



Companies and Intellectual
Property Commission

a member of **the dti** group

PORTFOLIO COMMITTEE BRIEFING

2018/2019 ANNUAL REPORT, 2019/2020 1ST & 2ND QUARTER REPORTS

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COMMISSIONER

27 NOVEMBER 2019



PURPOSE OF PRESENTATION

- To brief the Portfolio Committee on the Companies and Intellectual Property Commission (CIPC):
 - 2018/2019 Annual Report, 2019/2020,
 - 2019/2020 First Quarter Performance Report, and
 - 2019/2020 Second Quarter Performance Report.

OUTLINE OF THE PRESENTATION

1. PART 1: 2018/2019 Annual report
2. PART 2: 2019/2020 First quarter report
3. PART 3: 2019/2020 Second quarter report
4. PART 4: Key challenges
5. PART 5: CIPC Vision 2030



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PART 1: 2018/2019 ANNUAL REPORT



OUTLINE OF PART 1: 2018/2019 ANNUAL REPORT

1. Key highlights
2. Programme performance
3. Non-financial performance information
4. Financial Performance Information

2018/19 CIPC ANNUAL REPORT HIGHLIGHTS

- **Clean audit opinion** from the Auditor General of South Africa – with no material misstatements
- The introduction of an electronic financial reporting language, **eXtensible Business Reporting Language** (XBRL) (7513 filings as at 31 March 2019, 15296 as at September 2019)
- Company registration – ***average 1 day***
- **Substantive Search and Examination (SSE)** of patent applications in South Africa - Appointment and training of interns: substantive patent examination
- *“Respect for IP growing from the tip of Africa”* conference in November 2018.
- CIPC Introduced Mobile App technology
- First Phases of IT Infrastructure migrations

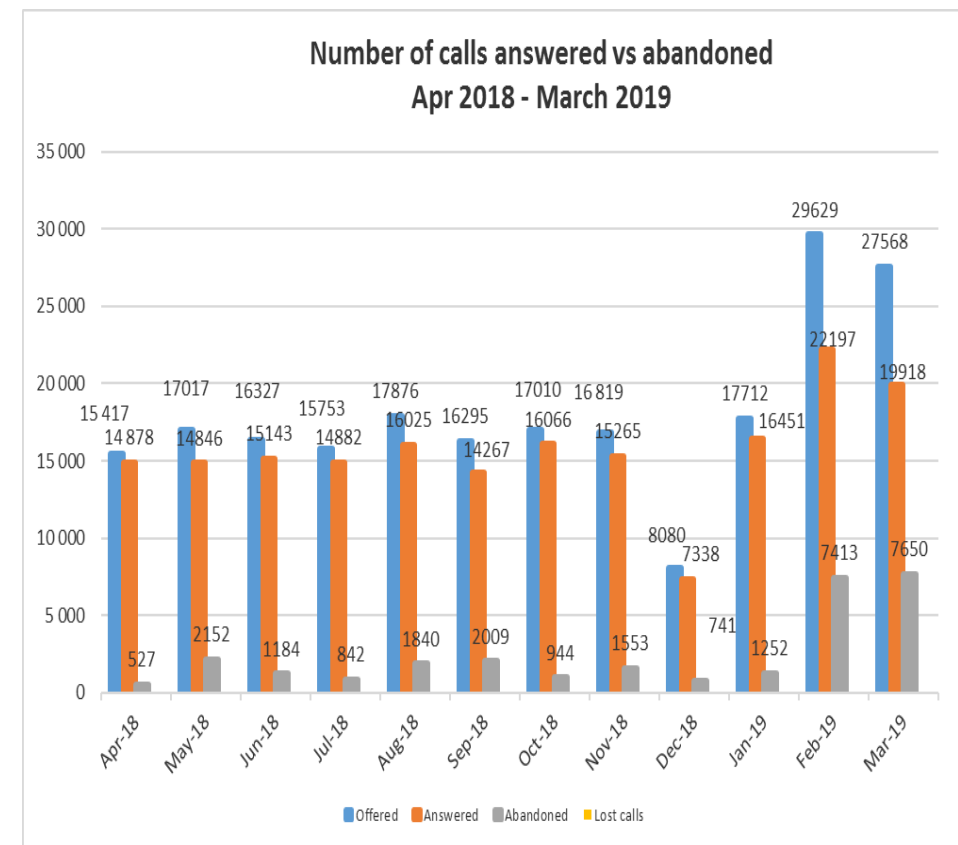
PROGRAMME PERFORMANCE

- Programme 1: Service Delivery and Access
- Programme 2: Innovation and Creativity
- Programme 3: Business Regulation and Reputation

PROGRAMME 1: SERVICE DELIVERY AND ACCESS

Call centre

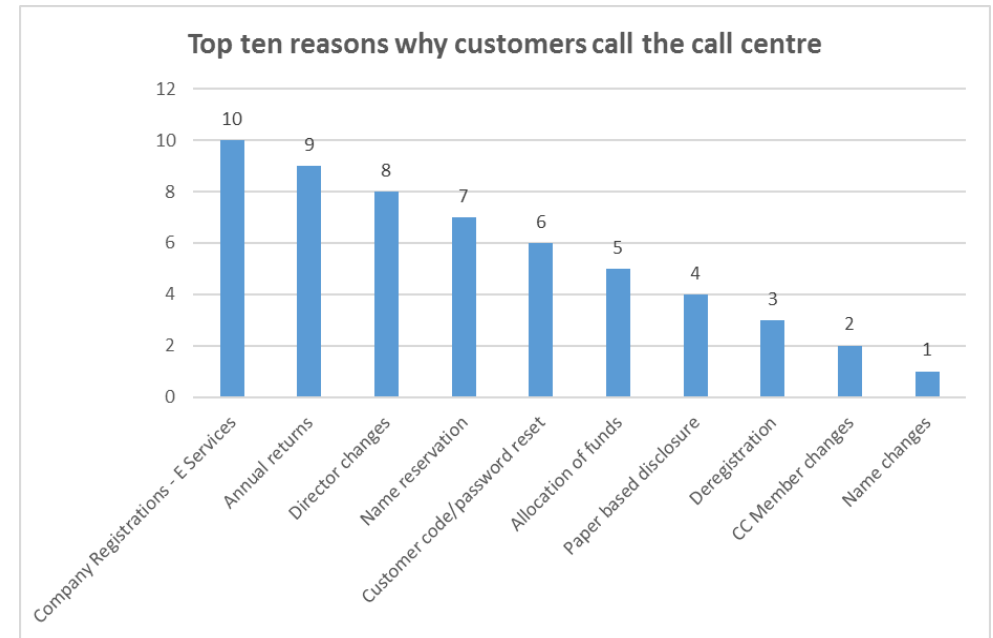
- The number of calls received spiked in the last two months of the year. The detailed reasons for the increase in calls are as follows:
- Additional services offered on e-service relating to the introduction of mandatory filing of Annual Financial Statements (AFS) or Financial Accountability Supplement (FAS) when filing Annual Returns; Changes made on B-BBEE certificates; Real time verification of Identification Numbers via Department of Home Affairs (DHA) on e-services; and Compliance status.
- Application errors, resulting in very high volumes of incoming calls.
- Introduction new, user-friendly Interactive Voice Recording (IVR) messages. This has ensured that customers could reach the call centre quicker, and has, in turn, led to an increase of calls.
- The high influx of calls resulted in customers waiting longer to be assisted, and led to customers dropping calls, and a high volume of repeat calls.



PROGRAMME 1: SERVICE DELIVERY AND ACCESS

Call centre

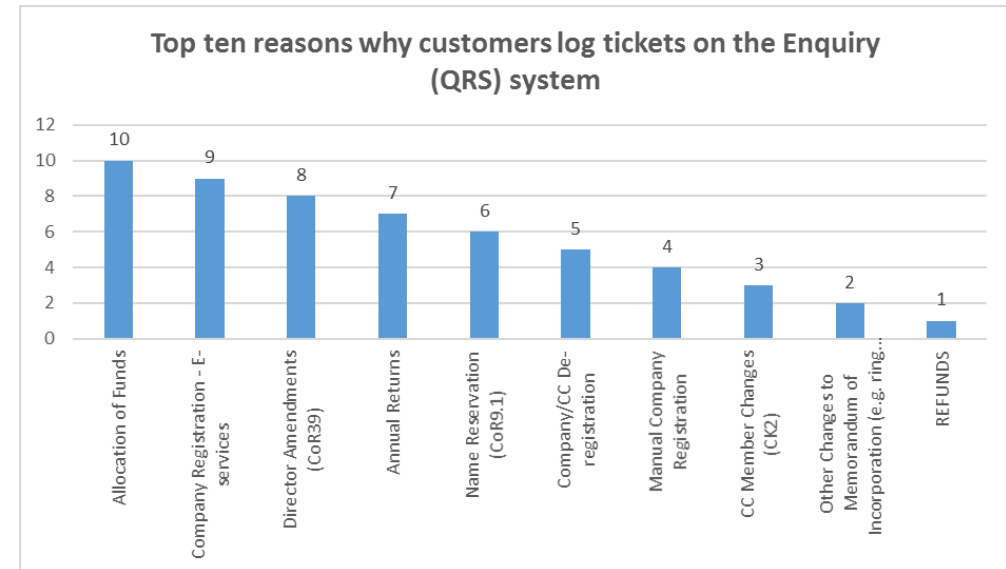
- Most of the calls received relate to the top 5 reasons:
 - E-services,
 - Annual returns,
 - Director Changes,
 - Name reservations and
 - Customer codes/password resets..



PROGRAMME 1: SERVICE DELIVERY AND ACCESS

Query Resolution System (QRS)

- The top reasons for customers logging tickets with CIPC included
 - allocation of funds,
 - company registration,
 - director amendments, and
 - annual returns.



PROGRAMME 1: SERVICE DELIVERY AND ACCESS

Social media queries

- System downtime due to migrations has been the topical issue for customer queries in the 2018/19 financial year
- Other queries being about
 - clarity on company registration and annual returns processes,
 - status of customers' application for company registration and name reservation,
 - complaints about delayed response to queries lodged through the query resolution system,
 - lack of clarity in the reasons for rejection of customers' applications, and
 - non-response on applications for registration of cooperatives.

PROGRAMME 2: INNOVATION AND CREATIVITY

Patents

- There was a spike in local patent applications
- Provisional patent applications increased slightly

Patent Applications Lodged	2015/2016	2016/2017	2017/2018	2018/2019
Local applications	644	700	683	1129
Provisional applications	1 880	1 902	1 807	1914
International applications	6 800	6 503	6 231	5 528
Total	9 324	9 105	8721	8571

PROGRAMME 2: INNOVATION AND CREATIVITY

- **Designs**
- The design filings have remained steady as compared to patents

Designs Applications	2015/2016	2016/2017	2017/2018	2018/2019
Local applications	818	1 040	974	914
International applications	1 048	1 045	1 044	1 088
TOTAL	1 866	2 085	2 023	2 002

Collecting societies

- CIPC approved the Independent Music Performance Rights Association (IMPRA) Distribution plan for 2018 and SAMPRA Distribution Plan for 2017 to ensure that beneficiaries such as performing artists continue to reap benefits accruing from their Intellectual Property (copyright works/performances). IMPRA reported that at least 38% of the distribution is done.

