annual report 2020/21

Promoting public health, safety and environmental protection through the development and enforcement of compulsory specifications and legal metrology technical regulations.

NRCS national regulator for compulsory specifications

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PART A

GENERAL INFORMATION

NRCS information

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

Abbreviations/acronyms

AFRIMETS	Intra-Africa Metrology System
AGSA	Auditor-General of South Africa
ARSO	African Organisation for Standardisation
CFO	Chief Financial Officer
CGCSA	Consumer Goods Council of South Africa
CMM	Chemicals, Materials and Mechanicals
CPF	Consumer Protection Forum
DAFF	Department of Agriculture, Forestry and Fisheries
DALRRD	Department of Agriculture, Land and Rural Development
DFFE	Department of Forestry, Fisheries and the Environment
DMRE	Department of Mineral Resources and Energy
DoH	Department of Health
DoL	Department of Labour
DoT	Department of Transport
EAC	East African Community
EACREEE	East African Centre of Excellence for Renewable Energy and Efficiency
EELA	Energy Efficient Lighting and Appliances
ERP	Enterprise Resource Planning
FAI	Food and Associated Industries
GDP	Gross Domestic Product
HR	Human Resources
ICASA	Independent Communications Authority of South Africa
ICT	Information and Communication Technology
IEC	International Electrotechnical Commission
OIML	International Organization of Legal Metrology
ISO	International Organization for Standardization
LMA	Legal Metrology Act
LoA	Letter of Authority
LoC	Letter of Certification
MEPS	Minimum Energy Performance Standard
MIBs	Manufacturers, Importers and Builders
MOU/A	Memorandum of Understanding/Agreement
NBR&BS Act	National Building Regulations and Building Standards Act
NCC	National Consumer Commission
NICD	National Institute for Communicable Diseases
NIOH	National Institute of Occupational Health
NRCS	National Regulator for Compulsory Specifications
NRT	National Road Traffic Act
OIML	International Organisation of Legal Metrology
PAC	Project Approvals Committee
PFMA	Public Finance Management Act
PPE	Personal Protective Equipment
RR&D	Regulatory Research and Development
S&L	Standards & Labelling
SAAFoST	South African Association for Food Science and Technology
SABS	South African Bureau of Standards
SACREEE	SADC Centre for Renewable Energy and Energy Efficiency
SADC	Southern African Development Community
SADCMEL	SADC Cooperation in Legal Metrology
SANAS	South African National Accreditation System
SANEDI	South African National Energy Development Institute
SANS	South African National Standards
SAPS	South African Police Service
SARS	South African Revenue Service
SME	Small and Medium Enterprise
SMME	Small, Medium, and Micro-Sized Enterprise
SPS	Sanitary and Phytosanitary
TBT	Technical Barriers to Trade
TC	Technical Committee
TCA	Technical Cooperation Agreement
the dtic	Department of Trade, Industry and Competition
TR	Technical Regulation
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Europe
VC	Compulsory Specification
WP	Working Party
WTO	World Trade Organization

MINISTER'S FOREWORD

This Annual Report provides an account of the work of the National Regulator for Compulsory Specifications (NRCS) over the financial year ending in March 2021.

This covers details of how the NRCS has discharged its statutory mandate to administer and maintain compulsory specifications or technical regulations in the interest of public safety and health, environment as well as promotion of fair trade as per the Legal Metrology Act.

The COVID-19 pandemic has had a negative impact on the world economy and our country. This pandemic has brought forward some of South Africa's developmental challenges, reforms and the enabling environment. Thus the landscape within which the Department of Trade, Industry and Competition (**the dtic**) and its entities operate has changed and to achieve the developmental goals, the department and its entities have had to adjust their operations for the financial year under review and the medium term to address the new environment and new priorities. There is an urgent need to boost levels of economic growth and economic recovery, support transformation and build a capable state.

To achieve this, public entities will be required to review their procedures, timeframes for delivery, simplify business processes, remove unnecessary red-tape where these exist and make it easier for users to access services.

In response to the COVID-19 pandemic, the NRCS assisted business to be able to provide products to the market quicker, by simplifying some business processes and granting concessions for some of the industries to enable timeous production of essential goods in the fight against the COVID-19 pandemic.

> **"The NRCS reports that it issued 7 796 Health Guarantees that enabled the exportation of these fishery and canned foods consignments."**

The NRCS reports that it issued 7 796 Health Guarantees that enabled the exportation of these fishery and canned foods consignments. The report notes that non-compliant goods to the value of R273.3 million were found either in the market or at ports of entry. The NRCS needs to find smarter ways to address non-compliance with critical standards in the market and also work closely with the South African Revenue Service (SARS), industry and other government agencies.

Although there has been progress in some areas, the Auditor-General of South Africa (AGSA) has issued a qualified audit opinion on the annual financial statements of NRCS and has also identified a number of internal control and compliance deficiencies that must be rectified in subsequent reporting periods to avoid repeat audit qualifications. It is also of great concern that the findings by the AGSA on 'non-exchange revenue' continue to remain unresolved which highlights the need for the NRCS to implement urgent corrective actions and to improve the state of affairs in the year ahead. The Department is reviewing the applicable regulations to address the gap between regulatory requirements and the accounting standards requirements.

I urge management to address the identified challenges to enable the NRCS to fulfil its statutory mandate and become a leading agency globally.

In the coming financial year, the NRCS will align its work to take account of and implement **the dtic**'s joint performance indicators, which are to:

- Increase industrialisation and localisation opportunities
- Increase export-readiness by South African firms, measured by knowledge of market opportunities and firm-level actions to utilise these opportunities, particularly the AfCFTA
- To assist strategic investment by enterprises (private and public) to support the growth of the South African economy
- Contribute to intergovernmental action in implementation of the District Development Model towards district economic development
- Promote a growing and inclusive economy
- Grow the Green Economy and greening the economy, and
- Support functional, efficient and integrated services and entities to improve economic development and ease of doing business.

COVID-19 affected the work of public and private institutions and the country lost talented persons. I wish to convey my condolences to the friends and families of all of our loved ones who passed away.

Mr Ebrahim Patel
Minister of Trade, Industry and Competition
31 January 2022

CEO'S OVERVIEW

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

The NRCS regulates a number of products that are manufactured locally or imported from a number of other countries and also facilitates exportation of South African goods, especially within the Oceans Economy. During the year under review the NRCS conducted 35 833 inspections across different industries. This was significantly lower than the 51 386 inspections conducted in the prior financial year. In facilitating trade within the Oceans Economy, the NRCS issued health guarantees for 7 796 product consignments. As a result of its market surveillance inspections, products worth R273.3 million that did not meet the minimum safety requirements were found on the market.

COVID-19

NRCS operations for the last financial year were affected by the COVID-19 pandemic. Although the negative impact on the operations and finances of the NRCS will be more significant in the 2021/22 financial year, the effect of the COVID-19 pandemic is expected to affect the medium-term financial position of the organisation, with levies expected to decline by more than 30% during this period.

The NRCS, as an entity assisting businesses providing essential services, has had to adjust operations. Processes were implemented to ensure timeous approval of essential goods meant to assist in the fight against COVID-19. The NRCS also implemented business continuity plans aimed at ensuring that it delivers on its mandate, despite the challenges posed by the virus. The NRCS has also developed and implemented plans aimed at promoting health and safety of employees and stakeholders. In the medium term, the organisation will dedicate resources to pre-market approvals, ensuring that businesses bring products to market quicker, especially essential products.

Non-compliances

During the year under review, non-compliant products worth approximately R273.3 million were found on the market. The majority of these products were found to be non-compliant in terms of the Legal Metrology Act, which amount to R126.7 million. Other identified non-compliances were for electronic goods valued at R81 million; chemicals, materials and mechanicals valued at R17 million; food and associated products valued at R26 million; and automotive products valued at R22.6 million. The products failed to meet the minimum requirements as set out in the respective technical regulations or compulsory specifications. These products were either removed or corrected to ensure compliance with the minimum safety or legal metrology requirements. Non-compliant products included safety footwear, plastic carrier bags, detergent disinfectants, incandescent lamps, compact fluorescent lamps, adaptors, cord extension sets, automotive replacement lights, friction (brake) material, hydraulic brake fluid, rubber cups and seals, child restraint systems (baby seats), towing devices, safety glass and fishery products, among others. High energy-consuming and non-compliant incandescent lamps and compact fluorescent lamps were destroyed during the financial year.

Information communication technology

The NRCS has commenced with a programme to modernise its information communication technology (ICT) systems. The enterprise resource planning (ERP) system implementation commenced in October 2020 and is expected to be completed by the end of the 2021/22 financial year. The ICT modernisation was split into two phases, with phase 1 (the ERP system) addressing human resources, payroll, and financial management and phase 2 addressing the automation of operations such as approvals and inspections. The rollout of the operations system is expected to start in the 2022/23 financial year. This will enable the NRCS to integrate its internal systems and linkage with external entities and allow for end-to-end market surveillance processes.

Risk-based approach

The NRCS has implemented a risk-based approach to inspections and approvals to effectively regulate the market. The risk-based approach, coupled with a 30-day cancellation policy, has enabled the NRCS to substantially eradicate the approvals backlog and efficiently allocate financial and human resources. Human resources are now being directed to identified high-risk areas. The NRCS's risk-based approach is centred on product risk, company risk and country of origin risk. In implementing this approach, the NRCS will continue to encourage regulated companies to comply with the regulations to make these processes more efficient. 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 for approvals.

Approvals

During the 2020/21 financial year, the NRCS issued 16 578 premarket approvals, which is comparable to the 16 542 pre-market approval certificates issued during the previous financial year. During the year under review, 92% of the 16 578 approvals that were finalised, were issued within 120 days. Approximately 76% of the approved applications were for electro-technical products, 17.6% for automotive, 5.3% for chemical, materials and mechanical products and 1.1% for measuring instruments.

Market surveillance

The NRCS conducted 35 833 inspections across all regulated industries as compared to 51 386 during the previous year. The focus is now on high-risk areas in order to remove non-compliant products from the market. Of the 35 833 inspections, 25 594 were conducted for frozen fish, fishery and canned meat processing plants, fishery vessels, export consignments, and local and imported fisheries and processed meat consignments. Inspections in the automotive, chemical, mechanical, electro-technical and metrology industry sectors amounted to 10 239.

Stakeholder and consumer awareness

Effective regulation to keep non-compliant products out of trade hinges on strong partnerships with stakeholders which, among others, include the National Consumer Commission (NCC); SARS; South African Police Service (SAPS); Department of Agriculture, Forestry and Fisheries (DAFF), now known as the Department of Agriculture, Land and Rural Development (DALRRD); Department of Forestry, Fisheries and the Environment (DFFE); Department of Health (DoH) and the Department of Transport (DoT). 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.

Finance

During the 2020/21 financial year, the NRCS disclosed R425 million worth of revenue, the majority being revenue from levies for compulsory specifications. The NRCS did however reflect a deficit of R19 million which was mainly due to the impact of COVID-19 on NRCS operations. Although the NRCS reflected a deficit for the year under review, there are sufficient reserves and a healthy balance sheet to maintain the operations of the NRCS.

Human resources

Challenges were experienced in the past due to failure to fill critical vacancies. During the financial year all critical positions were filled. A new organisational structure was approved by the CEO and the NRCS is now undertaking job evaluations for all positions in the structure. Job evaluation will enable costing of the structure and further engagement with the Executive Authority.

> **"During the year under review, non-compliant products worth approximately R273.3 million were found on the market."**

Conclusion

Although the NRCS received a qualified audit opinion for the 2020/21 financial year, there was a significant improvement in the general internal control deficiencies that had been highlighted by the AGSA in the previous financial year. During the financial year the NRCS resolved one of two basses for the qualified audit in the 2019/20 financial year. The completeness of revenue audit qualification was addressed and management will continue to improve the internal control environment. Consequence management will be improved to improve compliance levels and address the deficiencies noted.

The NRCS would like to express its sincerest sympathies to the families of employees who passed away during these difficult times and all NRCS employees who have been affected by their loss. We express our sincere gratitude and we will not easily forget the contribution that each one of them has made to the organisation.

I wish to extend my gratitude to the NRCS Audit and Risk Committee; the Portfolio Committee on Trade, Industry and Competition; and the Minister of Trade, Industry and Competition, Mr Ebrahim Patel, for their leadership. My sincere appreciation goes to the NRCS management and staff for their hard work and commitment to the organisation and for serving the people of South Africa.

Edward Mamadise
Chief Executive Officer
12 January 2022

Statement of responsibility and confirmation of accuracy of the Annual Report

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

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

In my opinion, the Annual Report fairly reflects the operations, performance information, human resources information and the financial affairs of the NRCS for the financial year ended 31 March 2021.

Yours faithfully

Edward Mamadise
Chief Executive Officer
12 January 2022

Strategic overview

Vision

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

Mission

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

Values

- **P**rofessionalism – 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.
- **A**ccountability – The NRCS shall develop a high performance culture which is dictated by predictable, responsible, efficient and effective task teams.
- **I**nnovation – The NRCS shall be proactive and respond rapidly, intelligently and appropriately, and be adaptable to dynamic consumer and market needs by ensuring maintained relevance.
- **C**ollaboration – The NRCS will lead inclusively through dedicated teams, respecting the views, wisdom and loyalty of its valued stakeholders.
- **E**thical behaviour – The NRCS shall ensure that the decisions and actions taken by our human resources display consistency and impartiality, with integrity. We shall treat our clients and the regulated industry equitability and be transparent in how we perform our functions.

Legislative and other mandates

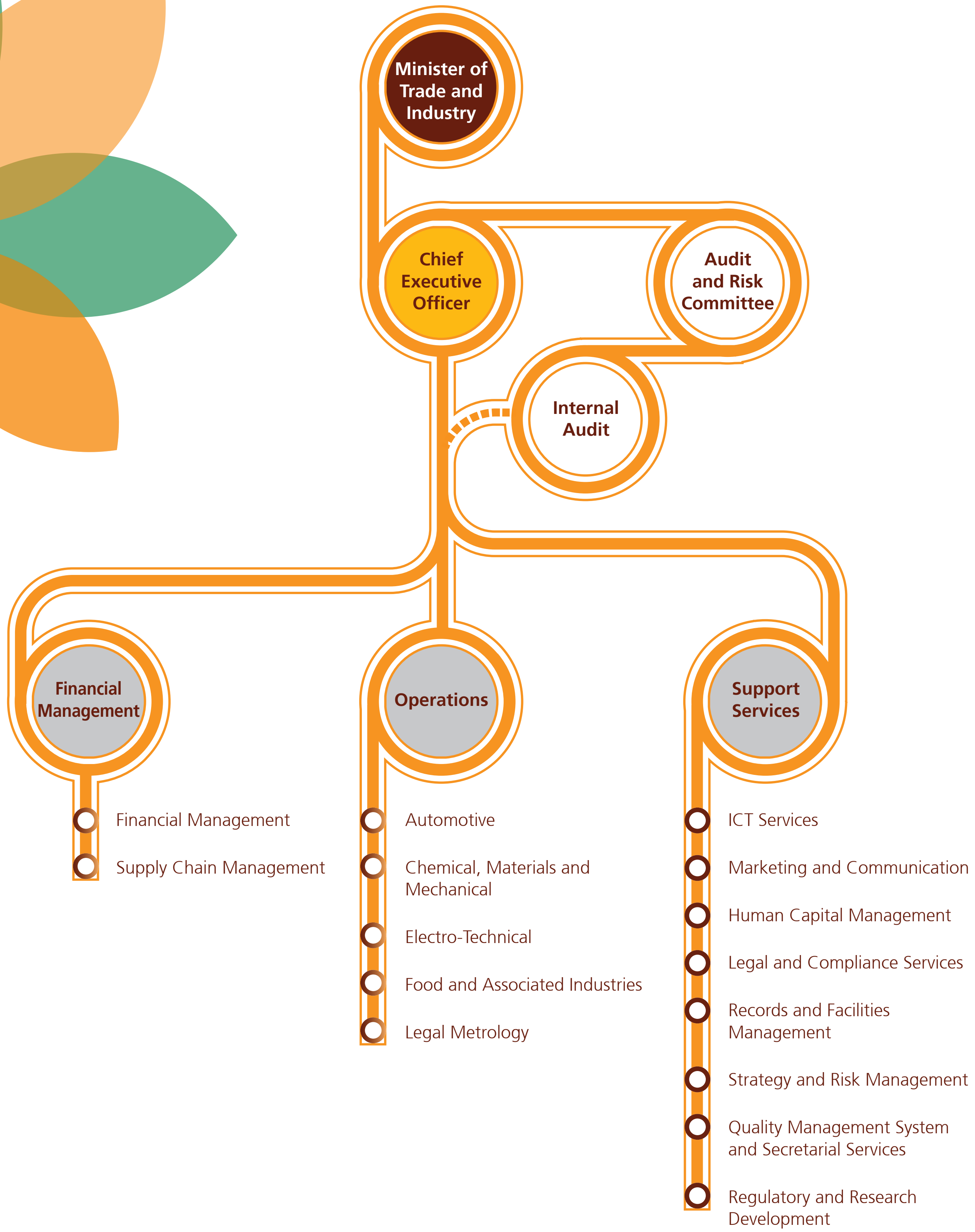
The NRCS was established on 1 September 2008 as an agency of the then **dti**. Its broad mandate is to promote public health and safety, environmental protection and fair trade through the administration, maintenance and enforcement of compulsory specifications (VCs) and technical regulations (TRs).

The legislative mandate of the NRCS is derived from:

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

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

Organisational structure



Market surveillance

The NRCS conducted 35 833 inspections across all regulated industries compared to 51 386 during the previous year. The focus is now on high-risk areas in order to remove non-compliant products from the market. Of the 35 833 inspections, 25 594 were conducted for frozen fish, fishery and canned meat processing plants, fishery vessels, export consignments, and local and imported fisheries and processed meat consignments. Inspections in the automotive, chemical, mechanical, electro-technical and metrology industry sectors amounted to 10 239.

PART B

PERFORMANCE INFORMATION

Auditor's report: predetermined objectives

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

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

The NRCS situational analysis

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

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

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

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

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

The NRCS's mandate is achieved through:

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

Performance information by objective

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

Expected Outcomes	Measurable Objective/ Output	Performance Indicator/ Measure	Audited Performance 2018/19	Audited Performance 2019/20	Target 2020/21	Actual Performance	Deviation from planned target to Actual Achievement	Reason for Deviations
Build a regulatory system responsive to market needs	Develop a set of compulsory specifications (VCs)/technical regulations (TRs) that are responsive to market needs	Number of VCs/TRs (new, amended or withdrawn) submitted to **the dtic** for public comment (first gazette)	12 VCs/TRs	8 new and amended VCs/TRs	7 Compulsory Specifications	5 Compulsory Specifications	-29%	Delay in stakeholders' consultations due to the COVID-19 pandemic Re-working of Compulsory Specifications rejected by the dtic due to changes in process requirements
Build a regulatory system responsive to market needs	Develop a set of VCs/TRs that are responsive to market needs	Number of VCs/TRs (new, amended or withdrawn) submitted to **the dtic** for public comment (second gazette)		0 new and amended VCs/TRs	5 Compulsory Specifications	1 Compulsory Specification	-80%	Delays in Compulsory Specifications 1^{st} gazette publications impacted on number of VCs/ TRs that could be finalised for 2^{nd} gazetting

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

Expected Outcomes	Measurable Objective/ Output	Performance Indicator/ Measure	Audited Performance 2018/19	Audited Performance 2019/20	Target 2020/21	Actual Performance	Deviation from planned target to Actual Achievement	Reason for Deviations
Increased compliance to VCs and TRs	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	20 828 inspections conducted	21 552 inspections (Automotive 4 689 CMM 5 493 Electro-technical 5 221 Legal Metrology 6 149)	19 915 inspections conducted	10 239	-49%	Inspection activities were reduced due to the impact of COVID-19 on the NRCS and the regulated entities
		Percentage of inspections conducted on locally produced, imported and exported canned fishery and meat product consignments in accordance with the compulsory specification and procedures	100% of inspections conducted on all declared canned fishery and meat products Inspections conducted 27 660	100% of inspections conducted on all declared canned fishery and meat products Inspections conducted 27 684	100% of inspections conducted on all declared canned fishery and meat products	100% of inspections conducted on all declared canned fishery and meat products Inspections conducted 23 833 (Inspection requests received during the financial year 23 772)	None	
		Number of inspections conducted on locally produced frozen products and fishery, processed meat, canned meat processing factories and vessels including the retail inspections in accordance with the VC and procedures	2 088 inspections	2 150 inspections	2 366 inspections	1 761 inspections	-26%	Due to the COVID-19 pandemic some of the factories and vessels could not be inspected
		Percentage of gaming approval applications processed within the set timeframes	96.1% of all applications processed within 30 calendar days	99.89% (759 out of 760) of all approval applications processed within 30 calendar days	98% of all applications processed within 30 calendar days	100% (560 out 560) of all applications processed within 30 calendar days	+2%	Positive variance is due to an increase in productive time within the Gaming Section
		Percentage of approval applications processed within the set timeframes	79% of all approval applications processed within 120 calendar days	91.81% (15 187 out of 16 542) of all approval applications processed within 120 calendar days	95% of all approval applications processed within 120 calendar days	92% (15 273 out of 16 578) of all approval applications processed within 120 calendar days	-3%	The NRCS experienced capacity challenges due to the COVID-19 pandemic

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

Expected Outcomes	Measurable Objective/ Output	Performance Indicator/ Measure	Audited Performance 2018/19	Audited Performance 2019/20	Target 2020/21	Actual Performance	Deviation from planned target to Actual Achievement	Reason for Deviations
Informed stakeholders on NRCS functions	Public awareness platforms and events	Number of stakeholder/ consumer education events or campaigns	21 NRCS consumer education events or campaigns	19 NRCS consumer education events or campaigns	18 NRCS consumer education events or campaigns	10 NRCS consumer education events or campaigns	-44%	Although NRCS adapted to utilise virtual platforms, not all engagements were successfully conducted due to the COVID-19 pandemic
		Approved Stakeholder Engagement Strategy and % implementation of the Stakeholder Engagement Strategy	75% implementation of the Stakeholder Engagement Strategy	88% implementation of the Stakeholder Engagement Strategy	85% implementation of the Stakeholder Engagement Strategy	68% implementation of the Stakeholder Engagement Strategy	-20%	

Strategic Goal 4:
To ensure an optimally capacitated institution

Expected Outcomes	Measurable Objective/ Output	Performance Indicator/ Measure	Audited Performance 2018/19	Audited Performance 2019/20	Target 2020/21	Actual Performance	Deviation from planned target to Actual Achievement	Reason for Deviations
Increase effectiveness of human resources (NRCS employees)	A capacitated organisation with relevant systems to support business	Percentage (%) of vacancies. Vacancy rate of approved and funded posts	6%	5%	6%	5%	+17%	Implemented a system to fast track appointments especially for critical positions. NRCS recruited new employees for the new Compulsory Specifications for processed meats
	Build IT platforms and systems to support and improve business	% implementation of ICT Master System Plan	37% implementation of ICT Master System Plan	50% implementation of ICT Master System Plan	100% implementation of Enterprise Resource Planning System, Human Resources and Finance Modules	30% implementation of Enterprise Resource Planning System, Human Resources and Finance Modules	-70%	The NRCS experienced delays in the tender process to appoint a service provider, leading to re-advertisement and subsequent appointment during the year and commencement of the project in October, whereas the project was supposed to start at the beginning of the financial year

Linking performance with budgets

Table 1: Linking performance with budgets

Activity/Programme	2020/21 Original budget R'000	2020/21 Adjusted budget R'000	2020/21 Actual expenses R'000	2020/21 (Over)/ Under Expenditure R'000	2019/20 Budget R'000	2019/20 Actual R'000	2019/20 Variance R'000
Administration	63 132	62 074	51 054	11 020	53 835	50 754	3 081
Maximise compliance with all VCs and TRs	382 254	358 914	291 063	67 850	334 464	290 663	43 801
Develop, maintain and administer VCs and TRs	11 507	11 729	9 424	2 306	11 017	8 960	2 057
To inform and educate stakeholders about the NRCS	13 213	16 251	12 114	4 137	10 705	6 971	3 734
Ensure an optimally capacitated institution	81 509	78 385	80 909	(2 524)	76 654	79 129	(2 475)
Total	**551 615**	**527 353**	**444 564**	**82 789**	**486 675**	**436 477**	**50 198**

Capital Investment

Capex included as Additions	Amount	Reference in AFS
1. Office equipment	R6 305 704	Note 3
2. Laboratory equipment	R754 017	Note 3

Intangible assets under development	Amount	Reference in AFS
1. Enterprise Resource Planning	R7 320 166	Note 4

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 (NRT Act), 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 44 at the end of the financial year, including two candidate inspectors who completed their two-year training by end of the financial year – 31 March 2021.

Our strategic partners include:

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

Performance

Approvals

In terms of the NRCS Act, the NRCS issues Letters of Authority (LoA) that permit commodities or products to be imported or sold, or services to be rendered in South Africa. The business unit processes pre-market approvals. These 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 technical regulation (TR).

The business unit conducts homologation of vehicle models, as well as certain vehicle components, according to the relevant VCs. 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, including three-wheeled vehicles as well as four-wheeled vehicles of tare weight not exceeding 400 kilograms
- Light and heavy passenger vehicles
- Replacement brake friction material
- Replacement safety glass
- Safety helmets for motorcyclists
- Towing devices (tow bars)
- New pneumatic tyres for use by passenger and commercial road going vehicles
- Light and heavy trailers.

Pre-market approvals

At the end of the 2019/20 reporting period, 423 approval applications were carried over to the current reporting period. These take into account the nine applications that were reportedly cancelled in error as at end of March 2020. An additional **3 270** approval applications were received in 2020/21, bringing the total application work load to **3 693** applications. In the previous reporting period, we recorded 5 334 applications, the differences in workload can be attributed to the impact of the COVID-19 pandemic where the number of new applications received declined from 4 782 to **3 270** (32% decline). Approval was granted to 2 921 applications, which shows a 28% drop from the previous reporting period where 4 039 applications were approved. A further **487** applications were cancelled during the reporting period. Of the approved applications, 98% were approved within 120 calendar days and 285 applications were carried over to the next reporting period. Figures 1 and 2 depict the processing of approval applications.

