



# ANNUAL REPORT 2021-2022

# TABLE OF CONTENTS

## PART A: GENERAL INFORMATION

|    |   |    |
|----|---|----|
| 1. | SANAS GENERAL INFORMATION.....  | 2  |
| 2. | ABBREVIATIONS AND ACRONYMS.....   | 3  |
| 3. | FOREWORD BY THE MINISTER.....   | 4  |
| 4. | FOREWORD BY THE CHAIRPERSON.....  | 5  |
| 5. | ACTING CHIEF EXECUTIVE OFFICER'S OVERVIEW.....  | 7  |
| 6. | STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF<br>THE ANNUAL REPORT..... | 11 |
| 7. | STRATEGIC OVERVIEW.....   | 12 |
| 8. | LEGISLATIVE MANDATE.....  | 13 |
| 9. | ORGANISATIONAL STRUCTURE.....   | 14 |

## PART B: PERFORMANCE INFORMATION

|     |   |    |
|-----|---|----|
| 1.  | EXTERNAL AUDITOR'S REPORT ON PRE-DETERMINED OBJECTIVES..... | 17 |
| 2.  | OVERVIEW OF SANAS PERFORMANCE.....                          | 17 |
| 3.  | ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES.....      | 19 |
| 4.  | PERFORMANCE INFORMATION BY PROGRAMME.....                   | 21 |
| 4.1 | PROGRAMME 1: ADMINISTRATION.....                            | 21 |
| 4.2 | PROGRAMME 2: CORPORATE SERVICES.....                        | 23 |
| 4.3 | PROGRAMME 3: STRATEGY AND DEVELOPMENT.....                  | 31 |
| 4.4 | PROGRAMME 4: ACCREDITATION PROVISION.....                   | 35 |

## PART C: GOVERNANCE INFORMATION

|     |  |    |
|-----|--|----|
| 1.  | Introduction.....                                  | 49 |
| 2.  | IT Compliance and Governance.....                  | 49 |
| 3.  | Portfolio Committee.....                           | 49 |
| 4.  | Executive Authority.....                           | 49 |
| 5.  | Roles and Responsibilities of the Board.....       | 50 |
| 6.  | Board Charter.....                                 | 50 |
| 7.  | Composition of the Board.....                      | 50 |
| 8.  | Meetings attended by Board members.....            | 51 |
| 9.  | Committees.....                                    | 53 |
| 10. | Risk Management.....                               | 56 |
| 11. | Internal Control.....                              | 57 |
| 12. | Compliance with Laws and Regulations.....          | 57 |
| 13. | Fraud and Corruption.....                          | 57 |
| 14. | Minimising Conflict of Interest.....               | 58 |
| 15. | Code of Conduct.....                               | 58 |
| 16. | Health, Safety and Environmental Issues.....       | 58 |
| 17. | Company Secretary.....                             | 58 |
| 18. | Social Responsibility.....                         | 59 |
| 19. | Audit Committee Report.....                        | 60 |
| 20. | Broad-Based Black Economic Empowerment Status..... | 62 |

## PART D: HUMAN RESOURCE MANAGEMENT INFORMATION

|    |                                 |    |
|----|---------------------------------|----|
| 1. | Introduction.....               | 64 |
| 2. | Human Resources Statistics..... | 67 |

## PART E: ANNUAL FINANCIAL INFORMATION

71



# **PART A:** GENERAL INFORMATION

# 1. SANAS GENERAL INFORMATION

|   |  |  |
|---|--|--|
|    | REGISTERED NAME OF THE PUBLIC ENTITY               | South African National Accreditation System (SANAS)  |
|    | REGISTRATION NUMBERS AND/OR OTHER RELEVANT NUMBERS | Not applicable   |
|    | PHYSICAL ADDRESS                                   | Libertas Office Park<br>cnr Libertas and Highway Street<br>Equestria, Pretoria<br>0184         |
|    | CONTACT TELEPHONE NUMBERS                          | +27 12 740 8400  |
|    | E-MAIL ADDRESS                                     | info@sanas.co.za   |
|    | WEBSITE ADDRESS                                    | www.sanas.co.za  |
|   | EXTERNAL AUDITOR'S INFORMATION                     | Nexia SAB&T, 119 Witch-Hazel Avenue, Highveld Technopark, Centurion, 0157                      |
|  | BANKER'S INFORMATION                               | First National Bank, Shop 39 Hillcrest Boulevard, Lynnwood Road, Hillcrest, South Africa, 0083 |
|  | COMPANY SECRETARY                                  | Mr Dawood Petersen<br>Company Secretary Legal Affairs  |

## 2. ABBREVIATIONS AND ACRONYMS

|                 |   |                 |   |
|-----------------|---|-----------------|---|
| <b>AB</b>       | ACCREDITATION BODY  | <b>NRCS</b>     | NATIONAL REGULATOR FOR COMPULSORY SPECIFICATIONS                    |
| <b>AF</b>       | ADVISORY FORUM  | <b>OECD</b>     | ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT              |
| <b>AfCFTA</b>   | AFRICAN CONTINENTAL FREE TRADE AREA                       | <b>OVC</b>      | ORPHANS AND VULNERABLE CHILDREN                                     |
| <b>AFRAC</b>    | AFRICAN ACCREDITATION COOPERATION                         | <b>PAQI</b>     | PAN AFRICAN QUALITY INFRASTRUCTURE                                  |
| <b>B-BBEE</b>   | BROAD-BASED BLACK ECONOMIC EMPOWERMENT                    | <b>PDIs</b>     | PREVIOUSLY DISADVANTAGED INDIVIDUALS                                |
| <b>CABs</b>     | CONFORMITY ASSESSMENT BODIES                              | <b>PFMA</b>     | PUBLIC FINANCE MANAGEMENT ACT                                       |
| <b>CEO</b>      | CHIEF EXECUTIVE OFFICER                                   | <b>POCT</b>     | POINT OF CARE TESTING   |
| <b>CRM</b>      | CERTIFIED REFERENCE MATERIALS                             | <b>POPIA</b>    | PROTECTION OF PERSONAL INFORMATION ACT                              |
| <b>CFO</b>      | CHIEF FINANCIAL OFFICER                                   | <b>PPPF</b>     | PREFERENTIAL PROCUREMENT POLICY FRAMEWORK ACT                       |
| <b>CMMI</b>     | CAPABILITY MATURITY MODEL INTEGRATION                     | <b>PT</b>       | PROFICIENCY TESTING   |
| <b>COBIT</b>    | CONTROL OBJECTIVES FOR INFORMATION AND RELATED TECHNOLOGY | <b>QMS</b>      | QUALITY MANAGEMENT SYSTEM   |
| <b>COVID-19</b> | CORONAVIRUS DISEASE OF 2019                               | <b>RMP</b>      | REFERENCE MATERIAL PRODUCERS  |
| <b>EWP</b>      | EMPLOYEE WELLNESS PROGRAMME                               | <b>SAAMA</b>    | SOUTH AFRICAN ASSET MANAGEMENT ASSOCIATION                          |
| <b>EPC</b>      | ENERGY PERFORMANCE CERTIFICATE                            | <b>SADC</b>     | SOUTHERN AFRICAN DEVELOPMENT COMMUNITY                              |
| <b>EVP</b>      | EMPLOYEE VALUE PROPOSITION                                | <b>SADCA</b>    | SOUTHERN AFRICAN DEVELOPMENT COMMUNITY COOPERATION IN ACCREDITATION |
| <b>FSSC</b>     | FOOD SAFETY SYSTEMS CERTIFICATION                         | <b>SADCAS</b>   | SOUTHERN AFRICAN DEVELOPMENT COMMUNITY ACCREDITATION SERVICES       |
| <b>GRAP</b>     | GENERALLY RECOGNISED ACCOUNTING PRACTICE                  | <b>SAHPRA</b>   | SOUTH AFRICAN HEALTH PRODUCTS REGULATORY AUTHORITY                  |
| <b>GLP</b>      | GOOD LABORATORY PRACTICE                                  | <b>SANAS</b>    | SOUTH AFRICAN NATIONAL ACCREDITATION SYSTEM                         |
| <b>IAF</b>      | INTERNATIONAL ACCREDITATION FORUM                         | <b>SATS</b>     | SOUTH AFRICAN TECHNICAL SPECIFICATION                               |
| <b>IB</b>       | INSPECTION BODIES   | <b>SDGs</b>     | SUSTAINABLE DEVELOPMENT GOALS                                       |
| <b>ICT</b>      | INFORMATION AND COMMUNICATIONS TECHNOLOGY                 | <b>SEDA</b>     | SMALL ENTERPRISE DEVELOPMENT AGENCY                                 |
| <b>IEC</b>      | INTERNATIONAL ELECTROTECHNICAL COMMISSION                 | <b>SMMes</b>    | SMALL, MEDIUM AND MICRO ENTERPRISES                                 |
| <b>ILAC</b>     | INTERNATIONAL LABORATORY ACCREDITATION COOPERATION        | <b>TBT</b>      | TECHNICAL BARRIERS TO TRADE   |
| <b>ISO</b>      | INTERNATIONAL ORGANIZATION FOR STANDARDIZATION            | <b>TFTA</b>     | TRIPARTITE FREE TRADE AREA  |
| <b>ITIL</b>     | INFORMATION TECHNOLOGY INFRASTRUCTURE LIBRARY             | <b>the dtic</b> | THE DEPARTMENT OF TRADE, INDUSTRY AND COMPETITION                   |
| <b>KENAS</b>    | KENYA ACCREDITATION SERVICES                              | <b>WADA</b>     | WORLD ANTI-DOPING AGENCY  |
| <b>KTD</b>      | KNOWLEDGE TRANSFER DEPARTMENT                             | <b>WOAC</b>     | WEST AFRICAN ACCREDITATION SYSTEM                                   |
| <b>MLA</b>      | MULTILATERAL AGREEMENT                                    | <b>WTO</b>      | WORLD TRADE ORGANISATION  |
| <b>MOU</b>      | MEMORANDUM OF UNDERSTANDING                               |                 |   |
| <b>MRA</b>      | MUTUAL RECOGNITION ARRANGEMENT                            |                 |   |
| <b>MTSF</b>     | MEDIUM TERM STRATEGIC FRAMEWORK                           |                 |   |
| <b>NDP</b>      | NATIONAL DEVELOPMENT PLAN                                 |                 |   |
| <b>NEHAWU</b>   | NATIONAL EDUCATION, HEALTH AND ALLIED WORKERS' UNION      |                 |   |
| <b>NLA-SA</b>   | NATIONAL LABORATORY ASSOCIATION SOUTH AFRICA              |                 |   |

### 3. FOREWORD BY THE MINISTER



**Mr Ebrahim Patel**

Minister of Trade, Industry and  
Competition

I table the Annual Report of the South African National Accreditation System (SANAS) for the 2021/22 financial year in accordance with legislative requirements. The Report sets out the performance information, governance report, human resources and financial information for the past financial year.

In the new financial year, the work of **the dtic** and its entities will be evaluated in relation to three overarching Outcomes namely:

- industrialisation;
- transformation; and
- building state capability.

Given its mandate, SANAS has a role to play in each of these outcomes, through its core work of fostering trust that South African products and services' have been tested, inspected, or certified by competent conformity assessment bodies.

I take this opportunity to thank the Board as well as the management and staff of SANAS for the work done in the past year.

A handwritten signature in black ink, appearing to read 'Ebrahim Patel', written over a horizontal line.

**Mr Ebrahim Patel**

Minister of Trade, Industry and Competition

## 4. FOREWORD BY THE CHAIRPERSON



**Ms Lindi Tlou**  
Interim Chairperson of the Board

### Introduction

In the pursuit of “A Better Life Through Accreditation,” SANAS continues to serve the South African society through an internationally recognised accreditation service that supports the government’s objective of protecting citizens’ health and safety, as well as initiatives to revitalise the economy. Accreditation provides a foundation for confidence in the results produced by those accredited by SANAS and is accepted globally.

### Overview of SANAS Strategy and performance

SANAS’ strategy is focused on contributing to the competitiveness of South Africa’s enterprises, on the government achieving its policy objectives with specific reference to Regional integration, health, safety, and the environment as well as on the sustainability of the organisation.

SANAS has made great strides in the implementation of its strategy through the execution of its mandate, focused on providing an internationally recognised and effective accreditation and monitoring system for the country which is aimed at supporting the needs of the enterprises competing in a fast-paced global economy. Furthermore, SANAS has continued to support **the dtic’s** initiatives under the Economic Reconstruction and Recovery Plan.

Despite enduring the effects of the third and fourth waves of the Covid-19 pandemic during the 2021/2022 financial year, which resulted in the continuation of fairly strict lockdown measures, SANAS was able to achieve 13 of its 14 APP targets.

### Strategic Relationships

As a public entity under **the dtic**, SANAS has signed Memorandums of Understanding with various Regulators that use/aspire to use accreditation to reduce risk in the sectors that they regulate. Every year, SANAS hosts Regulators’ Meetings to demonstrate what accreditation can do for Regulators, which has resulted in increased demand for accreditation in the Regulatory Domain. SANAS has also formed relationships with industry associations that participate in the Specialist Technical Committees, which provide guidance to industry-specific idiosyncrasies that determine technical criteria/requirements for accreditation in a variety of fields and scopes of accreditation.

Furthermore, SANAS has updated the Memorandum of Agreements with the African Accreditation Cooperation (AFRAC), Southern African Development Community Cooperation in Accreditation (SADCA), and the National Laboratory Association South Africa (NLA-SA) as a way of formalising their strategic relationship and partnership.

### Challenges faced by the board

Although the Board of Directors has made a significant contribution to exercising its fiduciary and oversight responsibilities, however, there is an urgent need to ensure that Board members are appointed on a fixed-term basis, in line with the provisions of the Act, to ensure greater stability. The term of the current Board of Directors expires in 2023 and in the event of not concluding appointments, it could result in instability and a lack of continuity.

### Strategic focus over the medium to long term period

Over the medium term, SANAS will continue implementing its mandate of providing an internationally recognised accreditation and monitoring system aimed at supporting the needs of the enterprises focused on economic growth of the country. In so doing, SANAS will identify and implement interventions focused on achieving its identified outcomes of contributing to the competitiveness of South Africa's enterprises, on government achieving its policy objectives with specific reference to Regional integration, health, safety, and the environment as well as on the sustainability of the organisation.

Over the longer term, SANAS will take into consideration both its external environment within which it operates as well as its internal environment, in crafting its revised 2025 – 2030 Strategic Plan. The implementation of the revised Strategic Plan will however continue with its focus on the provision of services as specified in the Accreditation for Conformity Assessment, Calibration, and Good Laboratory Practice Act, Act 19 of 2006 while ensuring that it contributes to the achievement of strategic priorities of **the dtic** and government outcomes, as reflected in the Medium Term Strategic Framework (MTSF).

### Acknowledgement/Appreciation

As the Interim Chairperson of the SANAS Board of Directors, I would like to express my heartfelt gratitude to all SANAS employees, management, stakeholders and the Board Members for their contributions to the entity's success in the face of the challenging environment that was prevailing and accompanied by huge uncertainty at times, requiring constant adaptation and adjustments on the go.

I am further grateful to my fellow Board Members for allowing me to lead the entity for the period that I was appointed as the Interim Chairperson and appreciate your dedication and devotion to the Entity. A special thanks to Minister Ebrahim Patel: Department of Trade, Industry, and Competition, as well as **the dtic** staff who contributed to the success of SANAS during the review period.

As promised last year that the entity will achieve better performance in 2021/2022, the result in this report shows that the promised was kept and for that we acknowledge the cooperation by all that has made that possible.



**Ms Lindi Tlou**

Interim Chairperson of the Board



## 5. ACTING CHIEF EXECUTIVE OFFICER'S OVERVIEW



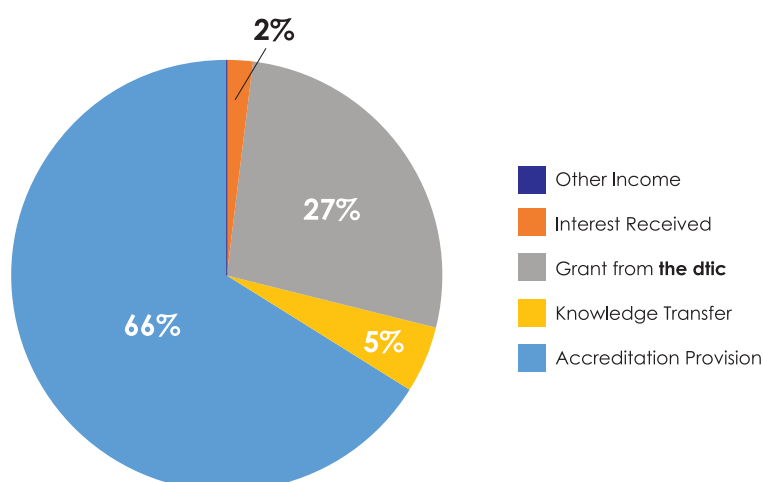
**Ms Busi Radebe**  
Acting Chief Executive Officer

The South African National Accreditation System (SANAS) is a Schedule 3A Public Entity as listed in the Public Finance Management Act of South Africa, 1999 (Act 1 of 1999) (PFMA) as amended. SANAS is the sole government recognised accreditation body for conformity assessment in South Africa. SANAS promotes the competence, against a specific schedule of activity, of its accredited facilities nationally, regionally and internationally. It has successfully concluded several Mutual Recognition Arrangements in this regard.

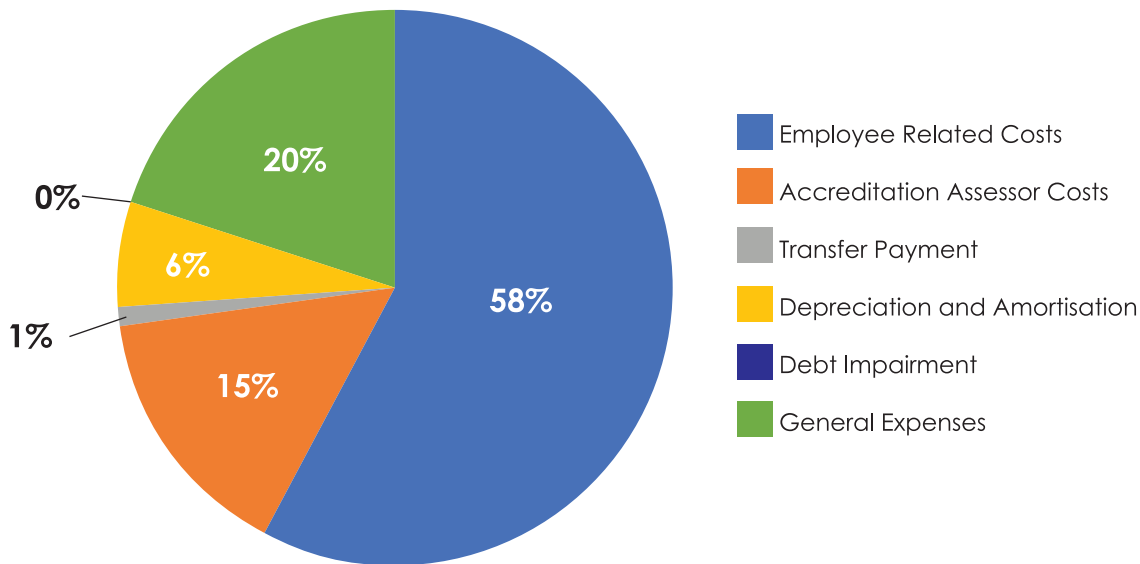
SANAS is guided by the principles of the PFMA and promulgated by the Accreditation for Conformity Assessment, Calibration and Good Laboratory Practice Act of South Africa, 2006 (Act No.19 of 2006) (Accreditation Act) as of 1 May 2007. The statutory duties, responsibilities and liabilities are imposed on the Accounting Authority by the PFMA.

### Spending trends of the entity

SANAS generates its income from accreditation fees, external course fees as well as the grant received from **the dtic**. The bulk of the expenses relate to employee costs, assessor costs, travel and accommodation. For the 2021/2022 financial year, the costs relating to travel and accommodation were markedly lower than pre-Covid-19 costs as most of the assessments performed were done remotely. On-site assessments had only begun to increase in the latter part of the financial year due to the easing of lockdown restrictions. As a result, there was a saving realised against this cost item. Spending for the 2021/2022 financial year was also negatively affected by the confirmation of the invalidity of the Preferential Procurement Regulations (PPR) by the Constitutional Court. As a result, procurements were held in abeyance and spending on budgeted items was affected. This had contributed to the large surplus reported by the entity for the 2021/2022 financial year. Below is a graph that summarises the income composition for the 2021/2022 financial year:



SANAS generates most of its income from internally generated funds. 27 per cent of the income for the year was received from a grant from the dtic and 73 per cent from funds generated internally from accreditation fees, income from courses offered in the Knowledge Transfer unit, interest and other income. Expenditure for the year totalled R102,583,964. This was broken up as follows:



58 per cent of the expenditure was attributable to employee related costs. Although this percentage was higher than the previous years, this was largely due to the under expenditure of travel costs and assessor fees as mentioned above. The overall financial health of the entity was still assessed to be good as the total assets exceeded the total liabilities by a ratio of 6.9:1.

There was an expectation of a negative impact on the revenue, due to continued restrictions to control the spread of the Covid-19 pandemic, however such a negative impact did not materialise as expected. It was however still deemed prudent to manage the budgets tightly hence the positive result on the finances of the entity so as to ensure sustainability going forward.

**Discontinued activities / activities to be discontinued**

None

**Requests for roll over of funds**

As per Section 53(3) of the PFMA, SANAS as a Schedule 3A Public Entity, may not accumulate surpluses without the prior written approval of the National Treasury. SANAS had therefore submitted a request to the National Treasury, in terms of National Treasury Instruction No. 12 of 2020/2021 to retain its surplus of R28 649 175 for the 2020/2021 financial year. This was approved subject to monthly monitoring of the commitments made to spend the surplus. Similarly, SANAS will submit a request in August 2022 for the retention of the surplus as indicated in the contingent liability note in the financial statements below for the 2021/2022 financial year.

**Supply Chain Management**

The Supply Chain Management Unit resides within the Financial Management Unit at SANAS and consists of a Procurement Officer and a Supply Chain Administrator. SANAS complies with all the compliance requirements of the PFMA, Treasury Regulations, Preferential Procurement Policy Framework Act (PPPFA) and National Treasury Instruction Notes. On 16 February 2022, a major development had occurred in the procurement landscape that had affected all procurement in the public sector. On this day, the Preferential Procurement Regulations, 2017 were upheld as being invalid by the Constitutional Court. This created uncertainty among organs of state as to how to proceed with procurement, especially in applying preferential procurement to goods and services purchased. Based on guidance provided by the National Treasury, SANAS applied for an exemption from the PPPFA. Approval was granted for

the exemption on 11 March 2022 and procurement resumed, however, only taking into consideration evaluation on price and not taking into account any BBBEE points or preferential procurement. It is likely that the issue of preferential procurement will be resolved in the 2022/2023 financial year and SANAS will comply accordingly.

**Audit report matters in the previous year and how they would be addressed**

During the 2020/2021 financial year, the external auditors, Nexia SAB&T, provided SANAS with an unqualified opinion with no matters of emphasis. From the previous audit, an audit action plan had been developed to deal with the findings raised in the management report. As at 31 March 2022, two items remained in progress.

**Outlook/ Plans for the future to address financial challenges**

73 percent of SANAS’ income is derived from internally generated funds which includes fees charged to Conformity Assessment Bodies (CABs). During the first half of the 2021/2022 financial year, there had been some withdrawals from CABs which had negatively affected the income of SANAS. It was assumed that the financial impact of the Covid-19 pandemic was the main cause for the withdrawals. In the second half of the financial year, there was a turnaround in the number of CABs that SANAS accredited. These numbers had started to increase resulting in a total of 1 960 CABs accredited by the end of the year, exceeding the performance target for the year. This resulted in the revenue estimated for the year being realised. Given this positive trend, it is likely that the revenue targets of SANAS will be realised in the future.

In addition, cost containment continues to be implemented within the travel costs, with further areas identified in process automation where process improvements could contribute to ensuring that accreditation remains a financially viable business.

**Events after the reporting date**

There were no reportable events after the reporting date. All provisions and contingent liabilities that needed to be raised or disclosed for conditions that existed for the period under review, are included in the financial statements found in Part E of the Annual Report.

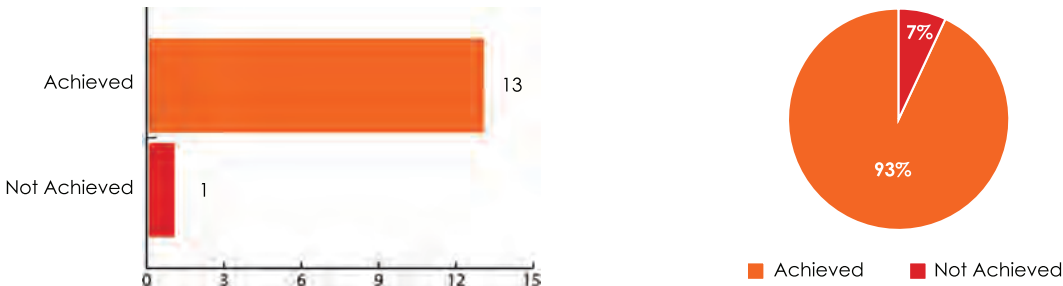
**Financial viability**

The financial statements of SANAS have been prepared on the basis of accounting policies applicable to a going concern. This basis assumes 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.

**General performance of SANAS in the year under review:**

**Overall performance against set targets**

During the 2021/22 financial year, SANAS committed to achieving 14 annual targets. As at 31 March 2022, SANAS achieved 13 targets equating to an overall performance of 93%, as illustrated in the graphs below:



The table below provides a summary of the performance across the 4 SANAS Programmes:

| Programme                | Number of Annual Targets | Performance against APP Annual Targets as at 31 March 2022 |
|--------------------------|--------------------------|--|
| Administration           | 4                        | Achieved 4 out of 4 (100%)                                 |
| Corporate Services       | 2                        | Achieved 2 out of 2 (100%)                                 |
| Strategy and Development | 3                        | Achieved 2 out of 3 (67%)                                  |
| Accreditation            | 5                        | Achieved 5 out of 5 (100%)                                 |
| <b>Total</b>             | <b>14</b>                | <b>Achieved 13 out of 14 annual targets (93%)</b>          |

As per the commitment that was made at the end of the previous financial year, it can be confirmed that SANAS has made a substantial improvement in its performance for the 2021/2022 financial year as attested to by the overall achievement of 93% against the planned annual targets.

#### **Acknowledgement/s or Appreciation**

As the Acting CEO, I would like to express my sincerest gratitude to the staff, managers, executives, stakeholders and the Board of Directors for the contribution to the success of the Entity and the positive roles played at all levels during 2021/2022.

There is still more to be done to improve on the processes and matters of efficiency in the organisation and there is no doubt that the Entity is on its way to improvement.

I truly appreciate the co-operation of all and the support provided throughout the financial year and the guidance of the Board of Directors at SANAS.



**Ms Busi Radebe**  
Acting Chief Executive Officer

## 6. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE ANNUAL REPORT

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

1

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor General.

2

The annual report is complete, accurate and is free from any omissions.

3

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

4

The Annual Financial Statements (Part E) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) standards applicable to the public entity.

5

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

6

The accounting authority is responsible for establishing and implementing a system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

7

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor General.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2022.

Yours faithfully



**Ms Busi Radebe**  
Acting Chief Executive Officer  
August 2022



**Ms Lindi Tlou**  
Interim Chairperson of the Board  
August 2022

## 7. STRATEGIC OVERVIEW

### VISION

A better life through accreditation.

### MISSION

To provide an internationally recognised accreditation system in support of public policy objectives including trade facilitation for the betterment of our people.

### VALUES

Five values underpin everything we do. They are integral to our role as an accreditation body that instils global trust in the goods and services produced in South Africa.



We are confident, assertive, result-driven, invest in continuous learning, pay attention to detail and rational in the delivery of our mandate with a sense of urgency.



We understand that our strength is based on trust and therefore are consistent in our deeds, principles and outcomes, and act with honesty and respect without compromising the truth.



We are a forward-thinking company and have the courage and confidence to come up with creative ways in accreditation development.



As a team, we are committed, motivated and passionate about our work and take ownership in all that we do.



We are a company that cares; therefore, accountable and invest in our people, our communities and the environment.

## 8. LEGISLATIVE MANDATE

SANAS is classified as a Schedule 3A public entity in terms of the Public Finance Management Act (PFMA) (Act No. 29 of 1999). It is established under the Accreditation for Conformity Assessment, Calibration and Good Laboratory Practice Act, 2006 (Act No. 19 of 2006).

### Mandate

SANAS is the sole national accreditation body, established to provide an internationally recognised and effective accreditation and monitoring system for the Republic of South Africa by:

- Accrediting or monitoring, for Good Laboratory Practice (GLP) compliance, organisations falling within its scope of activity;
- Promoting accreditation to facilitate international trade and to enhance South Africa's economic performance and transformation;
- Promoting the competence and equivalence of accredited bodies; and
- Promoting the competence and equivalence of GLP-compliant facilities.

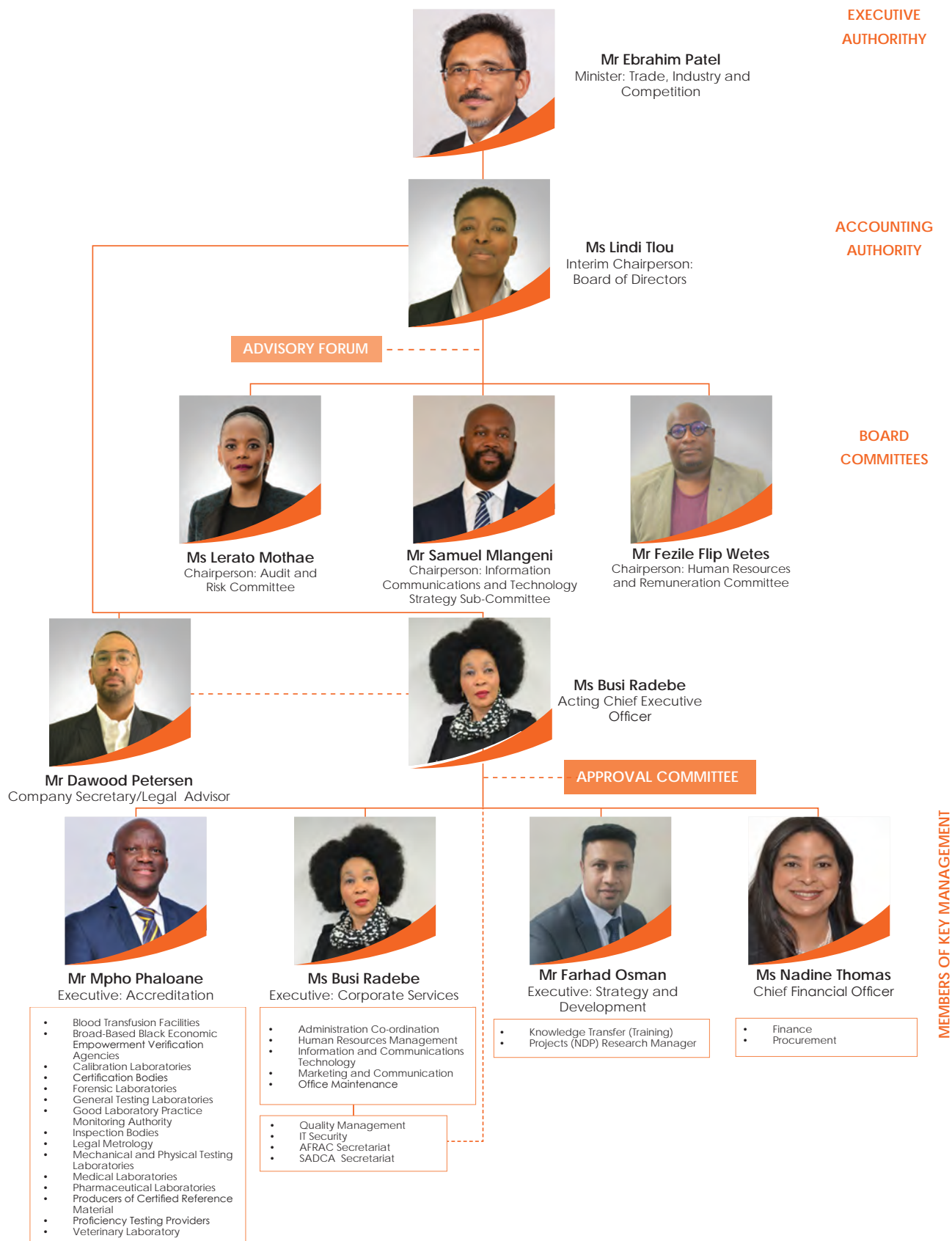
### Core Functions

The Accreditation Act empowers SANAS to perform the following functions:

- a. Promote the Entity as the sole national accreditation body and its scope of activity;
- b. Encourage and promote the accreditation of calibration, testing and verification laboratories, certification bodies, inspection bodies, rating agencies, and any other type of body that may be added to its scope of activity;
- c. Encourage and promote GLP compliance with principles adopted by the Organisation for Economic Cooperation and Development (OECD) for GLP facilities;
- d. Promote the acceptance of its activities and those of all bodies accredited by SANAS or its international counterparts;
- e. Promote the recognition of accredited bodies by users of conformity assessments;
- f. Liaise with regional and international standards bodies, and with technical regulatory and metrology organisations, on any matter regarding related accreditation;
- g. Liaise with national regulators on any matter regarding related accreditation;
- h. Promote the use of accredited bodies to facilitate trade;
- i. Advise national, regional, and international organisations on conditions for accreditation, and on other issues related to accreditation;
- j. Establish and maintain a register of all accredited organisations in South Africa;
- k. Initiate, negotiate, conclude, and maintain Mutual Recognition Arrangements (MRAs) and Multilateral Arrangements (MLAs);
- l. Support Government's activities on MRAs;
- m. Obtain and maintain membership of national or international organisations that may assist SANAS in achieving its objectives, and actively participate in such organisations;
- n. Participate in formulating international and regional guidelines and standards to facilitate the accreditation process;
- o. Formulate and implement national guidelines and standards to facilitate the accreditation process;
- p. Promote recognition and protect the use of the SANAS logo nationally and internationally;
- q. Promote and protect regional and international arrangement logos, like those of the International Laboratory Accreditation Cooperation (ILAC) and the International Accreditation Forum (IAF);
- r. Establish appropriate technical committees; and
- s. Investigate methods of facilitating trade through accreditation.

