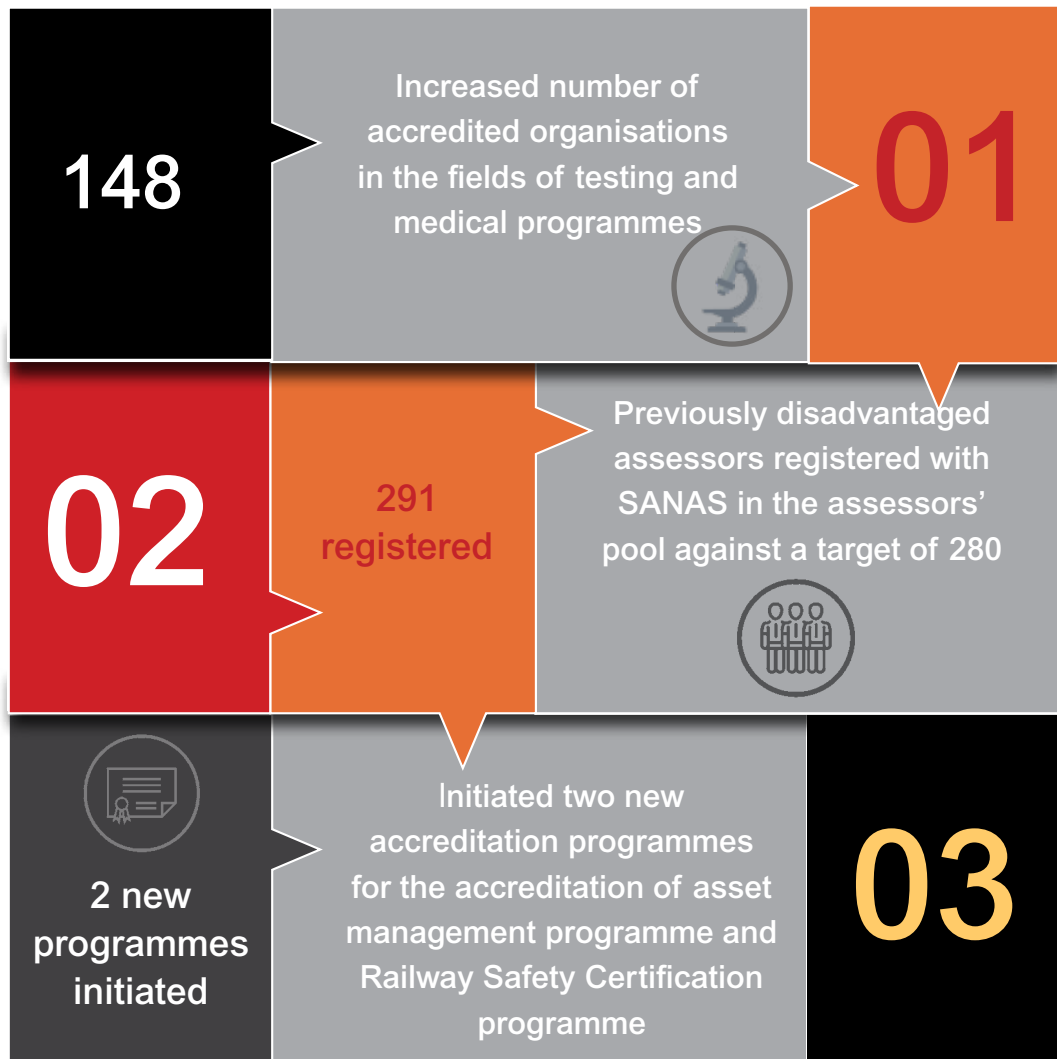


# ANNUAL REPORT **2018/19**



## 2018/19 HIGHLIGHTS



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## 1. INTRODUCTION

The South African National Accreditation System (SANAS) is the sole national accreditation entity for conformity assessment bodies. The latter include 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 and Industry. 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. SANAS is 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 for organisations to independently demonstrate their competence.

SANAS accreditation supports socio-economic growth and environmental sustainability as follows:

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

### ACCREDITATION: DELIVERING CONFIDENCE

Manufacturers need to make sure that products meet set standards, regulations are of high quality, and meet customer needs. The use of accredited services in the manufacturing process helps minimise product failure and recalls, and supports

access to markets. SANAS accreditation provides confidence to consumers, suppliers, purchasers and regulators that services and products placed in the market are safe and that they meet the manufacturers' claims.

