

Annual Report

2019 - 2020

2019-20 HIGHLIGHTS

Hosting of OECD GLP Inspectors training	 79 participants  35 countries	
Conformity Assessment Bodies Increased Total Accreditations	1785	
Previously Disadvantaged Individuals Increased Assessors Registration	296 PDI assessors	
Accreditation recognition of Proficiency Testing to ISO/IEC 17043 granted by ILAC in October 2019		 
Recognition for full transition to ISO/IEC 17011:2017 was confirmed by AFRAC		



CONTENTS

1.	Introduction.....	1
PART A: GENERAL INFORMATION		
2.	Entity's General Information.....	6
3.	Abbreviations and Acronyms.....	7
4.	Foreword by the Minister of Trade, Industry and Competition.....	8
5.	Foreword by the Chairperson.....	10
6.	Chief Executive Officer's Overview.....	12
7.	Statement of Responsibility and Confirmation of the Accuracy of the Annual Report.....	17
8.	Strategic Overview.....	18
8.1	Vision.....	18
8.2	Mission.....	18
8.3	Values.....	18
8.4	Legislative Mandate.....	19
9.	Organisational Structure.....	21
PART B: PERFORMANCE INFORMATION		
10.	External Auditor's Report on Predetermined Objectives.....	24
11.	Situational Analysis.....	24
11.1	Service Delivery Environment.....	24
11.2	Organisational Environment.....	26
12.	Strategic Outcome-Orientated Goals.....	27
13.	Performance Information by Programme.....	28
13.1	Administration.....	28
13.2	Corporate Services.....	29
13.3	Strategy and Development.....	36
13.4	Accreditation Provision.....	41
14.	Transfer Payments.....	56
14.1	Revenue Collection.....	56
14.2	Capital Investment.....	57
PART C: GOVERNANCE		
15.	Introduction.....	59
15.1	IT Compliance and Governance.....	59
15.2	Portfolio Committee.....	59
15.3	Executive Authority.....	60
15.4	The Board.....	60
15.5	Internal Control.....	68
15.6	Compliance with Laws and Regulations.....	69
15.7	Fraud and Corruption.....	69
15.8	Minimising Conflict of Interest.....	70
15.9	Code of Conduct.....	70
15.10	Health and Safety, and Environmental Issues.....	70
15.11	Company Secretary.....	71
16.	Social Responsibility.....	71
17.	Broad-Based Black Economic Empowerment.....	71
18.	Audit and Risk Committee Report.....	72
PART D: HUMAN RESOURCES		
19.	Human Resources Management.....	75
19.1	Human Resources Achievements at a Glance.....	75
19.2	Creating Value for Employees.....	76
19.3	Performance Management.....	79
19.4	Human Resources Statistics.....	80
19.5	Creating Value for Communities.....	81
PART E: FINANCIAL INFORMATION.....87		



1. INTRODUCTION

The South African National Accreditation System (SANAS) is the sole national accreditation entity for conformity assessment bodies (CABs). The latter include medical, calibration, testing and verification laboratories, certification bodies, inspection bodies, verification agencies and any other type of body that may be added to the SANAS scope of activity by the Minister of Trade, Industry and Competition.

SANAS is also the national monitoring body for Good Laboratory Practice (GLP) compliance with principles adopted by the Organisation for Economic Cooperation and Development (OECD) for GLP facilities. In the context of the African continent, SANAS is the oldest and the largest accreditation body on the African continent.

Accreditation plays a pivotal role in South Africa's economy by facilitating a network of competent conformity assessment bodies (CABs) through an impartial and transparent mechanism, where organisations independently demonstrate their competence. Accordingly, SANAS facilitates national, regional, and global trust in the quality of the country's goods and services, fosters the beneficial exchange of goods and services. SANAS, provides a service that is recognised as on par with international best practice.

SANAS adds value to the local economy through a growing network of accredited conformity assessment facilities that service the calibration, testing, inspection, and certification needs of South African manufacturers and exporters of products and services. It also supports regulators in protecting citizens' health, safety, and the environment. The value of SANAS is underpinned by a highly specialised knowledge and competent skills base that contributes to international recognition of the conformity assessment results produced by South African CABs.

SANAS' Accreditation supports socio-economic growth and environmental sustainability as indicated hereunder.





WHAT WE DO	BENEFIT TO SOCIETY	BENEFIT TO INDUSTRY AND EXPORTERS	BENEFIT TO SOUTH AFRICA
Accreditation of conformity assessment bodies.	Accredited conformity assessment bodies provide accurate calibration, test, inspection, and certification results that are essential for the protection of society's health and safety, as well as the environment.	Facilitate the global acceptance of South African-produced goods and services.	Increase local business' export opportunities.
Expand the acceptance of Conformity assessment results nationally, regionally, and globally.	Poor-quality products are kept out of our market.	Tested, inspected, or certified once, accepted everywhere.	Improve South Africa's product competitiveness.
Development of new accreditation programmes in support of our Industrial Policy Action Plan (IPAP) and the National Development Plan (NDP).	Improved living conditions and a safer environment.	Reduce the cost and mitigate the risk of rejection of exported goods and services.	Support regulators in the protection of society's health and safety, and the environment.
Provision of training about accreditation.	Calibration, testing, inspection, and credible certification results.	Level the playing field between big and small conformity assessment bodies.	Lock in exports and improve economic growth.
		Reduce the need for re-testing, re-certification, or re-inspection.	Minimise waste of scarce financial resources and create jobs.
		Provide world-class quality infrastructure.	Improve South Africa's knowledge base and encourage continued compliance with international requirements.
		Improve the understanding of accreditation and the implementation of a management system.	






ACCREDITATION DELIVERING CONFIDENCE




Manufacturers need to ensure that products meet set standards and regulations, are of high quality, and meet customer needs. Accreditation services in the manufacturing process minimises product failure and recalls, and supports access to markets. SANAS accreditation provides consumers, suppliers, purchasers, and regulators with confidence that the related marketplace services and products meet the manufacturers' claims.

STAKEHOLDERS

SANAS communicates with all its stakeholders and stakeholder groups in the context of meaningful engagement.

	STAKEHOLDER GROUP	WHAT MATTERS TO THEM?	ENGAGEMENT METHODS	HOW DO WE RESPOND TO THEIR NEEDS?
	Portfolio Committee on Trade, Industry and Competition	How SANAS supports the effective implementation of government's objectives.	Portfolio Committee meetings and presentations.	By contributing to industrial development and regional integration.
	Department of Trade, Industry and Competition	That SANAS fulfils its mandate, achieves its objectives, and complies with laws and regulations.	Regular meetings and submission of the strategic plan, annual performance plan, business plan, quarterly reports and annual report.	By being fully compliant with the Shareholders' Compact and aligning its programmes with policies such as the IPAP and the NDP.
	Government Departments	How SANAS supports the effective implementation of government's objectives.	One-on-one meetings with government departments.	By contributing to the protection of the health and safety of consumer and worker, and the protection of the environment.
	CABs (Conformity Assessment Bodies)	SANAS' provision of effective accreditation services.	Assessments of CABs, annual communication meetings, specialist technical committee (STC) meetings, and the New Applicants' Workshop.	By providing independent third-party accreditation, and SANAS' lead and technical assessors and experts who can cover the accreditation scope required by the CABs

	STAKEHOLDER GROUP	WHAT MATTERS TO THEM?	ENGAGEMENT METHODS	HOW DO WE RESPOND TO THEIR NEEDS?
	Industry	IPAP sectors that seek SANAS-accredited testing, inspection, and certification services.	SANAS Advisory Forum, presentations, and structured meetings.	By developing new programmes that respond to the changing needs of industry and the sectors identified in the IPAP.
	Regulators	The accreditation support that SANAS provides, which enables them to fulfil their regulatory mandates.	One-on-one meetings, STC meetings and the Annual Regulators' Workshop.	By developing new accreditation programmes and maintaining the current accreditation programmes required by regulators.
	International and regional accreditation cooperation	SANAS' effective participation in cooperation activities and compliance with ISO/IEC 17011.	Annual General Assembly meetings of the African Accreditation Cooperation (AFRAC), International Laboratory Accreditation Cooperation (ILAC) and International Accreditation Forum (IAF), as well as mid-term meetings.	By representing South Africa in the decision-making committees of ILAC and IAF, and hosting the AFRAC and Southern African Development Community Cooperation In Accreditation (SADCA) secretariats for accreditation cooperation.
	Council of Trade and Industry Institutions (COTII)	SANAS' support for their activities where relevant.	One-on-one interaction.	By building capacity in the incubators of the Small Enterprise Development Agency (SEDA).
	Academic Institutions	Raising awareness of SANAS and its accreditation standards	Meetings of the SANAS/Academic Institutions Working Group, presentations at open days, bursaries to students, and a student development programme.	By forming strategic partnerships with various academic institutions and engaging in accreditation awareness activities, as well as granting external bursaries to students.

	STAKEHOLDER GROUP	WHAT MATTERS TO THEM?	ENGAGEMENT METHODS	HOW DO WE RESPOND TO THEIR NEEDS?
	The Media	Addressing various challenges and successes as they relate to SANAS.	Press releases, radio and television interviews, and meetings.	By conducting media engagement activities.
	SANAS Assessors	The capacity and capability to do assessments for SANAS.	Assessors form part of the SANAS assessment teams that assess CABs.	By training and mentoring SANAS assessors before they are qualified, and expanding the assessors pool and the representation of previously disadvantaged individuals (PDIs).
	Employees	The SANAS organisational culture, values and Service Delivery Charter.	Staff meetings, Chief Executive Officer's (CEO's) meeting with staff, Shanduka communication, and staff training and development.	By keeping employees engaged, providing support to staff members, and making personal development initiatives available.












Part A

General Information

Part A: General Information

2. ENTITY'S GENERAL INFORMATION

	NAME	South African National Accreditation System (SANAS)
	PHYSICAL ADDRESS	Libertas Office Park cnr Libertas and Highway Street Equestria, Pretoria 0184
	POSTAL ADDRESS	Private Bag X23, Sunnyside, Pretoria, 0132
	TELEPHONE NUMBERS	+27 12 740 8400
	E-MAIL ADDRESS	info@sanas.co.za
	WEBSITE ADDRESS	www.sanas.co.za
	EXTERNAL AUDITORS	Nexia SAB&T, 119 Witch-Hazel Avenue, Highveld Technopark, Centurion
	BANKERS	First National Bank, Shop 39 Hillcrest Boulevard, Lynnwood Road, Hillcrest, South Africa, 0083
	COMPANY SECRETARY	Mr Dawood Petersen

3. ABBREVIATIONS AND ACRONYMS

AfCFTA	African Continental Free Trade Area	MTEF	Medium-term expenditure framework
AFRAC	African Accreditation Cooperation	NDP	National Development Plan
B-BBEE	Broad-Based Black Economic Empowerment	NEHAWU	National Health Education & Allied Workers Union
CAB	Conformity Assessment Body	NHBRC	Home Builders Registration Council
CEO	Chief Executive Officer	NRCS	National Regulator for Compulsory Specifications
CFO	Chief Financial Officer	OECD	Organisation for Economic Cooperation and Development
COMESA	Common Market for Eastern and Southern Africa	PAQI	Pan-African Quality Infrastructure
COTII	Council of Trade and Industry Institutions	PDI	Previously Disadvantaged Individual
CSI	Corporate Social investment	PFMA	Public Finance Management Act
DoL	Department of Employment and Labour	QMS	Quality Management Systems
EAC	East African Community	SAACB	South African Association of Certification Bodies
EMS	Environmental Management Systems	SADC	Southern African Development Community
EnMS	Energy Management Systems	SADCA	Southern African Development Community Cooperation in Accreditation
EXCO	Executive Committee	SADCAS	Southern African Development Community Cooperation in Accreditation Services
GCP	Good Clinical Practice	SANAS	South African National Accreditation System
GALAXCOC	Greater Alexandra Chamber of Commerce	SANEDI	South African National Energy Development Institute
GLP	Good Laboratory Practice	SANS	South African National Standard
GRAP	Generally Recognised Accounting practice	SCM	Supply Chain Management
IAF	International Accreditation Forum	SEDA	Small Enterprise Development Agency
ICT	Information and Communications Technology	the dtic	the Department of Trade, Industry and Competition
IT	Information Technology	WADA	World Anti-doping Agency
IEC	International Electrotechnical Commission	WTO	World Trade Organisation
ILAC	International Laboratory Accreditation Cooperation		
IPAP	Industrial Policy Action Plan		
IRBA	Independent Regulatory Board for Auditors		
ISO	International Standards Organisation		
KTD	Knowledge Transfer Department		
MLA	Multilateral Recognition Agreement		
MRA	Mutual recognition arrangements		

4. FOREWORD BY THE MINISTER



Mr Ebrahim Patel

Minister of Trade, Industry and Competition

This Annual Report provides an account of the South African National Accreditation System (SANAS) for the past financial year ending March 2020.

The sixth government administration took office following the national elections in May 2019, with a re-imagined industrial strategy for the country focused on localisation and a renewed promise, passion and urgency to address long standing socio-economic challenges.

The 2019 Presidential Investment Conference, held in November 2019 demonstrated sustained commitment and productive partnerships between the public and private sector in rebuilding the economy. Some R364 billion of further commitments were made (21% higher than at the inaugural Conference the previous year), with potential to create over 400 000 jobs over a five year period. This brings the total of investment commitments made at the two Conferences (2018 and 2019) to R664 billion, more than 50% of the five-year target set by the President in 2018.

The new **dlc** family accelerated the development and implementation of sector masterplans, completing these 'industry social pacts' in the automotive, poultry, sugar and clothing and textile sectors

Significant progress was made with the finalisation of the modalities of the new African Continental Free Trade Area (AfCFTA), and with a trade agreement to address access to the United Kingdom in the event of a no-deal Brexit.

The economic environment brought on by Covid-19 has dented growth both locally and globally. The pandemic and its economic fallout have been described by leading economists as unprecedented in our generation.

For public entities, the pandemic principally impacted on their work beyond the financial year under review, placing pressure on delivery platforms and in a number of cases, on their finances.

To repair the damage of Covid-19 and reconstruct the economy to create more jobs, bring more young people into entrepreneurship and increase economic inclusion, we need to think boldly and implement smartly.

To address the immediate and urgent challenges of the economy, government and its social partners have agreed to an Economic Reconstruction and Recovery Plan. The Plan includes structural reforms and a commitment to greater levels of localisation and infrastructure investment. These measures will impact and shape the work of the dtic and its agencies.

Every agency of the dtic will be required to play its role in ensuring a steady recovery from the pandemic, and to continue execution of the re-imagined industrial strategy, outlined by President Ramaphosa at the start of this administration.

The role of SANAS is important in developing a strong and resilient economy, with credible accreditation of laboratories and testing facilities as well as certification and inspection bodies to carry out specific tasks. SANAS grew its customer base by just over 5% in the year under review. The institution needs to address concerns in its control environment, particularly with the material findings in the audit report.

I would like to acknowledge the work of the SANAS management team and staff in the past year and look forward to further steps to strengthen the impact of the agency on the economy.



Mr Ebrahim Patel

Minister of Trade, Industry and Competition

5. FOREWORD BY THE CHAIRPERSON



Ms Lindi Tlou

Interim Chairperson

It is my pleasure to present the 2019-20 Annual Report – the current Board of Directors first full year of service given its appointment in the 4th quarter of 2018. During this period, we have seen the extension of SANAS' mandate regarding its international recognition, national growth, and the entrenching of its support towards the African Continental Free Trade Area, and SADC.

Aligned with SANAS' mandate of providing an internationally recognised accreditation system for South Africa, in December 2019 SANAS became one of the first worldwide Accreditation Bodies to be awarded international ILAC signatory status for Proficiency Testing Scheme providers and Reference Material producers. In addition, SANAS obtained Personnel certification under the IAF, and the IAF extended SANAS' recognition of its Product Certification signatory status for a further four years. These achievements open the international acceptance of South African producers and exporters goods and products.

Despite the challenging economic environment, SANAS continues to show growth in its national number of accreditations and its accreditation scope extensions. During the period under review, SANAS' client base grew by 5,3% year on year. Further investments in support of the NDP have seen the development of the Asset Management System programme, and the initiation of a system supporting SEDA with setting up an accreditation programme for incubators.

Regionally, SANAS as Chair and host of the African Accreditation Cooperation (AFRAC) Secretariat, continued to provide guidance to the African Union Commission on technical barriers to trade through its participation in the AU recognised Pan African Quality Infrastructure (PAQI). This year has seen the PAQI supporting the AUC in preparing the African Quality Policy.

SANAS has achieved an unqualified audit for the year under review three emphasis of matter recorded. The Board ensures that SANAS' business remains rooted in the international requirements for an accreditation body as documented in ISO/IEC 17011 – the basis for global recognition by our international peers of the equivalence of South Africa's accreditation system.

SANAS has continued its role of supporting Government's objectives in industry. The related developments initiated during the 2019-20 include the Asset Management programme and the Railway Safety Certification programme. These programmes will be rolled out within the coming financial year. Previous IPAP initiatives and resulting accreditation services continue to benefit various government departments like Labour, Tourism, Health, Transport, Water Affairs, and Agriculture, Forestry and Fisheries.

Stakeholder engagement

During the period under review, SANAS continued to engage with its stakeholders with the focus on raising awareness of SANAS' accreditation and targeting non-accredited organisations about SANAS' accreditation programmes.

The twinning collaborative agreement between SANAS and SADCAS, SANAS continued to provide accreditation services to CABs in the SADC member states for scopes not yet recognised by SADCAS. The crucial role of SANAS in Africa continues contributing to preventing unsafe or poor-quality products entering the South African markets. That role includes facilitating regional and international trade.

Service delivery

With perseverance through trying circumstances, SANAS' performance continued to improve during the period under review. SANAS achieved ten of its 13 targets and an overall score of 77% in 2019-20 – as recognised by **the dtic**. An independent customer satisfaction survey undertaken for the period under review showed improvements in key performance areas. SANAS' customer satisfaction improvement from 7.57 to 7.59 related to improved performance in the areas of the quality of SANAS' assessments, its response to queries from the CABs, the ease of doing business with SANAS, and the benefits of being accredited by SANAS.


Looking ahead

SANAS remains resolute in its focus on improving its performance in the vital tasks that lie ahead, despite the challenges. The COVID-19 pandemic has ushered in new ways of work and, as the President remarked, 'a new reality'. The Board's focus will include the Entity's contributions to counteracting the impact of COVID-19 that exacerbates the tough domestic economic environment and the increased uncertain and fragile economy.

SANAS will intensify its efforts in improving external relationships and processes, and raising awareness of its accreditation mandate and role. The intensified efforts will include increasing productivity, improving the quality of SANAS' product and service delivery, and expanding the global acceptance of SANAS' conformity assessment bodies' results.

I extend my sincere appreciation to the SANAS CEO, its Executive, and the extended Team who all tirelessly continue to lift the importance of SANAS. To my fellow Board Members, I extend a huge expression of gratitude for your unselfish dedication to SANAS and to the importance of accreditation.

Special thanks to Mr Ibrahim Patel, the Minister of Trade, Industries and Competition, the Deputy Ministers Mr Fikile Majola and Ms Nomalungelo Gina, and to the Director General, Mr. Lionel October, and all at **the dtic** for their continued support. I also extend my thanks to all the local, regional, and international stakeholders, the related government departments, our assessors, the SANAS committee members, and the technical infrastructure agencies for helping build this world class organisation.



Ms Lindi Tlou

Interim Chairperson

6. CHIEF EXECUTIVE OFFICER'S OVERVIEW



Mr Mpho Phaloane
Acting Chief Executive Officer

It gives me great pleasure to present SANAS' financial and its non-financial performance for the financial year 2019-20.

During the period under review, the IPAP priority sectors remained our business focus. Through the provision of competent conformity assessment bodies serving the sectors of metal fabrication, automotive and components, plastics, pharmaceuticals and chemicals, business process services, bio-fuels, cultural industries, clothing and textiles, agro-processing, cutting edge: aerospace, green and energy-saving industries, SANAS continues to serve industry and government.

The independent Auditor's conclusion regarding SANAS' financial performance is an unqualified audit with an emphasis of matters. The emphasis of matters largely relates to administrative non-compliance to the PFMA as noted in the Auditor's report in Part E of this Annual Report.

Overview of SANAS' non-financial performance

The last quarter of 2019-20 introduced significant challenges to the operations of SANAS to meet all its set objectives. Despite these challenges, SANAS achieved 77% of its set performance objectives.

In fulfilment of its mandate, the international recognition of SANAS' offerings remains central to the acceptance of SANAS' accredited conformity assessment results, that allows access of South Africa's goods and services nationally, regionally, and internationally. During 2019, SANAS' transitioned successfully to the newly revised international standard ISO/IEC 17011:2017 – two years before the deadline set by ISO, ILAC, and IAF. This standard underpins SANAS's international recognition.

Furthermore, SANAS become one of the first accreditation bodies in the world to obtain signatory status to the ILAC Mutual Recognition Arrangement (MRA) for the scopes of Proficiency Testing and Reference Material Producers. That recognition strengthened the trustworthiness and acceptance of our conformity assessment results. The number of accredited Conformity Assessment bodies accredited by SANAS increased by 5.30%.

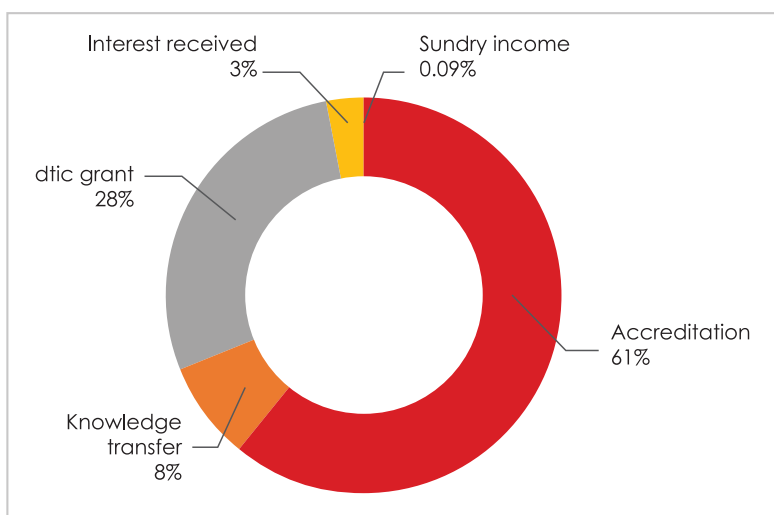
Overview of SANAS' Financial Performance

Income

The financial year ending 31 March 2020 was characterised by improvements witnessed over the previous period, despite the ongoing baseline cut challenges imposed on SANAS. The growth in accreditation contributed less than 0.4% of the budgeted income.

SANAS' income is derived from fees charged for accreditation services, the government grant, training services, and projects. The largest contributor to SANAS' income for 2019-20 is fees collected for accreditation services which amounted to 61%. This is followed by the government grant of 28%, Knowledge Transfer (Research and Development) at 8%, sundry income at 0.09%, and interest income that accounted for 3%. SANAS' Medical Laboratory Accreditation Programme remains the fastest-growing programme, closely followed by the Inspection Body Programme. The percentage breakdown of income is depicted below.