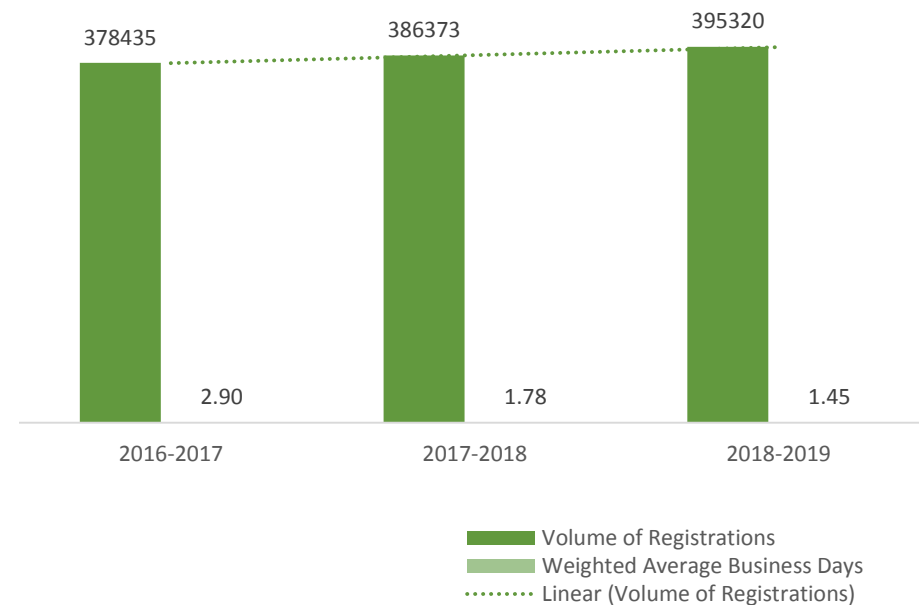
- **Copyright Amendment Bill**
- CIPC has been a key participant of the Parliamentary process to amend both Copyright Act, 1978 and the Performers Protection Act, 1967.
- The two Bills are now voted for by the two houses of Parliament and will be submitted to Presidency for signing into law.

PROGRAMME 3: BUSINESS REGULATION AND REPUTATION

Companies

- 395 320 companies registered
- Average of 1 day

Volume Company Registration and Average Registration Time



PROGRAMME 3: BUSINESS REGULATION AND REPUTATION

Business Rescue

- 217 proceedings were declared a nullity;
- 721 proceedings were terminated by way of filing a Notice of Termination (CoR125.2);
- 548 proceedings were substantially implemented by way of filing a Notice of Substantial Implementation (CoR125.3);
- 392 proceedings ended up directly in liquidation;
- 22 proceedings the court set aside the business rescue proceedings; and
- 1263 proceedings are still in business rescue.

Co-operatives

- New co-operatives registration 12 270 down from 12 748 in 2017/2018.
- This may be linked to the general low growth rate in the economy
- The other contributing factor may be the issues related to the perceived delay in the funding of cooperatives

PROGRAMME 3: BUSINESS REGULATION AND REPUTATION

Trade marks

TREND IN NEW APPLICATIONS (calendar year)		RESIDENTS	NON-RESIDENTS
2003	22 738	14 676	8 092
2004	23 227	14 982	8 844
2005	27 748	16 985	10 850
2006	31 851	20 017	11 778
2007	30 053	17 080	12 921
2008	29 891	16 032	13 875
2009	26 458	16 007	10 475
2010	30 310	17 573	12 136
2011	33 452	19 793	13 659
2012	35 201	21 091	14 110
2013	36 101	20 936	15 165
2014	35 542	20 586	14 956
2015	37 129	20 816	16 313
2016	38 169	21 289	16 880
2017	38 283	22 740	15 543
2018	39 136	22 948	16 188
2019 (March.)	9 338	5 288	4 050

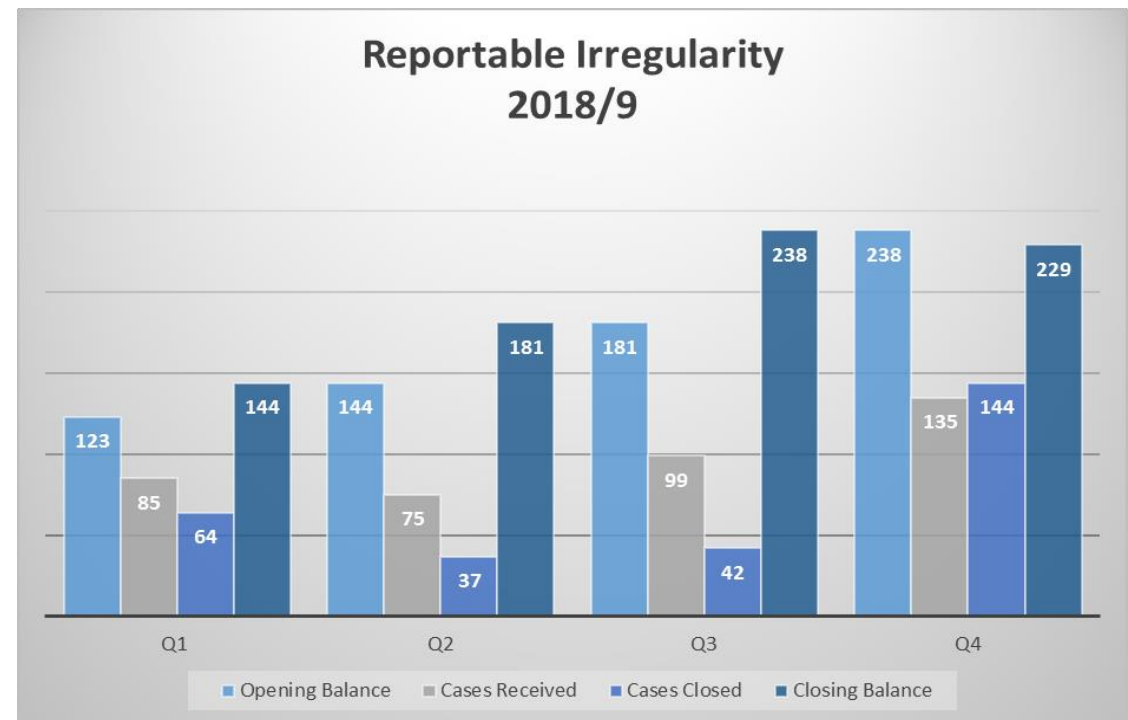
- Generally the filling of trade marks applications continued for the year under review and,
- residents continue to file better numbers

PROGRAMME 3: BUSINESS REGULATION AND REPUTATION

- Reportable irregularities

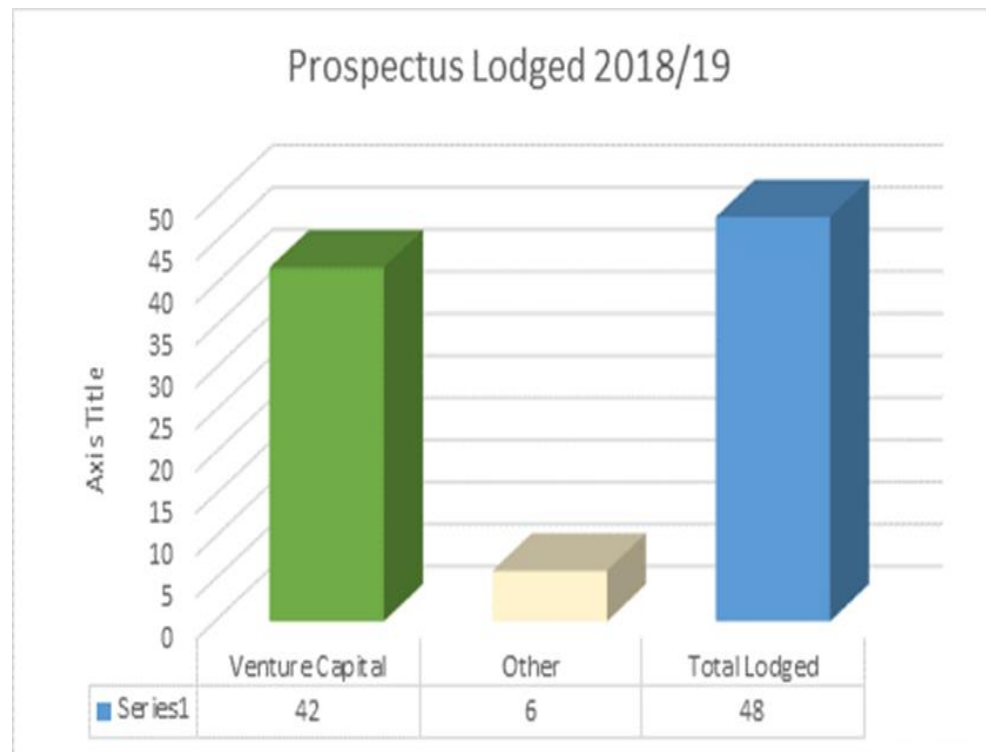
Some of the entities include:

- **Mitsubishi Hitachi Power Systems Africa (Proprietary) Limited** – AFSs not prepared within 6 Months Of Financial Year End;
- **Hisense SA Manufacturing (Proprietary) Limited** – AFSs not prepared within 6 months of Financial Year End; SABC – Proactive Investigation Into Solvency;
- **Eskom Holdings SOC Limited** – Undeclared Conflict Of Interest and Irregular Payments;
- **Ayo Technology Solutions Ltd** – AFSs not prepared within 6 months of Financial Year End;
- **Bombela Concession Company;** As a result of the State Capture revelations **African Global Operations (Proprietary) Limited** – Material Misstatements for 2017 Financial Year;
- **Bosasa Youth Development Centres (Proprietary) Limited** - Provisional liquidation pending an appeal.



PROGRAMME 3: BUSINESS REGULATION AND REPUTATION

- **Prospectuses**
- A total of 48 Prospectuses were lodged during the 2018/19 financial year
- Of which 42 of them are based on Section 12J of the Income Tax Act.
- A legal provision introduced as an incentive to enable (SMMEs) small business to diminish the capital procurement deficiency they are faced with.



PROGRAMME 1: PERFORMANCE INFORMATION

Output	Performance Measure or Indicator	2018/19 Annual Target	Actual Achievement	Deviation from planned target to actual achievement	Comments on deviations
GOAL 1: Reduce administrative compliance burden for companies and IP owners					
Strategic Objective 1.1 24/7 access to all CIPC products and services.					
Increased % in the website performance for e-services 24/7	% website performance for e-Services 24/7	93%	95%	2%	The ICT infrastructure is continuously monitored to ensure that the website works optimally
Increase in the number of provinces where SSTs were installed and are operational	The number of provinces where SSTs were installed and are operational	8 (1 Province added)	9	1	EC SST became operational in Q3 due to effective collaboration among relevant units involved in the project
Increase in the % of CIPC services with an option to file electronically compared to services which may only be filed manually	% of CIPC services with an option to file electronically compared to services which may only be filed manually	26% (1% increase)	26%	0%	No deviation
Strategic Objective 1.3 Intelligent, innovative, high performance organisational environment.					
Increase or maintain the score of the customer stakeholder value index	A score from 1 to 10 of the customer and stakeholder value index, a higher score indicating satisfaction with the CIPC	7	7.4	0.4	Customers rated CIPC at 7.8 and stakeholders rated CIPC at 6.9, which makes an average of 7.4

PROGRAMME 2: PERFORMANCE INFORMATION

Output	Performance Measure or Indicator	2018/19 Annual Target	Actual Achievement	Deviation from planned target to actual achievement	Comments on deviations
GOAL 2: A reputable Business Regulation and IP Protection environment in South Africa.					
Strategic Objective 2.1: Increased knowledge and awareness on Company and IP Laws.					
Increased knowledge and awareness on IP	Number of education and awareness events on IP conducted by CIPC	30	56	26	The stakeholders responded in numbers on the IP interventions
Strategic Objective 2.2: Improved compliance with Company and IP Laws.					
Increased knowledge and awareness of creativity and IP enforcement	Number of education and awareness events on IP enforcement initiatives conducted by CIPC	6	9	3	Special requests were received that had future collaboration benefits.

