
	15 354 938	**1 542 457**

Details of Irregular expenditure condoned

	Condoned by National Treasury	Condoned by Accounting Authority
Normal procurement processes not followed	610 735	4 560
	610 735	**4 560**

Details of irregular expenditure included in the opening balance

	2019 R	2018 R
Payments contravening Treasury Regulations	-	1 298 783
Payments effected on expired contracts	-	918 375
	-	**2 217 158**

All irregular expenditure must be investigated prior to motivation to condone the expense.

The irregular expenditure for the 2017/2018 financial year was understated by R 845 613. This amount is a result of payments effected on Metrofile and Wingay expired contracts.

24. Cash (used In)/generated from operations

	2019 R	2018 R
Surplus/(deficit)	(125 516 908)	134 282 592
Adjustments for:		
Depreciation and amortisation	5 710 555	5 093 542
Movements in retirement benefit assets and liabilities	556 215	6 724 297
Finance costs	1 134 050	193 801
Loss on disposal of property plant and equipment	64 819	-
Non cash - provision for doubtful debt	23 890 466	-
Changes in working capital:	-	-
Receivables from non-exchange transactions	27 360 414	(60 064 972)
Receivables from exchange transactions	19 781 660	(30 273 696)
Payables from exchange transactions	7 918 485	5 777 009
	(39 100 244)	**61732 573**

25. Change In estimates

Property, plant and equipment

The useful life of certain items of property and equipment was increased in the 2017/2018 financial year. The effect of this revision decreased the depreciation charges for the 2017/2018 financial year and future period's depreciation charges will be decreased by R216 696.

	2019 R	2018 R
Change In useful life		
Decrease in depreciation	-	216 696

26. Comparative Figures

Certain comparative figures have been amended due to the following reasons:

- Prior period errors (refer to Notes 29 and 30)
- Reclassifications as follows
  (a) Provision for accumulated leave has been reclassified to trade creditors
  (b) Receivables from exchange allocated to debtors special control account have been reclassified from receivables non exchange
  (c) Salary related accruals had been reclassified from receivables to payables. The effects of the above is shown below

Comparatives	Notes	As initially stated R	Restated R	Difference R	Reclassification R	Prior period adjustments R	Revised amount: 2018 R
Receivables from non-exchange transactions	3	57 571 262	88 549 008	30 977 745	(18 803 402)	49 781 147	88 549 007
Receivables from exchange transactions	4	15 171 092	34 055 956	18 884 864	18 884 864	-	34 055 956
Property, plant and equipment	6	20 952 250	22 173 666	1 221 416	-	1 221 416	22 173 666
Payables from exchange transactions	10	(18 927 459)	(39 702 918)	(20 775 459)	(20 775 459)	-	(39 702 918)
Levies for compulsory specifications		(214 553 121)	(264 334 268)	(49 781 147)	-	(49 781 147)	(264 334 268)
Depreciation		4 249 258	4 257 589	8 331	-	8 331	4 257 589
Provisions for leave accrual	12	(20 693 997)	-	20 693 997	20 693 997	-	-
Accumulated surplus - 1 April 2017		(216 392 565)	(217 622 312)	(1 229 747)	-	(1 229 747)	(217 622 312)
		(372 623 280)	**(372 623 280)**	-	-	-	**(372 623 280)**

27. Risk management financial risk management

Financial risk management

Overview

The company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (including currency risk, fair value interest rate risk, cash flow interest rate and price risk).

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

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 counter-party.

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

Trade receivables comprise of 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

Liquidity risk

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

The maturity profiles of the financial instruments are summarised below.

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

27. Risk management financial risk management (continued)

2019

		Within 1 month	1-3 months	3-12 months	1-5years	Total
Current Liabilities						
Trade and other payables	10	11 620 928	-	-	-	11 620 928
Finance lease liabilities	9	54 711	109 422	492 399	655 961	1 312 493
		11 675 639	**109 422**	**492 399**	**655 961**	**12 933 421**

2018

		Within 1 month	1-3 months	3-12 months	1-5years	Total
Current Liabilities						
Trade and other payables	10	9 408 721	-	-	-	9 408 721
Finance lease liabilities	9	54 711	109 422	829 522	-	993 655
		9 463 432	**109 422**	**829 522**	**-**	**10 402 376**

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 though the effective cash management.