Table 2: Automotive applications processing

	Approval processing time					
	Less than 30 days	From 31–60 days	From 61–90 days	From 91–120 days	More than 120 days	Total
Q1	128	51	65	114	29	**387**
Q2	552	208	48	52	6	**866**
Q3	597	211	50	19	0	**877**
Q4	495	206	56	31	3	**791**
Total	**1 772**	**676**	**219**	**216**	**38**	**2 921**
Percentage split	60.66%	23.14%	7.50%	7.39%	1.30%	

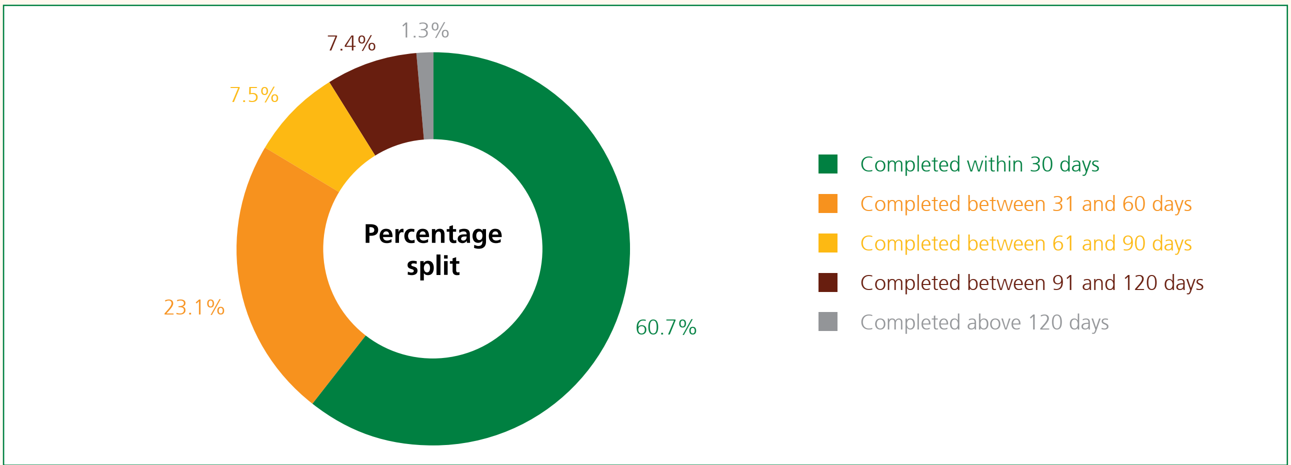


Figure 1: Automotive approval processing percentage split

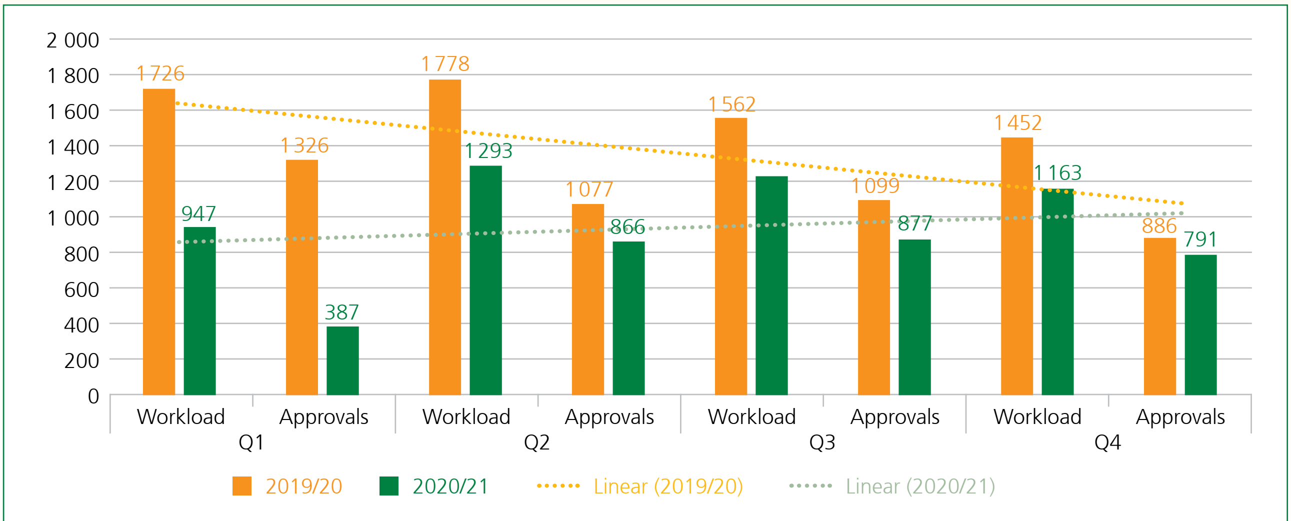


Figure 2: Approvals workload per quarter

Inspections

As the inspectorate of MIBs of motor vehicles, automotive inspectors conduct inspections at the MIBs' physical locations to evaluate and recommend their registration to the provincial offices of the DoT. Market surveillance inspections are conducted after approval is granted, to confirm compliance of regulated products. During the period under review, the NRCS Automotive Business Unit focused on desktop activities to evaluate compliance of products entering South Africa through various ports of entry, as well as at the point of manufacture or premises of the builders and importers. In this instance, containers were released or detained on the bases of the outcome of the assessment of documents, approvals were concluded on the bases of satisfactory evidence which included inspection reports, photographs and/or live audio/video by the applicants. Original equipment manufacturer group audits were conducted at targeted MIBs to provide in-depth assessment of compliance with all regulatory requirements and administrative requirements which included levy declarations. In addition to the trailer inspection project that commenced in the previous reporting period, the project on the inspection of registered panel van converters into passenger carrying vehicles was initiated. The MIBs with high volume conversions of panel vans into minibuses have been identified and included in the planning for the coming financial year. The inspectorate has also worked closely with the South African Police Service (SAPS) in providing technical expertise during the search and seizure operation that took place in the Eastern Cape province.

During the financial year, the unit conducted **2 318** inspections at the points of manufacture, ports of entry and retail outlets including motor dealerships and motor spare shops.

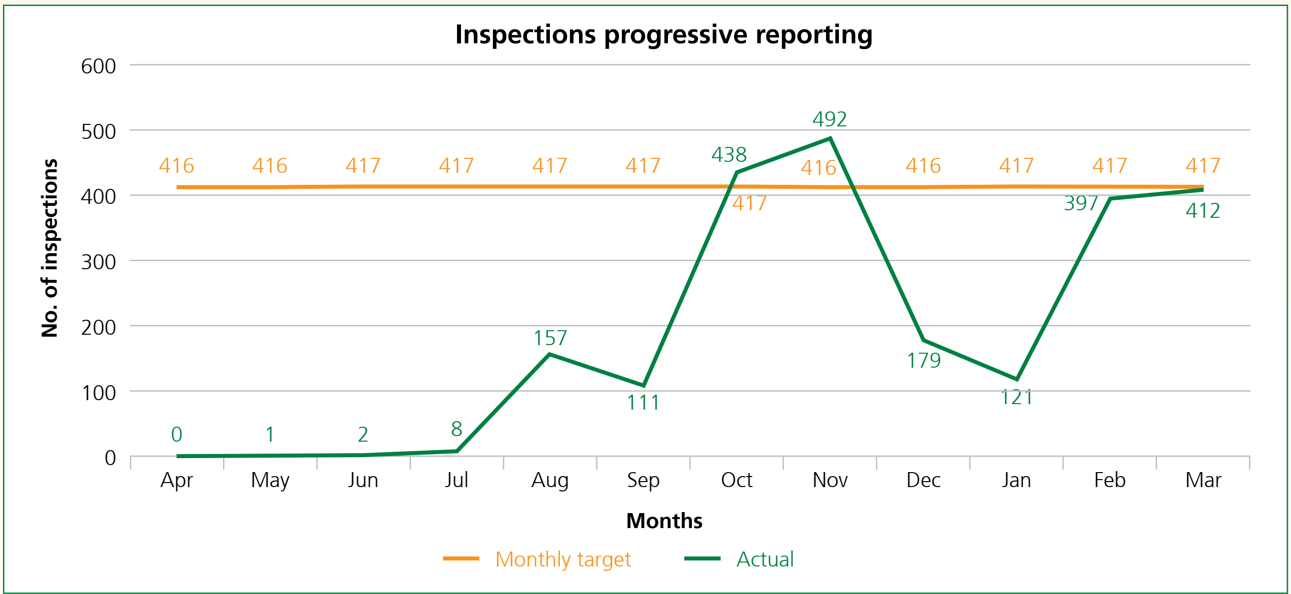


Figure 3: Cumulative inspections per month

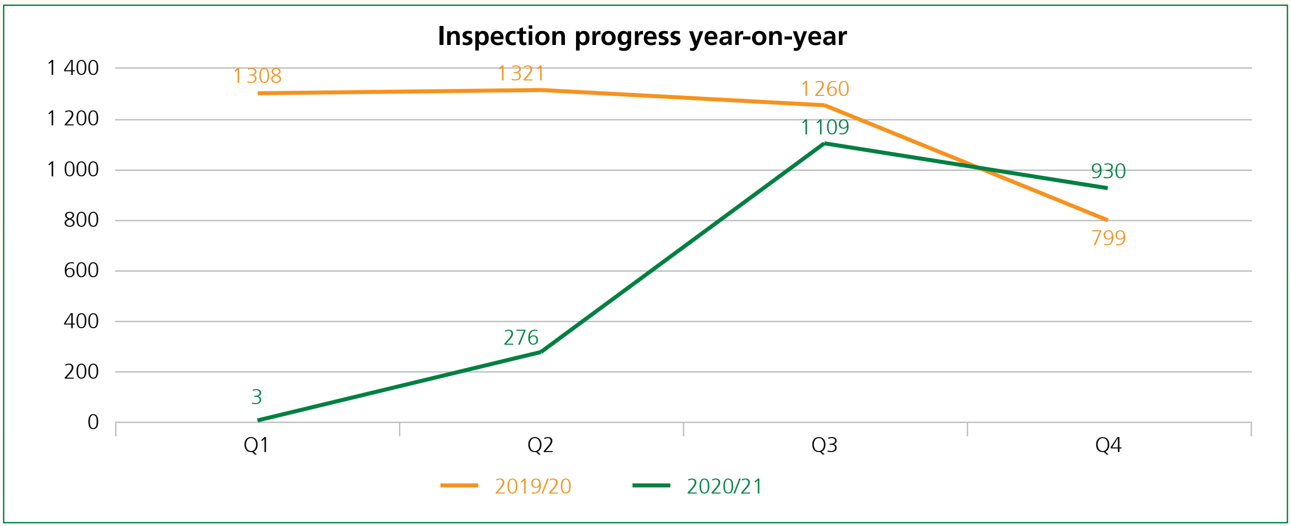


Figure 4: Quarterly inspections year-on-year performance

Sanctions

The business unit continued its mission to eradicate non-compliance in the market through inspections activities. A total of 61 (91 in 2019/20) 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, pneumatic tyres for passenger and commercial vehicles, rubber cups and seals, child restraint systems (baby seats), towing devices and safety glass. The value of the directives issued was R22.6 million (R23.4 million in 2019/20). The business unit continuously monitored the process of destruction of non-compliant products, this included a single event where non-compliant tyres to the value of approximately R2.2 million were returned to the country of origin by the respective importer.

Quality management

The annual South African National Accreditation System (SANAS) assessment took place during September 2020 on a virtual platform. The only finding that was raised was corrected to the satisfaction of SANAS's requirements, and as a result the business unit maintained its status as an accredited inspection body.

Stakeholder engagement

During the reporting period, the NRCS interacted with its stakeholders as per the NRCS Stakeholder Engagement Plan. The interaction created a platform for consultation and engagements on matters of mutual benefit. The following, among others, can be highlighted:

- In order to promote the NRCS Safer Vehicles 2025 project, the platform was used to share the project plan and consultation with NRCS stakeholders such as the:
  - National Association of Automobile Manufacturers of South Africa
  - National Association of Automotive Component and Allied Manufacturers
  - Retail Motor Industry
  - Southern African Bus Operators Association
  - Association of Motorcycle Importers & Distributors
  - South African Vehicle and Body Builders' Association
  - South African Tyre Manufacturers Conference
  - Tyre Importers Association of South Africa
  - Automobile Association of South Africa
  - South African Bureau of Standards (SABS)
  - DoT and **the dtic**.

In addition, regular engagements with NRCS stakeholders served as a means to enhance communication between the NRCS and the automotive industry. Matters discussed concerned challenges and improvements regarding automotive approvals and inspections activities despite the COVID-19-related impact on both the NRCS and the industry.

The COVID-19 pandemic has had a major impact on the activities of the World Forum for Harmonization of Vehicle Regulations as international travel restrictions meant that all meetings had to proceed using virtual platforms.

The Automotive Business Unit did however ensure that all scheduled meetings were attended since March 2020, and it is foreseen that the virtual platform will still be used as the medium for all meetings that are to take place until December 2021.

Challenges

The illegal conversion of motor vehicles by both registered and unregistered manufacturers and builders of motor vehicles is an on-going challenge. It requires the presence of the automotive inspectors in all corners of the country to monitor industry behaviour and to enforce the prescripts of the relevant legislation.

The business unit is also inundated with numerous complaints regarding online trading of regulated products as well as companies that continue to manufacture and sell regulated products without obtaining the relevant approvals in terms of both the NRCS Act and the NRT Act.

During the reporting period, the business unit received media attention regarding the status of vehicle safety regulations. The latter are regarded as lagging behind the international regulations.

The aforementioned challenges will drive the business unit's tactical approach in the coming year, and various projects will be identified and accordingly implemented. These projects will include, among others:

- Working closely with other governmental departments, such as the DoT, in order to identify and take action against unlawful activities, such as the misuse of National Traffic Information System model numbers issued by the NRCS. (Specific focus will be on the vehicle bodybuilders and trailer manufacturers industries).
- Review and upgrade of the motor vehicle regulations including the adoption of United Nations Vehicle Regulations to give effect to the NRCS's Safer Vehicles 2025 project.
- As the vehicle and vehicle components approval authority in the country in terms of the WP.29, the Automotive Business Unit will initiate the process to implement the UN Type Approval system for locally manufactured automotive products in support of the international competitiveness of South African automotive products.

The lack of a reliable ICT system to support the inspections and approval processes creates inefficiencies within the business unit. These include a considerable amount of duplicated work as well as information on the databases often needing corrections due to the use of manual systems.

The business unit could not implement its sampling plan for the identified regulated products due to challenges with the procurement process of the testing services. The process was negatively affected by the lapse of the service level agreements with the service providers. Subsequently, our efforts to request a panel of testing service providers did not get a positive response from the market. This resulted in the business unit being unable to appoint a service provider for testing work.

Conclusion

Despite the COVID-19 pandemic, which impacted on the original tactical approach, the Automotive Business Unit was agile enough to re-prioritise and adjust its inspection targets. As for approval activities, the business unit embarked on remote assessments for approval samples. Approvals were concluded on the basis of satisfactory evidence which included inspection reports, photographs and/or live audio/video submitted by the applicants. As a result, the business unit performed at 3.9% above the target (98.7% against a target of 95%).

The business unit implemented a risk-based approach to its approval functions. Using this approach, low-risk applications were completed within 60 days from the date of receiving the completed application. As a result, the business unit managed to approve 83.6% of the applications within the turnaround time of 60 days.

CHEMICALS, MATERIALS AND MECHANICALS

Overview

The Chemicals, Materials and Mechanicals (CMM) Business Unit is responsible for the administration and maintenance of VCs that cover a wide range of industry sectors within the South African economy. VCs are technical regulations that require conformity of a product or service to the health, safety or environmental protection requirements of a standard, or specific provisions of a standard. The business unit has a mandate to regulate and maintain VCs including personal protective equipment and chemical disinfectants, which has proven to be an essential commodity during the COVID-19 pandemic. Additional health-related products include microbiological safety cabinets. Further commodities falling within the mandate of the business unit includes personal flotation devices; swimming aids; firearms; and flame-producing devices, which comprise paraffin stoves, paraffin heaters and cigarette lighters.

The unit also covers some commodities within the construction industry, that is cement, safety glazing and treated timber.

VCs, as administered by the business unit, require industries to apply for pre-market approval of their commodities. CMM is actively conducting surveillance inspections at all the various chains of sale, ports of entry, manufacturers, distributors and retailers. The unit plans to achieve maximum coverage across the country.

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

- The South African Police Service, through the Firearms Control Act that regulates shooting ranges and firearms
- The Department of Forestry, Fisheries and the Environment (DFFE), through a memorandum of agreement with its Waste Bureau concerning the regulation of plastic carrier and flat bags.

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

The external strategic environment within which South Africa trades and the NRCS operates has been characterised by rapid and fundamental economic change. The ongoing COVID-19 pandemic hit the South African economy at a time that the economy was already under substantial strain. The recent global economic downturn has seen an increase in global competition with companies having to supply products and services to a limited consumer marketplace, thereby placing extreme pressure on their margins and profitability, which has the potential to result in the production of sub-standard and non-compliant products. The work of CMM surveillance inspectors is therefore imperative as it protects the South African consumer from non-compliant products.

The NRCS was called upon during the pandemic to ensure that personal protective equipment (PPE) and chemical disinfectants comply with the VCs and the South African National Standards, and to confirm that all these products in the market are registered. Local manufacturers and importers are issued with an approval certificate, such as a LoA or sales permit, at the end of the application process when the product is deemed compliant.

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

Year in review

The CMM Business Unit annually reviews the Annual Performance Plan for the coming year. The COVID-19 pandemic necessitated adjustments and new performance targets that became operational in Quarter 2. As a result of the anticipated surge in COVID-19 cases, CMM introduced a phased approach with respect to inspections. The NRCS's COVID-19 Steering Committee directed that risk assessments on manufacturers, ports of entry, and retailers be performed before surveillance inspectors commence with their duties. Retailers were assessed based on their location and consumer traffic; and were classified as rural/isolated, industrial and suburban.

Throughout the COVID-19 lockdown period the CMM business unit worked tirelessly to assist the country in ensuring that essential products are attended to through either approval or inspection thereof. This has led to the business unit developing a desktop approach to inspections which enabled CMM to continue with surveillance inspections albeit from a distance. The business unit also processed numerous applications for sales permits which reduced the waiting time for the approval of essential products.

CMM trained its staff in COVID-19 protocols and on infection and prevention control, aiming to ensure the safety and health of the staff and reducing the risk of infections.

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

Operating highlights

Sanctions are applied in terms of section 15 of the NRCS Act No.5 of 2008 where and when necessary. During the period under review 50 CEO Directives were issued for products not complying with the requirements of the NRCS Act or a VC. The value of non-compliant goods identified at manufacturers, ports of entry and retailers entering the South African market exceeded R17 million (R17 418 729.03) and was sanctioned as outlined in the business unit's divisional procedure.

CMM performed inspections at South African Revenue Service (SARS)-licenced container depots on un-cleared and deemed abandoned containers. This was done in collaboration with SARS Customs and the States Warehouse to verify if the 69 containers of masks fall under the requirements of the Compulsory Specification for Respiratory Protective Devices (VC8072:2011) standard. The containers were imported but not yet cleared by SARS Customs which signifies that no import documentation was submitted. The said containers were therefore transferred to the States Warehouse and followed the processes as outlined in the SARS Act and procedures. These entail, but are not limited to, auctioning of abandoned goods to recoup any cost incurred. CMM performed these verification inspections and concluded that the masks do not comply with the requirements of the VC and can thus not be offered for sale for local use.

Surveillance inspections

As part of the NRCS's Regulatory Research and Development process, an essential element of strategic planning is to determine the human capacity required to regulate a commodity prior to the implementation of the VC. This requires looking at current and future needs and aligning the process with the NRCS's mandate and strategic objectives. The long-term impact of human resource capacity remains a prevalent and consequential challenge that may place CMM and consequently, the NRCS, at risk of not fulfilling its mandate. CMM management identified the fissures that will occur in its operational plan, and due to limited resources and as a stopgap, concluded that surveillance inspectors will perform approval functions. This will have a considerable long-term effect on the effectiveness and efficiency of the business unit as an undetermined key performance area will be unintentionally adversely affected.

The business unit conducted 2 049 inspections during the period under review. The total inspections conducted are inclusive of the products within the scope and those outside the scope of the CMM-regulated products; 1 934 inspections fell within the scope of CMM and included manufacturers, retailers and ports of entry. This signifies that the business unit's targeted approach secured it a 94.4% success rate.

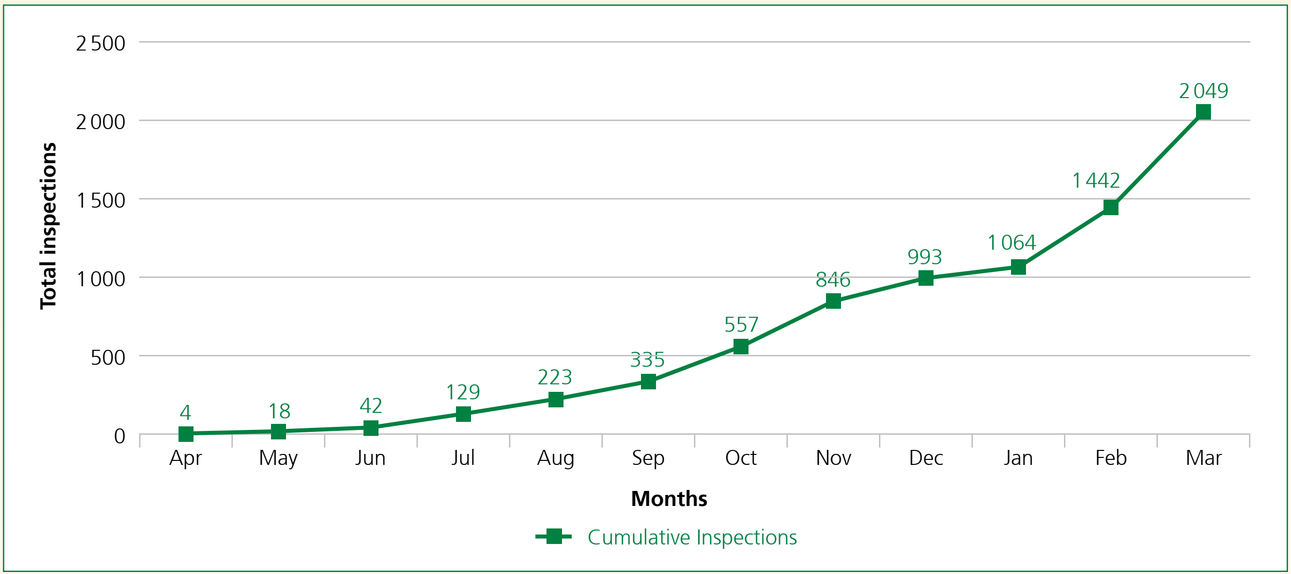


Figure 5: NRCS annual performance 2020/21, total inspections

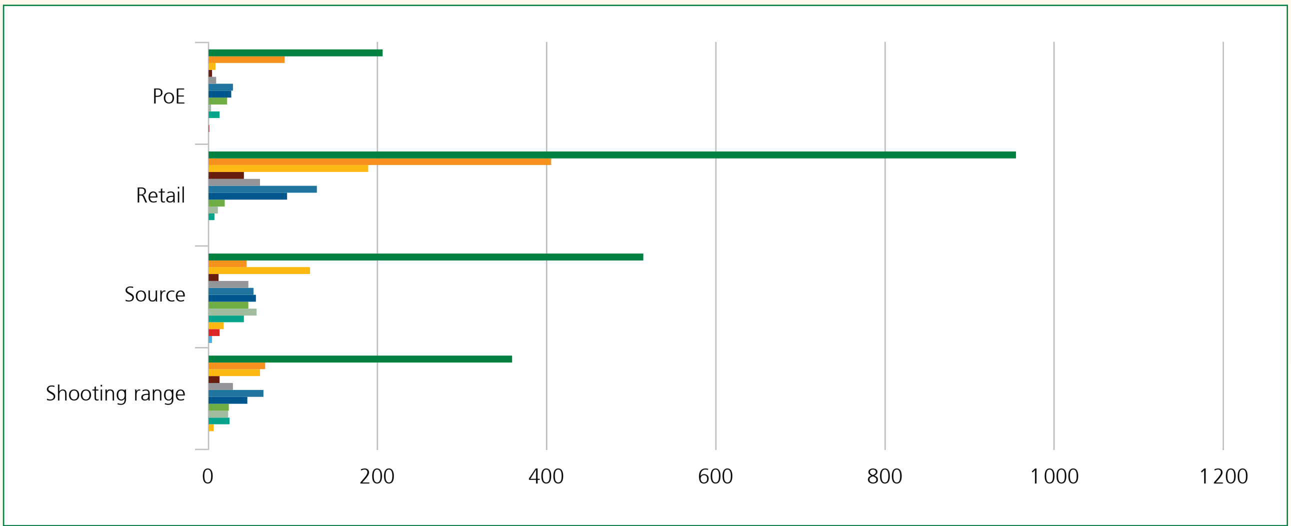


Figure 6: CMM market surveillance inspections

Border enforcement continues to be an integral part of surveillance inspection operations. A container is regarded 'in-scope' when its contents fall within the requirements of VCs administered by the NRCS. Similarly, a container is regarded as 'out-of-scope' when its contents do not fall within the scope of commodities regulated by the NRCS. Shipping manifests are sent to the NRCS by shipping lines and it is profiled using our Risk-Based Approach.

Targeted containers are accordingly inspected to determine compliance with relevant VCs. Random stoppages are also conducted to ensure that the number of containers that may, proverbially, fall through the cracks are kept at a minimum.