PROGRAMME 3: BUSINESS REGULATION AND REPUTATION: PERFORMANCE INFORMATION

Output	Performance Measure or Indicator	2018/19 Annual Target	Actual Achievement	Deviation from planned target to actual achievement	Comments on deviations
GOAL 2: A reputable Business Regulation and IP Protection environment in South Africa.					
Strategic Objective 2.1: Increased knowledge and awareness on Company and IP Laws.					
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2018/2019 ANNUAL REPORT

FINANCIAL INFORMATION



REPORT OF THE AUDITOR-GENERAL – 2018/19

Mar-19	Mar-18	Mar-17	Movement
Overall audit opinion			
Clean audit	Clean audit	Clean audit	<->
Annual financial statements			
Unqualified	Unqualified	Unqualified	<->
Compliance with laws and regulations			
No material findings	No material findings	No material findings	<->
Predetermined objectives (Performance Information)			
Unqualified	Unqualified	Unqualified	<->

ANNUAL FINANCIAL STATEMENTS – 2018/19

Financial Position

Description	Mar-19	Mar-18	Mar-17	Variance (2019 v 2018)	
	R'000	R'000	R'000	R'000	%
Assets					
Non-current assets	74 615	68 094	55 391	6 521	10%
Current assets	769 505	675 636	1 560 211	93 869	14%
Total Assets	844 120	743 730	1 615 602	100 390	13%
Total Liabilities	422 912	158 704	360 097	264 208	166%
Net assets	421 208	585 026	1 255 505	(163 818)	-28%

ANNUAL FINANCIAL STATEMENTS – 2018/19

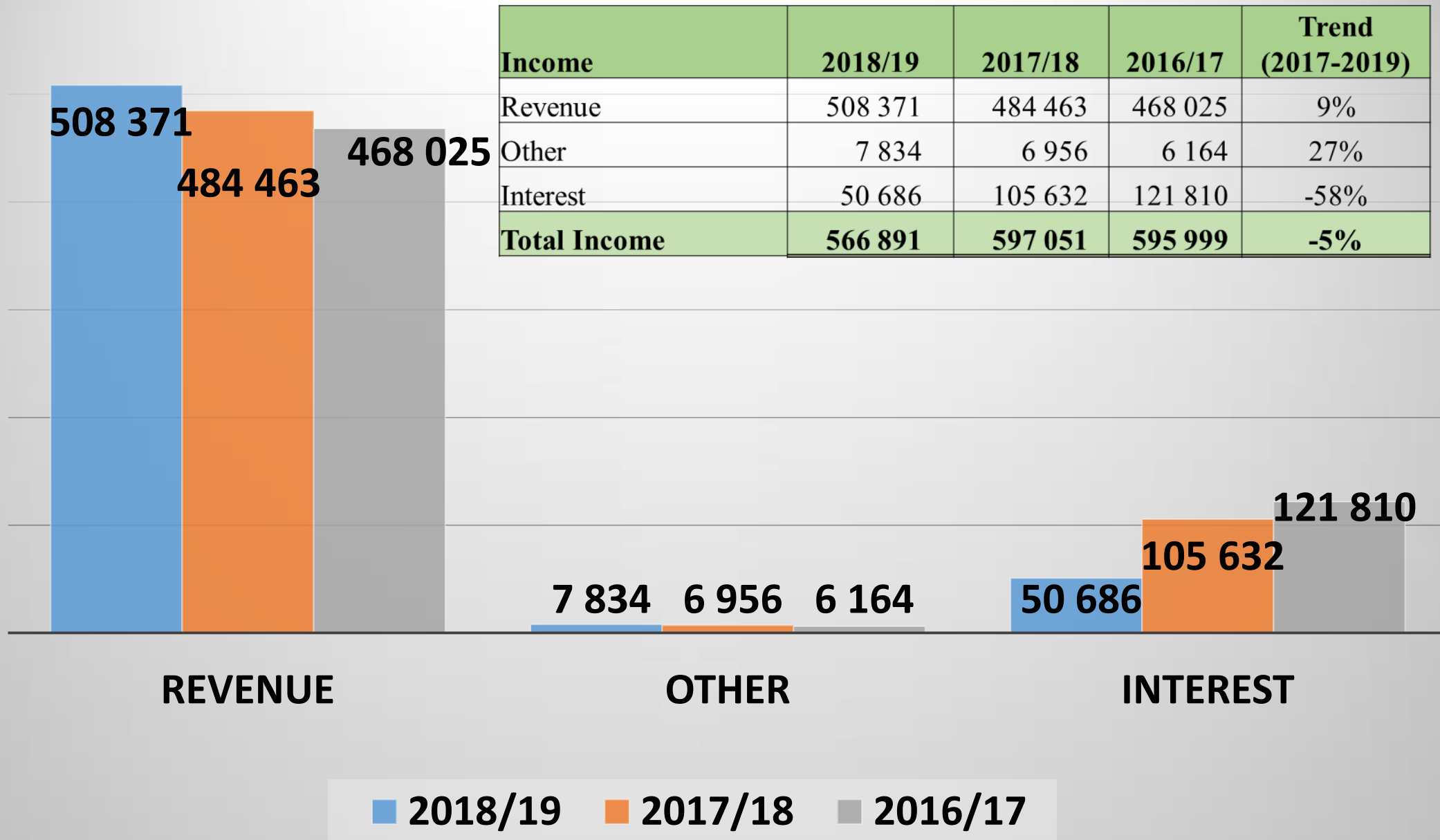
Financial Performance

Description	Mar-19	Mar-18	Mar-17	Variance (2019 v 2018)	
	R'000	R'000	R'000	R'000	%
Total income	566 891	597 051	595 999	(30 160)	-5%
Total expenditure	(485 309)	(477 378)	(411 420)	7 931	2%
Surplus for the year	81 582	119 673	184 579	(38 091)	-32%

OPERATIONAL PERFORMANCE VS BUDGET 2018/19

Description	Total annual budget R'000	Actual R'000	Budget variance R'000	% Variance %
Income				
Revenue	502 959	508 371	5 412	1%
Other*	2 918	7 834	4 916	168%
Interest	47 897	50 686	2 789	6%
Total Income	553 774	566 891	13 117	2%
Expenditure				
Employee costs	319 898	325 425	(5 527)	-2%
Operating expenditure **	171 035	101 031	70 004	41%
Administrative expenditure ***	42 775	38 552	4 223	10%
Depreciation	20 066	20 301	(235)	-1%
Expenditure	553 774	485 309	68 465	12%
Surplus for the period	-	81 582	81 582	

REVENUE TREND MARCH 2017 TO MARCH 2019 R'000



OPERATIONAL EXPENDITURE TREND MARCH 2017 TO MARCH 2019 R'000

■ 2018/19 ■ 2017/18 ■ 2016/17

325 425 323 754
253 103

Description	2018/19	2017/18	2016/17	Trend % (2017-2019)
Employee costs	325 425	323 574	253 103	29%
Operating expenditure	101 031	98 770	109 644	-8%
Administrative expenditure	38 552	38 039	38 184	1%
Depreciation & Impairment losses	20 301	16 713	10 647	91%
Total Expenditure	485 309	477 276	411 578	18%

101 031 98 770 109 644

38 552 38 039 38 184

20 301 16 713 10 647

EMPLOYEE COSTS



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2019/2020 FIRST QUARTER REPORT



OUTLINE OF PART 2: 2019/2020 QUARTER 1 REPORT

1. Key highlights
2. Programme performance
3. Non-financial performance information
4. Financial Performance Information

QUARTER 1: KEY HIGHLIGHTS

- Development of Bizportal – Presidential initiative
- The launch of CIPC Broadcast, an online streaming radio service
- The office accommodation project has been approved by their Real Estate Management Division and a “Procurement Instruction” issued to the Pretoria Regional Office for processing.
- The IP BRICS activities under the period of chairmanship of the CIPC (28 March 2018 to 16 April 2019) successfully concluded with the hosting of the 11th BRICS HIPO Meeting, held in Stellenbosch on 14-16 April 2019.
- There was a sudden increase in the submission of financial accountability statements (FAS) during the first quarter when filing annual returns, of 49% compared to the previous quarter in the filing of the FAS. This was mainly due to the Hardstop functionality in XBRL that was implemented during the month of March 2019.

Q1: PROGRAMME PERFORMANCE

- Programme 1: Service Delivery and Access
- Programme 2: Innovation and Creativity
- Programme 3: Business Regulation and Reputation

Q1: PROGRAMME PERFORMANCE: PROGRAMME 1: SERVICE DELIVERY AND ACCESS

- K2 Business Process Management (BPM) project - the development of the automated co-operatives registration application near completion,
- The Future View Enterprise Architecture project was completed,
- A tender for Organisational Design was advertised with the closing date of 23 July 2019.

Q1: PROGRAMME PERFORMANCE: PROGRAMME 2: INNOVATION AND CREATIVITY

- The European Patent Office (EPO) examiners conducted an on-site training from 1 to 12 April 2019, with the CIPC patent searchers on advanced searching techniques and understanding the patentability criteria. The EPO also engaged in a study visit to the CIPC offices, to review of CIPC's formality requirements for the establishment of SSE.
- The World Intellectual Property Organization (WIPO) conducted a mission to South Africa from 23 to 26 April 2019 to install further applications of the IPAS system on the CIPC infrastructure and to work with our ICT team on developing the framework for linking IPAS to CIPC's billing system. WIPO also conducted training for CIPC officials on the use of IPAS.
- Internship Program on Substantive Search and Examination Program has commenced with the recruitment process.

Q1: PROGRAMME PERFORMANCE: PROGRAMME 3: BUSINESS REGULATION AND REPUTATION

- A total of 98 666 new companies were registered at the average of 2 working days,
- A total of 2 890 new co-operative registrations were registered at an average of 2 working days,
- A total of 10 925 annual financial statements was received via XBRL and the numbers are steadily increasing. So far the XBRL system is functioning as expected with few a few glitches encountered,
- 75400 entities were identified as having failed to submit their Annual Returns within 30 business days after their registration anniversary date,
- 92 621 entities were identified before the implementation of Hardstop Functionality, have submitted Annual Returns but have not submitted their Annual financial statements/ or Financial Accountability Supplements,
- The closing balance of reportable irregularities was 242, the reason of entities reporting RI's concerning technical insolvency is usually related to start-up capital provision by owners/shareholders, tough economic conditions (taking time for companies to break-even) and accounting principles applied upon valuation of assets,
- All the prospectuses that were lodged in the previous quarter were registered, at the current stage we have eight outstanding and we are expecting to receive the final draft at a later stage,
- 1263 companies are in business rescue.