### SANAS' STAKEHOLDERS

SANAS aims to clearly and effectively communicate with all its stakeholders and stakeholder groups, which are identified in the table below.

STAKEHOLDER GROUP	WHAT MATTERS TO THEM?	ENGAGEMENT METHODS	HOW DO WE RESPOND TO THEIR NEEDS?
Portfolio Committee on the Department of Trade and Industry ( <b>the dti</b> ).	How SANAS supports the effective implementation of government's objectives.	Portfolio Committee meetings and presentations.	By contributing to industrial development and regional integration.
<b>the dti</b> .	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.

STAKEHOLDER GROUP	WHAT MATTERS TO THEM?	ENGAGEMENT METHODS	HOW DO WE RESPOND TO THEIR NEEDS?
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 environment.
CABs.	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, as well as SANAS lead and technical assessor and experts who can cover the accreditation scopes required by the CABs.
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 Committee 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.
Other 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.
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





## 2. ENTITY'S GENERAL INFORMATION

	NAME	South African National Accreditation System (SANAS)
	PHYSICAL ADDRESS	Libertas Office Park, cnr Libertas and Highway Streets, 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, 0157
	BANKERS	First National Bank, Shop 39 Hillcrest Boulevard, Lynnwood Road, Hillcrest, South Africa, 0083
	COMPANY SECRETARY/ BOARD SECRETARY	Mr Dawood Petersen

### 3. Abbreviations and acronyms

AFRAC	African Accreditation Cooperation	MRA	Multilateral recognition arrangement
APP	Annual performance plan	MTEF	Medium-term expenditure framework
B-BBEE	Broad-based black economic empowerment	NDP	National Development Plan
CAB	Conformity assessment body	NEHAWU	National Health Education & Allied Workers Union
CB	Certification bodies	NMISA	National Metrology Institute of South Africa
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	OHSAS	Occupational health, safety management systems
COTII	Council of Trade and Industry Institutions	PAQI	Pan-African Quality Infrastructure
CRM	Certified Reference Materials	PDI	Previously disadvantaged individual
CSI	Corporate social investment	PER	Pressure Equipment Regulation
DoL	Department of Labour	PFMA	Public Finance Management Act
EAC	East African Community	QMS	Quality management systems
EMS	Environmental management systems	RTMS	Road Transport Management System
EnMS	Energy management systems	SAACB	South African Association of Certification Bodies
EXCO	Executive Committee	SABS	South African Bureau of Standards
GCP	Good clinical practice	SADC	Southern African Development Community
GALAXCOC	Greater Alexandra Chamber of Commerce	SADCA	Southern African Development Community Cooperation in Accreditation
GLP	Good laboratory practice	SADCAS	Southern African Development Community Cooperation in Accreditation Services
GRAP	Generally recognised accounting practice	SANAS	South African National Accreditation System
IAF	International Accreditation Forum	SANEDI	South African National Energy Development Institute
ICT	Information and Communications Technology	SANS	South African National Standard
IT	Information technology	SCM	Supply chain management
IEC	International Electrotechnical Commission	SEDA	Small Enterprise Development Agency
ILAC	International Laboratory Accreditation Cooperation	SLA	Service level agreement
IPAP	Industrial Policy Action Plan	<b>the dti</b>	The Department of Trade and Industry
IRBA	Independent Regulatory Board for Auditors	WADA	World Anti-doping Agency
ISMS	Information security management systems	WTO	World Trade Organisation
ISO	International Standards Organisation		
ITMS	Information Technology Service Management Systems		
KTD	Knowledge Transfer Department		
MLA	Multilateral recognition agreement		





## 4. FOREWORD BY THE MINISTER OF TRADE AND INDUSTRY

It is my pleasure to present the annual report of the South African National Accreditation System (SANAS) for the 2018/19 financial year.

The results contained in this report coincide with the beginning of the 6th administration of the democratic South Africa.

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

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

Over the next five years, the focus will be on practical actions and improved governance.

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

Using the resources and mandate of the trade, industry and competition portfolio, we will support efforts to unleash private investment and energise the state to boost economic growth and inclusion. This is an essential part of building confidence and the platform for job-creation.

The SANAS will have a role to play in this new industrial strategy, in providing and maintaining an internationally recognised accreditation infrastructure to advance South African industrial development.

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

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

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

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

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

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

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

An appropriate accreditation infrastructure will help to attract greater levels of investment and trade measures adopted to support specific sectors will need to be accompanied by investment plans to boost overall industrial performance.