## 9. ORGANISATIONAL STRUCTURE

SANAS' structure represents the collective accountability and responsibilities for good governance. At the apex of the structure is the Minister of Trade, Industry and Competition as the Executive Authority. The Minister's oversight role includes the appointment of the Board of Directors.





## BOARD MEMBERS



**Ms Lindi Tlou**  
Interim Chairperson: Board of Directors



**Ms Lerato Mothae**  
Chairperson: Audit  
and Risk Committee



**Mr Samuel Mlangeni**  
Chairperson: Information  
Communications and Technology  
Strategy Sub-Committee



**Mr Fezile Flip Wetes**  
Chairperson:  
Human Resources and  
Remuneration Committee



**Ms Irene Ramafola**



**Dr Sarah Mohlala**



**Dr Tshenge Demana**



**Ambassador Sadick  
Jaffer**



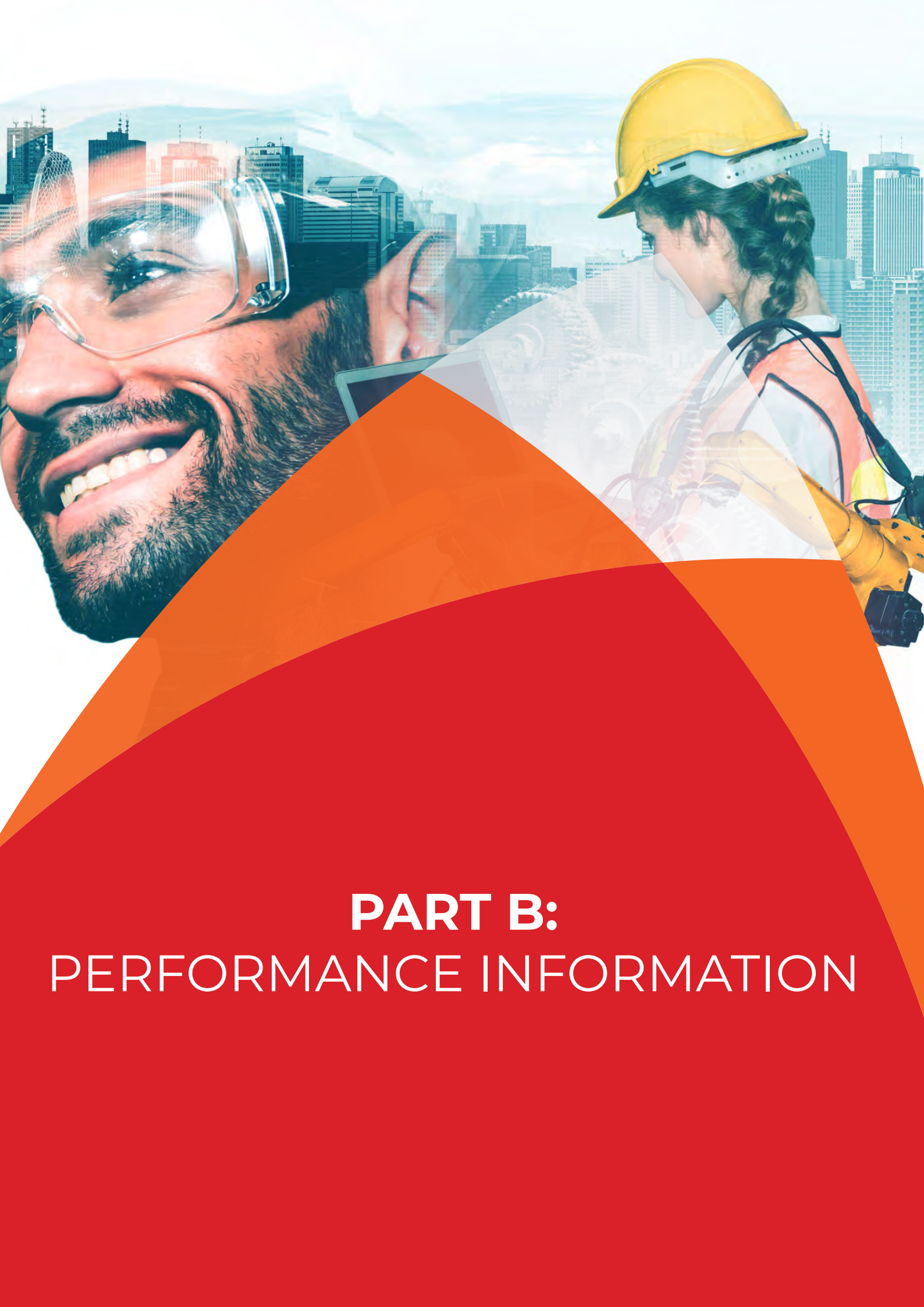
**Mr Mpho Phaloane**  
Executive: Accreditation



**Dr Molefe Pule**



**Ms Zukiswa Kimani**



# **PART B:** PERFORMANCE INFORMATION

# 1. EXTERNAL AUDITOR'S REPORT ON PRE-DETERMINED OBJECTIVES

The external auditors, **Nexia SAB&T**, performed the audit procedures necessary for this Annual Report. The outcome of this audit is captured in Part E (Annual Financial Statements), which can be found on page 73.

## 2. OVERVIEW OF SANAS PERFORMANCE

### Service Delivery Environment

In delivering its services, SANAS is impacted by developments in the economic environment both nationally and regionally. SANAS plays a strategic role in economic development and in advancing key government objectives as well as private sector demands which informs the national demand for accreditation. The role of accreditation in supporting the health and safety of the public and the protection of the environment, and the role in providing confidence in conformity assessment results, thereby facilitating the mutual acceptance of results, underpins the national, regional and international acceptance of South African produced goods and services.

### Global Trends

The use of accreditation is widening in terms of greater reliance by both business and regulators. Accreditation is also expanding into new sectors. In the past, accreditation was predominantly seen as a voluntary activity mainly for export purposes. Globally, growth in the demand for accreditation continued to be driven by regulatory sectors and global agenda issues such as the United Nations Sustainable Development Goals. Global bodies like the World Trade Organisation (WTO), the World Anti-doping Agency (WADA), the International Electrotechnical Committee (IEC), and retailer-based schemes like Global Gap recognise the added value of a network of national accreditation bodies towards achieving their objectives. Therefore, in many economies now, accreditation has been embraced by governments as a mandatory activity in many regulated areas because of the benefits it brings in helping governments meet their responsibilities and safeguard the public.

### Regional Trends

The demand for accreditation in Africa, by bodies like the African Union (UN), arises from the role that accreditation plays in facilitating intra and inter-regional trade in high-quality manufacturing. The non-acceptance of conformity assessment results is one of the Technical Barriers to Trade (TBT) that could potentially obstruct Africa's regional integration efforts. By ensuring that the required infrastructure and competence exists within Africa, much of these TBT's can be eliminated, thus allowing for the free flow of quality goods and services across borders. SANAS, as the largest and oldest accreditation body on the African continent, is actively involved in the work of two such regional accreditation cooperation infrastructures, i.e., the Southern African Development Community Cooperation in Accreditation (SADCA) and the African Accreditation Cooperation (AFRAC). Furthermore, industrial development and export are key to the newly launched African Continental Free Trade Area (AfCFTA). The AfCFTA is a flagship project of Agenda 2063 of the African Union aimed at positively impacting on socio-economic development and enhancing confidence and the commitment of Africans as the owners and drivers of Agenda 2063.

The AfCFTA aims at accelerating intra-African trade and boosting Africa's trading position in the global market by strengthening Africa's common voice and policy space in global trade negotiations. In this regard, the global competitiveness of the region's goods and services hinges on quality being confirmed by accredited Conformity Assessment Bodies (CABs). Non-acceptance of conformity assessments usually leads to rejection or costly re-testing, re-inspection or re-certification of exported goods and services, and un-competitiveness. Confidence in the competence of CABs is key for the success of industrial development and export.

## **National Trends**

The growth in the demand for accreditation from the private sector continues to highlight the importance thereof. SANAS' strategic role of locking in export markets and locking out unsafe, poor-quality goods and services as part of South Africa's technical infrastructure, continues to contribute to achieving South Africa's development goals. In carrying out its mandate, SANAS also supports government to achieve its goals of protecting the health, safety and the environment, as well as initiatives to revive the economy and boost local industries.

## **Organisational Environment**

In the first quarter of the 2021/2022 financial year, the country experienced the third wave of the Covid-19 pandemic followed by the fourth wave in the third quarter, which resulted in stricter lockdown measures. The Covid-19 pandemic has had a negative impact on the revenue generation of SANAS as there were withdrawals from accreditation by organisations which had contributed to the reduction in income for the first half of the financial year. The rebates or discounts offered in the 2020/21 financial year had assisted organisations to cushion the financial distresses that many of them experienced.

As a service-oriented business, SANAS costs are largely fixed with little propensity to implement further savings. However, during the first three quarters of the 2021/2022 financial year, SANAS experienced savings due to the reduced assessments volumes and travel, which contributed to a net profit for the period despite the reduction in revenue. SANAS continued to look for further saving opportunities as well as additional revenue streams as failure to cover future financial gaps will expose SANAS to the risk of not being able to fulfil its mandate effectively.

In response to the Covid-19 pandemic and its related lockdown restriction and health and safety measures, SANAS revised its operational procedures in order to continue providing accreditation services through remote assessments. Furthermore, SANAS introduced online training since June 2020, which continued during the reporting period, to mitigate the reduction in income experienced from the continued lockdown and health restrictions.

However, with the roll-out of the vaccination programmes, declining rates of Covid-19 infections and the reduction of lockdown levels, the markets began opening as the financial year progressed. In the third quarter, there was a surprising upswing in revenue as new applications were received for accreditation services and the requests for training increased. This resulted in a revision in the income forecasts. As the country eased lockdown restrictions, during the fourth quarter, SANAS also gradually resuscitated on-site assessments and reduced its dependency on remote assessments, where possible. With the gradual commencement of on-site assessments, SANAS saw an increase in travel and accommodation expenditure which is expected to further rise in the 2022/23 financial year as the number of on-site assessments are expected to increase.

Furthermore, with the negative impact of the Covid-19 pandemic, SANAS, like many other organisations, adopted new ways of working. Staff were provided with tools of trade and were allowed to work through a hybrid working arrangement. Numerous activities such as meetings, trainings and assessments were successfully conducted remotely. SANAS has also continued its focus on improving efficiency and effectiveness through a stronger focus on government support, investments in information technology, SANAS employees and tertiary institutions.

## **Key Policy Developments and Legislative Changes**

During the reporting period, there were no major changes to relevant policies or legislation that affected the operations of SANAS. However, within its operations, SANAS did adhere to relevant regulations aligned to the Disaster Management Act during the National State of Disaster in relation to the Covid-19 pandemic.



### 3. ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

SANAS' accreditation services impact directly on CABs, industry sectors, and the economy by facilitating the national, regional, and international acceptance of test, inspection, and certification results. Doing so lowers the risk of rejection of South African goods and services.

SANAS has built its strategy focused on contributing to the following 3 Outcomes which are aligned with the priorities of **the dtic** and in turn our Government's strategic direction as outlined in the MTSF.

#### **Outcome 1: Competitiveness of South Africa's Enterprises**

SANAS, as one of the four interlinked entities in South Africa's technical infrastructure, focuses on providing an internationally recognised and effective accreditation and monitoring system for the country, which is aimed at supporting the needs of our enterprises competing in a fast-paced global economy. This also includes the development of new accreditation programmes over a shorter period to advance South Africa's industrial development goals and overall economic growth through increased competitiveness of South Africa's enterprises.

In this regard, over the 2021/2022 financial year, SANAS focused on the development of new Accreditation Programmes within the Asset Management System Accreditation Scheme which will continue to be promoted within the physical and intellectual property assets fraternity moving forward. The Conformity Assessment Bodies (CABs) that will be providing management system certification according to SANS International Organization for Standardisation (ISO) 55001 will be accredited according to ISO/IEC 17021-1 and ISO/IEC TS 17021-5. Accreditation will be giving formal recognition of technical competence and impartiality of those CABs.

South Africa's economic growth and job creation are to be built on the establishment, growth and sustainability of Small, Medium and Micro Enterprises (SMMEs). Therefore, the Small Enterprise Development Agency (SEDA) is developing the ecosystem required for the development of incubators and accelerators within the private and public sector which will be required to meet the minimum requirement of South African Technical Specification (SATS) 2234:2020. During the year under review, SANAS focused on developing the Technical Requirements document that will be used to accredit CABs in Business incubators and accelerators. In the development of the scheme, potential Technical Assessors were sourced and are to be processed in line with the requirements of Technical Assessors outlined in the SANAS policy and procedure. The scheme development will continue in the next financial year.

Furthermore, in fulfilling its responsibility of managing the accreditation of new and existing clients in terms of legislation and international good practice, and for ensuring that accredited organisation's services are available to the South African Industry and Regulators, by the end of the 2021/2022 financial year, SANAS increased the number of accredited organisations to 1 960 which is actually 47 more organisations than the set annual target of 1 913.

#### **Outcome 2: Government achieving policy objectives focused on Regional integration, health, safety and the environment**

SANAS's membership to the highest decision-making structures, i.e., AFRAC, ILAC and IAF reinforces SANAS' credibility as an internationally recognised accreditation body. The expansion of SANAS scopes of recognition, its accredited organisations and its ability to influence international accreditation criteria contributes to creating a fair regulatory environment that enables trade and investment. During the 2021/2022 financial year, SANAS continued to play a leading role in developing the required accreditation infrastructure in SADC and the rest of Africa. This role included hosting the secretariats for both the African Accreditation Cooperation (AFRAC) and the Southern African Development Community Cooperation in Accreditation (SADCA) which contributes to improving economic prospects for Africa, and to the strengthening of export performance through increased regional integration and the development of cross-border value chains. During the period under review, SANAS achieved its annual targets of implementing 90% of the planned key interventions of both the AFRAC Secretariat's Annual Performance Plan as well as the SADCA Secretariat's Annual Performance Plan.

Furthermore, while fulfilling its responsibility of managing the accreditation of new and existing clients in terms of legislation and international good practice, SANAS ensures that the products and services do not pose health and safety risks for consumers and the environment.

### **Outcome 3: Organisational sustainability**

During the period under review, SANAS like many other organisations, was impacted by the third and fourth waves of the Covid-19 pandemic. This resulted in some withdrawals, from Conformity Assessment Bodies, on the first half of the 2021/2022 financial year however, in the second half of the financial year, there was an increase in the number of Conformity Assessment Bodies that SANAS accredited which resulted in accreditation of a total number of 1 960 organisations by the end of the financial year. Such an increase resulted in the revenue estimated for the year being realised and also contributed to achieving a ratio of 73:27 SANAS income vs government grant .

During the reporting period, SANAS achieved an average time of 13.5 working days for issuing certificates and scope of accreditation after completion of the approvals process, which was 1.5 days quicker on average than the planned annual target of 15 working days on average. This achievement was attributed to the implementation of improvement measures regarding turnaround times on certificates as well as the continuous monitoring of the process.

In an effort to continue with its investments in Information and Communications Technology (ICT) aimed at increasing its operational efficiency, during the reporting period, SANAS continued with the development of the Online Accreditation System (Shanduka) which was successfully completed. This system will ensure efficiencies and reduce errors as the process will be fully automated. By the end of the financial year, focus was on transitioning, integrating, and on-boarding of its Accreditation Technical Assessors and clients to enable the system to be fully utilised. Furthermore, in terms of stakeholder engagements, SANAS achieved the 2021/2022 target of rolling out 90% of the planned activities within the approved Annual Stakeholder Engagement Plan. By the end of the reporting period, SANAS achieved its target of ensuring that its vacancy rate of the funded positions remains below 5 percent.

## 4. PERFORMANCE INFORMATION BY PROGRAMME

### 4.1 PROGRAMME 1: ADMINISTRATION

#### 4.1.1 Purpose

The purpose of this programme is to ensure that effective leadership, financial management, legal and administrative support continues to refine the organisational strategy and structure, in compliance with the appropriate legislation and international best practices.

#### 4.1.2 Description of the Programme

The sub-programmes that fall under this programme include Policy Development, Financial Management, Legal Services and the Company Secretary.

##### 4.1.2.1 Policy development

SANAS' Board of Directors, as its Accounting Authority, provides strategic direction in alignment with the Accreditation Act, the Strategic Plan and the Annual Performance Plan as submitted to the Minister of Trade and Industry as the Executive Authority. Through its CEO, and as delegated by the Accounting Authority, SANAS' management is responsible for the day-to-day implementation and control of the Entity's Strategic Plan and Annual Performance Plan.

##### 4.1.2.2 Financial management

The Financial Management Sub-Programme ensures that the Entity is compliant with the PFMA and Treasury Guidelines and all other relevant financial standards and regulations. Responsibilities and the functions of the Chief Financial Officer include, amongst others, overseeing the supply chain management function, the refinement of its managerial financial accounting systems, and advising the CEO on financial risk and risk control.

##### 4.1.2.3 Legal Services

Internal legal services are provided by the Company Secretary by focussing on SANAS' contractual, litigious, operational and managerial matters. It proactively ensures that the legal implications of proposed decisions are examined to mitigate future risks. The King IV Code and Report on Governance for South Africa adopted by SANAS has yielded success in resolving potentially litigious matters in an amicable manner that has avoided protracted and costly litigation.

##### 4.1.2.4 Company Secretary

The Company Secretary oversees corporate governance and assists the Board with adhering to sound corporate governance principles. The role includes providing Board Members with training on their roles and responsibilities, guiding the Board on legislation, regulations and policies and providing the Board and its Committees with secretariat services.

##### 4.1.2.5 Institutional Outcomes for Programme 1

- Organisational sustainability
- Government achieving policy objectives (Health, Safety, Environment and Regional Integration)

## Outcomes, Outputs, Output Indicators, Targets and Actual Achievements:

| Programme / Sub-programme: Administration   |   |   |  |   |   |   |   |   |
|---|---|---|--|---|---|---|---|---|
| Outcome   | Output                                      | Output Indicator  | Audited Actual Performance 2019/2020   | Audited Actual Performance 2020/2021                                    | Planned Annual Target 2021/2022   | Actual Achievement 2021/2022  | Deviation from planned target to Actual Achievement 2021/2022 | Reasons for deviations  |
| Organisational sustainability   | Internal business excellence                | Supporting SMME liquidity: Eligible creditor payment days from receipt of a fully compliant invoice to electronic payment deposited           | 2.75% of eligible payments processed after 20 days   | 7.3% of eligible payments processed after 20 days                       | <5% of eligible payments processed after 20 days" (within the legislated 30 days) | Annual Target achieved. By end of the reporting period, 2% of payments were processed after 20 days but within the legislated 30 days | Not Applicable  | Not Applicable  |
|   | Reduced reliance on government funding      | Increased percentage ratio of SANAS income generation versus government grants  | New measure  | 69:31 SANAS income vs Government grant                                  | 70:30 SANAS income vs government grant  | Annual Target overachieved. 73:27 SANAS income vs government grant  | 3:-3  | Additional CABs were registered over and above the annual target, resulting in increased income |
|   | Acceptance of conformity assessment results | AFRAC: Percentage of AFRAC Secretariat's Annual Performance Plan as it relates to supporting regional integration on matters of accreditation | New measure  | 100% of the AFRAC Secretariat's annual performance plan was implemented | Implement 90% of the AFRAC Secretariat's Annual Performance Plan                  | Annual Target Achieved. 90% of the AFRAC Secretariat's annual performance plan was implemented  | Not Applicable  | Not Applicable  |
| Government achieving policy (Health, Safety, Environment and Regional integration objectives) |   | SADCA: Percentage of SADCA Secretariat's Annual Performance Plan as it relates to supporting regional integration on matters of accreditation | Reviewed 92% of SADCA documents scheduled for review and aligned them to ILAC/IAF requirements | Application for SADCA Peer Evaluation by ILAC and IAF was submitted     | Implement 90% of the SADCA Secretariat's Annual Performance Plan                  | Annual Target achieved. 90% of the SADCA Secretariat's Annual Performance Plan was implemented  | Not Applicable  | Not Applicable  |



## Linking performance with budgets

| Programme      | 2020/2021 |                    |                          | 2021/2022 |                    |                          |
|----------------|-----------|--------------------|--------------------------|-----------|--------------------|--------------------------|
|                | Budget    | Actual Expenditure | (Over)/Under Expenditure | Budget    | Actual Expenditure | (Over)/Under Expenditure |
|                | R'000     | R'000              | R'000                    | R'000     | R'000              | R'000                    |
| Administration | 42,959    | 36,032             | 6,927                    | 45,860    | 41,641             | 4,219                    |
| Total          | 42,959    | 36,032             | 6,927                    | 45,860    | 41,641             | 4,219                    |

### Strategy to overcome areas of under-performance:

Not applicable as all planned targets were achieved.

### Changes to planned targets:

There were no changes to the annual targets during the course of the 2021/2022 financial year.

## 4.2 PROGRAMME 2: CORPORATE SERVICES

### 4.2.1 Purpose

The purpose of this programme is to oversee the provision of corporate services which plays an enabling role for the Entity.

### 4.2.2 Description of the Programme

The Sub-Programmes that form part of Corporate Services include ICT, Quality Management, ICT Security, HR Management, Facilities Management, Admin Coordination, and Marketing and Communications.

#### 4.2.2.1 Quality Management

The Quality Management Department is responsible for ensuring the continued international recognition of SANAS through the control, maintenance and supervision of the implementation of the policies, processes and procedures of the SANAS Management System in accordance with ISO/IEC 17011:2017 requirements, ILAC/IAF/OECD/AFRAC requirements and the relevant National regulations and guidelines.

In the 2021/2022 financial year, the key strategic objective was to focus on ensuring a successful AFRAC re-evaluation and extension of scope evaluation of SANAS as well as the continuous improvement of SANAS' Management System and Quality processes. This involved the following key interventions:

- Timeously addressing the findings raised during the AFRAC evaluation of SANAS;
- Roll out of the newly developed automated Assessor Database;
- Review and improvement of policies, procedures and processes;
- Ongoing strategic interventions for handling of Complaints and Appeals timeously;
- Accurate Reporting & Trend Analysis; and
- Conducting the annual Internal Audit and relevant corrective actions.

During the reporting period, positive progress was made in relation to ensuring quality of operations which resulted in the achievement of the following, amongst others:

- All findings raised during the re-evaluation of SANAS were satisfactorily cleared by the evaluation team;
- SANAS' re-evaluation report included a positive recommendation of continued maintenance of recognition, as well as the extension of SANAS' scope;
- 20 new policies / procedures / forms were published, and 96 documents reviewed; and
- SANAS ensured full compliance to the Protection of Personal Information Act of 2013 (POPIA) requirements.

## International and Regional Development

### • International Development

As a signatory to the International Laboratory Accreditation Cooperation (ILAC) Mutual Recognition Arrangement (MRA) and the International Accreditation Forum (IAF) Multi-lateral Arrangement (MLA), SANAS is an internationally recognised accreditation body for the scopes of testing, medical testing and calibration laboratories, inspection bodies, proficiency testing (PT) providers, Reference Material Producers (RMP) and certification bodies in the management system and product certification scopes. ILAC and IAF attest to the competence of SANAS and its accredited Conformity Assessments Bodies (CABs) across 104 global economies. CABs accredited by SANAS for these scopes enjoy international recognition and the mutual acceptance of their results, both of which can assist in reducing technical barriers to trade and allow for the free flow of quality goods and services across borders.

As part of South Africa's contribution to the development of the accreditation infrastructure on the continent, SANAS is actively involved in the work of ILAC and IAF. Such activity continues to influence the international accreditation requirements through participation in ballots, providing input into the relevant ILAC and IAF documentation, and participation in the various fora of ILAC and IAF. In the 2021/2022 financial year, SANAS provided responses to 11 of 14 revised ILAC/IAF documents, voted on 89% of IAF voting requests and on 100% of ILAC voting requests.

### • Regional Development

Regional arrangements are managed by the recognised regional co-operation bodies that work in harmony with ILAC and IAF. SANAS' signatory status to ILAC and IAF is based on its recognition through the African Accreditation Cooperation (AFRAC), a recognised regional co-operation body and signatory member of ILAC and IAF.

### • African Accreditation Cooperation (AFRAC)

SANAS currently hosts the positions of the AFRAC Secretariat and Technical Committee Chairperson. AFRAC is part of the Pan African Quality Infrastructure (PAQI) institutions recognised by the African Union Commission as the continental platform for accreditation and conformity assessment. The platform's purpose is to strengthen the competitiveness of Africa's goods and services, and to contribute towards the industrialisation of the continent and its sustainability. AFRAC is a recognised region under the ILAC and IAF Mutual Recognition Arrangements (MRA), which allows for the global acceptance of results produced by CABs accredited by AFRAC member Accreditation Bodies (AB's).

In the 2021/2022 financial year, the strategic objective of the AFRAC Secretariat (hosted by SANAS) was to support regional integration on matters of accreditation. This was measured through the Secretariat's Annual Performance Plan, of which 90% of the planned key interventions were successfully carried out, and which resulted in:

- Successful Mid-term and General Assembly meetings, allowing AFRAC to meet its strategic objectives;
- Successful re-evaluation of the AFRAC Secretariat by ILAC and IAF;
- AFRAC's successful evaluation of five (5) accreditation bodies, with SANAS being one of the Accreditation Bodies that were evaluated;
- Securing of funding for AFRAC projects;
- Review and improvement of AFRAC policies and procedures; and
- Reports to ILAC and IAF on the MRA activities of AFRAC.

### • The Southern African Development Community Cooperation in Accreditation (SADCA)

SANAS currently hosts the SADCA Secretariat, as well as the SADC Regional Coordinator for Accreditation, appointed in terms of the TBT Annexure to the SADC Trade Protocol. SANAS also hosts the positions for the SADCA MRA Committee Chairperson and the SADCA Technical Committee Chairperson. The TBT Annexure to the SADC Trade Protocol mandates SADCA to provide SADC Member States with accreditation infrastructure. The purpose of this mandate is to facilitate national, regional, and international recognition and acceptance of conformity assessment results, and in turn facilitate trade and protect the health and safety of the public and the environment.

In the 2021/2022 financial year, the strategic objective of the SADCA Secretariat was to support regional integration of accreditation. This was measured through the Secretariat's Annual Performance Plan, of which 90% of the planned key interventions were successfully carried out which resulted in the following:

- Successful holding of General Assembly and meetings, allowing SADCA to meet its strategic objectives;
- Successful initial ILAC/IAF evaluation of the SADCA Secretariat, as the first step in obtaining its international recognition as a regional accreditation cooperation for the SADC region, thus enabling SADCA to meet its mandate;
- Finalisation and publication of the SADCA Annual Report;
- Full implementation of the newly developed SADCA website; and
- Timely submission of reports to ILAC/IAF on the MRA activities of SADCA.

#### 4.2.2.2 Ensuring the Quality of our Final Products

The Administration Coordination sub-programme provides administrative support to SANAS' core business viz. all Accreditation Programmes. The function of the sub-programme is to ensure quality and timely delivery of services and end-products (Certificates and Scopes of Accreditation) to our customers. Vital to this sub-programme is to improve the accreditation administration processes. This is achieved through the monitoring of performance outputs, review of process and procedures, and the continuous training of our administrative staff.

In the year under review, the focus remained on improvement of all accreditation administrative processes. These were administrative challenges that were identified during various quality management procedures. This area also focussed on implementation of corrective action plans from the outcome of the Customer Satisfaction Survey. The interventions implemented during this period yielded positive results seen through noticeable improvement in the turnaround time of decision-making and communication processes.

#### 4.2.2.3 Creating Efficiencies through Information and Communications Technology (ICT) Management

In the past financial year, notwithstanding having to deal with the global Covid-19 pandemic and a national lockdown which introduced hybrid working, SANAS IT ensured that business continuity was a priority by ensuring that SANAS has access to IT Services, Communication tools and enabling technology. The business unit focussed on ensuring that SANAS is enabled to deliver on the following:

- Continued conducting of accreditation assessments remotely;
- Hosting of virtual business-critical meetings, training webinars and stakeholder engagement; and
- Providing remote customer or client support.

The development of the Online Accreditation System (Shanduka) continued during the reporting period and was successfully completed. This system will ensure efficiencies and reduce errors as the process will be fully automated. By the end of the period under review, focus was on transitioning, integrating, and on-boarding of the Accreditation Technical Assessors and clients to enable the system to be utilised fully.

To ensure continuous improvement and enhancements in line with customer insights, the following initiatives have been initiated:

- Integration of the financial system to the Online Accreditation System (Shanduka) with the aim of enabling functionality to automate quotations, invoicing, and payment processes;
- The development and implementation of a virtual assistant with the aim of assisting valued clients with the online accreditation application process; and
- Introduction of a call centre to ensure quick and efficient support to clients.

#### 4.2.2.4 IT Security - Cyber-Security and Business Continuity in a Covid-19 Era

In the period under review, SANAS accelerated business continuity, adoption of digital transformation and business automation to meet its business objectives. The business continuity strategy aimed at ensuring that SANAS staff work through a hybrid working arrangement and also created an IT Disaster Recovery Site (i.e., Secondary site) to minimise any likelihood of business disruption.

Business Continuity and the need to secure customer and employee information has become imperative during the hybrid working arrangement. In addressing this important need, SANAS utilised a continuous improvement approach in implementing a cyber security framework whilst ensuring alignment to the

ISO/IEC 27001 and Control Objectives for Information and Related Technology (COBIT) Framework. The cyber security framework helps SANAS to protect its information assets, improve business continuity and customer experience, thus meeting SANAS strategic objectives.

To ensure proper maintenance of Data and Information Security needs of all stakeholders (i.e., staff, customers, suppliers, contractors, etc) in accordance with the Protection of Personal Information Act of 2013 (POPIA), SANAS continually improves staff knowledge on cyber-attacks and application of Data Protection Controls. SANAS aims to improve staff awareness, Corporate Security Culture, and Cyber-security Readiness according to Global IT Security Government Awareness Index through online training and continuously testing its IT systems for vulnerabilities. Such deliberate strategies and tactics have resulted in reduced cyber security incidents, increased cost savings, improved business continuity and enhanced customer experience.

#### 4.2.2.5 Communications and Marketing - Engaging our Stakeholders

The Communication and Marketing Sub-Programme is committed to continue facilitating activities that aim to increase awareness of the value of SANAS services and offerings as well as to elevate the SANAS brand profile.

The activities are aligned with the priorities outlines in the SANAS Strategic Plan, its Annual Performance Plan, and the approved Marketing and Corporate Services Annual Plan that caters for both internal and external stakeholders and partners.

Compilation and approval of the Stakeholder Engagement Plan was done in the first quarter of the year under review. That plan guided the engagements with promotional messages specific to the various accreditation programmes and accreditation requirements. Activities towards engaging stakeholders included brand management like advertising, collaboration with stakeholders, industry partnerships, and client relationship management.

- **Brand Management**

Brand messaging included above and below the line campaigns to educate various stakeholders, and the general public.

- **Above-the-line advertising**

Raising awareness amongst the general public, youth, various industries and tertiary students remains a priority and was achieved during the year under review by placing advertisements in various print media publications and advertisement inserts in community radio stations as well as billboards.