Q1: PROGRAMME PERFORMANCE: PROGRAMME 3: BUSINESS REGULATION AND REPUTATION

- High profile companies under investigation

	<u>Contravention</u>
GLOBAL TECHNOLOGY SYSTEMS (PTY) LTD	Section 22 - Reckless trading
BOSASA SUPPLY CHAIN MANAGEMENT (PTY) LTD	Section 22 - Reckless trading
AFRICAN GLOBAL OPERATIONS (PTY) LTD	Section 22 - Reckless trading
AFRICAN GLOBAL HOLDINGS (PTY) LTD	Section 22 - Reckless trading
BLACK ROX SECURITY INTELLIGENCE SERVICES (PTY) LTD	Section 22 - Reckless trading
BOSASA YOUTH DEVELOPMENT CENTRES (PTY) LTD	Section 22 - Reckless trading
AYO TECHNOLOGY SOLUTIONS LIMITED	Section 22 - Reckless trading

QUARTER 1 (2019/20)

PERFORMANCE INFORMATION SUMMARY

1. 78% (9) of the targets were met.

2. The following targets were not met:

- ☐ % of Public Companies (entities with an active business status) that have filed annual returns by the end reporting period.
- ☐ % of Public Companies (entities with an active business status) that have filed audited financial statements on time by the end reporting period.

Q1: PERFORMANCE INFORMATION: PROGRAMME 1

Output	Performance Measure or Indicator	2019/20 Annual Target	1st Quarter milestones	Actual Achievement	Reason for Variance	Corrective Action
GOAL 1: Reduced administrative compliance burden for companies and IP owners.						
Strategic Objective 1.1 24/7 access to all CIPC products and services.						
Increased in the % of website performance for e-services 24/7	% website performance for e-services 24/7	93%	93%	96%	The overachievement is due improved ICT infrastructure.	N/A
Increase in the % of CIPC services with an option to file electronically compared to manually filed services	% of CIPC services with an option to file electronically compared to manually filed services	27% (1% increase)	26%	26%	N/A	N/A

Q1: PERFORMANCE INFORMATION: PROGRAMME 2

Output	Performance Measure or Indicator	2019/20 Annual Target	1st Quarter milestones	Actual Achievement	Reason for Variance	Corrective Action
GOAL 2: A reputable Business Regulation and IP Protection environment in South Africa.						
Strategic Objective 2.1: Increased knowledge and awareness on Company and IP Laws.						
Increased level of awareness of Company Act and other related legislation.	Number of education and awareness events conducted by the CIPC on the Companies Act and related legislation	3	0	17	The overachievement is due to influx of requests by the dti Minister and other stakeholders which CIPC honoured.	N/A
Increased knowledge and awareness on IP	Number of education and awareness events on IP conducted by CIPC	30	8	27	The overachievement is due positive responses by the various stakeholders, including the creative sector and the public. Increased partnership also resulted in more events held.	N/A
Strategic Objective 2.2 Improved compliance with the Company and IP Laws						
Increased knowledge and awareness on IP enforcement	Number of education and awareness events on IP enforcement conducted by CIPC	6	2	3	The overachievement is due positive responses by the various stakeholders.	N/A

Q1: PERFORMANCE INFORMATION: PROGRAMME 3

Output	Performance Measure or Indicator	2019/20 Annual Target	1st Quarter milestones	Actual Achievement	Reason for Variance	Corrective Action
Strategic Objective 1.2 Timely delivery of all CIPC products and services.						
Reduction in the average number of days to register a company from the date of receipt of a complete application	The average number of days to register a company from the date of receipt of a complete application.	2	2	2	N/A	N/A
Reduction in the average number of days to register a co-operative from the date of receipt of a complete application.	The average of the number of days to register a co-operative from the date of receipt of a complete application.	3	3	2	The overachievement is due to unprecedented ICT system stability during the period under review.	N/A
Strategic Objective 1.3 Intelligent, innovative, high performance organisational environment.						
GOAL 2: A reputable Business Regulation and IP Protection environment in South Africa.						
Strategic Objective 2.1: Increased knowledge and awareness on Company and IP Laws.						
Increased level of awareness of Company Act and other related legislation.	Number of education and awareness events conducted by the CIPC on the Companies Act and related legislation	3	0	17	The overachievement is due to influx of requests by the dti Minister and other stakeholders which CIPC honoured.	N/A
Strategic Objective 2.2 Improved compliance with the Company and IP Laws						
Increased % of Public Companies (entities with an "active business" status) that have filed annual returns by the reporting period	% of Public Companies (entities with an active business status) that have filed annual returns by the end reporting period.	75%	50%	49%	Of the 484 public companies expected to file annual returns, 206 public companies filed (49%).	As customers adapts to the filing of Audited Financial Statements, the compliance rate should improve.
Increased % of Public Companies (entities with an "active business" status) that have filed audited financial statements on time by the end of the reporting period	% of Public Companies (entities with an active business status) that have filed audited financial statements on time by the end reporting period.	60%	60%	53%	Of the 421 public companies expected to file AFS in the first quarter, 223 public companies filed (53%).	It is anticipated that should the Hard-Stop Functionality experience system clichés (as will all technology era), follow ups on the non-filing of AFS will be investigated accordingly. Pro-active enforcement will also be put in place.



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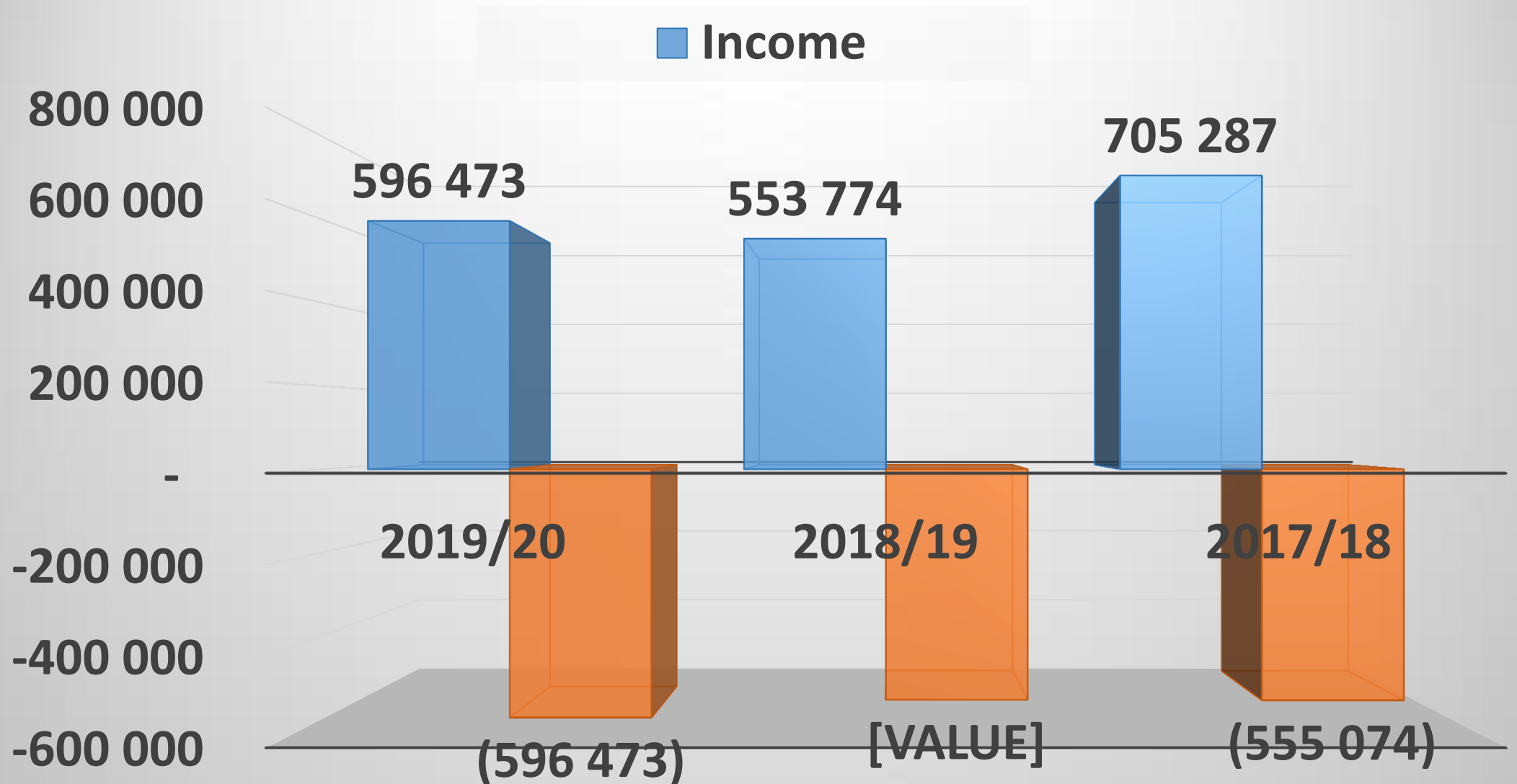
2019/2020 FIRST QUARTER FINANCIAL INFORMATION



OVERVIEW OF THE ANNUAL BUDGET

2019/20

R'000



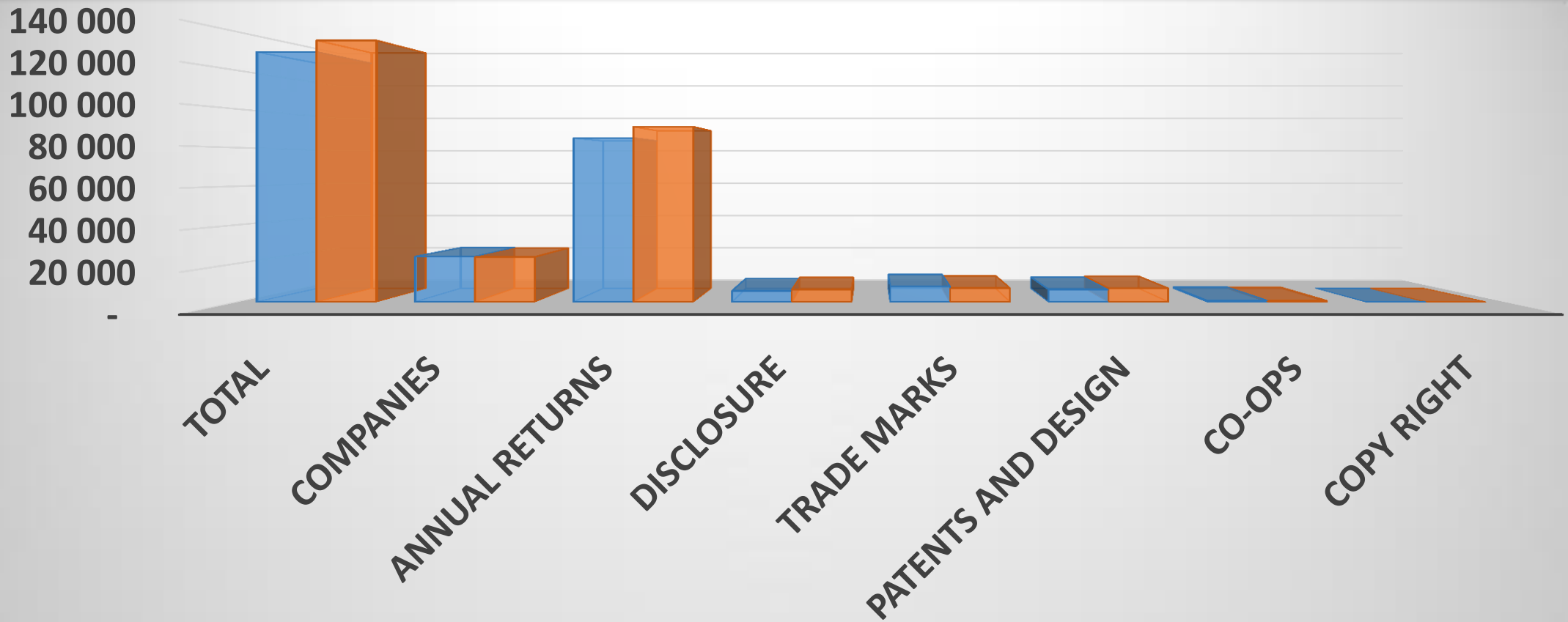
OPERATIONAL PERFORMANCE FOR QUARTER 1 APRIL'19 – JUNE'19