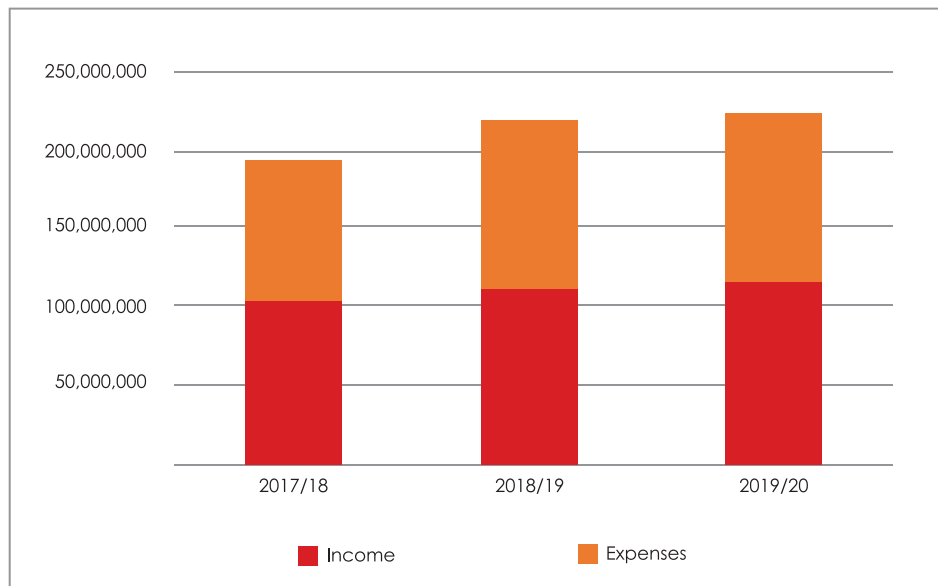
2019/20 Income composition



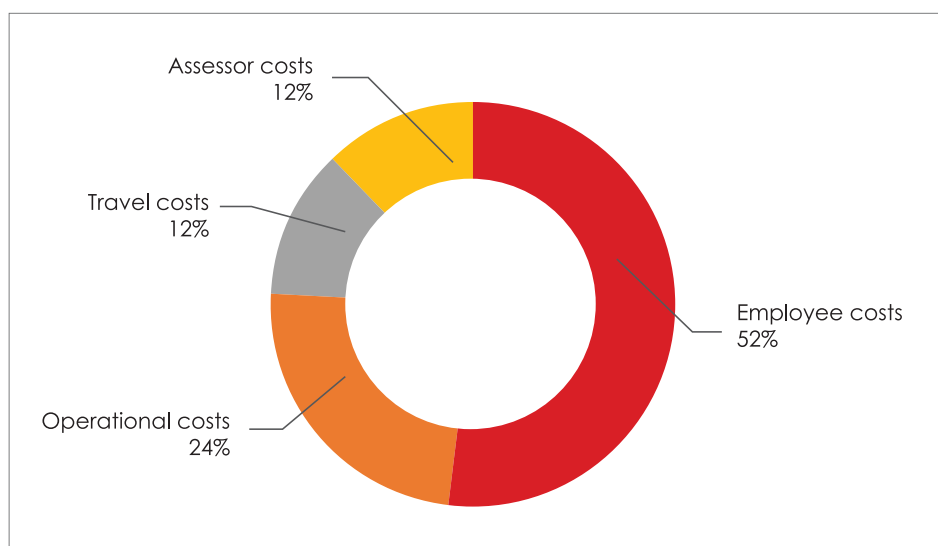
Spending trends

Accreditation, and the compensation of core accreditation-function employees, makes up the greatest proportion of expenditure.

As SANAS is a service delivery entity, the overall compensation of Employees amounted to 52% of total expenditure. The other two major components of accreditation expenditure are travel costs, comprising 12% of total expenditure, and 12% for the stipends paid to contracted assessors to assess facilities for accreditation. Both these expenditure items remained relatively constant over the year. The remainder of 24% is operational costs.

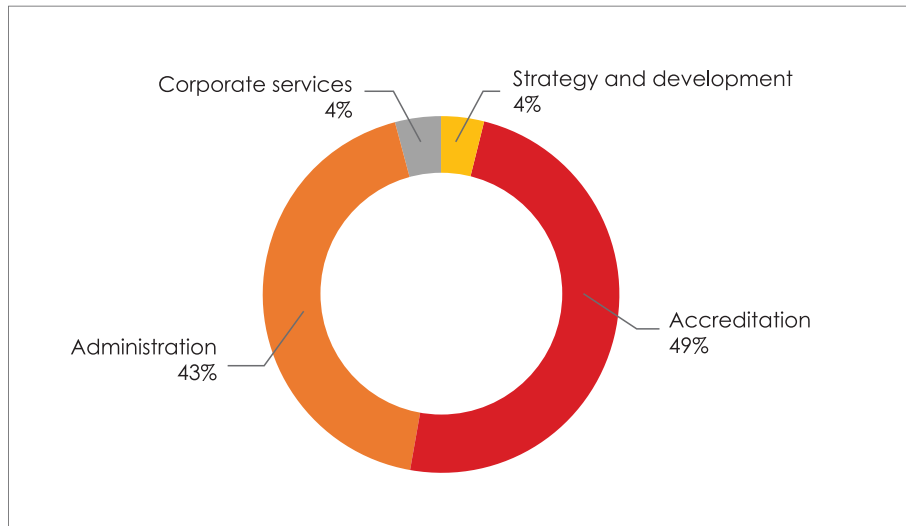


2019/20 Expenses composition



The expenditure focus remained on accreditation services as the core function of SANAS at 49% of total expenditure. This includes the direct costs of providing accreditation services, like travel costs and contracted assessors to assess facilities, and the salary component assigned the accreditation administration function. The diagram below depicts the cost containment measures implemented that is yielding positive results as the accreditation continues to decrease year on year. The expenditure split per function is noted below.

2019/20 Expenditure per segment



Discontinued activities

No programmes were discontinued during the period under review.

New or proposed activities

The demand by government for accreditation services to support its strategic objectives continues to be a focus area for SANAS. During the year under review, SANAS continued with the implementation of accreditation systems for the projects assigned in IPAP. The development of the accreditation programmes for certification bodies in asset management and the SEDA Incubator and accelerator programme progressed during this period. The Covid-19 pandemic however, delayed some progress on these programmes.

Requests for the roll-over of funds

The R7 million surplus realised by SANAS is largely attributed to interest income on surplus funds (R3.5 million) and savings in operational costs for various activities. As per Section 53(3) of the PFMA, SANAS is a Schedule 3A Public Entity and may not retain cash surpluses that were realised in the previous financial year without prior written approval from National Treasury.

In terms of that section and the new National Treasury Instruction No.12 of 2020-2021 issued in September 2020, SANAS will make an application to retain the 2019-20 surplus. The surplus is based on the cash and cash equivalents plus receivables and less current liabilities at the end of the financial year. The 2019-20 the cash surplus is R35 million.

Supply chain management

SANAS manages all procurement in line with the guidelines and instructions stipulated by National Treasury. The Supply Chain Unit consists of a supply chain officer and a supply chain administrator.

SANAS is required to utilise the National Treasury's Central Supplier database for all procurement requiring quotations. The National Treasury's Central Supplier database replaced the supplier database that SANAS previously had compiled on the Advanced Procurement Module on SAGE Evolution. Formal tenders are placed in the Government Tender Bulletin, and on SANAS' website. Specification, evaluation, and adjudication bid committees are established in terms of SANAS' Supply Chain Management Policy.

Two contraventions of Irregular expenditure were identified and investigated with a further five identified as possible irregular expenditure which are currently under investigation. SANAS will seek condonement for the contravention through National Treasury as guided by Treasury Instruction noted 2 of 2019-2020.

Outlook or plan for the future to address financial challenges

The largest portion of SANAS' income is derived from fees charged to customers. As noted in the last quarter of 2019-20, SANAS experienced an increase in the number of withdrawals of accreditation. There are also further indications of future financial hardship, notwithstanding continued new growth in the accreditation base.

SANAS initiated a process to support our struggling conformity assessment bodies through providing a two-month rebate on the annual fees. In addition, cost containment continues to be implemented with further areas identified where process improvements could contribute to ensuring that accreditation remains a financially viable business.

Economic viability

During December 2019, SANAS received notice of further baseline cuts over the outer financial year of the Medium-Term Expenditure Framework (MTEF) period for 2019-20 to 2021-22 of R1.101 million, R1.174 million and R1.238 million respectively. Therefore, SANAS cannot afford a further baseline reduction as this will put the Entity's sustainability at risk.

Further cost-saving measures, cost containments, and additional streams of income continue to be explored to tackle the future financial challenge. Failure to cover future financial gaps will expose SANAS to the risk of being unable to effectively deliver on its mandate.

Acknowledgements

A special thank you to the previous Board of Directors and its Chairperson Mr Prags Govender, the SANAS assessors, committee chairpersons, committee members, the accredited facilities, **the dtic**, and all the SANAS stakeholders for their continued support and feedback.



Mr Mpho Phaloane

Acting Chief Executive Officer

7. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE ANNUAL REPORT

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

- All the information and amounts disclosed in this Annual Report are consistent with the annual financial statements audited by the independent external auditors.
- This Annual Report is complete, accurate, and free from any omissions.
- This Annual Report has been prepared in accordance with the guidelines for annual reports as issued by National Treasury.
- The annual financial statements (Part E) have been prepared in accordance with the generally recognised accounting practice (GRAP) standards applicable to a public entity.
- The Board of Directors as the accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.
- The accounting authority is responsible for establishing and implementing a system of internal controls. The design thereof provides reasonable assurance of the integrity and reliability of the performance information, the human resources information, and the annual financial statements.
- The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, this Annual Report fairly reflects the operations, performance information, human resources information, and the financial affairs of the Entity for the financial year ended 31 March 2020.



Ms Lindi Tlou

Interim Chairperson

Date: 01 December 2020

8. STRATEGIC OVERVIEW

8.1 OUR VISION

Our vision is to pioneer and lead the future of accreditation in Africa and deliver services with a spirit of excellence.

8.2 OUR MISSION

Our mission is to provide an impartial and transparent mechanism for organisations to independently demonstrate their competence; facilitate the beneficial exchange of goods, services and knowledge; and provide a service that is recognised as equitable to best international practice while reflecting the demographics of South Africa in all we do.

8.3 OUR VALUES

Five values guide everything we do, and 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 a company dedicated to excellence in service delivery through investing in a competent, knowledge-based institution aimed at exceeding customer expectations.



We understand that our strength is based on trust, and we are therefore 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 and passionate about our work and take ownership in all that we do.



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

8.4 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).

8.4.1 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:

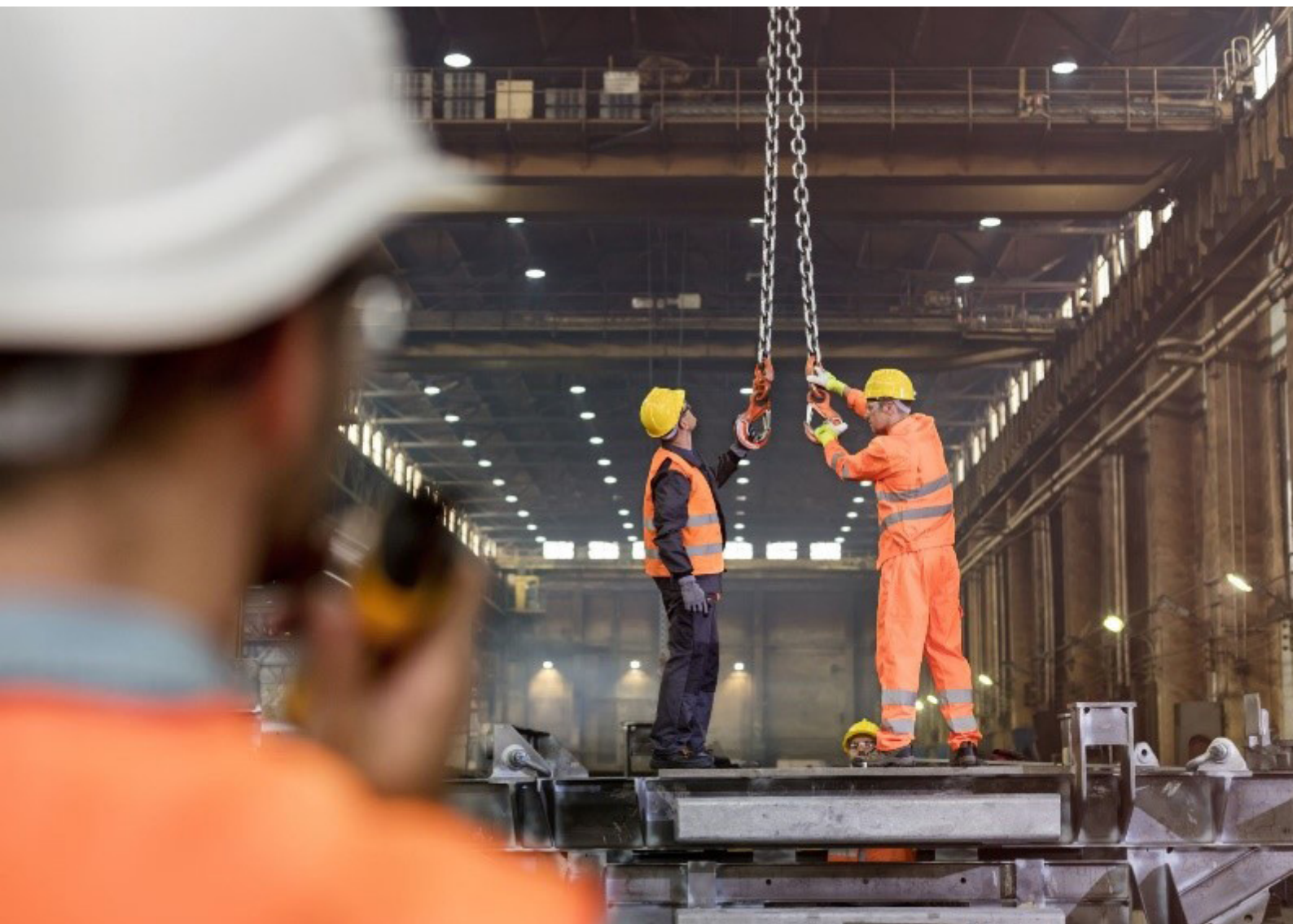
- Accrediting or monitoring, for GLP compliance, organisations falling within its scope of activity
- Promoting accreditation to facilitate international trade and to enhance South Africa's economic performance and transformation
- Promoting the competence and equivalence of accredited bodies
- Promoting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

8.4.2 CORE FUNCTIONS

The Accreditation Act empowers SANAS to perform the following functions:

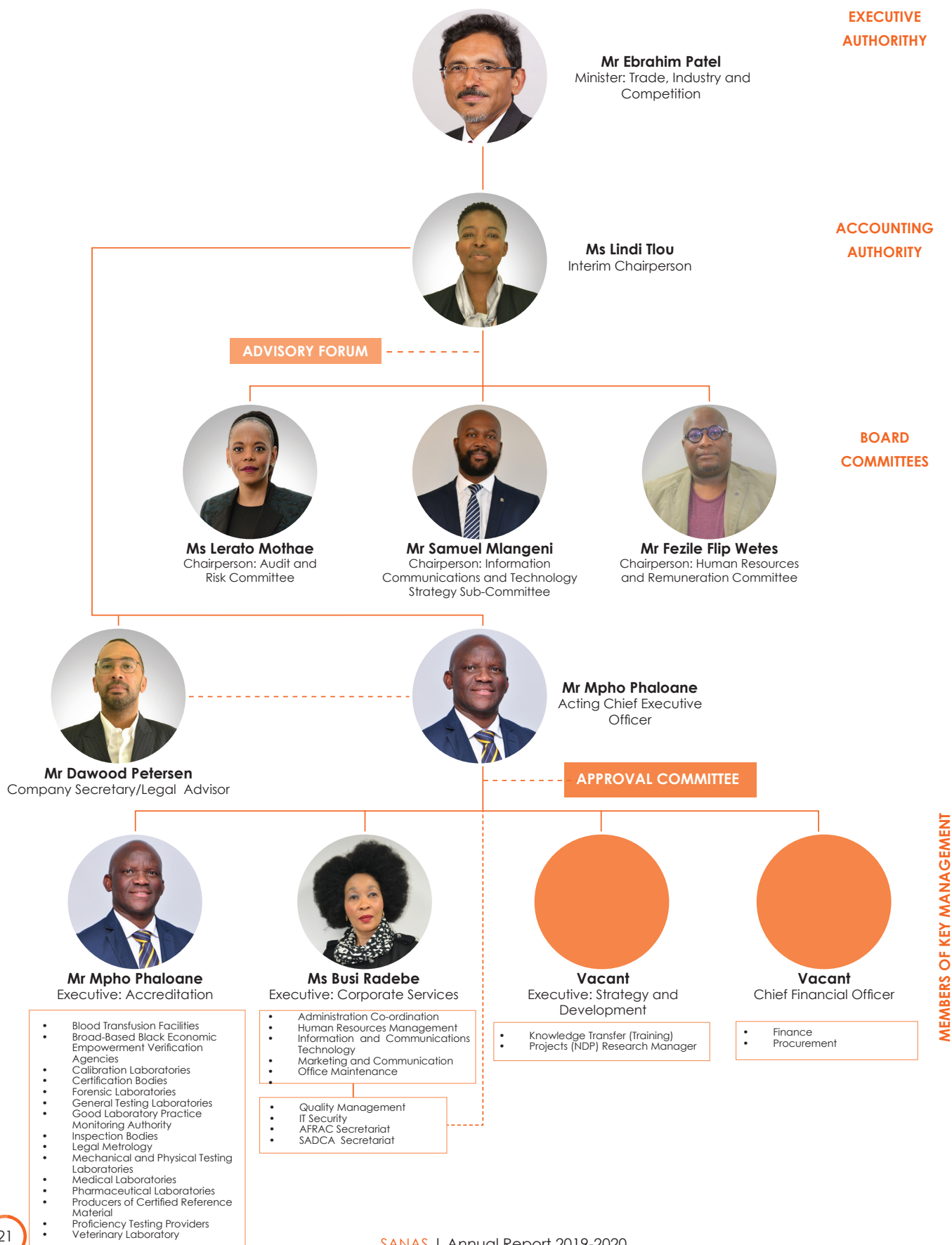
- Promote the Entity as the sole national accreditation body and its scope of activity
- Encourage and promote the accreditation of calibration, testing and verification laboratories, certification bodies, inspection bodies, rating agencies, and any other type of body that may be added to its scope of activity
- Encourage and promote GLP compliance with principles adopted by the Organisation for Economic Cooperation and Development (OECD) for GLP facilities
- Promote the acceptance of its activities and those of all bodies accredited by SANAS or its international counterparts
- Promote the recognition of accredited bodies by users of conformity assessments
- Liaise with regional and international standards bodies, and with technical regulatory and metrology organisations, on any matter regarding related accreditation
- Liaise with national regulators on any matter regarding related accreditation
- Promote the use of accredited bodies to facilitate trade
- Advise national, regional, and international organisations on conditions for accreditation, and on other issues related to accreditation
- Establish and maintain a register of all accredited organisations in South Africa
- Initiate, negotiate, conclude, and maintain mutual recognition arrangements (MRAs) and Multilateral Arrangements (MLAs)
- Support Government's activities on MRAs
- Obtain and maintain membership of national or international organisations that may assist SANAS in achieving its objectives, and actively participate in such organisations
- Participate in formulating international and regional guidelines and standards to facilitate the accreditation process

- Formulate and implement national guidelines and standards to facilitate the accreditation process
- Promote recognition and protect the use of the SANAS logo nationally and internationally
- Promote and protect regional and international arrangement logos, like those of the International Laboratory Accreditation Cooperation (ILAC) and the International Accreditation Forum (IAF)
- Establish appropriate technical committees
- 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



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



**Dr Matshwenyego
Sarah Mohlala**



Dr Tshenge Demana



Mr Mpho Phaloane
Acting Chief Executive Officer &
Executive: Accreditation



Vacant
Chief Financial Officer



Part B

Performance Information

Part B: Performance Information

10. 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), page ...

11. SITUATIONAL ANALYSIS

11.1 SERVICE DELIVERY ENVIRONMENT

Globally, growth in the demand for accreditation continues to be driven by regulatory sectors and global agenda issues. National demand partly arises from the strategic role that SANAS plays in advancing the achievement of the NDP, the Nine Point Plan and the associated IPAP, and serving the demands of the private sector.

11.1.1 GLOBAL TRENDS

The green economy and regional integration initiatives contribute to the global demand for accreditation. 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.

Failure to meet the requirements of global bodies could exclude goods and services produced in South Africa from international trade and impact negatively on competitiveness. SANAS ensures that its accreditation programmes meet the demands of global bodies. In turn its national CABs are recognised by international bodies.

11.1.2 REGIONAL TRENDS

The demand for accreditation in Africa by bodies like the Southern African Development Community (SADC) and the East African Community (EAC) arises from the role that accreditation plays in facilitating intra- and inter-regional trade in high-quality manufacturing.

Industrial development and export are key to SADC's growth. The global competitiveness of the Region's goods and services hinges on quality being confirmed by accredited laboratories, and certification and inspection bodies – collectively referred to as 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 the CABs is key for the success of industrial development and export.

11.1.3 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.

11.1.4 OUTLOOK

South Africa's infrastructure development plans, and the further rollout of the NDP and the Nine Point Plan coupled with global protection initiatives, will continue to be key drivers for the demand of accredited conformity assessment services in the near and medium term. Although economic volatility remains a challenge, economic growth in Africa – linked with the Continent's regional integration initiatives aligned with the Common Market for Eastern and Southern Africa (COMESA), EAC, and the SADC tripartite free trade agreement – should further increase the demand and support for accreditation initiatives on the continent.

11.1.5 SERVICE DELIVERY IMPROVEMENT PLAN

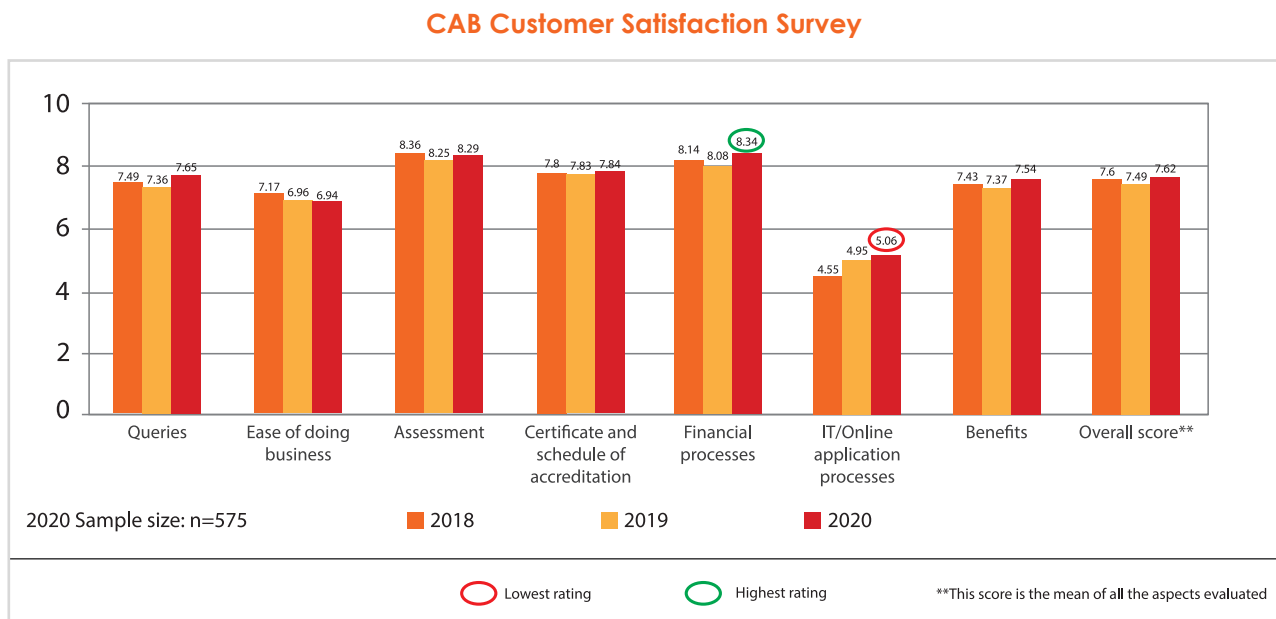
11.1.5.1 SERVICE DELIVERY: CUSTOMER EXPERIENCE

SANAS conducted an independent CAB customer satisfaction survey to measure delivery against clients' service expectations. The survey included questions about the overall evaluation of SANAS, like the quality of...

- SANAS' service delivery
- relationships with SANAS
- SANAS' products
- overall level of satisfaction with SANAS.

Compared to the 2019 survey results, all areas were rated similar or higher. The biggest performance area improvements related to 'Queries' and 'Financial Processes'. Despite a slight improvement, 'IT/ On-line application processes' is still the lowest rated key performance area. Improving the on-line application system to ensure that the process is enhanced and simplified for users will continue to be a key focus area.