The mass targeting approach towards educating the general public about the SANAS brand and the benefits, focussed on using cost and reach effective platforms of outdoor media such as billboards around Gauteng, Kwazulu-Natal and Western-Cape, as follows:

- **Billboards (out-of-home-advertising):**

The billboards displayed on the following major routes carried content about various accreditation programmes:

**Gauteng Province** - (R21 – Freeway travelling to OR Tambo International Airport; N1 – Danie Joubert Freeway, after the Botha Avenue off-ramp; N1 – Centurion interchange; and Gillooly's Interchange at the N3 split)

**Kwazulu-Natal Province** - (N2 Highway Durban facing traffic travelling south from N2/N3 Cloete Interchange)

**Western Cape Province** - (N2 Highway travelling to Stellenbosch from Cape Town International Airport)

- **Community Radio Station Campaigns**

SANAS also profiled the accreditation programmes at the following Community Radio Stations across the three provinces mentioned below:

**Free State Province** - (Mosupatsela FM 107.4; and Qwaqwa Radio 100.3 FM)

**Northwest Province** - (Mahikeng FM 96.7; and Kopanong FM Radio)

**Northern Cape Province** - (Taemaneng 89.1 FM; and Kurara FM)

These awareness campaigns, in a form of recorded live-reads and advertisements, were aired in the morning and afternoon drive shows from 31<sup>st</sup> January to 25<sup>th</sup> February 2022, on weekdays from Monday to Friday.

- **Print media advertising**

SANAS placed an advert in the publications listed below, which cover a variety of readership, in order to continue promoting and creating awareness of the SANAS brand:

- TFM Magazine (June 2021 edition);
- Leadership Magazine (March 2022 edition);
- Rural2Rural Connect Publication (March 2022 edition); and
- Green Youth Connect (March 2022 edition).

- **Stakeholder Engagements**

Various external stakeholder engagements in the form of events and workshops, hosted virtually, conveyed key messages regarding the integrity of SANAS, service reliability, trust, processes, requirements as well as confidence about SANAS' accredited organisations. The engagements included the following:

- **World Accreditation Day (WAD)**

SANAS celebrated World Accreditation Day (WAD) on the 09<sup>th</sup> of June, via the zoom webinar, with the objective to put focus on the value of accreditation and raise awareness of the importance of accreditation. The theme focused on how accreditation supports the implementation of the Sustainable Development Goals (SDGs). Presentations highlighted how SANAS supports government in achieving the SDGs through the accreditation of Conformity Assessment Bodies, with a focus on four sectors, namely: i) Agriculture; ii) Local manufacturing with special focus to the textile industry; iii) Renewable energy; and iv) Infrastructure (Building new roads). SANAS has accredited several CABs operating in three of the four sectors mentioned above. The fourth sector, Renewable energy, is relatively new and SANAS is yet to accredit any facility operating in this space.

- **Regulators Meeting**

The Regulators Meeting attended by representatives from various government departments, regulators, and other related industries was hosted on 12<sup>th</sup> of August, via the zoom webinar, with the purpose to give insight on the role of accreditation and how it supports economic growth in different industries.

- **Communications Meeting**

The annual communications meeting hosted to communicate changes, relevant notifications, resolutions and important matters concerning accreditation (to all accredited stakeholders), was hosted via a Zoom Webinar on Tuesday, 05 October 2021. Communication included feedback and update on accreditation matters, such as changes and updates at SANAS, ILAC/IAF updates, Peer Evaluation feedback (Extension of scopes) and the AFRAC Evaluation.

- **New Applicants Workshop**

The 2021 New Applicants Workshop was hosted through a Zoom Webinar on Thursday, 18 November 2021. New clients that are applying for accreditation for the first time were informed about the SANAS accreditation related information that included SANAS processes, procedures, terms and conditions and other relevant information that might simplify the application process.

- **Accreditation Information Session**

On 03 March 2022, SANAS hosted a virtual accreditation awareness session with the aim of highlighting how accreditation impacts everyone's daily life. The main objective of this session was to give insights on how accreditation impacts everybody's day-to-day activities with the focus on "Accreditation delivering confidence in the Manufacturing industry". This session was attended by SANAS Board of Directors, Executives / Directors together with COTI members from **the dtic**, members of the public and SANAS staff members.

- **Technical Expert and Assessor Workshop**

Over the years, the accreditation team observed that not enough attention is given to Technical Experts and/or Assessors that are not being used frequently to perform assessments. In an attempt to address this shortcoming, SANAS hosted the Technical Experts/Assessors Workshop to discuss all matters pertaining to Assessment Performance. This virtual workshop took place on 20 January 2022 and was aimed at

appraising Technical Experts and other Assessors that are used sporadically on all matters pertaining to assessments. Topics covered were aimed at equipping and guiding technical experts/assessors in performing assessments, bearing in mind that the majority of attendees were not trained on how to do assessments, as well as their infrequent use in performing assessments.

- **Annual Assessor Conclaves**

The Annual Assessor Conclave took place on Thursday, 17 February 2022. The primary goal of this virtual meeting was to engage and update all assessors on assessment requirements and processes. Regional and international updates, together with updates on business continuity under lockdown. This was the second time this session was hosted online.

- **Industry Partnerships and Collaboration**

It is important that SANAS continues to participate in various industry engagements in order to ensure that it shares relevant and correct information about the accreditation offerings and requirements, as such SANAS participated at the following engagements:

- **Southern African Asset Management Association (SAAMA) Virtual Conference**

As part of the new programme development, SANAS promoted the new asset management accreditation scheme at the inaugural Southern African Asset Management Association (SAAMA) Virtual Conference held on the 23<sup>rd</sup> and 24<sup>th</sup> June 2021. The platform afforded SANAS the opportunity to profile the accreditation requirements for the new asset management accreditation scheme. Accreditation will provide a formal recognition of technical competence and impartiality of those Conformity Assessment Bodies.

- **3rd Annual Point of Care Testing (POCT) Africa Conference**

The 3rd Annual Point of Care Testing (POCT) Africa Conference was hosted virtually from 11 to 12 May 2021, focused on framing the role of POCT in the expanding Global Health field and highlighted existing opportunities in many parts of the world. The successful implementation of quality management is a challenge in the area of POCT, therefore it is deemed important to integrate the aspects of quality management for POCT into the QMS of the hospital and requires constructive cooperation between all stakeholders. In order to share information about the SANAS offerings, SANAS presented on the role of accreditation, with the focus on the accreditation to ISO 22870 "Point of Care Testing" and how it links to ISO 15189 Medical laboratory accreditation standard. The presentation also highlighted the importance of accreditation within the Global Health across the continent.

- **National Blood Safety WebEx**

SANAS presented at the South African National Blood Service National Blood Safety WebEx on-line meeting on 10 September. This platform was used to highlight accreditation requirements that can improve the reliability of services provided by the national blood services.

- **World Quality Day Collaboration:**

In recognition of World Quality Day, the Tshwane University of Technology Centre for Entrepreneurship in partnership with African Entrepreneurship Compass (AECkonsult) collaborated with SANAS by hosting an online World Quality Day dialogue on 30 November 2021. The theme of the dialogue was "Importance of quality sustainability and its influence on environmental, social and governance (ESG) in entrepreneurship", with the focus on the importance of Quality Management System (QMS) for entrepreneurs and the current shifting of the continent to Africa continental free trade area.

- **Broad-Based Black Economic Empowerment (B-BBEE) Workshop**

The Department of Economic Development and Tourism (DEDAT) – Northern Cape hosted the annual B-BBEE Compliance and Reporting Workshop on 17 November 2021. The workshop was intended to assist sector departments and municipalities in the Northern Cape with B-BBEE Compliance and Reporting as this has been a challenge to most of the departments and municipalities, and to assist with the understanding of the B-BBEE requirements guidance on resolving challenges in B-BBEE compliance and reporting. **the dtic**, SANAS, Northern Cape Provincial Treasury (NCPT); and Gauteng Department: Economic Development (GDED) were also part of this workshop.

SANAS participated by presenting on the B-BBEE Compliance and Reporting Requirements for departments, municipalities and shared information about the accredited verification Agencies that can be used in the industry.



- **Tertiary Institution Awareness Campaign/Collaboration**

SANAS is committed to creating awareness through Tertiary Institutions within SANAS business-related departments, and in-line with that. SANAS participated at the University of Kwazulu-Natal (UKZN) Post-Graduate Research and Innovation Symposium (PRIS 2021) that was hosted virtually on 09 and 10 December by the UKZN College of Agriculture, Engineering and Science. This platform afforded SANAS an opportunity to showcase its offerings to academics, students and external guests who were invited, amongst which were local and international partners in government as well as private and public tertiary institutions.

- **Customer Relationship Management**

SANAS' regular engagement with its stakeholders is aligned with its commitment to transparent reporting. SANAS continued to service and communicate with all its key stakeholders. Doing so included the extensive use of its customer relationship management tools like bulk short messages, bulk e-mailers, and internal and external newsletters.

All SANAS' marketing and communication stakeholder engagements during the year under review were conducted via virtual platforms. Regardless of the financial constraints and challenges due to the pandemic, promotion of SANAS and its brand surpassed the related annual targets.

Internal and External marketing communication during the year under review therefore contributed to accelerating and strengthening activities that position the SANAS brand and its value.

#### 4.2.2.6 Institutional Outcomes for Programme 2

Organisational sustainability

## Outcomes, Outputs, Output Indicators, Targets and Actual Achievements:

| Programme / Sub-programme: Corporate Services |   |   |   |   |  |   |   |                        |
|---|---|---|---|---|--|---|---|------------------------|
| Outcome                                       | Output  | Output Indicator  | Audited Actual Performance 2019/2020  | Audited Actual Performance 2020/2021  | Planned Annual Target 2021/2022  | Actual Achievement 2021/2022  | Deviation from planned target to Actual Achievement 2021/2022 | Reasons for deviations |
| Organisation sustainability                   | Internal business excellence                      | Percentage completion of planned stakeholder engagements in line with Stakeholder Engagement Plan (includes international, regional and national engagements) | 23 cumulative. Three additional interventions achieved  | The annual target of finalising and rolling out 90% of the approved annual Stakeholder Engagement plan was overachieved                     | Finalise and roll out 90% of the Annual Stakeholder Engagement Plan approved by relevant Executive Manager | Annual Target achieved. 90% of the planned activities within the approved Annual Stakeholder Engagement Plan were rolled-out  | Not Applicable  | Not Applicable         |
|   | Internal Business Excellence (Managing Resources) | Percentage of vacancy rate out of the total funded positions for the financial year.  | 5% vacancy rate of funded/ budgeted positions. Actual 4.7% vacancy rate. Average 3.5% vacancies of 74 budgeted positions. | Vacancy rate for all quarters was less than the maximum targeted. Average target for the year was 1.7% (4.1%+1.4%+1.4%+0% = 6.9% / 4 = 1.7% | Manage annual vacancies by maintaining a vacancy rate of not more than 5% of 75 funded positions in the FY | Annual Target achieved. Vacancy rate for all quarters were less than the targeted maximum of 5%. Average target for the reporting period was less than 1% (1.3% 1.3%+1.3%+0% = 3.9% / 4 = 0.97% | Not Applicable  | Not Applicable         |



## Linking performance with budgets

| Programme          | 2020/2021    |                    |                          | 2021/2022     |                    |                          |
|--------------------|--------------|--------------------|--------------------------|---------------|--------------------|--------------------------|
|                    | Budget       | Actual Expenditure | (Over)/Under Expenditure | Budget        | Actual Expenditure | (Over)/Under Expenditure |
|                    | R'000        | R'000              | R'000                    | R'000         | R'000              | R'000                    |
| Corporate Services | 7,286        | 4,467              | 2,819                    | 14,810        | 10,503             | 4,307                    |
| <b>Total</b>       | <b>7,286</b> | <b>4,467</b>       | <b>2,819</b>             | <b>14,810</b> | <b>10,503</b>      | <b>4,307</b>             |

### Strategy to overcome areas of under-performance

Not applicable as all planned targets were achieved.

### Changes to planned targets

There were no changes to the annual targets during the course of the 2021/2022 financial year.

## 4.3 PROGRAMME 3: STRATEGY AND DEVELOPMENT

### 4.3.1 Programme Purpose

The purpose of this programme is to provide effective direction and leadership in developing accreditation programmes in new fields, project development as well as knowledge transfer to the SANAS assessor pool and accreditation clients. These initiatives are all aimed at driving the government's sub-regional, regional and international objectives. Its purpose is also to support South Africa's objective of effective regional integration by playing a leadership role in accreditation development in the SADC region and the African continent.

### 4.3.2 Description of the Programme

The sub-programmes that fall under this programme include Knowledge Transfer and New Programme Development.

#### 4.3.2.1 Knowledge Transfer

The SANAS Knowledge Transfer Department (KTD) provides the following services:

- Lateral Services in the form of SANAS staff members, Team Leader's and Technical Assessor training;
- Cognate Services to support the development of new accreditation programmes in line with the dtic's Master Plans and industry needs; and
- Commercial Services to accredited SANAS clients and future accreditation clients.

During the financial year under review KTD successfully provided the following services:

- Lateral Services: 2 technical assessor courses were conducted which were attended by 30 participants. As part of the SANAS employee induction programme, 1 full ISO/IEC 17011:2017 course was conducted which was attended by 8 employees. A refresher workshop on the same standard was also conducted for 3 current employees.
- Cognate Services: KTD also participated in an information session organised by the SANAS Marketing department to create awareness on the role of accreditation in the automotive sector value chain and regulatory framework.
- Commercial Services: KTD has continued to respond to the training demand on accreditation-based standards. In this regard, 18 In-house courses were conducted at client premises, attended by 217 participants. 43 resident courses were presented at SANAS premises attended by 565 participants. In response to Covid-19 regulations and clients' preferences, KTD presented the courses in the following modes: candidate-to-facilitator contact courses, virtual platform courses and hybrid approach between contact and virtual courses. The courses presented covered the South Africa and other countries such: Mozambique, Botswana, Zimbabwe, Ghana, Ireland and Nigeria.

Overall, in the 2021/2022 financial year, 65 courses, attended by 823 candidates were conducted. The SANAS KTD prides itself in delivering services that meet and exceed its clients' expectations as confirmed by its annual customer satisfaction index of 96% across all services provided. The success achieved is as a result of professional and dedicated contributions of the KTD team.

#### 4.3.2.2 New Programme Development

- **Asset Management System Accreditation Scheme**

During the year under review, the Asset Management System accreditation scheme development was rolled-out at the South African Asset Management Association (SAAMA) annual conference that was held virtually during 23-24 June 2021. The accreditation scheme will continue to be promoted within the physical and intellectual property assets fraternity moving forward.

The CABs that will be providing management system certification according to SANS ISO 55001 will be accredited according to ISO/IEC 17021-1 and ISO/IEC TS 17021-5. Accreditation will be giving formal recognition of technical competence and impartiality of those CABs.

- **Business Incubator and Accelerator**

South Africa's economic growth and jobs creation are set to be driven through the development of the SMMEs. For these goals to be attained, SEDA is developing the ecosystem required for the development of incubators and accelerators within the private and public sector. These incubators and accelerators will be required to meet the minimum requirement of South African Technical Specification (SATS) 2234: 2020.

During the year under review, SANAS convened six (6) working group meetings to develop the Technical Requirements document that will be used to accredit Conformity Assessment Bodies in Business incubators and accelerators. Furthermore, in the development of the scheme, potential technical assessors were sourced and are to be processed in line with requirements of Technical Assessors outlined in the SANAS policy and procedure. The scheme development will continue in the next financial year.

#### 4.3.3 Institutional Outcomes for Programme 3

- Government achieving policy objectives (Health, Safety, Environment and Regional Integration)
- Competitiveness of South Africa Enterprises

## Outcomes, Outputs, Output Indicators, Targets and Actual Achievements:

| Programme / Sub-programme: Strategy and Development   |   |   |   |  |   |   |   |   |
|---|---|---|---|--|---|---|---|---|
| Outcome   | Output                                      | Output Indicator  | Audited Actual Performance 2019/2020  | Audited Actual Performance 2020/2021   | Planned Annual Target 2021/2022   | Actual Achievement 2021/2022  | Deviation from planned target to Actual Achievement 2021/2022 | Reasons for deviations  |
| Government achieving policy (Health, Safety, Environment and Regional Integration objectives) | Acceptance of conformity assessment results | Number of new accreditation programmes developed and rolled in line with the National Development Plan (NDP)/Medium Term Strategic Framework (MTSF) | Initiate = 0<br>Develop =1<br>Roll Out = 0<br>87% of targets achieved.<br>Only training of candidate assessor was cancelled. (3.5 target out of 4 achieved) | Two stakeholders' meetings were convened. One organised by SANAS and the other by SEDA in an effort to finalise the establishment of the working group | Develop – 1 programme and implement 70% of the project. (Business Incubators and accelerator) | Annual Target not achieved.<br>Technical Requirements were developed and Technical Assessors were sourced.                  | Deviation not quantifiable                                    | Although all planned quarterly targets were achieved however, the achievement of the planned quarterly targets could not be quantified and verified in line with the 70% targeted achievement as per the Annual Target. |
| Competitiveness of South Africa enterprises   | Service delivery excellence                 | Number of new accreditation programmes developed and rolled out for industry  | Initiate = 0<br>Develop = 1<br>Rollout = 0<br>33% of targets achieved. Feasibility study concluded. Pre-working group workshop was cancelled                | Technical Assessors were sourced and trained. One application for accreditation was received.  | Develop – 1. Programme and implement 90% of the project. (Asset Management)                   | Annual Target achieved.<br>Engaged the Asset Management Industry Association and rolled-out the Asset Management Programme. | Not Applicable  | Not Applicable  |

| Programme / Sub-programme: Strategy and Development   |   |  |                                      |  |  |   |   |
|---|---|--|--------------------------------------|--|--|---|---|
| Outcome   | Output                                      | Output Indicator   | Audited Actual Performance 2019/2020 | Audited Actual Performance 2020/2021   | Planned Annual Target 2021/2022  | Actual Achievement 2021/2022  | Deviation from planned target to Actual Achievement 2021/2022 |
| Government achieving policy (Health, Safety, Environment and Regional Integration objectives) | Acceptance of conformity assessment results | Percentage of <b>the dtic's</b> engagements participated in and/or advised on, in support of government-to-government trade negotiations | New measure                          | The Tripartite Free Trade Area (TFTA) meeting was cancelled due to legal technicalities. SANAS is in constant contact with ITED. | Participate and/or advise on 100% of <b>the dtic's</b> engagements required. Participate in the acceptance of conformity assessment results within AfCFTA, TFTA, BRICS and WTO | Annual Target achieved. Participated and/or advised on 100% of <b>the dtic's</b> engagements. This was achieved through participation in a TFTA for conformity assessment meeting, participation in <b>the dtic's</b> TBT programme as well as through providing input on Conformity Assessment requirements and SANAS' role going forward. Furthermore, SANAS presented to the WTO Thematic Session on the acceptance of CA results. | Not Applicable  |

## Linking performance with budgets

| Programme/<br>activity/<br>objective | 2020/2021 |                       |                             | 2021/2022 |                       |                             |
|--------------------------------------|-----------|-----------------------|-----------------------------|-----------|-----------------------|-----------------------------|
|                                      | Budget    | Actual<br>Expenditure | (Over)/Under<br>Expenditure | Budget    | Actual<br>Expenditure | (Over)/Under<br>Expenditure |
|                                      | R'000     | R'000                 | R'000                       | R'000     | R'000                 | R'000                       |
| Strategy and development             | 4,028     | 915                   | 3,113                       | 5,244     | 1,006                 | 4,238                       |
| Total                                | 4,028     | 915                   | 3,113                       | 5,244     | 1,006                 | 4,238                       |

### Strategy to overcome areas of under-performance

In relation to the target of developing and implementing 70% of the Business Incubator and Accelerator project, all planned quarterly targets were in fact achieved. However, the achievement of quarterly targets could not be quantified to confirm the achievement of 70% of the project, hence the target has been reported as not achieved. Going forward, SANAS will ensure the development of an approved project plan inclusive of milestones to be undertaken in the development of the programme, in order to determine the percentage progress.

### Changes to planned targets

There were no changes to the annual targets during the course of the 2021/2022 financial year.

## 4.4 PROGRAMME 4: ACCREDITATION PROVISION

### 4.4.1 Purpose

The purpose of this programme is to provide, manage and maintain accreditation services for new and existing clients in both the voluntary and regulatory domain.

### 4.4.2 Description of the programme

This programme is responsible for managing the accreditation of new and existing clients in terms of legislation and international good practice, and for ensuring that accredited organisation's services are available to the South African Industry and Regulators. The programme covers general testing laboratories, medical laboratories, blood transfusion facilities, veterinary laboratories, Good Clinical Practice (GCP), pharmaceutical laboratories, forensic laboratories, certification bodies, mechanical and physical testing laboratories, calibration laboratories, repair and verification bodies as well as Broad-Based Black Economic Empowerment Rating Agencies. Furthermore, SANAS grants compliance recognition to the Good Laboratory Practices' (GLP) facilities in accordance with the OECD GLP requirements.

#### 4.4.2.1 Calibration Laboratories

The 2021/2022 fiscal year has proven to be yet another year in which South Africans and accreditation in general have been affected by the Covid-19 pandemic as this continued to impact the way assessments were conducted. More recently the advent of the omicron variant of the virus, which has the disadvantage of being more transmissible but with effects being less severe, has allowed the Calibration program to return to conducting on-site assessments, with remote or 'hybrid' assessments becoming the exception rather than the norm. Returning fully to on-site assessments will allay any fears that the remote assessment is less vigorous and will ensure that the technical competence through the witnessing activity remains at the forefront of any assessment. The ILAC and IAF have also indicated their desire to conduct their Peer Evaluations physically rather than remotely as soon as conditions allow.

The Calibration program participated in the AFRAC Peer evaluation of SANAS that took place during the week of 2 to 6 August 2021 using remote assessment techniques, during the reassessment of the SANAS accredited calibration laboratory. This assessment was witnessed by an AFRAC appointed peer evaluator.

Whilst the general trend during the Covid-19 pandemic has been a reduction in the number of accredited calibration laboratories, an increase in the number of new applicants in the field of calibration during Quarters 3 & 4 of the 2021/2022 fiscal year was recorded. As the South African industry has been fairly stagnant during the same period, it would be fair to surmise that this is as a result of an increased demand for the services of SANAS accredited calibration laboratories.

#### 4.4.2.2 Producers of Certified Reference Materials

During the fiscal year 2021/2022, a decision was taken to amend the name of this program from Certified Reference Materials (CRM) to Reference Material Producers (RMPs). This was undertaken to accommodate those producers who do not necessarily certify the reference materials that they produce. The accreditation standard ISO 17034 remains unchanged as the standard covers the requirements for both Reference Materials and Certified Reference Materials.

The Reference Material program participated in the AFRAC Peer evaluation of SANAS that took place during the week of 2 to 6 August 2021 using remote assessment techniques. This peer evaluation served two purposes, the first being to obtain SANAS recognition directly from AFRAC (previously recognition had been directly from ILAC), and secondly to allow AFRAC to be evaluated with the intention of extending their scope to include reference material production. The assessment team was therefore joined by Peer Evaluators representing both ILAC and AFRAC.

At present there are five accredited facilities providing this service in South Africa covering the following:

- Various minerals serving the mining industry;
- Reference gasses for chemical manufacturing and pollution monitoring;
- Reference materials used for legal traceability for blood alcohol measurement purposes;
- Reference materials used in the food industry (Mycotoxins); and
- Coal and coal ash.

These RMPs assist testing laboratories seeking confirmation of their metrological traceability by the use of reference materials.

#### 4.4.2.3 Proficiency Testing (PT) Providers

The accreditation of providers of Proficiency Testing (PT) Schemes is necessary for Conformity Assessment Bodies wishing to meet the proficiency testing requirements of the various standards to which conformity accreditation bodies are accredited. Proficiency Testing allows laboratories, and inspection bodies (where applicable), to demonstrate their capability to produce measurement results that are both reliable and competent. Proficiency testing is an essential tool to the accreditation process.

At present SANAS has accredited 13 Providers of Proficiency Testing Services, two of whom are located outside of South Africa (in Uganda and Nigeria).

Many of the accredited PT Scheme providers offer their services to Medical Laboratories, whilst others offer their services in the mining sector and water testing, both potable and waste. One of the PT providers provides proficiency testing for Calibration laboratories.

As with the Calibration and Reference Material program, this program formed part of the AFRAC Peer evaluation, and was part of the process that would allow AFRAC to extend their scope to include proficiency testing.

#### 4.4.2.4 General Testing Laboratories

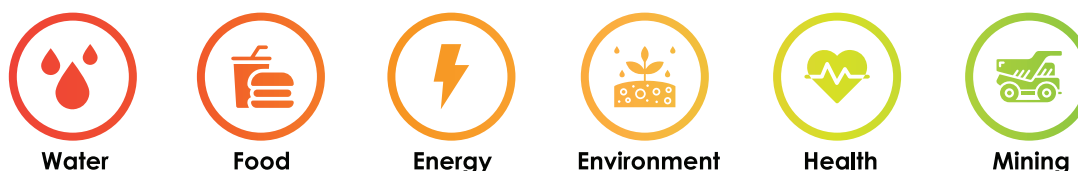
During the year under review, the chemical and microbiology sub-programme saw a slight growth of just over 3.5% compared to the previous financial year. Currently, the sub-programme has 306 accredited CABs. Before the Covid-19 pandemic, the year-on-year growth of the sub-programme was between 8 – 10%. The sub-programme is expected to perform better in the coming financial year than it did in the past two years especially with the easing of lockdown restrictions. Apart from growing vertically (i.e., in numbers), the program is known for bullish horizontal growth through accredited laboratories expanding their scope of operation, and the 2021/2022 financial year was no exception. This type of growth helps the sub-programme to be financially self-sufficient.

In accordance with the SANAS vision of pioneering and leading the future of accreditation in Africa, and delivering services with a spirit of excellence, the sub-programme has accredited CABs in two of the five regions on the continent, namely Western, and Eastern Africa. In the previous year, SANAS successfully handed over all the accredited CABs in the SADC region to our sister Accreditation Body (AB), SADCAS.

Plans are afoot for SANAS to partner with other Abs in countries and/or regions where we are still operating in, e.g., Kenya Accreditation Services (KENAS) and West African Accreditation System (WOAC) in line with the Cross-Frontier policy. This policy discourages competition amongst ABs. Accordingly, the ultimate goal is for SANAS to handover all the CABs that it has accredited in countries and/or regions that now have their own ABs. This policy was successfully implemented in the SADC region with the sub-program no longer operating in, owing to the existence of the regional AB - SADCAS. However, SANAS will continue participating in various SADCA and AFRAC technical committees which endeavour to strengthen accreditation within the continent.

The sub-programme has a total number of 74 assessors of which 52 are from the previously disadvantage (PDIs) groups, which translates to 70% PDIs. Thus, the program has achieved the set assessor pool transformation target. In the previous year, 16 people were trained as assessors of which 82% were PDIs and 75% women. Furthermore, there are plans to train another batch of 16 candidates in 2022/2023 financial year. Accordingly, the number of PDIs is likely to grow to over 80% by the end of the next financial year.

There were no material findings raised against the testing sub-programme by the peer evaluators during the peer evaluation that took place during the second quarter of the year under review. The programme was found to be functioning effectively and efficiently. Worldwide, accreditation of testing laboratories plays a vital role in the growth of the country's economy by ensuring that it stays competitive in the global market. The testing sub-programme has accredited laboratories in key economic sectors, namely:



#### 4.4.2.5 GLP Monitoring Authority

The GLP sub-programme has granted GLP compliance recognition to a total of 15 test facilities within the continent. In the period under review, only one facility was granted GLP compliance recognition, an increase of just 6.6%. A projected growth of between 20% – 30% was enormously hampered by the lockdown restrictions due to the Covid-19 pandemic. The test facilities that are part of the GLP sub-programme conducts studies on behalf of research organizations who intend to submit non-clinical health and environmental studies to national authorities for the purposes of assessing the health and environmental safety of chemicals and chemical products.

Currently, the GLP sub-programme is operating in three African regions, namely, Southern, Eastern and Western Africa. SANAS is the only GLP Monitoring Authority in the continent. South Africa achieved this historic feat in 2002. It was the first non-OECD member country to be accepted as a full-adherent member to the OECD Mutual Acceptance of Data agreement. The program's mandate is to monitor compliance to the OECD principles of Good Laboratory Practices by test facilities (research facilities) that conduct non-clinical health and environmental studies.

In South Africa, GLP is currently not mandatory. Receiving Authorities (regulators) responsible for assessing of the health and environmental safety of chemical and chemical products do not legislatively mandate test facilities that conduct non-clinical health and environmental studies to comply with GLP. Test facilities that are currently SANAS GLP compliant have done so on their own volition. However, efforts are underway by one of the regulators i.e., Department of Agriculture, Land Reform and Rural Development (DALRRD), to make GLP mandatory for certain types of studies. SANAS is working with both the department and the industry in ensuring that this becomes a reality. Until that happens, the GLP program will remain as one of the smaller programs within SANAS until such time that the regulators make GLP mandatory.

A growth of between 40% – 50% is projected in the next financial year (2022/2023). The anticipated growth is based on the number of applications that the sub-program is currently processing.



#### 4.4.2.6 Inspection Programme

Inspection Bodies (IBs) mainly operate in the regulatory domain where regulators, the relevant industry practitioners, and users of the services need to be confident that inspection bodies are competent to perform their specific duties. This is especially relevant in the case of bodies inspecting workplace health and safety requirements in accordance with the Occupational Health and Safety Act, those inspecting diagnostic imaging equipment such as medical and dental diagnostic X-ray equipment in accordance with the Hazardous Substances Act, and those inspecting compulsory standards in accordance with the National Regulator for Compulsory Specifications Act, etc. Inspection bodies also support the Green Industry Initiative through the measurement and verification of energy efficiency savings in accordance with the standard SANS 50010; and the energy performance of buildings in line with SANS 1544.

- **New Accredited Facilities**

Even though there has been some voluntary withdrawal of accreditation due to poor business sustainability as a result of Covid-19, and competitions within other sectors, the programme has witnessed growth as compared to the previous financial year, especially with Energy Performance, Steel Structure inspections as well as the Pressure Equipment Regulations. The IB for pressure vessels was the leader of the pack with a total of 25 accredited facilities, increasing the total accredited facilities within the inspection program to 264. This translates to a total of 9.5% growth in the period under review.

- **Highlights for Inspection Programme**

The highlight was the Energy Performance Certificate (EPC) scope, which is the latest offering within the inspection programme. It boasts a total of seven new accredited EPC facilities within a period of a year. By the end of the reporting period, there were 12 applications in progress for EPC in various stages of the application process, and it continues to attract enquiries of no less than five per day.

- **Assessor Pool in the Inspection Programme**

As SANAS makes use of (mostly) external assessors as part of the assessment teams that assist in achieving its mandate, the inspection programme currently has a total of 87 assessors in various fields. The programme is prioritising the training and appointment of more black assessors. In this regard the programme has 37% black assessors, and the plan is to improve this to include more black people in the assessor pool.

By the end of the reporting period, the Memorandum of Understanding (MOU) between SANAS and the South African Health Products Regulatory Authority (SAHPRA) was in its final stages of approval. Once approved and signed by the relevant representatives, the accreditation by SANAS will be made mandatory for various service providers within the control of SAHPRA.

#### 4.4.2.7 Legal Metrology/Verification and Repair Bodies

The function of the Verification and Repair bodies is to ensure the accuracy of measurement equipment used in trade and law enforcement, as well as the protection of health and wellbeing of the members of society and the environment. The Department of Trade, Industry and Competition, through consultation with all the relevant stakeholders, established the required legislation and applicable technical regulations via the National Regulator for Compulsory Specifications (NRCS) entity. All activities are guided by the Legal Metrology Act, 2014 (Act No. 09 of 2014), the Accreditation Act, and related accreditation requirements.

- **New Applications**

The Verification and Repair bodies program recorded a total of 32 new active applications. On a positive note, the verification programme has witnessed substantial growth with accredited repair bodies growing from 11 to 36 during the year under review. The verification program experienced a slight decline in the number of accredited facilities, as they reduced from 142 in 2020/2021 to 137 in 2021/2022. The most common reasons cited for the withdrawal of accreditation were lack of sufficient funds to sustain the business, due to the impact of Covid-19.



- **Memorandum of Understanding between SANAS and NRCS**

After a rigorous period of drafting the MOU between SANAS and NRCS, the MoU is in the process of being signed by the relevant representatives. This agreement will ensure that our activities are harmonised and managed within a legal framework.

#### 4.4.2.8 Mechanical and Physical Testing Programme

The accreditation offered by SANAS under the Mechanical and Physical Testing programme (M&PT) is highly beneficial to industry, in that, those accredited laboratories ensures that products and services in the field of engineering and manufacturing sectors adhere to the relevant safety and performance standards. The SANAS accredited laboratories derive international recognition status, due to the fact that SANAS is a signatory member of the International Laboratory Accreditation Cooperation (ILAC) Mutual Recognition Arrangements (MRA) and has been since 1992.

- **New Applications in the programme**

During the year under review the Mechanical and Physical program recorded a total of 46 active applications. These applications were from various sectors of the economy such as Metals, Plastics, Fibre and Polymer (22), Civil Engineering (18) whilst the remaining applications were received from Electrical and Electronic Appliances (6). This scenario is pleasing given that the sustainability and growth of the economy in these sectors depends substantially on accreditation which (among others) facilitates the global acceptance of testing results thus minimising Technical Barriers to Trade within the importing and exporting of goods and services between our country and its trading partners throughout the world.

- **Number of new accreditations**

Despite the challenges brought about by the pandemic, the Mechanical and Physical program still managed to record an annual increase of 5.4%, bringing the total number of accredited laboratories to 136 (from 129 in the previous financial year).