OPERATIONAL PERFORMANCE							
Description	Total Annual Budget	Pro-rated Budget (April - Jun '19)	Actual (April - Jun '19)	Variance (June '19)		Variance (June '18)	Forecast (March '20)
	R'000	R'000	R'000	R'000	%	%	R'000
Income							
Revenue	548 546	137 137	135 578	(1559)	(1%)	3%	546 987
Other	685	171	131	(41)	(24%)	(98%)	644
Interest	47 242	11 811	12 149	339	3%	(3%)	47 581
Total Income	596 473	149 118	147 857	(1 261)	(1%)	2%	595 212
Expenditure							
Employee costs	358 758	89 690	77 778	11 912	13%	8%	346 847
Operating and administrative expenditure	216 092	54 022	29 219	24 803	46%	45%	191 288
Depreciation	21 623	5 406	6 024	(618)	(11%)	0%	22 241
Expenditure	596 473	149 118	113 021	36 098	24%	22%	560 375
Surplus for the period	-	-	34 837	34 837	-		34 837

REVENUE ANALYSIS

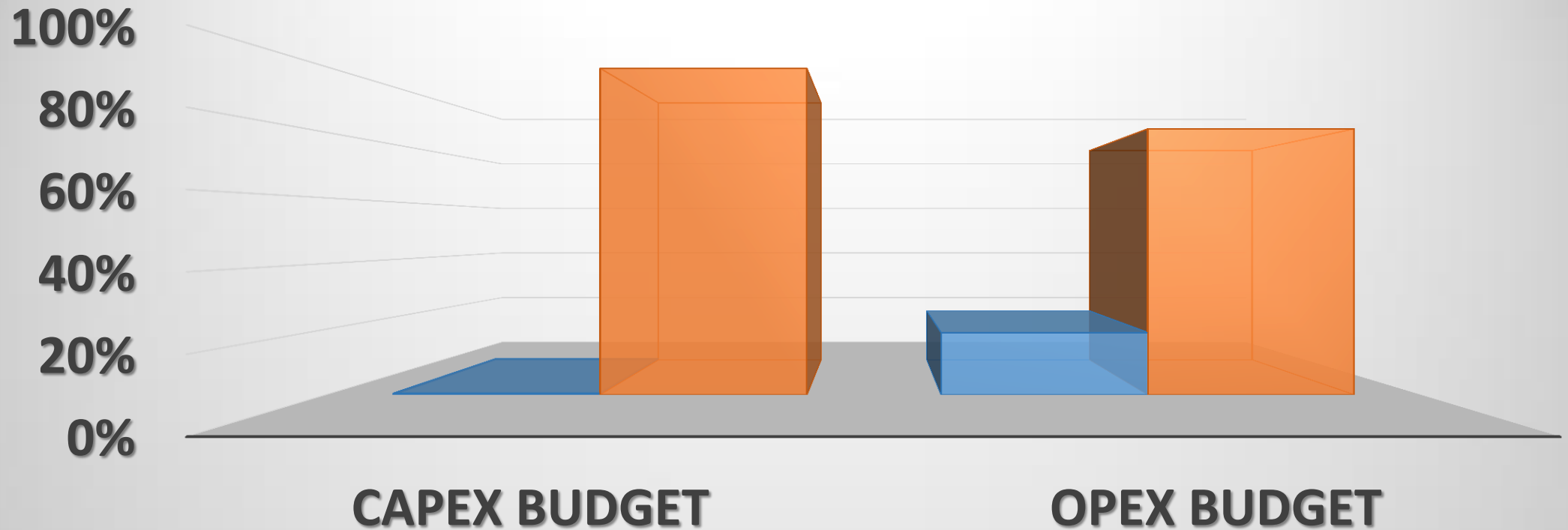
JUNE 2018 VS. JUNE 2019

(R'000)



	Total	Compani es	Annual Returns	Disclosur e	Trade Marks	Patents and Design	Co-Ops	Copy Right
■ April 18 -June 18	129 575	23 544	84 958	5 785	8 067	6 484	726	11
■ April 19 -June 19	135 578	23 370	90 833	6 363	7 237	7 108	663	4

ANNUAL EXPENDITURE BUDGET VS ACTUAL QUARTER ONE EXPENDITURE APRIL 2019 - JUNE 2019

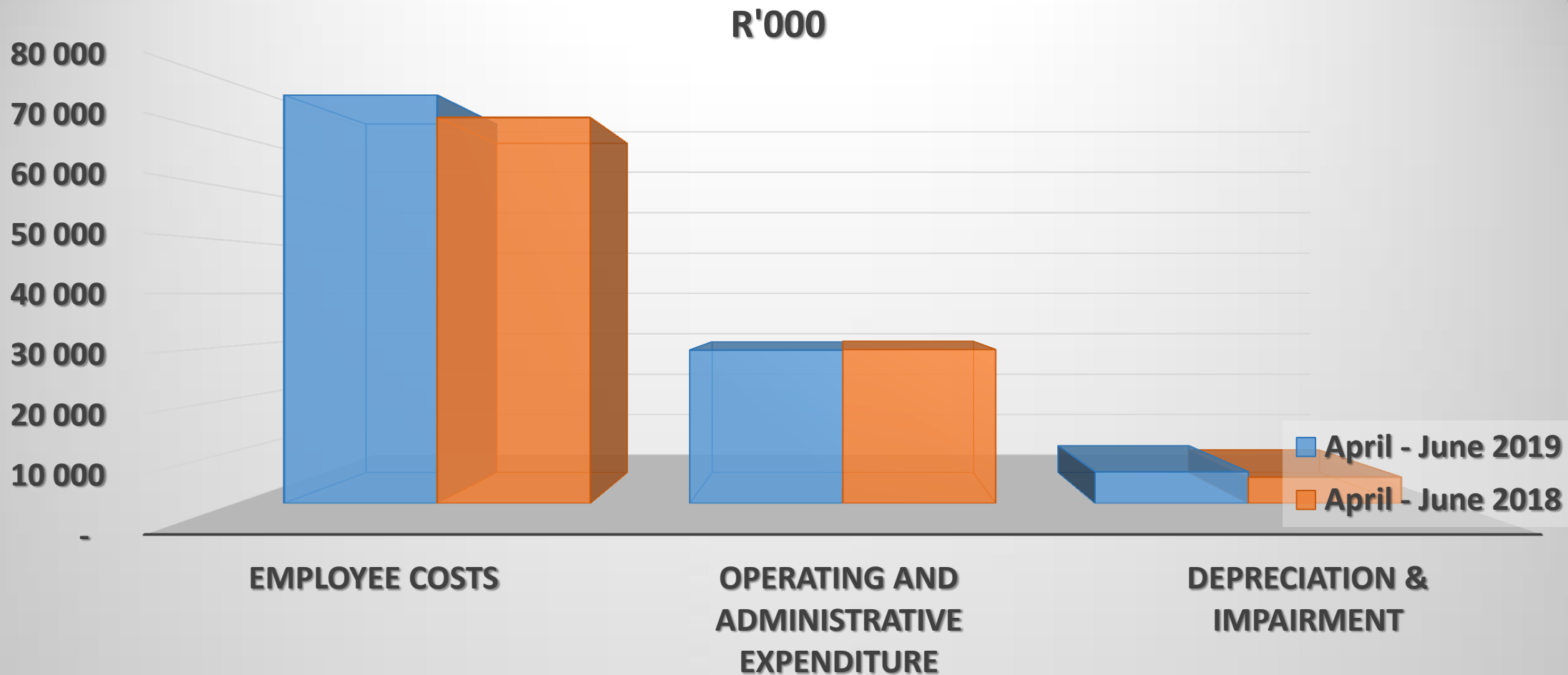


	Capex budget	Opex budget
Spent: April '19 - June '19	0%	19%
Remaning: Jul '19 - Mar '20	100%	81%

OPERATIONAL EXPENDITURE ANALYSIS

JUNE 2019 VS. JUNE 2018

(R'000)

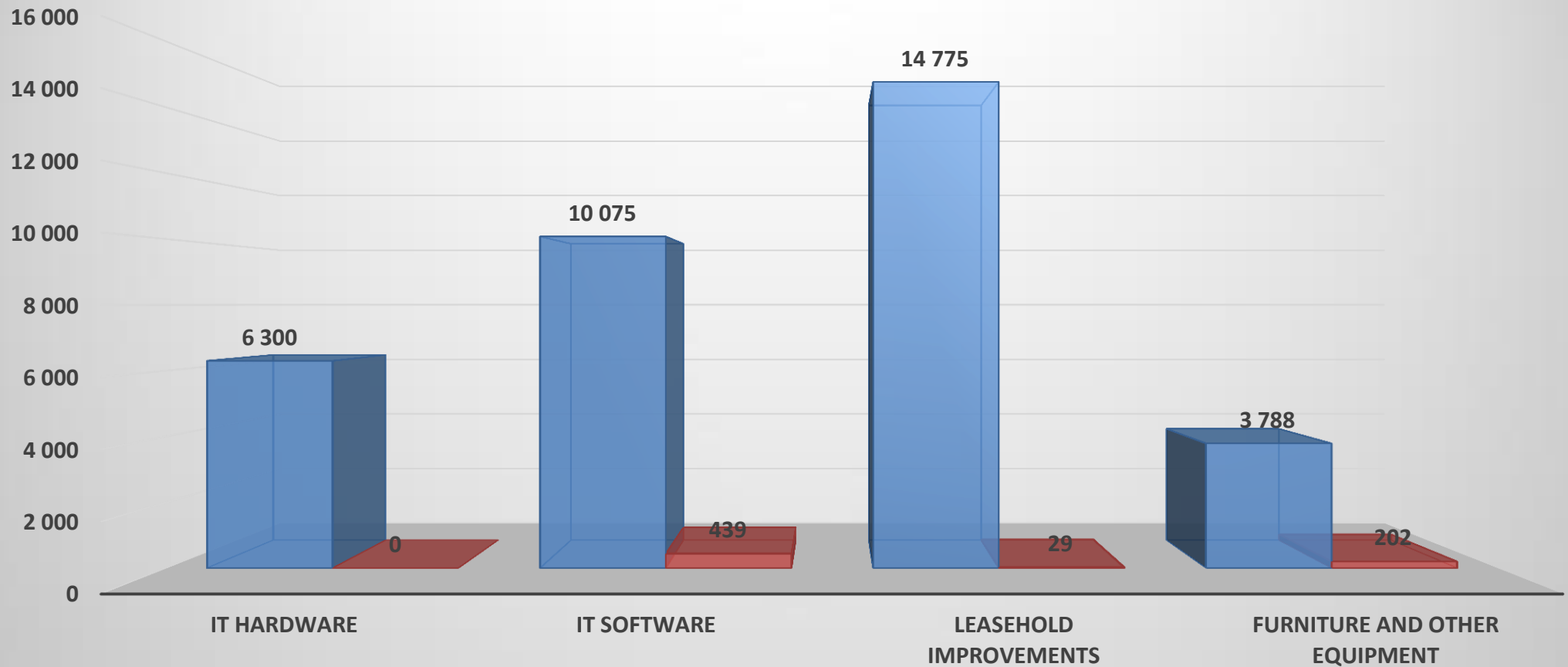


	Employee costs	Operating and administrative expenditure	Depreciation & Impairment
■ April - June 2019	77 778	29 219	6 024
■ April - June 2018	73 510	29 312	5 023