The following chart of the overall survey results highlights the improvement from the previous year – 7.62 in 2019-20 versus 7.49 in 2018-19.



Further investment on the automation of SANAS' ICT processes for communication, employee development and automation of the on-site evaluation documentation will help improve future survey results.

11.2 ORGANISATIONAL ENVIRONMENT

The period under review has seen SANAS successfully rollout phase 2 of the ICT automation project, Shanduka. The Entity has also continued its focus on improving efficiency and effectiveness through a stronger focus on government support, and investments in information technology, and SANAS Employees and tertiary institutions.

12. STRATEGIC OUTCOME-ORIENTATED GOALS

SANAS' accreditation service impacts 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' goals are aligned with those of **the dtic** and in turn our Government's strategic direction. With so much uncertainty surrounding global trade, the realignment of SANAS' strategy and Annual Performance Plan will be led by the Ministry of Trade, Industry, and Competition.

Strategic realignment will enhance SANAS' commitment to achieving the following four strategic objectives in pursuit of ensuring the health and safety of our citizens and the protection of our environment.

“ The Strategic Plan and Annual Performance Plan may further need to be aligned to Government's response to the COVID-19 pandemic, both during the period of the national disaster declared by President Ramaphosa, and thereafter as we adapt to the new economic reality.”

Mr Ebrahim Patel
Minister of Trade, Industry and Competition
SANAS APP 2020-2023

12.1 IMPROVE SANAS' OPERATIONAL EFFICIENCY TO DELIVER SERVICES WITH A SPIRIT OF EXCELLENCE

Investments in ICT are increasing our operational efficiency in financial management, supply chain management (SCM), and accreditation processes. The rollout of the third phase of the Shanduka project in this year under review, included the automation of SANAS' on-site assessments. The project contributes to containing costs, reducing labour intensiveness, and improving service delivery – a vital success factor for SANAS given its growth trajectory.

12.2 CONTRIBUTE TO INDUSTRIAL DEVELOPMENT AND THE PROTECTION OF HEALTH, SAFETY AND THE ENVIRONMENT

As one of the four interlinked entities in South Africa's technical infrastructure, SANAS contributes industrial development by delivering its responsibilities outline in the IPAP. Those responsibilities include new accreditation programmes developed over a shorter period to advance South Africa's industrial development goals. SANAS role includes ensuring that products and services do not pose health and safety risks for consumers and the environment, CABs.

12.3 PROMOTE ACCEPTANCE OF SANAS-ACCREDITED RESULTS AMONG INTERNATIONAL PARTNERS TO ADVANCE SOUTH AFRICA'S TRADE AND INDUSTRY OBJECTIVES

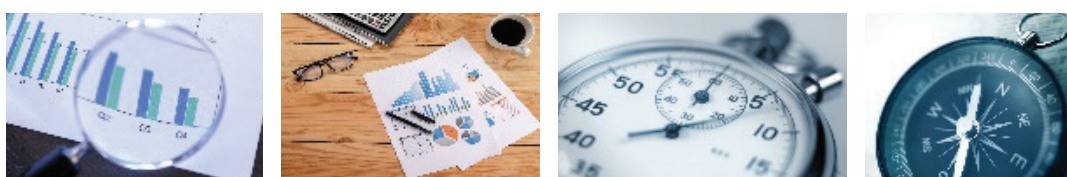
Membership of the highest decision-making structures of ILAC and IAF reinforces SANAS' credibility as does the SANAS' CEO's role as the ILAC Treasurer during the year under review. The expansion of SANAS-accredited facilities, its test, calibration, inspection and certification results, and its ability to influence international accreditation criteria contribute to creating a fair regulatory environment that enables trade and investment.

12.4 SUPPORT REGIONAL INTEGRATION AND RELATIONS TO ADVANCE SOUTH AFRICA'S TRADE, INDUSTRIAL POLICY AND ECONOMIC DEVELOPMENT OBJECTIVES

SANAS plays a leading role in developing the required accreditation infrastructure in SADC and the rest of Africa. The role includes hosting the secretariats for the African Accreditation Cooperation (AFRAC) and the Southern African Development Community Cooperation in Accreditation (SADCA). Its roles contribute 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.

13. PERFORMANCE INFORMATION BY PROGRAMME

13.1 PROGRAMME 1: ADMINISTRATION



13.1.1 PURPOSE

SANAS' Administration Programme ensures effective, financial management, supply chain management, risk management, and legal and administrative support. Through effective leadership, the Programme must continue to refine the organisational strategy and structure in compliance with legislation and international best practices.

13.1.2 DESCRIPTION OF THE PROGRAMME

The Sub-Programmes of the Administration Programme are:

Policy development

SANAS' Board of Directors, as its accounting authority, provides strategic direction in alignment with the Accreditation Act, and the Shareholders' Compact concluded with the Minister of Trade and Industry as the Executive Authority. Through its CEO, SANAS' management is responsible for the day-to-day implementation and control of the Entity's Strategic Plan

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 overseeing the supply chain management function, the refinement of its managerial financial accounting systems, and advising the CEO on financial risk and risk control.

Legal services

This Sub-Programme focusses on SANAS' contractual, litigious, and 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.

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 Sub-Committees with secretariat services.

13.1.2.1 OUTPUTS, PERFORMANCE INDICATORS, TARGETS, AND ACTUAL ACHIEVEMENTS

Outputs	Performance indicators/ measures	Annual achievement 2018-19	Annual target 2019-20	Annual achievement 2019-20	Reasons for variance/ comment
Payments to creditors in accordance with legislative requirements.	Eligible creditor payment process days (from receipt of a fully compliant invoice to electronic payment deposited)	10 days	<5% of eligible payments processed after 20 days	2.75% of eligible payments processed after 20 days	No Variance

13.1.3 LINKING PERFORMANCE TO BUDGETS

The Administration Programme had an actual expenditure of R44 426 619, of which 72% was used for the compensation of Employees, 28% for goods and services, and 0% for capital assets.

2018-19			2019-20		
BUDGET	ACTUAL EXPENDITURE	UNDER EXPENDITURE	BUDGET	ACTUAL EXPENDITURE	OVER EXPENDITURE
R 42 433 002	R43 880 547	R1 447 545	R45 037 509	R44 426 619	R612 890

13.2 PROGRAMME 2: CORPORATE SERVICES



13.2.1 PURPOSE

The Corporate Services Programme provides corporate support and strategic leadership in guiding the functions and responsibilities of Marketing and Communication, the managements of Facilities, Human Resources, ICT, IT Security, Administration Co-ordination, Quality Management, and Corporate Social Investment (CSI).

13.2.2 PROGRAMME DESCRIPTION

The Sub-Programmes that form part of Corporate Services include:

13.2.2.1 QUALITY MANAGEMENT

The primary responsibility of this Sub-Programme and its Manager is to ensure that SANAS' Management System is fully compliant with the requirements of ISO/IEC 17011 – the international standard for Accreditation Bodies. Quality Management is also responsible for ensuring that SANAS meets the requirements and guidelines of the ILAC, IAF, OECD, AFRAC, SADCA, and those of the regulators using the services of SANAS.

SANAS' credibility as an accreditation body is underpinned by compliance and by the on-going international and regional recognition of its support and promotion of regional and international trade. The results generated by South African accredited laboratories, and inspection and certification bodies, reduce and eliminate the need for retesting, re-inspection or re-certification of export products. In turn, SANAS supports industrial development and contributes to protecting the health and safety of the public and the South African environment.

In the 2019-20 fiscal year SANAS achieved business-critical milestones. The highlights are:

- June 2019 – SANAS underwent an AFRAC ISO/IEC 17011:2017 transition evaluation, an IAF re-evaluation of Product Certification, and an ILAC extension of scope evaluations for the accreditation of Proficiency Testing and the accreditation of Reference Material Producers.
- September 2019 – AFRAC confirmed SANAS' successful transition for the requirements of ISO/IEC 17011:2017 and the maintenance of SANAS' signatory status for AFRAC.
- October 2019 – IAF reconfirmed SANAS' signatory status for the accreditation of Product Certification to ISO/IEC 17065.
- October 2019 – SANAS obtained its recognition by ILAC for the accreditation of Proficiency Testing to ISO/IEC 17043. ILAC also confirmed SANAS' recognition for the accreditation of Reference Material Producers to ISO 17034, subject to a regional accreditation cooperation obtaining their recognition for this scope.

Other activities during the year under review included, training and communication sessions at various forums in the different regions on the amended SANAS policies, procedures, and accreditation requirements. Communication meetings were also held with SANAS accredited facilities, the Assessor Conclaves', and with SANAS Employees.

As a signatory to the ILAC MRA, IAF MLA as well as the AFRAC MRA, SANAS continues to comply with its obligations which include making peer evaluators available to assist these organisations and AFRAC in their evaluations of other accreditation bodies. Two additional SANAS Employees were trained as Peer Evaluators during the year under review which brings the total number of SANAS Peer Evaluators to six – two qualified and four trainee evaluators.

13.2.2.2 ADMINISTRATION COORDINATION

This Sub-Programme provides administrative support for SANAS' core business – all its Accreditation Programmes. The primary role is to ensure the quality of the Certificates and Scopes of Accreditation and the timeous delivery thereof to our customers.

Integral to improving administration processes is the insight and feedback that the Administration Co-ordination receives from internal and external stakeholders. The Sub-Programme therefore diligently monitors its performance through internal measures and procedures, customer satisfaction surveys findings, complaints and general feedback received through emails, and feedback received during engagements with stakeholders.

Insights and feedback continue to contribute to enhancing SANAS' automated systems, the simplification of processes and the upskilling of the Administration Team. While great strides have been made towards fully automated administration processes, there remains some scope for further improvements in alignment with the customer needs and expectations.

During the period under review, the process for the delivery of quality SANAS Certificate and Scope of Accreditation to customers included the introduction of various checkpoints throughout the Certificate production lifecycle. Timelines were synced with availability, and delivery was coupled with continuous training of the Administration Team. The initiative has yielded positive results and the turnaround time has improved for the issuing of Certificates.

Additional automation and the introduction of more effective ICT solutions will minimise errors and dramatically improve efficiency.

13.2.2.3 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

The ICT Sub-Programme is responsible for enabling SANAS' operations by providing a reliable ICT infrastructure. Doing so requires ongoing refinement of business systems and processes while ensuring business value creation in compliance with legislative frameworks and best practices. The Sub-Programme fulfils its mandate through formal IT governance frameworks including:

- COBIT (Control Objectives for Information and Related Technologies) – quality, reliability and control of information and related technology
- ITIL (Information Technology Infrastructure Library) – the alignment of IT services with the needs of SANAS.

In 2019-20, SANAS focused on aligning its technological advancements with global trends. ICT infrastructure investments to provide key stakeholders with seamless and integrated solutions, included:

- Development of a centralised and consolidated database to provide a single view of customer information and reduce data inaccuracies.
- Development of dashboards that prompt and inform the decision- making process.
- Continued development of the Shanduka online accreditation system towards completely automating the accreditation process to achieve...

- Revamped User Portal
- Development of Role-based Workflows
- Development of a Centralised Communication System
- Development of a Risk and Audit Management System.

In support of SANAS' technological advancement objectives, the ICT Sub-Programme has been mindful of adhering the Green IT strategy which includes:

- Creating a paperless workplace
- Reducing printing costs
- Recycling ICT related consumables like paper and cartridges.

ICT infrastructure investments and initiatives enable this Sub-Programme to support SANAS in exceeding stakeholders' expectations and in enhancing SANAS' overall operational performance.



13.2.2.4 PROTECTING CUSTOMER INFORMATION

Recently SANAS enhanced its core business by adopting digital transformation and automation to meet its business objectives. The need to secure customer and employee information has become an imperative. SANAS therefore adopts a continuous improvement strategy towards its cyber security framework of ISO/IEC 27001. A cyber security framework like the ISO/IEC 27001 information security management system contributes to improving SANAS' information assets, and improving its business continuity and customer experiences.

Maintaining information security requires that all parties continually develop their knowledge of information handling, and that they remain strongly aware of the issues relating to cyber-attacks. During the year under review, SANAS has continuously raised awareness on the issue of cyber security by educating its Employees through online training. Cyber security awareness-raising and education is benchmarked against global standards to ensure continuous improvement.

The Cyber security framework includes the continuous testing of the IT systems for vulnerabilities. Periodic system penetration testing and security reviews were conducted to identify any weaknesses and potential risks. The tactics and strategies have resulted in reduced cyber security incidents, improved business continuity, and have enhanced customer experience.

13.2.2.5 ENGAGING WITH SANAS STAKEHOLDERS

SANAS engages with stakeholders to demonstrate its value and reinforce its purpose. The Marketing and Communication Sub-Programme does that by engaging, connecting, nurturing, and spreading the word through formal and informal platforms. The Sub-Programme is responsible for the activities that promote the value of SANAS to positively influence its Stakeholders. Strategic planning and implementation of those activities that cut across the external and internal stakeholders, is informed by the SANAS Strategic Plan, its Annual Performance Plan, and its Business Plan.

Given the range of stakeholders, appropriate targeting with key messages is another factor. SANAS' direct external Stakeholders are its inspection and certification bodies, B-BBEE verification agencies, government, and regulatory bodies. Indirect external stakeholders include industry and the public, and the internal stakeholders are the SANAS Team.

Achievements against planned initiatives

During the year under review, the Marketing and Communication Sub-Programme made significant strides in implementing the approved annual target interventions regardless of financial constraints. While eighteen stakeholder engagements were planned, twenty-one were conducted during the 2019-20 fiscal year.

The external stakeholder engagements conveyed the key messages of integrity and reliability, and trust and confidence – in the context of services provided by SANAS accredited organisations. The Marketing and Communication interventions included tertiary partnerships, radio awareness campaigns, billboards and print media placements, and information sessions with regulators, CABs, and assessors, and participating in industry-related events.

In addition to providing strategic communication support, planning, and executing activities for the accreditation core functions and the Strategic Plan deliverables, the internal and external communication platforms were maintained and strengthened. Engagement with the Entity's Stakeholders reinforced the marketing and communication primary objective of increasing awareness of SANAS' importance and impact. Future interventions in support of SANAS' Strategic Plan, will also be informed by regularly engaging with and obtaining the feedback and insight of its Stakeholders.

Communication with our Employees

The role of internal communication is to adopt a policy-driven approach that provides SANAS Employees with information that is designed to shape successful conversations and enable feedback and/or the necessary results. Information sharing includes the role of SANAS and its impact on the people of South Africa and our economy.

Reinforcing the SANAS brand is the main objective of internal communication. The underlying intent is to influence Employees to 'live' the brand through the SANAS Values. Key messages of integrity are conveyed through Insight – the internal newsletter. The Newsletter is designed to communicate the unique stories from Employees, and to highlight SANAS' achievements.

During the year under review the following key messages were communicated ...

- **Five Values:** Integrity, Social, Dedication, Innovation, and Excellence
- **Core Business:** Blood saves lives in the context of donating -blood, Healthy foods, B-B-BEE (5 elements measures), Energy Efficiency, Quality Month, Food Safety, Accreditation in the health care space
- **Organisational Culture:** Diversity, 16 Days of Activism, Cancer Awareness, COVID-19 Wellness, and updates.

Communication with our Customers and External Assessors

Specific engagement with SANAS' key stakeholders like our Assessors and representatives from Conformity Assessment Bodies (CABs) is necessary to understand their perceptions, needs, and concerns. Doing so contributes to determining future trends and possible risks, and contributes to the development of the SANAS strategy. Engagement with The Entity's...

- Customers and Assessors during in the year under review included... Annual assessor meetings (Assessor Conclaves)
- Annual customer meetings (Communication Meetings and New Applicants' workshops)
- General Accreditation celebration (WAD)
- General Publications – including community and tertiary institution newspapers.

One of SANAS' responses to the valuable feedback received from customers through the annual customer survey was the revision of the SANAS website to increase the ease of information access for the public, assessors, existing and potential customers, and the CABs. The introduction of additional customer-centric communication tools provides for constant and wider communication with our customers via bulk short messages and e-mailers.

Communication with the General Public

The Marketing and Communication strategy deliverables included increasing awareness about SANAS through targeting the general public, the youth, and tertiary students. The targeting channels included...

- Radio station awareness campaigns on Turf Radio Station (103.8 FM) and the University of Johannesburg's Radio Station (95.4 FM) – both reach tertiary students and the local communities in the ambit of the stations
- Exhibition and/or presentations at the...
 - SMLTSA (Medical) Congress 2019
 - AOAC INTERNATIONAL Safe Food Trade Conference
 - Inaugural Lift Africa Expo
 - Test and Measurement Conference
 - ESKOM Quality Month Stakeholder engagement event
 - Green Youth Indaba
 - Annual Postgraduate Research and Innovation Symposium hosted by the University of Kwa-Zulu Natal College of Agriculture, Engineering and Science (CAES) Placements of billboards on the R21 and N1 highways in Gauteng
- Advertorials in the Kasi@Kasi Connect community magazine with distribution channels that reach community centres high schools and TVET colleges.

13.2.2.6 The Human Resource Management Report is captured under Part D of this report.

13.2.3 OUTPUTS, PERFORMANCE INDICATORS, TARGETS AND ACTUAL ACHIEVEMENTS

OUTPUTS	PERFORMANCE INDICATORS/ MEASURES	ANNUAL ACHIEVEMENTS 2018-19	ANNUAL TARGET 2019-20	ANNUAL ACHIEVEMENT 2019-20	REASONS FOR VARIANCE/ COMMENT
Reduce the vacancy rate	Percentage of vacant positions	Target Achieved 4 % (of 77 Employees).	5% (of 79 staff members)	Target Overachieved 5% vacancy rate of funded/ budgeted positions. Actual 4.7% vacancy rate Average 3.5 vacancies of 74 budgeted positions.	No Variance
Improve SANAS' operational efficiency through automation of accreditation processes	Number of processes automated	Design and development of online assessment process for a module of our online accreditation application (Shanduka). Continuation of further modules to be integrated in Shanduka Phase Development of automated email templates used for communication between SANAS and clients.	Automation Processes... Continuation of further modules to be integrated in Shanduka Phase 3 Development of automated e-mail templates used for communication between SANAS and clients E-learning portal service provider appointment	Target not Achieved 2 out of 3 automation processes. Continuation of further modules to be integrated in Shanduka phase 3 (Achieved) Development of Automated email Templates (Achieved) E-learning Portal information gathering and service provider appointment (Not Achieved)	Estimated costs of developing E-Learning portal were expected to be below R500k when procurement process commenced. After the RFQ process, all received quotations were all over the 500k threshold, and therefore SANAS IT ran out of time to start the tender to appoint a service provider
Increase awareness of SANAS.	Number of communication events held and participated in.	25 Cumulative	20 (cumulative)	Target Overachieved 23 Cumulative Three additional interventions achieved	No variance
Provide input into the international accreditation requirements of ILAC and IAF.	Percentage input into the international accreditation requirements of ILAC and IAF.	91% Of SANAS input into the international accreditation requirements of ILAC and IAF			
New Target Represent SANAS at regional and Inter-national forums	Number of regional and international forums attended as SANAS representative	Not Applicable	New Measure SANAS representation 10 (cumulative) regional and international forums.	Target Overachieved SANAS represented at a total of 26 regional / international forums	No Variance

13.2.4 STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

Insofar as the automation of processes is concerned, SANAS is to streamline development on a modular basis, and will test the functionality before the next module is started. The underachievement in this area was caused by unexpected challenges during tender process. To ensure continuity the target has been reviewed due to its dependency on other processes.

13.2.5 LINKING PERFORMANCE TO BUDGETS

The Corporate Service Programme's actual expenditure was R4 519 701, of which 0% was spent on compensation of Employees, 100% on goods and services, and 0% on capital assets.

2018-19			2019-20		
BUDGET	ACTUAL EXPENDITURE	UNDER EXPENDITURE	BUDGET	ACTUAL EXPENDITURE	UNDER EXPENDITURE
R4 497 161	R4 216 186	R280 976	R6 581 376	R4 519 701	R2 061 675

13.3 PROGRAMME 3: STRATEGY AND DEVELOPMENT



13.3.1 PROGRAMME PURPOSE

The Strategy and Development Programme leads the development of new fields of accreditation, research and development, and knowledge transfer to drive Government's sub-regional, regional, and international objectives for IPAP projects. It also supports South Africa's objective of effective regional integration by playing a leadership role in accreditation development in the SADC and on the African continent.

13.3.2 PROGRAMME DESCRIPTION

The Sub-Programmes of this Programme include international and regional development, knowledge transfer, and research and development.

13.3.2.1 INTERNATIONAL AND REGIONAL DEVELOPMENT

International and regional developments focus on fulfilling SANAS' obligations of maintaining and expanding regional and international relations. It also supports South Africa's objective of regional integration through the development of accreditation in the SADC and on the African continent.

During the year under review, SANAS continued to play a leadership role in enabling the accreditation infrastructure on the African continent. SANAS currently chairs the AFRAC and provided the Secretariat functions for AFRAC and SADCAS. The international recognition of AFRAC was a key milestone in efforts towards the full integration of Africa into the world trading system, and the enhancement of inter-regional trade. Accreditation enables the acceleration of economic growth on the continent and contributes to the realisation of Africa's aspirations in the African Union' Agenda 2063, and the objectives of the South Africa's National Development Plan (NDP).

South Africa contributes to the development of the accreditation infrastructure on the continent and represents AFRAC in the various ILAC and IAF forums. Other contributions towards regional integration on the continent include SANAS' participation in the development of an African Quality policy – as the Chair of AFRAC, through the Pan African Quality Infrastructure (PAQI). The policy is currently under review by the African Union.

AFRAC has conducted five evaluations and confirmed the successful transition of all its signatories to the requirements of ISO/IEC 17011:2017. This transition which was achieved one year before the deadline of 30 November 2020 set by ILAC/IAF, ensures the continued international recognition of compliance with the relevant requirements. This achievement was further enhanced by the successful expansion of the AFRAC scope for Energy Management Systems (EnMS) and Occupational Health & Safety Management Systems (OH&SMS). The expansion enables AFRAC to offer international recognition and global acceptance of goods and services that require conformity assessment.

13.3.2.2 KNOWLEDGE TRANSFER

The Knowledge Transfer Department (KTD) continued to maintain its national and international reputation. The Department is recognised as one of the leaders on the continent in the provision of conformity assessment related training services. KTD provides the following services:

- Lateral Services (training of SANAS Employees, Assessment Team Leaders, and Technical Assessors)
- Cognate Services (training and development for new accreditation fields)
- Value-Added Services (accreditation-process related workshops for clients)
- Commercial Services (training of personnel from accredited conformity assessment bodies (CABs) and preparing CABs employees for accreditation).

The following services were successfully provided by KTD during the year under review:

- Transition workshops from the 2004 version to the ISO/IEC 17011:2017 - Conformity Assessment - Requirements for Accreditation Bodies Accrediting Assessment Conformity Bodies - for existing SANAS Employees. Full training on the requirements of the same standard for newly appointed SANAS Employees.
- Assessment Team Leaders' course for the Inspection, Testing, Verification, and Calibration and Medical fields of accreditation. Technical Assessor course for the inspection field.
- Commercial courses at SANAS offices in various provinces , and national in-house courses at Clients' premises. International in-house courses in countries like Kenya and Botswana.

1587 candidates attended the 108 courses conducted over 265 training days during the year under review. SANAS' KTD prides itself in maintaining, across the past ten years, a customer satisfaction index of not less than 96%. Several national and international commercial courses scheduled from March 2020 were rescheduled due to the national and international impact of the COVID-19 pandemic.

SANAS' Knowledge Transfer Department remains a national and international training service provider of choice – its success is attributed to the professionalism, dedication, and competency of its Team of course facilitators and training coordinators.

13.3.2.3 NEW PROGRAMME DEVELOPMENT

This Sub-Programme focuses on the development of new accreditation programmes to support the South African regulators' implementation of public policy, and to address the on-market demand for the conformity assessment scheme. During the year under review, new programme development focused on the...

- Asset Management System
- Business Incubator and Accelerator.