- **Assessor Pool**

In order to meet our mandate of transforming our assessor pool, seven potential technical assessors were recruited and trained during the year under review. Additionally, four team leaders were trained, and these trainees were in the final stages of being qualified.

#### 4.4.2.9 Pharmaceutical Laboratories Programme

The pharmaceutical industry is still at the forefront of ensuring that vaccines and medication is available to assist ordinary citizens in the fight against new diseases. To date, SANAS has accredited six facilities, including the one facility that is responsible for testing some of the vaccines (e.g., Polio, Measles and Yellow Fever) and the testing of everyday medication such as antibiotics and vitamins, including the testing of disinfectants used in health care facilities, including the food industry and the commercial sector.

SANAS continues to work collaboratively with the World Anti-Doping Agency (WADA) to ensure fairness in the sports and recreation sector. Interest continues to grow amongst laboratories in the testing of cannabis after the passing of legalisation on cannabis for medicinal use. In the 2021/2022 fiscal year, SANAS involved the regulator (SAHPRA) in clarifying the requirements/licenses and permits involved in ensuring that stakeholders are aware of the requirements for accreditation in cannabis testing. Although the number of pharmaceutical laboratories remained stagnant in the 2021/2022 fiscal year, these laboratories continue to play a significant role, and growth is expected to improve due to the new rules related to cannabis for medicinal use.

The Pharmaceutical, Blood Transfusion, Forensic and Veterinary Programme has in the 2021/2022 fiscal year trained an additional PDI assessor resulting in a PDI stats of 76% and will continue to grow because of the 2022/23 scheduled training through the Knowledge Transfer Department.

#### 4.4.2.10 Blood Transfusion Facilities

The Blood Transfusion facilities continue to provide life to those that need blood. The accredited laboratories, blood banks and donor sites work together in ensuring that donated blood is safe for transfusion to recipients and therefore, saving their lives. The end of the 2021/2022 fiscal year saw the transition (to ISO 15189) of Blood Transfusion establishments completed. The need for supporting documents for the ISO 15189: 2013 standard resulted in five Technical Requirements (TR) documents that were derived from the previous National standard "The Standards of Practice for Blood Transfusion in South Africa" to provide the much-needed support and guidance for assessors.

There was a slight increase in the number of accredited facilities, from 172 in the previous fiscal year to 176 by the end of 2021/2022 fiscal year. Overall, the programme continues to be cost efficient through conducting bulk assessments and through continuously identifying trainee assessors in the different provinces to minimise costs. The blood transfusion programme anticipates a slight increase in the number of facilities in the next financial year due to the accreditation of mobile donor clinics to the ISO 15189: 2013 standard.

#### 4.4.2.11 Veterinary Laboratory

According to the World Organisation for Animal Health evaluation "The Veterinary Services of South Africa is generally still of a great standard". This is all thanks to the veterinary laboratories that continue to work hard in diagnosing disease before they spread. Although new challenges continue to emerge and some of these diseases not known to anyone. Most of the diseases that we see today were almost unknown a decade ago and the radical change of trading conditions for animals is also one of the contributors to all these new diseases. The Veterinary programme continues to be at the forefront of ensuring the safety of ordinary South African citizens and their animal stock.

The latest outbreak in wild birds in February 2022 has highlighted the importance of quick detection by these laboratories which results in the disease being contained. SANAS continues to work with the Department of Agriculture, Land Reform and Rural Development to ensure that all veterinary laboratories (private and provincial laboratories) that test controlled and notifiable diseases must be accredited.

SANAS also works with the South African Veterinary Council to ensure that people working in the veterinary professions practice in an ethical manner. Not only are these laboratories critical in the prevention and controlling of animal diseases, but they also help in reducing sanitary risks in the import and export of animals and animal products.

There was a slight increase of 7% in the number of accredited laboratories for the 2021/2022 fiscal year. Horizontal growth has gone up by 15% after the decline in 2020/21 due to the Covid-19 pandemic. The accreditation of provincial laboratories will help see the programme slightly grow in the next FY and SANAS will continue to work with the regulator and statutory bodies to ensure that laboratories release accurate and consistent results.

#### 4.4.2.12 Forensic Laboratories

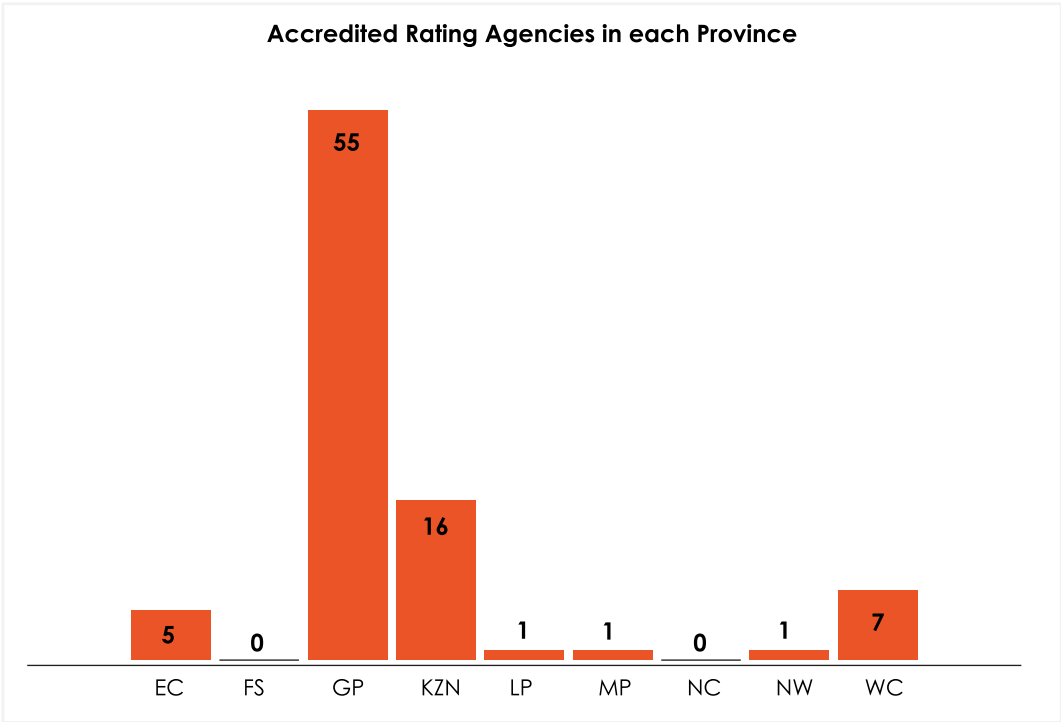
Forensic laboratories gather and examines evidence related to crime. South Africa is one of the countries with the highest gender-based violence cases. Forensic laboratories ensures that the identified offenders are held accountable for their actions. The Forensic DNA Regulation 7(1) states that "Forensic DNA testing must be performed in accordance with a management system of the forensic science laboratory in accordance with ISO 17025". This implicitly mandates all forensic laboratories to be accredited to ISO 17025. This also impacts on medical laboratories accredited to ISO 15189:2013 that mainly perform DNA testing; however, they need accreditation to ISO/IEC 17025:2017 standard. The impact of the act can only be determined in the coming years. Growth in this sector is still not anticipated. SANAS will continue to support and provide information to the different stakeholders as and when needed.

#### 4.4.2.13 Broad-Based Black Economic Empowerment (B-BEE) Verification Agencies

The B-BBEE programme ensures that related SANAS' accredited Rating Agencies produce accurate and reliable B-BBEE certificates and scorecards. This is of critical importance given that the outcome of the verification process is applied in decision-making processes like evaluating the suitability of organisations wishing to do business with government and private entities.

Five B-BBEE Rating Agencies were accredited by the sub-programme during the year under review, bringing the total up to 86 B-BBEE accredited Rating Agencies. It is pleasing to note that the black ownership statistics of accredited Verification Agencies is growing.

The chart below shows the number of ratings agencies in the different provinces:  
According to Statement 005 of the Broad Based Black Economic Empowerment Act, 53 of 2003, B-BBEE



Rating Agencies need to demonstrate transformation and rated as a Contributor to B-BBEE (Level 1 to 3 Contributor).

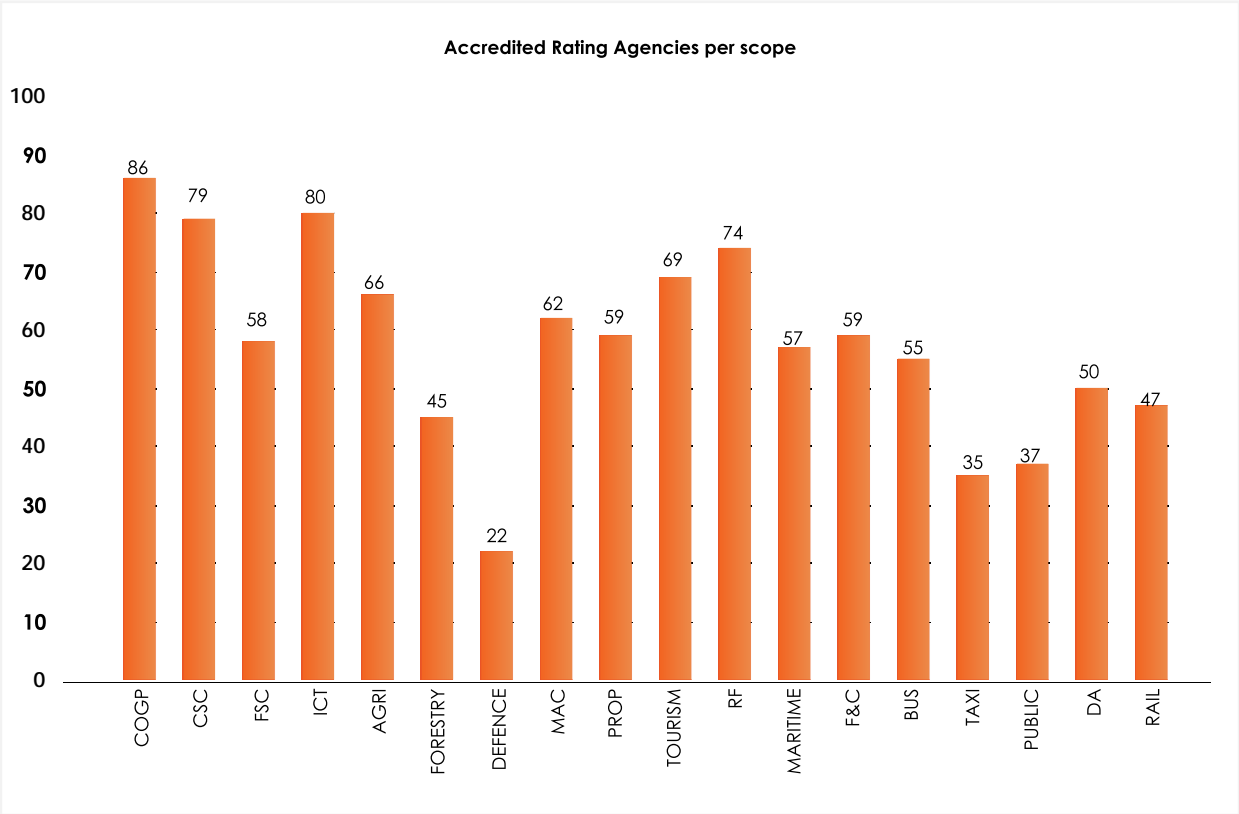
Despite challenging times brought about by the Covid-19 pandemic, which resulted in several withdrawals of accredited Rating Agencies, positive aspects are specific to transformation in the 86 B-BBEE Rating Agencies:

- 37 agencies are 100% Black Owned;
- 81 agencies are between 51% and 99% Black Owned;
- 9 agencies are less than 100% Black Female Owned;
- 30 agencies are less than 51% and 99% Black Female Owned;
- 4 agencies are less than 100% Black Youth Owned; and
- 15 agencies are less than 51% and 99% Black Youth Owned.

This is a remarkable achievement given that the Rating Agencies are a critical instrument in driving economic transformation towards ensuring that black people are involved in the mainstream economy. Thus, who else to monitor the transformation than the targeted groups themselves. Furthermore, SANAS ensures that black people are part of the assessor pool. Thus, 79% of this sub-programme’s assessor pool are black people.

The Sector specific Codes of Good Practice were gradually introduced in terms of Section 9(1) of the B-BBEE Act, No. 53 of 2003. The aim of these sector specific codes of good practice is to ensure that the transformation requirements are specific to the applicable sector. The significant number of SANAS accredited B-BBEE Rating Agencies that have extended their scope of accreditation to include the sector specific codes of Good Practice ensures that there are enough accredited agencies to service the industry.

The chart below shows the capacity of available accredited Rating Agencies for specific codes:



4.4.2.14 Medical Laboratories

In the 2021/2022 financial year, the medical programme continued to grow from 431 to 447 laboratories, which is a growth of 3.6% from the previous financial year. The growth has been impeded by the withdrawal of accreditation of 15 laboratories, which have been handed over to the SADC Accreditation Service, SADCAS, as they are within the SADC Region, and it was agreed that at reassessment they will be handed over to SADCAS. Most of these laboratories were in Namibia.

Accreditation of new medical laboratories is expected to grow in the near future, as SANAS has already received over 30 new applications, mainly from Uganda where SANAS is growing at a significant rate. The Uganda Ministry of Health has identified SANAS as the preferred Accreditation Body to offer accreditation in the country. SANAS has already accredited 33 new laboratories in Uganda. The Medical Programme has accredited laboratories within Kenya, Rwanda, Nigeria and Cameroon. It is envisaged that as soon as those countries establish their own internationally recognised National Accreditation Bodies, SANAS will surrender the laboratories following a mutually agreed process.

There has been a significant increase in accreditation for Covid-19 related accreditations within the new and existing facilities. To date, SANAS has accredited more than 80 laboratories for Covid-19, both for real-time reverse transcription–polymerase chain reaction and antigen testing respectively. This has contributed significantly within the country in ensuring that there are adequate facilities to conduct the Covid-19 testing.

The programme has a total of 129 active Assessors of which 76% are from Previously Disadvantage Individuals (PDIs). The programme has over-achieved on the set targets for PDIs. The programme is in the process of training more technical assessors to become team leaders, which will assist in increasing the SANAS Team Leader pool as well as having assessors who can assess both Technical and Management requirements, thus reducing costs eventually as only one person will be assigned to an assessment especially for small facilities and Regional Facilities.

#### 4.4.2.15 Certification Bodies

Accredited certification is increasingly being recognised as a valuable tool across a wide range of policy areas including better regulation, good governance, fair markets, and public confidence. This is particularly evident in areas as diverse as healthcare, food production, energy supply, climate change, and personal safety.

SANAS continues to develop and launch market-relevant accreditation schemes for modern management systems, and risk-based systems to achieve business sustainability. This includes management system standards like ISO 13485 which has increasingly become an important differentiator for organisations looking to improve their marketability in the medical device sector. On the one hand, the primary objective of ISO 13485 certification is to facilitate harmonised Medical Devices Quality Management System (QMS) requirements for regulatory purposes within the medical device sector. On the other, companies also value ISO 13485 certification as patients and other stakeholders' confidence is increased with the implicit promise of quality, consistency, and continuous improvement.

This Sub-Programme also continues to proactively manage accreditation of management system certification schemes in accordance with ISO/IEC 17021-1 which includes the following:

- quality management systems (ISO 9001);
- environmental management systems (ISO 14001);
- occupational health and safety management (ISO 45001);
- food safety management systems (ISO 22000);
- energy management systems (ISO 50001);
- road transport management systems (SANS 1395-1); and
- information security management systems (ISO/IEC 27001) – the most recent addition.

Customer-centricity and brand pride through the provision of strategic leadership is at the core of the SANAS culture and underpins the development of transitional arrangements in standards in energy management schemes such as ISO 50003:2021.

While SANAS continues to provide accreditation to other certification schemes in line with ISO/IEC 17065 (Product certification), ISO/IEC 17024 (Personnel certification), ISO 14065 (GHG Verification and Validation), and ISO/IEC 17029, it continues to establish stakeholder partnerships and regulatory alliances in launching industry-relevant accreditation schemes. Schemes like ISO 3834 that defines quality requirements suitable for fusion welding processes of metallic materials. It demonstrates a manufacturer's capability to produce welded constructions in accordance with specified criteria.

All the above developments call for driving the implementation of compliance with policies aimed at strengthening the SANAS brand and stakeholder interface. Doing so includes proactively monitoring the internal and external risk landscape, and most importantly, the recruitment of a diverse pipeline of qualified individuals representing South African demographics to meet the future accreditation needs. To date, over 85% of SANAS' trained assessors in various accreditation schemes for certification bodies are PDIs.

#### 4.4.3 Institutional Outcomes for Programme 4

- Competitiveness of South Africa's Enterprises;
- Improve SANAS' operational efficiency to deliver services with a spirit of excellence;
- Organisational Sustainability; and
- Government achieving policy objectives (Health, Safety, Environment and Regional Integration).

## Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

| Programme / Sub-programme: Accreditation  |                              |  |  |  |   |  |   |  |
|---|------------------------------|--|--|--|---|--|---|--|
| Outcome   | Output                       | Output Indicator   | Audited Actual Performance 2019/2020                 | Audited Actual Performance 2020/2021                     | Planned Annual Target 2021/2022   | Actual Achievement 2021/2022   | Deviation from planned target to Actual Achievement 2021/2022 | Reasons for deviations   |
| Improve competitiveness of enterprises  | Service delivery excellence  | Increase the number of accredited organisations  | Cumulative total of 1785 accredited organisations    | 1874 accredited organisations (cumulative)               | 1913 Cumulative   | Annual Target overachieved. 1960 cumulative  | 47 more accredited organisations than targeted                | Unexpected growth in the number of accredited organisations during the Covid-19 pandemic, especially in the Inspection EPC, Certification and Testing accreditation Programmes, with fewer withdrawals than expected |
| Improve SANAS' operational efficiency to deliver services with a spirit of excellence | Service delivery excellence  | Reduce the number of working days from approval process to the issuing of the certificate and scope of accreditation | 15 days average                                      | The revised target of 16 days was not achieved by 3 days | 15 working days on average time frame for issuing certificates and scope of accreditation after completion of approvals process | Annual Target overachieved. Average time of 13.5 working days was achieved for issuing certificates and scope of accreditation after completion of approvals process | Certificates were issued 1.5 days quicker on average          | Attributed to the implementation of improvement measures regarding turnaround times on certificates and the continuous monitoring of the process   |
| Organisational sustainability   | Internal business excellence | Increasing the registration of black assessors   | Cumulative of 296 previously disadvantaged assessors | 296 cumulative number of PDA's                           | 304 actual  | Annual Target achieved. Eight additional black assessors were registered during the financial year, thus increasing the actual total to 304                          | Note Applicable   | Note Applicable  |

| Programme / Sub-programme: Accreditation  |   |   |                                      |   |  |  |   |                        |
|---|---|---|--------------------------------------|---|--|--|---|------------------------|
| Outcome   | Output                                      | Output Indicator  | Audited Actual Performance 2019/2020 | Audited Actual Performance 2020/2021  | Planned Annual Target 2021/2022            | Actual Achievement 2021/2022   | Deviation from planned target to Actual Achievement 2021/2022 | Reasons for deviations |
| Government achieving policy (Health, Safety, Environment and Regional Integration objectives) | Acceptance of conformity assessment results | Expand SANAS' scopes of recognition under the Mutual Recognition Arrangements | New measure                          | Recognition for 1 Scope Reference material producers) and 1 sub-Scope (Occupational Health & Safety Management System) Obtained | 1 Scope obtained + 1 Sub-scope application | Annual Target achieved.<br>1 Scope obtained and 1 sub-scope application (FSSC) submitted   | Not Applicable  | Not Applicable         |
|   |   | Engage Regulators on the benefits of accreditation in the regulatory domain   | New measure                          | The EPC programme falls under the Inspection Programme, as a new scope in the Regulatory domain (Dept. of Energy)               | Conduct workshop and identify needs        | Annual Target achieved.<br>Testing/Certification of PPE has been made a priority to combat Covid-19. SANAS engaged with regulators and specifically with SAHPRA, following which a MoU with SAHPRA was developed focused on relevant fields of accreditation | Not Applicable  | Not Applicable         |



## Linking performance with budgets

| Programme     | 2020/2021 |                    |                          | 2021/2022 |                    |                          |
|---------------|-----------|--------------------|--------------------------|-----------|--------------------|--------------------------|
|               | Budget    | Actual Expenditure | (Over)/Under Expenditure | Budget    | Actual Expenditure | (Over)/Under Expenditure |
|               | R'000     | R'000              | R'000                    | R'000     | R'000              | R'000                    |
| Accreditation | 51,008    | 43,316             | 7,692                    | 61,530    | 49,455             | 12,075                   |
| Total         | 51,008    | 43,316             | 7,692                    | 61,530    | 49,455             | 12,075                   |

### Strategy to overcome areas of under-performance

Not applicable as all planned targets were achieved.

### Changes to planned targets

There were no changes to the annual targets during the course of the 2021/2022 financial year.

### Reporting on the Institutional Response to the Covid-19 Pandemic

SANAS did not receive a Covid-19 relief package, hence no interventions were undertaken in this regard.

## Revenue Collection

| Sources of revenue | 2020/2021 |                         |                         | 2021/2022 |                         |                         |
|--------------------|-----------|-------------------------|-------------------------|-----------|-------------------------|-------------------------|
|                    | Estimate  | Actual Amount Collected | (Over)/Under Collection | Estimate  | Actual Amount Collected | (Over)/Under Collection |
|                    | R'000     | R'000                   | R'000                   | R'000     | R'000                   | R'000                   |
| Accreditation      | 68,363    | 58,530                  | 9,832                   | 79,643    | 79,533                  | (110)                   |
| Training           | 6,195     | 3,179                   | 3,016                   | 11,454    | 6,203                   | (5,251)                 |
| Total              | 74,558    | 61,709                  | 12,848                  | 91,097    | 85,736                  | (5,361)                 |

The SANAS accreditation fee income consists of annual fees, and fees for additional accreditation services. The revenue collection policy differs for those two categories. Annual fees must be paid by 31 May each year. Additional accreditation services require that customers pay prior to the service to enable travel arrangements.

Additional accreditation services are invoiced upon request of the service; however, the income is only recognised after service delivery. In special circumstances, deviation from the policy is allowed if kept to a minimum to keep control over debtors. Therefore, the under-collection at year-end predominantly relates to annual fees.

Training revenue is generated by charging for participation in courses offered through the KTD. Although payment is usually required at registration, some clients make arrangements to settle accounts at a later stage. Certificates are not issued until after receipt of full payment.

## Capital Investment

| Infrastructure projects      | 2020/2021 |                    |                          | 2021/2022 |                    |                          |
|------------------------------|-----------|--------------------|--------------------------|-----------|--------------------|--------------------------|
|                              | Budget    | Actual Expenditure | (Over)/Under Expenditure | Budget    | Actual Expenditure | (Over)/Under Expenditure |
|                              | R'000     | R'000              | R'000                    | R'000     | R'000              | R'000                    |
| Office equipment             | 150       | 21                 | 129                      | -         | -                  | -                        |
| Computer Equipment           | 750       | 390                | 360                      | 4,000     | 246                | 3,754                    |
| Intangible assets (Shanduka) | 2,150     | 1,275              | 875                      | 500       | 210                | 290                      |
| TOTAL                        | 3,050     | 1,686              | 1,364                    | 4,500     | 456                | 4,044                    |

# Accredited Conformity Assessment Bodies (CABs) per province

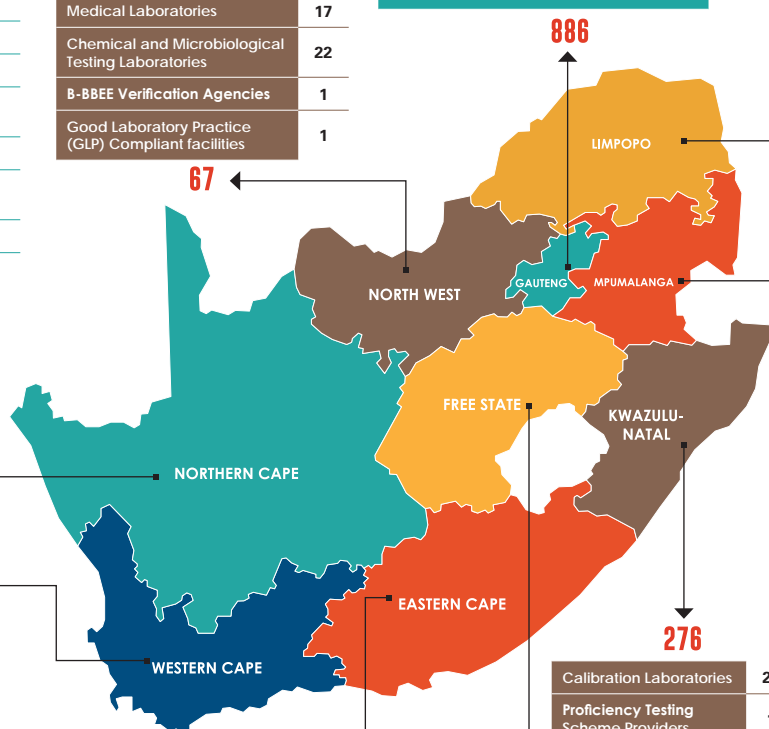


|   |    |
|---|----|
| Calibration Laboratories                            | 2  |
| Certified Reference Material Producers              | 1  |
| Proficiency Testing Scheme Providers                | 1  |
| Pharmaceutical Laboratories                         | 1  |
| Veterinary Laboratories                             | 3  |
| Blood Transfusion Services                          | 6  |
| Inspection Bodies                                   | 3  |
| Verification Bodies (Legal Metrology)               | 4  |
| Repair Bodies                                       | 2  |
| Mechanical and Physical Testing Laboratories        | 3  |
| Medical Laboratories                                | 17 |
| Chemical and Microbiological Testing Laboratories   | 22 |
| B-BBEE Verification Agencies                        | 1  |
| Good Laboratory Practice (GLP) Compliant facilities | 1  |

|   |     |
|---|-----|
| Calibration Laboratories                            | 136 |
| Certified Reference Material Producers              | 3   |
| Proficiency Testing Scheme Providers                | 8   |
| Certification Bodies                                | 67  |
| Forensic Laboratories                               | 1   |
| Pharmaceutical Laboratories                         | 3   |
| Veterinary Laboratories                             | 12  |
| Blood Transfusion Services                          | 57  |
| Inspection Bodies                                   | 148 |
| Verification Bodies (Legal Metrology)               | 59  |
| Repair Bodies                                       | 18  |
| Mechanical and Physical Testing Laboratories        | 79  |
| Medical Laboratories                                | 131 |
| Chemical and Microbiological Testing Laboratories   | 101 |
| B-BBEE Verification Agencies                        | 58  |
| Good Laboratory Practice (GLP) Compliant facilities | 5   |

|   |   |
|---|---|
| Veterinary Laboratories                           | 1 |
| Blood Transfusion Services                        | 2 |
| Inspection Bodies                                 | 1 |
| Verification Bodies (Legal Metrology)             | 3 |
| Repair Bodies                                     | 1 |
| Mechanical and Physical Testing Laboratories      | 0 |
| Medical Laboratories                              | 9 |
| Chemical and Microbiological Testing Laboratories | 7 |

|   |    |
|---|----|
| Proficiency Testing Scheme Providers              | 1  |
| Veterinary Laboratories                           | 1  |
| Blood Transfusion Services                        | 10 |
| Inspection Bodies                                 | 4  |
| Verification Bodies (Legal Metrology)             | 4  |
| Repair Bodies                                     | 2  |
| Mechanical and Physical Testing Laboratories      | 4  |
| Medical Laboratories                              | 12 |
| Chemical and Microbiological Testing Laboratories | 12 |
| B-BBEE Verification Agencies                      | 1  |



|   |    |
|---|----|
| Calibration Laboratories                            | 22 |
| Certification Bodies                                | 4  |
| Forensic Laboratories                               | 1  |
| Veterinary Laboratories                             | 3  |
| Blood Transfusion Services                          | 12 |
| Inspection Bodies                                   | 50 |
| Verification Bodies (Legal Metrology)               | 21 |
| Repair Bodies                                       | 7  |
| Mechanical and Physical Testing Laboratories        | 12 |
| Medical Laboratories                                | 68 |
| Chemical and Microbiological Testing Laboratories   | 39 |
| B-BBEE Verification Agencies                        | 8  |
| Good Laboratory Practice (GLP) Compliant facilities | 3  |

|   |    |
|---|----|
| Calibration Laboratories                          | 12 |
| Veterinary Laboratories                           | 2  |
| Blood Transfusion Services                        | 15 |
| Inspection Bodies                                 | 11 |
| Verification Bodies (Legal Metrology)             | 18 |
| Repair Bodies                                     | 4  |
| Mechanical and Physical Testing Laboratories      | 16 |
| Medical Laboratories                              | 40 |
| Chemical and Microbiological Testing Laboratories | 4  |
| B-BBEE Verification Agencies                      | 5  |

|   |    |
|---|----|
| Calibration Laboratories                            | 1  |
| Pharmaceutical Laboratories                         | 2  |
| Veterinary Laboratories                             | 1  |
| Blood Transfusion Services                          | 19 |
| Inspection Bodies                                   | 4  |
| Verification Bodies (Legal Metrology)               | 7  |
| Repair Bodies                                       | 2  |
| Mechanical and Physical Testing Laboratories        | 4  |
| Medical Laboratories                                | 18 |
| Chemical and Microbiological Testing Laboratories   | 8  |
| Good Laboratory Practice (GLP) Compliant facilities | 2  |
| Good Clinical Practice (GCP) Compliant facilities   | 1  |

|   |    |
|---|----|
| Calibration Laboratories                          | 24 |
| Proficiency Testing Scheme Providers              | 1  |
| Certification Bodies                              | 6  |
| Veterinary Laboratories                           | 3  |
| Blood Transfusion Services                        | 35 |
| Inspection Bodies                                 | 42 |
| Verification Bodies (Legal Metrology)             | 15 |
| Repair Bodies                                     | 2  |
| Mechanical and Physical Testing Laboratories      | 9  |
| Medical Laboratories                              | 77 |
| Chemical and Microbiological Testing Laboratories | 47 |
| B-BBEE Verification Agencies                      | 15 |

|   |    |
|---|----|
| Calibration Laboratories                            | 4  |
| Veterinary Laboratories                             | 1  |
| Blood Transfusion Services                          | 20 |
| Inspection Bodies                                   | 12 |
| Verification Bodies (Legal Metrology)               | 3  |
| Repair Bodies                                       | 1  |
| Mechanical and Physical Testing Laboratories        | 8  |
| Medical Laboratories                                | 19 |
| Chemical and Microbiological Testing Laboratories   | 48 |
| B-BBEE Verification Agencies                        | 1  |
| Good Laboratory Practice (GLP) Compliant facilities | 1  |
| Good Clinical Practice (GCP) Compliant facilities   | 1  |

## ACCREDITED CABs OUTSIDE SOUTH AFRICAN BORDERS

| Country      | Total |
|--------------|-------|
| Benin        | 1     |
| Burkina Faso | 2     |
| Ethiopia     | 0     |
| Eswatini     | 0     |
| Cameroon     | 4     |
| Rwanda       | 1     |
| Nigeria      | 8     |
| Ghana        | 6     |
| Namibia      | 5     |
| Kenya        | 16    |
| Uganda       | 37    |
| Tanzania     | 0     |
| Mali         | 4     |
| Zambia       | 1     |
| Zimbabwe     | 0     |
| Spain        | 1     |

**TOTAL: 86**

**Total Number Per Accredited CABs: 1956**



# **PART C:** GOVERNANCE INFORMATION

# 1. Introduction

The Board of Directors is committed to sound corporate governance that ensures the interests of SANAS and its Stakeholders are paramount. Consequently, SANAS subscribes to the principles of transparency, accountability, and business integrity in all its dealings with stakeholders.

As the custodian of corporate governance, the Board, ensures that SANAS endorses the King IV Code of Corporate Practices and Conduct and monitors the implementation and compliance through its related Committees.

The Board of Directors is cognisant of the benefits of good corporate citizenship, financial and non-financial performance, and achieving a balance of integrated economic performance, service delivery, and social and environmental performance.

## 2. IT Compliance and Governance

Governance, risk, and compliance are integral to the SANAS business. Accordingly, the SANAS ICT Unit focuses on IT governance frameworks such as:

- COBIT (Control Objectives for Information and Related Technologies) - providing quality, reliability and control of information and related Information Technology Architecture;
- ITIL (Information Technology Infrastructure Library) – focusing on the alignment of IT services with SANAS' needs;
- CMMI (Capability Maturity Model Integration) for the development and/or improvement of processes that meet business goals; and
- ISO/IEC 27001 Standard for Information Security Management System (ISMS) for the IT Security risk management, Protection for Personal Information and alignment to the Corporate Risk Management Plan and Strategy.

As part of continuous improvement, SANAS reviews its Technologies, Policies and Processes to align its governance framework to new legislation and/or regulations in the accreditation environment, meet emergent business objectives and explore new technology related risks with their possible mitigation methods or controls.