CAPITAL EXPENDITURE ANALYSIS

APRIL – JUNE 2019

R'000

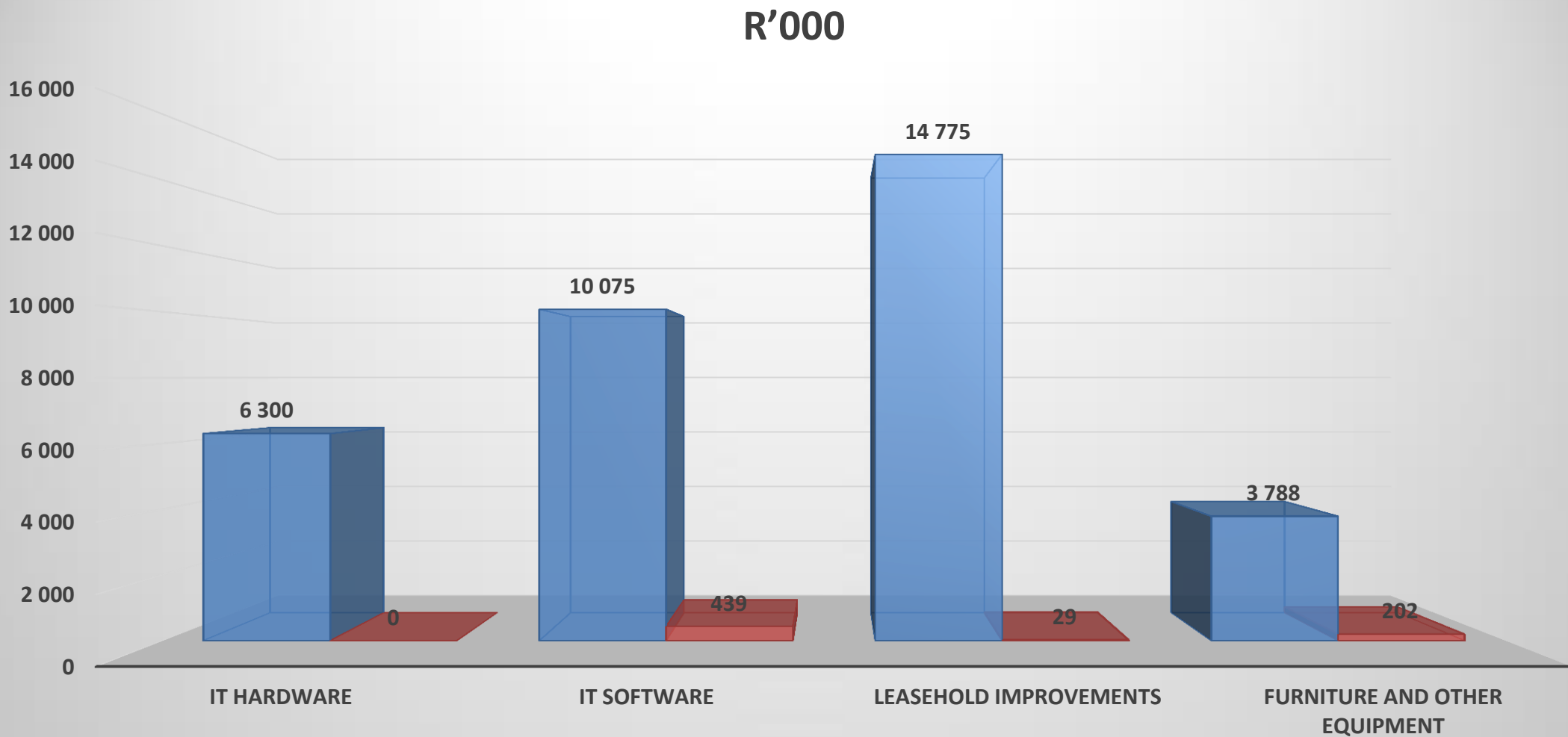


	IT Hardware	IT Software	Leasehold Improvements	Furniture and other equipment
Budget	6 300	10 075	14 775	3 788
Actual	0	439	29	202

■ Budget ■ Actual

CAPITAL EXPENDITURE ANALYSIS

APRIL – JUNE 2019



	IT Hardware	IT Software	Leasehold Improvements	Furniture and other equipment
Budget	6 300	10 075	14 775	3 788
Actual	0	439	29	202

■ Budget ■ Actual



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2019/2020 SECOND QUARTER REPORT



OUTLINE OF PART 2: 2019/2020 QUARTER 2 REPORT

1. Key highlights
2. Programme performance
3. Non-financial performance information
4. Financial Performance Information

QUARTER 2 (2019/20) HIGHLIGHTS

- The tender for the Organisational Design project evaluated.
- 30 Interns recommended for appointment in the Patent Substantive Search and Examination, after a lengthy recruitment process due to the volume of applications received.
- The CIPC Executive Committee (ExCo) approved the Proof of Concept (PoC) for the Industrial Property Automation System (IPAS) to full implementation.

Q2 PROGRAMME PERFORMANCE 1: SERVICE DELIVERY AND ACCESS

- 109 310 companies were registered at average of 1 day.
- A total of 3 211 co-operative new applications were registered during Q2. 99% (3172) of these applications were registered within two working days. Only 1% (39) were registered outside the turnaround time.
- 9781 tickets were logged on the query resolution system (QRS). The trend of top reasons why customers is the allocation of funds, company registration, name reservations and director amendments
- Over 800 000 impressions recorded on social media
- The K2 Business Process Management (BPM) project, advanced considerably well with the development of the new name search solution onto the K2 platform, thereby replacing the legacy Verity system. The solution was planned for release with the automated co-operatives registration and customer registration applications.

Q2 PROGRAMME PERFORMANCE 2: INNOVATION AND CREATIVITY

- The Screening Committee of the Investor Assistance Programme (IAP) met on 8 July and 28 August 2019 respectively to review applications received from inventors and SMMEs. In total, 38 applications were reviewed, but only 3 applications met the criteria for further support.
- The IP for Kids Media Week was hosted from 14 – 17 August 2019. About 180 learners from three prominent high schools in Soweto, Gauteng were taken through various workshops on the value of IP and how to be a citizen journalist.

Q2 PROGRAMME PERFORMANCE 3: BUSINESS REGULATION AND REPUTATION

- 109 310 new companies were registered at an average of 1 day,
- 3 211 new co-operatives were registered at an average of 2 days,
- 9812 new trade marks applications were processed,
- There were 292 reportable irregularities,
- Compliance notice was issued for the following:
 - AFRICAN GLOBAL HOLDINGS (PTY) LTD
 - KGWERANO FINANCIAL SERVICES (PTY) LTD
- As at the end of September 2019, 15 351 annual financial statements were received via XBRL and the numbers are steadily increasing. So far the XBRL system is functioning as expected with few glitches encountered,
- 75 400 entities were identified as having failed to submit their Annual Returns within 30 Business days after their registration anniversary date,
- 92 621 entities were identified before the implementation of the 'Hard-Stop Functionality', have submitted Annual Returns but have not submitted their Annual financial statements/ or Financial Accountability Supplements.

QUARTER 2 (2019/20)

PERFORMANCE INFORMATION SUMMARY

1. 78% (9) of the targets were met.

2. The following targets were not met:

☐ % of Public Companies (entities with an active business status) that have filed annual returns by the end reporting period.

☐ Reason:

☐ % of Public Companies (entities with an active business status) that have filed audited financial statements on time by the end reporting period.

☐ Reason:

Q2 PERFORMANCE INFORMATION: PROGRAMME 1

Output	Performance Measure or Indicator	2019/20 Annual Target	2nd Quarter milestones	Actual Achievement	Reason for Variance	Corrective Action
GOAL 1: Reduced administrative compliance burden for companies and IP owners.						
Strategic Objective 1.1 24/7 access to all CIPC products and services.						
Increased % in the website performance for e-services 24/7	% website performance for e-services 24/7	93%	93%	95%	Improved Infrastructure	N/A
Increase in the % of CIPC services with an option to file electronically compared to manually filed services	% of CIPC services with an option to file electronically compared to manually filed services	27% (1% increase)	26%	26%	N/A	N/A
Strategic Objective 1.3 Intelligent, innovative, high performance organisational environment.						
Increase the score of the customer stakeholder value index	A score between 1 - 10 of the customer and stakeholder value index, a higher score indicating satisfaction with the CIPC	7	Not to be measured			

Q2 PERFORMANCE INFORMATION: PROGRAMME 2

Output	Performance Measure or Indicator	2019/20 Annual Target	2nd Quarter milestones	Actual Achievement	Reason for Variance	Corrective Action
GOAL 1: Reduced administrative compliance burden for companies and IP owners.						
Strategic Objective 1.2 Timely delivery of all CIPC products and services.						
Reduction in the average number of days to register a company from the date of receipt of a complete application	The average number of days to register a company from the date of receipt of a complete application.	2	2	1	Experienced outlook and ICT challenges during quarter 2, however team put extra effort to ensure that application processed within target once systems were back up.	None Required.
Reduction in the average number of days to register a co-operative from the date of receipt of a complete application.	The average of the number of days to register a co-operative from the date of receipt of a complete application.	3	3	2	There was no system challenges experienced during Q2, hence 99% applications were registered within 2 working days.	None
GOAL 2: A reputable Business Regulation and IP Protection environment in South Africa.						
Strategic Objective 2.1: Increased knowledge and awareness on Company and IP Laws.						
Increased level of awareness of Company Act and other related legislation.	Number of education and awareness events conducted by the CIPC on the Companies Act and related legislation	3	1	1	An event was arranged and conducted in Rustenburg on 7 August 2019.	N/A