A total of 360 shooting range inspections were performed at shooting ranges.

Approvals report

The Approvals Unit within the CMM Business Unit achieved 73% of its set target of processing pre-market certificates within the 120 calendar day timeframe. This includes 277 rejected applications and 34 cancellations. The implementation of Chemical Disinfectants VC8054:2017 requirements and the national lockdown have resulted in a backlog in the processing of approvals. These long outstanding applications negatively affected the unit's performance because applicants failed to provide corrective actions for identified deficiencies. The average turnaround time achieved by the unit was 91 days.

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

A total of 588 approval certificates were issued for various compliant commodities that are regulated by the unit.

Table 3: Approvals performance per quarter

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Approved/rejected within 120 calendar days	151	94	251	135	**631**
Approved/rejected over 120 calendar days	29	157	32	15	**233**
Total	**180**	**251**	**283**	**150**	**864**
Percentage	83.89%	37.45%	88.69%	90.00%	**73.03%**

Quality Management System Report

During the annual surveillance assessment of CMM on 31 July 2020, SANAS identified seven non-conformances against the requirements of SANS 17020:2012 and its own accreditation requirements. As a result of corrective actions submitted, during December 2020, CMM received confirmation from SANAS that all seven non-conformances have been cleared. On 24 January 2021, CMM received confirmation from SANAS that continued accreditation has been granted in accordance with SANS 17020:2012.

The fourth and final SANAS surveillance assessment of CMM will take place on 22 June 2021 for CMM's current accreditation cycle that will expire on 10 December 2021.

Challenges

The revision of the VC for disinfectants and detergent-disinfectants was replaced by VC8054:2017 after a lengthy stakeholder consultation process that was conducted by the Regulatory Research and Development Division of the NRCS between 2014 and 2017. The chemical industry received a further industry-wide blanket sales permit due to some claims of industry being unaware that the requirements had changed. The CMM Business Unit is inundated with applications as the final extension deadline is looming. This results in frustration on the part of applicants and inspectors as possible sales are lost due to non-submissions of corrective actions. The business unit has also implemented the following action plan to reduce the processing time of chemical disinfectant applications for registration pursuant to VC8054:2017.

Timber remains challenging to enforce as there are no proper resources to implement sanctions such as confiscation, storage, transport and destruction of non-compliant timber in the market. It is trying and arduous to apply sanctions to illegal treaters, as it is effortless for them to pack up and relocate to a more remote area. However, the NRCS plans to have a more focused approach to inspect this industry in the new financial year. It hopes to work in collaboration with the Department of Agriculture and the DFFE. Various meetings with the industry and the relevant stakeholders identified that a review of the VC is required which will be scheduled in the coming financial year.

Stakeholder engagements

In addition to the fact that stakeholders must be identified and actively managed, the CMM Business Unit continually engages with stakeholders to ensure that effective communication is maintained. This ensures that the CMM contributes to good corporate governance and dispels any negative public perceptions.

The CMM Business Unit periodically meets with stakeholders covering the various industries it regulates.

Table 4: Chemicals, Materials and Mechanicals stakeholder overview

Priority Stakeholders	Rationale for engagements/current engagement methods/issues	Status
SAHPRA/DoH/DFFE/DALRRD/SARS/SAPS/ National Consumer Commission (NCC)/etc.	Initial discussions to enhance/strengthen alliance/cooperation with other regulators.	Completed
NRCS and DFFE (Waste Bureau)	Maintenance of memorandum of understanding (MOU) between the DFFE and the NRCS, for the NRCS to administer the regulation of plastic bag VC and the DFFE to fund the activities.	Completed
NRCS and DFFE	Improvement of the new Plastic Bag Policy.	Ongoing
PPE industry	Development of regulations/VCs for a range of PPE commodities.	Completed
DFFE/DALRRD/Timber Industry	Identify challenges and solutions related to implementation of Treated Timber VC.	Ongoing
Dti/Cement Industry	Identify challenges and solutions related to implementation of revised VC for cement and special levy increase.	Completed

ELECTRO-TECHNICAL

Overview

The Electro-Technical Business Unit (Electro-technical) protects the safety and health of consumers and the environment, by enforcing a total of 19 VCs in the electrical and electronic technology areas. The regulated products include household appliances, power tools, ICT equipment, audio visual equipment and lighting; and electrical components such as plugs, adaptors and switches. The business unit leverages cooperative and collaborative working arrangements with other government departments and agencies with overlapping mandates and related interests in the electro-technical sector. Some of the partnerships in place include memoranda of understanding/agreement (MOU/A) with the following:

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

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

Performance

Inspections

Despite the lockdown in the period under review, the business unit removed R81 million worth of non-compliant products from the market. This was achieved by issuing 177 Section 15.1 directives, after conducting a total of 3 010 inspections across the country, against a revised target of 2 500 inspections. The annual target was reduced by 50% due to the impact of COVID-19, where there were limited activities in the first two quarters of the year. The inspections target for the period under review was exceeded by approximately 17%. Table 5 and Table 6 shows the statistics per region; i.e. the number of inspections conducted, the number of Section 15.1 directives issued, the rand value of non-compliant products found in the market, and the number of samples taken from the market for testing.

Most (~41%) of the Section 15.3 directives were issued in the Western Cape, while KwaZulu-Natal accounted for the largest portion (~54%) of the rand value of non-compliant products removed from the market. Typical non-compliant products included solar water heaters, power banks, incandescent lamps, and compact fluorescent lamps. During the period under review, 157 samples were taken from the market for check testing.

Table 5: Inspections breakdown

Region	Q1	Q2	Q3	Q4	Total
Gauteng	0	81	540	679	**1 300**
Western Cape	0	109	299	184	**592**
KwaZulu-Natal	35	76	189	171	**471**
Eastern Cape	2	67	317	261	**647**
Total per quarter	**37**	**333**	**1 345**	**1 295**	**3 010 Total annual inspections**

Table 6: Electro-technical market surveillance statistics

Description	GP	WC	KZN	EC	Total
No. of inspections conducted	1 300	592	471	647	**3 010**
No. of Section 15.1 directives issued	50	70	31	26	**177**
Rand value of non-compliant products (Rands)	21 332 777	12 811 455	43 661 983	3 185 719	**80 991 934**
No. of samples taken for testing	25	64	39	29	**157**

Approvals

Regulated products are subject to premarket approval through a conformity assessment process, where the applicant provides the regulator with the requisite proof of compliance in accordance with the requirements of the relevant compulsory specification. The approval statistics for the period under review are summarised in Table 7 and Table 8. The total number of new applications received was 14 114, bringing the workload for 2020/21 to 15 504, where a total of 12 581 approvals were issued, with ~92% of the LoA approvals being issued within the target of 120 days against a revised target of 92%. A total of 1 535 approvals were for energy efficiency products, accounting for approximately 12.2% of the total approvals in the period. There was a marked reduction in the number of applications carried over to the next financial period, with 366 applications carried over from 2020/21 to 2021/22 compared to 1 390 which were carried over from 2019/20 to 2020/21.

Table 7: Electro-technical approval processing

	Approval processing time					
	Less than 30 days	From 31–60 days	From 61–90 days	From 91–120 days	More than 120 days	Total
Q1	73	583	665	306	66	**1 693**
Q2	414	1 769	784	349	423	**3 739**
Q3	444	1 917	379	206	272	**3 218**
Q4	1 406	1 419	590	182	243	**3 840**
Total	**2 337**	**5 688**	**2 418**	**1 043**	**1 004**	**12 490**
Percentage split	18.7%	45.5%	19.3%	8.4%	8.0%	

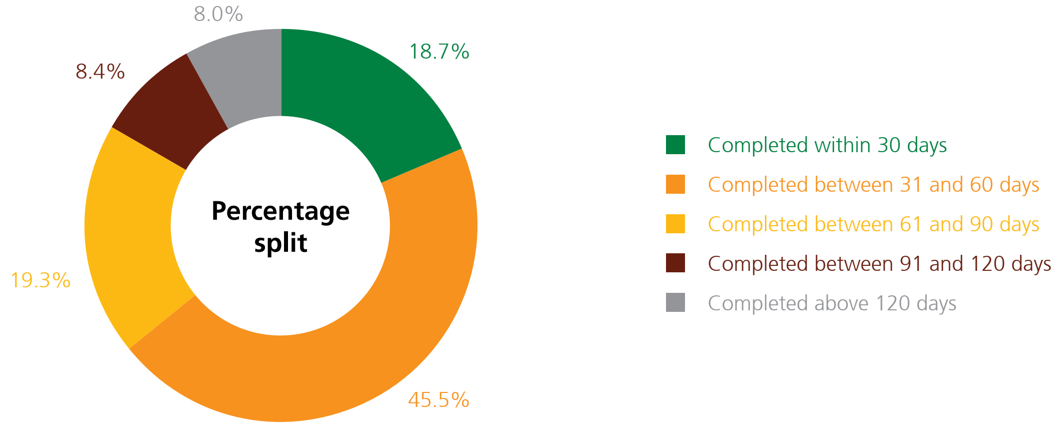


Figure 7: Electro-technical approval processing percentage split

Table 8: Electro-technical approval statistics for 2020/21

Approval Type	Carried over from 2019/20	Received in 2020/21	Total workload in 2020/21	Approved in 2020/21	Closed in 2020/21	Carried over to 2021/22
LOA	1 654	13 978	15 328	12 490	1 138	350
Regulatory Certificate of Compliance/ Authorisation Certificates	38	136	176	91	19	16
Total	**1 692**	**14 114**	**15 504**	**12 581**	**1 157**	**366**

The breakdown of the LoAs issued in the period under review is shown in Figure 8. Household appliances and ICT equipment accounted for over two thirds of the approvals issued in the financial period.

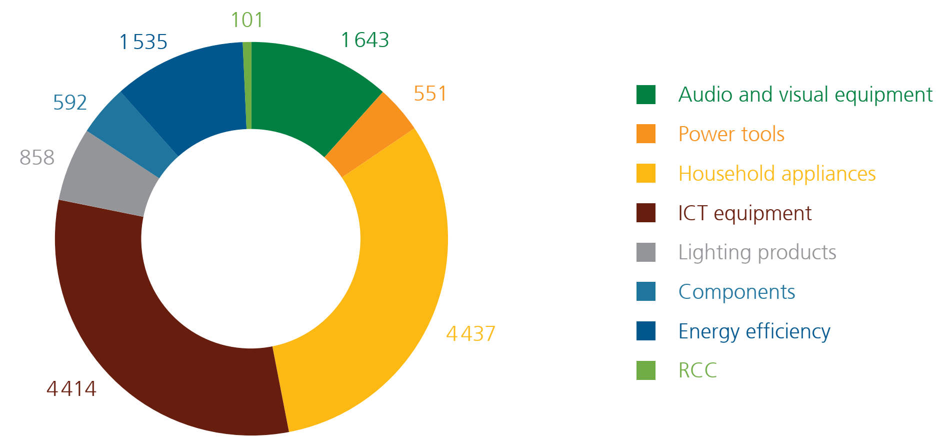


Figure 8: Breakdown of LoAs issued in 2020/21

Figure 9 shows that the turnaround times have been steadily improving over the years. The lockdown period did not diminish the productivity of the staff, as the business unit adapted to available technologies for working remotely. The throughput in the period under review was higher than the average throughput of the preceding three financial periods, i.e. 2017/18 to 2019/20. Although the total workload for the 2020/21 period was less than in the 2017/18 and 2018/19 periods, it was comparable to the previous financial period. The higher workloads experienced in 2017/18 and 2018/19 were due to the high volumes of applications that were carried over from previous financial periods, a trend that has been arrested in the 2019/20 and 2020/21 periods.

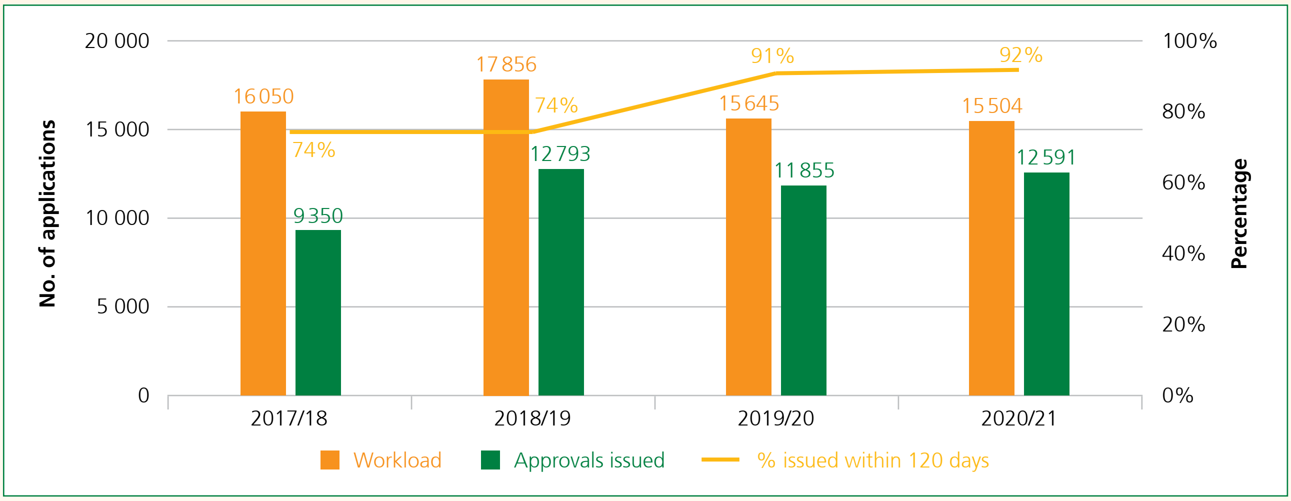


Figure 9: Comparison of approval statistics from 2017/18 to 2020/21

Stakeholder engagement

Technology enabled the business unit to implement its stakeholder engagement plan by shifting engagements with a variety of key national and international stakeholders on virtual platforms. Electro-technical seeks to achieve voluntary compliance from the majority of the regulatees by informing and educating stakeholders about VCs, thus maximising the positive input of stakeholders while minimising any negative or detrimental impact as a result of stakeholder contributions and actions.

In line with one of the objects of the NRCS Act of maintaining expertise at an acceptable international level, and the need to obtain membership and participate at relevant international bodies, staff participated in international and regional engagements as shown in Table 9.

Table 9: Electro-technical engagements with international and regional stakeholders

Country/ Stakeholder	Activity	Outcome/Activity
International Electro-technical Commission (IEC)	Technical Committee (TC) CMC meeting	Attended the annual IEC Certification Management Committee (CMC) meetings to discuss and keep abreast of the system for mutual recognition of certificates of conformity worldwide. The NRCS accepts accredited third-party test results from across the world.
	Virtual meeting	Participated in IEC TC61 meeting to review international standards.
	Virtual meeting	Participated in WG 10 IEC CMC International Meeting to discuss CMC policies.
	Virtual meeting	Participated in international meeting to discuss Task MT23 (Functional safety-related aspects of electronic circuits, remote control of household appliances and insulation coordination) as allocated by TC 61 (Safety of household and similar electrical appliances). Now resolved.
	Virtual meeting	Participated in IEC Ad hoc WG 50 on Research Project: Comparing testing at inland and coastal locations.
	Virtual meeting	Participated in IEC SC61D review of air conditioner standards. It was recommended that the document should proceed to the Committee Draft for Vote stage.
International Energy Agency (IEA)	Virtual workshop	Supper Efficient Appliances and Equipment Project. Discussion on test methods for residential air conditioners with global air-con stakeholders.
	Virtual meeting	Discussion with technical expert from IEA on global perspectives on a Minimum Energy Performance Standard (MEPS), focusing on air conditioners, in preparation for industry meeting on VC 9008 review.
SADC, EAC, CLASP, UNDP, SACREEE, EACREEE	Virtual webinar	103 participants from 22 African countries in SADC and East African Community (EAC). Third webinar, chaired by NRCS, attended by lighting experts, with the objective of harmonising MEPS for lighting products within the two regions.
	Virtual webinar	Chaired formal Southern Africa Development Community Cooperation in Standardization (SADCSTAN) TC 16 meeting, to finalise the MEPS for lighting, and receive final country positions.
	Virtual workshop	Market monitoring, verification and enforcement for the Energy Efficient Lighting and Appliances (EELA) Project. The NRCS was part of the team of panellists and presented the South African experience on implementing energy efficiency.
	Virtual meeting	Participated in regional discussions on the next phase of the EELA Project, which will focus on harmonisation of MEPS for cooling products in SADC/EAC regions.
Global Cooling Appliances Industry	Virtual meeting	Participated in global experts discussion on the Indian Model of Energy Efficiency Cooling Policy Development.
	Virtual meeting	Participated in global experts discussion on the global crisis of "Environmental Dumping: Perspectives from the Ground", focusing on cooling products.
	Virtual workshop	Participated in workshop on Cooling Products in the EAC and SADC Region.
	Virtual meeting	Meeting with technical expert from Lawrence Berkeley National Laboratory to discuss on global air conditioning requirements, in preparation for industry meeting.
Global Lighting Industry	Virtual workshop	Attended international workshop organised by Underwriters Laboratory on luminaire standards, titled "IEC 60598-1:2020 – Opportunities and Requirements".
	Virtual workshop	Participated in global workshop of lighting industry stakeholders themed "The Digital Services Act: How to address product compliance online".
Global stakeholders	Virtual workshop	Brexit – New Compliance Regulations. Discussion on the new requirements for UK and the impact of Brexit on regulators and conformity assessment bodies.
African Union/EU	Virtual workshop	Participated in "Validation of Policy Paper and Roadmap & Discussion on Governance Coordination" and strategic planning for energy efficiency projects.
Global standards bodies and regulators	Virtual meeting	Participated in workshop on World Trade Organization (WTO) Agreement presented by experts from Geneva.

In the period under review, Electro-technical held several engagements with a number of government agencies and departments as summarised in Table 10.

Table 10: Electro-technical engagements with government agencies and departments

Stakeholder	Nature of engagement	Outcomes/purpose
DOE, WITS, UNDP, SABS, NRCS, SANEDI, DMRE	Virtual workshop	Participated in policymakers' discussions on SANS 151 (geysers) research report by a Wits University consultant. This was followed by reviewing industry comments on the report and making recommendations to the relevant SABS TC for future review of the standard.
	Virtual meeting	Held discussions on submissions for gazetting of VCs 9109/10: safety and energy efficiency of general service lamps. The task team responded to **the dtic** in writing to satisfy the new requirements for submissions to the Minister.
	Virtual webinar	Attended a presentation by consultants (Research IQ) on Energy Efficiency Label Research.
	Virtual meeting	Held periodic meetings to discuss energy efficiency testing, enforcement, and review implementation progress.
	Virtual meeting	Participated in discussions on street lighting exclusions and how best to include in MEPS for lighting.
	Virtual meeting	Meeting to assess energy efficiency implementation and determine way forward. Institutions presented on their progress reports.
SANAS	Virtual audit	Underwent SANAS Annual Audit. Business unit retained its accreditation with zero findings.
SAPS Crime Intelligence	Meeting	Participated in meetings to discuss and plan a joint operation that was held in the Northern Cape.
NCC	Virtual meeting	Held a meeting to discuss procedure to handle non-compliant adaptors. The client wanted to return the products to their country of origin. The regulators requested complete product recall protocols to be followed.
DOL/DOHS	Virtual meeting	Meeting to discuss compliance of SANS10142: wiring code components and their enforcement with the Department of Employment and Labour and the Department of Human Settlements (DOHS).
Buffalo City Municipality	Joint operation	Teamed up with the municipality in King Williams Town and conducted consumer awareness campaigns.
InvestSA	Virtual meeting	Participation in discussions on One Stop Shop virtual concept.
	Meetings	Presentations on NRCS mandate and assisting prospective investors.
ICASA	Virtual meeting	Engagements on MOU. Finalising the drafting of a joint statement on guideline for products under concurrent jurisdictions of NRCS and ICASA.

Engagement with the regulated industry and industry associations is critical for the business unit since regulatees cannot be expected to comply with regulations of which they are not aware, among other reasons. The engagements took the form of meetings, workshops, and teleconferences as shown in Table 11.

Table 11: Electro-technical engagements with regulated industry and associations

Stakeholder	Nature of engagement	Outcomes/purpose
Lighting Industry	Virtual meetings	Participated in discussions on SADC MEPS for Lighting Products Standard to reach consensus on South African position.
Standards TCs	Virtual meetings	Business unit representatives attended various TCs and working groups to discuss and influence national standards. The TCs included TC75, TC72, SANS 10142-1, and TC64.
South African Industry	Virtual workshop	Attended **the dtic** organised workshop on Locally produced products: compliance with the industrial technical institutions stakeholder dialogue. GM presented on behalf of NRCS.
South African Association of Freight Forwarders	Virtual meeting	Attended SAAFF monthly Port of Entry meetings to discuss operational issues.
Energy Efficiency Industry	Virtual meeting	Held four Energy Efficiency Database Rollout Training sessions for industry, facilitated by Urban Earth and Blue Sky, sponsored by EU partners, and attended by over 160 participants, covering: Day 1: Cooling appliances Day 2: Laundry appliances Day 3: Geysers, ovens, and stand by power Day 4: Recap of all appliances in the scope of VC 9008.
	Virtual webinar	Chaired a webinar on Energy Efficiency Private Sector Strategy discussions, sponsored by UNIDO, and facilitated by EACREEE/SACREEE and CLASP, with 52 participants.
	Virtual meetings	Participated in VC9008 MEPS Review Meetings to set new Minimum Energy Performance Standards for white goods and standby power for audio and visual equipment. Business unit presented on enforcement.
Electrotech Industry Associations	Virtual meeting	Held meetings with various industry associations to discuss the impact of COVID-19 and the NRCS plan to service industry.
Retailers	Virtual meeting	Held meetings with various retailers to discuss the impact of COVID-19 and the NRCS plan to service the sector.
PIRB/NRCS/IPSA	Virtual meeting	Held a meeting to discuss cooperative arrangements with the Plumbing Registration Board (PIRB) and the Institute of Plumbing South Africa (IPSA). It was agreed to explore the MOU/A route.
Urban Earth, Blue Sky, EU Partners	Virtual meeting	Discussions on the handover of the Energy Efficiency Database to the NRCS. Planning meeting for Energy Efficiency Database Rollout to Industry.
	Virtual meeting	Discussion on the system changes required on the Energy Efficiency Database. Changes sponsored by EU partners.
	Virtual meeting	Refresher course for approvals staff on Energy Efficiency Database.

Highlights

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

- SANAS 17020 Accreditation: The unit retained its accreditation status with no non-compliances raised
- Energy efficiency implementation:
  - A total of 1 535 energy efficiency LoAs were issued compared to 1 373 in 2019/20 and 1 503 in 2018/19, and 1 129 in 2017/18. The turnaround time improved to an average of 60 calendar days compared to approximately 78 calendar days in the previous period.
  - The business unit finalised the testing of the Energy Efficiency Database which had been under development since 2018. The database will be implemented from 1 April 2021, where all applications for energy efficiency LoAs will be done on the new system. The new system is expected to expedite the processing of LoAs, optimise reporting, and eliminate paperwork, among other benefits.
  - The NRCS chaired SADCSTAN TC 16 which culminated with the development of harmonised MEPS for lighting in SADC and the EAC.
- Continuous improvement projects carried on in the period under review, with interventions on levy verification and operations processes.

Challenges

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

- Limited storage capacity of confiscated goods, exacerbated by delays in the destruction of non-compliant products, continued to constrain operations.
- The lack of testing capacity and capability to cover the full regulatory scope, for example the energy efficiency of air conditioners and laundry equipment.
- Although a significant number of activities were shifted to remote and virtual working, field inspectors still need to interact with sources of products, i.e. manufacturers, importers, and ports of entry as well as the retail market, where the risk of infection from the COVID-19 virus is significant. In the period under review, a Principal Inspector succumbed to the pandemic, with negative impacts on staff morale.

Conclusion

In the period under review, the inspections and approvals targets were reduced due to the impact of the COVID-19 pandemic. The Electro-technical Business Unit exceeded the revised inspections target by conducting 3 010 inspections against a target of 2 500. The unit achieved its revised target of issuing 92% of approvals within 120 calendar days.

Non-compliant products with a rand value of approximately R81 million were removed from the market by issuing 177 Section 15.1 directives. During the period under review, 157 samples were taken from the market for check testing.

Collaboration and engagements with a variety of stakeholders, including government departments and agencies, regulatees and industry associations, and international bodies and organisations, remained high on the agenda of business unit activities, despite the restrictions on travelling and physical meetings brought about by the COVID-19 pandemic.

Some of the highlights for the period under review included:

- Maintaining SANAS 17020 accreditation
- Readiness to implement the Energy Efficiency Database from 1 April 2021
- A marked reduction in approval applications carried over to the next financial period
- The shifting of a number of work activities to remote and virtual working.

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

FOODS AND ASSOCIATED INDUSTRIES

Overview

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

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

The business unit is the competent authority for fish and fishery products, exported to various countries and trade groupings. In facilitating trade, the FAI issues health guarantees for fish and fishery products that are exported and compliance certificates for local trade.

Overall performance

The COVID-19 pandemic with the accompanying government lockdown levels procedures and restrictions impacted the business unit's operational activities and achievement of targets. Under lockdown, the business unit had to quickly adjust the operational requirements to ensure productivity and continuity during the various levels of lockdown and adhere to the country's laws and regulations. The business unit was not able to achieve its targets in all categories. For the 2020/21 financial year, a total of **25 594** inspections were conducted.