Asset Management Systems

The development of the Asset Management System accreditation scheme was initiated during 2018-2019 to improve the confidence in the asset management system and to promote competitiveness and efficiency. Five working group meetings were convened for the development of technical requirements for this accreditation scheme. In turn, five candidate technical assessors were sourced from the South African asset management fraternity. Their training on assessment technique will enable them to be technical assessors during accreditation assessment.

Conformity Assessment Bodies (CABs) that will provide the management system certification according to SANS ISO 55001, will be accredited according to ISO/IEC 17021-1 and ISO/IEC TS 17021-5. Accreditation provides formal recognition of the technical competence and impartiality of these conformity assessment bodies.

Third-party attestation of conformity assessment bodies that will be audit implemented management system of organisation in accordance with SANS ISO 55001 is required by the asset owners who have successfully implemented the standard.

Business Incubator and Accelerator

The growth of the South African economy is said to be hugely dependent on the success of entrepreneurs and small-to-medium sized enterprises (SMEs). However, start-ups and small-to-medium enterprises often have a high failure rate that can be attributed to lack of technical skills, inefficient business and management expertise, and an inability to access finance and appropriate infrastructure.

SANAS therefore conducted, during the year under review, a feasibility study to initiate the accreditation scheme for business incubator and accelerator.

Business incubator and accelerator are reputed to provide entrepreneurs with a supportive environment for establishing and developing their products and services. A 'one-stop shop' approach to services and the sharing of facilities that reduces overhead costs, significantly improves the survival and growth prospects of start-ups and small enterprises. Business incubators and accelerators also help entrepreneurs to develop their ideas from inception through to commercialisation and the launching of an enterprise. The broader definition of the business incubation includes technology centres, science park incubators, business and innovation centres, and new economy incubators.

The Small Enterprise Development Agency (SEDA) noticed a proliferation of incubators and accelerators that do not meet the key performance indicators conducive to that environment. For example, some training centres promote themselves as incubation and acceleration centres yet lack all elements of a technical competence and functionality necessary for incubation and acceleration.

An appropriate oversight mechanism was therefore needed to assess and evaluate incubations and acceleration centres in alignment with key performance indicators or minimum specified requirements. SANAS has initiated the establishment of the required accreditation scheme which will provide business incubators and accelerators with technical competence and functionality recognition.

13.3.3 OUTPUTS, PERFORMANCE INDICATORS, TARGETS AND ACTUAL ACHIEVEMENTS

OUTPUTS	PERFORMANCE INDICATORS/ MEASURES	ANNUAL ACHIEVEMENTS 2018-19	ANNUAL TARGET 2019-20	ANNUAL ACHIEVEMENT 2019-20	REASONS FOR VARIANCE/ COMMENT
Develop and roll out an accreditation system for accreditation of IPAP.	Number of new accreditation programmes developed and rolled out. Asset management	Asset management (SANS/ ISO 55001) programme initiated	Initiate=0 Develop=1 Roll out=1 Asset Management System (SANS /ISO 55001) Accreditation Programme	Target Not Achieved Initiate = 0 Develop = 1 Roll Out = 0 87% of targets achieved. Only training of candidate assessor was cancelled. (3.5 target out of 4 achieved)	Candidate technical assessors could not be training during 23rd –25th March due to COVID-19 containment measures.
Develop and roll out a system for accreditation in assigned areas.	Number of new accreditation programmes developed and rolled out (railway industry).	Target Achieved Railway certification programme initiated and a working group was established	Target Removed	Target Removed	Target Removed
Develop and roll out an accreditation system in assigned areas	Number of new accreditation programmes developed and rolled out (SEDA Incubator Programme)	Not applicable	SEDA Incubator Project Initiate=1 Develop=1 Roll out=0 Initiate an accreditation programme for Incubator accreditation in collaboration with the SEDA	Target not Achieved Initiate = 0 Develop = 1 Rollout = 0 33% of targets achieved. Feasibility study concluded. Pre-working group workshop was cancelled	Business Incubator and Accelerator stakeholder workshop could not be convened due to covid-19

OUTPUTS	PERFORMANCE INDICATORS/ MEASURES	ANNUAL ACHIEVEMENTS 2018-19	ANNUAL TARGET 2019-20	ANNUAL ACHIEVEMENT 2019-20	REASONS FOR VARIANCE/ COMMENT
Provide an Intra-African Accreditation Cooperation (AFRAC) Secretariat	Number of meetings where secretarial support is provided	Target Achieved 8 Meetings (Actual).	Target Removed	Target Removed	Target Removed
Maintain AFRAC's international recognition	The number of AFRAC evaluations conducted successfully	Not Applicable	3 Peer evaluations successfully conducted	Target Overachieved Conducted a total of 4 AFRAC evaluations successfully	No variance
Represent AFRAC at regional and international forums	The number of regional and international forums attended as AFRAC representative	Not applicable	AFRAC represented at 5 regional and international forums	Target Overachieved Attended a total of 6 regional / international forums as AFRAC representative	No variance
Provide SADCA secretariat and regional coordination functions	Number of meetings where secretariat support and regional coordinator functions are provided.	Target Achieved 4 meetings (Actual)	Target Removed	Target Removed	Target Removed
Prepare for SADCA's international recognition	SADCA signatory status to the ILAC MRA / IAF MLA	Not Applicable	Align relevant SADCA documents to ILAC/IAF requirements	Target Achieved Reviewed 92% of SADCA documents scheduled for review and aligned them to ILAC/IAF requirements	No Variance

13.3.4 STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

SANAS will be proactive in arranging of meetings and supporting activities using electronic means like Skype, Zoom, MS Teams to contribute to the meeting of targets.

13.3.5 LINKING PERFORMANCE TO BUDGETS

The Strategy and Development Programme's actual expenditure was R4 674 363. Of this amount, 0% was spent on the compensation of employees, 100% on goods and services, and 0% on capital assets.

2018-19			2019-20		
BUDGET	ACTUAL EXPENDITURE	UNDER EXPENDITURE	BUDGET	ACTUAL EXPENDITURE	UNDER EXPENDITURE
R4 356 495	R2 953 053	R1 403 442	R4 917 498	R4 674 363	R243 135

13.4 PROGRAMME 4: ACCREDITATION PROVISION



13.4.1 PROGRAMME PURPOSE

The Programme provides, manages, and maintains accreditation services for new and existing clients in both the voluntary and the regulatory domain.

13.4.2 PROGRAMME DESCRIPTION

Managing the accreditation of new and existing clients in compliance with legislation and international good practice forms part of the Programme's responsibilities. A key driver of its performance is ensuring that there is a competent pool of accredited conformity assessment services for the IPAP priority sectors. The following Sub-Programmes of the Accreditation Provision Programme, cover several accreditation areas..

13.4.2.1 BLOOD TRANSFUSION FACILITIES

This Sub-Programme of Accreditation Provision ensures that the accredited laboratories, blood banks, and donor sites work together in verifying that donated blood is safe for transfusion.

During the year under review a key role player in the blood transfusion sector successfully transited to ISO 15189: 2012 from the National standard 'Standard of practice for Blood Transfusion'. Ten fixed and mobile donor were added which increased the number of accredited facilities from 105 to 115. About 23% of the current BTS PDI assessors pool were identified as technical experts in assessing the ISO 15189: 2012. This mitigates the concern about the BTS merger.

Overall, this Sub-Programme continues to be cost efficient. A contributing factor is being able to do bulk assessments which minimises travel expenditure. A further increase in the number of facilities in the next financial year is anticipated due to the accreditation of more donor clinics in alignment with the ISO 15189: 2012 standard.

13.4.2.2 BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) VERIFICATION AGENCIES

SANAS is the sole Accreditation Body for Broad-Based Black Economic Empowerment (B-BBEE) Rating Agencies that operate in South Africa. All B-BBEE Rating Agencies that want to perform B-BBEE Verifications and issue B-BBEE Certificates, must obtain accreditation from SANAS. To date, there are ten B-BBEE Sector Codes of Good Practice gazetted for implementation.

B-BBEE Legislation Amendments

During the year under review, the Department of Trade, Industry and Competition gazetted B-BBEE amendments to Statement 000, 300, 400 and Schedule 1 of the Amended Codes of Good Practice.

The Final Amendments for Statement 000, 300, 400 and Schedule 1 of the Amended Codes of Good Practice were gazetted on 31 May 2019 with a six-month transition period. The Amended Code Series 000, 300, 400 and Schedule 1 (Gazette 42496) came into operation on 31 May 2019 and the six-month transition period ran to 30 November 2019.

From 1 December 2019, any proof of a B-BBEE Status Level must be measured against the 2019 amended provisions of Code Series and Schedule 1 (Gazette 42496). The measurement applies to any verification – whether a Certificate, a Sworn Affidavit or an Exempted Micro Enterprise (EME) Certificate issued by the Companies Intellectual Property Commission (CIPC). This is a repeal of the 2013 versions. The relevant amendments are applicable to the Amended Generic Codes of Good Practice, and bind all Measured Entities rated as an Exempt Micro Enterprise, a Qualifying Small Enterprise, or a Generic Enterprise. A Measured Entity is where a B-BBEE Sector Code of Good Practice has been issued in terms of Section 9 (1) of the B-BBEE Act as amended. It may only be measured for compliance in accordance with that Code. Those entities will therefore not be affected by the amendments.

Where matters are silent on the B-BBEE Sector Codes of Good Practice, the amended provisions of Code Series 000, Code Series 300, Code Series 400, and Schedule 1 apply. B-BBEE Sector Councils are in the process of aligning and amending the B-BBEE Sector Codes of Good Practice in accordance with the General Codes of Good Practice.

Youth Employment Service Initiative

On 28 August 2018, the Department of Trade, Industry and Competition gazetted the Youth Employment Service (YES) – one of the initiatives presented in the 2018 State of the Nation Address by President Ramaphosa. Its primary objective is to improve the employment outlook for young work seekers by offering work opportunities and inclusion in the SA economy.

YES is a business-government-labour collaboration launched by the President on 27 March 2018 to improve the lives of unemployed black youth by creating one million quality work experiences.

The YES initiative will target youth that are:

- not younger than 18 years old and not older than 35
- Black as defined within the B-BBEE Act.

On 31 March 2020, the YES uptake was...

- Registered YES Measured Entities: 671
- Black Youth employed under the YES Initiative: 34 100.

B-BBEE Rating Agency Statistics

By 31 March 2020 there were 82 B-BBEE Rating Agencies accredited by SANAS. During 2019-20, seven new B-BBEE Rating Agencies were accredited, nine B-BBEE were suspended, six were re-instated, and five had their accreditation withdrawn.

The B-BBEE Rating Agencies consist of...

- Level 1 B-BBEE Contributor Status: 36
- Level 2 B-BBEE Contributor Status: 42
- Level 3 B-BBEE Contributor Status: 3
- Level 4 B-BBEE Contributor Status: 1
- 100% Black Owned B-BBEE Rating Agencies: 36
- At least 51% Black Owned B-BBEE Rating Agencies: 40
- At least 51% Black Women Owned B-BBEE Rating Agencies: 27
- Exempted Micro Enterprise (EME) – Total Revenue of less than R10 Million per annum: 70
- Qualifying Small Enterprise (QSE) – Total Revenue between R10 and R50 Million per annum: 12
- Generic Enterprise – Total Revenue above R50 Million: 0.

To ensure that the transformation objectives and goals are achieved for South Africa, SANAS continues build its relationship with all Stakeholders - including the Department of Trade, Industry and Competition, the B-BBEE Commission, the B-BBEE Sector Code of Good Practice Councils, and the B-BBEE Rating Agencies.



13.4.2.3 CALIBRATION LABORATORIES

Calibrations performed by SANAS-accredited calibration laboratories are the foundation of the South African scientific and industrial activity. SANAS has been successful in the accreditation of calibration laboratories covering a wide range of technical disciplines that are necessary to support continued growth in the industrial sector.

SANAS-accredited calibration laboratories have been in the process of aligning their management systems to comply with the revised ISO/IEC 17025:2017 standard. During the scheduled assessments, the SANAS Assessment Teams have been actively evaluating the implementation of the requirements of the revised standard. Where compliance has been confirmed, SANAS has issued revised accreditation certificates. The conversion of all laboratories to the revised standard is scheduled to be completed by June 2021.

The Calibration Accreditation Manager is currently a member of the ILAC Accreditation Issues Committee (AIC). He currently also represents the international body ILAC at the annual meetings with the International Bureau of Weights and Measures (BIPM), the International Organisation of Legal Metrology (OIML) and the International Organisation for Standardisation (ISO). Due to the COVID-19 pandemic, meetings that were scheduled for March 2020 were deferred or cancelled. The Calibration Accreditation Manager represented SANAS at the meetings of ILAC Accreditation Committee (AIC) and the Arrangements Committee (ARC) respectively in Mexico in April 2019 and in Germany in October 2019.

As a trained AFRAC Peer Evaluator, Calibration Accreditation Manager participated in the regional evaluation of The Inter-American Accreditation Cooperation (IAAC) in Brazil during September 2019. In February 2020 he acted as the training facilitator for the AFRAC trainee peer evaluators. The purpose of this specialised training was to increase the pool and availability of AFRAC Peer Evaluators, and to strengthen accreditation and the peer review process in Africa.

13.4.2.4 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 as the areas of healthcare, food production, energy supply, climate change and personal safety.

The role of certification bodies is to ensure that SANAS continues to develop and launch market-relevant accreditation schemes for modern management, and risk-based systems to achieve business sustainability. This includes management system standards like ISO 13485 – an increasingly important differentiator for organisations looking to improve their marketability in the medical device sector. The primary objective of ISO 13485 certification is to facilitate harmonised QMS requirements for regulatory purposes within the medical device sector. Organisations value ISO 13485 certification for the increased confidence it gives patients and other stakeholders through its implicit promise of quality, consistency, and continuous improvement.

SANAS continues to proactively manage accreditation of management system certification schemes in accordance with ISO/IEC 17021-1 including...

- 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)
- information security management systems (ISO 27001) – the most recent addition.

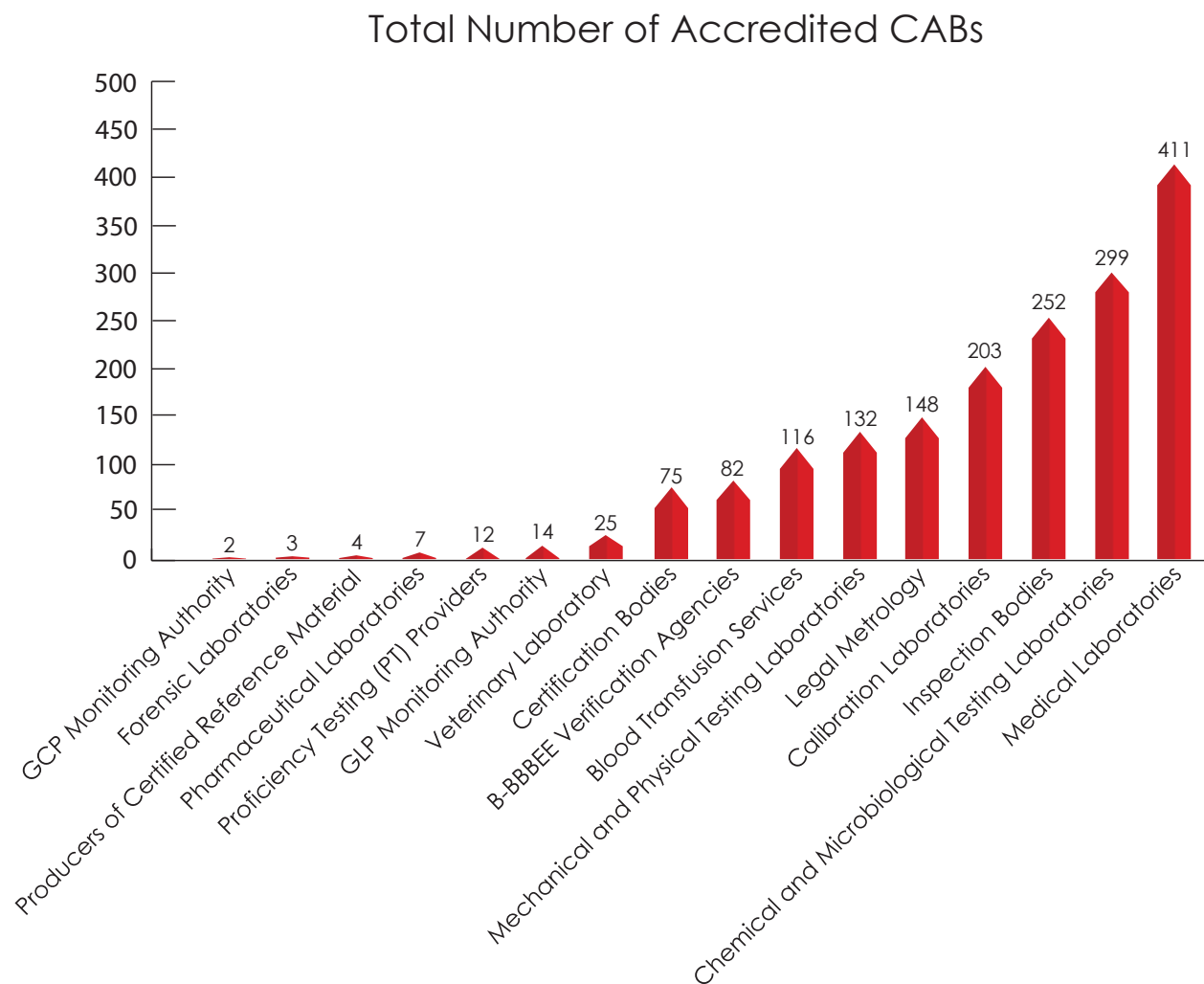
Cultivating a culture of customer-centricity and brand pride through the provision of strategic leadership sets the direction for the development of transition arrangements in standards like ISO 45001:2018, ISO 22000:2018, and ISO 50001:2018.

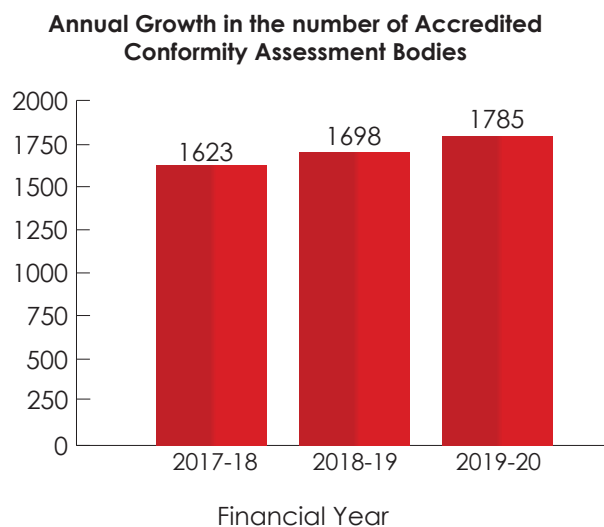
SANAS continues to provide accreditation to other certification schemes in line with ISO/IEC 17065, ISO/IEC 17024, and ISO 14065. It therefore continues to establish partnerships with stakeholders that include regulatory alliances in launching industry-relevant accreditation schemes like ISO 3834. That international standard defines the quality requirements suitable for fusion welding processes of metallic materials. It is appropriate for demonstrating a manufacturer's capability of producing welded constructions according to specified criteria.

Recent developments call for a drive in the implementation of compliance with policies aimed at strengthening the SANAS brand. It includes strengthening the stakeholder interface by proactively monitoring the internal and external risk landscape.

An important factor is the recruitment of a diverse pipeline of qualified individuals representing South African demographics to meet the future accreditation needs. On this note, SANAS is proud that 85% of its trained Assessors who cut across the various accreditation schemes for certification bodies are PDIs.

The following charts depict the number of and growth in accredited organisations.





13.4.2.5 FORENSIC LABORATORIES

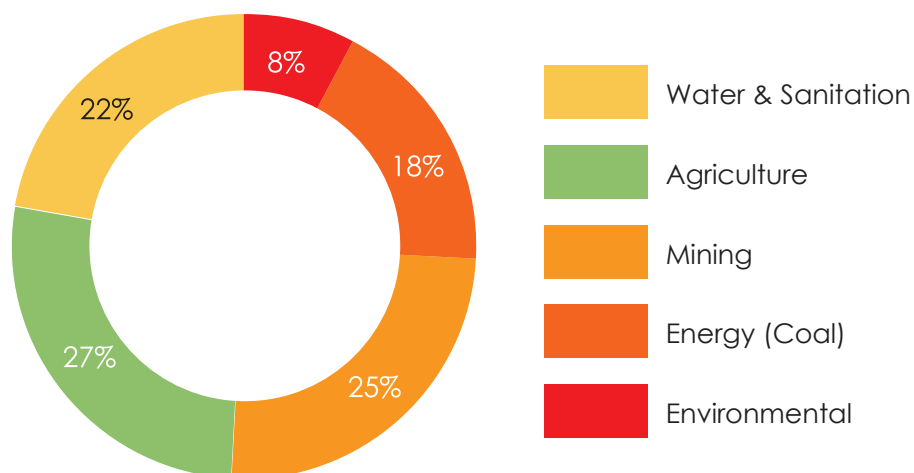
By the end of the 2019-20 SANAS had three forensic laboratories and one private laboratory. Forensic laboratories gather and examine evidence that contributes to criminals being held accountable for their actions. Two of the three organisations having successfully transitioned to the ISO/IEC 17025: 2017 standard. While growth is not anticipated SANAS continues to support and provide information to the different stakeholders.

13.4.2.6 GENERAL TESTING LABORATORIES

The General Testing Sub-Programme plays a significant role in the sectors that form the nucleus of the Government's Nine-Point Plan aimed at growing South Africa's economy.

Sectors identified by Government as key to the Nine-Point Plan include mining, water and sanitation, agriculture, energy, health, and science. The General Testing Sub-Programme has accredited several laboratories in those sectors.

ACCREDITED LABORATORIES PER SECTOR





Agriculture

The agriculture sector in South Africa contributes about two percent to the Gross Domestic Product (GDP). Although this has decreased over the previous decade, the sector still plays a role in ensuring that there is food security and it has vast potential for creating much-needed jobs. The services rendered by the 68 accredited laboratories in this sector range from the testing of agricultural inputs like fertilizers and pesticides, to the quality and safety of produce/products – including agro-processing.



Mining

South Africa's mining industry remains one of the mainstays of the country's economy. It makes a significant contribution to economic activity, job creation, and foreign exchange earnings. Some of the major minerals produced in South Africa include diamonds, gold, platinum, iron ore, chromium, manganese, and titanium. The General Testing Sub-Programme has accredited 60 laboratories that service this sector. The accreditation covers all the major minerals.



Water and Sanitation

The demand for water in South Africa surpasses the supply and is exacerbated by the availability of safe and drinkable water. SANAS' General Testing Programme plays a key role through its accreditation of laboratories that undertake water quality testing. Currently there are more than 55 accredited water laboratories in the public and private sectors. These laboratories are a critical link in the value chain that ensures safe drinking water for consumers, and other unpolluted water resources.



Energy

Coal generates more than 70% of South Africa's electricity. The coal industry is the third largest group in the mining sector – after gold and platinum. It contributes about 19% of the total employment in the mining industry. The quality of coal is essential for the adequate functioning of electricity generation and the testing thereof is therefore critical. The current 44 accredited coal laboratories critical service contributes to the industry meeting the demand for energy in South Africa.



Environmental Health

Most of the General Testing Sub-Programme's laboratories operates within the health sector. The accredited laboratories offer services which include the testing of pharmaceutical products, food and water safety, and air/environmental pollution. These laboratories are a critical link in the healthcare value chain that ensures the health of the South African population.

The General Testing Sub-Programme accreditation of 298 laboratories is an increase of 0.7% on the previous financial year. Tough economic conditions resulted in a number of withdrawals of accreditation and growth slowdown. However, it is expected that the growth will continue albeit unlike at the rate in previous years. The number of accreditations and the expansion of the scope of operations by accredited laboratories contribute to this Sub-Programme being financially self-sufficient. The trend over the past years has been a recovery of over 5%.