Q2 PERFORMANCE INFORMATION: PROGRAMME 3

Output	Performance Measure or Indicator	2019/20 Annual Target	2nd Quarter milestones	Actual Achievement	Reason for Variance	Corrective Action
Strategic Objective 1.2 Timely delivery of all CIPC products and services.						
Reduction in the average number of days to register a company from the date of receipt of a complete application	The average number of days to register a company from the date of receipt of a complete application.	2	2	1	Experienced outlook and ICT challenges during quarter 2, however team put extra effort to ensure that application processed within target once systems were back up.	None Required.
Reduction in the average number of days to register a co-operative from the date of receipt of a complete application.	The average of the number of days to register a co-operative from the date of receipt of a complete application.	3	3	2	There was no system challenges experienced during Q2, hence 99% applications were registered within 2 working days.	None
GOAL 2: A reputable Business Regulation and IP Protection environment in South Africa.						
Strategic Objective 2.1: Increased knowledge and awareness on Company and IP Laws.						
Increased level of awareness of Company Act and other related legislation.	Number of education and awareness events conducted by the CIPC on the Companies Act and related legislation	3	1	1	An event was arranged and conducted in Rustenburg on 7 August 2019.	N/A
Strategic Objective 2.2 Improved compliance with the Company and IP Laws						
Increased % of Public Companies (entities with an "active business" status) that have filed annual returns by the reporting period	% of Public Companies (entities with an active business status) that have filed annual returns by the end reporting period.	75%	60%	57%	During 2018-2019 comparative period, a 7% decrease (or 31 less public companies) was noted for "in time" filings for public companies in comparison to 2017-2018. For the current period, a decrease of 21% has been noted. It is suspected that the mandatory filing of Audited Financial Statements may have contributed to the low filing rate.	During Quarter 3, a survey will be undertaken to confirm why public companies are not filing annual returns on time. It is also a consideration that the filing rate could improve during the remainder of the financial year since public companies becoming due during quarter 1, may still file during quarter 2, 3 or 4.
Increased % of Public Companies (entities with an "active business" status) that have filed audited financial statements on time by the end of the reporting period	% of Public Companies (entities with an active business status) that have filed audited financial statements on time by the end reporting period.	60%	60%	39%	Investigation steps will be implemented to take additional punitive steps (in addition to penalties) towards public companies who contravene Section 33 which will include compliance notices	Investigations to be initiated and compliance notices issued against contravening entities.



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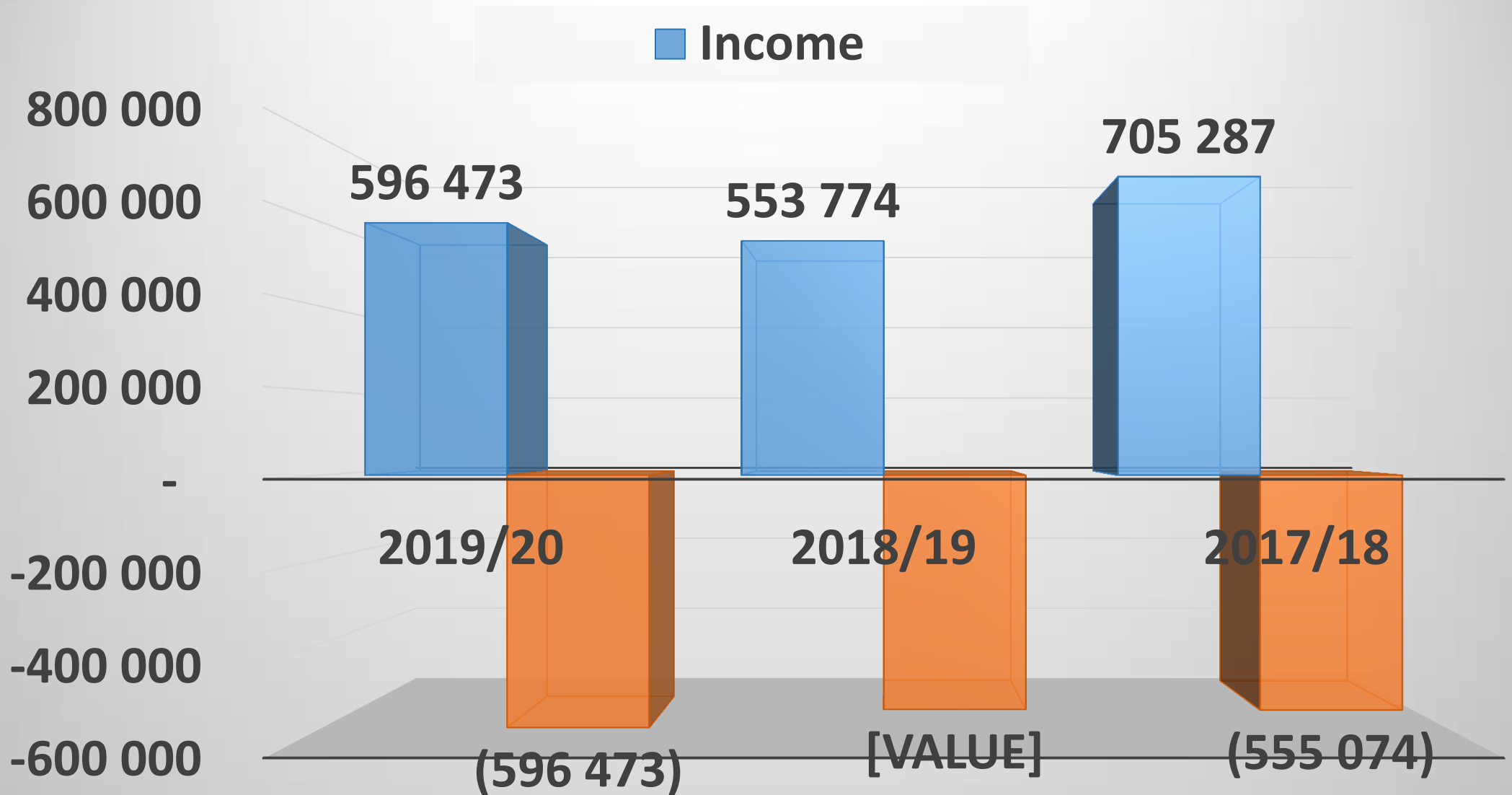
2019/2020 SECOND QUARTER FINANCIAL INFORMATION



OVERVIEW OF THE ANNUAL BUDGET

2019/20

R'000



OPERATIONAL PERFORMANCE FOR QUARTER 2

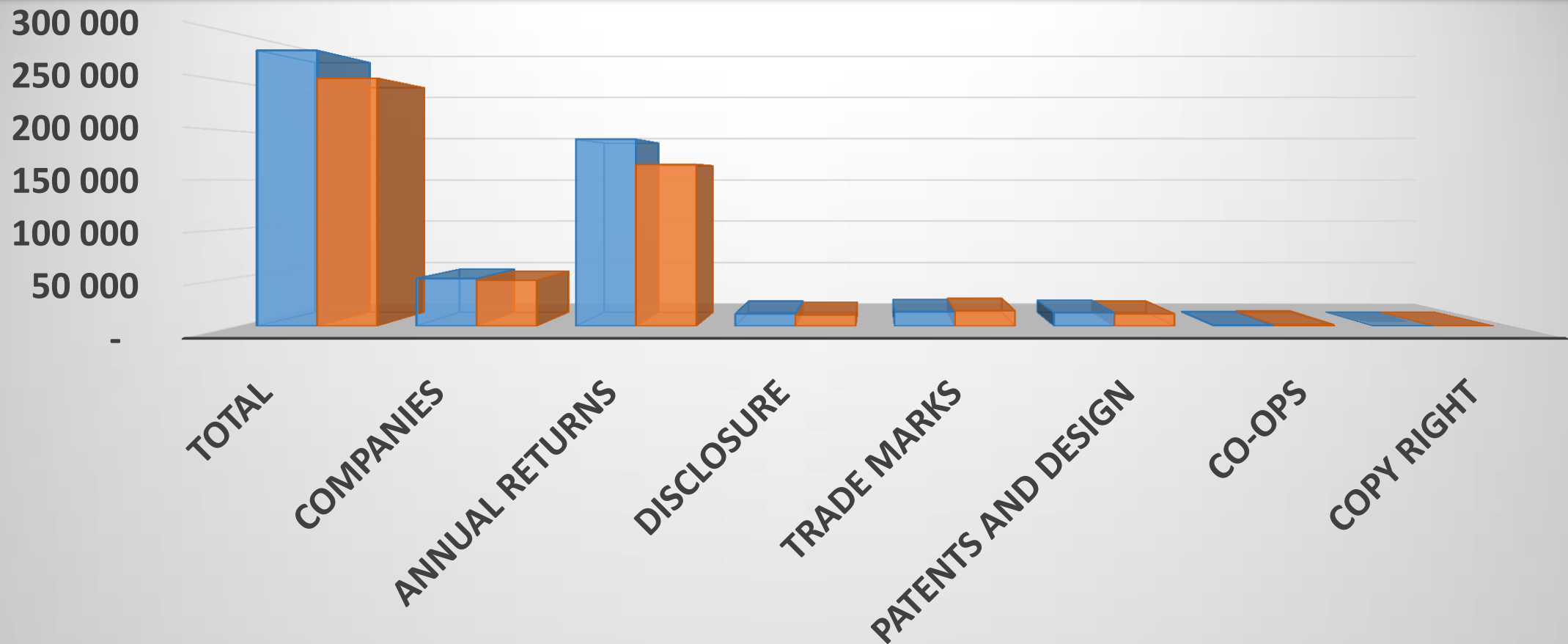
APRIL '19 – SEPTEMBER '19

OPERATIONAL PERFORMANCE							
Description	Total Annual Budget	Pro-rated Budget (Apr - Sep '19)	Actual (Apr - Sep '19)	Variance (Sep '19)		Variance (Sep '18)	Forecast (March '20)
	R'000	R'000	R'000	R'000	%	%	R'000
Income							
Revenue	548 546	274 273	282 927	8 654	3%	1%	557 200
Other	685	343	476	133	39%	(71%)	819
Interest	47 242	23 621	21 884	(1 737)	(7%)	0%	45 505
Total Income	596 473	298 237	305 287	7 050	2%	1%	603 524
Expenditure							
Employee costs	358 758	179 379	176 893	2 486	1%	(3%)	356 272
Operating and administrative expenditure	216 092	108 046	60 246	47 800	44%	45%	168 292
Depreciation	21 623	10 812	11 955	(1 143)	(11%)	(6%)	22 767
Expenditure	596 473	298 237	249 094	49 143	16%	16%	547 331
Surplus for the period	-	-	56 193	56 193			56 193