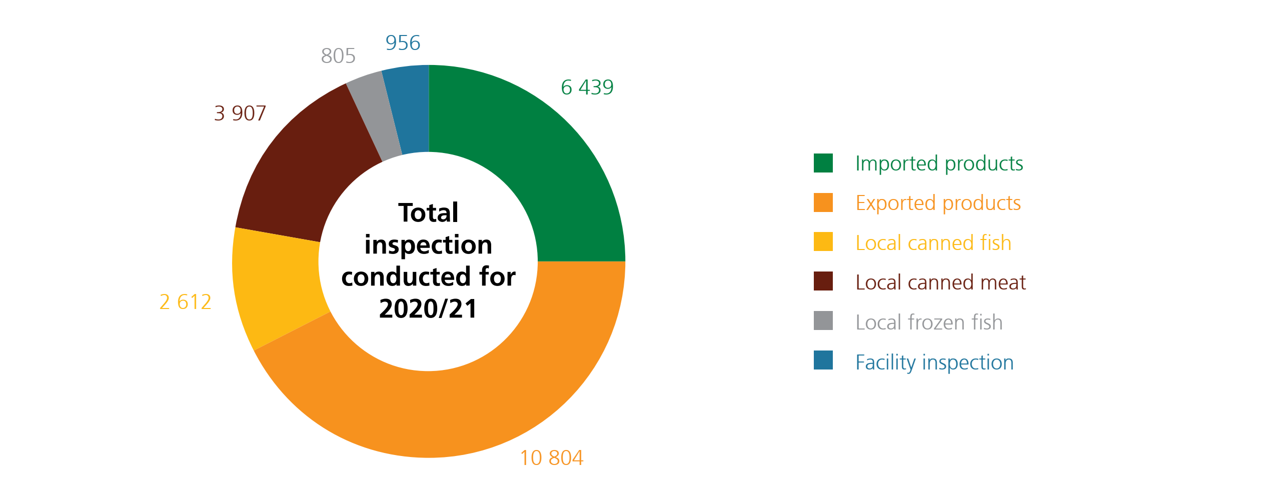


Figure 10: Food and Associated Industries 2020/21 inspections overall performance

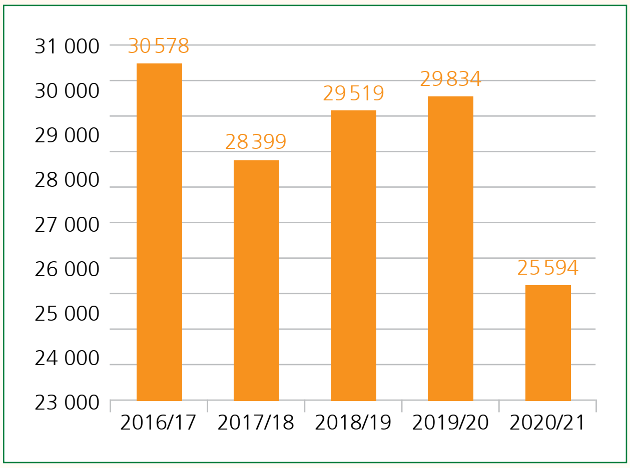


Figure 11: Five-year comparison of total inspections conducted

The unit's overall performance between the 2017/18 and 2019/20 financial years remained relatively steady, but a significant decline in the total number of inspections were recorded during the 2020/21 financial year. The predominant reason for the decline in the number of inspections conducted can be attributed to the COVID-19 pandemic restrictions and the effects these had on the economic climate and exchange rates together with the continuous decrease in the availability of natural resources. The business unit conducted **4 240** less inspections than in the previous financial year. The number of inspections decreased in five of the six inspection categories. The local canned fish category showed a slight increase in inspections. There was a significant decrease in imported and exported product inspections, 2 871 and 1 060 inspections, respectively. In spite of the overall decrease in inspection activities, the business unit achieved the targets in four of the six inspection categories. Targets for local frozen fish, and factory and vessel inspections were not achieved. This trend may continue in the 2021/22 financial year depending on the presence and severity of COVID-19.

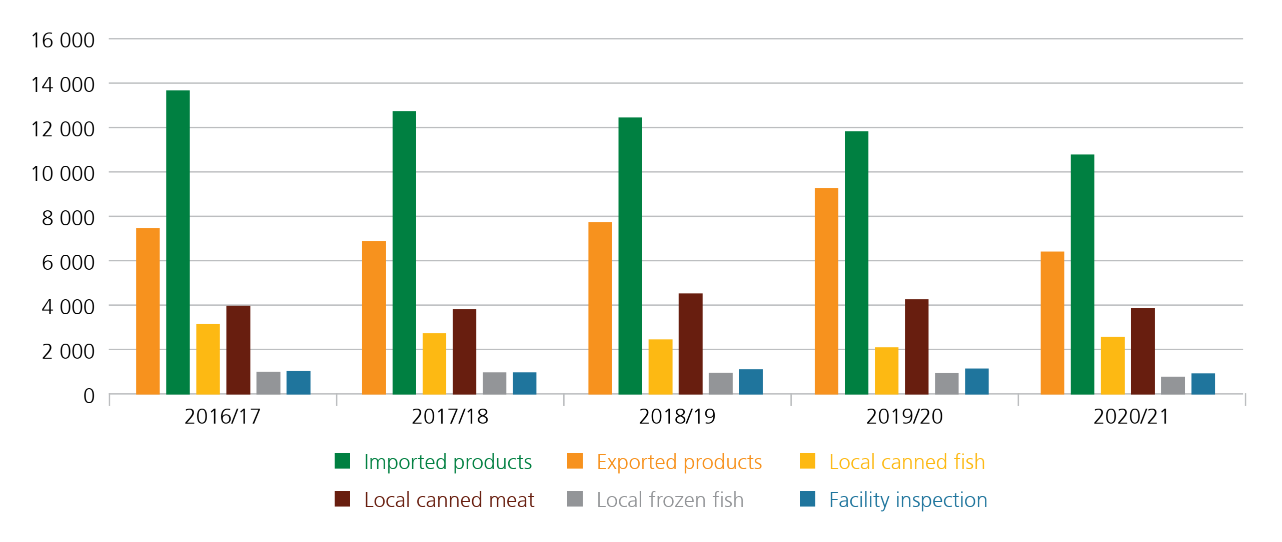


Figure 12: Inspection trends for the last five years

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 were conducted on high-risk products, such as canned and imported products from countries without any official inspection agreement. At the same time, low-risk products are monitored with a predetermined surveillance inspection programme.

All inspections and operations of the unit are conducted according to the policies and procedures of the quality management system implemented by the business unit system based on the International Organization for Standardization (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 2020/21 financial year.

Table 12: Inspection trends for the last five years per category

Description	2016/17	2017/18	2018/19	2019/20	2020/21
Imported products	7 524	6 938	7 793	9 339	6 468
Exported products	13 748	12 813	12 530	11 906	10 846
Local canned fish	3 193	2 774	2 493	2 136	2 612
Local canned meat	4 019	3 859	4 573	4 303	3 907
Local frozen fish	1 025	1 011	988	972	805
Facility inspection	1 069	1 004	1 142	1 178	956
Total	**30 578**	**28 399**	**29 519**	**29 834**	**25 594**

Inspections

The business unit conducted 23 833 inspections on export, local and imported fishery and canned meat consignments and productions. In comparison to the previous financial year, inspections in five of the six categories decreased, with inspections in the local canned fish category increasing by 476 inspections.

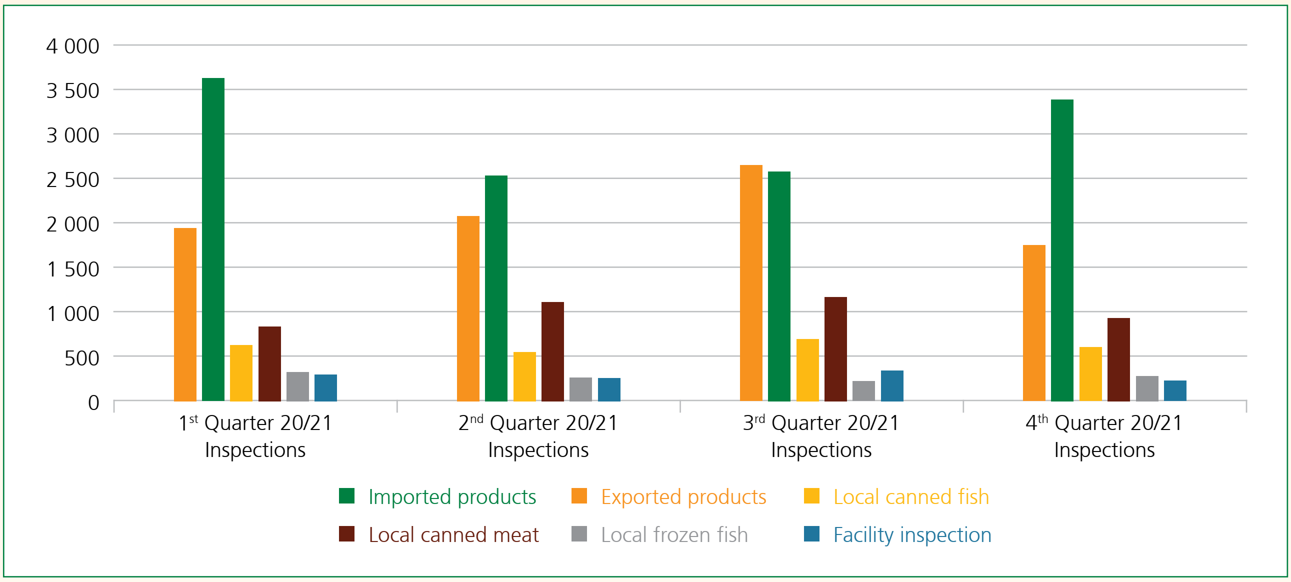


Figure 13: Inspections conducted per category per quarter for the 2020/21 financial year

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 meat, canned abalone and live lobster, abalone and oysters. The unit conducted **10 804** inspections on product consignments exported to various countries and issued a total of 7 796 health guarantees, which, in comparison to last year, indicate a decrease of 1 102 inspections. Although the COVID-19 travel restrictions played a major role in the decline of export inspections, the business rescue of South African Airways (SAA) also played a role in terms of flights being discontinued, especially those with chilled fish consignments.

For all fish and fishery products imported into the country and local canned fish and meat productions, the business unit will issue compliance certificates when compliance has been established in terms of the requirements of the VCs before products are released to the market place. For the period under review, a total of 6 051 compliance certificates were issued by the FAI.

Non-compliances

Non-compliance certificates were issued for products that did not comply with the requirements of the relevant VCs, labelling requirements as specified in the Foodstuffs, Cosmetics and Disinfectant Act, Act No. 54 of 1972, and relevant SANS standards.

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

The business unit issued five non-compliance certificates for products found to be of substandard quality, and a further 42 for products that were found to be not for sale. In addition, it issued 43 directives for products that were not safe for human consumption. The non-compliant products were either re-labelled, destroyed by industry at its own cost (under the supervision of the NRCS), or returned to the country of origin. The products not fit for human consumption had an estimated value of **R26 107 995**.

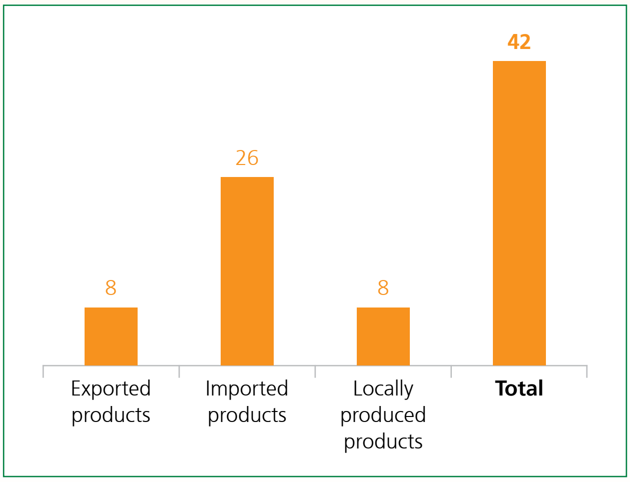


Figure 14: Directives issued for 2020/21 financial year

National and international liaison

Due to the COVID-19 travel restrictions, most national and international physical meetings could not be conducted or attended as scheduled. The business unit had to adjust its schedule to ensure adherence to the stakeholder plan schedule and thus meetings were held virtually. As the competent authority for the regulation of frozen and canned fish and fishery products, canned meat and smoked snoek in South Africa, the NRCS represents the country at various international regulatory forums, notably the Codex Alimentarius Commission, the Codex Committee for Fish and Fishery Products and the Codex Committee for Food Inspection and Certification Systems.

In the year under review, the FAI participated in only one virtual international food safety activity, i.e. a Codex Alimentarius Commission meeting that was staggered over five days: from 24 to 26 September, on 12 October and on 6 November 2020.

The South African delegation participated actively in the meeting. Apart from contributing to the proceedings, the delegates were again updated on global food regulatory matters and were able to give guidance on such matters in South Africa. Delegates took cognisance 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 relevance of attendance relates to the strengthening of the national food control system of South Africa. It further relates to the implementation of other important activities of the food safety sector, best defined as the 'non-negotiables', which include among others, ensuring compliance with all legal and statutory obligations as stipulated in the Foodstuffs, Cosmetics and Disinfectants Act, 1972 (Act 54 of 1972) and the relevant VCs administered by the FAI.

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

- A joint Technical Cooperation Agreement (TCA) meeting between the Namibian Standards Institution (NSI) and the NRCS was conducted on the 20th of October 2020. This meeting discussed the inspection and certification of fish and fishery products and strengthen the collaboration and working together between the two organisations in ensuring product safety and fulfilling their respective mandates. The purpose of the meeting was also to conclude and sign the TCA agreement. Both organisations addressed the export and import controls between South Africa and Namibia. It was noted that the main challenge in Namibia was that fish and fishery products fall under three departments, hence small boarders still remain a challenge. A proposal was put forward by the NRCS that South Africa will still conduct inspections on fish and fishery products coming in, if not accompanied by a certificate from the NSI. Once the NSI is granted certification, random inspections will still be conducted, as per the NRCS sampling plan.

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

- A joint TCA meeting between the Department of Fisheries in Thailand and the NRCS was conducted on the 14th of December 2020. This meeting discussed the inspection and certification of fish and fishery products and strengthen the collaboration and working together between the two organisations in ensuring product safety and fulfilling their respective mandates. The purpose of the meeting was also to conclude and sign the TCA agreement. Both organisations addressed the progress on the implementation of the reduced rate of inspection for the Programme for Fish and Fishery Products and preventive measures taken on all rejections by both competent authorities. It is worth noting that both organisations are committed to ensuring a continuous good relationship and knowledge sharing.

- Bureau of Import and Export Food Safety of the General Administration of Customs China (GACC) of the People's Republic of China competent authority carried out video inspections on the 29th of October 2020 of two selected factories based in the Western Cape. The video inspections on both factories were conducted mainly to verify the implementation of COVID-19 protocols and to verify conformity to the relevant provisions of Chinese laws, regulations and standards, and to also meet the requirements of the protocol on inspection and quarantine of the fishery products exported to China. Prior to GACC conducting the inspections, both facilities were given a checklist by GACC to conduct a self-examination in accordance with the "main conditions for registration of imported fishery products production" and provided support documentation to prove competence.

  After the inspection, the inspection team concluded that the COVID-19 prevention measures taken by the establishments were in line with Chinese requirements, and the protective measures were effective. However, there were five non-compliances that were raised during the inspections and all findings were resolved.

The NRCS communicated the results of the video inspections to both organisations in writing on the 30th of November 2020. On the 3rd of February 2021, both organisations provided the NRCS with corrective action reports and evidence to indicate that proper corrective actions have been put in place, to prevent re-occurrences of the non-compliances that were identified at the two establishments during the inspections. The corrective actions were verified by the NRCS for implementation and closure during the bi-annual inspections.

- The business unit had various discussions with and sent various communiques to the Chinese Embassy to assist the industry with regards to de-listing South African oysters in China.
- The business unit attended the South African–Southern European Fisheries Export Webinar and discussed the following topics:
  - Overview on South African fisheries and aquaculture industry
  - Certification required to meet EU standards
  - Progress made on shellfish to meet EU requirements
  - What to keep in mind when exporting fishery products aligned with the EU export traceability requirements.
  - Logistics in exporting fisheries products to southern Europe – challenges, opportunities and solutions.
- The virtual Tripartite Joint Technical Committee meeting (Common Market for Eastern and Southern Africa, the EAC and SADC) on Public Health and Transport Facilitation during COVID-19 was attended on 15 and 16 July 2020.

Locally, the unit participated in various food safety initiatives and events. The FAI joined its global partners in celebrating World Food Safety Day (WFSD) on 7 June 2020. This day is a United Nations initiative and is commemorated annually to promote food safety and reduce the burden of foodborne diseases that kill hundreds of thousands across the world. The 2020 WFSD was held under the theme, 'Food Safety, Everyone's Business', with the view to inspire action from all stakeholders to promote global food safety.

According to the World Health Organization, it is estimated that about 600 million people, i.e. almost 1 in 10 people in the world, become ill after eating contaminated food and this leads to about 420 000 deaths every year. As such, improving hygiene practices along the food chain (farm to table) by all stakeholders is critical in saving lives and avoiding putting strain on already overburdened health systems in developing countries. The NRCS is one of the custodians of food safety and works in collaboration with other regulators in South Africa to support the WFSD. The organisation is responsible for developing and enforcing VCs to ensure the safety of food products in the country.

Other local initiatives where the business unit also contributed are the legislation and standards setting forums:

- SANS technical committees for various food standards.
- The following compulsory standards were published in the financial year under review:
  - Updated: VC 8020 – Frozen rock lobster and frozen lobster products derived therefrom.
- Several regulatory meetings were held with the DALRRD and the DFFE to discuss the MOU between the departments, the implementation of the residue programme and to discuss the shellfish monitoring sampling progress reports.
- Facilitation of trade, especially for aquaculture products. COVID-19 had a negative impact on the aquaculture industry, especially impacting the export of oysters to some countries.
- The business unit attended a workshop on 3 June 2020 with the DOH, the DALLRD, the South African Association for Food Science and Technology (SAAFoST), the Consumer Goods Council of South Africa (CGCSA), and representatives from different food industries on Food Safety Awareness.
- An inter-departmental meeting was attended with the Department of Economic Development, Tourism and Environmental Affairs, the Small Enterprise Development Agency, the DALLRD and the NRCS to clarify the roles that need to be played by each organisation in assisting the selected small, medium, and micro-sized enterprises (SMMEs) with the Fisheries Programme.

Highlights

Although the COVID-19 pandemic brought new challenges to the business unit, the FAI drafted and successfully implemented operational continuity plans to minimise the negative impact of the lockdown restrictions and procedures through all levels of the lockdown periods. New methods of conducting certain inspections and doing business in general were implemented. The business unit achieved all its targets except for local factory and product monitoring inspections. This was an achievement in the light of the pandemic restrictions and procedures that were adhered to.

During the period under review, the business unit also started to visit and inspect processed meat factories that were registered with the NRCS.

The FAI is an internationally accredited inspection body and complies fully with ISO 17020 criteria for inspection bodies. As the competent authority for the regulation of food products and processes ongoing confirmation of the credibility of the business unit's processes is paramount. The business unit maintained its accreditation status after third party audits.

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

Challenges

The COVID-19 pandemic impacted the business unit activities in a number of ways, one of which relates to its status of being an 'essential worker' because of the food safety inspection and release activities of local food productions and imported food consignments. The biggest challenge for the 2020/21 financial year was therefore to ensure operational continuity during all levels of the lockdown periods as announced by the government. The suspension of flights between countries due to COVID-19 restrictions and the business rescue activities of the SAA caused a reduction of chilled fish exports that impacted the business unit's revenue adversely. 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. The cost savings strategy implemented at the NRCS due to the current economic environment also impacted operations in the business unit.

Conclusion

Although the government's COVID-19 pandemic protocols and restrictions impacted the activities of the business unit, the FAI contributed successfully to the NRCS's objective to protect consumers by effectively administrating the relevant VCs. During this time, the business unit successfully drafted and implemented operational continuity plans and procedures which reduced and mitigated most of the challenges brought about by the pandemic. The business unit supported and facilitated trade for South Africa's local industry by ensuring that only good quality and safe food products were exported and all export consignments were accepted in the international markets with no notifications. In its effort to drive the basic performance efficiencies, the unit constantly strives to keep abreast of new technology developments and benchmarks itself against other regulators, both nationally and internationally. Multiskilling and ongoing training programmes is one of the tools that support the business unit to effectively protect consumers. The unit continued to participate in national and international standards setting processes.

LEGAL METROLOGY

Overview

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

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

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

- Make recommendations to the Minister with regard to legal metrology technical regulations
- Enforce compliance with legal metrology technical regulations
- Approve and verify measuring instruments
- Control the repair of measuring instruments
- Participate and represent South Africa at international and regional levels on matters relating to legal metrology
- Issue certificates that permit instruments or products to be sold or services to be supplied in respect of legal metrology matters
- Provide for compliance schemes and control the use of distinctive marks and verification marks.

Although not fully financially supported by **the dtic**, the NRCS has developed a costed short-term implementation plan to ensure the systematic implementation of the requirements of the LMA. Regulations to the LMA were published on 24 August 2018 and the NRCS resources were allocated to ensure that the requirements of the Legal Metrology Regulations, 2017 (LMR) can be enforced.

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

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

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

The Legal Metrology Business Unit is accredited through SANAS with the following SANS standards:

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

Service delivery

Like many other business units within the NRCS, Legal Metrology has been negatively affected by the COVID-19 pandemic. Five staff members of the unit contracted the virus and had to follow strict isolation protocols. Operation units within Legal Metrology were also hampered in conducting their activities by the lockdown and total travel restrictions during March and April 2020 and lesser restrictions in travel and engagement that lasted deep into the year, the restrictions in cross-provincial border travel and even certain operational restrictions on industries, like the gambling industry, which is currently still restricted by lockdown regulations. Although the unit adjusted operational processes to try to address lockdown measures, the results that COVID-19 had on the unit and the industry it regulates are reflected in the service delivery figures of the unit.

Type evaluation of prescribed measuring instruments

In a notable achievement to implement legal metrology safety-related technical regulations, the first ever Average Speed Over Distance (ASOD) measuring system used in South Africa was evaluated and type approved by NRCS Type Approval for the use by traffic law enforcement.

During the year under review, Type Approval received 226 applications from instrument manufacturers and suppliers (this is in addition to the 33 applications carried over from the previous year) and have processed 190 applications and issued 76 Type Approval Certificates (TAC) for instruments that have met all regulatory requirements. Type approval applications completed within the 120-day target period amounted to 99.2%.

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

Issuing of LoCs to the gambling industry

Legal Metrology received 536 new applications from the gambling industry for the evaluation of gambling hardware and software. In total, 560 applications were processed during the year and 530 LoCs were issued for compliant gambling hardware and software whereas 30 applications were refused a LoC. Of the 560 LoCs that were processed, 560 (100%) were processed within the 30-day target period.

Market surveillance activities

A total number of 2 862 market surveillance inspections were conducted for the year under review. To regulate more effectively and efficiently, the focus of market surveillance inspections remained on importers and manufacturers of prepacked goods and measuring instruments; therefore, 89% of the market surveillance inspections were carried out at source (manufacturers and importers) and 11% of the inspections were carried out at retail level.

During these market surveillance inspections, 8 390 samples of different prepacked products were evaluated and the following non-compliances were uncovered:

Table 13: Legal Metrology – Sale of goods, type of contraventions

Sale of goods – Type of contravention	Incidents of non-compliance	
	2020/21	2019/20
Short measure	106 – 1.3%	1 179 – 6.8%
Incorrectly marked	327 – 1.1%	216 – 1.3%
Unmarked goods	94 – 3.9%	98 – 0.6%
Other	6 – 0.1%	21 – 0.1%
Total	**533 – 6.4%**	**1 514 – 8.8%**

The downward trend in non-compliances can be attributed to the COVID-19 pandemic and the fact that fewer samples of prepacked products could be physically tested during the year, giving a slight distortion of results.

With regard to measuring instruments, a total number of 15 997 instruments were inspected and the following were noted:

Table 14: Legal Metrology – Instruments, type of contraventions

Instruments – Type of contravention	Incidents of non-compliance	
	2020/21	2019/20
Verification status lapsed	1 195 – 7.5%	1 759 – 8.9%
Unapproved	326 – 2.0%	186 – 0.9%
Inaccuracy	2 – 0.01%	56 – 0.3%
Technical, marking and other non-compliances	321 – 2.0%	144 – 0.7%
Total	**1 844 – 11.5%**	**2 145 – 12.2%**

The verification status of measuring instruments as well as the number of unapproved measuring instruments that found their way into the market continues to be main contributors to incidents of non-compliance. The downward trend in the number of identified non-compliances can be contributed to COVID-19 as less samples could be physically tested, impeding the effectiveness of inspections in the market place.

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 533 embargoes for pre-packed goods and 1 844 rejections for measuring instruments. Legal Metrology market surveillance inspectors issued directives to 482 businesses for supplying non-compliant pre-packed goods or instruments.

The total monetary value of the products tested by Legal Metrology market surveillance inspectors amounted to R865 million. The total value of the non-compliant products, which was either removed from the market or corrected before being sold, amounted to R126.7 million. This is a substantial figure if one considers that the unit has not carried out physical testing and inspections for the complete period and considering that the market coverage of the unit is well below 20%.

Calibration of verification standards

The four SANAS-accredited calibration laboratories situated in Cape Town, Durban, Port Elizabeth and Pretoria inspected and calibrated 8 421 mass verification standards, 562 volumetric verification standards and 167 balances. The calibrations ensured that standards used by verification officers as well as equipment used by market surveillance inspectors of the NRCS were accurate and traceable to national standards. All low capacity calibration equipment in these laboratories have now been upgraded to enable Legal Metrology to calibrate verification standards to an F1 accuracy class, therefore ensuring that the unit meets all equipment requirements set for the calibration of verification standards in the international recommendation OIML R 111, with the result that Legal Metrology will serve the industry better in future.

Compliance schemes

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

There are currently 95 local manufacturers and 67 importers registered by the NRCS under these mark schemes. Four new local manufacturers and 10 new importers were registered during the year under review. Renewal certificates were also issued to 13 local manufacturers and four importers.