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

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

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

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

**Fourth, to promote economic inclusion.**

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

To enhance the growth of black industrialists, we will combine the efforts of the Department and its agencies into a seamless and coordinated programme. Over the next 5 years, these efforts

## FOREWORD BY THE MINISTER OF TRADE AND INDUSTRY (continued)

together with commitments by the private sector can support more than 400 additional black industrialists' projects with financial support of R40 billion, through identifying sustainable businesses and promoting industrialists, new enterprise formation and worker involvement in enterprises.

### **Fifth, to promote more equitable spatial and industrial development.**

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

### **Sixth, to improve the capability of the state.**

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

Part of a smart state is partnering with domestic businesses to invest more in innovation and R&D, as new techniques, new

products and new distribution platforms can move South Africa up the value-chain and enhance job creation.

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

I would like to take this opportunity to thank the outgoing Board of Directors for their dedication and focus during this past 10 years. The Board's tenure ended in November 2018.

I would like to welcome the new Board and I am looking forward to seeing them build on the foundation laid by the previous Board of Directors.



**Ebrahim Patel**  
Minister of Trade and Industry



## 5. FOREWORD BY THE CHAIRPERSON

Removing or minimising technical barriers to the free flow of goods and service across national border, thereby facilitating the economic welfare of South Africa, is an imperative that is core to SANAS' mandate. The principle of "tested, inspected, certified once, accepted everywhere" drives SANAS business in supporting government, industry and the citizens. During the 2018/19 financial year, SANAS maintain its focus on expanding the network and scope of accreditation to meet the accreditation needs of industry, government and the public internationally, regionally and nationally.

### Global, regional and national trust

As the largest accreditation body on the African continent and responding to South Africa's objective of fostering Africa's development through regional and continental integration, SANAS continues to play a leading role in the development of the required internationally recognised accreditation infrastructure in SADC and the continent. During the period under review the African Accreditation Cooperation (AFRAC), a key institution in the Tripartite Free Trade Area Agreement (TFTA) obtained its international recognition through the International Laboratory Accreditation Cooperation (ILAC) and the International Accreditation Forum (IAF). This recognition couldn't have come at a more opportune time than now when 44 of the 55 African States signed a historic trade agreement on 21 March 2018. 'The African Continental Free Trade Area (AfCFTA) paves way for the liberalisation of markets for goods and services across the continent hence the need for recognised conformity assessment activities to build the confidence and trust on the goods and services being traded across the continent.

SANAS was elected Chairperson of AFRAC for a period of two years. Our strategy of ensuring national, regional and global trust through the provision of an internationally recognised accreditation system bodes well for South Africa's industrial policy objectives leading to the 4th industrial revolution. As SANAS accredited conformity assessment bodies provides a vital link for the testing, inspection, certification or verification of goods and services from the industrial sector.

SANAS has achieved unqualified audit for the year under review three emphasis of matter recorded. The Board ensured that SANAS' business remains rooted in the international requirements for an accreditation body as documented in ISO/IEC 17011, as this forms the basis for global recognition of the equivalence of South Africa's accreditation system, to those of our international peers. Since the launch of IPAP by Cabinet, SANAS has continued to play a role in supporting government's objectives

in industry. The developments initiated during the period under review concerns the Asset Management programme and 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, such as 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. The engagements focused on raising awareness of SANAS accreditation and the various accreditation programmes to non-accredited organisations

Through the twinning agreement between SANAS and SADCAS, SANAS, in collaboration with SADCAS, continued to provide accreditation services to CABs in the SADC member states for scopes for which SADCAS has no recognition. SANAS continues to play a crucial role in Africa and contributes to preventing products that are unsafe or of poor quality from entering the South African markets, as well as facilitating trade, both within the region and internationally.

### Service delivery

SANAS' performance continues to improve during the period under review, although it had to do so with perseverance through trying circumstances, specifically in terms of relocating to SANAS' new office space. Despite these challenges, SANAS achieved 85% on all of its 13 targets. The overall score of 85% was achieved in respect of the achievements of its 2018/19 targets as recognised by the dti.

An independent customer satisfaction survey undertaken for the period under review highlighted the key performance areas that requires attention in order to improve efficiency and effectiveness.