## 3. Portfolio Committee

The Portfolio Committee on Trade, Industry and Competition exercises oversight over SANAS' service delivery performance in pursuit of enhancing economic growth. The oversight includes reviewing the information contained in the SANAS Annual Report.

## 4. Executive Authority

In terms of Section 6(2)(b) of the Accreditation Act, the Minister of Trade, Industry and Competition is the Executive Authority, and as contemplated in Section 52 of the PFMA. The oversight function of the Executive Authority is generally informed by the prescripts of the PFMA which governs and gives the Executive Authority oversight powers.

All SANAS' Quarterly Performance Reports were submitted to the Executive Authority.

## 5. Roles and Responsibilities of the Board

In addition to the roles and responsibilities that the Board executes in accordance with the prescripts of King IV, the Accreditation Act, and the PFMA, it also undertakes the following:

- Approves SANAS' Strategic Plan and Annual Performance Plan;
- Monitors the implementation of the Plans and approves all budgets;
- Ensures that policies and procedures that provide for effective risk management and internal controls are established and reviewed;
- Recognises the need for establishing and appointing committees to enable it to comply with the PFMA and other legal requirements;
- Determines the composition of committees and amends, develops, and implements any rules, regulations, and procedures, which it may deem necessary;
- Formulates and makes publicly available rules consistent with the provisions of the Accreditation Act, including the form and procedure for applications for accreditation or GLP compliance, fees applicable to different categories of accreditation or GLP compliance, and fees for training or other projects undertaken;
- Monitors the proper use of the name, accreditation body logo or accreditation symbol of the SANAS logo, and the regional and international accreditation logos; and
- Approves all permanent executive positions.

Board Members undertake to act in the best interests of SANAS. They do this by ensuring adherence to legal standards of conduct, by seeking independent advice in connection with their duties following an agreed procedure, and by disclosing real or perceived conflict related matters to the Board and by dealing with the matters accordingly.

## 6. Board Charter

In terms of the Board Charter, P 08, Governance and Procedures of the SANAS Board and Delegations to the CEO, the Board shall:

- Approve the strategic plan and monitor implementation of the strategic plan;
- Ensure establishment and review of policies and procedures which provide for effective risk management and internal controls;
- Formulate rules consistent with the provisions of the Act, including:
  - form and procedure for applications for accreditation;
  - accreditation fees;
  - training fees;
  - proper use of the name, accreditation body logo or accreditation symbol of SANAS; and
  - proper use of regional and international logos (e.g., AFRAC, ILAC and IAF).
- Approve all permanent positions of SANAS Executives and above;
- Approve all budgets;
- Be responsible for information technology governance;
- Appoint the CEO, after consulting the Minister;
- Be responsible to appoint a Board of Appeals; and
- Approve all powers delegated to the CEO and the Board related committees.

## 7. Composition of the Board

The unitary structure of the Board encourages solid interaction among members of the Board of Directors in the decision-making process on strategy, performance, planning and the allocation of resources, risk, ethics, and communication with stakeholders. In terms of the Accreditation Act, the Board should consist of no less than ten and no more than fifteen members.

The Board currently comprises of ten members, all of whom are appointed by the Minister of Trade, Industry and Competition as the Executive Authority of SANAS. There are ten Non-Executive Directors and one Executive Director. All Non-Executive Directors are independent of the management function of SANAS and have no conflict of interest with the business of SANAS.



The Board provides strategic direction and is the legally accountable body for the daily operations of SANAS. The performance of the Board Members is evaluated annually to ensure their effectiveness and to identify any areas that need improvement. A self-evaluation exercise was conducted during the year under review. The Company Secretary compiled a report. The performance of the Board was deemed to be of a high standard.

Furthermore, an Advisory Forum (AF) is established by the Board, in terms of Section 14 of the Accreditation Act. The Advisory Forum comprises of key Accreditation stakeholders such as representatives of accredited CABs, Regulators, Associations, Academia and Business Forums such as (NEDLAC). The main aim of the AF is to advise the SANAS Board of Directors on Industry and Government accreditation needs in line with the strategic objectives of SANAS, among other emerging needs. In terms of the AF's terms of reference, the AF shall meet at least once a year or when the Board of Directors deems a meeting necessary. During the 2021/2022 financial year, the AF met on 13 August 2021.

## 8. Meetings attended by Board members

| Name                     | Designation<br>(in terms of the<br>Public Entity<br>Board structure) | Date<br>appointed       | Date<br>resigned | Date<br>appointment<br>period ended | Area of Expertise  | Other<br>Committees or<br>Task Teams (e.g.:<br>Audit committee<br>/ Ministerial task<br>team) | Number of<br>meetings<br>attended |
|--------------------------|--|-------------------------|------------------|-------------------------------------|--|---|-----------------------------------|
| Ms Irish Bologo          | Independent<br>Non-Executive<br>Director                             | 01<br>September<br>2020 | N/A              | 31 August 2021                      | Strategy<br>Operations<br>Corporate<br>Governance                            | Audit and Risk<br>Committee<br>Member   | 3                                 |
| Dr Tshenge Demana        | Independent<br>Non-Executive<br>Director                             | 01 January<br>2018      | N/A              | N/A                                 | Science<br>Strategy<br>Governance<br>Management<br>Drafting<br>Legislation   | Human<br>Resources and<br>Remuneration<br>Committee<br>Member                                 | 11                                |
| Mr Nitin Gunga           | Independent<br>Non-Executive<br>Director                             | 01<br>September<br>2020 | N/A              | 31 August 2021                      | Supply Chain<br>Management<br>Procurement<br>Management<br>Finance           | Audit and Risk<br>Committee<br>Member   | 4                                 |
| Amb.<br>Sadick<br>Jaffer | Independent<br>Non-Executive<br>Director                             | 01<br>September<br>2021 | N/A              | N/A                                 | Investment<br>Promotion and<br>Facilitation                                  | Audit and Risk<br>Committee<br>Member   | 7                                 |
| Ms Zukiswa Kimani        | Independent<br>Non-Executive<br>Director                             | 01 January<br>2021      | N/A              | N/A                                 | Policy<br>Strategy<br>Management   | Audit and Risk<br>Committee<br>Member   | 11                                |
| Mr Tumelo Baleni         | Executive<br>Director  | 12 July 2021            | N/A              | N/A                                 | Strategy<br>Management<br>Governance<br>Health<br>Supply Chain<br>Management | N/A   | 10                                |

| Name                 | Designation<br>(in terms of the<br>Public Entity<br>Board structure) | Date<br>appointed       | Date<br>resigned | Date<br>appointment<br>period ended | Area of Expertise  | Other<br>Committees or<br>Task Teams (e.g.:<br>Audit committee<br>/ Ministerial task<br>team)                                 | Number of<br>meetings<br>attended |
|----------------------|--|-------------------------|------------------|-------------------------------------|--|---|-----------------------------------|
| Mr Sammy<br>Mlangeni | Independent<br>Non-Executive<br>Director                             | 01<br>December<br>2018  | N/A              | N/A                                 | Engineering<br>Aviation<br>Management<br>Information<br>Technology | Audit and Risk<br>Committee<br>Member<br>and<br>Information and<br>Communications<br>Technology<br>Strategy Sub-<br>Committee | 14                                |
| Dr Sarah<br>Mohlala  | Independent<br>Non-Executive<br>Director                             | 01<br>December<br>2018  | N/A              | N/A                                 | Science  | Human<br>Resources and<br>Remuneration<br>Committee<br>Member   | 14                                |
| Ms Lerato<br>Mothae  | Independent<br>Non-Executive<br>Director                             | 01<br>December<br>2018  | N/A              | N/A                                 | Accountancy<br>Finance   | Chairperson of<br>the Audit and Risk<br>Committee   | 11                                |
| Ms Irene<br>Ramafola | Independent<br>Non-Executive<br>Director                             | 01<br>September<br>2021 | N/A              | N/A                                 | Auditing<br>Forensics<br>Finance                                   | Audit and Risk<br>Committee<br>Member   | 5                                 |
| Mr Mpho<br>Phaloane  | Executive<br>Director  | 01<br>December<br>2018  | N/A              | N/A                                 | Engineering<br>Management<br>Accreditation                         | N/A   | 13                                |
| Dr Molefe<br>Pule    | Independent<br>Non-Executive<br>Director                             | 29 May 2020             | N/A              | N/A                                 | Clinical<br>Psychology Policy<br>Planning<br>Systems               | Human<br>Resources and<br>Remuneration<br>Committee<br>Member   | 12                                |
| Ms Lindi<br>Tlou     | Independent<br>Non-Executive<br>Director                             | 01<br>December<br>2018  | N/A              | N/A                                 | Administration<br>Accreditation                                    | Interim<br>Chairperson of<br>the Board<br>Human<br>Resources and<br>Remuneration<br>Committee<br>Member                       | 14                                |
| Mr Fezile<br>Wetes   | Independent<br>Non-Executive<br>Director                             | 01<br>December<br>2018  | N/A              | N/A                                 | Human<br>Resources<br>Management                                   | Chairperson<br>of the Human<br>Resources and<br>Remuneration<br>Committee   | 14                                |



## 9. Committees

The Board of Directors formally delegates duties of management through different structures, like the responsibility and accountability for operations to the Executive Management Committee. The Board's Sub-Committees are appointed according to the required skills set. The current Sub-Committees are the Human Resources and Remuneration Committee, and the Audit and Risk Committee.

### Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee is tasked with providing the Board of Directors with recommendations on policy matters regarding the following:

- The CEO recruitment and appointment;
- Employee recruitment, benefits, incentives, and bonus arrangements;
- Succession and retention planning for the CEO and senior employees;
- Scarce and critical skills; and
- Equity targets.

The Human Resources and Remuneration Committee held five meetings during the year under review. The Human Resources and Remuneration Committee confirms that it has conducted its affairs in accordance with its terms of reference, and that it has discharged all responsibilities delegated to it by the Board.

The roles and responsibilities of the Human Resources and Remuneration Committee include the following:

- Annual review of the remuneration terms and conditions, and making recommendations to the Board;
- Consideration of any changes to the employee benefit structures and making recommendations to the Board;
- Consideration of the remuneration, incentive, and benefit arrangements of the CEO - including pension rights and any compensation payments, and making recommendations to the Board;
- Consideration of the cost-of-living increases, performance bonus awards, changes to employees' terms and conditions and any other related activities, and making recommendations to the Board;
- Review of the human resources strategy and policies, and making recommendations to the Board;
- Promotion of a culture of excellence throughout SANAS; and
- Ensuring compliance with applicable legislation and regulations.

### Human Resources and Remuneration Committee Membership and Attendance

The Human Resources and Remuneration Committee currently comprises five Non-Executive Directors.

The following table depicts the meeting attendance of the Human Resources and Remuneration Committee members during the year under review.

| BOARD MEMBER      | MEETING ATTENDANCE RECORDS    |                              |                                 |                                  |                                 |
|-------------------|-------------------------------|------------------------------|---------------------------------|----------------------------------|---------------------------------|
|                   | Meeting date<br>20 April 2021 | Meeting date<br>19 July 2021 | Meeting date<br>18 October 2021 | Meeting date<br>23 November 2021 | Meeting date<br>19 January 2022 |
| Dr Tshenge Demana | P                             | P                            | P                               | P                                | P                               |
| Dr Sarah Mohlala  | P                             | P                            | P                               | P                                | P                               |
| Dr Molefe Pule    | P                             | P                            | P                               | P                                | P                               |
| Ms Lindi Tlou     | P                             | P                            | P                               | P                                | P                               |
| Mr Fezile Wetes   | P                             | P                            | P                               | P                                | P                               |

\*p – present, ap – apology, a – absent, nya – not yet appointed, and ae – appointment ended.

### **Audit and Risk Committee**

The Audit and Risk Committee is an independent statutory committee appointed by the Board, which delegates duties and responsibilities to it in accordance with Section 77 of the PFMA. In terms of Section 51(1)(a)(ii) of the PFMA, the Board, as the Accounting Authority, must ensure that SANAS has, and maintains, a system of internal audit under the control and direction of the Audit and Risk Committee.

The function of the Audit and Risk Committee is to assist the Board in discharging its duties relating to the safeguarding of assets and liabilities, and the operation of adequate systems of control. It is also tasked with reviewing financial information and preparing the annual financial statements.

The Audit and Risk Committee's functions are formalised in a Charter approved by the Board and annually reviewed to ensure compliance. During the period under review, the Audit and Risk Committee conducted its affairs in accordance with the Charter and discharged its responsibilities as required by the Charter, the Companies Act 71 of 2008, and the prescripts of the King IV Code of Governance.

The Audit and Risk Committee's terms of reference are formalised in a Charter approved by the Board and annually reviewed to ensure compliance. During the period under review, the Audit and Risk Committee conducted its affairs in accordance with the Charter and discharged its responsibilities as required by the Charter, the Companies Act 71 of 2008, and the prescripts of the King Code.

### **Audit and Risk Committee's responsibilities**

The Audit and Risk Committee has adopted appropriate terms of reference in accordance with the requirements of Section 77 of the PFMA and Treasury Regulation 27.1 and has conducted its affairs in compliance with those terms of reference, and the Audit and Risk Committee's Charter.

The Audit and Risk Committee ensured compliance with the relevant provisions of the Shareholders' Compact between SANAS and **the dtic**. This Committee performs an oversight function and advises the Board of Directors on carrying out its responsibilities. The responsibilities include matters relating to financial, management and other reporting practices, internal controls and risk management, integrated reporting, combined assurance, information technology governance, and compliance with laws, regulations, and ethics.

The Audit and Risk Committee reports to the Board on any matter identified while carrying out its duties that it considers significant. The Audit and Risk Committee performs, on behalf of the Board of Directors, any other tasks, or actions that the Board of Directors may authorise from time to time.

In this regard, the Audit Committee has:

- Reviewed SANAS's quarterly performance and financial position and was satisfied that the targets were met and expenditure occurs in accordance with the approved budget.
- Reviewed the Annual Financial Statements and was satisfied with the completeness thereof and that SANAS was a going concern after obtaining assurance from the auditors in respect of the accuracy of the Annual Financial Statements. The ARC was satisfied with the set of results delivered by SANAS.
- Reviewed the results of external audit and were satisfied that there were only four issues identified.
- Reviewed the Annual Report and the associated compliance matters and were satisfied with the accuracy and completeness of the information.
- Reviewed the Risk Management Framework to ensure alignment to the Public Sector Risk Management Framework by identifying significant risks. This exercise resulted in the drafting of additional procedures to ensure greater alignment to the Public Sector Risk Management Framework.
- Reviewed SANAS's Risk Register on a quarterly basis and were satisfied that all related risks were adequately mitigated.
- Reviewed the internal control system including Information and Communications Technology and related security environment and were satisfied that it was adequate to mitigate against the related risks.

Responsibilities of the Audit and Risk Committee, in addition to the above, are as follows:

- Reviews and assesses the adequacy of management reporting to the Board regarding the quantity, quality, and timing of information necessary for internal and external reporting on SANAS' operations and financial condition;
- Reviews the accounting policies and practices in alignment with the applicable statutory requirements and generally accepted accounting principles and evaluation of SANAS' financial statements for reasonability and accuracy;
- Satisfying itself about the integrity and prudence of management control systems - including the review of policies and practices;
- Ensuring that the Board and Management Team are aware of any matters that might have a significant impact on the financial condition or affairs of SANAS; and
- Monitoring the accomplishment of established objectives through the mission statement, business plan, and transformation process.

#### Audit and Risk Committee Membership and Attendance

The Audit and Risk Committee comprises of five members, with the Chairperson being a Non-Executive Director. In accordance with its Charter, the Audit and Risk Committee is required to meet at least four times during a financial year. During the year under review, the Audit and Risk Committee held eight meetings.

The table that follows depicts the attendance of the Audit and Risk Committee members in the year under review.

| BOARD MEMBER       | MEETINGS            |               |                   |                   |                   |                   |              |                      |                 |                       |                        |                 |                     |
|--------------------|---------------------|---------------|-------------------|-------------------|-------------------|-------------------|--------------|----------------------|-----------------|-----------------------|------------------------|-----------------|---------------------|
|                    | 09 April 2021<br>** | 21 April 2021 | 06 May 2021<br>** | 13 May 2021<br>** | 17 May 2021<br>** | 18 May 2021<br>** | 21 July 2021 | 18 August 2021<br>** | 20 October 2021 | 26 October 2021<br>** | 10 November 2021<br>** | 20 January 2022 | 08 March 2022<br>** |
| Ms Irish Bologo    | P                   | P             | P                 | P                 | P                 | P                 | P            | AP                   | AE              | AE                    | AE                     | AE              | AE                  |
| Ms Nitin Gunga     | AE                  | AP            | P                 | P                 | P                 | P                 | P            | P                    | AE              | AE                    | AE                     | AE              | AE                  |
| Ms Zukiswa Kimani  | P                   | P             | P                 | P                 | P                 | AP                | P            | AP                   | AP              | P                     | P                      | P               | P                   |
| Mr Sammy Mlangeni  | P                   | P             | P                 | P                 | P                 | P                 | P            | P                    | P               | P                     | AP                     | AP              | P                   |
| Amb. Sadick Jaffer | NYA                 | NYA           | NYA               | NYA               | NYA               | NYA               | NYA          | NYA                  | P               | AP                    | P                      | P               | P                   |
| Ms Lerato Mothae   | P                   | P             | P                 | P                 | P                 | P                 | P            | P                    | P               | P                     | P                      | P               | P                   |
| Ms Irene Ramafola  | NYA                 | NYA           | NYA               | NYA               | NYA               | NYA               | NYA          | NYA                  | P               | P                     | P                      | P               | P                   |

\*p – present, ap – apology, a – absent, nya – not yet appointed, and ae – appointment ended. \*\* - Special Board Meetings

#### Remuneration of Board Members

The members of the Board receive fees for attending meetings in accordance with the National Treasury's determination. The Board's remuneration is based on SANAS' classification as a Schedule 3A entity. Six of the members of the Board are employed by an organ of state and are not entitled to remuneration other than a refund for out-of-pocket expenses incurred to attend a meeting.

| Name       | Remuneration | Other allowance | OTHER<br>RE-IMBURSEMENTS | TOTAL |
|------------|--------------|-----------------|--------------------------|-------|
|            | R'000        | R'000           | R'000                    | R'000 |
| F Wetes    | 163          | 55              | -                        | 218   |
| S Mlangeni | 179          | 55              | -                        | 234   |
| L Tlou     | 221          | 70              | -                        | 291   |
| L Mothae   | 218          | 55              | -                        | 273   |
| S Mohlala  | 126          | 55              | -                        | 181   |

## 10. Risk Management

The Board acknowledges that it is responsible for the entire process of risk management, and the effectiveness of the process. The Audit and Risk Committee is mandated to assess the effectiveness of SANAS' risk management process. SANAS' Management Team is accountable for designing, implementing, and monitoring the process of risk management, and integrating it into SANAS's day-to-day activities.

During the period under review, and under the supervision of the Audit and Risk Committee, SANAS' Management Team assessed, reviewed, and updated the organisational risk management framework. The framework was implemented in all streams and business units to ensure that risks are understood, and that the controls necessary to mitigate these risks are in place.

The Audit and Risk Committee performs an oversight function and advises the Board primarily on matters relating to risks that SANAS is and may be exposed to. The Audit and Risk Committee undertakes the following:

- Monitors the major risk areas, including financial, legal, and fiscal risks, the internal control environment, and the control process;
- Monitors areas that expose SANAS to potential financial risks and ensures that SANAS' Management Team effectively manages the risks;
- Ensures that an effective system of accounting and internal control is established and maintained to manage financial risks;
- Oversees the development and annual review of the risk management framework and makes recommendations to the Board for its approval;
- Monitors the implementation of the risk management framework by means of risk management systems and processes, and quarterly reports;
- Makes recommendations to the Board concerning SANAS' levels of risk tolerance and appetite;
- Obtains assurance that risks are managed within the levels of tolerance and appetite as approved by the Board;
- Ensures that the Risk Management Plan is widely disseminated throughout SANAS, and integrated into its day-to-day activities;
- Obtains assurance that risk management assessments are performed on an ongoing basis;
- Obtains assurance that frameworks and methodologies are implemented to increase the ability to anticipate unpredictable risks;
- Obtains assurance that SANAS considers and implements appropriate risk strategies and responses;
- Obtains assurance that continuous risk monitoring by SANAS takes place;
- Liaises closely with the Human Resources and Remuneration Committee to exchange information relevant to risk;
- Expresses its formal opinion to the Board on the effectiveness of the system and process of risk management; and
- Reviews reports concerning risk management for comprehensive, relevant, and timely inclusion in the integrated reporting.

## 11. Internal Control

SANAS maintains internal controls and systems designed to provide reasonable assurances about the integrity and reliability of the financial statements. The controls and systems must adequately safeguard, verify, and maintain accountability for its assets. The controls are based on established policies and procedures and are implemented with appropriate separation of duties and responsibilities. The internal audit function operates under the direction of the Audit and Risk Committee, which approves the scope of the work. Findings are reported to the Audit and Risk Committee.

## 12. Compliance with Laws and Regulations

The Board, with the assistance of the Audit and Risk Committee, ensures that SANAS' Management Team has the necessary mechanisms in place to comply with legislation and regulations governing its activities.

This responsibility entails:

- Reviewing policy documents, to ensure incorporation of laws, regulations, ethics and policies, and the reviewing of rules that ensure compliance and address conflicts of interest;
- Monitoring compliance with policies and procedures;
- Noting and addressing significant cases of employee conflict of interest, misconduct or fraud, and the resolution of related cases;
- Reviewing the internal auditor's report on the scope of compliance reviews, and the resolution of findings and follow-ups on recommendations;
- Monitoring developments and changes in legislation regarding the accountability, responsibilities, and liabilities of SANAS' Management Team, and monitoring and reviewing the extent to which SANAS' Management Team meets its obligations;
- Monitoring developments and changes in the legislation and regulations that relate to SANAS' operations; and
- Monitoring and reviewing the extent to which SANAS complies with such legislation.

## 13. Fraud and Corruption

SANAS manages fraud, corruption, theft, maladministration, and any other dishonest activities in accordance with its Anti-fraud and Corruption Policy, and its Fraud Prevention Plan and Anti-fraud Charter.

SANAS employees are obliged to report all incidents of fraud, corruption, theft, maladministration, and any other dishonest activity to their Manager/s. If employees are uncomfortable with reporting the matter to their Manager/s, they need to report the matter to their Manager/s superior, with recourse to the CEO. Employees may also report the matters to the Human Resources Department for reasons of anonymity or otherwise.

All SANAS Managers are responsible for the detection, prevention and investigation of fraud, corruption, theft, maladministration, and any dishonest activities of a similar nature within their areas of responsibility.

SANAS will take appropriate legal recourse to recover losses or damages arising from fraud, corruption, theft, or maladministration. The accountability to conduct investigations regarding allegations of fraud, corruption, theft, maladministration, and any other dishonest activity resides with the CEO.

Whistle blowers are protected in accordance with the Protected Disclosures Act 26 of 2000. No cases were reported in the period under review.

## 14. Minimising Conflict of Interest

SANAS, as part of the dtic's Council of Trade and Industry Institutions (COTII), acknowledges the importance of ensuring the mitigation of potential conflicts of interest and has therefore implemented measures to ensure that possible conflicts of interest do not exist.

SANAS has also implemented processes and procedures to mitigate possible associated risks emanating from instances where a perceived conflict of interest cannot be avoided.

## 15. Code of Conduct

SANAS' Code of Conduct is governed by its Code of Ethics and Business Conduct. The Code of Ethics and Business Conduct identifies:

- SANAS' values;
- The framework for identifying SANAS employees' conduct that is ethical and acceptable;
- The context for the ethical use of authority; and
- The alignment of SANAS' guidelines for ethical behaviour with those of the public service.

There is a strong emphasis on the implementation of the Code of Ethics to ensure that all SANAS' employees and stakeholders are aware of its values and accountability within the Entity.

SANAS subscribes to the Public Service Code of Conduct detailed in the Public Service Regulations. That Code of Conduct has been integrated into SANAS' Code of Ethics and Business Conduct. The Code of Conduct provides the guideline for ethical conduct expected from SANAS employees in their individual conduct and in their relationships with others. Compliance with the Code of Conduct is expected to enhance professionalism and help to contribute to confidence in the Entity.

Failure to comply with any provisions of the Code of Conduct will be interpreted as a violation of SANAS values. Moreover, the employee concerned will be dealt with according to the Entity's grievance and/or disciplinary process.

## 16. Health, Safety and Environmental Issues

SANAS makes the necessary resources available to actively manage occupational health and safety, and environmental issues in alignment with the Occupational Health and Safety Act of 1993.

In October 2020, SANAS updated its Health, Safety, Security, and Emergency Response Procedure HR 12-02. The Procedure provides clear principles and guidelines for ensuring healthy and safe working conditions for employees, the prevention of health hazards in the workplace, and the effective handling of emergency situations.

## 17. Company Secretary

The Company Secretary oversees corporate governance and is responsible for assisting the Board with ensuring that it adheres to the principles of sound corporate governance. The Company Secretary has an ipso facto relationship with the Board and informs the Board of any legislation, regulations or policies that affect SANAS, and any related non-compliance.

During the year under review, the Company Secretary assisted the Board in providing ongoing training for Board members on the implications of King IV – the governance standard for South Africa.

## 18. Social Responsibility

SANAS as a responsible organisation believes in contributing towards well and sustainable communities. SANAS continues to sustainably contribute to the development and economic growth of the country by adopting identified needy institutions in local communities. The SANAS Corporate Social Investment (CSI) strategy is strongly focused on adopting communities that cater for Orphans and Vulnerable Children (OVC). In addition, the strategy focusses on the support of SMMEs within the conformity assessment space, and youth development and empowerment through education and job readiness support.

### Corporate Social Investment

Despite the challenges of lockdown during the financial year under review, SANAS continued to focus on ensuring participation in the economic challenges caused by the Covid-19 pandemic through eradication of poverty experienced by its beneficiaries. SANAS embarked on several initiatives for the orphanage home as follows:

- Groceries and toiletries were bought for children at the orphanage home;
- The staff members in celebration of Mandela day donated clothes;
- Gas cylinder is continuously filled with the aim of assisting the home to cut electricity costs;
- SANAS employees came together to ensure that the orphanage home is not lacking as there was a need for groceries and school shoes. Employees donated Christmas groceries and vouchers;
- To ensure that the children at the orphanage home are well represented at school, there was a need for school shoes to be donated, and employees volunteered to buy new school shoes.

The following table highlights the spend for the above-mentioned initiatives:

| Items/Activities                         | Quarter | Estimated Cost |
|--|---------|----------------|
| Groceries                                | 2       | R10 278.97     |
| Donated Christmas groceries and Vouchers | 3       | R6 000.00      |
| Groceries                                | 4       | R11 743.30     |
| School shoes                             | 4       | R4 500.00      |

As a caring organisation, the aim is to ensure that the orphanage home is self-sustainable even after SANAS' exit.

### Impact Monitoring: Morena Children's Village

The usage of gas operated equipment led to a saving of an estimated R1 400 per month in the total electricity bill and managed to feed more kids with the grocery donation as the number of children staying at the orphanage home had increased. The home expressed gratitude with the clothing donations as it had a significant impact on the children, especially during the winter period.

### Monitoring CIS Projects Impact after project exit

The previous homes that we supported are now financially sustainable due to the income generated from the commercial stove that was donated by SANAS. In the current year, SANAS continues to support the adopted home, Morena Children's Village, with the aim to assist the home to be financially sustainable.



## 19. Audit and Risk Committee Report

The Audit and Risk Committee is pleased to present its' Report for the 2021/2022 financial year end which ended on 31 March 2022.

### Audit and Risk Committee Responsibility

The Audit and Risk Committee has operated within its approved Charter and complied with all governing legislation in executing its' responsibilities in terms of the PFMA and National Treasury's Regulations and requirements of King IV Code of Corporate Governance

### Key Committee Activities

#### Statutory Duties

The roles and responsibilities of the Audit and Risk Committee as per Section 51 (1) (a) (ii) and Section 76 (4) d of the PFMA, National Treasury's Regulations Section 27 (1) and the requirements of the King IV Code of Corporate Governance include:

- To assist the Board in its evaluation of the adequacy and effectiveness of the internal control systems, governance, accounting practices, information systems, risk management and auditing processes applied within the SANAS's day to day management of its business;
- To facilitate and promote communication between the Board, Management, the External Auditors and Internal Auditors on matters which fall within the responsibilities of the Audit and Risk Committee;
- To ensure the risk and compliance areas of SANAS operations are covered in the scope of Internal and External Audits;
- To ensure the accounting and auditing concerns identified from the Internal and External Audits conducted during the period under review are addressed;
- To ensure SANAS compliance with legal and regulatory provisions, the Accreditation Act and the PFMA as well as the National Treasury's regulations; and
- To ensure the independence and objectivity of the Internal and External Auditors.

#### Internal Controls

The Audit and Risk Committee undertook the following primary activities in assessing the effectiveness of the internal controls:

- Reviewed Risk Reports;
- Reviewed Supply Chain Management Reports;
- Reviewed the Audit Action Plans;
- Reviewed the quarterly Legal Reports;
- Reviewed the framework for establishing effectiveness of policies and procedures relevant to the Audit and Risk Committee;
- Established a framework for determining SANAS's compliance with significant legal and regulatory provisions;
- Reviewed the controls over significant financial and operational risks;
- Tabled and discussed Internal Audit Reports at each meeting; and
- Reviewed the Annual Report and the Annual Financial Statements to ensure that they present a balanced and understandable assessment of the position, performance, and prospects of SANAS.

The key outcomes following the above assessment procedures included the internal financial controls and systems, which the Audit and Risk Committee found to be satisfactory.

#### Whistleblowing

The Audit and Risk Committee considered complaints received relating to SANAS via the whistleblowing hotline.

## External Auditors

The Audit and Risk Committee independently engaged with External Audit and is satisfied that it has adequately discharged its legal and regulatory responsibilities.

The Audit and Risk Committee has reviewed and accepted External Audit's final Management Report and Audit Opinion relating the Annual Financial Statements, Audit of Performance Information and Compliance with legislation as well as the audit findings issued which are to be addressed in accordance with the mitigation action plans as agreed between SANAS and the External Audit.

## Evaluation of Annual Financial Statements

The Audit and Risk Committee has:

- Reviewed the appropriateness of accounting policies;
- Reviewed the appropriateness of assumptions made by Management in preparing the annual financial statements;
- Reviewed the significant accounting and reporting issues, and understood their impact on the Annual Financial Statements;
- Reviewed the Annual Financial Statements and considered that they are complete, consistent with prescribed accounting practices and information known by the Audit and Risk Committee; and
- Obtained assurance from Management with respect to the completeness and accuracy of the annual financial statements

## Governance of Risk

The Audit and Risk Committee has continued to fulfil its oversight role regarding:

- Enterprise Risk Management;
- Combined Assurance.
- Compliance Management;
- Anti-Corruption and Fraud; and
- Business Continuity Management.

## Internal Audit

The Audit and Risk Committee discharged its responsibility to approve the annual and three- year rolling plan and consider Internal Audits quarterly reports and the mitigation action plans as agreed between SANAS and Internal Audit.

The Audit and Risk Committee further ensured that Internal Audit remained independent, objective and had the necessary resources, standing and authority within SANAS to enable it to discharge its duties.

## Conclusion

The Audit and Risk Committee recommended the approval of the audited Annual Financial Statements for the 2021/2022 financial year and the Audit Opinion, at its meeting held on 27 July 2022.

The Annual Financial Statements for the 2021/2022 financial year and the Audit Opinion were then presented to and duly approved by the Board on 29 July 2022 to be included in SANAS's Annual Report for the 2021/2022 financial year which ended on 31 March 2022.



**Ms Lerato Mothae**

Chairperson of the Audit and Risk Committee

## 20. B-BBEE Certificate Initiative

As part of the transformation strategy, SANAS continues to deliver on the transformation agenda of South Africa. SANAS does this by striving to transform the economy, through allowing meaningful participation by black people in the economy. One of the tools used to measure progress in this area is through the annual assessment for B-BBEE compliance. During the period under review, SANAS focused on engaging the project team and stakeholders for the preparation of the renewal of B-BBEE certificate. The Verification Agency was identified and appointed as a service provider responsible for the assessment. The Verification Agency issued the results and compliance rated certificate in January 2022.

### Skills Development towards B-BBEE

During the period under review, SANAS also focused on engaging Higher Education Institutions, with the aim of offering students an opportunity of work exposure while in the process of completing their studies. The purpose of the initiative is to assist in improving the scores within various areas of the B-BBEE scorecard. SANAS' intention is to enlist four student interns in April/May 2022 for a period of 18 months.

### Funding of Small Medium and Micro-sized Enterprises (SMMEs)

During the period under review, SANAS engaged with SEDA regarding challenges related to budget cuts and the proposed amount to fund the project according to SANAS affordability. SEDA declined the proposed amount as it was not sufficient to cover the costs of the laboratory equipment however, they have acknowledged the challenges raised by SANAS, and hope that both parties will continue with the project funding process in the next financial year.