Although the majority of the accredited laboratories are in South Africa, the General Testing Sub-Programme has also accredited laboratories in three of the five regions on the continent – in southern, western, and eastern Africa. SANAS' accreditation services in the regions will decrease with the establishment of bodies like the Southern African Development Community Accreditation Services (SADCAS) and the Western African Accreditation System (SOAC). However, SANAS will continue participating in various SADCA and AFRAC Committees in pursuit of strengthening accreditation on the continent. Once the bodies are fully functional, SANAS will cease to accredit in these regions and all accredited laboratories will be handed over to those bodies. This will provide the General Testing Sub-Programme with more time to focus on increasing the local take-up of accreditation.

The General Testing Sub-Programme has assessed 72% (216) of the accredited laboratories against the ISO/IEC 17025:2017. All laboratories are required to transition to the 2017 version of this international standard by 1 June 2021. SANAS is well on its way to doing so before that deadline. Demographics in the pool of Assessors has transformed – 72% of the qualified Assessors are Previously Disadvantaged Individuals (PDIs). More assessors will be trained during 2020-21 to meet the anticipated growth in this Sub-Programme.

13.4.2.7 GOOD LABORATORY PRACTICE MONITORING AUTHORITY

SANAS is the official Good Laboratory Practice (GLP) Monitoring Authority in South Africa. This Sub-Programme inspects test facilities and conducts audits to ascertain their degree of compliance with the OECD principles of GLP. The principles promote the quality and validity of test data used to determine the safety of chemicals and chemical products. Quality test data forms the basis of mutual acceptance of data between countries. The application of these principles helps prevent the creation of barriers to trade and improves the protection of human health and the environment.

The GLP Programme is steadily growing and there are currently 14 GLP compliant facilities. The majority – 86%, are locally based. The safety studies undertaken by these research facilities focus on the following area of expertise:

- Physical-Chemical Testing (Chemical Industry)
- Toxicity Testing (Pharmaceutical, Veterinary & Pesticide Industries)
- Clinical Safety Testing (Pharmaceutical, Veterinary & Pesticide Industries)
- Residue Testing (Agricultural industry)
- Efficacy of Malaria vector products (Pharmaceutical and Pesticides industry).

The research work done by the SANAS GLP compliant facilities assist regulators like the Department of Health and the Department of Agriculture, Land Reform and Rural Development (DALRRD). It contributes to making informed decisions about the safety of chemicals and chemical products that impact on humans and the environment. Currently the GLP is not mandatory in South Africa. However, the DALRRD is in the process of drafting a regulation that will require certain types of research studies to be conducted in accordance with the OECD principles of GLP. SANAS is working with both the Departments and the related industries to ensure that this becomes a reality. The number of GLP compliant facilities is therefore set to grow rapidly in future and this anticipated growth will help contribute to the financial sustainability of the SANAS' GLP.

Beyond South Africa, the GLP has so far granted compliance to two research facilities – one in Benin and the other in Tanzania. These two countries have malaria research sites that must conduct studies for registration of much-needed malaria control vector products to comply with the World Health Organisation (WHO) OECD principles of GLP. There are seven WHO-sponsored malaria research facilities on the continent and five more sites are yet to apply to be granted compliance certification. According to the WHO, compliance with OECD principles of the GLP enhances the quality and reliability of research data and significantly reduces delays associated with the registration of malaria control vector products. Given that SANAS is the only GLP Monitoring Authority on the continent, its role is immeasurable given that about 90% of all malaria deaths worldwide occur in Africa south of the Sahara.

79 participants from 35 different countries attended the OECD GLP Inspectors training hosted by SANAS in October 2019. The event received an overall rating of 86% which was pleasing considering that South Africa was the first African country to host this event. Through its hosting, SANAS contributed to promoting South Africa to the 35 participating countries' representatives



13.4.2.8 INSPECTION BODIES

During the period under review the strategic objectives of the Inspection Bodies Sub-Programme focused on:

- Supplying of an ISO/IEC 17020 accreditation service to support the work and requirements of regulators in the spirit of excellence
- Providing accreditation support for industrial development and the protection of the health and safety of the public and the South African environment
- Supporting regulators and industry by providing inputs at all relevant regulatory and industry forums
- Supporting regulators with the development of new regulatory accreditation programmes
- Providing input/guidance to national technical committees on accreditation requirements.

The Inspection Accreditation Manager was appointed, by the Chief Inspector, a member of the Department of Labour and Employment's Technical Committee (TC 17) for the revision of the Pressure Equipment Regulations. The Manager actively participated in all the Regulatory Forums by providing guidance and inputs on accreditation matters, and was a panel member at Africa's first Global Lift and Escalator Expo which took place in Sandton during August 2019.

During the year under review the development and support of various regulatory services was advanced and accreditation services were provided to the following regulators:

- The Department of Employment and Labour
- The South African Health Products Regulatory Authority (SAHPRA)
- The Department of Agriculture, Forestry and Fisheries (DAFF)
- The Gauteng Department of Agriculture and Rural Development Veterinary Services

- The National Regulator for Compulsory Specifications (NRCS)
- The Department of Energy (through SANEDI – the South African National Energy Development Institute).

The Inspection Bodies Sub-Programme primary aim is to protect the health and safety of the public and South Africa's environment. In doing so it provides a vast scope of accredited inspection service. The experience gained is shared nationally, regionally, and internationally through participating in the various technical committees of SABs, AFRAC, and ILAC.

Accredited Inspection Bodies increased to 252 during the year under review. This represents an increase of four accredited inspection bodies despite the volatile worldwide economy. The accreditation process included a turnaround time of 12 days for the issuing of certificates after the completion of the approval process which bettered the 2019-20 target of 15 days. Training during 2019-20 included Team Leader and Technical Assessor Courses – the goal of which was to increase the assessor pool and its diversity. Five of the participants – respectively three Team Leaders and two Technical Assessors – were PDIs.

Accreditation service continue in the spirit of excellence. The Sub-Programme's 2019/20 customer satisfaction index rating was 8.13 which is above the target of 7.5 and the first instance since the 2015-16 survey. Another highlight was being invited by the Elevate Africa transportation industry magazine to submit an article for publication. The article covered industry news for Africa and the world focused on accreditation information in the South African environment. Other articles were submitted and published in a range of local industry and inspection-related publications.

13.4.2.9 LEGAL METROLOGY

During the year under review, the key objectives of this Sub-Programme of Accreditation Provision focused on managing accreditation services for new and existing Verification and Repair bodies.

The growth rate for Verification Bodies which are evenly spread across the country, has remained constant in the past financial year and now stands at 148. The constancy is attributed to local economic conditions that have included withdrawals of the accreditation status for some of the accredited bodies. Nonetheless, four new applications from Gauteng and the Free State were received and subsequently granted during the past fiscal year.

The purpose of the verification bodies is to protect the consumer from unfair trade practises. This important activity is legislated through the Legal Metrology Act, Act No. 9 of 2014, with the relevant technical regulations as gazetted in August 2019. Measuring instruments like liquid fuel dispensers for petrol or diesel at filling stations are required by law to be verified every 12 months. The verification is done by means of calibrated volume standards which are traceable to National Standards for accuracy at stipulated intervals. These are important activities that impact on the lives of ordinary consumers by protecting them from potential filling shortages.

In supermarkets consumers who buy basic food items like a bag of potato or tomatoes and bananas are also protected because the scales used to measure the weight of purchased goods are required by law to be calibrated and verified every 18 months. SANAS has accredited more than 70 weighing instruments laboratories whose responsibility it is to ensure accuracy of those instruments. Verification laboratories ensure that the consumer is protected by focusing on appropriate trade-related credible quantities and measurements.

As a direct contribution towards SANAS' operational efficiency, this Sub-Programme has improved its key performance areas for the IT/Online application process, queries, and benefits relating to accreditation. The constancy of the 148 accredited verification bodies reinforces the stability of SANAS' Legal Metrology services over recent years.

Ensuring compliance with the verification and the repair functions bodies new technical regulations gazetted in August 2018 continues – 80% of the accredited bodies have met the minimum requirements of a level 4 B-BBEE status.

13.4.2.10 MECHANICAL AND PHYSICAL TESTING LABORATORIES

The Mechanical and Physical Testing laboratories ensures that products and services produced in South Africa are accepted Worldwide which in turn contributes to South Africa's economy and its competitiveness and is aligned with the role of SANAS.

Despite the difficult economic challenges, the Mechanical and Physical Testing Sub-Programme realised an 8.3% growth during the year under review. The geographic spread of this growth is countrywide with the dominant accreditations being from the field of civil engineering.

At national level, industry played its part by working with SANAS. An example is the National Home Builders Registration Council's (NHBC) partnering with SANAS' accredited civil engineering laboratories to deliver quality homes to consumers through random soil testing. The laboratories contribute to large construction projects by performing critical test to ensure the quality and safety of buildings and roads.

Another partnering example is that of the South African Road Agency (SANRAL). The Agency now requires a SANAS accreditation for obtaining contract work for the building or renewing South Africa's roads infrastructure. In all instances partnering has led to an increase in new accreditation applications.

SANAS accredited laboratories in the field of Electrical, Electronic', and Electromagnetic Compatibility (EMC) contribute to combatting unsafe household products. The accredited laboratories boast a list of national and international clients. Many of the regular users of the services are from the United States and various parts of Europe. The field of testing is not limited to Electro Magnetic Compatibility, Explosion Prevention Technology, and Physical (Metallurgical) testing. Testimonials reinforce the benefits of being associated with an internationally recognised body like SANAS.

13.4.2.11 MEDICAL LABORATORIES

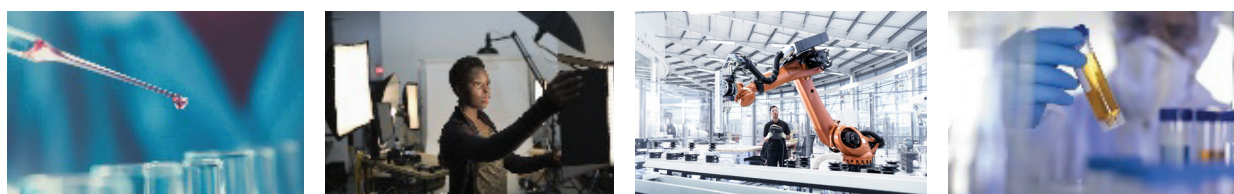
SANAS accredits medical laboratories in alignment with ISO 15189:2012. This accreditation demonstrates to the marketplace that the medical laboratories have met the SANAS accreditation requirements and are periodically monitored for compliance. The Medical Laboratories Sub-Programme of Accreditation Provision manages the accreditation of the related new and existing clients and has 149 Assessors of which 70% are PDIs.

SANAS accreditation of medical laboratories assists in improving the quality of patient care, addressing the needs of the patients, and the level of clinical personnel who are responsible for the care of patients. It encompasses health and safety, confidentiality, ethical reporting practices, and patient management.

All medical laboratories in South Africa and outside its borders are offered these SANAS services. SANAS' related footprint has expanded to include the accreditation of laboratories in Cameroon, Namibia, Nigeria, Kenya, Uganda, Zimbabwe, Ghana, and Rwanda.

35 new laboratories were accredited in the year under review – three of which are outside South Africa. This is a 7.5% year-on-year. 70% of the accredited laboratories are part of the Government's National Health Laboratory Service (NHLS) that service 80% of the population.

Accreditation offers the competitive advantage of independent competency assurance. Another advantage is market access through global recognition and acceptance. The accreditation process highlights gaps like capacity that in turn provide opportunities to improve organisational efficiency and outputs.



The Medical Sub-Programme participated in the ISO/TC212 /Working Group 1 'Quality and Competence in the Medical Laboratory' – an international forum responsible for the formulation and review of standards. The ISO/TC212/WG1 is presently working on the review of accreditation standards for ISO 15189.

The Sub-Programme increased its assessor pool to meet the demand of accreditation for medical laboratories. It also increased SANAS' footprint in South Africa by granting accreditation in remote areas, and SANAS now partners with eight countries beyond the border of South Africa.

13.4.2.12 PHARMACEUTICAL LABORATORIES

With the COVID-19 worldwide, the pharmaceutical industry is hard at work to find vaccines and medication to counteract and fight the pandemic. To date, SANAS has accredited seven facilities, including one organisation that is responsible for testing vaccines for conditions like Polio, Measles, and Yellow Fever. Testing covers everyday medication from antibiotics and vitamins to the testing of disinfectants.

SANAS continues to work with the World Anti-Doping Agency (WADA). In October 2019, a SANAS representative attended the WADA ISL (International Standard for Laboratories) training and qualified as an ISL Assessor. This partnership ensures that SANAS can continue to assess the South African Anti-Doping Laboratory in alignment with international standards. Interest has grown amongst laboratories about the testing since the legalisation for medicinal use. SANAS continues to be involved in related stakeholder meetings.

Although some pharmaceutical laboratories remained stagnant in the 2019-20 fiscal year it is still vital that SANAS taps into more pharmaceutical laboratories. The approach will include manufacturing plants and laboratories in institutions to ensure that the laboratories are competent to perform their tasks.

13.4.2.13 PRODUCERS OF CERTIFIED REFERENCE MATERIAL

Reference Material Producers (RMPs) are accredited against the International Standard ISO 17034:2016. With the inclusion of the testing of food and minerals Reference Materials (RMs), SANAS has increased the number of facilities accredited to produce and certify of reference material in South Africa to four.

Laboratories testing food depend on reference materials for validation of the methodology that ensures the reliability and consistency of the test results, and ultimately to ensure the safety of food consumed in South Africa.

SANAS, in anticipation of an increase in acceptance and the demand for the accreditation of RMPs, decided to request international recognition from ILAC for this specialised Programme. An International Peer review by ILAC representatives took place in June 2019. The extension for this scope was recommended and the recommendation was accepted by ILAC. Full international recognition is dependent upon ILAC establishing an MRA for this activity which is expected to be completed during 2020. Assessors and AC members participated in the workshop held on 4 September 2019 to increase their skills and knowledge of reference material production and the SANAS approval process.

13.4.2.14 PROFICIENCY TESTING PROVIDERS

Accredited Proficiency Testing (PT) providers make it possible for calibration and testing laboratories -including medical testing laboratories, to evaluate their capability of producing consistent and accurate measurement results through the independent mechanism of proficiency testing. PT providers are accredited by SANAS against the international standard ISO/IEC 17043:2010.

In addition to the locally accredited service providers, and the accredited schemes in Uganda and Nigeria, interest in the accreditation of proficiency testing scheme providers continues. During the assessment of the PT provider in Nigeria, the SANAS Assessment Team was accompanied by a representative of the Nigeria National Accreditation System (NiNAS). This will contribute to handing over this accreditation activity to the local accreditation body once it has established the local capacity and capability.

Accredited providers of PT schemes now include PT for medical, coal and other minerals, calibration, pesticides, food, and water. Users of these PT services include testing (medical, physical, chemical, biological) laboratories and calibration laboratories.

In April 2019 SANAS facilitated a two-day training course for assessors working within the PT Programme. The purpose was to ensure that the participants had the skills required to conduct assessments, and to ensure that SANAS has adequate capacity to provide this service in South Africa.

During June 2019, the PT Scheme Programme underwent an international peer review, conducted jointly by AFRAC and ILAC. The review resulted in the recommendation that the SANAS PT Programme be included in the ILAC MRA. The subsequent endorsement by the ILAC Executive means that SANAS now enjoys full international recognition for this activity. In turn, PT Providers accredited by SANAS now enjoy full international recognition.

On 4 September 2019, SANAS hosted a well-attended PT and RMP workshop for AC members and Assessors. AC members were provided with training in the approval process implemented by SANAS.

13.4.2.15 VETERINARY LABORATORY

The Veterinary Laboratory Sub-Programme continues to be at the forefront of ensuring the safety South Africans and their animals.

South Africa beef exports are worth approximately R2bn. In December 2019, the Foot and Mouth Disease (FMD) outbreak was proving to be difficult to contain and placed strain on the Veterinary sector. SANAS has accredited the only authorised FMD testing organisation (BSL 3 laboratory) in South Africa that contained the outbreak.

The number of accredited veterinary laboratories remained stagnant in the 2019-2020 fiscal year. The Veterinary Laboratory Sub-Programme saw a decline of about 40% in horizontal growth due to the ISO/IEC 17025: 2017 transition. However, 40% successfully transitioned, 28% are still to be assessed, and 32% are in the process of corrective actions process. The transition deadline of November 2020 should therefore be met.

13.4.3 OUTPUTS, PERFORMANCE INDICATORS, TARGETS AND ACTUAL ACHIEVEMENTS

OUTPUTS	PERFORMANCE INDICATORS/ MEASURES	ANNUAL ACHIEVEMENTS 2018-19	ANNUAL TARGET 2019-20	ANNUAL ACHIEVEMENT 2019-20	REASONS FOR VARIANCE/ COMMENT
STRATEGIC OBJECTIVE 2: Contribute to industrial development and the protection of health and safety, and the environment					
Expand the number of accredited organisations in the fields of testing, inspection, calibration, certification and other conformity assessment services.	Total number of accredited facilities.	1 698 Cumulative Target overachieved	1785 Cumulative	Target Overachieved Cumulative total of 1785 accredited organisations.	No Variance
Assessments of accredited organisations in the fields of testing, inspection, calibration, certification and other conformity assessment services.	Number of assessed facilities, ie, pre-initials and re-assessments, as well as surveillances and extensions of scope.	1 452 Target overachieved	Target removed	Target removed	Target removed
Diversified assessor pool by increasing the registration of PDI assessors.	Total number of PDI assessors registered with SANAS in the pool of 500 assessors.	291 Target overachieved	296 Cumulative	Target Achieved Cumulative of 296 previously disadvantaged assessors	No Variance
Accreditation certificates issued within stipulated timeframes.	Timeframe for issuing certificates after completion of approval process.	12 Target achieved	16 Days (Average)	Target overachieved 15 days Average	No Variance

13.4.4 STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

The programme did not have any areas of underperformance.

13.4.5 LINKING PERFORMANCE WITH BUDGETS

The programme expenditure was R56 981 785, of which 48% was spent on compensation of employees, 42% on goods and services, and 0% on capital assets.

2018-19			2019-20		
BUDGET	ACTUAL EXPENDITURE	UNDER EXPENDITURE	BUDGET	ACTUAL EXPENDITURE	OVER EXPENDITURE
R53 239 806	R56 981 785	R3 741 179	R56 870 237	R65 710 694	R8 840 357

14. TRANSFER PAYMENTS

During December 2018, SANAS received notice of further baseline cuts over the outer financial years of the Medium-Term Expenditure Framework (MTEF) period for 2019-20 to 2021-22 of R1.101m, R1,174m, and R1.238m respectively. During June 2020, the Entity was advised of a further cut of R3,699m on the 2020-21 allocation.

These reductions in funding places the Entity's financial position under pressure with greater reliance required on self-generated income and cost saving. SANAS may not afford further reductions without putting the sustainability of the entity at risk. SANAS continues to explore further cost-saving measures, cost containments, and additional streams of income to manage its financial challenges. Failure to cover future financial gaps also raises the risk of SANAS not being able to effectively deliver on its mandate.

14.1 REVENUE COLLECTION

Source of Revenue	2018-19			2019-20		
	Budget	Actual	Variance	Budget	Actual	Variance
	R'000	R'000	R'000	R'000	R'000	R'000
Accreditation	60,260	64,430	4,170	70,673	70,645	(28)
Training	11,124	10,397	(727)	10,785	9,256	(1,529)
Total	71,384	74,827	3,443	81,458	79,901	(1,557)

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.

14.2 CAPITAL INVESTMENT

Infrastructure projects	2018-19			2019-20		
	Budget	Actual expenditure	Under expenditure	Budget	Actual expenditure	Under expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Acquisition of immovable property	58,000	64,418	(6,418)	-	-	-
Motor vehicles	-	-	-	-	1,259	(1,259)
Furniture	15,000	3,729	11,271	-	44	(44)
Computer equipment	250	2,876	(2,626)	380	1,130	(750)
Intangible assets	1,300	1,034	266	6,500	2,367	4,133
Total	74,550	72,057	2,493	6,880	4,800	2,080

The purchase of motor vehicles (used as fleet vehicles) was funded as part of cash surpluses approved by National Treasury the from 2018-19 surplus.



Part C

Governance

Part C: Governance

15. 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 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.

15.1 IT COMPLIANCE AND GOVERNANCE

- Governance, risk, and compliance are integral to the SANAS business. Accordingly, the SANAS ICT Unit focuses on formal IT governance frameworks like: COBIT (Control Objectives for Information and Related Technologies) - providing quality, reliability and control of information and related technology
- 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.

The Unit researches possible solutions for the processing and protection of personal information and data in alignment with the Protection of Public Information (POPI) Act.

As part of information security governance, the SANAS ICT Unit is reviewing its policies and processes to ensure compliance with its adopted information security framework - ISO/IEC 27001 Standard. The review will also be aligned with new legislation and/or regulations in the accreditation environment, and will consider new technologies and architecture associated with counteracting risks.

15.2 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 non-financial information contained in the SANAS Annual Report.

15.3 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 Reports were successfully submitted to the Executive Authority on the last day of the month following the quarter end.

15.4 THE BOARD

15.4.1 INTRODUCTION

In terms of Section 6(2)(a) of the Accreditation Act, the Board is the Accounting Authority, as contemplated in Section 49(2)(a) of the PFMA.

The Board reaffirms its commitment to the highest standards of corporate governance. It recognises that practices and procedures can always be improved and will therefore continually review SANAS' own norms and standards.

SANAS remains committed to the principles of openness, integrity, and accountability. It continually reviews its processes and practices to ensure compliance with legal obligations and adherence to good corporate governance in terms of the King IV and the PFMA which are integral parts of SANAS' objectives.

The primary objective of corporate governance is to ensure that the Board and those who manage SANAS' day-to-day operations, carry out their responsibilities faithfully and effectively while placing the interests of the organisation ahead of their own. This process is facilitated through the establishment of appropriate reporting and control structures within SANAS.

As the Accounting Authority, the Board is accountable to the Executive Authority and is ultimately responsible for the implementation of sound corporate governance practices in accordance with King IV and the agreed dtic-SANAS Shareholders' Compact. The Board and its Sub-Committees will continue to pay attention to issues of governance, including transparency, disclosure, financial control, and accountability.

An annual self-assessment review process has been developed for the Board, individual Directors, and Board Sub-Committees. All Board Members have access to the advice and services of the Company Secretary, and are entitled to seek independent professional advice at the Entity's expense. They also have unrestricted access to all company information, records, documents, and property. The Board meets at least four times a year, and additional meetings are convened at short notice to consider specific business. It delegates specific responsibilities to the Sub-Committees that are chaired by independent Non-Executive Directors. All the Sub-Committees have specific terms of reference.

15.4.2 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...

- Approves SANAS' Strategic Plan, Annual Performance Plan and Business 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
- 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.

15.4.3 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, and Industry and Competition as the Executive Authority of SANAS. There are seven Non-Executive Directors and three Executive Directors – the CEO, the CFO, and the Executive: Accreditation. 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 and submitted it to the Executive Authority. The performance of the Board was deemed to be of a high standard.

The performance of the board was deemed of a high standard.