The interest rate repricing profile at 31 March is summarised as follows

	2019 R	2018 R
Cash and cash equivalents	230 475 954	286 641 562
Surplus/(deficit) for the year	(125 516 908)	134 282 592
Change in surplus if interest rates changed by 100 basis points higher or lower	2 304 760	2 866 416

28. Events after the reporting period

There were no events identified after the reporting period

	2019 R	2018 R

29. Prior period errors

Completeness of Revenue

Revenue for 2017/18 financial period was not completely recorded for all customers who qualified to pay levies even though the inspections were already performed. The adjustment is therefore to correct the completeness.

Valuation of property, plant and equipment

The building was impaired in the 2016/2017 financial year due to fire incident. The depreciation expenses was incorrectly calculated based on the original costs as the depreciable amount instead of the carrying amount after impairment date. The adjustment is therefore to correct the accumulated depreciation and the carrying amount of property plant and equipment.

The correction of the errors results in adjustments as follows:

	2019 R	2018 R
Statement of Financial Position		
Increase in property, plant and equipment	-	1 221 416
Increase in trade and other receivables form non-exchange	-	49 781 147
Increase in total assets	-	51 002 563
Opening accumulated surplus 1 April 2018	(51 002 563)	-
Statement of financial performance		
Increase in depreciation expense	-	8 331
Increase in revenue from non -exchange transactions	-	(49 781 147)
Increase in surplus for 2017/2018 financial year	-	(49 772 816)
Increase in accumulated surplus 1April 2017	-	(1 229 747)

The irregular expenditure for the 201712018 financial year was understated by R 845 613. This amount is a result of payments effected on Metrofile and Wingay expired contracts.

30. Effect of prior-year errors

Presented below are items contained in the Statement of Financial Position, Statement of Financial Performance and Cash Flow Statements that has been affected by prior year errors.

Statement of Financial Position 2018

	As previously reported R	Correction of error R	Reallocation R	Restated R
Receivables from non-exchange transactions	57 571 262	49 781 147	(18 803 402)	88 549 007
Receivables from exchange transactions	15 171 092	-	18 884 864	34 055 956
Property, plant and equipment	20 952 250	1 221 416	-	22 173 666
Payables from exchange transactions	(18 927 459)	-	(20 775 459)	(39 702 918)
Provision for leave accrual	(20 693 997)	-	20 693 997	-
	54 073 148	**51 002 563**	**-**	**105 075 711**

Statement of Financial Performance 2018

	As previously reported R	Correction of error R	Reallocation R	Restated R
Levies for compulsory specifications	(214 553 121)	(49 781 147)	-	(264 334 268)
Depreciation	4 249 258	8 331	-	4 257 589
	(210 303 863)	**(49 772 816)**	**-**	**(260 076 679)**

31. Budget differences

Material differences between budget and actual amounts

A The marginal decrease in revenue is due to less market demand and economic downturn
B Higher than budgeted for actual due to funds received from the SETA Learnership
C Interest was budgeted for net of Demand Plan payments. However rollout has been slower than anticipated resulting in higher bank balances and concomitantly interest earned on cash and investments
D The negative variance in revenue is due to a reversal of prior year accrual of R41million. Current year revenue increased by R35million
E The current economic climate and decline in vehicle sales resulted in a 13% decrease over budget
F **The dti** allocated an additional grant of R14 million for the implementation of the processed meat regulations. Awaiting the publication of the compulsory specification in order to implement the project
G The positive variance is mainly due to vacancies not filled
H Negative variance in depreciation due to procurement of computer equipment for R 13, 4 million that was not budgeted for.
I Actual costs exceeded budget
J The positive variance is mainly due to warehousing premises which are in the process of being procured
K Marketing plans expenses were not realised as per the budget

L Positive variance is partly due to delays in service providers completing the testing services and lower than anticipated demand for testing services from customers