### B-BEE Compliance Information

| Has the Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:                        |                      |  |
|--|----------------------|--|
| Criteria   | Response<br>Yes / No | Discussion<br>(include a discussion on your response and indicate what measures have been taken to comply)   |
| Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law? | Yes                  | SANAS issues a certificate as a final product to all accredited organisations following compliance with the accreditation processes. The certificate allows organisations to participate in various activities with direct impact on the economic activities of the country. |
| Developing and implementing a preferential procurement policy?   | Yes                  | Supply Chain department has put in place relevant procedures to implement the preferential procurement policy, FP02-08.  |
| Determining qualification criteria for the sale of state-owned enterprises?  | N/A                  | Not Applicable   |
| Developing criteria for entering into partnerships with the private sector?  | No                   | Impartiality principle does not allow SANAS to enter into such partnerships.   |
| Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?                 | Yes                  | SANAS provides grants to new applicants as part of B-BBEE empowerment in compliance with Enterprise Development  |



# **PART D:** HUMAN RESOURCE MANAGEMENT INFORMATION

# 1. Introduction

HR is responsible for ensuring that SANAS has the human resources capacity to deliver on its mandate in terms of the Accreditation Act and be able to respond to customer's different needs and expectations.

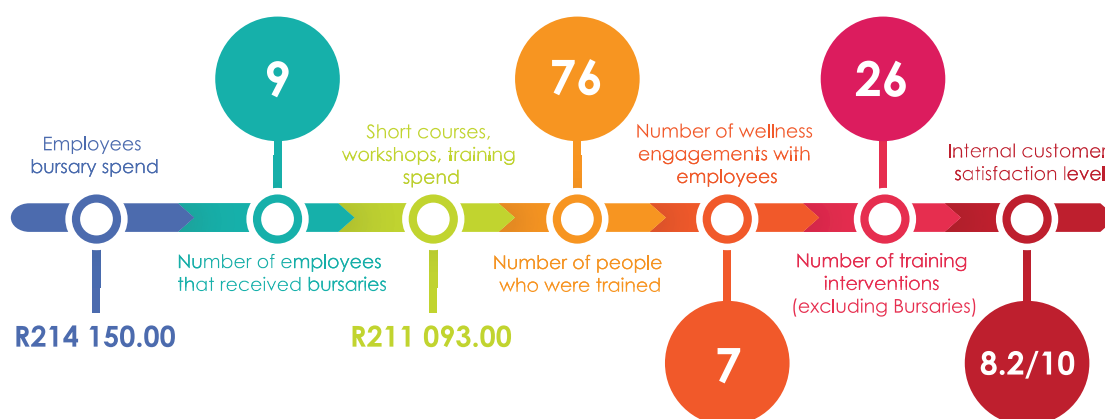
The aim of the Human Resources Management function is to improve on the pillars which include but are not limited to, vacancy management, staff turnover and performance management, as well as to comply with statutory requirements and advance SANAS as a learning organisation.

Our culture at SANAS is cultivated through the compelling Employee Value Proposition (EVP) embedded in its core values. This in turn enables SANAS employees to meet the needs of its customers and shareholders.

At SANAS we win through our people and therefore consider them the most valued assets.

## Human Resources Achievements at a Glance

SANAS continues to provide learning, personal growth, and development opportunities for its employees. The skills development initiatives available to employees include short courses, workshops, conferences, in-house training, and bursaries. Furthermore, nine bursaries were allocated to qualifying staff members who applied for funding. All compliance reporting was done in the form of the Employment Equity Report, the Workplace Skills Plan and Annual Training Report. Details are provided in the tables below.



Due to the Covid-19 pandemic SANAS employees had been working through a hybrid working arrangement. SANAS management ensured that high performance standards were maintained through this hybrid working arrangement, throughout the financial year.

## Employee Performance Management Framework

In an environment where operational excellence is expected, SANAS acknowledges the need to continuously support the performance of its employees. The SANAS Performance Management Framework is based on a balanced scorecard philosophy and balanced scorecard principles. The value of excellence is entrenched in the performance process to ensure efficiencies and to positively impact on customer-centricity. The performance management process is interactive and non-punitive – it is intended to enhance performance and provide guidance and support.

The SANAS Performance Management system and policy also encourages constructive feedback to employees about achievements, potential development and growth areas. SANAS believes that the success of every performance management system lies in the effectiveness of its implementation. During the year under review those who are entrusted with managing the performance of others were empowered through performance management refresher workshops that resulted in fewer queries about the performance management system. All employees were also invited to attend a refresher workshop related to performance management and contracts to ensure that all SANAS employees are kept up to date with the performance management process and SANAS' objectives.

## **Workforce Planning Framework and Key Strategies to Attract and Recruit a Skilled and Capable Workforce**

A key Human Resources Management function involves attracting the right skill and talent so that the entire Employee Lifecycle is effective. Commitment to creating that environment therefore includes effective talent acquisition aimed at attracting, rewarding, and retaining exceptional people and driving the culture of excellence and high-performance in alignment with the objectives and expectations of SANAS stakeholders.

### **Employee Wellness Programmes**

SANAS is committed to optimising employee well-being for enhancing performance excellence in the workplace, and personal lives. SANAS has a well-structured and effective Employee Wellness Programme (EWP) provided to employees through a contracted service provider, ICAS. The SANAS Employee Wellness Programme is aimed at assisting and supporting employees with personal, work-related problems, other difficulties and concerns which they may experience from time to time.

The SANAS EWP, provides its employees with access to medical, psychological, financial, legal, and other areas of expertise. Interaction is possible via phone, through email or face-to face. The EWP programme goes beyond benefitting the SANAS employees – it provides their immediate families with similar services.

During the Covid-19 pandemic, SANAS continued to support staff through Employee Wellness Programmes offered by ICAS. ICAS provides free counselling to staff and family members and has reported on evidence of utilisation. The main issues experienced by employees are related to anxiety, stress, fear, uncertainty, financial challenges due to having to support family members that have lost jobs, losing family members etc.

Communication relating to healthy lifestyle, creating a positive work environment, ergonomics and other health related issues have been shared with employees. Furthermore, to promote positive health, SANAS received professional services for the testing of Prostate Cancer for male employees, and Mental Health Awareness Sessions. SANAS further ensured the physical aspect of wellness by providing virtual fitness training sessions which were facilitated by a professional trainer.

### **Policy Development**

Several procedures linked to the SANAS Human Resources Policy have been reviewed to ensure alignment with legislative amendments and contribute to SANAS positive work climate. In an effort to facilitate access to education, for employee dependants, and contribute to socio-economic development, SANAS has implemented a procedure that aims at providing financial assistance for employee's dependants, amongst others.

Furthermore, an effort is made to always solicit employee contribution to promote engagement and further ensuring familiarity with the content(s) of the procedures. This level of engagement and awareness with employees, ultimately mitigates workplace transgressions.

### **Challenges Faced by SANAS**

SANAS' strategy to maintain, grow, and support national, regional, and international developments in accreditation continues to place a significant demand on its human resources. These resources include external contracted assessors, as well as internal administration and management resources. SANAS' ability to sustain and grow its existing customers and programmes, integrate new programmes, and support accreditation developments will depend on its ability to attract, develop, and retain talent and assessors with the skills that will enable it to keep pace with the growing demand for its services. Most of SANAS' employees possess technical and managerial capabilities that are difficult to replace. There is an effort to promote skills transfer to ensure business continuity. A significant loss or diminution in the collective pool of SANAS' employees and assessors could have a materially adverse effect on its ability to fulfil its mandate.

### **Future HR Plans /Goals**

The future human resources plans and goals include maintaining the vacancy rate to below 5%, maintaining continuous development of employees, an improved Talent Management Framework, organisational development and effectiveness of interventions. In an attempt to also promote employee attraction and retention, a benchmarking exercise will also be an area of focus. An effort will further be made to amplify

SANAS intervention in community development through external bursaries and internship programmes.

HR will continue facilitating and driving wellness initiatives that will address employee needs across their physical, mental and financial well-being and will seek opportunities that will maximise benefits for employees' gain and well-being.

Furthermore, SANAS aims to automate HR processes to ensure that employees have easier and improved access to HR services.

### Intellectual Capital Framework

HR continues to strive for effective intellectual capital development. An intellectual capital framework focuses on developing SANAS' human capital. Interventions such as skills programmes, short courses, workshops / seminars, bursary programmes and in-house online training sessions are ongoing throughout the year.

### Competencies and Skills

Building the right capabilities is a strategic imperative for SANAS' success and growth. This key focus area therefore embraces the benefits of instilling a culture of continuous learning. SANAS believes that having the right capabilities means more than attracting and retaining exceptional people – it also provides an opportunity for upskilling and/or reskilling its employees. SANAS ensures that all the required competencies necessary for its success are reviewed and enhanced accordingly. The context of the review of the competency library is alignment with SANAS' mandate. Employees' training is aligned with competency gaps and other needs identified as part of the performance management system.

Bursaries are awarded to Employees who have an intention of improving their formal qualifications in alignment with their roles in SANAS and career growth plans. In the year under review, SANAS invested a total of R 425 243.00 between courses, training programmes, workshops, and bursaries, as reflected in the table below:

### Training Costs

| Activity   | Training Expenditure | Number of employees |
|--|----------------------|---------------------|
|  | R'000                |                     |
| Bursaries  | R 214 150            | 9                   |
| Short courses, workshops, training interventions | R 211 093            | 76                  |

Feedback confirmed that the participants extracted value from the training, and that the training contributed in improving their day-to-day activities. Planning for future training will be informed by additional skills gaps identified during the 2021/2022 training initiatives.

### Internships

The purpose of the SANAS internship programme is to provide real-world experience that enables interns to put everything they have learnt into action. SANAS programme helps interns gain the necessary skills which they can apply to future jobs. Such an initiative is to assist in improving the scores within various areas of the B-BBEE scorecard.

As at 31 March 2022, the internship recruitment process was finalise for four interns, who will be placed in identified Business Units (Marketing & Communications, IT, Procurement and Finance). The interns will be appointed by quarter one (Q1) of 2022/2023 financial year for a period of 18 months.

### External Bursaries

SANAS offers external bursaries to previously disadvantaged South African citizens. The purpose of the programme is to establish an effective system for continuous development of qualified candidates for future appointments and mobility in both the public and private sector. Through its external bursaries programme, SANAS seeks to achieve the following objectives: (1) Enhance youth development and (2) Develop a culture of high-quality lifelong learning within SANAS.



For the 2021/2022, financial year, the bursary committee approved to fund a total of one student towards a Bachelor of Business Administration in Logistics & Supply Chain Management, who progressed to the final year of study. The approved amount for the bursar was R 30 000.00

| University or College | Course of Study  | Year of Study | Requested funding for 2022 | Approved funding |
|-----------------------|--|---------------|----------------------------|------------------|
| Rosebank College      | Bachelor of Business Administration in Logistics & Supply Chain Management | Final Year    | R 30 690.00                | R30 000.00       |

In the 2021 academic year, three bursars have completed their tertiary education and will be graduating this year, as reflected in the table below.

| University or College                   | Course of Study             | Year of Study (2021) | Approved amount | Status    |
|---|-----------------------------|----------------------|-----------------|-----------|
| Cape Peninsula University of Technology | Advanced Diploma in Quality | Final Year           | R13 830.00      | Completed |
| Cape Peninsula University of Technology | Advanced Diploma in Quality | Final Year           | R13 830.00      | Completed |
| Cape Peninsula University of Technology | Advanced Diploma in Quality | Final Year           | R13 830.00      | Completed |

## 2. Human Resources Statistics

### Remuneration, Recognition and Rewards

SANAS' Recognition and Rewards policy provides guidance on remunerating of its employees. Salary scales are benchmarked against industry standards and other related government entities to ensure that remuneration packages are competitive and promote retention. The SANAS Performance Management system recognises performance above certain expectation levels, with a performance bonus. Employees who achieve a certain performance level, linked to verifiable growth and development in other areas, are recognised through pay progression and a rigorous process that requires motivations and verifiable evidence. During the year under review, payment of performance bonuses or pay progressions was not budgeted for due to Covid-19 financial challenges.

As part of the Recognition and Awards system, SANAS also recognises employees with long service. In the year under review, thirteen employees were recognised for their long service. This was celebrated by a formal virtual event with awards that ranged from 5 to over 15 years of service.

The tables below reflect key Human Resources related expenditure and information.

### Personnel Cost by Programme

| Programme                | Total Expenditure for the entity (R'000) | Personnel Expenditure (R'000) | Personnel exp. as a % of total exp. (R'000) | Number of employees | Average personnel cost per employee (R'000) |
|--------------------------|--|-------------------------------|---|---------------------|---|
| Administration           | 41,641                                   | 29,381                        | 71%   | 33                  | 890   |
| Corporate services       | 10,502                                   | Included in Administration    | n/a   | n/a                 | n/a   |
| Strategy and Development | 1,006                                    | Included in Administration    | n/a   | n/a                 | n/a   |
| Accreditation            | 49,455                                   | 29,944                        | 61%   | 41                  | 730   |

### Personnel Cost by Salary Band

| Level                  | Personnel Expenditure (R'000)* | % of personnel exp. to total personnel cost (R'000) | No. of employees* | Average personnel cost per employee (R'000) |
|------------------------|--------------------------------|---|-------------------|---|
| Senior Management      | 6 450                          | 11%   | 4                 | 1 613                                       |
| Professional qualified | 30 697                         | 51%   | 33                | 930   |
| Skilled                | 21 212                         | 36%   | 32                | 663   |
| Semi-skilled           | 845                            | 1%  | 4                 | 211   |
| Unskilled              | 121                            | 1%  | 1                 | 121   |
| <b>TOTAL</b>           | <b>59 325</b>                  | <b>100%</b>   | <b>74</b>         | <b>802</b>                                  |

**Note:** Percentages may not add up to 100% exactly

\*Excludes terminated employees

### Performance Rewards

During the year under review, payment of performance bonuses or pay progressions was not budgeted for due to Covid-19 financial challenges. Hence, as per the table below, no performance bonuses were paid.

| Programme              | Performance Rewards | Personnel Expenditure (R'000) | % of performance rewards to total personnel cost (R'000) |
|------------------------|---------------------|-------------------------------|--|
| Top Management         | 0                   | 0                             | 0  |
| Senior Management      | 0                   | 0                             | 0  |
| Professional qualified | 0                   | 0                             | 0  |
| Skilled                | 0                   | 0                             | 0  |
| Semi-skilled           | 0                   | 0                             | 0  |
| Unskilled              | 0                   | 0                             | 0  |
| <b>TOTAL</b>           | <b>0</b>            | <b>0</b>                      | <b>0</b>   |

### Employment and Vacancies

| No. of Employees       | Approved Positions | No. of Employees | Vacancies | % of vacancies |
|------------------------|--------------------|------------------|-----------|----------------|
| Top Management         | 1                  | 1 (Secondment)   | 0         | 0%             |
| Senior Management      | 4                  | 4                | 0         | 0%             |
| Professional qualified | 33                 | 33               | 0         | 0%             |
| Skilled                | 32                 | 32               | 0         | 0%             |
| Semi-skilled           | 4                  | 4                | 0         | 0%             |
| Unskilled              | 1                  | 1                | 0         | 0%             |
| <b>TOTAL</b>           | <b>75</b>          | <b>75</b>        | <b>0</b>  | <b>0%</b>      |

### Employment Changes

SANAS had a total of 75 employees by the end of the period under review. This includes the Secondment in Top Management. There were three appointments on professional qualified level and two terminations within the reporting period. There is an improvement on skilled level due to grade adjustments.

Table below provides information on changes in employment over the financial year.

| Salary Band            | Employment at beginning of period | Appointments   | Terminations | Employment at end of the period |
|------------------------|-----------------------------------|----------------|--------------|---------------------------------|
| Top Management         | 0                                 | 1 (Secondment) | 0            | 1 (Secondment)                  |
| Senior Management      | 3                                 | 2              | 1            | 4                               |
| Professional qualified | 32                                | 3              | 2            | 33                              |
| Skilled*               | 29                                | 0              | 0            | 32                              |
| Semi-skilled**         | 7                                 | 0              | 0            | 4                               |
| Unskilled              | 1                                 | 0              | 0            | 1                               |
| <b>Total</b>           | <b>72</b>                         | <b>6</b>       | <b>3</b>     | <b>75</b>                       |

\* **Skilled** increased by three (3)

\*\* **Semi-skilled** reduced to four (4) as a result of three (3) adjustments to **skilled** category level.

### Reasons for Staff Leaving

| Reason             | Number   | % of total no. of staff leaving |
|--------------------|----------|---------------------------------|
| Death              | 0        | 0%                              |
| Resignation        | 0        | 0%                              |
| Dismissal          | 0        | 0%                              |
| Retirement         | 1        | 1.33%                           |
| Ill health         | 0        | 0%                              |
| Expiry of contract | 2        | 2.67%                           |
| Other              | 0        | 0%                              |
| <b>Total</b>       | <b>3</b> | <b>4%</b>                       |

### Labour Relations: Misconduct and Disciplinary Action

SANAS is committed to upholding good labour practices and a working environment that entrenches the rights of all employees to be treated with fairness, equality, and with respect. This is done through an open-door policy that contributes to building and maintaining cross-cutting employee relations practices. Labour relations procedures are timeously reviewed, and employees are encouraged to provide input during the review process. Employees are free to exercise their right of belonging to a trade union which in the instance of SANAS is National Education, Health and Allied Workers' Union (NEHAWU). SANAS participates actively in the Collective Bargaining Forum – the central bargaining platform for all entities under the Department of Trade, Industry and Competition.

There are however still some challenges regarding employee relations, which resulted in the sanctions depicted in the table below

| Nature of disciplinary Action | Number |
|-------------------------------|--------|
| Verbal Warning                | 1      |
| Written Warning               | 0      |
| Final Written warning         | 1      |
| Dismissal                     | 0      |

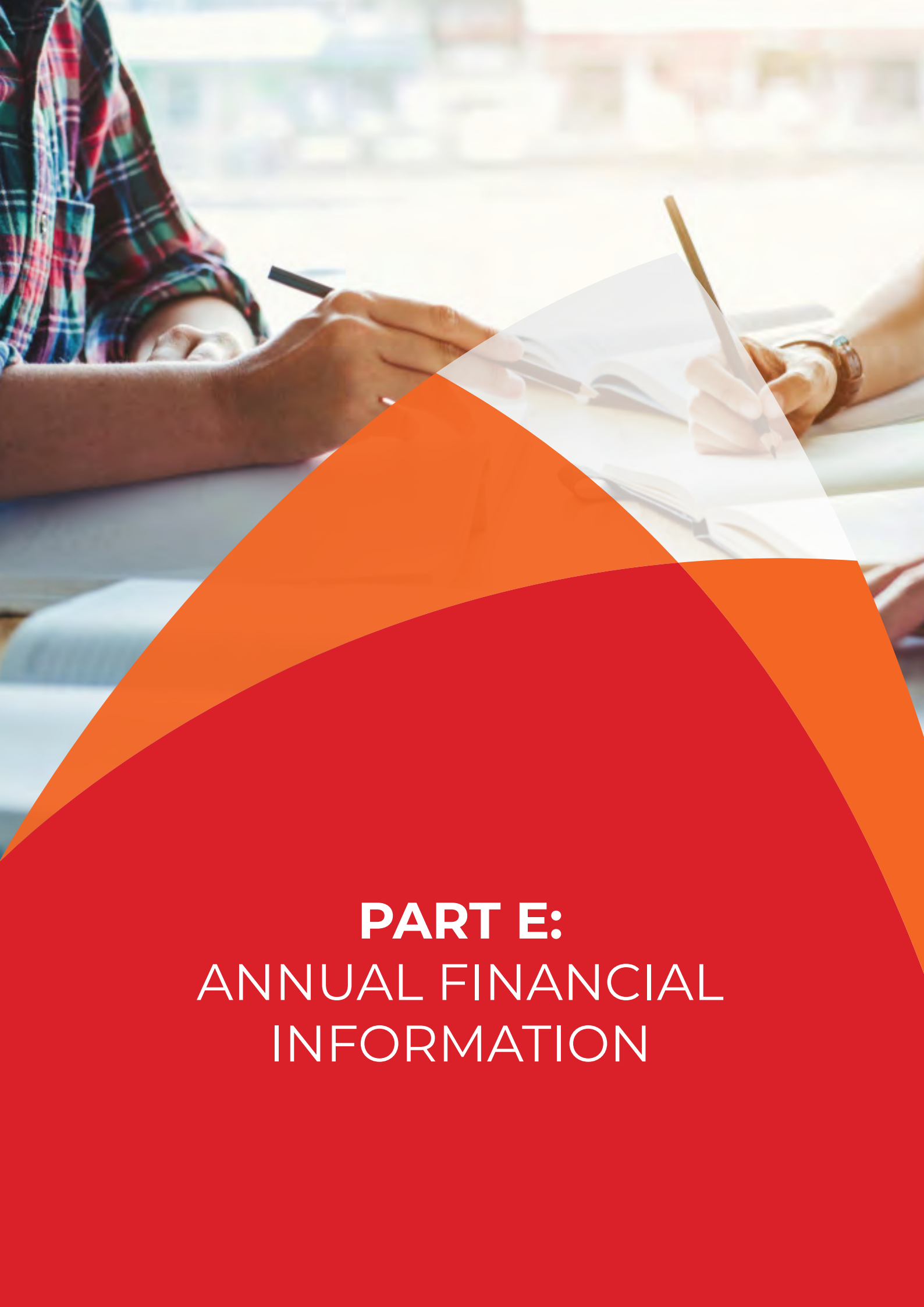
The table below provides employment equity statistics per category.

### Equity Target and Employment Equity Status

| Levels                 | FEMALE    |          |          |          |          |          |          |          |
|------------------------|-----------|----------|----------|----------|----------|----------|----------|----------|
|                        | African   |          | Coloured |          | Indian   |          | White    |          |
|                        | Current   | Target   | Current  | Target   | Current  | Target   | Current  | Target   |
| Top Management         | 0         | 0        | 0        | 0        | 0        | 0        | 0        | 0        |
| Senior Management      | 1         | 0        | 0        | 0        | 1        | 0        | 0        | 0        |
| Professional qualified | 16        | 0        | 1        | 0        | 0        | 0        | 3        | 0        |
| Skilled                | 27        | 0        | 1        | 0        | 0        | 0        | 0        | 0        |
| Semi-skilled           | 2         | 0        | 0        | 0        | 0        | 0        | 0        | 0        |
| Unskilled              | 1         | 0        | 0        | 0        | 0        | 0        | 0        | 0        |
| <b>TOTAL</b>           | <b>47</b> | <b>0</b> | <b>2</b> | <b>0</b> | <b>1</b> | <b>0</b> | <b>3</b> | <b>0</b> |

| Levels                 | MALE      |          |          |          |          |          |          |          |
|------------------------|-----------|----------|----------|----------|----------|----------|----------|----------|
|                        | African   |          | Coloured |          | Indian   |          | White    |          |
|                        | Current   | Target   | Current  | Target   | Current  | Target   | Current  | Target   |
| Top Management         | 1         | 0        | 0        | 0        | 0        | 0        | 0        | 0        |
| Senior Management      | 1         | 0        | 0        | 0        | 1        | 0        | 0        | 0        |
| Professional qualified | 9         | 0        | 1        | 0        | 1        | 0        | 2        | 0        |
| Skilled                | 4         | 0        | 0        | 0        | 0        | 0        | 0        | 0        |
| Semi-skilled           | 2         | 0        | 0        | 0        | 0        | 0        | 0        | 0        |
| Unskilled              | 0         | 0        | 0        | 0        | 0        | 0        | 0        | 0        |
| <b>TOTAL</b>           | <b>17</b> | <b>0</b> | <b>1</b> | <b>0</b> | <b>2</b> | <b>0</b> | <b>2</b> | <b>0</b> |

| Levels                 | Disabled Staff |          |          |          |
|------------------------|----------------|----------|----------|----------|
|                        | Male           |          | Female   |          |
|                        | Current        | Target   | Current  | Target   |
| Top Management         | 0              | 0        | 0        | 0        |
| Senior Management      | 0              | 0        | 0        | 0        |
| Professional qualified | 0              | 0        | 0        | 0        |
| Skilled                | 0              | 0        | 1        | 0        |
| Semi-skilled           | 0              | 0        | 0        | 0        |
| Unskilled              | 0              | 0        | 0        | 0        |
| <b>TOTAL</b>           | <b>0</b>       | <b>0</b> | <b>1</b> | <b>0</b> |



**PART E:**  
ANNUAL FINANCIAL  
INFORMATION

## 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 our responsibility ensure that the annual financial statements fairly present the state of affairs of SANAS as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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

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

The Accounting Authority acknowledges that they are ultimately responsible for the system of internal financial control established by SANAS and place considerable importance on maintaining a strong control environment. To enable the Accounting Authority to meet these responsibilities, the Accounting Authority sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout SANAS 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 SANAS is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, SANAS 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 does not anticipate any major threats to SANAS' revenue generation for 2022/2023. The Accounting Authority has reviewed SANAS' cash flow forecast for the medium term and, in the light of this review and the current financial position, is satisfied that SANAS has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that SANAS is a going concern and that SANAS has neither the intention nor the need to liquidate or curtail materially the scale of SANAS.

The external auditors are responsible for independently reviewing and reporting on SANAS' annual financial statements. The annual financial statements were examined by the SANAS' external auditors and their report will be presented once the audit is finalised.

The annual financial statements set out on pages 79 to 115, which have been prepared on the going concern basis, were approved by the Accounting Authority on xxx and were signed on its behalf by:

  
**Ms L Tlou**  
**Interim Chairperson of the Board**  
**Ms B Radebe**  
**Acting Chief Executive Officer**

# INDEPENDENT AUDITOR'S REPORT

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of the South African National Accreditation System set out on pages 79 to 118, which comprise the statement of financial position as at 31 March 2022, the statement of financial performance, statement of changes in net assets, and cash flow statement and statement of comparison of budget inform for the year that ended, as well as notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the South African National Accreditation System as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA).

### Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the entity in accordance with Independent Regulatory Board for Auditors' Code of Professional Conduct for Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (Including International Independence Standards).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of accounting authority for the financial statements

The board, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the accounting authority is responsible for assessing the 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 accounting authority either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our 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 our 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.



A further description of our 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**

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

Our procedures address the usefulness and reliability of the reported performance information, which must be based on the entity’s approved performance planning documents. We have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. Our procedures do not examine whether the actions taken by the entity enabled service delivery. Our 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, our findings do not extend to these matters.

We 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 programme presented in the entity’s annual performance report for the year ended 31 March 2022.

| Programme                   | Pages in the annual performance report |
|-----------------------------|--|
| Programme 4 – Accreditation | 35 - 46                                |

We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We 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.

We did not raise any material findings on the usefulness and reliability of the reported performance information for the following programme:

- Programme 4 – Accreditation

**Other matter**

We draw attention to the matters below. Our opinion is not modified in respect of this matter.

**Achievement of planned targets**

Refer to the annual performance report on pages 35-46 for information on the achievement of planned targets for the year and explanations provided for the under/ over achievement of a number of targets.

**Report on the audit of compliance with legislation**

**Introduction and scope**

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

We did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

## Other information

The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the accounting authority's report and the audit committee's 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.

Our opinion on the financial statements and my findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit, our 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 programmes presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work performed, we conclude that there is a material misstatement in this other information, we are required to report that fact. I have nothing to report in this regard.

## Internal control deficiencies

We considered internal control relevant to our audit of the financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance on it. We did not identify any significant deficiencies in internal control.

## Auditors tenure

In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Nexia SAB&T has been the auditor of the South African National Accreditation System for 5 years.



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**Nexia SAB&T**  
S. Mahomed  
Director  
Registered Auditor  
29 July 2022

119 Witch-Hazel Avenue Highveld Technopark Centurion

## ANNEXURE – AUDITOR’S RESPONSIBILITY FOR THE AUDIT

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the financial statements, and the procedures performed on reported performance information for selected programme and on the entity’s compliance with respect to the selected subject matters.

### Financial statements

In addition to our responsibility for the audit of the financial statements as described in this auditor’s report, we 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 our 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 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. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the South African National Accreditation Systems ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause an entity to cease continuing as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### Communication with those charged with governance

We 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 we identify during our audit.

# ACCOUNTING AUTHORITY'S REPORT

The Accounting Authority submits their report for the year ended 31 March 2022.

## 1. General Review

The South African National Accreditation System (SANAS) is a Schedule 3A Public Entity as listed in the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA) as amended.

SANAS is the sole government recognised accreditation body for conformity assessment in South Africa. SANAS promotes the competence, against a specific schedule of activity, of its accredited facilities nationally, regionally and internationally. It has successfully concluded several mutual recognition arrangements in this regard.

SANAS is guided by the principles of the PFMA and promulgated by the Accreditation for Conformity Assessment, Calibration and Good Laboratory Practice Act of South Africa, 2006 (Act No.19 of 2006) (Accreditation Act) as of 1 May 2007. The statutory duties, responsibilities and liabilities are imposed on the Accounting Authority by the PFMA.

The activities of SANAS during the year under review are comprehensively covered in the annual report.

## 2. Going Concern

We draw attention to the fact that at 31 March 2022, the entity had an accumulated surplus of R 114,351,365 and that SANAS' total assets exceeded its liabilities by R 114,351,365.

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.

It is anticipated that revenue generation for 2021/2022 will continue to improve and SANAS does not expect any material effect of the macro environment that will affect its liquidity or financial position. SANAS' cash flow forecast for the medium term has been reviewed and, in the light of this review and the current financial position, the Accounting Authority is satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

## 3. Accounting Authority Members

The Accounting Authority of SANAS during the year and to the date of this report was as follows:

| Name                                     | Nationality   | Changes                      |
|--|---------------|------------------------------|
| Ms L Tlou (Interim Chairperson)          | South African |                              |
| Mr T Baleni (Acting CEO)                 | South African | Appointed 12 July 2021       |
| Ms I Bologo                              | South African | Term ended 31 August 2021    |
| Dr T Demana                              | South African |                              |
| Mr N Gunga                               | South African | Term ended 31 August 2021    |
| Ms Z Kimani                              | South African |                              |
| Mr S Mlangeni                            | South African |                              |
| Dr M Mohlala                             | South African |                              |
| Ms L Mothae                              | South African |                              |
| Mr M Phaloane (Executive: Accreditation) | South African | Acting CEO until 31 May 2021 |
| Ms I Ramafola                            | South African | Appointed 01 September 2021  |
| Dr M Pule                                | South African |                              |
| Mr F Wetes                               | South African |                              |
| Ambassador S Jaffer                      | South African | Appointed 01 September 2021  |

## 4. Company Secretary

The Company Secretary of SANAS is Mr Dawood Petersen.

|                         |  |
|-------------------------|--|
| <b>Business address</b> | Libertas Office Park<br>Cnr Libertas and Highway Streets Equestria<br>Pretoria<br>0184 |
|-------------------------|--|

## 5. Business and Operations

SANAS' business and operations and the results thereof are clearly reflected in the annual report and the attached annual financial statements.

## 6. Events After Reporting Date

Approval had been provided by the National Treasury to condone irregular expenditure as per Note 31. There were no other material facts or circumstances that arose between the accounting date and the date of this report that require disclosure or adjustment to the financial statements.

## 7. Taxation

SANAS is exempt from paying normal South African income tax in terms of the Income Tax Act as amended. SANAS is further unregistered for Value Add Tax (VAT) purposes given its nature of services and mandate as a Public Entity. SANAS is however liable to pay all other statutory taxes.

## 8. Public Finance Management Act (PFMA)

The SANAS Board of Directors is the Accounting Authority in terms of the PFMA, of which SANAS is listed as a Schedule 3A public entity.

The PFMA focuses on financial management with related outputs and responsibilities. SANAS has established an ongoing process of awareness and education. With the continuing emphasis on the creation of PFMA compliant systems, the Accounting Authority is of the opinion that SANAS has complied with the provisions of the Public Finance Management Act, 1 of 1999 (PFMA), as amended, and other applicable legislation during the period under review.

## 9. Business and Postal Address

|                         |   |
|-------------------------|---|
| <b>Business address</b> | Libertas Office Park, Block D<br>Cnr Libertas & Highway Street Equestria<br>Pretoria East<br>0184 |
|-------------------------|---|

|                        |                           |
|------------------------|---------------------------|
| <b>Contact details</b> | Telephone: (012) 740 8400 |
|------------------------|---------------------------|

|                 |   |
|-----------------|---|
| <b>Bankers</b>  | First National Bank – Hatfield Branch   |
| <b>Auditors</b> | Nexia SAB & T Incorporated as appointed in terms of the Public Audit Act Section 4(3) |

## 10. Controlling Entity

SANAS, as part of the Economic cluster within government, reports to the Department of Trade, Industry and Competition.