Designation of verification and repair bodies

As a notable achievement, the first body to be able to verify and repair the open road tolling system in Gauteng was given permission to entrench its management system to verify or repair these tolling gantries.

Legal Metrology designated 104 verification and 93 repair bodies during the year. To ensure that personnel working for these bodies were competent, verification officers and persons responsible for repairs (repairers) had to pass all required theoretical and practical examinations.

A total number of 136 persons wrote 300 theoretical verification officer examination papers, of which 157 (52.3%) examination papers were passed.

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

	Male	Female
African	60 (44.1%)	4 (2.9%)
Coloured	4 (2.9%)	0 (0.0%)
Indian	10 (7.4%)	7 (5.1%)
White	49 (36%)	2 (1.5%)
Total	**123**	**13**

Due to the extended lockdown conditions, only 26 candidate verification officers/repairers passed practical evaluations on verifying measuring instruments.

Table 16: Demographical breakdown of the officers who undertook practical evaluations and passed

	Male	Female
African	14 (53.8%)	1 (3.8%)
Coloured	-	-
Indian	-	-
White	10 (38.5%)	1 (3.8%)
Total	**24**	**2**

Support to technical infrastructure bodies of **the dtic**

Legal Metrology provided support to SANAS in the form of lead or technical assessors to conduct assessments on verification and repair laboratories. A total number of 101 working-days were utilised in the assessment of verification laboratories by assessors from Legal Metrology. The assessment of verification and repair laboratories remains strategic to the national regulator because it underpins confidence in the designation of the laboratories to operate under the LMA.

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

Development of technical regulations

An interim requirement has been developed by the Legal Metrology unit and approved by the CEO of the NRCS to establish the criteria for speed meters for traffic law enforcement. This will give traffic law enforcement officials the ability to make use of type approved and verified measuring equipment to prosecute offenders.

Legal Metrology has also started the process to develop interim requirements for: tyre pressure gauges (OIML R 23), electrical energy meters (OIML R 46) and automatic instruments for weighing road vehicles in-motion (OIML R 134). The unit is also reviewing the existing technical regulations for weights (SANS 1697) (OIML R 111).

Inspectorate capacity

The unit provided training to verification officers and repairers on the LMA and further provided training on Gas Meters to eight verification officers.

All practical training modules were completed for three candidate inspectors. They were evaluated and found competent and were included in the management system as competent inspectors.

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, engaging in the following activities:

OIML – enabling economies to put in place effective legal metrology infrastructures that are mutually compatible and internationally recognised

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

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

The head of the Legal Metrology business unit as well as another staff member represented South Africa at the 55th CIML meeting (steering committee for the OIML) virtually to review the organisation's technical progress and administrative operations. During these meetings, Legal Metrology also participated in the Regional Legal Metrology Organisation round table meeting and annual general meeting of the OIML Countries and Economies with Emerging Metrology Systems to ensure the development of legal metrology in the region and on the African continent.

Legal Metrology was also represented at the OIML Certificate System Management Meeting and Review Committee Meeting during March 2021.

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

The Legal Metrology unit provides the secretariat for the SADC Cooperation in Legal Metrology (SADCMEL). The SADCMEL Regional Coordinator organised meetings of the SADCMEL EXCO to keep the work programme of this cooperation structure active. The involvement of the Legal Metrology unit and the attendance of this meeting is considered valuable as it furthered the commitment of the NRCS to play a leading role in sub-regional legal metrology matters of interest.

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

The Legal Metrology unit further participates and provides the co-secretariat for the Intra-Africa Metrology System – AFRIMETS Legal Metrology. Due to the widespread outbreak of COVID-19 in African countries, the AFRIMETS activities scheduled for May 2020 was postponed till June 2021. Currently a staff member of the Legal Metrology unit is the Vice-Chairperson Legal for AFRIMETS. Full participation in AFRIMETS's activities ensures that the NRCS receives exposure as a leading regulator in the field of legal metrology and associated fields and that the objectives of AFRIMETS can be met.

Stakeholder engagement

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

A formal Verification and Repair Body Sector Meeting was held virtually during March 2021 with the view of informing verification and repair bodies, carrying out repair work or verifications on behalf of the national regulator, of the requirements and implications of the LMA on this sector, with a specific focus on Broad-Based Black Economic Empowerment requirements and the slow gender transformation in this sector.

A formal sector review with the gambling industry was held virtually in October 2020 on the development of a new verification process.

Legal Metrology also presented a paper on the requirements of the LMA, with the emphasis on water meters, to the Water Research Commission in August 2020.

External stakeholder work group meetings for the development of interim requirements for gas meters, mass pieces and speed meters were virtually hosted by the Legal Metrology unit.

Legal Metrology also collaborated with the FAI of the NRCS to ensure that imported or locally manufactured fish products complied with legal metrology requirements.

Funding

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

Conclusion

Through its Legal Metrology unit, the NRCS remains committed to protect the right of consumers to receive the correct quantity of goods as claimed or displayed on the labels of pre-packages, or displayed by measuring instruments or for the services for which they pay. The Legal Metrology unit ensures confidence in the measurements made by the South African industry that will ultimately lead to increased market access for local manufacturers.

REGULATORY RESEARCH AND DEVELOPMENT

Overview

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

Throughout these processes, RR&D focuses on building strong stakeholder relationships to encourage stakeholder participation in determining regulations. Stakeholder engagement primarily ensures transparency and accountability in the development and maintenance of VCs and TRs. To achieve wide participation, the NRCS 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, industry bodies, consumer bodies, and other organised civil society groups, as may be necessary.

The RR&D develops and maintains VCs and TRs for the five broad sectors under the NRCS, namely, Automotive; Electro-technical, CMM, FAI, and for accurate measurement units and instruments under the LMA. The unit develops and maintains VCs and TRs through the following activities:

a) Identification of the need for new or amendments to the VCs and TRs, according to the latest international and national requirements.
b) Conducting 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 of minimum requirements and associated conformity assessment activities in VCs and TRs.
d) Conducting regulatory research to benchmark the NRCS's regulatory practices with international best practice and to inform regulatory decisions that are included in VCs and TRs.
e) Supporting the Industrial Master Plans of **the dtic** by developing VCs and TRs that promote industrial development initiatives across different key action programmes such as green industries, electro-technical, footwear, plastics and chemicals, automotive products and components, agro-processing and growing the Oceans Economy.

Performance highlights

The development and maintenance of VCs and TRs.

Twelve VCs/TRs were targeted for approval by the CEO for submission to and publication by **the dtic**, seven first gazette and five second gazette.

- Five VCs were submitted for first gazette and represented an achievement of 71.43% of the approved target
- One Legal Metrology regulation correction notice was submitted for second gazette and represented an achievement of 20%.

The review of the target was due to the following reasons:

- Delay in stakeholder consultations due to the onset of the COVID-19 pandemic
- Re-working of VCs that **the dtic** rejected for publication
- One technical specialist had other roles within the NRCS, i.e. COVID-19 compliance office, acting as the RR&D and National Building Regulations (NBR) General manager
- **The dtic** requires technical specialists to conduct a more detailed impact assessment of the VCs. Some of the information required by **the dtic** take a long time to complete, and in some situations, the technical specialists are not capable of gathering and determining such information.

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

- VC 9013, VC for alcohol-based hygienic and surgical handrubs (hand sanitisers);
- VC 8057, VC for agricultural tractors (amendment);
- VC 8021, VC for chilled smoked fish and smoke-flavoured finfish and products derived therefrom (amendment);
- VC 8051, VC for replacement safety glazing for use in road vehicles (amendment);
- VC 9098, VC for motor vehicles of category L was approved by CEO and sent to **the dtic** (withdrawal).

In addition to the above, the following were achieved:

Table 17: Regulatory Research and Development – performance highlights

Achievement	Number	Details
Correction notices published by **the dtic**	1	Legal Metrology Regulation 2(2) was published by **the dtic** in the Government Gazette.
Compulsory specifications Gazetted by **the dtic**	4	a) VC 9085, Cement (amendment) b) VC 9110, Safety of general service lamps c) VC 9109, Energy efficiency and functional performance of general service lamps d) VC 8020, Frozen lobster and frozen lobster products derived therefrom (amendment)
Compulsory specifications still pending publication by **the dtic**	21	a) VC 9012, Electric luminaires b) VC 8055, Electrical and electronic apparatus c) VC 8006, Flexible cords for electrical appliances d) VC8035, Earth Leakage protection devices e) VC 9006, Hot water storage tanks f) VC 9108, Safety of portable generators g) VC 9098, Category L vehicles h) VC 8048, Light sources i) VC 8049, Headlights j) VC 8050, Secondary lights k) VC 8051, Safety glazing for use in motor vehicles l) VC 8080, Elastomeric cups and seals m) VC 8033, Child restraint devices n) VC 8057, Agricultural tractors o) VC 8032, Personal floating aids p) VC 9090, Swimming aids q) VC 9108, Compulsory Specification for Dried abalone r) The Correction Notice for VC9100, Processed meats s) Administrative requirements for imported fishery and canned meat products

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 the performance indicated earlier, extensive research was conducted as part of several feasibility studies, risk and impact assessments during the year. The reports produced through these processes are approved by the Project Approvals Committee (PAC) of the RR&D, which is responsible for managing the progress and quality control of projects registered in the 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 Forum of General Managers. During the 2020/21 financial year, the PAC reviewed and approved the following submissions:

Table 18: Regulatory Research and Development – submissions approved

Type	Number	Details
New request	2	a) Regulation 2 Legal Metrology Act b) Contour marking for motor vehicles
Periodic review reports	10	a) VC 8022, Motor vehicles of category M1 b) VC 8023, Motor vehicles of category M2/3 c) VC 8024, Motor vehicles of category N d) VC 8025, Motor vehicles of category N 2/3 e) VC 8026, Motor vehicles of category O ½ f) VC 8027, Motor vehicles of category O ¾ g) VC 8017, Frozen fish, marine molluscs, and products derived therefrom h) VC 8031, Frozen shrimps (prawns), langoustines and crabs, and products derived therefrom i) VC 9003, Safety glass j) VC8087, Plastic carrier bags and flat bags
Feasibility reports for the development of new VCs and TRs	8	a) Proposed VC for amendment of VC 9008, Energy efficiency and labelling of electrical and electronic apparatus b) Proposed VC for sanitary pads c) Proposed VC for alcohol-based hand sanitizers and hand rubs d) Proposed regulation for evidential breath analyzer e) Proposed regulation for speed measuring equipment f) Proposed regulation for average speed equipment g) Proposed regulation for open road electronic tolling systems (e-toll) h) Proposed regulation for electrical energy meters

Stakeholder Engagement

In the financial year 2020/21, the RR&D 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 increase the participation of SMMEs in these meetings.

The unit participated in 144 SABS technical committee meetings to develop standards. Furthermore, the unit hosted or participated in 222 general liaison meetings with both internal and external stakeholders to discuss various aspects affecting VCs or TRs that are being developed, amended, or withdrawn. In total, 80 engagement meetings were held with government departments and their agencies. The RR&D focuses on stakeholder engagement through active engagement with industry and government.

The RR&D hosted or participated in inter-governmental meetings hosted by other departments such as **the dtic**, the DoT, the DFFE, and the DALRRD. RR&D staff members also participated in several intergovernmental coordinating structures such as the National Interdepartmental Sanitary and Phytosanitary (SPS) Measures and Technical Barriers to Trade (TBT) fora, the Interdepartmental Task Team on Food Control, the Multi-sector Committee on Chemicals Management, the DoT's Vehicle Technical Committee, the Inter-Provincial Policy & Procedures working group, the Abnormal Load Technical Committee, the DFFE's Industry Waste Management Plan fora, and the Appliance Standards and the Labeling group of the Department of Energy. The unit also participated in the TC meetings of the SABS responsible for developing, adopting, and maintaining SANS applicable to commodities that are regulated by the NRCS.

An RR&D staff member was nominated and appointed as chairperson of the SABS TC 22 (motor vehicles) and TC 31 (tyres). An RR&D staff member was also nominated and appointed as convener of the SANS 10319 (MIB registration) and SANS 10267 (Homologation) working groups. Another RR&D staff member was nominated and appointed to represent South Africa at ARSO/TC 44 Toy Safety and was also appointed as one of the NRCS's alternative trustees (stand-in) for its Pension Fund (Alexander Forbes SABS Pension Fund).

Three Virtual Building Control Officers (BCO) Steering Committee meetings were held during this period; however, the BCO steering committee (Q4) and the BCO conference are usually held on two consecutive days. The BCO convention was cancelled due to the health risks presented by COVID-19. The next convention will take place in 2021 if possible and if not, it will be a virtual meeting. The unit also provides training and/or makes presentations to relevant fora that deal with TRs when required.

Regional and International Involvement

The RR&D participated in a number of regional and international engagements in an effort to enhance regional and international harmonisation of regulatory practices. During the period under review, RR&D participated in several regional and international initiatives that are part of the ongoing effort to foster strategic partnerships with other regulators, policymakers and industries to ensure relevance of the outcomes of the processes to development and maintain VCs.

The participation of regional and international engagement are as follows:

a) The African Organisation for Standardisation (ARSO): Working drafts on emissions and cross-border transport.
b) The SADCSTAN TC 16 meeting: EELA project MEPS for lighting comments review.
c) The SADC EELA Project.
d) Smarter Mobility Webinar – Europe.
e) United Nations Road Safety Fund webinar.
f) ARSO THC 08-4 Leadership meeting.
g) ARSO THC 08-4 Automotive WG on Homologation.
h) ARSO THC 08-4 Automotive WG on Fuel and Emissions.
i) The IEC SC59A: Performance of electric dishwashers Plenary Meeting.
j) IEC SC59K: Performance of electrical cooking appliances.
k) ARSO TC 59 Automotive WG: Fuels and emissions.
l) ARSO TC 59 Automotive WG: Homologation (convenor).
m) NRCS-NSI joint management meeting and the MOU review discussions.
n) IEC TC 59: Performance of appliances.
o) IEC TC 34 meeting.
p) ARSO Consumer Committee.
q) WTO-SPS meeting led by the DALRRD.
r) ISO TC 234 for fisheries.
s) CMM Role of Standards & Technical Regulations in Actualising Free Trade under the African Continental Free Trade Area (AfCFTA) agreement.
t) Committee on Consumer Policy of the ISO: Discussion on the New Work Item Proposal to develop a guideline on terms and conditions for online shopping.
u) United Nations: Gender Responsive Standards Initiative meeting.
v) ARSO Consumer Policy Committee.
w) SADC SPS coordinating committee meeting.
x) The WTO SPS measures meeting.

Training

RR&D staff members were engaged in many training programmes nationally and internationally to improve skills, competency and awareness.

a) Online (virtual) presentation to the University of Pretoria lecturers on NBR, after which the university requested the NBR unit to provide training to its students.
b) Fire Systems Design and Engineering Webinar. Presented lecture with the title: The 4th Industrial Revolution and Future of Fire Design and Engineering.
c) Zoom Lecture presented to architectural students of the University of Pretoria.
d) The CGCSA webinar on the AfCFTA as the key to economic recovery and growth in Africa.
e) Reading International Trade Agreements seminar.
f) FSI Food Labelling and Advertising Workshop.
g) The CGCSA webinar on food labelling.
h) Attended the food safety summit arranged by Food Focus and Anelich Consulting.
i) The University of Cape Town's Chemicals Network discussion: African governments' experiences with Globally Harmonised System implementation.
j) International Union of Pure and Applied Chemistry/ Cooperation on International Traceability in Analytical Chemistry web-seminar.
k) Attended a SAAFoST webinar about sustainability in the food industry.
l) Codex Committee on General Principles: Attended a Codex webinar.
m) Online CGCSA Conference: Waste management and Packaging Policy or Standards dialogue. Presented on the topic: Technical regulations and compulsory specifications.
n) The National SPS Workshop.
o) The TBT Transparency Workshop.

Challenges and Opportunities

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

- Stakeholders in the Electro-technical sector raised a concern about RR&D's Risk Assessment methodology, indicating that it may not be able to determine the risk objectively. As a result, the procedure may result in flawed regulatory decisions that negatively impact the industry. The RR&D Business Unit has initiated an independent review of the methodology to address these concerns, and a service provider will be appointed to facilitate the review process.
- There has been an increase in the number of VCs that await approval from **the dtic**, which is mainly due to additional requirements by **the dtic** to approve submissions to the Minister's office. These delays in the publication of the VCs are hampering the efforts of the NRCS to protect the health and safety of the public. The industry is also getting frustrated with the delays as some of the proposals attempt to resolve operational challenges experienced in implementing the VCs. The effectiveness of the RR&D Business Unit also relies on the successfully publishing of VCs by **the dtic**; the delays are negatively affecting the motivation of the staff members.
- The business unit has received several objections in the VC development stages, which relate to ineffective implementation of the current VCs and disagreement in levy determination.

This significantly delays the progress of other projects and the unit's performance because of the length of time it takes to resolve these issues.

- The intra-governmental consultation process to obtain concurrence on proposed regulatory interventions is lengthy due to a lack of or slow response from relevant departments. Certain matters need to be cleared with relevant departments to avoid infringement on their work scope or duplication of regulatory effort. This delays the regulatory decision-making process.
- The unit's performance remains constrained in terms of aligning the development of technical regulations under the Legal Metrology Act, Act No. 9 of 2014, as well as the increased scope thereof. Availability of SANS for referencing proposed regulatory interventions can also result in delays.
- Constraints exist with compiling comprehensive regulatory impact assessments for proposed VCs caused by the inability to keep up with the rapid technological changes in the industry. This is worsened by the lack of participation of experts in various fields, the unavailability of official research articles or relevant data needed to conduct impact assessments.
- The lack of required testing facilities contributes to the delay of VCs' publication by **the dtic** and the processing of new requests from various stakeholders.
- Delays in the publication of several VCs submitted to **the dtic** 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 agenda item for NRCS and **dtic** meetings.
- The lack of required testing facilities, e.g. accredited laboratories, delays the implementation of new regulatory requirements to align with the availability of testing services.
- The slow progress of reviewing the National Building Regulations and Building Standards Act, Act No. 103 of 1977. The Minister has not yet approved the submission to publish the National Building Bill for public consultation. The NRCS is not equipped to deal with the mandate expected from the National Building Regulations and Building Standards Act, and **the dtic** has refrained to provide guidance as to the role it would like the NRCS to perform, accordingly no mention is made of the NBR unit's required performance in the Annual Performance Plan of **the dtic**.
- The slow implementation of the Safer Vehicles 2025 project and receiving little support from **the dtic** with regards to the project plan. The DoT has responded positively and supports the project. However, no response has been received yet from the DFFE and the DMRE.

Conclusion

The advent of COVID-19 in the period under review led to dramatic changes to the RR&D's business processes. The most notable change is using online tools to attend external meetings and convening stakeholder consultation meetings. Online meetings have increased participation as they have become accessible to stakeholders country-wide without any cost implications. Another benefit is the cost-saving on logistical arrangements for hosting these meetings, including travel and providing refreshments for attendants. The unit's staff was able to adjust to the sudden changes and learn the use of online tools necessary to work remotely as they all worked from home.

This report presented the strategic objectives and the RR&D Business Unit's goals/objectives to support the NRCS Strategy and its performance against those objectives in the financial year 2020/21. In the coming financial year 2021/22, the RR&D will focus on improving its processes and procedures in an effort of streamlining the VC/TR development, reducing the objections in the VC development process, and producing high quality and sound VCs/TRs. The RR&D will collaborate with all stakeholders to develop VCs/TRs that address the market failures with minimal negative impact to the industry and the public. Furthermore, the RR&D will appoint a service provider to conduct an independent review of the risk assessment methodology to assess its relevance and effectiveness. The RR&D will also strive to improve human capacity (such as economists, researchers, and data analysts) that can add value to the Regulatory Impact Assessments for all new and amended VCs and TRs in line with the Socio-Economic Impact Assessments.

Furthermore, the RR&D will continue to conduct a gap analysis on the newly published Legal Metrology Regulation (No. 877 of 24 August 2018) and interim regulatory measures to assess the need for individual additional technical regulations. This will strengthen good regulatory practices and support evidence-based decision-making for all VCs and TRs. Lastly, the RR&D will keep abreast of international developments by continuously participating in national and international forums.

COMMUNICATIONS AND MARKETING

Executive Summary

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

Overview

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

Performance

Consumer education and awareness

During the period under review, the business unit conducted 10 consumer awareness programmes working in partnership with other stakeholders such as government departments and other agencies as well various municipalities across the country. This was part of the organisational Annual Performance Plan. Through this, the organisation reached more communities and educated them about the mandate of the organisation, its regulatory activities and the danger of using non-compliant products.

Media liaison activities

Multimedia campaigns

The unit implemented two multi-media campaigns in the form of a television (TV) advert and billboard advertising as part of its marketing plan to profile the organisation and improve its recognition among various stakeholders.

The TV advert was aired on commercial TV stations as well as community TV stations:

- Commercial TV channels: SABC 1, SABC 2, SABC 3, and eTV
- Community TV channels: Cape Town TV, Soweto TV, Tshwane TV, Bay TV, and 1KZN TV.

The TV adverts ran from 6 February 2021 to 15 March 2021 and reached close to 30 million viewers.

The unit is planning to expand on the TV campaign targeting other TV stations such as Mzansi Magic and CBNC Africa to increase its reach.

The billboards campaign ran for three months with billboards placed in various areas around Gauteng, North West, Limpopo and Mpumalanga provinces.

Media statements and interviews

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

The following 11 media statements were issued during the period:

- The regulation of geysers
- Legal Metrology Day
- Food Safety Day
- The regulation of hand sanitisers
- The new VC on chemical disinfectants
- Sales permit approval process
- The regulation of chemical disinfectants
- Joint media statement with **the dtic** on local produced products and regulation webinar
- Stoppage of non-compliant cement from Singapore
- Extension of deadline for chemical disinfectants industry with regard to formulation
- Joint media statement with the NCC and Consumer Protection Forum (CPF) members regarding the World Consumer Rights Day.

The unit facilitated a media interview with eNews Channel Africa (eNCA) about vehicle safety regulation in South Africa, reaching millions of viewers. The unit coordinated interviews based on media statements issued with various media houses in the country and generated free publicity for the organisation. The media statements were covered by media houses such as eNCA, News24, Times Media and City Press, among others.

Media queries

The unit received and handled media queries on the new VC for chemical disinfectants and on the recalling of the cement from Singapore.

News articles

The unit facilitated the placement of news articles in the Engineering News from the Automotive and NBR Business Units. This is part of the ongoing partnership with Creamer Media aimed at profiling the organisation.

The unit also drafted an article on the NRCS's FAI unit's participation in World Food Safety Day. The article was published in the Food and Beverage Magazine.

Social media

As part of its integrated communication plan, the unit developed the Social Media Strategy and plan which saw the establishment of various media platforms such as Facebook, Twitter, Instagram, YouTube and Google Account. These platforms were used to market the organisation and create easy access to NRCS information.

Stakeholder management

The unit developed the Annual Stakeholder Strategy and Plan for the organisation which was implemented during the period under review**.**

The unit also participated in the locally produced products webinar hosted by **the dtic** aimed at educating consumers and the industry about regulation of products in South Africa and to encourage them to buy locally produced products.

It also facilitated and attended meetings between the NRCS and the City of Johannesburg regarding the planned Winter Campaign and participated in the webinar hosted by the NCC to educate consumers about their rights and obligations as part of the World Consumer Rights Month (March 2021).

The unit attended the CPF meetings, including the Compliance Committee and Education Committee Meetings in which the NRS convenes.

Publications

The unit developed and issued three external publications during the period under review aimed at enhancing communication with the industry, and compiled 12 internal newsletters communicating developments around the organisation to employees.

Conclusion

Due to COVID-19, the unit did not achieve all its targets for the year; however, it continues to make major strides in its drive to market and promote the NRCS and create an understanding of the organisation's role and mandate.

The NRCS conducted **10 804** inspections on canned meat, fish and fishery product consignments exported to various countries and issued a total of 7 796 health guarantees.

PART C

GOVERNANCE REPORT

Introduction

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

Executive Authority

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

Accounting Authority

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

Governance Committees

Audit and Risk Committee

The role and report of the Audit and Risk Committee is discussed on pages 68 to 69.

Technical Committee

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

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

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

Risk management

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

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

Internal control

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

Internal audit

Key activities and objectives

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

The unit is primarily responsible for the execution of operational and compliance audits, performance audits, financial audits, IT audits, forensic audits as well as ad hoc assignments. At present, the unit comprises four employees and is complemented by a co-sourced internal audit partner. The contract with the co-sourced internal audit partner is in its final year and the process of appointing a new service provider has begun.

Audit work during the year

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

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

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

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

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

Fraud and corruption

The NRCS is committed to zero tolerance with regards to fraud and corruption. A Fraud Prevention Plan is in place as part of its efforts to manage and reduce fraud and corruption, as well as a Fraud and Corruption Prevention Policy and Whistle-Blowing Policy. The whistle-blowing policy is aimed at promoting a culture of whistle-blowing to eliminate fraud and corruption. The NRCS has an independent hotline and encourages employees and stakeholders to utilise this facility and report any acts of fraud and corruption. Customer complaints that were received and not classified as fraud and corruption were handled as per the NRCS customer complaints handling procedure.

Minimising conflict of interest

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

Code of ethics

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

Health, safety and the environment

The NRCS operates under the Occupational Health and Safety Act, Act No. 181 of 1993 and the Compensation of Occupational Injuries and Diseases Act, Act No. 61 of 1997. The NRCS recorded one serious injury in the reporting period. Safety audits are done to identify, assess and mitigate risks.