M Levy auditors were paid R3,0 million on a contingency basis (off-set against levy revenue of R 22,3 million), Organizational Review R0,950 million, R 0,339 million for the preparation of the annual financial statements and debt collection

N Partly due to increase in candidate inspectors and increased customer site visits to deliver on the NRCS mandate

O Mainly due to bad debt provision of R23,890 million

P The NRCS surrendered R144,500 million to National Treasury which resulted in NRCS posting a deficit of R125,517 million in the financial year ended 31 March 2019

32. Losses through criminal conduct

There were no losses incurred through criminal conduct in the current year

33. Segment information

Identification of segments

The NRCS is organised and reports to management on the basis of six major functional areas.The segments were organised by the type of service delivered and the applicable industry in which these operate.

These segments are:

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

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

The RR&D segment of the NRCS does not meet the criteria for reportable segment and therefore the results for these segments are not reported

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

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

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

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

	CMM Rands '000	Electrotec Rands '000	FAI Rands '000	LM Rands '000	Support Rands '000	Auto Rands '000	Grand total Rands '000
2019							
Revenue							
Row labels							
Revenue from levies (non-exchange transactions)	30 184	92 652	27 986	56	-	62 826	213 704
Government grants and core funding non exchange transactions	-	-	-	-	146 104	-	146 104
Revenue from rendering services	1 821	24 667	7 235	7 609	32	10 273	51 637
Interest received	-	-	-	-	23 080	-	23 080
Sundry income	-	1	-	1	633	-	635
Transport annual registration fee	-	-	-	-	1	2 099	2 100
Total segment revenue	**32 005**	**117 320**	**35 221**	**7 666**	**169 850**	**75 198**	**437 260**
Entity revenue							**437 260**
Expenditure							
Finance cost	-	-	-	-	1 134	-	1 134
Amortisation and depreciation	30	27	158	1 408	4 029	58	5 710
Advertising and marketing expenditure	-	9	19	27	1 851	-	1 906
Testing and sampling	526	1 185	3 102	-	-	18	4 831
Operating lease rentals	2	3	-	-	13 110	2	13 117
Contract services	86	216	38	148	15 050	139	15 677
Other expenses	207	427	548	541	43 005	181	44 909
Travel expenditure	2 783	6 282	1 761	4 538	2 726	4 627	22 717
Employment cost	31 190	46 942	48 446	59 939	73 295	48 462	308 274
Surrender of surplus to National Treasury	-	-	-	-	144 500	-	144 500
Total segment expenditure	**34 824**	**55 091**	**54 072**	**66 601**	**298 700**	**53 487**	**562 775**
Entity deficit							**(125 515)**

	CMM Rands '000	Electrotec Rands '000	FAI Rands '000	LM Rands '000	Support Rands '000	Auto Rands '000	Grand total Rands '000
2018							
Revenue							
Revenue from levies (non-exchange transactions)	33 936	137 767	31 270	-	-	61 361	264 334
Government grants and core funding non exchange transactions	-	-	13 971	50 920	63 854	-	128 745
Revenue from rendering services	12 883	25 772	7 714	8 505	50	10 191	65 115
Interest received	-	18	-	4	19 436	-	19 458
Sundry income	3	3	2	3	3 729	83	3 823
Transport annual registration fee	-	-	-	-		2 172	2 172
Total segment revenue	**46 822**	**163 560**	**52 957**	**59 432**	**87 069**	**73 807**	**483 647**
Entity revenue							
Expenditure							
Employment cost	27 042	41 036	43 151	53 847	72 365	43 169	280 610
Finance cost	-	-	-	-	184	-	184
Amortisation & depreciation	24	71	82	1 449	3 410	57	5 093
Other expenses	3 088	6 934	4 203	4 162	41 075	4 015	63 477
Allocation of overheads	-6 163	-24 651	-5 875	-1 493	49 515	(11 333)	-
Total segment expenditure	**23 991**	**23 390**	**41 561**	**57 965**	**166 549**	**35 908**	**349 364**
Total segmental surplus	**22 831**	**140 170**	**11 396**	**1 467**	**(79 480)**	**37 899**	**134 283**

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