# STATEMENT OF FINANCIAL POSITION

| Figures in Rand                        | Note(s) | 2022               | 2021 Restated      |
|--|---------|--------------------|--------------------|
| <b>Assets</b>                          |         |                    |                    |
| <b>Current Assets</b>                  |         |                    |                    |
| Receivables from exchange transactions | 7       | 5,660,934          | 2,056,438          |
| Cash and cash equivalents              | 8       | 65,948,077         | 41,817,692         |
|  |         | <b>71,609,011</b>  | <b>43,874,130</b>  |
| <b>Non-Current Assets</b>              |         |                    |                    |
| Property, plant and equipment          | 4       | 56,910,235         | 62,022,055         |
| Intangible assets                      | 5       | 5,189,548          | 5,700,652          |
|  |         | <b>62,099,783</b>  | <b>67,722,707</b>  |
| <b>Total Assets</b>                    |         | <b>133,708,794</b> | <b>111,596,837</b> |
| <b>Liabilities</b>                     |         |                    |                    |
| <b>Current Liabilities</b>             |         |                    |                    |
| Payables from exchange transactions    | 13      | 8,318,232          | 4,041,910          |
| Income received in advance             | 9       | 5,479,742          | 5,983,258          |
| Provisions                             | 10      | 2,961,037          | 2,391,344          |
| Accrual for leave pay                  |         | 2,598,418          | 2,808,442          |
|  |         | <b>19,357,429</b>  | <b>15,224,954</b>  |
| <b>Total Liabilities</b>               |         | <b>19,357,429</b>  | <b>15,224,954</b>  |
| <b>Net Assets</b>                      |         | <b>114,351,365</b> | <b>96,371,883</b>  |
| Accumulated surplus                    |         | 114,351,365        | 96,371,883         |

## STATEMENT OF FINANCIAL PERFORMANCE

| Figures in Rand             | Note(s) | 2022              | 2021 Restated    |
|-----------------------------|---------|-------------------|------------------|
| Revenue                     | 14      | 118,702,470       | 90,457,250       |
| Other income                |         | 186,242           | 153,032          |
| Operating expenses          | 20      | (102,604,482)     | (84,814,452)     |
| <b>Operating surplus</b>    |         | <b>16,284,230</b> | <b>5,795,830</b> |
| Investment income           | 15      | 1,695,252         | 1,484,481        |
| <b>Surplus for the year</b> |         | <b>17,979,482</b> | <b>7,280,311</b> |



## STATEMENT OF CHANGES IN NET ASSETS

| Figures in Rand                                       | Note(s) | 2022                | 2021               |
|---|---------|---------------------|--------------------|
|   |         | Accumulated surplus | Total net assets   |
| Figures in Rand                                       |         |                     |                    |
| <b>Balance at 01 April 2020</b>                       |         | <b>106,771,009</b>  | <b>106,771,009</b> |
| Changes in net assets                                 |         |                     |                    |
| Prior period error                                    |         | 83,251              | 183,251            |
| Net income (losses) recognised directly in net assets |         | 183,251             | 183,251            |
| Surplus for the year                                  |         | 7,280,311           | 7,280,311          |
| Total recognised income and expenses for the year     |         | 7,463,562           | 7,463,562          |
| National Treasury 2019/20 cash surplus surrender      |         | (17,862,688)        | (17,862,688)       |
| Total changes   |         | (10,399,126)        | (10,399,126)       |
| <b>Balance at 01 April 2021</b>                       |         | <b>96,371,883</b>   | <b>96,371,883</b>  |
| Changes in net assets                                 |         |                     |                    |
| Surplus for the year                                  |         | 17,979,482          | 17,979,482         |
| Total changes   |         | 17,979,482          | 17,979,482         |
| <b>Balance at 31 March 2022</b>                       |         | <b>114,351,365</b>  | <b>114,351,365</b> |
| Note(s)   |         |                     |                    |

## CASH FLOW STATEMENT

| Figures in Rand   | Note(s) | 2022               | 2021               |
|---|---------|--------------------|--------------------|
| <b>Cash flows from operating activities</b>                 |         |                    |                    |
| <b>Cash receipts</b>  |         |                    |                    |
| Funds received from the dtic                                |         | 32,967,000         | 28,748,000         |
| Fee income - Accreditation, Strategy and Other              |         | 81,909,671         | 61,640,034         |
| Investment income   |         | 1,695,252          | 1,484,481          |
|   |         | <b>116,571,923</b> | <b>91,872,515</b>  |
| <b>Payments</b>   |         |                    |                    |
| Employee costs  |         | (58,878,764)       | (47,457,873)       |
| Operating expenses  |         | (33,107,512)       | (29,045,626)       |
|   |         | (91,986,276)       | (76,503,499)       |
| <b>Net cash flows from operating activities</b>             | 22      | <b>24,585,647</b>  | <b>15,369,016</b>  |
| <b>Cash flows from investing activities</b>                 |         |                    |                    |
| Purchase of property, plant and equipment                   | 4       | (245,571)          | (411,026)          |
| Purchase of intangible assets                               | 5       | (209,691)          | (1,275,293)        |
| <b>Net cash flows from investing activities</b>             |         | <b>(455,262)</b>   | <b>(1,686,319)</b> |
| <b>Cash flows from financing activities</b>                 |         |                    |                    |
| Surrender of 2019/2020 cash surplus                         |         | -                  | (17,862,688)       |
| <b>Net increase (decrease) in cash and cash equivalents</b> |         | <b>24,130,385</b>  | <b>(4,179,991)</b> |
| Cash and cash equivalents at the beginning of the year      |         | 41,817,692         | 45,997,683         |
| <b>Cash and cash equivalents at the end of the year</b>     | 8       | <b>65,948,077</b>  | <b>41,817,692</b>  |

## STATEMENT OF COMPARISON OF BUDGET TO ACTUAL AMOUNTS

| Figures in Rand                           | Approved budget    | Adjustments | Final Budget       | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|--------------------|-------------|--------------------|------------------------------------|--|-----------|
| <b>Statement of Financial Performance</b> |                    |             |                    |                                    |  |           |
| <b>Revenue</b>                            |                    |             |                    |                                    |  |           |
| the dtic grant                            | 32,967,000         | -           | <b>32,967,000</b>  | 32,967,000                         | -  |           |
| Fee income                                | 79,643,000         | -           | <b>79,643,000</b>  | 79,532,606                         | <b>(110,394)</b>                           | 33a       |
| Courses and project fees                  | 11,454,000         | -           | <b>11,454,000</b>  | 6,202,864                          | <b>(5,251,136)</b>                         | 33b       |
| Interest received - investment            | 3,271,000          | -           | <b>3,271,000</b>   | 1,695,252                          | <b>(1,575,748)</b>                         | 33c       |
| Sundry Income                             | 110,000            | -           | <b>110,000</b>     | 186,242                            | <b>76,242</b>                              | 33f       |
| <b>Total revenue</b>                      | <b>127,445,000</b> | -           | <b>127,445,000</b> | <b>120,583,964</b>                 | <b>(6,861,036)</b>                         |           |
| <b>Expenditure</b>                        |                    |             |                    |                                    |  |           |
| Employee costs                            | 60,773,000         | 861,000     | <b>61,634,000</b>  | 59,324,587                         | <b>(2,309,413)</b>                         | 33d       |
| Goods and services                        | 66,672,000         | (861,000)   | <b>65,811,000</b>  | 43,279,895                         | <b>(22,531,105)</b>                        | 33e       |
| <b>Total expenditure</b>                  | <b>127,445,000</b> | -           | <b>127,445,000</b> | <b>102,604,482</b>                 | <b>(24,840,518)</b>                        |           |

# ACCOUNTING POLICIES

## 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 89(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 historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. Amounts presented in the annual financial statements are rounded to the nearest Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

### 1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that SANAS will continue to operate as a going concern for the foreseeable future.

### 1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management was 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 was inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

#### Receivables from exchange transactions

SANAS assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in the Statement of Financial Performance, the entity makes judgements as to whether there is observable data indicating the reasons debtors have not settled their balances after processes have been implemented to recover trade receivables.

The impairment for trade receivables is calculated on a portfolio basis, based on historical data stored on the ability of trade debtors to settle their balances and other indicators present at the reporting date that correlate with defaults on the portfolio.

#### Impairment testing of assets

SANAS reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible and intangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including supply demand, together with economic factors such as exchange rates and inflation.

When the carrying amount of an asset exceeds its recoverable service amount, it is impaired.

#### 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 10 - Provisions.

### 1.3 Property, plant and equipment

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 SANAS and
- the cost of the item can be measured reliably.
- Property, plant and equipment is initially measured at cost.

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

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

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

| Item                   | Depreciation method | Useful life    |
|------------------------|---------------------|----------------|
| Buildings              | Straight line       | 20 years       |
| Furniture and fixtures | Straight line       | 10 to 20 years |
| Motor vehicles         | Straight line       | 3 to 5 years   |
| Office equipment       | Straight line       | 5 to 18 years  |
| IT equipment           | Straight line       | 4 to 7 years   |

The residual value and the useful life and depreciation method of each asset is reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

### 1.4 Intangible assets

An 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 SANAS and
- the cost or fair value of the asset can be measured reliably.

SANAS 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.

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

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                                      | Amortisation method | Useful life |
|---|---------------------|-------------|
| Computer software                         | Straight line       | 10-12 years |
| Automated Accreditation Management system | Straight line       | 10 years    |
| Knowledge Transfer management system      | Straight line       | 12 years    |

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

## 1.5 Financial instruments

### Classification

SANAS 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

Receivables from exchange transactions  
Cash and cash equivalents

#### Category

Financial asset measured at amortised cost  
Financial asset measured at amortised cost

SANAS 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

Payables from exchange transactions

#### Category

Financial liability measured at amortised cost

### Initial recognition

SANAS recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

### Initial measurement of financial assets and financial liabilities

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

### Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

### Derecognition

#### Financial assets

SANAS derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived; or
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset;

## Financial liabilities

SANAS removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

### 1.6 Leases

SANAS classifies leases as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as an operating lease.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straightline basis over the lease term. For the current reporting period, only operating leases were entered into.

### 1.7 Impairment of cash-generating assets

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

SANAS assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

#### Reversal of impairment loss

The entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

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

### 1.8 Employee benefits

Employee benefits are all forms of consideration given by SANAS in exchange for service rendered by employees. Termination benefits are employee benefits payable as a result of either:

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

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

- Salaries, medical aid and provident fund; and
- Performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service.

When an employee has rendered service to SANAS during a reporting period, the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service is recognised:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, SANAS recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.



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

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

## **1.9 Provisions and contingencies**

Provisions are recognised when:

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

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

Contingent assets and contingent liabilities are not recognised however are disclosed when there is a possible significant and material effect on the entity.

## **1.10 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.

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.

### **Recognition of rendering of services**

Rendering of services is divided into two categories, namely fee income for accreditation services and courses for training. Fee income is received for new and existing clients in terms of legislation and international standards, and for ensuring that accredited conformity assessment services are available to South African Industry and Regulators, including the Industrial Policy Priority Sectors (IPPS). Course fees are received for accreditation courses held in order to support existing and new accreditation fields within IPPS.

Service revenue for accreditation services is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the stage of accreditation completed, ie document review at new application, pre-assessment (where required) or initial assessment. Accreditation is only granted after successful completion of all stages and signed off by an Approval Committee. Training courses revenue is recognised when the relevant course has been attended.

## **1.11 Revenue from non-exchange transactions**

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, SANAS 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.

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

### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by SANAS. When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition.

### Transfers

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to SANAS and the fair value of the assets can be measured reliably.

#### 1.12 Funds received from the dtic

Funds received from **the dtic** are recognised as revenue from non exchange transactions when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any conditions associated with the grant.

#### 1.13 Borrowing costs

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

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

#### 1.14 Translation of foreign currencies

##### Foreign currency transactions

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

At each reporting date:

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

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

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

#### **1.15 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:

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

National Treasury Instruction Note no. 2 of 2019/2020 which was issued in terms of section 76(2)e and section 76(4) of the PFMA requires the following (effective from 17 May 2019):

- Irregular expenditure is recorded at the transaction amount as and when it is incurred.
- Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register and 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 and 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.

#### **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 segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

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

### 1.18 Budget information

The approved budget is prepared on an accrual basis and presented by programmes linked to performance outcome objectives. The approved budget covers the fiscal period from 2021/04/01 to 2022/03/31.

A comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.19 Related parties

SANAS operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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.

A related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of SANAS and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that SANAS is transparent about its dealings with related parties.

Related parties include:

- A person or a close member of that person's family is related to SANAS if that person:
  - has control or joint control over the SANAS;
  - has significant influence over SANAS
  - is a member of the management of SANAS or its controlling entity.
- An entity is related to SANAS if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others)
  - a person identified above has significant influence over that entity or is a member of the management of its controlling entity).

## 1.20 Events after reporting date

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

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

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

SANAS 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

| Figures in Rand | Note(s) | 2022 | 2021 |
|-----------------|---------|------|------|
|-----------------|---------|------|------|

## 2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards as noted in section 3.

- IGRAP 21 - The effect of past decisions on materiality as well as the Guideline on the Application of Materiality to Financial Statements

## 3. New standards and interpretations

### 3.1 Standards and Interpretations issued, but not yet effective

SANAS has not applied the following standards and interpretations which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2022 or later periods:

| Standard/ Interpretation:   | Effective date:Years beginning on or after | Expected Impact:   |
|---|--|--|
| Amendments to GRAP 1  | 1 April 2023                               | Not expected to impact results but may result in additional disclosure |
| Improvements to Standards of GRAP   | 1 April 2023                               | Not expected to impact results but may result in additional disclosure |
| Amended GRAP 104 on Financial Instruments                                     | 1 April 2025                               | No material impact on results but may result in additional disclosure  |
| Amended GRAP 25 on Employee Benefits  | Not yet effective                          | Not expected to impact results but may result in additional disclosure |
| IGRAP 7 - Limit on a Defined Benefits Asset Min Fund Requirement and Interact | Not yet effective                          | No effect  |

### 3.2 Standards and interpretations early adopted

SANAS has chosen to early adopt IGRAP 21 - The Effect of Past Decisions on Materiality as well as the Guideline of the Application of Materiality to Financial Statements. The implementation of the Interpretation and the Guideline does not have any material impact on results but results in additional disclosure where judgement was applied to assess the materiality of transactions and items in order to determine its disclosure. The recognition and disclosure of the item is based on whether non-disclosure will affect the decisions of users.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

Note(s) 2022 2021

## 4. Property, plant and equipment

|                        | 2022       |   |                | 2021       |   |                |
|------------------------|------------|---|----------------|------------|---|----------------|
|                        | Cost       | Accumulated depreciation and accumulated impairment | Carrying value | Cost       | Accumulated depreciation and accumulated impairment | Carrying value |
| Buildings              | 64,417,612 | (12,274,676)  | 52,142,936     | 64,417,612 | (9,065,204)   | 55,352,408     |
| Furniture and fixtures | 3,581,897  | (1,396,678)   | 2,185,219      | 3,615,745  | (1,061,605)   | 2,554,140      |
| Motor vehicles         | 1,259,392  | (618,310)   | 641,082        | 1,259,392  | (366,431)   | 892,961        |
| Office equipment       | 1,033,478  | (747,610)   | 285,868        | 1,115,724  | (682,908)   | 432,816        |
| IT equipment           | 7,150,063  | (5,494,933)   | 1,655,130      | 6,940,626  | (4,150,896)   | 2,789,730      |
| Total                  | 77,442,442 | (20,532,207)  | 56,910,235     | 77,349,099 | (15,327,044)  | 62,022,055     |

### Reconciliation of property, plant and equipment - 2022

|                        | Opening balance   | Additions      | Disposals / Write offs | Depreciation       | Total             |
|------------------------|-------------------|----------------|------------------------|--------------------|-------------------|
| Buildings              | 55,352,408        | -              | -                      | (3,209,472)        | 52,142,936        |
| Furniture and fixtures | 2,554,140         | -              | (12,075)               | (356,846)          | 2,185,219         |
| Motor vehicles         | 892,961           | -              | -                      | (251,879)          | 641,082           |
| Office equipment       | 432,816           | -              | (23,070)               | (123,878)          | 285,868           |
| IT equipment           | 2,789,730         | 245,571        | (9,390)                | (1,370,781)        | 1,655,130         |
| <b>Total</b>           | <b>62,022,055</b> | <b>245,571</b> | <b>(44,535)</b>        | <b>(5,312,856)</b> | <b>56,910,235</b> |



## Property, plant and equipment (continued)

### Reconciliation of property, plant and equipment - 2021

|                        | Opening balance   | Additions      | Depreciation       | Total             |
|------------------------|-------------------|----------------|--------------------|-------------------|
| Buildings              | 58,561,881        | -              | (3,209,473)        | 55,352,408        |
| Furniture and fixtures | 2,913,575         | -              | (359,435)          | 2,554,140         |
| Motor vehicles         | 1,144,839         | -              | (251,878)          | 892,961           |
| Office equipment       | 541,254           | 21,366         | (129,804)          | 432,816           |
| IT equipment           | 3,759,063         | 389,660        | (1,358,993)        | 2,789,730         |
|                        | <b>66,920,612</b> | <b>411,026</b> | <b>(5,309,583)</b> | <b>62,022,055</b> |

Expenditure incurred to repair and maintain property, plant and equipment

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

Operating expenses

|  | 2022    | 2021    |
|--|---------|---------|
|  | 414,892 | 163,957 |

A full asset verification was conducted in the 2021/2022 financial year. The asset register was updated accordingly and some prior period errors were detected and corrected. An assessment of the remaining useful life of the assets was also conducted and some adjustments were made in the 2020/2021 financial year to take that into account. The effect of the prior period errors and the correction of the remaining useful lives of the assets did result in minor adjustments to the financial statements and asset register. The effects of the adjustments of the prior period errors is disclosed in the prior period error note, Note 25.

The asset register had previously included assets that were duplicated and had included assets that may have been previously disposed. These amendments had been done prospectively in the asset register due to the fact that the amounts were not considered to be material. The assets were then removed from the asset register or corrected in the 2021/2022 financial year and is disclosed as disposals or write offs in Note 4.

## 5. Intangible assets

|   | Cost             | 2021  |                  |                  |   |
|---|------------------|---|------------------|------------------|---|
|   |                  | Accumulated depreciation and accumulated impairment | Carrying value   | Cost             | Accumulated depreciation and accumulated impairment |
| Computer software                         | 316,026          | (225,262)   | 90,764           | 316,026          | (201,983)   |
| Automated Accreditation Management system | 6,581,852        | (1,861,628)   | 4,720,224        | 6,231,892        | (1,212,524)   |
| Intangible assets under development       | 139,415          | -   | 139,415          | 279,683          | -   |
| Knowledge Transfer management system      | 549,308          | (310,163)   | 239,145          | 549,308          | (261,750)   |
| <b>Total</b>                              | <b>7,586,601</b> | <b>(2,397,053)</b>                                  | <b>5,189,548</b> | <b>7,376,909</b> | <b>(1,676,257)</b>                                  |
|   |                  |   |                  |                  | <b>5,700,652</b>                                    |

### Reconciliation of intangible assets - 2022

|   | Opening balance  | Additions      | Transfers | Amortisation     | Total            |
|---|------------------|----------------|-----------|------------------|------------------|
| Computer software                         | 114,043          | -              | -         | (23,279)         | 90,764           |
| Automated Accreditation Management system | 5,019,368        | -              | 349,959   | (649,104)        | 4,720,223        |
| Intangible assets under development       | 279,683          | 209,691        | (349,959) | -                | 139,415          |
| Knowledge Transfer management system      | 287,558          | -              | -         | (48,412)         | 239,146          |
|   | <b>5,700,652</b> | <b>209,691</b> | <b>-</b>  | <b>(720,795)</b> | <b>5,189,548</b> |

### Reconciliation of intangible assets - 2021

|   | Opening balance  | Additions        | Transfers   | Amortisation     | Total            |
|---|------------------|------------------|-------------|------------------|------------------|
| Computer software                         | 137,387          | -                | -           | (23,344)         | 114,043          |
| Automated Accreditation Management System | 3,352,160        | 1,170,305        | 1,006,037   | (509,134)        | 5,019,368        |
| Intangible assets under development       | 1,180,732        | 104,988          | (1,006,037) | -                | 279,683          |
| Knowledge Transfer management system      | 336,102          | -                | -           | (48,544)         | 287,558          |
|   | <b>5,006,381</b> | <b>1,275,293</b> | <b>-</b>    | <b>(581,022)</b> | <b>5,700,652</b> |

| Figures in Rand | Note(s) | 2022 | 2021 |
|-----------------|---------|------|------|
|-----------------|---------|------|------|

### Intangible assets (continued)

#### Intangible assets under development

Intangible assets under development relate to the Automated Accreditation Management system. This system is being developed for the automation of the accreditation assessment process up to the monitoring of the accreditation process and a website front end for external stakeholders.

Phase III of the project is under last stages of finalisation with one module remaining.

Cumulative expenditure of intangible assets still under development and recognised in the carrying value of Intangible assets is R139,415 (2021: R279,683).

The other completed modules were signed off, capitalised and amortised accordingly as the modules were put in use.

## 6. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

| 2022   | Financial instruments as amortised cost | Total             |
|--|---|-------------------|
| Trade and other receivables from exchange transactions (excluding prepayments) | 5,438,644                               | 5,438,644         |
| Cash and cash equivalents  | 65,948,077                              | 65,948,077        |
| Utilities deposit  | 45,000                                  | 45,000            |
|  | <b>71,431,721</b>                       | <b>71,431,721</b> |

The utilities deposit is not interest bearing.

| 2021   | Financial instruments as amortised cost | Total             |
|--|---|-------------------|
| Trade and other receivables from exchange transactions (excluding prepayments) | 1,930,117                               | 1,930,117         |
| Cash and cash equivalents  | 41,817,692                              | 41,817,692        |
| Utilities deposit  | 45,000                                  | 45,000            |
|  | <b>43,792,809</b>                       | <b>43,792,809</b> |

## 7. Trade and other receivables from exchange transactions

|                                 |                  |                  |
|---------------------------------|------------------|------------------|
| Trade debtors                   | 6,577,817        | 2,404,594        |
| Less: Impairments for bad debts | (1,438,190)      | (885,553)        |
| Prepayments                     | 177,290          | 81,321           |
| Utilities deposit               | 45,000           | 45,000           |
| Staff debtors                   | 299,017          | 411,076          |
|                                 | <b>5,660,934</b> | <b>2,056,438</b> |

### Trade and other receivables from exchange transactions (continued)

| Figures in Rand | Note(s) | 2022 | 2021 |
|-----------------|---------|------|------|
|-----------------|---------|------|------|

### Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

None of the financial assets that are fully performing have been renegotiated in the last year.

### Trade receivables from exchange transactions past due but not impaired

Trade and other receivables which are less than three (3) months are not past due and are also not considered to be impaired. At 31 March 2022 R3,726,753 (2021: R 1,647,775) were past due but not impaired.

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

|                     |           |           |
|---------------------|-----------|-----------|
| 1 month past due    | 393,054   | 125,566   |
| > 2 months past due | 3,333,699 | 1,522,209 |

### Trade receivables from exchange transactions impaired

As of 31 March 2022, trade and other receivables of R1 438 190 (2021: R 885,553) were impaired and provided for.

The ageing of these impairments is as follows:

|               |           |         |
|---------------|-----------|---------|
| Over 120 days | 1,438,190 | 885,553 |
|---------------|-----------|---------|

### Reconciliation of provision for impairment of trade and other receivables

|                                      |                  |                |
|--------------------------------------|------------------|----------------|
| Opening balance                      | 885,553          | 1,056,059      |
| Provision for impairment             | 552,637          | -              |
| Amounts written off as uncollectible | -                | (143,980)      |
| Unused amounts reversed              | -                | (26,526)       |
|                                      | <b>1,438,190</b> | <b>885,553</b> |

The creation and release of provision for impaired receivables have been included in operating expenses. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

### Other Receivables

Staff debtors relate to a debt for the recovery of funds because of the application of the no work no pay rule that was applied due to strike action that had taken place in 2017. These funds are currently being recovered from staff. The debt outstanding is older than twelve (12) months but is not impaired as it is being recovered.

A deposit of R45 000 was paid to the utilities management company as a deposit for water and electricity usage at the SANAS office building.

## 8. Cash and cash equivalents

Cash and cash equivalents consist of:

|   |                   |                   |
|---|-------------------|-------------------|
| Cash on hand (including foreign exchange) | 13,396            | 15,257            |
| Bank balances                             | 3,130,556         | 3,525,847         |
| Call accounts                             | 62,804,125        | 38,276,588        |
|   | <b>65,948,077</b> | <b>41,817,692</b> |

The entity received approval during the 2021/2022 financial year to retain the full cash surplus from the 2020/2021 financial year.

## 9. Income received in advance

| Figures in Rand            | Note(s) | 2022      | 2021      |
|----------------------------|---------|-----------|-----------|
| Income received in advance |         | 5,479,742 | 5,983,258 |

SANAS' annual fees are issued annually on 1 April however quotations are issued during March in order to provide customers an indication of the new fees payable. On receipt of these quotations, many customers make payments in March instead of April. In addition to this, training is booked in advance and payment is sometimes received in the current year for training that will take place in the following year. These payments will only be recorded against income when the service is rendered and are therefore recorded as income received in advance

## 10. Provisions

### Reconciliation of provisions - 2022

|   | Opening Balance  | Additions        | Utilised during the year | Reversed during the year | Total            |
|---|------------------|------------------|--------------------------|--------------------------|------------------|
| Employee Cost of living increases 2020/2021 | 2,211,100        | 2,866,946        | (2,111,682)              | (99,418)                 | 2,866,946        |
| Bursaries                                   | 180,244          | 94,091           | (180,244)                | -                        | 94,091           |
|   | <b>2,391,344</b> | <b>2,961,037</b> | <b>(2,291,926)</b>       | <b>(99,418)</b>          | <b>2,961,037</b> |

### Reconciliation of provisions - 2021

|   | Opening Balance  | Additions        | Utilised during the year | Reversed during the year | Total            |
|---|------------------|------------------|--------------------------|--------------------------|------------------|
| Employee cost of living increases 2020/2021 | -                | 2,211,100        | -                        | -                        | 2,211,100        |
| Operational costs                           | 355,715          | -                | (355,715)                | -                        | -                |
| Performance bonuses 2019/2020               | 2,938,814        | -                | -                        | (2,938,814)              | -                |
| Bursaries                                   | -                | 180,244          | -                        | -                        | 180,244          |
|   | <b>3,294,529</b> | <b>2,391,344</b> | <b>(355,715)</b>         | <b>(2,938,814)</b>       | <b>2,391,344</b> |

A provision for the cost of living increases was made for the 2021/2022 financial year and is currently under consideration. The cost of living increases for the 2020/2021 financial year was approved in November 2021 for staff at levels A1 to D2 and in January 2022 for staff at salary levels D3 to E5.

A provision for internal and external bursaries was raised at 31 March 2022.

## 11. Contingent liability

| Figures in Rand | Note(s) | 2022 | 2021 |
|-----------------|---------|------|------|
|-----------------|---------|------|------|

### Internal audit investigations into 2018/2019 Irregular Expenditure

SANAS Management requested the Internal Audit service provider to conduct reviews of documentation and provide reports for tabling with the Accounting Authority pertaining to 2018/2019 expenditure identified as potential irregular expenditure. The reviews were performed during March 2019 and a report regarding all the items was provided during April 2019. The cost of these reviews was budgeted at R39,900 and approved. A subsequent request was then made to the internal auditors to separate each identified irregular expenditure into separate reports detailing the findings and recommendations as well as aligning the reports to the National Treasury Framework of Irregular expenditure.

The final reports were submitted in December 2019, however upon finalisation of the reports, the service provider issued an invoice for R729,080. SANAS management disputed the amount above the proposal amount of R39,900 as no discussion was held regarding additional fees at time of assignment. Additional engagements were made between the service provider and SANAS to reach consensus on the matter and the service provider was not satisfied with the conclusions reached by management regarding the alleged invoice outstanding. The balance of R689,180 is thus still regarded as being in dispute and the contingent liability of R689,180 had therefore still remained from the 2021/2022 financial year.

### Invoice received for assistance to the Accounting Authority

In September 2020, the Internal Audit service provider presented SANAS with an invoice for services rendered for their involvement in disciplinary matters initiated by the Board between November 2019 and July 2020. These disciplinary matters emanated from Irregular expenditure projects, Whistle-blower, and other pertinent matters (as stated on their invoice). Additional engagements were made between the service provider and SANAS to reach consensus on the matter and the service provider was not satisfied with the conclusions reached by management regarding the alleged invoice outstanding. This invoice had still been disputed by the service provider and a contingent liability of R317,064 had thus remained for the 2021/2022 financial year.

### Request to retain cash surplus 2021/2022

As per Section 53(3) of the PFMA, SANAS as a Schedule 3A Public Entity may not retain cash surpluses that were realised in the previous financial year without the prior written approval of the National Treasury.

Therefore in terms of this section and National Treasury's instruction no.12 of 2020/2021, SANAS will make a submission to National Treasury to retain surpluses for 2021/2022 in line with this instruction during August/September 2022 based on the final audited figures.

The cash surplus as per this instruction note is based on the cash and cash equivalents plus receivables less current liabilities. At the end of the 2021/2022 financial year the calculated cash surplus, of R52,251,582 as calculated in the table below, may be required to be surrendered in full or part thereof to the National Treasury should approval to retain the 2021/2022 cash surplus not be granted.

|                           | Surplus           |
|---------------------------|-------------------|
| Cash and cash equivalents | 65,948,077        |
| Receivables               | 5,660,934         |
| Less: Current liabilities | (19,357,429)      |
|                           | <b>52,251,582</b> |



## 12. Financial liabilities by category

| Figures in Rand   | Note(s) | 2022   | 2021           |
|---|---------|--|----------------|
| The accounting policies for financial instruments has been applied to trade and other payables below: |         |  |                |
| <b>2022</b>   |         | <b>Financial liabilities at amortised cost</b> | <b>Surplus</b> |
| Trade and other payables  |         | 8,318,232                                      | 65,948,077     |
| <b>2021</b>   |         | <b>Financial liabilities at amortised cost</b> | <b>Surplus</b> |
| Trade and other payables  |         | 4,041,910                                      | 4,041,910      |

## 13. Trade and other payables

|                |           |           |
|----------------|-----------|-----------|
| Trade payables | 8,318,232 | 4,041,910 |
|----------------|-----------|-----------|

## 14. Revenue

|  |                    |                   |
|--|--------------------|-------------------|
| Funds received from <b>the dtic</b> (non-exchange revenue) | 32,967,000         | 28,748,000        |
| Fee income (exchange revenue)                              | 79,532,606         | 58,530,553        |
| Courses and project fees (exchange revenue)                | 6,202,864          | 3,178,697         |
|  | <b>118,702,470</b> | <b>90,457,250</b> |

The increase in revenue was largely due to the recovery of the economy from the impact of Covid-19. In the first half of the financial year, conformity assessment bodies were withdrawing from accreditation and in the latter part of the year, after the easing of many of the Covid-19 restrictions, an increase in applications for accreditation was received. It is likely that the trend will continue in the coming year.

## 15. Investment income

|                   |           |           |
|-------------------|-----------|-----------|
| Interest received | 1,695,252 | 1,484,481 |
|-------------------|-----------|-----------|

Interest received is from interest earned on the SANAS bank account and call accounts.

## 16. Government grants and subsidies

|  |            |            |
|--|------------|------------|
| Grant from <b>the dtic</b>                                 | 32,967,000 | 28,748,000 |
| SANAS receives an unconditional grant from <b>the dtic</b> |            |            |

## 17. Employee related costs

| Figures in Rand                     | Note(s) | 2022              | 2021              |
|-------------------------------------|---------|-------------------|-------------------|
| Basic salary                        |         | 50,024,344        | 46,396,656        |
| Medical aid - company contributions |         | 2,261,469         | 2,355,420         |
| UIF                                 |         | 276,224           | 256,690           |
| WCA                                 |         | 210,679           | -                 |
| SDL                                 |         | 470,672           | 391,468           |
| Bonus provision reversal            |         | -                 | (2,938,814)       |
| Long term benefits - Provident Fund |         | 6,081,199         | 5,846,207         |
|                                     |         | <b>59,324,587</b> | <b>52,307,627</b> |

Basic salary includes the movement in leave pay of (R210,024) (2021: R252,410). The payment to workmans compensation was due to an assessment raised by the Department of Labour in the 2021/2022 financial year.

compensation was due to an assessment raised by the Department of Labour in the 2021/2022 financial year.

## 18. Depreciation and amortisation

|                               |                  |                  |
|-------------------------------|------------------|------------------|
| Property, plant and equipment | 5,312,856        | 5,309,583        |
| Intangible assets             | 720,795          | 581,022          |
|                               | <b>6,033,651</b> | <b>5,890,605</b> |

The depreciation charge was restated in the 2020/2021 financial year to include additional depreciation of R34,363 for assets taken on that were not recorded in the asset register but were in use. The remaining useful lives of assets was also reviewed.

## 19. Debt impairment

|                 |         |           |
|-----------------|---------|-----------|
| Debt impairment | 552,636 | (170,506) |
|-----------------|---------|-----------|

No debts were written off in the 2021/2022 financial year. A provision was raised for doubtful debts.