Table 19: Occupational health, safety and wellness overview

2020/21	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Injury on Duty	0	0	0	0	0	0	1	0	0	0	0	0	**1**
Compensation cases	0	0	0	0	0	0	1	0	1	0	0	0	**2**
Occupational diseases	0	0	0	0	0	0	0	2	0	4	0	0	**6**
Safety	3	4	7	2	2	3	4	6	3	0	3	3	**40**
Primary health care	0	1	1	2	1	5	2	4	4	7	4	2	**33**
Wellness	6	8	7	2	6	14	16	9	6	9	26	8	**117**
Occupational health	0	0	3	0	0	1	2	1	0	0	3	0	**10**
New visits	0	0	1	8	3	16	20	25	19	39	5	14	**150**
Re-visits	0	0	0	20	36	12	41	62	29	18	46	26	**290**
HIV tests	0	0	0	0	1	1	0	0	0	0	0	0	**2**
Referred	0	2	4	3	1	2	1	0	0	1	0	0	**14**
Meetings	2	10	10	11	15	16	17	6	7	8	9	17	**128**
PPE	5	5	12	5	11	4	16	20	3	6	8	9	**104**
COVID-19 – Contacts	40	30	16	21	36	8	13	49	28	44	9	3	**297**
COVID-19 – Positive test	0	0	1	3	0	2	0	20	6	4	0	0	**36**
Total	**56**	**60**	**62**	**77**	**112**	**84**	**134**	**204**	**106**	**140**	**113**	**82**	**1 230**

Employee wellness programme

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

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

Various online wellness programmes were launched for employees.

COVID-19

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

- Risk assessments are done in all offices and business units to ensure hazards are identified and mitigated
- Incidents were investigated as and when they occurred and causes were mitigated
- PPE was supplied to all employees according to the risks to which they were exposed.

Table 20: The number of COVID-19 cases for the financial year

	2020/21			2019/20	
Offices	Suspected cases	Positive results	Deaths	Suspected cases	Positive results
Cape Town	16	3	2	0	0
Port Elizabeth	9	4	0	0	0
Pretoria	8	14	0	4	0
Durban	2	0	0	0	0
Bloemfontein	2	1	0	0	0
Total	**37**	**22**	**2**	**4**	**0**

NRCS B-BBEE report

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

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

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

The B-BBEE Act mandates that each government institution must annually include in their reports how they have implemented Section 10 of the B-BBEE Act as highlighted above. To comply with the requirements of the Act, this report presents the work that the NRCS undertook during the 2020/21 financial year to comply with Section 10 of the B-BBEE Act.

Preferential procurement

The organisation fully supports transformation and inclusivity of the economy in all its procurement. Policies have been amended and implemented fully to ensure compliance with the Preferential Procurement Policy Framework Act. In implementing this framework, companies with higher B-BBEE scores are placed at an advantage during the procurement process.

Table 21: B-BBEE compliance performance information

Has the sphere of government/public entity/organ of state applied any relevant code of good practice B-BBEE Certificate level 1-8) with regard to the following:		
Criteria	**Relevant answer**	**Attachment**
Determining qualification criteria for the issuing of licenses, concessions, or other authorizations in respect of economic activity in terms of any law	Yes	As per the Regulations to the Legal Metrology Act, the NRCS implemented the B-BBEE requirements. The NRCS may designate a private laboratory to perform verification or repair activities. The designation may be done in terms of section 7 (verification bodies) and section 9 (repair bodies), in a prescribed manner. The prescribed criteria is outlined in the regulations: regulation 117 for verification and 124 for the repair bodies.
Developing and implementing a preferential procurement policy	Yes	The NRCS is implementing the government policy on preferential procurement and has aligned its supply chain policy to the policy.
Determining qualification criteria for the sale of state-owned enterprise	No	The NRCS has no land available for sale.
Developing criteria for entering into partnership with private sector	No	The NRCS has not entered into any partnership with the private sector.
Determining criteria for the awarding of incentives, grants, investment schemes in support of Broad- Based Black Economic Empowerment	No	Not applicable to the NRCS.

Audit and Risk Committee Report

The Audit and Risk Committee (the committee) is pleased to present its report for the financial year ended 31 March 2021.

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

About the committee

The committee operates according to formal terms of reference which are regularly reviewed. The committee has conducted its affairs and discharged its responsibilities in compliance with these terms of reference.

Committee members and attendance

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

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

Table 22: Audit and Risk Committee members and meetings

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

Role and responsibilities

For the financial year ended 31 March 2021, the committee reviewed:

- The External Audit Plan and fee
- Quarterly Financial and Performance reports
- Internal Audit and Risk Management reports
- The Internal Audit Plan and the adequacy of internal audit resources
- The Internal Audit Charter
- The Audit Committee Charter
- The unaudited and audited Annual Financial Statements, Annual Report and Report on Predetermined Objectives
- The External Audit Report and Management Letter.

Internal control, risk governance and legal and regulatory compliance

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 would be achieved. This is consistent with the prior year. Management is in the process of instituting measures to remediate the deficiencies identified relating to governance, internal controls, risk management and compliance.

Going concern

The committee is satisfied that the adoption of the going concern basis for the preparation of the Annual Financial Statements is appropriate.

External Auditor's Report

The committee noted the qualified audit opinion which the entity received on its Annual Financial Statements and has raised concerns with management. The revenue qualification remains an issue for several years now, in spite of the many actions taken by management to try to resolve the matter. More work is needed in this area to resolve the External Auditor's concerns.

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

Irregular Expenditure

The significant increase in irregular expenditure as compared to the previous year amounted to R9 368 765 and was of concern to the committee. The increase is mainly attributable to poor contract management over leased property which is receiving due attention from management.

ICT Governance Committee

The committee was concerned that the ICT Governance Committee was dysfunctional for a portion of the year and the impact this would have on the implementation of significant information technology projects underway. The filling of the vacancy for the independent external member is being attended to.

Fraud

Fraud perpetrated by an employee in the Finance Department during the year resulted in a financial loss of R4.5 million. The disciplinary process is underway for the employee concerned and a criminal case was opened with the SAPS.

Appreciation

The committee wishes to acknowledge the dedication and hard work performed by the Accounting Authority, other governance structures, management and officials. The Audit and Risk Committee wishes to express its appreciation to the management of the NRCS, the External Auditors and the Internal Audit Unit for their cooperation and the information they have provided to enable the committee to execute its responsibilities.

On behalf of the Audit and Risk Committee.

Suleman Badat
Chairperson
31 August 2021

PART D

HR MANAGEMENT

Introduction

The main objective of the Human Resources Business Unit 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.
- The Organisational Review Process which was aimed to be concluded by the end of June 2020.
- Develop a workplace skills plan to ensure enforcement of the Skills Development Act within the organisation by ensuring that employees have the required skills and competencies.
- Ensure that performance assessment and management is conducted in line with relevant policies.
- Promote sound labour relations.
- Ensure delivery of integrated employee wellness programmes and compliance to occupational health and safety regulations.
- Administer human resources policies and programmes effectively and efficiently.

Workforce planning framework

The Human Resources Plan was compiled and approved outlining the distribution of the workforce, recruitment targets and training to be provided within the NRCS.

Employee performance management framework

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

Employee wellness programme

The employee wellness programme within the NRCS is divided into two parts, one overseen by the Human Resources Business Unit and the other part outsourced to an independent company that provides professional assistance to employees as far as their emotional wellbeing is concerned. During the period under review, newsletters were published on a monthly basis on different health conditions, work-life balance and financial wellness. Consultations on the COVID-19 pandemic were conducted and disclosure of underlying medical/health conditions were encouraged and referrals made accordingly. Various training sessions were provided to all NRCS employees and awareness programmes were conducted in all the NRCS's centres.

Policy development

The business unit embarked on a project to review NRCS human resources policies to align these to the wage agreements signed and also to relevant legislation. The project is still ongoing.

Achievement highlights and challenges faced

Wage agreements for bargaining employees were not concluded due to challenges during the negotiation process at the bargaining level.

Future HR plans/goals

- To finalise the enterprise resource planning project and seamlessly integrate human resource processes to ensure an effective and efficient solution for human capital management.
- To develop a Human Capital and Talent Management Strategy aimed at improving the Employee Value Proposition.
- To realign the NRCS's organisation policies, people, process and technology to meet defined human resources demands.
- To finalise the organisational review process and migrate employees into the newly adopted organisational structure.
- Optimise human resources business processes to ensure organisational efficiency.

HR oversight statistics

Human resources expenditure

Table 23: Personnel costs by programme

Programme	Total expenditure (R'000)	Total employee related expenditure (R'000)	Personnel expenditure (R'000)	Performance bonus (R'000)	Training expenditure (R'000)	No. of employees	Personnel cost as a % of total expenditure	Average personnel cost per employee (R'000)
Develop, maintain and administer VCs and TRs	51 054	9 196	8 513	602	81	7	17%	1 216
Maximise compliance with all specifications and TRs	291 063	278 084	260 633	14 990	2 461	239	90%	1 091
Inform and educate our stakeholders about the NRCS	9 424	6 535	6 146	331	58	6	65%	1 024
Ensure an optimally capacitated institution	12 114	43 581	36 753	5 415	1 412	58	303%	634
Administration	80 909	22 419	20 684	1 537	198	21	26%	985
Total	**444 564**	**359 815**	**332 729**	**22 875**	**4 210**	**331**	**75%**	**1 005**

Table 24: Personnel costs by salary bands, 2020/21

Salary bands	Personnel cost including vehicle allowance, bonus and overtime (R'000)	Personnel cost excluding vehicle allowance, overtime and bonus (R'000)	No. of employees	Average personnel cost per employee including vehicle allowance, bonus and overtime (R'000)	Average personnel cost per employee excluding vehicle allowance, overtime and bonus (R'000)
Lower-level skilled (13–16) (Including interns and contractors)	901	882	29	31	30
Skilled (10–12)	62 289	57 735	75	831	770
Professionally qualified (7–9)	210 968	184 889	168	1255	1101
Senior management (4–6)	72 706	67 055	56	1298	1197
Top management (2–3)	4 748	4 121	3	1583	1374
Total	**351 612**	**314 682**	**331**	**1062**	**951**

Note: Personnel costs = total employee related expenditure less training costs and long service awards

Table 25: Salaries, overtime, home owners allowance and medical assistance by programme, 2020/21

Programme	Basic salaries		Overtime		13th cheque	
	Amount (R'000)	Salaries as a % of personnel costs	Amount (R'000)	Overtime as a % personnel costs	Amount R'000	13th as a % of personnel costs
Develop, maintain and administer VCs and TRs	6 993	82%			292	3%
Maximise compliance with all specifications and TRs	206 518	79%	1 584	1%	15 477	6%
Inform and educate our stakeholders about the NRCS	4 979	81%		0%	328	5%
Ensure an optimally capacitated institution	28 607	78%	492	1%	2 187	6%
Administration	17 739	86%			569	3%
Total	**264 836**	**80%**	**2 076**	**100%**	**18 853**	**6%**

Table 26: Salaries, overtime, home owners allowance and medical assistance by salary bands, 2020/21

Programme	Basic salaries		Overtime		13th cheque	
	Amount (R'000)	Salaries as a % of personnel costs	Amount (R'000)	Overtime as a % personnel costs	Amount R'000	13th as a % of personnel costs
Lower-level skill **(29)** (Including interns and contractors)	797	0%			13	0%
Skilled **(75)**	44 413	17%	345	17%	4 093	22%
Professional **(168)**	158 163	60%	1 532	74%	13 231	70%
Senior management **(56)**	57 387	22%	199	10%	1 517	8%
Top management **(3)**	4 077	2%				
Total (331)	**264 836**	**100%**	**2 076**	**100%**	**18 853**	**100%**

	Performance bonus		Home owners allowance		Medical assistance		Pension		Training	
	Amount R'000	PMS as % personnel costs	Amount R'000	HOA as a % of personnel costs	Amount R'000	Medical as a % of personnel costs	Amount R'000	Pension as a % of personnel costs	Amount R'000	Training as a % of personnel costs
	602	7%	19	0%	425	5%	686	8%	81	1%
	14 990	6%	3 585	1%	11 865	5%	18 512	7%	2 461	1%
	331	5%	75	1%	249	4%	445	7%	58	1%
	5 415	15%	637	2%	1 706	5%	2 546	7%	1 412	4%
	1 537	7%	150	1%	735	4%	1 364	7%	198	1%
	22 875	**7%**	**4 465**	**1%**	**14 981**	**5%**	**23 553**	**7%**	**4 210**	**1%**

	Performance bonus		Home owners allowance		Medical assistance		Pension		Training	
	Amount R'000	PMS as % personnel costs	Amount R'000	HOA as a % of personnel costs	Amount R'000	Medical as a % of personnel costs	Amount R'000	Pension as a % of personnel costs	Amount R'000	Training as a % of personnel costs
	15	0%	19	0%	40	0%	15	0%	9	0%
	3 760	16%	1 431	32%	3 792	25%	4 016	17%	980	23%
	12 976	57%	3 015	68%	8 531	57%	13 634	58%	2 234	53%
	5 661	25%			2 513	17%	5 701	24%	941	22%
	462	2%			104	1%	186,36	1%	46	1%
	22 875	**100%**	**4 465**	**100%**	**14 981**	**4%**	**23 553**	**100%**	**4 210**	**100%**

Employment and vacancies

Table 27: Employment and vacancies by activity, 31 March 2021

Programme (Business units)	Number of posts	Number of posts filled	Vacancy rate for budget and unbudgeted	Number of posts filled additional to the establishment
Automotive	47	45	4%	
Business Support	2	2	0%	
CMM	34	30	12%	
Communications	7	6	14%	
Electro-technical	51	49	4%	
Finance	28	25	10%	
Foods	77	58	25%	
HR	12	11	8%	19 Interns
Internal Audit	4	4	0%	
IT Services	9	5	44%	
Legal Metrology	64	53	16%	
Legal services	5	5	0%	
NBR	3	2	33%	
Records Facilities	9	8	11%	
RR&D	6	5	17%	
Regulatory Management	2	2	0%	
Strategy & Risk	3	2	33%	
QMS	2	0	100%	
Total	**365**	**312**	**14%**	

The NRCS organisational structure has 365 positions of which 330 were budgeted positions and 35 were unbudgeted. At the end of the financial year, the organisation had 18 vacant budgeted positions. This implies a vacancy rate of 5% for budgeted positions.

Table 28: Employment and vacancies by salary bands, April 2020–31 March 2021

Salary bands	Number of posts	Number of posts filled	Vacancy rate budget and unbudgeted	Number of posts filled additional to the establishment
Top management (P2-3)	3	3	0%	
Senior management and high-level specialists (P4-6)	74	55	24%	
Middle Management superintendents and lower-level specialists (P7-9)	177	168	5%	
Supervisors and high-level skilled/clerical (P10-12)	105	80	25%	
Lower-level skilled/clerical (P13-16)	6	6	0%	
Unskilled (Interns)		19	0%	19 Internships
Total	**365**	**312**	**14%**	

Employment changes

Table 29: Recruitment for the period 1 April 2020 to 31 March 2021 (inclusive of interns)

Occupational bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management (2-3)	-	-	-	-	1	-	1	-	**2**
Senior management (4-6)	1	-	-	-	4	-	-	-	**5**
Professionally qualified and experienced specialists and mid-management (7-9)	1	-	-	-	-	-	-	-	**1**
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents (10-12)	4	-	-	-	13	-	-	-	**17**
Semi-skilled and discretionary decision-making (13-15)	9	-	-	-	10	-	-	-	**19**
Unskilled and defined decision-making (contracts – temps) (16-18)	-	-	-	-	-	-	-	-	**-**
Total	**15**	**-**	**-**	**-**	**28**	**-**	**-**	**-**	**43**
Employees with disabilities	-	-	-	-	-	-	-	-	**-**

Table 30: Terminations for the period 1 April 2020 to 31 March 2021 (inclusive of interns)

Occupational bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	-	-	-	-	1	-	-	-	**1**
Senior management	-	-	-	-	2	-	-	-	**2**
Professionally qualified and experienced specialists and mid-management	-	-	1	4	-	1	1	1	**8**
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	2	-	-	-	4	-	-	1	**7**
Semi-skilled and discretionary decision-making	-	-	-	-	1	-	-	-	**1**
Unskilled and defined decision-making	-	-	-	-	-	-	-	-	**-**
Total	**2**	**-**	**1**	**4**	**8**	**1**	**1**	**2**	**19**
Employees with disabilities	-	-	-	-	-	-	-	-	**-**

Table 31: Annual turnover rates by salary band for the period 1 April 2020 to 31 March 2021

Salary band	Number of employees per band as on 31 March 2021	Appointments and transfers into the NRCS	Terminations and transfers out of the NRCS	Turnover rate
Top management (P2-3)	3	2	1	33.33%
Senior management and high-level specialists (P4-6)	55	5	2	3.5%
Middle management superintendents and lower-level specialists (P7-9)	168	-	8	4.76%
Supervisors and high-level skilled/clerical (P10-12)	80	17	7	9.3%
Lower-level skilled/clerical (P13-16)	6	-	1	20%
Unskilled (Interns)	19	19	-	0%
Total	**331**	**43**	**19**	**5.45%**

Table 32: Reasons why staff are leaving the NRCS

Termination Type	Number	% of total
Death	2	10.52%
Resignation	5	26.31%
Expiry of contract	7	36.84%
Dismissal – operational changes	-	-
Dismissal – misconduct	-	-
Dismissal – inefficiency	-	-
Discharged due to ill-health	-	-
Retirement	5	26.31%
Transfers to other business unit departments	-	-
Other – Mutual separation	-	-
Total number of employees who left as a % of the total employment	**19**	**5.7% (331)**

Employment equity

Table 33: Total number of employees (including employees with disabilities) in each of the following occupational categories as on 31 March 2021

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management (P1-P3)	1	-	-	-	1	-	1	-	**3**
Senior management (P4-P6)	23	2	-	10	17	1	-	2	**55**
Professionally qualified and experienced specialists and mid-management, supervisors, foremen, and superintendents (P7-P9)	68	14	7	17	54	4	1	3	**168**
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents (P10-P12)	19	5	-	-	40	6	4	6	**80**
Semi-skilled and discretionary decision-making (P13-P16)	1	-	-	-	5	-	-	-	**6**
Unskilled and defined decision-making (Interns)	9	-	-	-	10	-	-	-	**19**
Total	**121**	**21**	**7**	**27**	**127**	**11**	**6**	**11**	**331**
Employees with disabilities	-	-	-	1	3	-	-	1	**5**

Table 34: Total number of employees with disabilities in each of the following occupational bands as 31 March 2021

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management (P1-P3)	-	-	-	-	-	-	-	-	**-**
Senior management (P4-P6)	-	-	-	1	-	-	-	-	**1**
Professionally qualified and experienced specialists and mid-management, supervisors, foremen, and superintendents (P7-P9)	-	-	-	-	-	-	-	-	**-**
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents (P10-P12)	-	-	-	-	-	-	-	1	**1**
Semi-skilled and discretionary decision-making (P13-P16)	-	-	-	-	-	-	-	-	**-**
Unskilled and defined decision-making (Interns)	-	-	-	-	3	-	-	-	**3**
Total	**-**	**-**	**-**	**1**	**3**	**-**	**-**	**1**	**5**

Leave utilisation for the period 1 April 2020 to 31 March 2021

Table 35: Sick leave, 1 April 2020 to 31 March 2021

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)	3	3	1	(3) 100%	5.6	118
Senior management and high-level specialists (P4-6)	171	71	22	(56) 82%	5	869.53
Middle management superintendents and lower-level specialists (P7-9)	842	302	44	(168) 55.68%	10.38	4 472.09
Supervisors and high-level skilled/clerical (P10-12)	198	101	15	(75) 56.7%	10.89	1 143.10
Lower-level skilled/clerical (P13-16)	4	4	3	(5) 100%	1.2	4.083
Total	**1 218**	**481**	**85**	**-**	**8.9**	**6 606.80**

Table 36: Annual leave, 1 April 2020 to 31 March 2021

Salary bands	Total days taken	Average per employee
Top management (P2-3) 3	11	3.67
Senior management and high-level specialists (P4-6) 56	618	11.03
Middle management superintendents and lower-level specialists (P7-9) 168	1 409.50	8.38
Supervisors and high-level skilled/clerical (P10-12) 75	465.50	6.20
Lower-level skilled/clerical (P13-16) 5	6.50	1.3
Total	**2 510.50**	**8.18**

Table 37: Capped leave, historical backlog leave, 1 April 2020 to 31 March 2021

Salary bands	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 March 2021
Top management (P2-3)	0.00	0	0.00
Senior management and high-level specialists (P4-6)	569.50	2.64	15.22
Middle management superintendents and lower-level specialists (P7-9)	1 390.50	6.46	12.65
Supervisors and high-level skilled/clerical (P10-12)	370.00	1.72	3.84
Lower-level skilled/clerical (P13-16)	38.50	0.17	0.10
Total	**2 368.5**	**10.99**	**11.02**

Labour relations

The following tables summarise the outcome of disciplinary hearings conducted within the department for the year under review.

Table 38: Disciplinary action for the period 1 April 2020 to 31 March 2021

	Male				Female				
	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Disciplinary action	1	-	-	-	3	-	-	-	**4**

Table 39: Misconduct and disciplinary hearings finalised, 1 April 2020 to 31 March 2021

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

Table 40: Types of misconduct addressed at disciplinary hearings

Type of misconduct	Number	% of total
Fraud and absenteeism	3	75%
Unacceptable behaviour	0	0%
Fruitless and wasteful expenditure	1	25%
Total	**4**	**100%**

Table 41: Grievances lodged for the period 1 April 2020 to 31 March 2021

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

Table 42: Disputes lodged with councils for the period 1 April 2020 to 31 March 2021

	Number	% of total
Number of disputes upheld	1	25%
Number of disputes dismissed	3	75%
Total number of disputes lodged	**4**	**100%**

Table 43: Precautionary suspensions for the period 1 April 2020 to 31 March 2021

Number of people suspended	1
Number of people whose suspension exceeded 30 days	1
Average number of days suspended	98 (calendar days)
Cost (R'000) of suspensions	R162 056.22

Skills development

Table 44: Training needs identified 1 April 2020 to 31 March 2021

Occupational categories	Gender	Number of employees as at 31 March 2020	Training needs identified at start of reporting period			
			Learnerships/ Internships	Skills programmes and other short courses	Other forms of training	Total
Top management	Female	2	0	0	0	**2**
	Male	1	0	0	0	**1**
Senior management	Female	17	0	0	0	**17**
	Male	37	0	0	0	**37**
Professionally qualified and experienced specialists and mid-management	Female	61	0	0	0	**61**
	Male	114	0	0	0	**114**
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	Female	47	0	0	0	**47**
	Male	27	0	0	0	**27**
Semi-skilled and discretionary decision-making	Female	1	0	0	0	**1**
	Male	0	0	0	0	**0**
Unskilled and defined decision-making	Female	0	0	0	0	**0**
	Male	0	0	0	0	**0**
Total		**307**	**0**	**0**	**0**	**307**

Table 45: Training provided, 1 April 2020 to 31 March 2021

Occupational categories	Gender	Number of employees as at 1 April 2021	Training provided within the reporting period			
			Learnerships/ Interns	Skills programmes and other short courses	Other forms of training	Total
Top management	Female	2	0	2	0	**2**
	Male	1	0	1	0	**1**
Senior management	Female	20	0	20	0	**20**
	Male	34	0	35	0	**35**
Professionally qualified and experienced specialists and mid-management	Female	62	0	62	0	**62**
	Male	106	0	106	0	**106**
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	Female	56	0	56	0	**56**
	Male	25	0	25	0	**25**
Semi-skilled and discretionary decision-making	Female	6	0	6	0	**6**
	Male	0	0	0	0	**0**
Unskilled and defined decision-making	Female	10	10	10	0	**10**
	Male	9	9	9	0	**9**
Sub-total	Female	155	10	155	0	**155**
	Male	176	9	176	0	**176**
Total		**331 (including interns)**	**19 (interns)**	**331**	**0**	**331**

Table 46: Skills development for the period 1 April 2020 to 31 March 2021

	Male				Female				
Occupational categories	**African**	**Coloured**	**Indian**	**White**	**African**	**Coloured**	**Indian**	**White**	**Total**
Top management (P1-P3)	1	0	0	0	1	0	1	0	**3**
Senior management (P4-P6)	22	2	0	11	17	1	0	2	**54**
Professionally qualified and experienced specialists and mid-management, supervisors, foremen, and superintendents (P7-P9)	68	14	7	17	54	4	1	3	**168**
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents (P10-P12)	19	5	0	0	40	6	4	6	**80**
Semi-skilled and discretionary decision-making (P13-P16)	0	0	0	0	6	0	0	0	**6**
Unskilled and defined decision-making (Interns)	9	0	0	0	1 0	0	0	0	**19**
Total	**119**	**21**	**7**	**28**	**128**	**11**	**6**	**11**	**331**
Employees with disabilities	0	0	0	1	3	0	0	1	**5**

HIV and AIDS and health promotion programmes

Table 47: Steps taken to reduce the risk of occupational exposure

Units/categories of employees identified to be at high risk of contracting HIV and related diseases (if any)	Key steps taken to reduce the risk
No occupational exposure is experienced in the NRCS	HIV testing and counselling available in Pretoria office

Table 48: Details of Health Promotion and HIV and AIDS Programmes

Question	Yes	No	Details, if yes
1. Has the entity designated a member of the Senior Management 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 and promotion of all areas
4. Has the NRCS established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.		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		Protocol policy/OHS policy in line with COVID-19 regulations
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		All tests performed were negative
8. Has the NRCS developed measures/indicators to monitor and evaluate the impact of its health promotion programme? If so, list these measures/indicators.		X	

Injury on duty

The following tables provide basic information on injury on duty.