Name	Designation	Date Appointed	Date on which appointment expires	Qualifications	Area of expertise
Mr Lulama Mayedwa	Chairperson of the board	1 December 2018	30 November 2023	National Diploma in Personnel Management Diploma in Administration Human Development Programme Master's in Public Administration	Human Resources Administration
Ms Lerato Mothae	Chairperson of the Audit and Risk committees	1 December 2018	30 November 2023	CA (SA) CTA (B.Compt Honours) B.Compt (Bachelor of Accounting)	Accountancy Finance
Mr Fezile Wetes	Chairperson of the Human Resources and Remuneration Committee	1 December 2018	30 November 2023	M.Comm in Leadership Studies B.Comm Honours in Human Resources Management Postgraduate Diploma in Labour Law Postgraduate Diploma in Labour Relations Graduate Diploma in Company Direction and Corporate Governance	Human resources
Mr Ismail Abdoola	CFO	1 December 2018	30 November 2023	CA (SA) Bachelor of Commerce (Honours) Bachelor of Commerce	Finance Risk Accountancy
Mr Ron Josias	CEO	Not applicable	Not applicable	MPhil: International Management PhD in Public Administration Master's in Business Administration National Higher Diploma in Mechanical Engineering (T4) Project Management Diploma	Engineering Management International, continental and regional accreditation
Dr Tshenge Demana	Non-executive director	1 January 2019	30 November 2023	Executive Management Programme PhD Analytical Chemistry MSc Chemistry BSc Chemistry	Science Governance Strategy Management Drafting legislation
Dr Sarah Mohlala	Non-executive director	1 December 2018	30 November 2023	PhD Chemistry MSc Chemistry BSc Honours Chemistry Fundamental Management Programme	Science

Name	Designation	Date Appointed	Date on which appointment expires	Qualifications	Area of expertise
Mr Samuel Mlangeni	Non-executive director	1 December 2018	1 January 2020	MPhil Engineering Management Senior Executive Programme in Business Leader Development BTech Engineering Management National Diploma in Engineering Trade certificate: aircraft mechanic	Engineering Management Aviation
Mr Mpho Phaloane	Executive: accreditation	1 December 2018	30 November 2023	National Higher Diploma – Mechanical Engineering Post-graduate diploma in Engineering (Metallurgy and Materials) Master of Engineering: Metallurgy and Materials Project Management Diploma Certificated Inspector of Pressurised Equipment Quality Management Certificate Management Advancement Programme	Engineering Management International, continental and regional accreditation
Ms Patricia Tlou	Non-executive director	1 December 2018	30 November 2023	Master's in Public Administration Higher Education in Management B.Administration National Diploma in Public Administration	Administration Accreditation
Mr Tom Tshitangano	Non-executive director	1 December 2018	Resigned 31 December 2019	MComm Development Finance BSc Information Systems and Computer Science Post-graduate Diploma in Business Administration National Diploma in Computer Systems Engineering	ICT Finance
BY INVITATION					
Dawood Petersen	Company secretary	Not applicable	Not applicable	Not applicable	Not applicable

The Board has conducted its affairs in compliance with this Charter and all other legal obligations.

BOARD MEMBER	MEETING ATTENDANCE RECORDS									
	21 May 2019	24 Jul 2019	30 Jul 2019	21 Aug 2019	22 Aug 2019	18 Oct 2019	06 Dec 2019	29 Jan 2020	20 Feb 2020	20 Mar 2020
Lulama Mayedwa	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lerato Mothae	-	✓	-	✓	-	✓	✓	✓	✓	✓
Fezile Wetes	✓	-	✓	✓	✓	✓	✓	-	✓	✓
Ismail Abdoola	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Tshenge Demana	✓	✓	-	✓	✓	-	✓	-	-	✓
Sarah Mohlala	✓	✓	✓	✓	✓	-	✓	✓	-	✓
Samuel Mlangeni	✓	✓	✓	✓	-	-	✓	✓	-	-
Patricia Tlou	✓	✓	✓	✓	✓	✓	✓	-	-	✓
Tom Tshitangano	✓	✓	✓	-	✓	-	-	****	****	****
Ron Josias	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Mpho Phaloane	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
BY INVITATION										
Dawood Petersen	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

✓ Attended **** Resigned - Absent and/or apology

15.4.4 REMUNERATION OF BOARD MEMBERS

The members of the Board receive a stipend for attending meetings in accordance with National Treasury's determination. The Board's remuneration is based on SANAS' classification as a Schedule 3A entity. Four 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.

15.4.5 COMMITTEES

The Board 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.

15.4.5.1 HUMAN RESOURCES AND REMUNERATION COMMITTEE

The Human Resources and Remuneration Committee is tasked with providing the Board with recommendations on policy matters regarding...

- 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
- Equity targets.

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

The roles and responsibilities of the Human Resources and Remuneration Committee include the...

- 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 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
- Ensuring compliance with applicable legislation and regulations.

15.4.5.1.1 Remuneration Policy

SANAS aims to attract, retain, and motivate its Employees and align its remuneration packages with market-related remuneration based on best practice and benchmarking with similar organisations. The approach to remuneration is all-inclusive, balanced, and mindful of the following elements:

- Guaranteed cost-to-company remuneration package
- Eligibility for a discretionary performance bonus
- Individual growth and development
- Stimulating and professional work environment.

15.4.5.1.2 Human Resources and Remuneration Committee Membership and Attendance

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

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

Committee member	MEETING ATTENDANCE RECORDS						
	16 May 2019	20 July 2019	26 July 2019	20 August 2019	11 October 2019	05 December 2019	24 January 2020
Fezile Wetes (Chairperson)	✓	✓	-	✓	✓	✓	✓
Tshenge Demana	✓	-	✓	✓	-	-	✓
Sarah Mohlala	✓	✓	✓	✓	✓	✓	✓
Lindi Tlou	✓	✓	-	✓	✓	✓	-
BY INVITATION							
Ron Josias	✓	-	✓	✓	✓	✓	✓
Mpho Phaloane	**	✓	**	**	**	**	**
Busi Radebe	**	✓	**	**	✓	**	✓
Diana Mbatha	✓	✓	**	**	**	****	****
Dawood Petersen	✓	✓	✓	✓	✓	✓	✓

Not invited ✓Attended **Resigned - Absent and/or apology

15.4.5.2 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 regarding 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 that is 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 is 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, Act No. 71 of 2008, and the prescripts of the King Code.

15.4.5.2.1 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 this 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 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 Committee performs, on behalf of the Board, any other tasks, or actions that the Board may authorise from time to time.

Responsibilities of the Audit and Risk Committee, in addition to the above, are...

- Reviews and assessments of 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 of 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
- Monitoring the accomplishment of established objectives through the mission statement, business plan, and transformation process.

15.4.5.2.2 Audit and Risk Committee membership and attendance

The Audit and Risk Committee comprises three 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 five meetings.

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

Committee member	MEETING ATTENDANCE RECORDS				
	11 May 2019	16 July 2019	15 October 2019	05 December 2019	23 January 2020
Lerato Mothae	✓	✓	✓	✓	✓
Sammy Mlangeni	✓	✓	✓	✓	✓
Sarah Mohlala	**	**	✓	**	✓
Tom Tshitangano	✓	-	-	-	****
Ismail Abdoola	✓	✓	✓	✓	✓
BY INVITATION					
Ron Josias	✓	✓	✓	✓	✓
Dawood Petersen	✓	✓	✓	✓	✓

Not invited ✓ Attended **Resigned - Absent and/or apology

15.4.5.3 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 the Entity'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 Risk Committee – more specifically, the Audit and Risk Committee – does 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
- Reviews reports concerning risk management for comprehensive, relevant, and timely inclusion in the integrated reporting.

15.5 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. Significant findings are reported to the Audit and Risk Committee.

15.6 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-up 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
- Monitoring and reviewing the extent to which SANAS complies with such legislation.

15.7 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.

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

15.9 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
- The alignment of SANAS' guidelines for ethical behaviour with those of 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 the SANAS values. Moreover, the Employee concerned will be dealt with according to the Entity's grievance and/or disciplinary process.

15.10 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 August 2014, 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.

15.11 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.

16. SOCIAL RESPONSIBILITY

SANAS has continued to support and give back to communities. During the 2019-20 financial year, SANAS refined its Corporate Social Investment (CSI) strategy to include a strong emphasis on monitoring of previous community projects and supporting new beneficiaries.

SANAS believes that its support of communities needs to foster sustainability so that the beneficiaries work towards being independent and self-sufficient.

The year under review, SANAS invested in their latest 'adopted' beneficiary, Morena Orphanage Home in Pretoria. The home houses over 35 children of various ages ranging from one year to 21 years. SANAS' support during 2019-20 included painting the home, investing in a vegetable garden, improving the security, and donations of food and clothing.

Monitoring and conducting impact assessments on intended income-generating projects were also conducted during the year under review. The projects were that of the Madzibandlela Orphanage Home, and the Boitumelo Community Project. Both establishments take care orphaned and vulnerable children (OVCs) by adopting or housing them in a conducive environment.

The 2018-19 monitoring and assessments confirmed that both establishments have managed to give more support to the OVCs – support that includes hunger alleviation, and job creation.

17. BROAD-BASED BLACK ECONOMIC EMPOWERMENT STATUS

SANAS is committed to South Africa's transformational agenda, and the policy objectives of Broad-Based Black Economic Empowerment (B-BBEE). The Entity believes that B-BBEE is more than a regulatory requirement – it is a prerequisite for South Africa to achieve transformation and inclusivity.

During the year under review, SANAS received a Non-Compliant B-BBEE Status based on the Generic Specialised Scorecard. The status is due to the nature and mandate of SANAS as a Public Entity under schedule 3 of the PFMA. Considering , SANAS has been able to score well on two of the four elements indicated below.

B-BBEE ELEMENT	TARGET SCORE	VERIFIED SCORE
Ownership	N/A	N/A
Management Control	20	18.46
Skills Development	30	2.07
Enterprise & Supplier Development	54	21.73
Socio-Economic Development	5	5.00
Total Score	109	47.26

SANAS is developing policies and strategies aligned with its business model to increase its B-BBEE Status in future. Specific focus includes Skills Development and Enterprise Development for upskilling Black people, and to assist small to medium-sized Black owned businesses.

Participating in the Youth Employment Service Initiative, launched by the President in 2018, will be further explored in the context of SANAS' B-BBEE status. As the sole Accreditation Body for B-BBEE in South Africa, SANAS does not only focus on its own B-BBEE status. It also ensures that the principles of B-BBEE are entrenched within the businesses of its service providers and suppliers. Compliance is addressed by ensuring that all SANAS' service providers disclose their B-BBEE status.

18. AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee is pleased to present its Report for the financial year end on 31 March 2020.

Audit and Risk Committee Responsibility

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

The Effectiveness of Internal Control

The system of controls within SANAS is designed to provide reasonable assurance that assets are safeguarded and that liabilities and working capital are effectively managed in line with the PFMA, and with the corporate governance protocol for public entities. This system includes risk management processes, the identification of corrective actions, and suggested enhancements to the controls and processes.

Having reviewed of the internal auditors' reports, the audit report on the annual financial statements, and the management report of the external auditor (Nexia SAB&T), we conclude that the system of internal control as applied over financial and non-financial matters at SANAS is effective, efficient, and transparent. The few findings on the clean external auditor's report have been noted as has SANAS' commitment to addressing those findings. This Board Committee will be monitor on regular basis the progress in resolving those findings.

Internal Audit

We are satisfied that the internal audit function at SANAS operated effectively during the year under review, and that the risks pertinent to SANAS in its audits were addressed to ensure the achievement of SANAS' financial and operational objective.

In-year Management and Monthly/Quarterly Reporting

SANAS has reported to National Treasury monthly and quarterly as required by the PFMA. The Entity has also been reported monthly and quarterly to the **the dtic** as required by the Shareholders' Compact.

Evaluation of Financial Statements

We have reviewed the annual financial statements as prepared by SANAS.

Auditor's Report

We have reviewed the Entity's Implementation Plan for audit issues raised in the prior year and are satisfied that the matters have been adequately resolved.

The Audit and Risk Committee concurs and accepts the conclusions of the external auditors on the annual financial statements. We are of the opinion that the audited annual financial statements be accepted and read with the report of the external auditors.

Ms Lerato Mothae

Chairperson of the Audit and Risk Committee



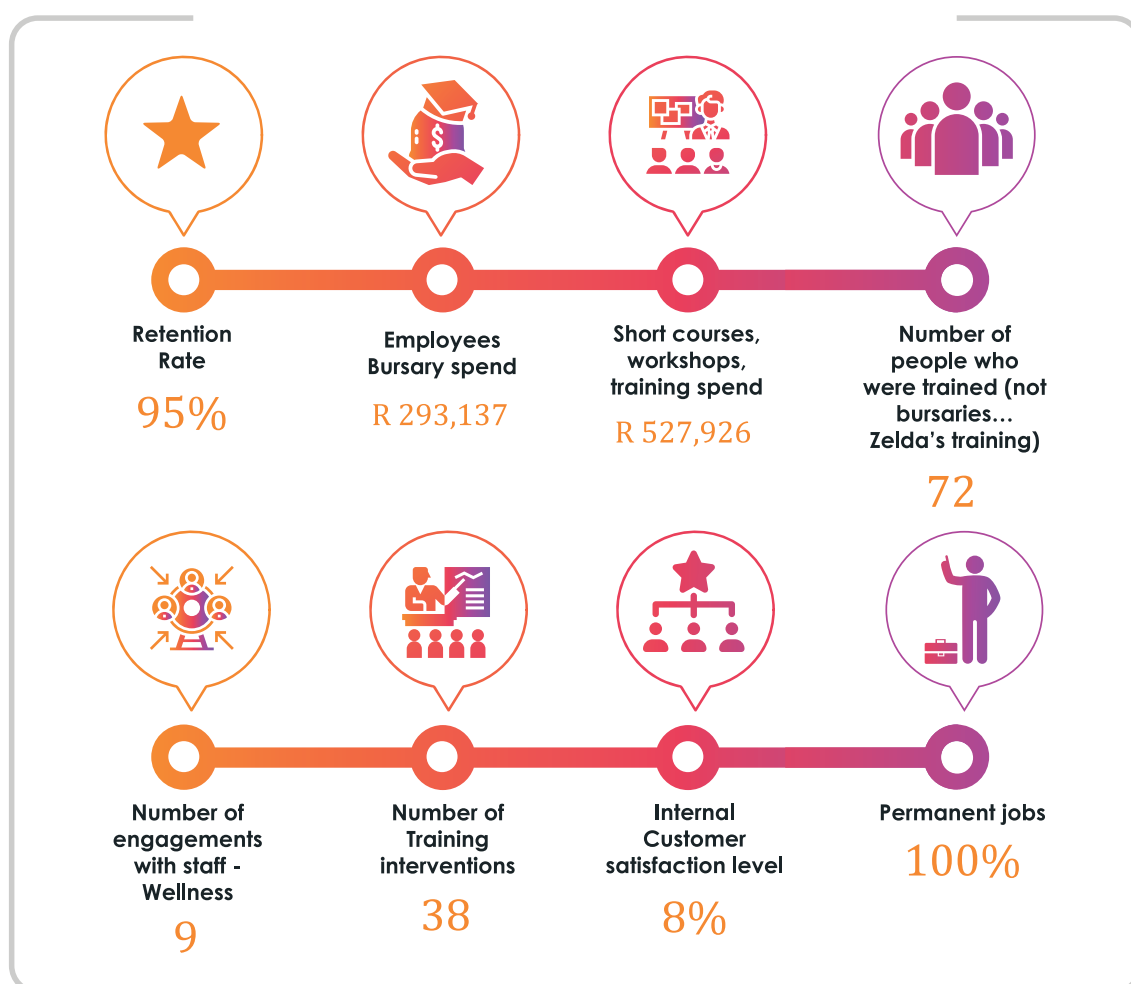
Part D

Human Resources Management

Part D: Human Resources Management

19. HUMAN RESOURCES

19.1 HUMAN RESOURCES ACHIEVEMENTS AT A GLANCE



Retention Rate	95%
Employees Bursary spend	R 293,137
Short courses, workshops, training spend	R 527,926
Number of people who were trained	72
Number of wellness engagements with Employees	9
Number of Training interventions	38
Internal Customer satisfaction level	8%

SANAS' HR Sub-Programme ensures that the Entity has the appropriate human resources capacity in the right positions to enable the business to deliver its mandate.

At SANAS its Employees are its most valuable assets and the heart of its business. Their well-being and development, and the creation of a culture that enables excellence, are key imperatives in the Entity. Related policies therefore underscore how SANAS cares for its Employees and are intended to be implemented in a nurturing and non-punitive manner.

A key Human Resources Management function is attracting the right skill and talent so that the entire lifecycle of the Employee effectively managed from on-boarding and development, to exit. Commitment to creating that environment therefore includes...

- ensuring alignment of the well-being of Employees by focusing on their financial, spiritual, physical, and emotional well-being
- continuously aiming to attract, reward, and retains exceptional people
- driving the culture of excellence and high-performance in alignment with the objectives and expectations of our stakeholders
- providing consistent and equitable remuneration principles.

19.2 CREATING VALUE FOR EMPLOYEES

SANAS' Employees are one of its key stakeholders – their needs and expectations are articulated through various engagement initiatives. Some of the expectations and needs are training and development, other include performance management, effective leadership, guidance, how to create a conducive and inclusive work environment, and career advancement.

At the core of SANAS' philosophy is an empowering work environment, driven by a high-performance culture that contributes to its Employees having career fulfilment. The SANAS' people philosophy is reinforced by its six Strategic HR pillars.



19.2.1 CULTURE AND WORK CLIMATE

SANAS believes that Employee satisfaction is key to unlocking productivity and having committed and happy employees. Endeavours to create a relaxed culture which encourages openness and supports innovation include engaging its Employees in sharing their perceptions of the 'look and feel' of a conducive culture. Implementation of realistic suggestions does not detract from SANAS' expectation of having a culture of order and discipline.

19.2.2 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 liked the training solutions provided by the Knowledge Transfer (KT) Unit. SANAS believes that having the right capabilities means more than attracting and retaining exceptional people – it also means upskilling and/or reskilling its Employees.

SANAS ensures that all the competencies necessary for its success are reviewed and enhanced accordingly. The context of the review of the competency library is alignment with SANAS' mandate . It includes internal procedures and the job specific required competencies. Employees' training is aligned with competency gaps and other needs identified as part of performance management system.

The SANAS Bursary initiative encourages Employees to enhance their qualifications. Bursaries are awarded to Employees who have an intention improving their formal qualifications in alignment with their role in SANAS and their career growth plans.

In the year under review SANAS invested a total of R 821 063 between courses, training programmes, workshops, and bursaries, as depicted below.

Activity	Training Expenditure	Number of employees
Courses, Training, Workshops	R 527,926	72
Staff Bursaries	R 293,137	9

Feedback confirmed that the participants extracted value from the training, and that the training contributed to their day-to-day activities. The planning of future training will be informed by additional skills gaps identified during the 2019-20 training initiatives.

19.2.3 EMPLOYEE ENGAGEMENT

SANAS believes in inclusive communication and meaningful Employee engagement. Doing so enables the understanding of concerns, expectations, needs, and suggestions.

To promote open communication and inclusivity at all levels in SANAS, the various cross-cutting engagement platforms during the year under review included:

- Regular updates by the CEO on relevant business and people-related aspects
- Joint strategy sessions
- Internal Newsletter updates
- Facilitated sessions on (Diversity Management and GRIT)
- Bulk messaging through emails and smses.

19.2.4 REMUNERATION, RECOGNITION, 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. Historically SANAS' salary are above the CPI (Consumer Price Index).

The SANAS Performance Management system recognises performance above certain expectation levels, with a performance bonus. Employees who achieve a certain performance level - coupled with verifiable growth and development in other areas, are recognised through pay progression and a rigorous process that requires motivations and verifiable evidence.

The performance of Employees is also recognised by means other than financial or promotion. Verbal and written feedback includes instances like the CEO recognising those who have gone the 'extra mile', those who living SANAS values, and those who have obtained qualifications. Long-service awards are also part of SANAS' recognition and reward system. As part of the Recognition and Awards system, SANAS also recognises Employees with long service – those awards are usually presented at a formal event.

During the year under review recognition and rewards included over 80% of SANAS Employees who qualified for the performance bonus, and the long-service awards that ranged from five to over 15 years of service.

Salary Spend by Job Band

Level	Personnel Expenditure	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee
Top Management	R 2,477,197	4.2%	1	R 2,477,197
Senior Management	R 5,424,695	9.2 %	3	R 1,808,231
Professional qualified	R 34,172,569	58.2%	29	R 1,178,364
Skilled	R 15,245,506	26. 0%	33	R 461,985
Semi-skilled	R 1,137,128	1.9 %	4	R 284,282
Unskilled	R 235,665	0.4 %	1	R 235,665
TOTAL	R 58,692,760	100%	71	R 6,445,724

Note: Percentages may not add up to 100% exactly

Average and Median Pay

Annual Average Remuneration	Top 10% earners	R 1 739 428.00
	Bottom 10% earners	R 298 137.00
	Median earners	R 793 008.00

19.2.5 EMPLOYEE WELLNESS

SANAS is committed to optimising Employee well-being for enhancing performance excellence in the workplace, and in their 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 and work-related problems, and 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 year under review SANAS continued to support its Employees through a range of wellness pillars that included training sessions on the different Wellness pillars. Reports from ICAS indicate that interest in the services is on the increase. The wellness sessions offered during the year under review included...

- Ergonomics
- Financial Education
- Child Bullying Education
- Self Defence
- Advanced Driving Skills.

19.3 PERFORMANCE MANAGEMENT

In an environment where operational excellence is expected, SANAS acknowledges the need to continuously support the performance of 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. Our Performance Management system and policy also encourages constructive feedback to Employees about achievements, and about 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 training. that resulted in fewer queries about the performance management system.

19.4 HUMAN RESOURCES STATISTICS

Staff Complement

Group	Number of employees	Percentage
African	57	80%
White	6	9%
Indian	3	4%
Coloured	5	7%
Total	71	100%

Gender Split

Group	Number of employees	Percentage
Male	21	30%
Female	50	70%
Total	71	100%

Leadership Complement (EXCO)

POSITION	MALE				FEMALE			
	A	I	C	W	A	I	C	W
CEO (1)	0	0	1	0	0	0	0	0
Executives (3)	1	1	0	0	1	0	0	0
Total	3	1	1	1	1	0	0	0

Staff Exit

REASON FOR EXIT	NUMBER OF EMPLOYEES
Death	0
Resignation	1
Dismissal	0
Retirement	1
Expiry of contract	0
Other	1
Total	3

Employment Equity Status

Transformation is a business imperative which contributes to the country's transformation goals. The table below shows reflects the equity across different job roles

Employment Equity - Males

LEVELS	MALE			
	African	Coloured	Indian	White
Top Management	-	1	-	-
Senior Management	1	-	1	-
Professionally Qualified	9	1	1	3
Skilled	3	-	-	-
Semi-skilled	1	-	-	-
Unskilled	-	-	-	-
TOTAL	14	2	2	3

Employment Equity - Females

LEVELS	FEMALE			
	African	Coloured	Indian	White
Top Management	-	-	-	-
Senior Management	1	-	-	-
Professionally Qualified	14	1	-	3
Skilled	28	1	-	1
Semi-skilled	2	1	-	-
Unskilled	1	-	-	-
TOTAL	46	3	0	4

People with disabilities.

DISABLED STAFF	
MALE	FEMALE
1	1

19.5 LABOUR RELATIONS

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 healthy relationships.

Labour relations policies are timeously reviewed, and Employees are encouraged to provide input during the review process. Refresher training is provided on how to handle industrial relations matters.

Employees are free to exercise their rights of belonging to a trade union which in the instance of SANAS is NEHAWU. SANAS participates actively in the Collective Bargaining Forum – the central bargaining platform for all entities under the Department of Trade, Industry and Competition.

The performance management sanctions during the year under review were...

Type of Sanction	Number of Employees Sanctioned
Counselling	5
Verbal Warning	1
Written Warning	0
Final Written warning	1
Dismissal	0

19.6 CREATING VALUE FOR COMMUNITIES

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 identifies needy institutions in the 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.

Supporting Morena Children's Village

During the previous financial year 2019-20, SANAS continued to support their main adopted orphanage home, Morena Children's Village, situated in Hammanskraal, Ratjjepane. The home caters for over 35 children ranging from the ages of one to 21 years. SANAS' structured support was informed by the outcome of the needs analysis that was done by the CSI Team.



During this period, the focus was on delivering the identified and prioritised needs that included painting of the home, and supporting the vegetable garden. SANAS also conducted their quarterly home visits to entertain and spend quality time with the children. Additional SANAS support included the facilitation of an Employee donation drive for the collection of quality clothes, shoes, books, food cans, gardening seeds, and school bags for the children.



Monitoring CSI projects Impact

SANAS ensures that all adopted beneficiaries are empowered to be sustainable beyond its formal. The process ensures that at the exit point, income generating initiatives are introduced to the beneficiaries. The initiative includes continuous support and monitoring by SANAS towards improving the status of the beneficiaries.