## 20. Operating expenses

| Figures in Rand  | Note(s) | 2022               | 2021              |
|--|---------|--------------------|-------------------|
| Accounting Authority emoluments                          |         | 1,062,610          | 1,055,652         |
| Accreditation assessor costs                             |         | 15,413,169         | 10,945,775        |
| Advertising  |         | 1,538,840          | 1,197,466         |
| Bank charges   |         | 55,312             | 54,456            |
| Consulting and professional fees                         |         | 51,139             | 545,259           |
| Depreciation and amortisation                            |         | 6,033,651          | 5,890,605         |
| Donations/Social contributions                           |         | 11,768             | 143,248           |
| Employee costs   |         | 59,324,587         | 52,307,627        |
| Entertainment  |         | -                  | 2,034             |
| External Auditors remuneration                           |         | 316,020            | 488,290           |
| IT expenses  |         | 5,688,268          | 2,772,357         |
| Insurance  |         | 137,453            | 506,493           |
| Other operating expenses                                 |         | 5,471,985          | 4,829,311         |
| International and regional responsibilities              |         | 37,282             | 259,208           |
| Internal Auditors remuneration                           |         | 949,147            | 420,926           |
| Other accreditation expenses                             |         | 157,273            | 73,012            |
| Operating lease  |         | 147,670            | 118,804           |
| Printing and stationery                                  |         | 90,697             | 452,880           |
| Project expenses   |         | 122,178            | 85,626            |
| Repairs and maintenance                                  |         | 414,892            | 347,613           |
| Subscriptions and membership fees                        |         | 16,202             | 60,169            |
| Telephone and fax  |         | 23,616             | 63,669            |
| Transfer payment - National Laboratory Association (NLA) |         | 753,383            | 714,108           |
| Training Course expenses                                 |         | 846,910            | 630,696           |
| Travel - local   |         | 3,940,430          | 849,168           |
|  |         | <b>102,604,482</b> | <b>84,814,452</b> |

### Travel - Local

The easing of the Covid-19 restrictions had resulted in an increase in travel. Assessments for conformity assessments bodies were conducted on site in the latter part of the financial year resulting in an increase in travel expenditure. It is expected that the travel expenditure would reach pre-Covid-19 levels in the coming year.

### Employee Costs

The increase in employee costs from 2020/2021 to 2021/2022 is due to the implementation of the cost of living increases and the filling of vacancies.

### IT Expenses

IT expenses had increased due to the implementation of disaster recovery costs at SANAS.

### Assessor Costs

The increase in the assessments due to the easing of Covid-19 lockdowns, had resulted in an increase in the assessor costs from the 2020/2021 financial year. These costs are directly linked to the generation of income.

### Insurance

There was a reduction in the insurance cost because the contract with the insurer had ended. A new insurance company had been appointed and the expenditure would increase in the following years.

### Printing and Stationery

Staff had been working remotely for most part of the financial year which had resulted in a decrease in printing and stationery costs.

### Internal Audit Remuneration

All outstanding audits were completed in the 2021/2022 financial year.

## 21. Operating lease

| Figures in Rand | Note(s) | 2022 | 2021 |
|-----------------|---------|------|------|
|-----------------|---------|------|------|

SANAS currently rents four (4) photocopy machines that classify as operating leases. The period of the lease is 12 months and the lease had commenced in September 2021. There are no escalations in the lease and the lease will end in August 2022.

At 31 March 2022, the outstanding commitment under the non-cancellable operating lease was as follows:

|              | 2022    |
|--------------|---------|
| Up to 1 year | 105,479 |

## 22. Cash generated from operations

|   |                   |                   |
|---|-------------------|-------------------|
| Surplus   | 17,979,482        | 7,280,311         |
| <b>Adjustments for:</b>                                       |                   |                   |
| Depreciation and amortisation                                 | 6,033,651         | 5,890,605         |
| Movements in provisions                                       | 569,693           | (903,185)         |
| Write off or disposal of assets                               | 44,535            | -                 |
| <b>Changes in working capital:</b>                            |                   |                   |
| (Increase) decrease in receivables from exchange transactions | (3,604,496)       | 348,974           |
| Increase (decrease) in payables from exchange transactions    | 4,276,322         | (407,232)         |
| (Decrease) increase in income received in advance             | (503,516)         | 2,907,133         |
| (Decrease) increase in accrual for leave pay                  | (210,024)         | 252,410           |
|   | <b>24,585,647</b> | <b>15,369,016</b> |

## 23. Commitments

### Authorised capital expenditure

#### Already contracted for but not provided for

|                     |        |         |
|---------------------|--------|---------|
| • Intangible assets | 92,943 | 302,634 |
|---------------------|--------|---------|

### Total commitments

|                                |        |         |
|--------------------------------|--------|---------|
| Authorised capital expenditure | 92,943 | 302,634 |
|--------------------------------|--------|---------|

The current year committed capital expenditure relates to the third phase of enhancements of the automated accreditation management system that is under final stages of development (Project Shanduka). The amount recorded as a commitment for the 2020/2021 financial year relates to the same project.

## 24. Related parties

| Figures in Rand   | Note(s)   | 2022             | 2021           |
|---|---|------------------|----------------|
| <b>Relationships</b>  |   |                  |                |
| Executive Authority   | Department of Trade, Industry and Competition ( <b>the dtic</b> ) - Minister Ebrahim Patel  |                  |                |
| Accounting Authority  | Ms L Tlou (Interim Chairperson) Mr T Baleni (Acting CEO)<br>Dr T Demana Ms Z Kimani Mr S Mlangeni Dr M Mohlala Ms L Mothae<br>Mr M Phaloane (Executive: Accreditation) Dr M Pule<br>Mr F Wetes Ms I Ramafola<br>Ambassador S Jaffer |                  |                |
| SANAS MOU Signatory   | National Laboratory Association (NLA)   |                  |                |
| Members of key management   | Mr T Baleni (Acting CEO)<br>Mr M Phaloane (Executive: Accreditation)<br>Ms F Radebe (Executive: Corporate Services) Ms N Thomas (CFO)<br>Mr F Osman (Executive: Strategy and Development) Mr D Peterson (Company Secretary)         |                  |                |
| <b>Related party balances</b>                                     |   |                  |                |
| <b>Amounts included in receivables from exchange transactions</b> |   |                  |                |
| Agricultural Research Council                                     |   | 3,356            | -              |
| Department of Agriculture   |   | 211,478          | -              |
| Council for Scientific and Industrial Research                    |   | 32,164           | -              |
| Eskom   |   | 167,989          | 200,157        |
| South African Bureau of Standards                                 |   | 27,580           | -              |
| Telkom SA Limited   |   | 13,108           | -              |
| South African Medical Research Council                            |   | 10,408           | -              |
| National Health Laboratory Services                               |   | 1,187,245        | -              |
| National Metrology Institute of South Africa                      |   | 41,524           | 10,408         |
| <b>Total</b>  |   | <b>1,694,852</b> | <b>210,565</b> |
| <b>Income received in advance from related parties</b>            |   |                  |                |
| Agricultural Research Council                                     |   | -                | 8,221          |
| Department of Agriculture   |   | -                | 19,361         |
| Magalies Water  |   | 9,905            | 9,905          |
| Rand Water  |   | 12,835           | 12,835         |
| Lepelle Northern Water  |   | 7,303            | 789            |
| Sedibeny Water  |   | 28,472           | 28,472         |
| Telkom SA Limited   |   | -                | 29,202         |
| South African Medical Research Council                            |   | -                | 2,750          |
| National Health Laboratory Services                               |   | -                | 287,726        |
| <b>Total</b>  |   | <b>58,515</b>    | <b>399,261</b> |
| <b>Amounts included in payables from exchange transactions</b>    |   |                  |                |
| National Regulatory for Compulsory Specifications                 |   | -                | 86,313         |
| National Metrology Institute of South Africa                      |   | -                | 21,500         |
| <b>Total</b>  |   | <b>-</b>         | <b>107,813</b> |

## Related parties (continued)

| Figures in Rand   | Note(s) | 2022              | 2021              |
|---|---------|-------------------|-------------------|
| <b>Related party transactions</b>                                       |         |                   |                   |
| <b>Funds Received</b>   |         |                   |                   |
| <b>the dtic</b>   |         | 32,967,000        | 28,748,000        |
| <b>Exchange Transactions - Services Rendered to the Public Entities</b> |         |                   |                   |
| Agricultural Research Council   |         | 211,155           | 137,609           |
| Amatola Water   |         | 121,784           | 33,258            |
| Council for Scientific and Industrial Research                          |         | 524,760           | 422,786           |
| National Metrology Institute of South Africa                            |         | 1,071,976         | 638,742           |
| Denel   |         | 85,780            | 67,433            |
| National Regulator for Compulsory Specifications                        |         | 853,592           | 519,902           |
| Eskom   |         | 1,330,045         | 730,329           |
| Rand Water  |         | 81,640            | 64,175            |
| Lepelle Northern Water  |         | 77,593            | 52,824            |
| Sedibeng Water  |         | 155,530           | 88,998            |
| Magalies Water  |         | 63,010            | 73,455            |
| South African Airways   |         | 114,978           | 94,901            |
| Mhlathuze Water   |         | 170,820           | 227,250           |
| South African Bureau of Standards                                       |         | 2,069,769         | 1,421,618         |
| South African Weather Services  |         | 162,660           | 65,792            |
| Telkom SA Limited   |         | 170,864           | 146,008           |
| National Health Laboratory Services                                     |         | 6,799,071         | 5,288,115         |
| Umgeni Water  |         | 312,600           | 87,361            |
| Department of Agriculture   |         | -                 | 138,590           |
| South African National Blood Services                                   |         | 1,450,488         | 1,089,768         |
| South African Road Testing Services                                     |         | -                 | 25,125            |
| South African Meat Industry Company                                     |         | 47,362            | 39,544            |
| <b>Total</b>  |         | <b>15,875,477</b> | <b>11,453,583</b> |
| <b>Expenses: Goods and Services paid to other Public Entities</b>       |         |                   |                   |
| Agricultural Research Council   |         | 4,115             | 13,500            |
| National Regulator for Compulsory Specifications                        |         | 163,926           | 441,799           |
| South African Bureau of Standards                                       |         | 433,100           | 414,609           |
| Government Printing Works   |         | -                 | 1,513             |
| South African Revenue Services  |         | 14,035,369        | 12,521,513        |
| Unemployment Insurance Fund   |         | 150,885           | 250,540           |
| National Metrology Institute of South Africa                            |         | 161,380           | 188,235           |
| National Health Laboratory Services                                     |         | 7,498             | -                 |
| National Laboratory Association   |         | 778,952           | 726,815           |
| <b>Total</b>  |         | <b>15,735,225</b> | <b>14,558,524</b> |
| <b>Funds Paid to Other Related Parties</b>                              |         |                   |                   |
| Transfer payment - National Laboratory Association (NLA)                |         | 753,383           | 714,108           |

Through a Memorandum of Understanding signed by SANAS and the National Laboratory Association (NLA), SANAS transfers funds to the NLA from the funds received from **the dtic**.

| Figures in Rand | Note(s) | 2022 | 2021 |
|-----------------|---------|------|------|
|-----------------|---------|------|------|

## Remuneration and Emoluments

### Accounting Authority

#### 2022

|               | Members<br>Fees | Committee<br>Fees | Total            |
|---------------|-----------------|-------------------|------------------|
| Ms L Tlou     | 175,286         | 70,241            | 245,527          |
| Mr S Mlangeni | 146,881         | 55,475            | 202,356          |
| Dr M Mohlala  | 104,920         | 55,474            | 160,394          |
| Ms L Mothae   | 201,016         | 55,474            | 256,490          |
| Mr F Wetes    | 142,367         | 55,475            | 197,842          |
|               | <b>770,470</b>  | <b>292,139</b>    | <b>1,062,609</b> |

#### 2021

|               | Members<br>Fees | Committee<br>Fees | Total            |
|---------------|-----------------|-------------------|------------------|
| Ms L Tlou     | 117,672         | 81,539            | 199,211          |
| Mr L Mayedwa  | 51,407          | 43,225            | 94,632           |
| Mr S Mlangeni | 128,585         | 62,587            | 191,172          |
| Dr M Mohlala  | 112,589         | 68,277            | 180,866          |
| Ms L Mothae   | 149,923         | 62,587            | 212,510          |
| Mr F Wetes    | 108,984         | 68,277            | 177,261          |
|               | <b>669,160</b>  | <b>386,492</b>    | <b>1,055,652</b> |

Some members of the Accounting Authority were not remunerated in their personal capacity as they are employees of Government or Institutions, Agencies or Entities of Government. These Accounting Authority members for the 2021/2022 financial year were as follows:

- Ms I Bologo
- Dr T Demana
- Mr N Gunga
- Ms Z Kimani
- Dr M Pule
- Ambassador S Jaffer.

For the 2020/2021 financial year, these Accounting Authority members who were not remunerated because of reasons stated above, were as follows:

- Ms I Bologo
- Dr T Demana
- Mr N Gunga
- Ms Z Kimani
- Ms T Phele
- Dr M Pule.

Some members of Executive Management were also members of the Accounting Authority and were not remunerated in their personal capacity. Their remuneration as part of Executive Management is listed in the table below. These members of management that were Accounting Authority members for the 2021/2022 financial year were as follows

- Mr T Baleni
- Mr M Phaloane.

For the 2020/2021 financial year, the Executive Management who were also members of the Accounting Authority were as follows:

- Mr M Phaloane
- Dr R Josias
- Mr I Abdoola.

## Related parties (continued)

| Figures in Rand   |            | Note(s)          | 2022             | 2021                     |           |           |
|---|------------|------------------|------------------|--------------------------|-----------|-----------|
| Executive management  |            |                  |                  |                          |           |           |
| 2022  |            |                  |                  |                          |           |           |
|   | Emoluments | Acting Allowance | Travel Allowance | Post-employment benefits | Total     |           |
| Mr T Baleni (Acting CEO from 12 July 2021)*   | 1,132,527  | 266,230          | -                | 92,244                   | 1,491,001 |           |
| Mr M Phaloane (Executive: Accreditation)(Acting CEO until 31 May 2021)                | 1,641,936  | 50,173           | 54,000           | 299,283                  | 2,045,392 |           |
|   | 1,575,936  | -                | 120,000          | 299,283                  | 1,995,219 |           |
| Ms F Radebe (Executive Corporate Services)  |            |                  |                  |                          |           |           |
| Mr F Osman (Executive: Strategy and Development from 17 January 2022)                 | 288,117    | -                | -                | 41,391                   | 329,508   |           |
| Ms N Thomas (CFO from 04 August 2021)   | 1,001,982  | -                | -                | 119,056                  | 1,121,038 |           |
| Mr D Petersen (Company Secretary)   | 1,201,600  | -                | -                | 140,970                  | 1,342,570 |           |
| Ms C Warren (Acting CFO until 10 August 2021)   | 505,869    | -                | -                | -                        | 505,869   |           |
|   | 7,347,967  | 316,403          | 174,000          | 992,227                  | 8,830,597 |           |
| 2021  |            |                  |                  |                          |           |           |
|   | Emoluments | Acting Allowance | Travel Allowance | Post-employment benefits | Leave Pay | Total     |
| Dr. R Josias (Former CEO)   | 347,976    | -                | 6,692            | 62,589                   | 224,899   | 642,156   |
| Mr M Phaloane (Executive: Accreditation) (Acting CEO - 01 June 2020 to 31 March 2021) | 1,620,172  | 332,931          | 54,000           | 295,442                  | -         | 2,302,545 |
| Ms F Radebe (Executive Corporate Services)  | 1,598,488  | -                | 120,000          | 251,126                  | -         | 1,969,614 |
| Mr I Abdoola (Former CFO)   | 445,164    | -                | -                | 60,704                   | 137,983   | 643,851   |
| Ms C Warren (Acting CFO) (from 1 July 2020)   | 939,833    | -                | -                | -                        | 26,813    | 966,646   |
| Mr D Petersen (Company Secretary)   | 1,186,180  | -                | -                | 139,161                  | -         | 1,325,341 |
|   | 6,137,813  | 332,931          | 180,692          | 809,022                  | 389,695   | 7,850,153 |

\*Mr T Baleni had been seconded from **the dtic** to act as the Chief Executive Officer (CEO) of SANAS. Claims are made by **the dtic** to SANAS for the payment of Mr T Baleni's salary, allowances, employer contributions and acting allowance that is paid by **the dtic**. The amounts paid by **the dtic** to Mr T Baleni are therefore claimed by **the dtic** from SANAS.



## 25. Prior period errors

| Figures in Rand | Note(s) | 2022 | 2021 |
|-----------------|---------|------|------|
|-----------------|---------|------|------|

A full asset verification process was conducted in the 2021/2022 financial year and it was found that there were assets that had been in use but not recorded in the asset register. In addition to this, the remaining useful lives for many of the assets had not been conducted in the prior year resulting in assets in use not being depreciated. As a result of this, corrections had been made to the financial statements to take this into account.

In addition to the above, a deposit for utilities of R45,000 was allocated to receivables from non-exchange transactions. This transaction is an exchange transaction as the provision of electricity and water is provided in exchange for payment. This allocation had been corrected from Receivables from Non-Exchange Transactions to Receivables from Exchange Transactions.

A slight error had also occurred in the 2020/2021 financial with printing and stationery costs and operating leases. The printing and stationery costs had included the amount for operating leases which was separately disclosed. The difference was netted off to Other operating costs. This was corrected and therefore the comparative was restated. effect to total expenditure.

The correction of the error(s) resulted in adjustments as follows:

### Statement of financial position

|  |   |           |
|--|---|-----------|
| Increase in Property, plant and equipment                | - | 148,886   |
| (Decrease) in Receivables from non-exchange transactions | - | (45,000)  |
| Increase in Receivables from exchange transactions       | - | 45,000    |
| (Increase) in Opening Accumulated Surplus or Deficit     | - | (183,251) |

### Statement of financial performance

|                                       |   |           |
|---------------------------------------|---|-----------|
| Increase in Depreciation expense      | - | 34,363    |
| (Decrease) in Printing and stationery | - | (118,804) |
| Increase in Other operating expenses  | - | 118,804   |

### Irregular expenditure

|                                 |          |                   |
|---------------------------------|----------|-------------------|
| Closing balance                 | -        | 26,588,892        |
| Adjustments made                | -        | (4,681)           |
| <b>Restated closing balance</b> | <b>-</b> | <b>26,584,211</b> |

The adjustment relates to an amount recorded for the payment of VAT due to the VAT adjustment of 14% to 15%. This amount was initially recorded as irregular expenditure. Upon further investigation, it was confirmed that no legislation was breached and that the payment was not irregular as defined in Section 1 of the Public Finance Management Act, as amended.

## 26. Comparative figures

The comparative figures listed below have been reclassified. The effects of the reclassification are as follows:

|                                   | 2021        |
|-----------------------------------|-------------|
| Accreditation Assessor Costs      | (2,918,300) |
| Employee Costs                    | 2,163,001   |
| IT Expenses                       | 1,176,665   |
| Other Operating Costs             | 755,299     |
| Project Expenses                  | (606,892)   |
| Subscriptions and membership fees | (569,773)   |
|                                   | -           |

### Accreditation Assessor Costs

The cost or management accounting journal of allocating staff costs at charge out rates to Accreditation Assessor Costs had been reclassified back to Employee Costs. The management accounting journal would be performed for management accounting and management reporting purposes only.

### Employee Costs

The management accounting journal mentioned above was reclassified back to Employee Costs because the nature of the expense was still deemed to be compensation of employees for financial reporting purposes. Bursaries to staff and students as well as staff development costs that was previously reported under Employee Costs was reclassified to Other Operating Expenses.

### IT Expenses

The expenditure for IT security licences and anti-virus costs was reclassified from Project Expenses to IT Expenses.

### Other Operating Costs

Costs for bursaries for students and staff as well as staff development that was previously reported under Employee Costs was reclassified to Other Operating Costs.

### Project Expenses

IT Security and anti-virus costs was reclassified from Project Expenses to IT Expenses.

### Subscriptions and Membership Fees

Licences for computer software was reclassified to IT Expenses.

## 27. Risk management

### Financial risk management

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

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

### Liquidity risk

SANAS' risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash and cash equivalents are sufficient to settle current liabilities even if the contingent liability of cash surplus surrender should be paid.

|                          |                         |
|--------------------------|-------------------------|
| <b>At 31 March 2022</b>  | <b>Less than 1 year</b> |
| Trade and other payables | 8,318,232               |

|                          |                         |
|--------------------------|-------------------------|
| <b>At 31 March 2021</b>  | <b>Less than 1 year</b> |
| Trade and other payables | 4,041,910               |

### Interest rate risk

Surplus funds invested attract interest rates that vary in relation to the prime rate. The entity's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the surplus or deficit.

| Figures in Rand | Note(s) | 2022 | 2021 |
|-----------------|---------|------|------|
|-----------------|---------|------|------|

### Currency risk

The entity operates internationally but invoices only in South African Rands. The entity does not hedge foreign exchange fluctuations as the number of international transactions is limited, thus the entity is not exposed to significant foreign exchange risk. The entity reviews its foreign currency exposure, including commitments on an ongoing basis.

### Credit risk

Credit risk potentially affects cash deposits, cash equivalents and trade and other receivables from exchange transactions. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter- party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis.

The maximum (gross) exposure to credit risks are as follows:

|  | 2022       | 2021       |
|--|------------|------------|
| Cash and cash equivalents  | 65,948,077 | 41,817,692 |
| Trade and other receivables from exchange transactions (excluding prepayments) | 5,438,644  | 1,930,117  |

## 28. Going concern

We draw attention to the fact that at 31 March 2022, SANAS had an accumulated surplus of R 114,351,365 and that SANAS' total assets exceed its liabilities by R 114,351,365.

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.

## 29. Events after the reporting date

The National Treasury forwarded approval of the condonation of the irregular expenditure on 06 May 2022. Since this related to information at reporting date, the irregular expenditure Note 31 below was updated as an adjusting event. There were no other events after the reporting date reported for the 2021/2022 financial year.

## 30. Fruitless and wasteful expenditure

|  |                |              |
|--|----------------|--------------|
| Opening balance as previously reported     | -              | 2,194        |
| <b>Opening balance</b>                     | <b>-</b>       | <b>2,194</b> |
| Add: Expenditure identified - prior period | 284,824        | -            |
| Less: Amounts recoverable - current        | -              | (2,194)      |
| <b>Closing balance</b>                     | <b>284,824</b> | <b>-</b>     |

During the 2020/2021 external audit, fruitless and wasteful expenditure pertaining to a separation agreement of R284,824 that was entered into after a disciplinary hearing was held, was found during the audit. A determination test was conducted to determine who was to be held liable for the fruitless and wasteful expenditure. A letter of demand had been written and forwarded to the previous staff member who was responsible for the fruitless and wasteful expenditure.

### Amounts recoverable

The R284,824 is currently in the process of being recovered.

## 31. Irregular expenditure

| Figures in Rand   | Note(s) | 2022              | 2021              |
|---|---------|-------------------|-------------------|
| Opening balance as restated   |         | 26,584,211        | 26,011,803        |
| Add: Irregular Expenditure - current year (including contracts previously confirmed as irregular) |         | 511,808           | 176,374           |
| <b>Subtotal</b>   |         | <b>27,096,019</b> | <b>26,188,177</b> |
| Add: Irregular Expenditure - prior period   |         | -                 | 400,715           |
| Less: Amounts condoned - current year   |         | (50,160)          | -                 |
| Less: Amounts condoned prior period   |         | (1,686,828)       | -                 |
| Less: Prior period error  |         | -                 | (4,681)           |
| <b>Total Irregular Expenditure awaiting to be condoned</b>  |         | <b>25,359,031</b> | <b>26,584,211</b> |

### Incidents/cases incurred in the current year and identified from contracts previously confirmed as irregular:

|  | Disciplinary Action                                  |                |                |
|--|--|----------------|----------------|
| Supplier awarded a contract outside of the validity period of the tender | Responsible staff member no longer employed at SANAS | 470,534        | 79,559         |
| Quotation received after the closing date                                | Responsible staff member no longer employed at SANAS | 41,274         | 40,129         |
| Contract extended after the expiry of the contract                       | Responsible staff member no longer employed at SANAS | -              | 52,005         |
| Payment of VAT adjustment from 14% to 15%                                | Removed as irregular expenditure                     | -              | 4,681          |
|  |  | <b>511,808</b> | <b>176,374</b> |

### Incidents/cases incurred in the prior year and identified in the current year include those listed below:

|  | Disciplinary Action   |          |                |
|--|---|----------|----------------|
| Contract extended without National Treasury approval | Responsible staff no longer employed at SANAS   | -        | 90,000         |
| Three written quotations not invited                 | Disciplinary action taken against one staff member. Other responsible staff members no longer employed at SANAS | -        | 274,490        |
| Quotation received after the closing date            | Responsible staff member no longer employed at SANAS  | -        | 36,225         |
|  |   | <b>-</b> | <b>400,715</b> |

### Details of potential Irregular Expenditure Under Investigation

The Accounting Authority noted the allegations contained in the Mail and Guardian article published on 10 July 2020 in respect of the eligibility of membership of one of the members of the Accounting Authority. The Accounting Authority is awaiting a response from the Minister of Trade, Industry and Competition as the Executive Authority, and will thereafter assess the impact thereof (if any) on irregular expenditure.

Two matters for further consideration were submitted to **the dtic** as the Executive Authority in terms of PFMA Section 83 and Treasury Regulation Section 33.1:

- Costs associated with suspected non-conformance with the procurement process by the Accounting Authority for additional legal work.
- Following the detailed movement in members of the Accounting Authority as disclosed in the 2019/2020 Annual Financial Statements, the Board composition did not comply with Accreditation Act for a period of time during 2020/2021. According to Section 8 of the Accreditation Act, the SANAS Board should consist of not less than 10 and not more than 15 members. SANAS is still awaiting a response from **the dtic** for the matters referred to above.

#### Amounts condoned

Investigations were conducted for the irregular expenditure and it was confirmed that no fraudulent or corrupt activities had taken place and that SANAS had not suffered any financial loss.

## 32. Segment information

### General information

#### Identification of segments

SANAS is organised and reports to management on the basis of four major functional areas: Administration services, Accreditation services, Strategy and Development services and Corporate Services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

#### Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

| Reportable segment       | Goods and/or services  |
|--------------------------|--|
| Administration           | Policy development, financial management, legal and administrative support   |
| Corporate Services       | Human Resources (HR) management, quality management, information and communication technology, and communication and marketing |
| Strategy and Development | Research and development of new accreditation programmes, knowledge transfer and regional and international development        |
| Accreditation            | Accreditation assessments and good laboratory practice monitoring  |

Figures in Rand

## Segment information (continued)

### Segment surplus or deficit

2022

| Revenue                                  | Administration     | Corporate Services  | Strategy and Development | Accreditation Provision | Total              |
|--|--------------------|---------------------|--------------------------|-------------------------|--------------------|
| Revenue from non-exchange transactions   | 32,967,000         | -                   | -                        | -                       | 32,967,000         |
| Revenue from exchange transactions       | -                  | -                   | 6,202,866                | 79,532,604              | 85,735,470         |
| Interest revenue                         | 1,695,252          | -                   | -                        | -                       | 1,695,252          |
| Sundry income                            | 186,242            | -                   | -                        | -                       | 186,242            |
| <b>Total segment revenue</b>             | <b>34,848,494</b>  | <b>-</b>            | <b>6,202,866</b>         | <b>79,532,604</b>       | <b>120,583,964</b> |
| <b>Entity's revenue</b>                  |                    |                     |                          |                         | <b>120,583,964</b> |
| <b>Expenditure</b>                       |                    |                     |                          |                         |                    |
| Salaries and wages                       | 29,380,899         | -                   | -                        | 29,943,688              | 59,324,587         |
| Other expenses                           | 6,226,472          | 10,502,530          | 1,006,369                | 19,510,873              | 37,246,244         |
| Depreciation and amortisation            | 6,033,651          | -                   | -                        | -                       | 6,033,651          |
| <b>Total segment expenditure</b>         | <b>41,641,022</b>  | <b>10,502,530</b>   | <b>1,006,369</b>         | <b>49,454,561</b>       | <b>102,604,482</b> |
| <b>Total segmental surplus/(deficit)</b> | <b>(6,792,528)</b> | <b>(10,502,530)</b> | <b>5,196,497</b>         | <b>30,078,043</b>       | <b>17,979,482</b>  |

Figures in Rand

## Segment information (continued)

### Segment surplus or deficit

2021

#### Revenue

|  |                   |          |                  |                   |                   |
|--|-------------------|----------|------------------|-------------------|-------------------|
| Revenue from non-exchange transactions | 28,748,000        | -        | -                | -                 | 28,748,000        |
| Revenue from exchange transactions     | -                 | -        | 3,178,697        | 58,530,553        | 61,709,250        |
| Interest revenue                       | 1,484,481         | -        | -                | -                 | 1,484,481         |
| Sundry income                          | 153,032           | -        | -                | -                 | 153,032           |
| <b>Total segment revenue</b>           | <b>30,385,513</b> | <b>-</b> | <b>3,178,697</b> | <b>58,530,553</b> | <b>92,094,763</b> |
| <b>Entity's revenue</b>                |                   |          |                  |                   | <b>92,094,763</b> |

#### Expenditure

|  |                    |                    |                  |                   |                   |
|--|--------------------|--------------------|------------------|-------------------|-------------------|
| Salaries and wages                       | 19,322,546         | -                  | -                | 32,985,081        | 52,307,627        |
| Other expenses                           | 10,105,947         | 5,264,088          | 914,643          | 10,331,542        | 26,616,220        |
| Depreciation and amortisation            | 5,890,605          | -                  | -                | -                 | 5,890,605         |
| <b>Total segment expenditure</b>         | <b>35,319,098</b>  | <b>5,264,088</b>   | <b>914,643</b>   | <b>43,316,623</b> | <b>84,814,452</b> |
| <b>Total segmental surplus/(deficit)</b> | <b>(4,933,585)</b> | <b>(5,264,088)</b> | <b>2,264,054</b> | <b>15,213,930</b> | <b>7,280,311</b>  |

### 33. Statement of Comparison of Budget and Actual Amounts

The following are the explanations of material differences as required by paragraph 12(c) of GRAP 24. The budget was adjusted during the year due to the anticipated filling of vacancies.

#### Statement of financial performance:

##### a. Fee income

During the first half of the financial year, there was an increase in the number of withdrawals from conformity assessment bodies. This had changed from the third quarter when a number of new applications were received. It was assumed that the impact of Covid-19 had resulted in the withdrawals, however, with the easing of lockdown restrictions and a slightly recovery in the economy had resulted in an increase in new applications in the latter part of the year. This had resulted in the budget allocated almost being achieved.

##### b. Courses and project fees

There was a decreased demand of knowledge transfer products in the first half of the financial year. The requests for training had begun to increase in the latter part of the year. By the fourth quarter of the financial year, training had been taking place on-site or face-to-face as opposed to the remote learning in prior months. This reduction in requests for training and other courses had contributed to the reduction in income received compared to the budget.

##### c. Investment income

Interest rates had decreased sharply due to the impact of the Covid-19 pandemic. This had resulted in the interest earned on funds deposited in interest bearing accounts reducing against estimated amounts.

##### d. Employee costs

The variance between the budget and actual figures is mainly due to the implementation of the cost of living for employees at percentages that were lower than what had been budgeted for. In addition to that, some vacancies were not filled at the beginning of the year but in the second half of the financial year.

##### e. Goods and services

Due to lockdown restrictions because of the Covid-19 pandemic, assessments were conducted remotely. This had only begin to change from the latter part of the third quarter. This had resulted in a saving on travel and accommodation. In addition to this, the Preferential Procurement Regulations were declared invalid by the Constitutional Court which had caused a suspension of procurements. This had resulted in expenditure not being incurred as envisaged.

##### f. Sundry income

The budget for sundry income was fully realised due to recoveries made from staff previously written off.



## 34. Detailed Statement of Financial Performance

| Figures in Rand                                 | Note(s) | 2022                 | 2021                |
|---|---------|----------------------|---------------------|
| <b>Revenue</b>                                  |         |                      |                     |
| <b>Revenue from exchange transactions</b>       |         |                      |                     |
| Rendering of services                           |         | 85,735,470           | 61,709,250          |
| Other income                                    |         | 186,242              | 153,032             |
| Interest received - investment                  | 15      | 1,695,252            | 1,484,481           |
| <b>Total revenue from exchange transactions</b> |         | <b>87,616,964</b>    | <b>63,346,763</b>   |
| <b>Revenue from non-exchange transactions</b>   |         |                      |                     |
| <b>Transfer revenue</b>                         |         |                      |                     |
| Government grants & subsidies                   | 16      | 32,967,000           | 28,748,000          |
| <b>Total revenue</b>                            | 14      | <b>120,583,964</b>   | <b>92,094,763</b>   |
| <b>Expenditure</b>                              |         |                      |                     |
| Employee related costs                          | 17      | (59,324,586)         | (52,307,627)        |
| Accreditation Assessor Costs                    |         | (15,413,169)         | (10,945,775)        |
| Transfer payments - Other                       |         | (753,383)            | (714,108)           |
| Depreciation and amortisation                   | 18      | (6,033,651)          | (5,890,605)         |
| Debt Impairment                                 | 19      | (552,636)            | 170,506             |
| General Expenses                                | 20      | (20,527,057)         | (15,126,843)        |
| <b>Total expenditure</b>                        |         | <b>(102,604,482)</b> | <b>(84,814,452)</b> |
| <b>Surplus for the year</b>                     |         | <b>17,979,482</b>    | <b>7,280,293</b>    |

## NOTES

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