Table 49: Injury on duty, 1 April 2020 to 31 March 2021

Nature of injury on duty	Number	% of total
Required basic medical attention only	1	
Required medical/hospital treatment	2	100%
Temporary disablement	0	
Permanent disablement	0	
Fatal	0	
Total	**3**	**100%**

Compulsory specifications published

VC 9085
Cement (amendment)

VC 9110
Safety of general service lamps (new)

VC 9109
Energy efficiency and functional performance of general service lamps (new)

VC 8020
Frozen lobster and frozen lobster products derived therefrom (amendment)

PART E

FINANCIAL INFORMATION

General Information

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

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 (pages 95 to 143), which comprise the statement of financial position as at 31 March 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, except for the effects of the matter described in the basis for qualified opinion section of this report, the financial statements present fairly, in all material respects, the financial position of the National Regulator for Compulsory Specifications as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for qualified opinion

Revenue and receivables from non-exchange transactions

3. The public entity did not recognise revenue from non-exchange transactions: levies from compulsory specifications that accrued to it in the correct financial period in accordance with GRAP 23, Revenue from Non-exchange Transactions. The amount disclosed as revenue from non-exchange transactions: levies from compulsory specifications included revenue amounts that do not relate to the current period. Consequently, the revenue from non-exchange transactions: levies from compulsory specifications was overstated by R6 614 256. As a result, the corresponding figure for revenue from non-exchange transactions: levies from compulsory specifications and receivables from non-exchange transactions: levies has been understated. Additionally, there was an impact on the surplus for the period and on the accumulated surplus.

Context for the opinion

4. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.

5. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matter

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

Restatement of corresponding figures

8. As disclosed in note 26 to the financial statements, the corresponding figures for 31 March 2020 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2021.

Responsibilities of the Accounting Authority for the financial statements

9. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Report on the audit of the annual performance report

Introduction and scope

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

14. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

15. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic goal presented in the public entity's annual performance report for the year ended 31 March 2021:

Programme	Pages In the annual performance report
Strategic Goal 2: To maximise compliance with all specifications and technical regulations	22

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

17. I did not identify any material findings on the usefulness and reliability of the reported performance information for this strategic goal:

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

Other matter

18. I draw attention to the matter below.

Achievement of planned targets

19. Refer to the annual performance report on pages 21 to 24 for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets.

Adjustment of material misstatements

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

Report on the audit of compliance with legislation

Introduction and scope

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

22. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

23. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) (b) of the PFMA. Material misstatements of current assets, and revenue identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements resulted in the financial statements receiving a qualified opinion.

Expenditure management

24. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R9 368 765 as disclosed in note 32 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance to supply chain management regulations. The entity made payments on expired contracts resulting in more than 70% of irregular expenditure incurred in the current year.

Revenue management

25. 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

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

27. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

28. 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.

29. 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

30. 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, the findings on the annual performance report and the findings on compliance with legislation included in this report.

31. Management did not prepare regular, accurate and complete financial reports that are adequately supported by relevant information. This was evident in that transactions were not recorded in the correct financial period and that qualitatively material disclosures were omitted on the financial statements.

32. Management did not review and monitor compliance with applicable legislation. As a result, non-compliance with supply chain management and non-compliance with revenue management that could have been prevented occurred.

Auditor-General

Pretoria
1 September 2021

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure - Auditor-General's Responsibility for the Audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected 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 relating to events or conditions that may cast significant doubt on the ability of the National Regulator for Compulsory Specifications to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Accounting Authority's Responsibilities and Approval

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

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

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

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

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

The Accounting Authority has reviewed the entity's cash flow forecast for the year to 31 March 2022 and, in light of this review and the current financial position, is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The external auditors are responsible for independently auditing and reporting on the entity's Annual Financial Statements. The Annual Financial Statements have been examined by the entity's external auditors and their report is presented on pages 89 to 92.

The Annual Financial Statements set out on pages 95 to 143, which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 August 2021 and were signed on its behalf by:

Edward Mamadise
Chief Executive Officer

Pretoria
31 August 2021

Statement of Financial Position
as at 31 March 2021

Figures in Rand	Notes	2021	2020 Restated*
Assets			
Current assets			
Receivables from exchange transactions	7	10 534 971	11 112 317
Receivables from non-exchange transactions	8	109 429 611	88 594 026
Cash and cash equivalents	9	237 952 176	297 082 704
		357 916 758	**396 789 047**
Non-current assets			
Property, plant and equipment	3	29 626 413	31 483 919
Intangible assets	4	7 931 137	1 499 177
Deposits	6	323 266	323 266
		37 880 816	**33 306 362**
Total assets		**395 797 574**	**430 095 409**
Liabilities			
Current liabilities			
Finance lease obligation	10	-	197 750
Payables from exchange transactions	13	54 885 348	42 493 079
Post-retirement medical obligation	5	478 295	426 760
Provisions	11	40 290 379	40 891 393
Long-service awards	12	635 000	-
		96 289 022	**84 008 982**
Non-current liabilities			
Post-retirement medical obligation	5	6 424 318	6 975 999
Long-service awards	12	3 217 974	-
		9 642 292	**6 975 999**
Total liabilities		**105 931 314**	**90 984 981**
Net assets		**289 866 260**	**339 110 428**
Accumulated surplus		289 866 261	339 110 432

Statement of Financial Performance
for the year ended 31 March 2021

Figures in Rand	Notes	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Rendering of services	15	23 030 512	28 873 168
Sundry income		524 114	1 382 283
Interest received		14 781 979	26 000 199
Total revenue from exchange transactions		**38 336 605**	**56 255 650**
Revenue from non-exchange transactions			
Approvals application fee income		42 641 367	39 505 675
Levies for compulsory specifications		217 196 329	251 290 607
Registration fee income		1 156 873	2 284 000
Government grants and core funding		126 126 000	139 501 000
Total revenue from non-exchange transactions		**387 120 569**	**432 581 282**
Total revenue	14	**425 457 174**	**488 836 932**
Expenditure			
Employee related costs	16	(359 814 823)	(334 045 127)
Depreciation and amortisation	17	(8 553 766)	(9 041 922)
Impairment loss		(1 237 636)	-
Finance costs	18	(182 681)	(306 910)
Lease rentals on operating lease		(18 690 900)	(14 029 292)
Debt impairment	19	(7 633 170)	(8 620 305)
Bad debts written off		(6 080)	(1 116 618)
Advertising and marketing expenses		(5 662 988)	(1 599 793)
Testing and sampling		(4 437 884)	(6 713 504)
Contracted services		(3 778 528)	(4 626 696)
Travel expenditure		(6 010 781)	(22 984 909)
General expenses	20	(24 720 424)	(26 735 518)
Auditors' remuneration		(3 834 681)	(6 655 485)
Total expenditure		**(444 564 342)**	**(436 476 079)**
(Deficit)/surplus for the year		**(19 107 168)**	**52 360 853**

Statement of Changes in Net Assets
for the year ended 31 March 2021

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	313 020 457	313 020 457
Correction of errors	(3 570 878)	(3 570 878)
Balance at 1 April 2019 as restated*	**309 449 579**	**309 449 579**
Changes in net assets		
Deficit for the year	52 360 853	52 360 853
Transfer to National Treasury	(22 700 000)	(22 700 000)
Total changes	29 660 853	29 660 853
Opening balance as previously reported	347 682 541	347 682 541
Prior year adjustments	(8 572 112)	(8 572 112)
Restated balance at 1 April 2020	**339 110 429**	**339 110 429**
Changes in net assets		
Surplus/(deficit) for the period	(19 107 168)	(19 107 168)
Transfer to National Treasury	(30 137 000)	(30 137 000)
Total changes	(49 244 168)	(49 244 168)
Balance at 31 March 2021	**289 866 261**	**289 866 261**
Note(s)		

Cash Flow Statement
for the year ended 31 March 2021

Figures in Rand	Notes	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Cash received from rendering of services		13 639 412	11 898 266
Grants		126 126 000	139 501 000
Interest income		14 781 979	21 530 513
Cash received from non-exchange transactions		323 081 617	282 859 142
		477 629 008	**455 788 921**
Payments			
Employee costs		(355 181 901)	(267 492 238)
Suppliers		(136 863 103)	(90 666 275)
Other payments		-	(67 878)
		(492 045 004)	(358 226 391)
Net cash flows from operating activities	22	**(14 415 891)**	**97 562 530**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(7 059 721)	(7 391 297)
Purchase of other intangible assets	4	(7 320 166)	(656 880)
Net cash flows from investing activities		**(14 379 887)**	**(8 048 177)**
Cash flows from financing activities			
Payments to the dtic		(30 137 000)	(22 700 000)
Finance lease payments		(197 750)	(207 604)
Net cash flows from financing activities		**(30 334 750)**	**(22 907 604)**
Net increase/(decrease) in cash and cash equivalents		**(59 130 528)**	**66 606 749**
Cash and cash equivalents at the beginning of the year		297 082 704	230 475 955
Cash and cash equivalents at the end of the year	9	**237 952 176**	**297 082 704**

Statement of Comparison of Budget and Actual Amounts
for the year ended 31 March 2021

Budget on Accrual Basis						
Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	103 009 342	(52 761 259)	50 248 083	23 030 512	(27 217 571)	A note 34
Sundry income	2 980 250	(2 466 405)	513 845	524 114	10 269	B note 34
Interest received	16 937 832	(4 753 370)	12 184 462	14 781 979	2 597 517	C note 34
Total revenue from exchange transactions	**122 927 424**	**(59 981 034)**	**62 946 390**	**38 336 605**	**(24 609 785)**	
Revenue from non-exchange transactions						
Approvals application fee income	-	-	-	42 641 367	42 641 367	
Levies for compulsory specifications	281 794 590	(38 937 505)	242 857 085	217 196 329	(25 660 756)	D note 34
Registration fee income	2 663 052	(1 059 164)	1 603 888	1 156 873	(447 015)	L note 34
Government grants and core funding	144 230 000	(16 298 000)	127 932 000	126 126 000	(1 806 000)	
Total revenue from non-exchange transactions	**428 687 642**	**(56 294 669)**	**372 392 973**	**387 120 569**	**14 727 596**	
Total revenue	**551 615 066**	**(116 275 703)**	**435 339 363**	**425 457 174**	**(9 882 189)**	

Statement of Comparison of Budget and Actual Amounts

for the year ended 31 March 2021 (continued)

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Expenditure						
Employee related costs	(414 925 535)	4 500 772	(410 424 763)	(359 814 823)	50 609 940	E note 34
Depreciation and amortisation	(5 645 004)	(717 610)	(6 362 614)	(8 553 766)	(2 191 152)	M note 34
Impairment loss/Reversal of impairments	-	-	-	(1 237 636)	(1 237 636)	
Finance costs	(253 620)	(24 004)	(277 624)	(182 681)	94 943	G note34
Lease rentals on operating lease	(17 165 293)	441 950	(16 723 343)	(18 690 900)	(1 967 557)	F note 34
Debt impairment	-	-	-	(7 633 170)	(7 633 170)	
Bad debts written off	-	-	-	(6 080)	(6 080)	
Advertising and marketing expenditure	(6 424 886)	(1 562 800)	(7 987 686)	(5 662 988)	2 324 698	N note 34
Testing and sampling	(13 544 731)	4 573 270	(8 971 461)	(4 437 884)	4 533 577	H note 34
Contracted services	(20 693 525)	2 470 310	(18 223 215)	(3 778 528)	14 444 687	I note 34
Travel expenditure	(35 822 589)	11 111 407	(24 711 182)	(6 010 781)	18 700 401	J note 34
General expenses	(37 139 881)	3 468 769	(33 671 112)	(24 720 424)	8 950 688	K note 34
Auditors' remuneration	-	-	-	(3 834 681)	(3 834 681)	
Total expenditure	**(551 615 064)**	**24 262 064**	**(527 353 000)**	**(444 564 342)**	**82 788 658**	
Surplus	**2**	**(92 013 639)**	**(92 013 637)**	**(19 107 168)**	**72 906 469**	
Actual amount presented in the Budget and Actual Comparative Statement	**2**	**(92 013 639)**	**(92 013 637)**	**(19 107 168)**	**72 906 469**	

Accounting Policies
for the year ended 31 March 2021

1. Presentation of Annual Financial Statements

The Annual Financial Statements of the NRCS, an entity established in terms of the NRCS Act of 2008, 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 (Act 1 of 1999).

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

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

1.1 Presentation currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the entity.

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Other significant judgements, sources of estimation uncertainty and/or relevant information, have been disclosed in the notes to the financial statements.

Trade receivables impairment

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

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

Provisions

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

Useful lives of property, plant and equipment

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

Post-retirement benefits

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

Accounting Policies
for the year ended 31 March 2021 (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 high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 5.

1.4 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies
for the year ended 31 March 2021 (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies
for the year ended 31 March 2021 (continued)

1.5 Intangible assets

An asset is identifiable either if it:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements, see note 4.

Accounting Policies
for the year ended 31 March 2021 (continued)

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

1.6 Financial instruments

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

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

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

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

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

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

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

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

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

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

Accounting Policies
for the year ended 31 March 2021 (continued)

Classification

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

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

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

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

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

Payables from exchange transactions

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

1.7 Statutory receivables

Identification

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

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

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

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

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

Accounting Policies
for the year ended 31 March 2021 (continued)

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

Initial measurement
The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement
The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

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

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

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

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the entity considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory

Accounting Policies
for the year ended 31 March 2021 (continued)

receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an entity considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

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

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

Derecognition

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

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

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

1.8 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 building elements, the entity assesses the classification of each element separately.

Finance leases – lessee

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

The 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. Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability.

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

Accounting Policies
for the year ended 31 March 2021 (continued)

Operating leases – lessee

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

1.9 Employee benefits

Short-term employee benefits

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

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

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

Long-service awards

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

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

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

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

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

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

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

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.

Accounting Policies
for the year ended 31 March 2021 (continued)

The entity recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset; actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Post-retirement obligations
The entity provides post-retirement healthcare benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement healthcare 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.

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

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

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

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

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

Leave day accruals were raised and management determined an estimate based on the information available. In each leave cycle, an employee shall take 50% of their annual leave on an uninterrupted basis, 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 six months to utilise, otherwise it will be forfeited. It is impractical to determine the exact number of days that will be forfeited upon calculation of leave pay accrual. A contingent liability is defined either as:
a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

Accounting Policies
for the year ended 31 March 2021 (continued)

b) a present obligation that arises from past events but is not recognised because:
   - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
   - the amount of the obligation cannot be measured with sufficient reliability.

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

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

1.11 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, stated 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 from owners.

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

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

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

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

Rendering of services
When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Accounting Policies
for the year ended 31 March 2021 (continued)

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.

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

Interest income

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

1.13 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.

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

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

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

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

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

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

Taxes

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

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

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

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

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

Accounting Policies
for the year ended 31 March 2021 (continued)

Non-refundable application fees
The NRCS gazettes application fees for the premarket approval of products. These services include approval applications in the Electro-technical, Automotive, Chemicals Materials and Mechanicals and Gaming approval applications in the Legal Metrology segments.

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

Recognition
Revenue arising from non-exchange transactions is only recognised if:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the amount of the revenue can be measured reliably.

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

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

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

The recognition of the levy debtor is initially measured at the transaction amount which is determined with reference to published tariffs 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 declarations.

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

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

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

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 Comparative figures
When the presentation or classification of items in the Annual Financial Statements are amended, prior period comparative amounts are also reclassified and restated, unless such reclassification and/or restatement is not required by a Standard of GRAP.

Accounting Policies
for the year ended 31 March 2021 (continued)

The nature and reason for such reclassifications and restatements are also disclosed. Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

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

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

1.15 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.

1.16 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:
- this Act; or
- the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- any provincial legislation providing for procurement procedures in that provincial government.

National Treasury Practice Note No. 4 of 2008/2009 which was issued in terms of Sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year 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 required with the exception of updating the note to the financial statements.

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

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

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

Accounting Policies
for the year ended 31 March 2021 (continued)

1.17 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.18 Budget information

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

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

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

The approved budget covers the fiscal period from 2020/04/01 to 2021/03/31.

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

The Annual Financial Statements and the budget are prepared 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.

Accounting Policies
for the year ended 31 March 2021 (continued)

1.19 Related parties

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

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

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

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

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

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

1.20 Events after reporting date

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

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

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

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

Notes to the Annual Financial Statements
for the year ended 31 March 2021

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/Interpretation	Effective date: Years beginning on or after	Expected impact
GRAP 1 (amended): Presentation of Financial Statements	1 April 2020	The impact is not material.
IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	1 April 2020	The impact is not material.

3. Property, plant and equipment

	2021			2020		
Figures in Rand	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	5 000 000	(5 000 000)	-	5 000 000	(3 900 421)	1 099 579
Leasehold property	218 826	(184 909)	33 917	218 826	(168 560)	50 266
Plant and machinery	184 578	(140 619)	43 959	184 578	(128 314)	56 264
Motor vehicles	6 270 348	(5 634 784)	635 564	6 270 348	(5 019 633)	1 250 715
Office equipment	40 549 053	(22 966 904)	17 582 149	34 274 265	(17 441 134)	16 833 131
Work in progress	-	-	-	232 920	-	232 920
Laboratory equipment	15 035 203	(6 704 379)	8 330 824	14 330 439	(5 369 395)	8 961 044
Total	**70 258 008**	**(40 631 595)**	**29 626 413**	**63 511 376**	**(32 027 457)**	**31 483 919**

Reconciliation of property, plant and equipment – 2021

Figures in Rand	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	3 000 000	-	-	-	-	3 000 000
Buildings	1 099 579	-	-	(94 863)	(1 004 716)	-
Leasehold property	50 266	-	-	(16 349)	-	33 917
Plant and machinery	56 264	-	-	(12 305)	-	43 959
Motor vehicles	1 250 715	-	-	(615 151)	-	635 564
Office equipment	16 833 131	6 305 704	(5 857)	(5 550 829)	-	17 582 149
Work in progress	232 920	-	-	-	(232 920)	-
Laboratory equipment	8 961 044	754 017	(6 219)	(1 378 018)	-	8 330 824
	31 483 919	**7 059 721**	**(12 076)**	**(7 667 515)**	**(1 237 636)**	**29 626 413**

Notes to the Annual Financial Statements
for the year ended 31 March 2021 (continued)

Reconciliation of property, plant and equipment – 2020

Figures in Rand	Opening balance	Additions	Disposals	Depreciation	Total
Land	3 000 000	-	-	-	3 000 000
Buildings	1 194 445	-	-	(94 866)	1 099 579
Leasehold property	71 288	-	(1 150)	(19 872)	50 266
Plant and machinery	62 556	-	-	(6 292)	56 264
Motor vehicles	2 307 001	-	-	(1 056 286)	1 250 715
Office equipment	19 321 501	3 526 101	(111 554)	(5 902 917)	16 833 131
Work in progress	232 920	-	-	-	232 920
Laboratory equipment	5 996 683	3 865 196	(99)	(900 736)	8 961 044
	32 186 394	**7 391 297**	**(112 803)**	**(7 980 969)**	**31 483 919**

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

Pledged as security

No assets that were pledged as security.

Expenditure incurred to repair and maintain property, plant and equipment

Figures in Rand	2021	2020
General expenditure	700 353	1 155 643

4. Intangible assets

	2021			2020		
Figures in Rand	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	6 515 943	(5 904 972)	610 971	6 515 943	(5 016 766)	1 499 177
Intangible assets under development	7 320 166	-	7 320 166	-	-	-
Total	**13 836 109**	**(5 904 972)**	**7 931 137**	**6 515 943**	**(5 016 766)**	**1 499 177**

Notes to the Annual Financial Statements
for the year ended 31 March 2021 (continued)

Reconciliation of intangible assets – 2021

Figures in Rand	Opening balance	Additions	Amortisation	Total
Computer software	1 499 177	-	(888 206)	610 971
Intangible assets under development	-	7 320 166	-	7 320 166
	1 499 177	**7 320 166**	**(888 206)**	**7 931 137**

Reconciliation of intangible assets – 2020

Figures in Rand	Opening balance	Additions	Amortisation	Total
Computer software	1 903 326	656 880	(1 061 029)	1 499 177

Pledged as security

No intangible asset that was pledged for security.

5. Employee benefit obligations

The amounts recognised in the Statement of Financial Position are as follows:

Figures in Rand	2021	2020
Carrying value		
Non-current liabilities	(6 424 318)	(6 975 999)
Current liabilities	(478 295)	(426 760)
	(6 902 613)	**(7 402 759)**

Figures in Rand	Post-retirement medical aid	Total
2021		
Opening balance	(7 402 759)	(7 402 759)
Current service cost	(100 393)	(100 393)
Interest cost	(932 396)	(932 396)
Actuarial (gain)/loss	1 070 003	1 070 003
Benefits	462 932	462 932
	(6 902 613)	**(6 902 613)**

Notes to the Annual Financial Statements
for the year ended 31 March 2021 (continued)

Figures in Rand	Post-retirement medical aid	Total
2020		
Opening balance	(8 310 473)	(8 310 473)
Current service cost	(126 254)	(126 254)
Interest cost	(816 694)	(816 694)
Actuarial (gain)/loss	1 436 310	1 436 310
Benefits	414 352	414 352
	(7 402 759)	**(7 402 759)**
Current portion of employee benefit obligations	(426 760)	(426 760)
Non-current portion of employee benefit obligations	(6 975 999)	(6 975 999)
	(7 402 759)	**(7 402 759)**

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

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

Valuations of these obligations are carried out annually by independent, qualified actuaries. The most recent valuation was done as at 31 March 2021.

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

	2021	2020
Discount rate per annum	12.68%	12.81%
Medical aid inflation	8.14%	6.88%
Average retirement age	64	64
Active members expected to continue after retirement	100.00%	100.00%

Sensitivity analysis

Figures in Rand	2021	2020
Opening balance	(1 504 502)	(596 788)
Net expense recognised in the statement of financial performance	(500 147)	(907 714)
	(2 004 649)	**(1 504 502)**

Notes to the Annual Financial Statements
for the year ended 31 March 2021 (continued)

The effects on the central basis liability results for 2021 when the medical aid inflation rate is increased or decreased by 1%.

Figures in Rand	Liability	Change in liability
+1%	6 348 140	(554 473)
Central	6 902 613	-
-1%	7 545 892	643 278

The effects on the central basis liability results for 2021 when the medical aid discount rate is increased or decreased by 1%.

Figures in Rand	Liability	Change in liability
+1%	7 568 458	665 844
Central	6 902 613	-
-1%	6 321 578	(581 036)

Net expense recognised in the Statement of Financial Performance: Post-retirement medical aid

Figures in Rand	2021	2020
Current service cost	100 393	126 254
Interest cost	932 396	816 694
Actuarial (gains)/losses	(1 070 004)	(1 436 310)
Benefits paid	(462 932)	(414 352)
	(500 147)	**(907 714)**

6. Deposits

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

Figures in Rand	2021	2020
Operating leases	307 000	307 000
Fleet cards	10 000	10 000
Municipality	6 266	6 266
	323 266	**323 266**

Notes to the Annual Financial Statements
for the year ended 31 March 2021 (continued)

7. Receivables from exchange transactions

Figures in Rand	2021	2020
Trade debtors	14 172 155	12 971 816
Impairment related to receivables	(5 262 888)	(4 896 071)
Pre-payments	-	893 624
Employee advances	1 625 704	2 142 948
	10 534 971	**11 112 317**

Receivables from exchange transactions past due but not impaired

Trade and other receivables which are less than four months past due are not considered to be impaired. At 31 March 2021, R5 839 101 (2020: R10 631 967) were past due but not impaired.

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

Figures in Rand	2021	2020
One month past due	3 737 335	1 145 530
Two months past due	885 820	745 749
Three months past due	828 442	171 172
Four months past due	387 502	8 569 516
	5 839 099	**10 631 967**

Receivables from exchange transactions impaired

The amount of the impairment was R5 262 888 as of 31 March 2021 (2020: R4 896 071).

The ageing of these receivables is as follows:

Figures in Rand	2021	2020
Over six months	5 262 888	4 896 071

Reconciliation of provision for impairment of trade and other receivables

Figures in Rand	2021	2020
Opening balance	4 896 071	4 172 803
Provision for impairment	366 816	723 268
	5 262 887	**4 896 071**

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

Notes to the Annual Financial Statements
for the year ended 31 March 2021 (continued)

8. Receivables from non-exchange transactions

Figures in Rand	2021	2020
Levies	143 727 694	120 124 120
Impairment	(38 796 377)	(31 530 024)
Other taxes	(70)	(70)
Other debtors: non-exchange revenue*	4 498 364	-
	109 429 611	**88 594 026**

* Included in other debtors is an amount of R4.5 million which was part of an investigation relating to alleged fraudulent refunds at the NRCS.

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

Other receivables from non-exchange transactions which are less than four months past due are not considered to be impaired. At 31 March 2021, R103 796 646 (2020: R45 953 496) were past due but not impaired.

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

Figures in Rand	2021	2020
One month past due	95 794 675	6 392 760
Two months past due	6 935 297	2 872 510
Three months past due	929 725	1 009 633
Four months past due	136 949	35 678 593
	103 796 646	**45 953 496**

Trade receivables from non-exchange transactions impaired

The amount of the impairment is R38 796 377 as of 31 March 2021 (2020: R31 530 024).

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

Figures in Rand	2021	2020
Over six months	38 796 377	31 530 024

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

Figures in Rand	2021	2020
Opening balance	31 530 024	24 116 562
Provision for impairment	7 266 353	7 413 462
	38 796 377	**31 530 024**

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

Notes to the Annual Financial Statements
for the year ended 31 March 2021 (continued)

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Rand	2021	2020
Cash on hand	20 233	15 233
Bank balances	34 413 156	44 231 221
Short-term deposits	203 518 787	252 836 250
	237 952 176	**297 082 704**

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

10. Finance lease obligation

Figures in Rand	2021	2020
Minimum lease payments due		
- within one year	-	208 114
	-	208 114
less: future finance charges	-	(10 365)
Present value of minimum lease payments	**-**	**197 749**
Present value of minimum lease payments due		
- within one year	-	197 749

The previous finance lease contract expired. The lease for Minolta photocopiers is on a month-to-month basis until NRCS enters into a new contract.