The Boitumelo Children's Home and the Madzibandlela Orphanage Homes were former beneficiaries of the income generating initiatives. SANAS invested in the high-volume baking stoves that enable the beneficiaries to bake bread, scones, muffins, biscuits and other products for subsistence, and for selling to the neighbouring communities, schools, and clinics.

During 2019-20 SANAS continued to monitor progress and impact of the income generation initiative of those homes. The impact assessment and monitoring revealed that the homes are continuing to benefit from the SANAS investments and that there is a visible impact. Both homes have created jobs by employing locals to assist with baking. The initiative has raised additional income that enables paying the tertiary education fees for the children, providing transport, food, and clothing needs. The home have also been renovated or extended for the comfort of the children and for accommodating more of them.

Funding of Small Medium and Micro-Enterprises (SMMEs)

SANAS has partnered with SEDA to support SMMEs operating within the conformity assessment space. SEDA's administration of the funds on behalf of SANAS includes distribution to the qualifying SMMEs aligned with the selection criteria. SEDA's role also includes identifying and supporting the qualifying SMMEs who play in the conformity assessment. The selection is aligned with SEDA's criteria that enables SANAS to mitigate the risk of not being impartial – as required by the International Standard ISO/IEC 17011.

During the financial year 2019-20, SANAS provided SEDA with R200 000 to distribute in a non-discriminatory way. SANAS also provided R50 000 through its Knowledge Transfer Division (KT) for training SEDA enterprises.

A detailed post-implementation report by SEDA confirmed that the funding assisted...

- some laboratories with developing, documenting, and training their employees on the requirements of ISO 15189
- 56 small businesses with the training, developing, and implementation of various ISO Management Systems in their organisation.
- 15 individuals from different organisations with training on ISO/IEC 17025:2017.

Supporting Job Readiness (Internships)

SANAS has an Internship Programme aimed at providing real-world experience to enable interns to turn what they learn into action. The Internship programme provides the interns with the skills necessary for future job applications. During 2019-20 SANAS supported two interns who were afforded the opportunity of handling meaningful roles in Accreditation and in Finance.

SANAS continues to monitor the effectiveness and impact of this programme. To date, all SANAS interns were gainfully employed within the first three months of completing their internship. SANAS has also absorbed two Interns as permanent Employees – both were appointed through the regular recruitment process.

Supporting Education (External Bursary Programme)

SANAS's commitment to continuous education and development does not end with the SANAS Employees. SANAS has an external Bursary Programme which offers bursaries to previously disadvantaged South Africans. The key purpose of the programme is to establish an effective system for continuous development of qualified candidates for future appointments, and to contribute to mobility across the public and private sectors.

During 2019-20 ten students – five females and five males – were awarded bursaries towards qualifications that fall within SANAS' critical and scarce skills. All the bursars are at different levels of their studies – five are in their first year of study and in the other five are in their final year or post-graduate year of study. Bursaries totalling R 341 765 covered tuition fees and books.





Part E

Financial Information

Part E: Financial Information

South African National Accreditation System

Annual Financial Statements for the year ended 31 March 2020

INDEX

The reports and statements set out below comprise the annual financial statements presented to the Accounting Authority and Parliament:

	Page
Accounting Authority's Responsibilities and Approval	88
Independent Auditor's Report	89 - 93
Accounting Authority's Report	94 - 96
Statement of Financial Position as at 31 March 2020	97
Statement of Financial Performance for the year ended 31 March 2020	97
Statement of Changes in Net Assets	97
Cash Flow Statement	98
Statement of Comparison of Budget to Actual Amounts	99
Accounting Policies	100 - 110
Notes to the Annual Financial Statements	110

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 are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is our responsibility to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended in conformity with Generally Recognised Accounting Practice (GRAP). The external auditors are engaged to express an independent opinion on the annual financial statements and was 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.

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

The Accounting Authority anticipates that its revenue generation for 2020/21 will be materially impacted by the coronavirus outbreak, but at the date of this report does not expect that the impact from the coronavirus outbreak will have a material effect on the Entity's liquidity or financial position. The Accounting Authority has reviewed the entity's cash flow forecast and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on pages 89-93.

The annual financial statements set out on pages 97-110, which have been prepared on the going concern basis, were approved by the Accounting Authority on 28 September 2020 and were signed on its behalf by:



Ms PL Tlou
Interim Chairperson of the Board



Mr M Phaloane
Acting Chief Executive Officer

Independent auditor's report to Parliament on the South African National Accreditation System.

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 97- 129, which comprise the statement of financial position as at 31 March 2020, the statement of financial performance, statement of changes in net assets and cash flow statement and statement of comparison of budget to actual amounts for the year then ended, as well as the 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 Systems as at 31 March 2020, 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 this auditor's report.

We are independent of the entity in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of professional conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants and the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) respectively.

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

Emphasis of matter

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

Irregular expenditure

As disclosed in note 29 to the financial statements, the entity incurred irregular expenditure of R 12 364 176, as it did not follow a proper tender process.

Responsibilities of the accounting authority for the financial statements

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 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 of South Africa, 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 the selected programmes 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 approved performance planning documents of the entity. 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 also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, 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 annual performance report of the entity for the year ended 31 March 2020:

Programme	Pages in the annual performance report
Programme 4 – Accreditation	41-56

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 identify any material findings on the usefulness and reliability of the reported performance information for this programme.

- Programme 4 – Accreditation

Other matters

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 28-55 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 compliance with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

The material finding on compliance with specific matters in key legislations is as follow:

Annual financial statements

The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) (b) of the PFMA.

Material misstatements of current assets, current liabilities, expenditure and disclosure items identified during the audit were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

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 reports and the audit committee report. The other information does not include the financial statements, the auditor's report and the selected programme presented in the annual performance report that have been specifically reported in this auditor's report.

Our opinion on the financial statements and our 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 programme presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We did receive the other information prior to the date of this auditor's report. Once we receive and read the updated information, and if we conclude that there is a material misstatement, we are required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, we may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

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. The matter reported below is limited to the significant internal control deficiencies that resulted in the finding on compliance with legislation.

Financial and performance management

Although management reviewed the financial statements for completeness and accuracy prior to its submission for audit purposes, certain misstatements and non-compliance matter were identified.

Auditors tenure

We report that Nexia SAB&T has been the auditor of the South African National Accreditation Systems for 3 years.



Nexia SAB&T

N.C Soopal

Director

Registered Auditor

30 September 2020

Annexure – Auditor-general'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.

We also confirm to the accounting authority that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to those charged with governance, we determine those matters that were of the most significance in the audit of the financial statements of the current period and are therefore key audit matters. We describe these matters in this auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in this auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

Accounting Authority's Report

The Accounting Authority submits their report for the year ended 31 March 2020.

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 2020, the entity had an accumulated surplus (deficit) of R 106 771 009 and that the entity's total assets exceed its liabilities by R 106 771 009.

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.

3. Accounting Authority Members

The members of the entity during the year and to the date of this report are as follows:

Name	Nationality	Changes
Mr L L Mayedwa (Chairperson)	South African	Resigned 28 August 2020
Dr T Demana	South African	
Mr S Mlangeni	South African	
Dr M S Mohlala	South African	
Ms L H Mothae	South African	
Ms T Phele	South African	Appointed 29 May 2020
Dr M Pule	South African	Appointed 29 May 2020
Ms P L Tlou	South African	
Mr T Tshitangano	South African	Resigned 31 December 2019
Mr F F Wetes	South African	
Ms I Bologo	South African	Appointed 01 September 2020
Mr N Gunga	South African	Appointed 01 September 2020
Dr R Josias (CEO)	South African	End of Contract 31 May 2020
Mr I Abdoola (CFO)	South African	Resigned 08 April 2020
Mr M Phaloane (Executive: Accreditation)	South African	

4. Secretary

The Company Secretary of the entity is Mr Dawood Petersen of:

Business address

Libertas Office Park
Cnr Libertas and Highway Streets
Equestria
Pretoria
0184

5. Business and Operations

The entity's 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

Certain changes to the Accounting Authority composition occurred subsequent to year end. This included the completion of service due to end of contract by one member (Dr. R Josias) on 31 May 2020 and the resignation of another member (Mr. I Abdoola) on 8 April 2020. The Minister further appointed two (2) new members (Mr M Pule and Ms T Phele) on 29 May 2020. It must also be noted that Mr Abdoola only resigned as an Accounting Authority member on 8 April 2020 and remained in his position as CFO until his resignation as CFO on 31 July 2020. On 28 August 2020 the Chairperson resigned and the Minister appointed two (2) new members (Ms I Bologo and Mr N Gunga) on 1 September 2020.

In March 2020, the outbreak of COVID19 (coronavirus) caused by a novel strain of the coronavirus has recently been recognized as a pandemic by the World Health Organization, and the outbreak has become increasingly widespread in the South Africa. As a result, the President of the Republic of South Africa declared a State of National Emergency on 15 March 2020, which further resulted in a National lockdown being implemented from 27 March 2020. The COVID19 (coronavirus) outbreak has had a notable impact on general economic conditions, including but not limited to the temporary closures of many businesses, reduced consumer spending due to both job losses etc. operates. The entity anticipates that its revenue generation for 2020/21 will be impacted by the coronavirus outbreak, but at the date of this report does not expect that the impact from the coronavirus outbreak will have a material effect on the entity's liquidity or financial position. SANAS also receives an annual grant from the Department of Trade, Industry and Competition towards strategic initiatives. No other material facts or circumstances arose between the accounting date and the date of this report that require disclosure in or adjustment to the financial statement .

7. Taxation

SANAS is exempt from paying normal South African income tax in terms of the Income Tax Act as amended as detailed in note 18. 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. In this regard, SANAS has already taken expert advice on the PFMA resulting in various initiatives which are addressed in more detail later in the report.

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 with exception of the Irregular Expenditure matters as reported under note 29.

9. Non compliance with Applicable Legislation

Following the detailed movement in members of the Accounting Authority as disclosed in the Annual Financial Statements, the Board composition did not comply with Accreditation Act. According to Section 8 of the Accreditation Act, the SANAS Board should consist of not less than 10 and not more than 15 members.

The Accounting Authority will now need to assess the impact (if any) of this noncompliance in accordance with the National Treasury Irregular Expenditure Framework.

10. Business and Postal Address

Business address

Libertas
Office Park, Block D
Cnr Libertas & Highway Street
Equestria
Pretoria East
0184

Contact details

Telephone: (012) 740 850

Bankers

First National Bank – Hatfield Branch

Auditors

Nexia SAB & T Incorporated as appointed in terms of the Public Audit Act Section 4(3)

11. 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)	2020	2019
ASSETS			
Current Assets			
Receivables from exchange transactions	7	2 360 412	1 556 235
Receivables from non-exchange transactions	8	45 000	45 000
Cash and cash equivalents	9	45 997 683	47 798 028
		48 403 095	49 399 263
Non-Current Assets			
Property, plant and equipment	4	66 737 362	69 181 173
Intangible assets	5	5 006 381	3 040 095
		71 743 743	72 221 268
Total Assets		120 146 838	121 620 531
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	7 005 175	15 019 056
Income received in advance	10	3 076 125	6 167 868
Provisions	11	3 294 529	724 813
		13 375 829	21 911 737
Total Liabilities		13 375 829	21 911 737
Net Assets		106 771 009	99 708 794
Accumulated surplus		106 771 009	99 708 794

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2020	2019
Revenue	15	111 570 455	105 859 322
Other income	16	103 142	576 271
Operating expenses		(108 280 762)	(108 031 571)
Operating surplus (deficit)	21	3 392 835	(1 595 978)
Investment income	17	3 669 380	4 074 303
Surplus for the year		7 062 215	2 478 325

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Government Grant	Accumulated surplus	Total net assets
Balance at 01 April 2018	8 097 674	89 132 795	97 230 469
Changes in net assets			
Surplus for the year	-	2 478 325	2 478 325
Transfer to Accumulated surplus on fulfilment of condition	(8 097 674)	8 097 674	-
Total changes	(8 097 674)	10 575 999	2 478 325
Balance at 01 April 2019	-	99 708 794	99 708 794
Changes in net assets			
Surplus for the year	-	7 062 215	7 062 215
Total changes	-	7 062 215	7 062 215
Balance at 31 March 2020	-	106 771 009	106 771 009

CASH FLOW STATEMENT

Figures in Rand	Note(s)	2020	2019
Cash flows from operating activities			
Cash receipts			
Funds received from the dtic		31 669 000	31 032 000
Fee income		69 505 061	68 082 056
Investment income		3 669 380	4 074 303
Other receipts		10 391 365	10 973 173
		115 234 806	114 161 532
Payments			
Employee costs		(56 809 799)	(53 445 643)
Suppliers		(55 426 810)	(47 720 259)
		(112 236 609)	(101 165 902)
Net cash flows from operating activities	22	2 998 197	12 995 630
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(2 433 470)	(71 022 630)
Disposal of property, plant and equipment	4	2 245	-
Purchase of intangible assets	5	(2 367 317)	(1 033 865)
Net cash flows from investing activities		(4 798 542)	(72 056 495)
Net decrease in cash and cash equivalents		(1 800 345)	(59 060 865)
Cash and cash equivalents at the beginning of the year		47 798 028	106 858 893
Cash and cash equivalents at the end of the year	9	45 997 683	47 798 028

STATEMENT OF COMPARISON OF BUDGET TO ACTUAL AMOUNTS

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Fee income	70 672 997	-	70 672 997	70 645 371	(27 626)	Note 31
Courses and project fees	10 784 623	-	10 784 623	9 256 084	(1 528 539)	Note 31
Sundry income	130 000	-	130 000	100 611	(29 389)	
Interest received - investment	150 000	-	150 000	3 669 380	3 519 380	Note 31
Total revenue from exchange transactions	81 737 620	-	81 737 620	83 671 446	1 933 826	
Revenue from non-exchange transactions						
Transfer revenue the dtic Grant						
	31 669 000	-	31 669 000	31 669 000	-	
Expenditure						
Employee costs	(60 568 324)	-	(60 568 324)	(56 233 115)	4 335 209	Note 31
Depreciation and amortisation	(944 891)	-	(944 891)	(5 240 388)	(4 295 497)	Note 31
Lease rentals on operating leases	(350 000)	-	(350 000)	(71 772)	278 228	Note 31
Debt impairment	(100 000)	-	(100 000)	(75 507)	24 493	Note 31
Loss on disposal of assets	10 000	-	10 000	(5 387)	(15 387)	
General Expenses	(51 453 405)	-	(51 453 405)	(46 654 593)	4 798 812	Note 31
Total expenditure	(113 406 620)	-	(113 406 620)	(108 280 762)	5 125 858	
Operating surplus	-	-	-	7 059 684	7 059 684	
Gain on foreign exchange	-	-	-	2 531	2 531	
Surplus	-	-	-	7 062 215	7 062 215	
Actual Amount on Comparable Basis	-	-	-	7 062 215	7 062 215	

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) and in compliance with GRAP 1.18, 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 the entity 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:

Trade receivables

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

The impairment for 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

The recoverable amounts of cashgenerating units and individual assets have been determined based on the higher of valueinuse calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible and intangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. 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 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 a non cash generating 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 entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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	Average 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 are 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.

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

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 entity; and
- the cost or fair value of the asset can be measured reliably.

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software	Straight line	10 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 an 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

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

Class	Category
Trade and Other Receivables	Financial asset measured at amortised cost
Cash and Cash Equivalents	Financial asset measured at amortised cost

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

Class	Category
Trade and Other Payables	Financial liability measured at amortised cost

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

The entity 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.

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Derecognition

Financial assets

The entity derecognises a financial asset only when:

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

Financial liabilities

The entity 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.

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

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

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.6 Leases

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

Operating leases lessee

Operating lease payments are recognised as an expense on a straightline basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This liability is not discounted.

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

1.7 Employee benefits

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

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

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

Short term employee benefits

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

Shortterm employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of shortterm employee benefits expected to be paid in exchange for that service:

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

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

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

1.8 Provisions and contingencies

Provisions are recognised when:

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

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.

1.9 Revenue from exchange transactions

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

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

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

Measurement

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

Recognition of rendering of services

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

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

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 good practice, and for ensuring that accredited conformity assessment services are available to the IPAP priority sectors. Course fees are received for accreditation courses held in order to support existing and new accreditation fields within IPAP.

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 surveys of work performed. Training courses revenue is recognised when the relevant course has been attended

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

1.10 Revenue from non exchange transactions

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

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 the entity.

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, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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 the entity and the fair value of the assets can be measured reliably.

1.11 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.

1.12 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.

1.13 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.

1.14 Irregular expenditure

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

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

National Treasury practice note no. 2 of 2018/2019 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. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

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

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

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

1.15 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.

1.16 Budget information

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

The approved budget covers the fiscal period from 2019/04/01 to 2020/03/31.

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

1.17 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the 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.

Related parties include:

- a) Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the entity;
- b) Associates (see International Public Sector Accounting Standard (IPSAS) 7, "Accounting for Investments in Associates");
- c) Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- d) Key management personnel, and close members of the family of key management personnel; and
- e) Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in (c) or (d), or over which such a person is able to exercise significant influence.

The following are deemed not to be related parties:

- a)
 - (i) Providers of finance in the course of their business in that regard; and
 - (ii) Trade unions;
- (b) In the course of their normal dealings with an entity by virtue only of those dealings (although they may circumscribe the freedom of action of the entity or participate in its decision making process); and
- (c) An entity with which the relationship is solely that of an agency.

1.18 Events after reporting date

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

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

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

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

Notes to the Annual Financial Statements

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. No changes have been made other than the additional standards effective and adopted in the current financial year.

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

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

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity will adopt the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is not material.

GRAP 18 (as amended 2016): Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2019

The entity has adopted the standard for the first time in the 2019/2020 annual financial statements.

The impact of the standard is not material.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

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 the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity 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);

- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is a post employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
- the entity is controlled or jointly controlled by a person identified in (a); and
- a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2019.

The entity has adopted the standard for the first time in the 2019/2020 annual financial statements

3.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2020	Not expected to impact results but may result in additional disclosure
• GRAP 20: Accounting for Adjustments to Revenue	01 April 2020	The impact of the standard change is not expected to have a material impact on the financial statements or related disclosures
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Not expected to impact results but may result in additional disclosure

4. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	64 417 612	(5 855 731)	58 561 881	64 417 612	(2 637 465)	61 780 147
Furniture and fixtures	3 462 037	(673 533)	2 788 504	3 511 829	(370 405)	3 141 424
Motor vehicles	1 259 392	(114 553)	1 144 839	-	-	-
Office equipment	1 086 923	(577 770)	509 153	934 547	(458 072)	476 475
IT equipment	6 550 966	(2 817 981)	3 732 985	5 994 251	(2 211 124)	3 783 127
Total	76 776 930	(10 039 568)	66 737 362	74 858 239	(5 677 066)	69 181 173

Reconciliation of property, plant and equipment 2020

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Buildings	61 780 147	-	-	-	(3 218 266)	58 561 881
Furniture and fixtures	3 141 424	-	-	(26 229)	(326 691)	2 788 504
Motor vehicles	-	1 259 392	-	-	(114 553)	1 144 839
Office equipment	476 475	44 368	-	100 265	(111 955)	509 153
IT equipment	3 783 127	1 129 710	(5 387)	(106 573)	(1 067 892)	3 732 985
	69 181 173	2 433 470	(5 387)	(32 537)	(4 839 357)	66 737 362

Reconciliation of property, plant and equipment 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	-	64 417 612	-	(2 637 465)	61 780 147
Furniture and fixtures	546 114	3 398 939	(501 878)	(301 751)	3 141 424
Office equipment	677 928	329 693	(398 273)	(132 873)	476 475
IT equipment	1 907 212	2 876 386	(10 952)	(989 519)	3 783 127
	3 131 254	71 022 630	(911 103)	(4 061 608)	69 181 173

5. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	316 026	(178 639)	137 387	316 026	(155 360)	160 666
Automated Accreditation Management system	5 236 283	(703 391)	4 532 892	2 868 967	(374 053)	2 494 914
Knowledge Transfer management system	549 308	(213 206)	336 102	549 308	(164 793)	384 515
Total	6 101 617	(1 095 236)	5 006 381	3 734 301	(694 206)	3 040 095

Reconciliation of intangible assets 2020

	Opening balance	Additions	Amortisation	Total
Computer software	160 666	-	(23 279)	137 387
Automated Accreditation Management system	2 494 914	2 367 317	(329 339)	4 532 892
Knowledge Transfer management system	384 515	-	(48 413)	336 102
	3 040 095	2 367 317	(401 031)	5 006 381

Reconciliation of intangible assets 2019

	Opening balance	Additions	Amortisation	Total
Computer software	130 058	61 353	(30 745)	160 666
Automated Accreditation Management System	1 744 097	972 512	(221 695)	2 494 914
Knowledge Transfer management system	439 446	-	(54 931)	384 515
	2 313 601	1 033 865	(307 371)	3 040 095

Intangible assets under development

The Automated Accreditation Management system is an asset under development 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 finalisation. Modules completed and signed off are capitalised and amortised accordingly as the modules are put in use.

6. Financial assets by category

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

2020	Financial instruments at amortised cost	Total
Trade and other receivables	1 944 073	1 944 073
Cash and cash equivalents	45 997 683	45 997 683
Utilities deposit	45 000	45 000
	47 986 756	47 986 756

2019	Financial instruments at amortised cost	Total
Trade and other receivables	1 141 847	1 141 847
Cash and cash equivalents	47 798 028	47 798 028
Utilities deposit	45 000	45 000
	48 984 875	48 984 875

Notes to the Annual Financial Statements (continued)

Figures in Rand	2020	2019
-----------------	------	------

7. Trade and other receivables from exchange transactions

Trade debtors	2 589 056	1 857 013
Less: Impairments for bad debts	(1 056 059)	(1 126 242)
Prepayments	416 339	414 388
Staff debtors	411 076	411 076
	2 360 412	1 556 235

Figures in Rand	2020	2019
-----------------	------	------

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.

Other receivables from exchange transactions past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2020, R 742 138 (2019: R 730 771) were past due but not impaired.

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

1 month past due	47 976	471 699
2 months past due	694 162	259 072

Other receivables from exchange transactions

As of 31 March 2020, trade and other receivables of R 1 056 059 (2019: R 1 126 242) were impaired and provided for.

The ageing of these impairments is as follows:

less than 3 months	28 016	-
3 to 6 months	146 011	125 534
Over 6 months	882 032	1 000 708

Reconciliation of provision for impairment of trade and other receivables

Opening balance	1 126 242	224 470
Provision for impairment	-	928 073
Amounts written off as uncollectible	-	(26 301)
Unused amounts reversed	(70 183)	-
	1 056 059	1 126 242

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

8. Receivables from non exchange transactions

Utilities deposit	45 000	45 000
-------------------	--------	--------

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

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	15 192	12 921
Bank balances	4 564 109	5 807 571
Call accounts	41 418 382	41 977 536
	45 997 683	47 798 028

The entity received approval during the current year to retain the cash surplus from the prior year (2018/19) amounting to R12.7 million. This amount will be utilised for strategic initiatives.

Notes to the Annual Financial Statements (continued)

Figures in Rand	2020	2019
-----------------	------	------

10. Income received in advance

Income received in advance on debtor accounts are disclosed as income received in advance.

Income received in advance	3 076 125	6 167 868
----------------------------	-----------	-----------

11. Provisions

Reconciliation of provisions 2020

	Opening Balance	Additions	Reversed during the year	Total
Operational costs	724 813	-	(369 098)	355 715
Performance bonuses	-	2 938 814	-	2 938 814
	724 813	2 938 814	(369 098)	3 294 529

Reconciliation of provisions 2019

	Opening Balance	Additions	Utilised during the year	Total
Operational costs	16 424	724 813	(16 424)	724 813
Travel costs	23 375	-	(23 375)	-
	39 799	724 813	(39 799)	724 813

A provision is recognised for office rental that is currently under dispute with the previous lessor for the space that was occupied in Block G at the dtic campus until May 2018. An invoice was raised by the lessor for rental as the transfer of the lease to the dtic was not concluded prior to SANAS moving. This invoice has been disputed by SANAS and this matter was not been resolved at reporting date.

A provision for 2019/20 performance bonuses has been raised as the process had not yet been concluded at reporting date.