REVENUE ANALYSIS

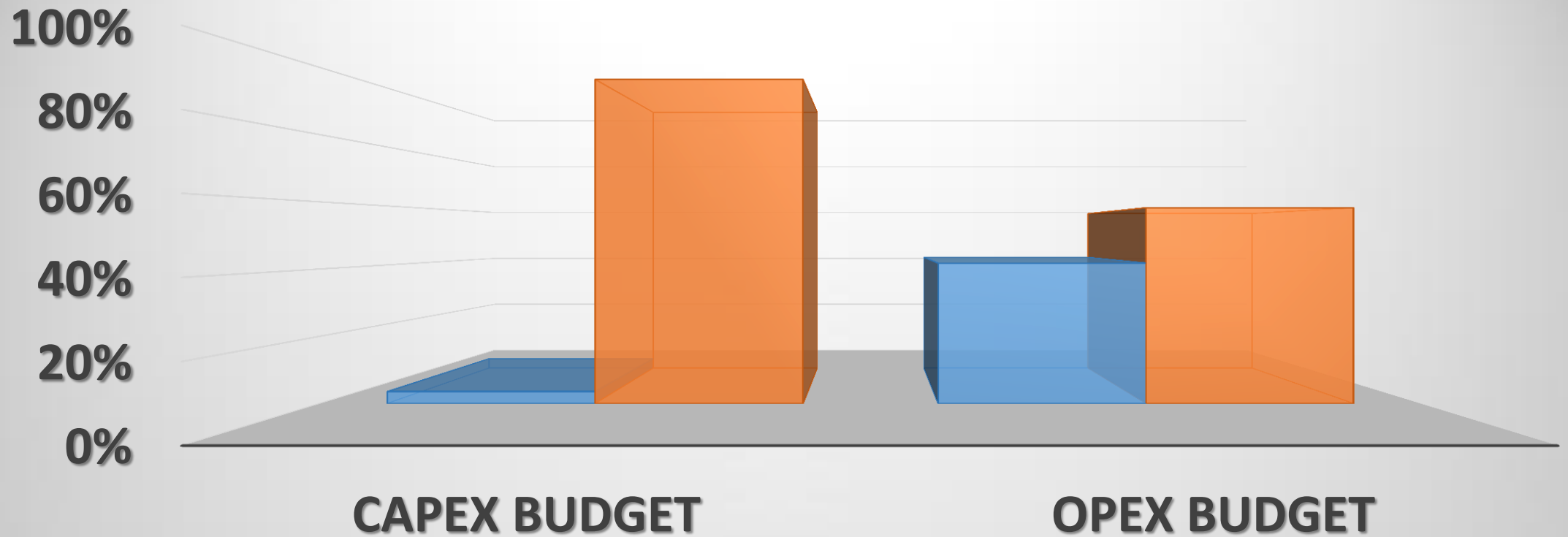
SEPTEMBER 2019 VS. SEPTEMBER 2018

(R'000)



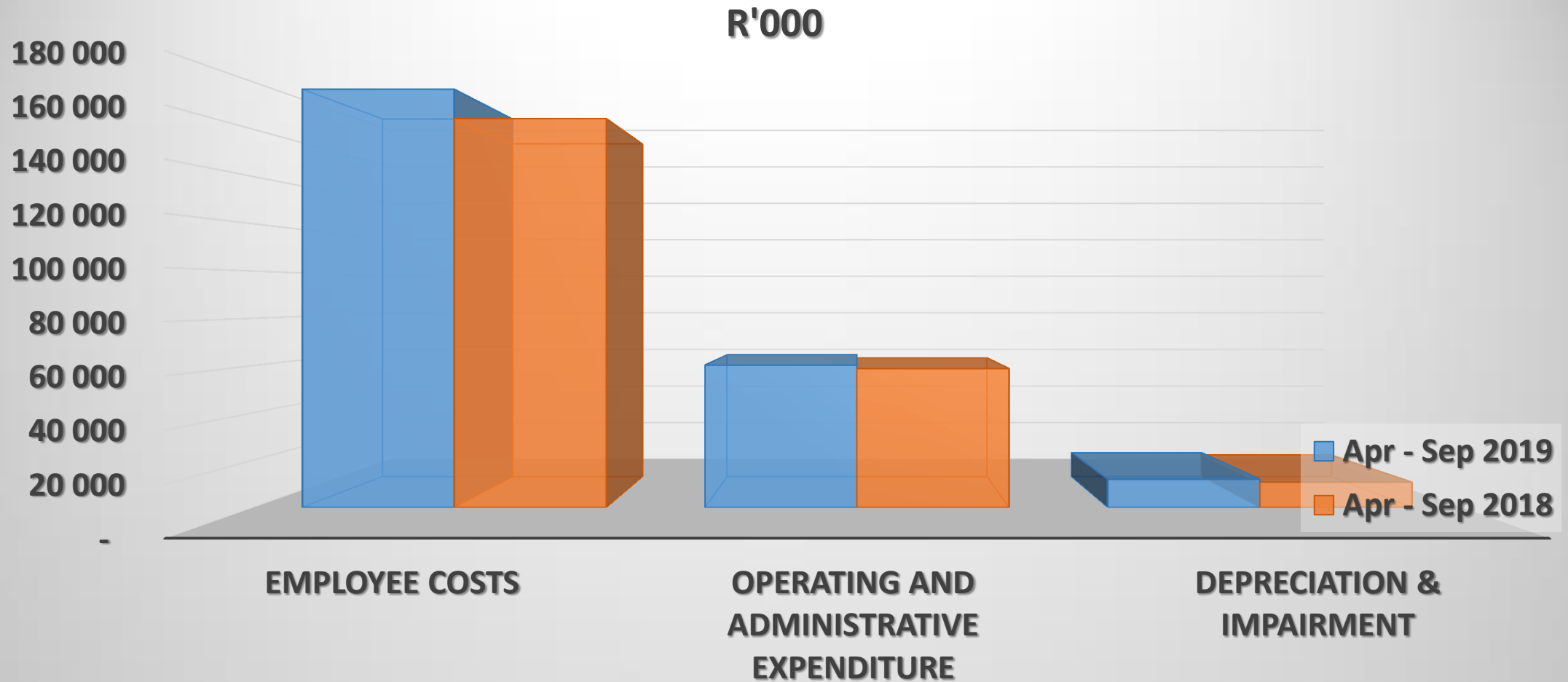
	Total	Companies	Annual Returns	Disclosure	Trade Marks	Patents and Design	Co-Ops	Copy Right
■ Apr 19 - Sep 19	282 927	48 858	191 746	12 682	14 806	13 741	1 089	5
■ Apr 18 - Sep 18	254 385	46 823	166 093	11 547	15 807	12 657	1 422	36

ANNUAL EXPENDITURE BUDGET VS ACTUAL QUARTER TWO EXPENDITURE APRIL 2019 - SEPTEMBER 2019



	Capex budget	Opex budget
■ Spent: April '19 - Sep '19	4%	42%
■ Remanining: Oct '19 - Mar '20	96%	58%

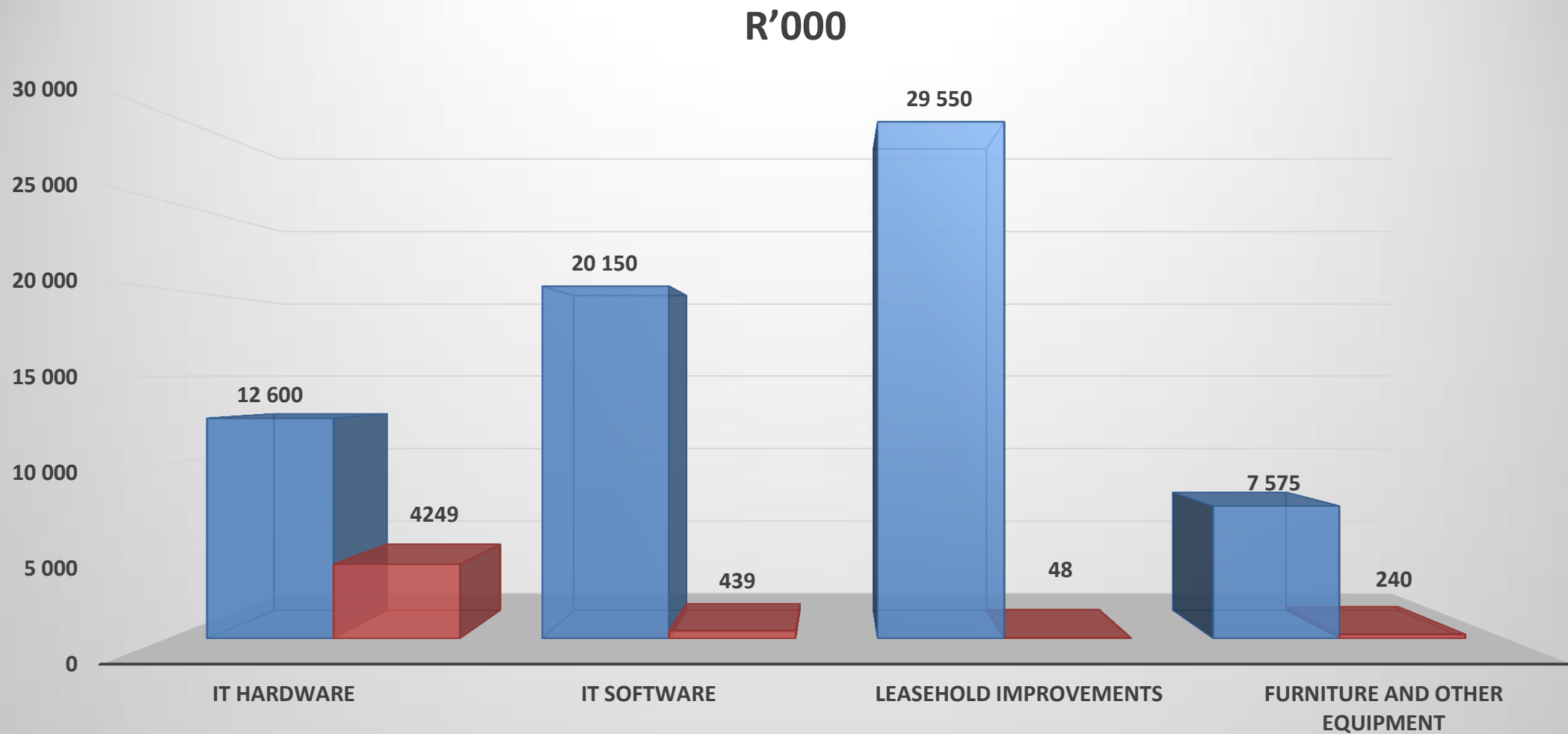
OPERATIONAL EXPENDITURE ANALYSIS SEPTEMBER 2019 VS. SEPTEMBER 2018



	Employee costs	Operating and administrative expenditure	Depreciation & Impairment
■ Apr - Sep 2019	176 893	60 246	11 955
■ Apr - Sep 2018	164 496	58 784	10 685

CAPITAL EXPENDITURE ANALYSIS

APRIL – SEPTEMBER 2019



	IT Hardware	IT Software	Leasehold Improvements	Furniture and other equipment
Budget	12 600	20 150	29 550	7 575
Actual	4 249	439	48	240

■ Budget ■ Actual



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PART 2: KEY CHALLENGES



KEY CHALLENGES: THE EFFECTS OF MODERNISATION (AUTOMATION)

- The staff uncertainty - their roles are changing
- Organisational design process to realign strategy & functions has resumed and extensive engagement sessions with all staff, organised labour and the executive management is in progress.
- Effects of migration to upgrade systems from legacy systems proved challenging with power failures also affecting systems

KEY CHALLENGES: MIGRATION TO A PATENT SYSTEM

- CIPC is migrating the patent system to a system (IPAS) provided by WIPO to member organisations,
- The CIPC is working with WIPO to address this issue.

KEY CHALLENGES: MANUAL IP PROCESSES

- The processes in trademarks, patents and design registration sections remains largely manual.
- However, automation is underway.

KEY CHALLENGES: LOW UPTAKE OF INDEPENDENT REVIEW

- There has been low uptake of the use of Independent Review as a form of assurance,
- There are low levels of reporting by recognised Independent Review professionals/ practitioners,
- All Accounting and Auditing Professional Bodies throughout the country were visited to explore ways to address these challenges,
- Webinar events will be organised to meet targeted audiences and address this challenge.

CONCLUSION

Thank you