11. Provisions

Reconciliation of provisions – 2021

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

Notes to the Annual Financial Statements
for the year ended 31 March 2021 (continued)

Reconciliation of provisions – 2020

Figures in Rand	Opening balance	Additions	Total
Leave pay	23 713 748	(501 410)	23 212 338
Provision for performance bonus	-	17 679 055	17 679 055
	23 713 748	**17 177 645**	**40 891 393**

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

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

12. Long-service awards

The NRCS implemented a long-service award policy in the current financial year. This relates to awarding employees a monetary amount for every five years of service worked.

Figures in Rand	2021	2020
Amount recognised in the Statement of Financial Statements		
Non-current liability	3 217 974	-
Current liability	635 000	-
	3 852 974	**-**
Opening balance*	3 154 220	-
Current service cost	335 082	-
Interest cost	275 682	-
Estimated payments	(530 000)	-
Actuaries (gains)/loss on assumptions	284 773	-
Actuarial (gain)/ loss on experience	333 218	-
	3 852 975	**-**

* As this is the NRCS's first GRAP 25 long-service award valuation, these amounts have been estimated.

The NRCS implemented a long-service award policy in the current financial year.

Key assumptions used	
Discount rate used	8.64%
Average Retirement Age: Males (years)	64
Average Retirement Age: Females (years)	64

The assumptions used are based on statistics and market data as at 31 March 2021.

Notes to the Annual Financial Statements
for the year ended 31 March 2021 (continued)

Discount rate

The discount rate required by GRAP 25 should be set with reference to the market yield on government bonds. We have set the discount rate by using the best fit discount rate as at 31 March 2021 based on the yields from the zero coupon SA Government bond curve. The best fit has been determined taking into account the cash flow weighted duration of the liabilities, which is approximately 6.5 years. The recommended discount rate is 8.64%.The source of the data is the Johannesburg Stock Exchange through Inet BFA data service. The sensitivity section quantifies the effects of a narrowing and widening of the net discount rates by 1% per annum.

Withdrawal rates

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

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

Assumed retirement age

We have assumed a retirement age of 64 for male and female employees and this is consistent with the assumptions used for valuing other entity liabilities. It should, however, be noted that by assuming a normal retirement age of 64, there is an implicit assumption that service stops accruing at age 64. Employees over the age of 64 have been assumed to retire in the next year.

Sensitivity analysis

The effects on the liability results for 2021 when the discount rate is increased or decreased by 1%.

Figures in Rand	Liability	Change in liability
+1%	3 700 052	(152 922)
Central	3 852 974	-
-1%	4 018 420	165 446

The effects on the liability results for 2021 when the retirement age is increased or decreased by 1 year.

Figures in Rand	Liability	Change in liability
65 years	3 932 987	80 013
64 years	3 852 974	-
63 years	3 831 186	(21 787)

Figures in Rand	2021	2020
Amount recognised in the Statement of Financial Performance		
Net expense recognised in the Statement of Financial Performance	3 852 974	-

Notes to the Annual Financial Statements
for the year ended 31 March 2021 (continued)

13. Payables from exchange transactions

Figures in Rand	2021	2020
Trade payables	17 703 341	13 072 037
Unallocated deposits	27 144 618	17 095 124
Other payables	245 979	129 381
Salary related accruals	9 048 620	9 084 909
Operating lease payables	804 426	-
Medical control	(61 636)	(77 848)
Payments in advance	-	3 189 476
	54 885 348	**42 493 079**

14. Revenue

Figures in Rand	2021	2020
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rendering of services	23 030 512	28 873 168
Sundry income	524 114	1 382 283
Interest income*	14 781 979	26 000 199
	38 336 605	**56 255 650**
* Interest income includes interest from investment and interest from debtors.		
Interest from investment	10 821 607	21 530 513
Interest from exchange debtors	321 071	427 414
Interest from non-exchange debtors	3 639 301	4 042 272
	14 781 979	**26 000 199**
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Approvals application fee income	42 641 367	39 505 675
Levies for compulsory specifications	217 196 329	251 290 607
Registration fee	1 156 873	2 284 000
Government grants and core funding	126 126 000	139 501 000
	387 120 569	**432 581 282**

Additional information

Government Gazette No. 631 dated 3 May 2019 was printed with an error on the amount of measure for 5743/5744 and 5754. A request has been sent to the Minister of **the dtic** to correct this amount. However the revenue figures were based on the correct amount.

Notes to the Annual Financial Statements
for the year ended 31 March 2021 (continued)

15. Rendering of services (Exchange)

Figures in Rand	2021	2020
Test and services	9 562 831	11 904 741
Export certification	5 942 192	8 398 865
Vehicle homologation	6 204 206	6 836 058
Electrical compliance certificate	689 619	636 883
Gaming: Letter of compliance	631 664	1 096 621
	23 030 512	**28 873 168**

16. Employee related costs

Figures in Rand	2021	2020
Basic salary and performance bonus	294 252 145	275 879 403
13th cheque	18 853 268	18 324 419
Medical aid	14 980 630	13 775 101
Long-service awards	4 002 974	-
Training and SDL	4 210 290	5 301 396
Pension costs	23 552 730	21 030 808
Post-employment medical benefits	(37 214)	(491 399)
Termination benefits	-	225 399
	359 814 823	**334 045 127**

17. Depreciation and amortisation

Figures in Rand	2021	2020
Property, plant and equipment	7 665 560	7 980 969
Intangible assets	888 206	1 060 953
	8 553 766	**9 041 922**

18. Finance costs

Figures in Rand	2021	2020
Finance leases	182 681	306 910

Notes to the Annual Financial Statements
for the year ended 31 March 2021 (continued)

19. Debt impairment

Figures in Rand	2021	2020
Debt impairment	7 633 170	8 620 305

20. General expenses

Figures in Rand	2021	2020
Office and administration expenses	3 096 251	4 617 342
Bank charges	147 747	187 461
Consulting services	2 476 085	8 269 901
IT services	1 305 670	888 772
Legal fees	611 798	936 249
Consumables	352 605	244 033
Insurance	995 833	516 357
Loss on asset disposals and other write-offs	5 846	120 879
Motor vehicle expenses	110 336	333 570
Repairs and maintenance	1 732 111	1 155 643
Software expenses	4 642 642	2 193 124
Staff welfare	3 337 192	1 375 195
Accreditation services	282 453	815 609
Municipal services	3 910 241	3 706 414
Casual labour	33 980	84 332
Storage of seized goods	226 776	358 303
Staff recruitment costs	807 664	237 000
Foreign exchange loss	1 645	16 068
Non-executive committee fees	643 549	679 266
	24 720 424	**26 735 518**

21. Auditors' remuneration

Figures in Rand	2021	2020
Fees	3 834 681	6 655 485

Notes to the Annual Financial Statements

for the year ended 31 March 2021 (continued)

22. Cash (used in)/generated from operations

Figures in Rand	2021	2020
(Deficit)/surplus	(19 107 168)	52 360 853
Adjustments for:		
Depreciation and amortisation	8 553 766	9 041 922
Non-cash items expensed	-	419 421
Finance costs – finance leases	182 681	306 910
Impairment deficit	1 237 636	-
Debt impairment	7 633 170	8 620 305
Non-cash – provision for doubtful debts	6 080	1 116 618
Movements in employee benefit (Post-retirement medical benefit)	(500 146)	(907 611)
Movements in provisions	(601 014)	40 891 393
Medical benefits paid	530 000	414 354
Movement in employee benefit (Long service awards)	3 852 974	-
Changes in working capital:		
Receivables from exchange transactions	577 346	3 263 511
Receivables from non-exchange	(20 835 584)	(4 049 018)
Impairment adjustment	(8 870 806)	(9 736 923)
Payables from exchange transactions	12 925 174	(4 179 205)
	(14 415 891)	**97 562 530**

23. Commitments

Figures in Rand	2021	2020
Authorised capital expenditure		
Approved and contracted for		
- Intangible assets	22 287 006	-
Total capital commitments		
Approved and contracted for	22 287 006	-

Approved capital expenditure relates to the implementation of the ERP project.

Notes to the Annual Financial Statements
for the year ended 31 March 2021 (continued)

Figures in Rand	2021	2020
Operating leases – as lessee (expense)		
Minimum lease payments due		
- within one year	12 620 541	7 495 519
- in second to fifth year inclusive	42 531 050	1 898 147
	55 151 591	**9 393 666**

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

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

24. Contingencies

List of cases against NRCS

Figures in Rand	Amount
Claims for failure to pay an amount owing. Performance bonus after resignation. The matter is with Labour Court.	130 000
The employee was charged with allegations of misconduct pertaining to the audit findings. The matter is with Labour Court.	572 064
The applicant essentially wants an order from the court requiring that the NRCS refund it all the levies paid by the company. The matter with is with the Gauteng High Court.	1 145 754
	1 847 818

Applicant vs NRCS

Applicant sought that NRCS's directive in terms of the provision of the directive that was issued on 18 September 2018 be set aside. NRCS was ordered to pay the cost of the review application, jointly and severally. The complainant will initiate the process of bill of cost through the Taxing Master of the court.

It is currently difficult to estimate the cost of the matter.

Accumulated surplus

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

Accumulated surplus at year end is R262 million after taking into account National Treasury Instruction No. 12 of 2021.

Notes to the Annual Financial Statements
for the year ended 31 March 2021 (continued)

25. Related parties

Relationships

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

Related party transactions

Figures in Rand	2021	2020
Receivables (exchange): Related parties		
SABS	-	12 424
SANAS	-	23 746
Payables (exchange): Related parties		
SABS	5 050 415	4 272 062
SANAS	30 150	-
Purchases from (exchange revenue to) related parties		
SABS rental and services rendered	-	19 506 938
SABS services rendered	-	(44 562)
SANAS	-	603 382
SANAS services rendered	-	(373 851)
Non-exchange revenue from related parties		
Government grants and core funding	126 126 000	139 501 000
Surplus retentions		
Surplus returned to the national revenue fund via the dtic	30 137 000	22 700 000

Notes to the Annual Financial Statements
for the year ended 31 March 2021 (continued)

The NRCS is leasing offices from SABS. This is a five-year lease agreement subject to a 5.3% increase annually. Included in accruals is an amount of R5 050 415 for this rental.

Amount due to SANAS relates to accreditation and training provided to NRCS on an arm's length basis.

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

Remuneration of committee members

Non-executive: Audit and Risk Committee

Figures in Rand	Fees for services	Reimbursive travel claims	Total
2021			
S Badat – Chairperson (Appointed 31 January 2019)	189 621	-	189 621
JC Weapond (Appointed 31 January 2019)	168 425	-	168 425
SP Mzizi (Appointed 31 January 2019)	204 294	-	204 294
M Ramatla*	-	-	-
	562 340	**-**	**562 340**

Figures in Rand	Fees for services	Reimbursive travel claims	Total
2020			
S Badat – Chairperson (Appointed 31 January 2019)	181 680	2 747	184 427
JC Weapond (Appointed 31 January 2019)	187 432	4 158	191 590
SP Mzizi (Appointed 31 January 2019)	187 736	609	188 345
M Ramatla*	-	-	-
	556 848	**7 514**	**564 362**

* Representatives of **the dtic** are not remunerated by the NRCS.

Notes to the Annual Financial Statements
for the year ended 31 March 2021 (continued)

Non-executive ICT Steering Committee

Figures in Rand	Fees for services	Reimbursive travel claims	Total
2021			
AL Rodolo	10 956	-	10 956
CG de Kock	50 271	-	50 271
Z Kabini	19 979	-	19 979
	81 206	**-**	**81 206**

Figures in Rand	Fees for services	Reimbursive travel claims	Total
2020			
AL Radolo	44 471	1 704	46 175
CG de Kock	34 159	772	34 931
Z Kabini	34 159	1 038	35 197
	112 789	**3 514**	**116 303**

Management class: Executive management

Figures in Rand	Basic salary	Bonuses and performance related payments	Retirement and medical aid	Other benefits (cellphone/ travel)	Total
2021					
E Mamadise – CEO	1 831 449	163 601	366 136	26 422	2 387 608
Ms Magagula P – Interim CFO**	1 285 556	-	-	6 276	1 291 832
AA Thulare – COO	1 495 235	137 575	55 203	173 545	1 861 558
BA Khanyile	1 399 902	171 668	348 539	7 927	1 928 036
MN Katz	1 367 568	161 938	358 477	7 927	1 895 910
MT Madzivhe	1 434 655	171 667	313 785	7 926	1 928 033
MD Mutengwe	1 293 843	157 480	297 007	7 926	1 756 256
R Ramcharan – CFO**	216 770	-	48 986	21 639	287 395
	10 324 978	**963 929**	**1 788 133**	**259 588**	**13 336 628**

Notes to the Annual Financial Statements
for the year ended 31 March 2021 (continued)

Figures in Rand	Basic salary	Retirement and medical aid	Other benefits (cellphone/ travel)	Termination benefits	Amount owed by or to NRCS	Total
2020						
E Mamadise – CEO	1 788 782	213 180	25 104	-	-	2 027 066
R Abdool – CFO (terminated 4 February 2020)	1 242 486	130 077	7 845	225 399	(6 210)	1 599 597
AA Thulane – COO	1 475 976	50 487	173 062	-	(2 366)	1 697 159
MN Katz	1 343 600	192 002	7 531	-	2 312	1 545 445
BA Khanyile	1 409 853	202 257	7 531	-	(15 425)	1 604 216
MT Madzivhe	1 429 193	170 577	7 531	-	(18 325)	1 588 976
MD Mutengwe	1 280 730	162 333	7 531	-	(15 607)	1 434 987
R Ramcharan	29 455	-	-	-	-	29 455
	10 000 075	**1 120 913**	**236 135**	**225 399**	**(55 621)**	**11 526 901**

** Ms P Magagula was the Interim Chief Financial Officer and the contract ended on 31 January 2021.
** Ms R Ramcharan was appointed Chief Financial Officer on 1 February 2021.

26. Prior-year adjustments

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

Property, plant and equipment

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

Post-retirement medical benefits

The entity identified that the post- retirement medical liability for 2020 was understated as per the Actuaries Report. These have been corrected and the adjustments made retrospectively as required by GRAP 3.

Receivables from exchange transactions

NRCS incorrectly raised employee debtors in the 2020 financial year. Other errors related to pension fund contributions and travel claims that were posted to the incorrect account in error. These have been corrected and the adjustments made retrospectively as required by GRAP 3.

Receivables from non-exchange revenue/levies

NRCS identified that levies revenue was incorrectly recognised. This have been corrected and adjusted as levies were recognised using actual quantities manufactured/import, based on actual declarations form from the customers for each declaration period. Related accruals and levies revenue were corrected retrospectively in accordance with GRAP 3 – Changes in Accounting Policies, Accounting Estimates and Errors.

Provision/Trade payables

Accumulated leave balances were incorrectly classified as provisions instead of accruals. This is as per the leave policy which requires that employees leave days be forfeited should they not be utilised within six months after the end leave cycle. The errors were identified in the current year and corrected retrospectively in accordance with GRAP 3 – Changes in Accounting Policies, Accounting Estimates and Errors.

Notes to the Annual Financial Statements
for the year ended 31 March 2021 (continued)

Accumulated surplus
Accumulated surplus was affected by depreciation corrections as stated above on property, plant and equipment. These have been corrected and the adjustments made retrospectively as required by GRAP 3.

Cash and cash equivalent
NRCS identified transactions relating to pension fund contributions that were paid and not posted to the general ledger. These have been corrected and the adjustments made retrospectively as required by GRAP 3.

Statement of Financial Position

Figures in Rand	Note	As previously reported	Correction of error	Restated
2020				
Property, plant and equipment		31 893 238	(409 317)	31 483 921
Post-retirement medical obligation – non-current liability		(6 974 136)	(1 863)	(6 975 999)
Intangible assets		1 499 253	(76)	1 499 177
Receivables from exchange transactions		12 776 470	(1 664 153)	11 112 317
Receivables for non-exchange transactions		96 400 072	(7 806 046)	88 594 026
Payables of exchange transactions		(67 277 358)	24 784 279	(42 493 079)
Provisions		(17 679 055)	(23 212 338)	(40 891 393)
Accumulated surplus		(313 020 457)	3 570 878	(309 449 579)
Cash and cash equivalents		297 345 301	(262 702)	297 082 599
		34 963 328	**(5 001 338)**	**29 961 990**

Statement of Financial Performance

Figures in Rand	Note	As previously reported	Correction of error	Restated
2020				
Depreciation and amortisation		8 086 937	954 985	9 041 922
Employee related costs		334 583 024	(537 897)	334 045 127
Finance costs		67 984	238 926	306 910
General expenditure		26 735 518	-	26 735 518
Levies for compulsory specifications		(254 981 923)	3 691 316	(251 290 607)
Travel expenses		22 331 008	654 006	22 985 014
Surplus for the year		**136 822 548**	**5 001 336**	**141 823 884**

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

Notes to the Annual Financial Statements

for the year ended 31 March 2021 (continued)

Prior year adjustments on surplus/deficit

Figures in Rand	2020 (Increase)/ Decrease	Accumulated surplus (increase)/ decrease	Total
Correction of accumulated depreciation	-	(545 591)	(545 591)
Correction of depreciation	954 985	-	954 985
Amount erroneously raised as employee creditor	(270 164)	-	(270 164)
Garnishments posted to incorrect account	23 671	-	23 671
Amount erroneously raised as employee debtors	1 013 027	-	1 013 027
Pension contributions posted to an incorrect account in error	(1 306 294)	-	(1 306 294)
Correction of post-retirement medical liability	1 863	-	1 863
Expenses relating to prior period that were not recorded	238 926	-	238 926
Correction of accruals	(310 168)	-	(310 168)
Reversal of 20A estimates	95 511	-	95 511
Garnishments posted to incorrect account	104	-	104
Correction of travel claims	651 126	-	651 126
Accounting for revenue from non-exchange in the correct accounting period	5 272 021	-	5 272 021
Correct recognition of travel claims	2 775	-	2 775
Correct accounting of consumable expenses	69 870	-	69 870
Recognition of repair and maintenance cost	240 298	-	240 298
Audit adjustments for levies	(1 676 216)	-	(1 676 216)
Accruals and levies adjustment	-	4 116 469	4 116 469
	5 001 335	**3 570 878**	**8 572 213**

27. Comparative figures

The effects of reclassifications are shown above.

Notes to the Annual Financial Statements
for the year ended 31 March 2021 (continued)

28. Risk management

Financial risk management

Liquidity risk

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

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

Credit risk

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

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

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

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

Market risk

Interest rate risk

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

The interest rate re-pricing profile at 31 March 2021 is summarised as follows:

Figures in Rand	2021	2020
Cash and cash equivalents	237 952 176	297 082 599

29. Going concern

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

Management has assessed the NRCS's ability to continue as going concern including the effect of COVID-19 and no material uncertainty was identified.

30. Events after the reporting date

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

Notes to the Annual Financial Statements
for the year ended 31 March 2021 (continued)

31. Fruitless and wasteful expenditure

Figures in Rand	2021	2020
Opening balance as previously reported	551 709	515 886
Relating to current year	-	35 823
Closing balance	**551 709**	**551 709**
Relating to current year	-	-
Add: Expenditure identified – prior period	35 940	-
Less: Amounts recoverable – current	-	-
Less: Amounts recoverable – prior period	-	-
Less: Amount written off – current	-	-
Less: Amount written off – prior period	-	-
Closing balance	**587 649**	**551 709**

Expenditure identified in the current year include those listed below:

Figures in Rand	Disciplinary steps taken/ criminal proceedings	2021	2020	Total
Interest/penalties charged on late payments	Matter pending final decision	10 478	1 385	11 863
Penalty charges on pension fund	Matter pending final decision	-	34 438	34 438
Duplicated payment to supplier	Matter pending final decision	25 462	-	25 462
		35 940	**35 823**	**71 763**

32. Irregular expenditure

Figures in Rand	2021	2020
Opening balance as previously reported	20 163 044	16 961 361
Prior period error	1 818 994	-
Opening balance as restated	**21 982 038**	**16 961 361**
Add: Irregular expenditure – current	9 368 765	3 201 683
Add: Irregular expenditure – prior period error	-	-
Less: Amounts recoverable – current	-	-
Less: Amounts recoverable – prior period	-	-
Less: Amount written off – current	-	-
Less: Amount written off – prior period	-	-
Closing balance	**31 350 803**	**20 163 044**

Notes to the Annual Financial Statements
for the year ended 31 March 2021 (continued)

Incidents/cases identified in the current year include those listed below:

Figures in Rand	Disciplinary steps taken/ criminal proceedings	2021	2020
Payment contravening Treasury Regulations	Irregular expenditure referred to loss control function	119 226	1 995 283
Payments effected on expired contracts	Irregular expenditure referred to loss control function	6 915 139	1 206 400
Tender advertised for less than 21 days	Irregular expenditure referred to loss control function	2 334 399	1 818 994
		9 368 764	**5 020 677**

The above irregular expenditure relates to expenditure incurred contrary to supply chain management prescripts and regulations.

An investigation and disciplinary process was undertaken for irregular expenditure on expired contracts.

33. Segment information

Identification of segments

The NRCS is organised and reports to management on the basis of seven major functions.

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

These segments are:

- Chemical, Mechanical and Materials (CMM);
- Electro-technical;
- Foods and Associated Industries (FAI);
- Automotive; and
- Legal Metrology.

Information reported about these segments is used by management as a basis for evaluating the segments' performance and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

The Regulated Research and Development segment of the NRCS do not meet the criteria for a reportable segment and therefore the results for this segments are not reported.

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

Notes to the Annual Financial Statements
for the year ended 31 March 2021 (continued)

Segment surplus or deficit, assets and liabilities

R'000	Automotive	CMM	Electro-technical	FAI	Legal Metrology	Support	Total
2021							
Revenue							
Levies for compulsory specifications	(50 488)	(32 346)	(102 215)	(32 147)	-	-	(217 196)
Registration fee	(1 156)	-	-	-	-	-	(1 156)
Government grants and core funding	-	-	-	-	-	(126 126)	(126 126)
Rendering of services	(9 270)	(15 375)	(27 795)	(6 674)	(6 560)	-	(65 674)
Interest received	-	-	-	-	-	(14 781)	(14 781)
Sundry income	(1)	(1)	(1)	-	(5)	(516)	(524)
Total segment revenue	**(60 915)**	**(47 722)**	**(130 011)**	**(38 821)**	**(6 565)**	**(141 423)**	**(425 457)**
Entity's revenue							**(425 457)**
Expenditure							
Employee costs	54 203	38 220	59 444	60 195	59 405	88 347	359 814
Depreciation and amortisation	92	64	88	217	1 517	6 575	8 553
Travel expenditure	1 664	795	1 632	507	825	587	6 010
Other expenses	311	346	2 934	2 093	2 435	62 068	70 187
Total segment expenditure	**56 270**	**39 425**	**64 098**	**63 012**	**64 182**	**157 577**	**444 564**
Total segmental surplus/(deficit)							**19 107**

Notes to the Annual Financial Statements
for the year ended 31 March 2021 (continued)

R'000	Automotive	CMM	Electro-technical	FAI	Legal Metrology	Support	Total
2020							
Revenue							
Levies for compulsory specifications	(45 409)	(37 934)	(130 882)	(37 066)	-	-	(251 291)
Registration fee	(2 284)	-	-	-	-	-	(2 284)
Government grants and core funding	-	-	-	-	-	(139 501)	(139 501)
Rendering of services	(6 764)	(1 951)	(643)	(10 323)	(8 887)	(1)	(28 569)
Interest received	-	-	-	-	-	(26 000)	(26 000)
Sundry income	-	-	-	-	-	(1 578)	(1 578)
	(4 703)	(44)	(28 298)	-	-	-	(33 045)
Total segment revenue	**(59 160)**	**(39 929)**	**(159 823)**	**(47 389)**	**(8 887)**	**(167 080)**	**(482 268)**
Entity's revenue							**(482 268)**
Expenditure							
Employee costs	50 878	35 056	55 420	54 084	58 744	81 277	335 459
Depreciation and amortisation	71	66	91	219	2 366	7 928	10 741
Other expenses	1 488	557	4 612	2 513	1 125	68 896	79 191
Travel expenditure	4 146	2 843	6 088	1 784	3 844	2 974	21 679
Total segment expenditure	**56 583**	**38 522**	**66 211**	**58 600**	**66 079**	**161 075**	**447 070**
Total segmental surplus/(deficit)							**(52 361)**

Notes to the Annual Financial Statements
for the year ended 31 March 2021 (continued)

34. Budget differences

Material differences between budget and actual amounts

A. The COVID-19 pandemic had a negative impact on companies importing, manufacturing and building. This therefore negatively affected revenue.

B. The nature of sundry revenue is unpredictable. The sundry income is made up of a skills levy from the Services SETA. Less training was conducted during this year due to the pandemic.

C. The interest earned increased due to non-timeous payments from customers.

D. The COVID-19 pandemic also had a negative impact on companies importing, manufacturing and building. This therefore negatively affected revenue.

E. Savings on employee costs were due to delays in implementation of salary increments and vacancies that were put on hold due to the pandemic.

F. Increases in operating lease rentals are mainly due to the addendum of the lease agreement for the SABS building.

G. Finance costs on the finance lease were lower due to the finance lease contract coming to an end in the current year and therefore attracting lower finance charges.

H. Fewer tests were done due to slow economic activity associated with the COVID-19 lockdown restrictions.

I. The decrease is due to fewer contracted and consulting services due to lockdown restrictions.

J. Travel restrictions due to the lockdown contributed to major savings on the travel budget.

K. Lockdown restrictions contributed to under spending on general expenses. There were major savings on items like stationery, telephone and communication accounts due to working from home arrangements.

L. The COVID-19 pandemic had a negative impact on registration fee income as well.

M. The over expenditure on depreciation and amortisation was as a result of new laptops being bought to facilitate the process of working from home.

N. Savings in advertising and marketing are due to the cancellation of exhibitions and outdoor projects that required physical interaction that were put on hold due to lockdown restrictions.

Notes

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national regulator for
compulsory specifications

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annual report 2020/21

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