12. Contingent liability

Request to retain cash surplus 2019/2020

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. 6 of 2017/2018, SANAS made an application to retain cash surpluses for 2019/2020 based on the draft annual financial statements. National Treasury has issued a new instruction no.12 of 2020/2021 which repeals the previous instruction on retention of surpluses. SANAS will make a submission to retain surpluses for 2019/2020 in line with this instruction during October 2020 based on the final audited figures.

The cash surplus as per the new instruction is based on the cash and cash equivalents plus receivables less current liabilities, and at the end of the financial year 2019/2020 the calculated surplus is R35,027,266. SANAS may be required to surrender the assessed cash surplus or part thereof to National Treasury should approval not be granted.

Notes to the Annual Financial Statements (continued)

Figures in Rand	2020	2019
-----------------	------	------

Internal audit investigations into 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. 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. There were also additional items identified for consideration.

This resulted in further work performed by the auditors and the final reports were submitted in December 2019. Upon finalisation of the reports, the service provider issued a final invoice for R729,080. However at presentation of the invoice, SANAS management disputed the amount over the budgeted amount of R39,900 and thus the balance of R689,180 has not been included in the Statement of Financial Performance for 2019/2020. The service provider has requested payment of the balance owing on the invoice however upon further inspection, it appears that this invoice should be considered on the register for Irregular Expenditure as no appropriate procurement process was followed in requesting the subsequent services over and above the R39,900 budget. A contingent liability of R689,180 is thus raised as the service provider has a right to payment for services rendered however the amount has been disputed. Further investigations into this commenced after the reporting date.

13. Financial liabilities by category

The accounting policies for financial instruments has been applied to trade and other payables below:

2020	Financial liabilities at amortised cost	Total
Trade and other payables	7 005 175	7 005 175

2019	Financial liabilities at amortised cost	Total
Trade and other payables	15 019 056	15 019 056

14. Trade and other payables

Trade payables	4 449 143	9 672 511
Accrued bonus	-	3 068 325
Accrual for leave pay	2 556 032	2 278 220
	7 005 175	15 019 056

15. Revenue

Funds received from the dtic (non exchange revenue)	31 669 000	31 032 000
Fee income (exchange revenue)	79 901 455	74 827 322
	112 065 440	105 859 322

16. Other income

Unclaimed receipts held more than 3 years	-	160 337
Sundry income	103 142	165 934
Tenant Installation	-	250 000
	103 142	576 271

Notes to the Annual Financial Statements (continued)

Figures in Rand	2020	2019
17. Investment income		
Interest revenue		
Interest received on call account	3 669 380	4 074 303
18. General expenses		
Accounting Authority expenses	1 317 923	522 148
Accreditation expenses	26 909 899	23 450 573
Advertising	2 162 956	2 205 844
Bank charges	70 487	153 521
Consulting and professional fees	709 370	625 920
Donations/Social contributions	87 775	305 014
External Auditors remuneration	316 020	410 828
Insurance	318 227	245 304
Internal audit	491 010	970 702
International and regional responsibilities	3 218 744	2 118 733
Marketing conclave	150 083	372 888
Other office expenses	3 620 433	3 509 449
Printing and stationery	619 190	597 525
Project expenses	516 954	388 269
Subscriptions and membership fees	1 578 558	1 108 602
Telephone and fax	116 341	75 371
Training Course expenses	1 284 319	1 207 091
	43 488 289	38 267 782
19. External Auditors' remuneration		
Approved Audit Fee	316 020	410 828
20. Taxation		
No provision has been made for tax in 2019/2020 as the entity is exempt under Section 10(1) (cA)(i) of the Income Tax Act.		
21. Operating Surplus		
Operating surplus (deficit) for the year is stated after accounting for the following:		
Operating lease charges		
Premises	-	720 911
• Contractual amounts		
Equipment	71 772	153 138
• Photocopy machines		
	71 772	874 049

Notes to the Annual Financial Statements (continued)

Figures in Rand	2020	2019
(Deficit)/Surplus on writeoff of property, plant and equipment	(3 142)	(911 102)
Provision for Bad debts	-	928 073
Gain on foreign exchange differences	(2 581)	-
Loss on foreign exchange differences	50	599
Amortisation on intangible assets	401 031	307 371
Depreciation on property, plant and equipment	4 389 357	4 061 609
Employee costs	56 233 115	53 117 727
External auditors remuneration	316 020	410 828
Accounting Authority Emoluments	736 592	522 148

22. Cash generated from operations

Surplus	7 062 215	2 478 325
Adjustments for:		
Depreciation and amortisation	5 240 388	4 368 980
Deficit/(surplus) on writeoff of assets	3 142	367 320
Loss on foreign exchange	-	599
Bad debts written off	-	26 301
Movements in operating lease assets and accruals	-	258 442
Movements in provisions	2 569 716	685 014
Asset reclassifications	32 537	-
Changes in working capital:		
Receivables from exchange transactions	(804 176)	8 820 037
Other receivables from nonexchange transactions	-	105 984
Payables from exchange transactions	(8 013 882)	(2 258 945)
Income received in advance	(3 091 743)	(1 856 427)
	2 998 197	12 995 630

23. Commitments

Authorised capital expenditure

Already authorised and contracted for

• Intangible assets	2 257 901	3 945 679
---------------------	-----------	-----------

Authorised but not yet contracted for

• Property, plant and equipment	-	2 380 000
---------------------------------	---	-----------

Total capital commitments

Already authorised and contracted for	2 257 901	3 945 679
Authorised but not yet contracted for	-	2 380 000
	2 257 901	6 325 679

The current year committed capital expenditure relates to the third phase of enhancements of the automated accreditation management system that are currently under development (Project Shanduka).

24. Related parties

Relationships

Executive Authority	Minister of the Department of Trade, Industry and Competition (the dtic)
Accounting Authority	Mr L L Mayedwa (Chairperson) (Resigned 28 August 2020) Dr R Josias (CEO) (End of Contract 31 May 2020) Ms L H Mothae Mr S Mlangeni Mr T Tshitangano (Resigned 31 December 2019) Mr F F Wetes Ms P L Tlou Dr M S Mohlala Mr M Phaloane (Appointed Acting CEO 1 June 2020) Dr T Demana Mr I Abdoola (Resigned 8 April 2020) Ms T Phele (Appointed 29 May 2020) Dr M Pule (Appointed 29 May 2020) Mr N Gunga (Appointed 1 September 2020) Ms I Bologo (Appointed 1 September 2020)
SANAS MOU Signatory	National Laboratory Association (NLA)
Members of key management	Dr R Josias (CEO) (End of Contract 31 May 2020) Mr M Phaloane (Executive: Accreditation) (Appointed Acting CEO 1 June 2020) Ms F Radebe (Executive: Corporate Services) Mr I Abdoola (CFO) (Resigned 31 July 2020) Ms C Warren (Acting CFO) (Appointed 29 July 2020) Mr D Petersen (Company Secretary)

Related party balances

Notes to the Annual Financial Statements (continued)

Figures in Rand	2020	2019
Amounts included in Trade Receivables		
Agricultural Research Council	39 172	-
Department of Agriculture	21 919	12 126
Amatola Water	-	-
Magalies Water	-	-
Eskom	18 793	102 125
Rand Water	-	-
Lepelle Northern Water	19 856	57 941
South African Bureau of Standards	29 610	(8 487)
Telkom SA Limited	-	(52 530)
South African Medical Research Council	10 408	(73 770)
National Health Laboratory Services	520 793	340 241
NRCS Regulatory Automotive Division	-	(17 180)
National Metrology Institute of South Africa	39 172	9 793
Sedibeng Water	73 122	-

Notes to the Annual Financial Statements (continued)

Figures in Rand	2020	2019
Amounts included in Trade Payable		
Agricultural Research Council	-	3 200
National Laboratory Association	23 750	7 159
Government Printer Works	-	2 018
National Regulatory for Compulsory Specifications	23 097	209 239
National Metrology Institute of South Africa	46 787	58 487
Amounts due from Board members		
Mr L L Mayedwa	1 044	-
Mr F F Wetes	2 194	-
The amounts due from Board members were recovered subsequent to year end.		
Related party transactions		
Funds Received		
Department of Trade, Industry and Competition	31 669 000	31 032 000
Operational costs paid to related parties		
Telephone the dtic	-	15 274
Postage the dtic	-	89
Internet Usage the dtic	-	4 399
Exchange Transactions Services Rendered to other Public Entities		
Agricultural Research Council	133 099	50 918
Amatola Water	37 290	73 140
Council for Geoscience	139 363	188 018
Council for Scientific and Industrial Research	9 793	30 762
National Metrology Institute of South Africa	323 916	1 052 733
Denel	204 910	70 640
National Regulator for Compulsory Specifications	620 562	773 495
Eskom	948 730	665 738
Rand Water	502 398	67 230
Lepelle Northern Water	101 466	122 901
Sedibeng Water	215 053	73 260
Magalies Water	212 869	139 252
South African Airways	112 964	79 160
Mhlatuze Water	17 660	239 878
South African Bureau of Standards	204 639	62 289
South African Weather Services	103 149	68 930
Telkom SA Limited	168 588	158 098
National Health Laboratory Services	5 545 248	6 779 029
Umgenti Water	412 578	388 986
Department of Agriculture	172 635	109 813
South African Police Services	-	236 466
South African National Blood Service	1 808 608	916 721
South African Road Testing Services	28 170	26 330
South African Meat Industry Company	28 170	26 330

Notes to the Annual Financial Statements (continued)

Figures in Rand	2020	2019
Expenses: Goods and Services paid to other Public Entities		
Agricultural Research Council	26 790	81 635
Compensation Commissioner for Occupational Diseases	141 800	3 962
National Regulator for Compulsory Specification	469 115	443 494
South African Bureau of Standards	337 050	126 899
Government Printing Works	2 017	2 015
South African Revenue Services	16 773 225	11 667 066
Unemployment Insurance Fund	253 313	244 439
National Metrology Institute of South Africa	234 319	152 439
Telkom SA Limited	3 325	-
National Laboratory Association	799 392	165 007
Funds Paid to Other Related Parties		
Transfer payment National Laboratory Association	668 653	633 194

Through an MOU signed by SANAS and the NLA, SANAS transfers funds to the NLA from the funds received from the dtic.

25. Directors' emoluments

Executive

2020

	Emoluments	Other benefits	Post Employment Benefits	Total
Mr R Josias (CEO)	2 142 186	-	361 355	2 503 541
Mr M Phaloane (Executive: Accreditation)	1 685 325	5 000	284 289	1 974 614
Ms F Radebe (Executive Corporate Services)	1 770 611	-	199 003	1 969 614
Mr D Petersen (Company Secretary)	1 192 695	-	132 645	1 325 340
Mr I Abdoola (CFO)	1 340 350	-	177 256	1 517 606
	8 131 167	5 000	1 154 548	9 290 715

2019

	Emoluments	Acting Allowance	Performance Bonus*	Post Employment Benefits	Total
Dr. R Josias (CEO)	2 042 456	-	-	335 076	2 377 532
Mr M Phaloane (Executive: Accreditation)	1 606 285	-	122 423	264 194	1 992 902
Mr L Saki (ex Acting CFO)	452 316	-	-	-	452 316
Mr M Sithole (Acting Executive: Strategy and Development)	1 057 390	47 029	94 026	182 037	1 380 482
Ms F Radebe (Executive Corporate Services)	1 685 543	-	128 806	184 936	1 999 285
Mr I Abdoola	952 939	-	68 854	127 234	1 149 027
Mr D Petersen (Company Secretary)	1 062 751	-	76 000	120 242	1 258 993
	8 859 680	47 029	490 109	1 213 719	10 610 537

* 2018/2019 Performance bonuses allocated to the three permanent Executives (Executive: Accreditation, Executive: Corporate Services and CFO) were not paid following a Board decision taken after the approval of the 2018/2019 Annual Financial Statements. The accrual for these amounts were reversed in the current year.

Accounting Authority

2020

	Members' fees	Annual Board Fees	Total
Mr L L Mayedwa	184 063	93 654	277 717
Ms P L Tlou	74 101	34 672	108 773
Dr M S Mohlala	100 248	55 475	155 723
Mr S Mlangeni	41 994	36 983	78 977
Ms L H Mothae	78 419	36 983	115 402
	478 825	257 767	736 592

2019

	Members' fees	Annual Board Fees	Total
Mr L L Mayedwa	19 654	-	19 654
Ms P L Tlou	14 676	-	14 676
Dr M S Mohlala	11 585	-	11 585
Ms J Rathebe*	52 772	37 081	89 853
Ms B L Marais*	26 889	68 588	95 477
Mr P Zonke*	65 363	58 695	124 058
Mr V Seymour*	57 713	75 808	133 521
Mr A Ramabulana*	23 693	2 124	25 817
	272 345	242 296	514 641

*The outgoing Accounting Authority members (with the exception of Ms A Lötter), given the completion of two (2) terms in office, were awarded a token of appreciation to the value of R10,000 each by the entity during the current year in line with Treasury Guidelines.

26. Risk management

The entity's 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.

The entity's 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

The entity's 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.

At 31 March 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade and other payables	7 005 175	-	-	-	7 005 175
At 31 March 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade and other payables	15 019 056	-	-	-	15 019 056

Interest rate risk

As the entity has no significant interestbearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

Surplus funds invested attracts 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.

Currency risk

The entity operates internationally but invoices only in South African Rands, thus the entity is not exposed to foreign exchange risk. The entity does not hedge foreign exchange fluctuations as the number of international transactions is very small.

The entity reviews its foreign currency exposure, including commitments on an ongoing basis.

Credit risk

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

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

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

Financial instrument	2020	2019
Cash and Cash Equivalents	45 997 683	47 798 028
Trade and Other Receivables	1 944 073	1 141 847

27. Events after the reporting date

1. Certain changes to the Accounting Authority composition occurred subsequent to year end. This included the completion of service due to end of contract by one member (Dr. R Josias) on 31 May 2020 and the resignation of another member (Mr. I Abdoola) on 8 April 2020. The Minister further appointed two (2) new members (Mr M Pule and Ms T Phele) on 29 May 2020. It must also be noted that Mr Abdoola only resigned as an Accounting Authority member on 8 April 2020 and remained in his position as CFO until his resignation as CFO on 31 July 2020. On 28 August 2020 the Chairperson resigned and the Minister appointed two (2) new members (Ms I Bologo and Mr N Gunga) on 1 September 2020.

Impact: Following the detailed movement in members of the Accounting Authority as disclosed in the Annual Financial Statements, the Board composition did not comply with Accreditation Act. According to Section 8 of the Accreditation Act, the SANAS Board should consist of not less than 10 and not more than 15 members. The Accounting Authority will now need to assess the impact (if any) of this noncompliance in accordance with the National Treasury Irregular Expenditure Framework. There are no other adjusting events that have occurred subsequent to year end that require adjustment in the annual financial statements.

2. In March 2020, the outbreak of COVID19 (coronavirus) caused by a novel strain of the coronavirus was recognized as a pandemic by the World Health Organization, and the outbreak become increasingly widespread in the South Africa. As a result, the President of the Republic of South Africa declared a State of National Emergency on 16 March 2020, which further resulted in a National lockdown being implemented from 27 March 2020. The COVID19 (coronavirus) outbreak has had a notable impact on general economic conditions, including but not limited to the temporary closures of many businesses and reduced consumer spending due to job losses.

The entity anticipates that its revenue generation for 2020/21 will be impacted by the coronavirus outbreak, but at the date of this report does not expect that the impact from the coronavirus outbreak will have a material effect on the entity's liquidity or financial position. SANAS also receives an annual grant from the Department of Trade, Industry and Competition towards strategic initiatives.

A rebate for 2020/21 Annual fees was considered by the Accounting Authority on 30 April 2020 to assist SANAS's clients with financial distress caused by Covid19. The rebate amounted to two months' worth of annual fees and was calculated at R9.7 million. There are no other adjusting events that have occurred subsequent to year end that require adjustment in the annual financial statements.

Notes to the Annual Financial Statements (continued)

Figures in Rand	2020	2019
28. Fruitless and wasteful expenditure		
Opening balance	7 433	-
Opening balance	7 433	-
Add: Expenditure identified current year	2 194	7 433
Less: Amount written off as notrecoverable prior period	(7 433)	-
Closing balance	2 194	7 433

Contract management: Fruitless expenditure was incurred in the prior year due to the early termination of a contract. Based on the review of the root cause, and the responsible official, no disciplinary action was possible as the officials were no longer in the employ of SANAS. Further based on the amount, the legal recovery of funds was not deemed appropriate given the costs of legal process vs the amount to be recovered.

Amounts recoverable for missed flights / transfers: Fruitless expenditure was incurred during Q4 of 2019/2020 as a result of a flight and transfer that was missed resulting in loss to the entity. The responsible official (Board member) has been invoiced the amount to recover the loss suffered by SANAS as a result thereof. This amount is further disclosed in the related party receivables note and payment has been received.

29. Irregular expenditure

Opening balance	13 632 237	200 138
Add: Irregular Expenditure current year	12 364 176	13 632 237
Subtotal	25 996 413	13 832 375
Less: Amounts condoned	-	(200 138)
Add: Irregular Expenditure prior period	15 390	-
Irregular Expenditure awaiting condonement	26 011 803	13 632 237

Details of Irregular Expenditure Condoned by the Accounting Authority

	Disciplinary steps taken/criminal proceedings	
Non adherence with the deviation policy	N/a Employee resigned	- 200 138

Details of Irregular Expenditure not recoverable (not condoned)

Procurement Processes not followed	15 390	284 726
Supplier contract extended without National Treasury approval	-	4 986 687
Supplier awarded a contract outside of the validity period of the tender	12 364 176	8 360 824
	12 379 566	13 632 237

Procurement Processes not followed:

- 2019/2020 One (1) instance identified where the user department procured goods and services prior to the finalisation of the procurement process. Investigation in relation to the matter (amounting to R15,390) including disciplinary action has been concluded.
- 2018/2019 Five (5) instances identified where the user department procured goods and services prior to the finalisation of the procurement process. Investigation in relation to four (4) these matters (amounting to R77,551) including disciplinary action has been concluded. The fifth matter amounting to R207,175 has not yet been concluded.

Supplier contract extended without National Treasury approval: During Q1 2018/2019 financial year, a supplier's contract was extended on a month to month basis to facilitate business continuity whilst the new tender was awaiting approval and contracting thereof. The investigation into this matter (amounting to R4,986,687) has been concluded.

Supplier awarded a contract outside of the validity period of the tender: During Q1 2018/2019 it was noted that a supplier was awarded a three (3) year contract outside of the 90 day validity period and advertised for a shorter period than 21 days without the necessary approval. The investigation into this matter (amounting to R8,360,824 for 2018/19 and R12,364,176 for 2019/20) has been concluded.

Irregular expenditure recommended and submitted for condonement

As a result of the conclusion of the above Irregular expenditure investigations for 2018/19 and 2019/20, the Accounting Authority recommended the condonation of these matters to National Treasury. An application for condonement was made to National Treasury for R25,804,628 however the request was rejected due to a lack of evidence submitted. A resubmission was subsequently made together with the supporting documentation and final response is awaited from National Treasury.

Irregular expenditure submitted for Condonement by National Treasury

Procurement processes not followed (2018/19: R15,390 and 2019/20: R77,551)	92 941
Supplier contract extended without National Treasury approval (2018/19: R4,986,687)	4 986 687
Supplier awarded a contract outside of the validity period of the tender (2018/19: R8,360,824 and 2019/20: R12,364,176)	20 725 000
	25 804 628
2018/19 Outstanding matter to be concluded in order to be considered for recommendation	207 175

Details of potential Irregular Expenditure Under Investigation

Costs associated with suspected nonconformance with the procurement by the Accounting Authority for additional work has been submitted for investigation by **the dtic** as the Executive Authority in terms of PFMA Section 83 and Treasury Regulation Section 33.1.

The Accounting Authority has 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 as the Executive Authority, and will thereafter assess the impact thereof (if any) to irregular expenditure.

Procurement processes not followed:

- As detailed under contingent liabilities in note 11, the investigations performed into previous Irregular expenditure was disputed by management upon presentation of the invoice by the service provider. It is not evident whether appropriate procurement processes were followed and thus requires further investigation. The balance owing on the invoice presented amounts to R689,180.

- During the external audit, a few instances of noncompliance were found that will need to be investigated as irregular expenditure:
 - A contract was extended prior to receiving approval from National Treasury. The total amount of the extension was R90,000.
 - Procurement of services finalised only with one quote where three could have been obtained. The total amount of the service was R137,245.
 - An exemption from a National Treasury circular expired and required a new application for the exemption to be made to National Treasury. SANAS awaits the outcome of the application and should this not be received, tenders to the amount of R3,421,260 will need to be investigated for irregular expenditure.
- A contract was found to have been awarded to a supplier where the quotation for services was received after the closing date. This will be investigated and the total amount of the extension was R123,628.

30. Segment information

General information

Identification of segments

The entity 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

Segment surplus or deficit

2020

	Administration	Corporate Services	Strategy and Development	Accreditation Provision	Total
Revenue					
Revenue from non exchange transactions	31 669 000	-	-	-	31 669 000
Revenue from exchange transactions	-	-	9 256 084	70 645 371	79 901 455
Interest revenue	3 669 380	-	-	-	3 669 380
Sundry income	103 142	-	-	-	103 142
Total segment revenue	35 441 522	-	9 256 084	70 645 371	115 342 977
Entity's revenue					115 342 977
Expenditure					
Salaries and wages	31 767 371	-	-	24 465 744	56 233 115
Other expenses	14 583 658	4 572 172	4 718 784	28 173 033	52 047 647
Total segment expenditure	46 351 029	4 572 172	4 718 784	52 638 777	108 280 762
Total segmental surplus/(deficit)					7 062 215

2019

	Administration	Corporate Services	Strategy and Development	Accreditation Provision	Total
Revenue					
Revenue from non exchange transactions	31 032 000	-	-	-	31 032 000
Revenue from exchange transactions	-	-	10 396 902	64 430 420	74 827 322
Interest revenue	4 074 303	-	-	-	4 074 303
Sundry income	576 271	-	-	-	576 271
Total segment revenue	35 682 574	-	10 396 902	64 430 420	110 509 896
Entity's revenue					110 509 896
Expenditure					
Salaries and wages	19 914 431	-	-	33 531 212	53 445 643
Other expenses	23 966 116	4 216 186	2 953 053	23 450 573	54 585 928
Total segment expenditure	43 880 547	4 216 186	2 953 053	56 981 785	108 031 571
Total segmental surplus/(deficit)					2 478 325

31. 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:

Statement of financial performance:

Accreditation fees: Accreditation programmes such as the Testing, Medical and Inspection Bodies had an influx of requests for additional services. Within Testing and Medical, requests for extension of scope was the main reason whilst Inspection Bodies received a vast number of new applications within a new field.

Courses and project fees: SANAS provides courses in all current accreditation and emerging fields in a form of scheduled courses at SANAS premises, provincial and regional courses and Inhouse courses nationally and internationally. For 2019/2020, certain regional courses were delayed due to safety concerns including the impact of COVID 19.

Investment income: Interest was higher than originally budgeted due interest was earned on the 2019/2020 surplus funds approved by National Treasury to be retained for utilised for strategic initiatives.

Employee costs: Employee costs were lower than budget due to certain unfilled positions during the period.

Lease payments: SANAS lease costs includes the lease of printers. Costs were lower than budget due to lower than expected volume of printing attributed to greater use of digital communication in line with the green initiative within the IT strategy.

General expenses: During the current year, additional legal fees were incurred for various matters. Further, higher Accounting Authority expenses were incurred during the year which contributed to increased general expenses.

Debt impairment: Additional provisions were raised in the current year for amounts considered possibly doubtful.

Depreciation and amortisation: This variance is as a result of depreciation being recorded from the purchase of the new building and related improvements.

Loss on disposal of assets: During the year, a number of old IT equipment was sold / donated in line with the replacement strategy.

Contact us



Libertas Office Pack
305 cnr Libertas and Highway Street
Equestria, Pretoria East
0184



+27 (0) 12 740 8400



www.sanas.co.za

RP74/2020

ISBN: 978-0-621-48210-2