### Looking ahead

Although SANAS performed relatively well over the past year SANAS remains resolute in its focus as vital tasks still lie ahead. The Board will continue to focus the entity's efforts towards contributing to government's strategic objectives as will be ushered in by the new Administration. SANAS will intensify its efforts to improve its external relationships and processes, raising awareness of SANAS accreditation, increasing productivity, transforming the assessor pool, and improving the quality of SANAS' product and service delivery. The entity's business model will remain focused on the international requirements as documented in ISO/IEC 17011, as this standard evolves in the near future.

## FOREWORD BY THE CHAIRPERSON (continued)

As this is my first report as the Chairperson of the SANAS Board of Directors, I would like to acknowledge and express my sincere appreciation to the outgoing Board of Directors who served SANAS in excellence over the past 10 years and together with the SANAS employees, including its executive, tirelessly continued to expand the importance of SANAS and accreditation.

Special thanks to Dr Rob Davies, former Minister of Trade and Industries as well as **the dti** staff for their continued support. I would also like to congratulate Minister Ebrahim Patel on his appointment. Thank you to all stakeholders, locally, regionally and

internationally including the relevant government department, our assessors, SANAS committee members and the technical infrastructure agencies for helping build this world class organisation.



**Mr Lulama Lloyd Mayedwa**  
Chairperson



## 6. CHIEF EXECUTIVE OFFICER'S OVERVIEW

Supporting the NDP and the IPAP of **the dti** is core to SANAS business objectives. SANAS contributes in 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 received an unqualified audit with an emphasis of matters for the year under review. It gives me great pleasure to present the 2018/19 annual report with a focus on SANAS' financial and its non-financial performance.

### Overview of SANAS' non-financial performance

During the year under review, SANAS achieved 85% of its set performance objectives. Two of the objectives not met relied on the promulgation of regulations which did not transpired as originally planned. SANAS will restrict future measure to what is directly under its control.

The number of accredited Conformity Assessment bodies accredited by SANAS increased by 4.62%

### Overview of SANAS' Financial Performance

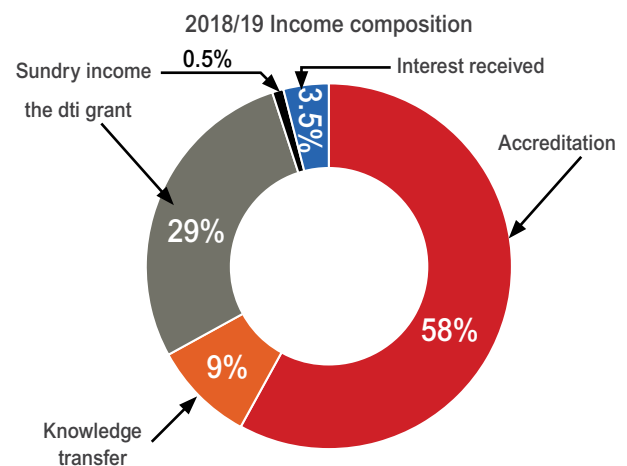
#### Income

The financial year ending 31 March 2019 continued to be characterised by improvements witnessed over the previous period despite the ongoing baseline cut challenges SANAS faces. The growth in accreditation contributed 4% to income above budget.

SANAS' medical laboratory accreditation programme remains the fastest-growing programme, closely followed by the inspection body programme.

SANAS' income is derived from fees charged for accreditation services, the government grant, training services and projects. The largest contributor to SANAS' income for 2018/19 is fees collected for accreditation services amounting to 58%, followed by the government grant of 29%, Knowledge Transfer (Research and Development) at 9%, sundry income at 0.5% and interest income accounted for 3.5%.

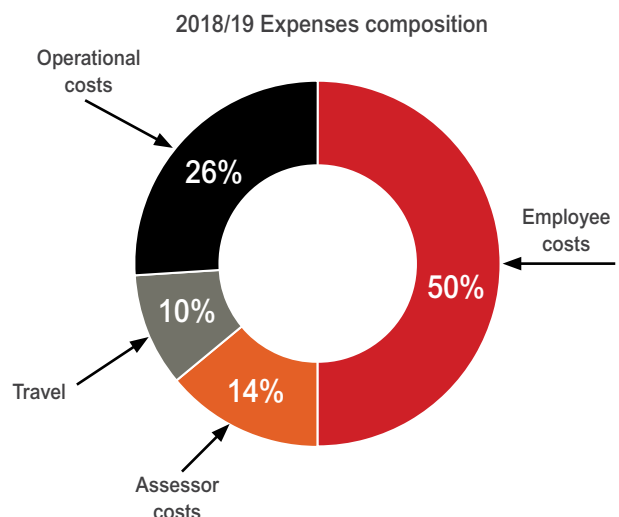
The breakdown as a percentage of income is as follows:



#### Spending trends

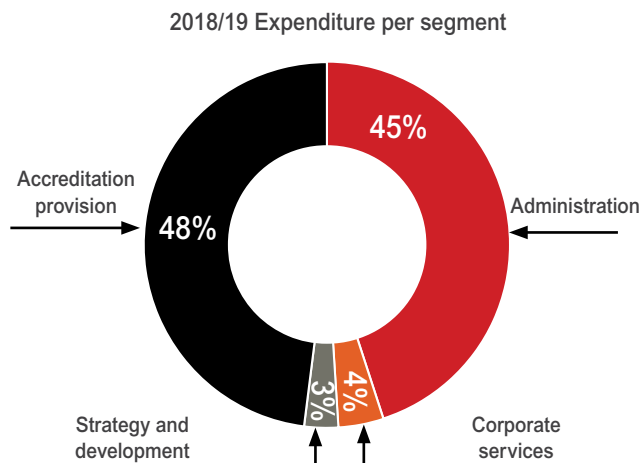
Accreditation, as well as the compensation of core accreditation-function employees, makes up the greatest proportion of expenditure.

As SANAS is a service delivery entity, the overall compensation of employees amounted to 50% of total expenditure. The other two major components of accreditation expenditure are travel costs, comprising 10% of total expenditure, and stipend paid to contracted assessors to assess facilities for accreditation, contributing 14%. Both these expenditure items remained relatively constant over the year. The remainder of 26% is operational costs.



## CHIEF EXECUTIVE OFFICER'S OVERVIEW (continued)

The expenditure focus remained on accreditation services as the core function of SANAS at 48% of total expenditure. This includes the direct costs of providing accreditation services, such as travel costs and contracted assessors to assess facilities as well as the salary component assigned the accreditation administration function. Evident from the diagram below, the cost containment measures implemented started to yield positive results as the accreditation continues to decrease year on year. The expenditure split per function is noted below:



### Capacity constraints and challenges

The main challenge that hampered the implementation of SANAS' activities during the previous years was the limited office space. This was addressed in the current year through the procurement of new offices. SANAS is proud to announce that it took occupation of its new offices on 21 May 2018. The transfer of the property was finalised on 31 July 2018.

### 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 grow. During the year under review, SANAS continued with the implementation of accreditation systems for the projects assigned to it through IPAP. During the 2018/19 year, SANAS initiated the accreditation programmes for certification bodies in asset management and railway safety management. These programmes will be rolled out in the new financial year.

### Requests for the roll-over of funds

SANAS realised a R2.4 million surplus, largely attributed to additional accreditation and knowledge transfer fee income (R4 million), interest income on surplus funds (R2 million) earned due to the delay in transfer of the property and interest earned on 2017/18 surplus funds retained. It should be noted that the income generated from interest will significantly decrease in the 2019/20 onwards following the utilisation of surplus funds approved for strategic initiatives. 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 prior written approval from National Treasury. Therefore in terms of this section and National Treasury's Instruction No. 6 of 2017/18, SANAS has

made an application to retain the surplus for 2018/19. The surplus is based on the cash and cash equivalents plus receivables less current liabilities and commitments at the end of the financial year, and for 2018/19 the cash surplus is R1.1 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, as well as on SANAS' website. Specification, evaluation and adjudication bid committees are established in terms of SANAS' Supply Chain Management Policy.

Seven contraventions occurred during the period under review. SANAS is finalising the process to obtain 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. SANAS will continue to grow the accreditation base. 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 2018, 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. The reduction in interest income after final payment of the new office building places strain on the entities financial position. Therefore, SANAS cannot afford a further baseline reduction as this will put sustainability of the entity at risk. Further cost-saving measures, cost containments, and additional streams of income continues to be explored to tackle this future financial challenge. Failure to cover future financial gaps will expose SANAS to the risk of not being able to effectively deliver on its mandate.

### Acknowledgements

In conclusion, I would like to express my gratitude to outgoing Chairperson and SANAS' Board of Directors, the SANAS team, assessors, committee chairpersons, committee members and accredited facilities, the dti and all stakeholders for their continued support and feedback. We are looking forward to an exciting and successful 2019/20.

**Mr Ron Josias**  
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 the following:

- All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the independent external auditors;
- The annual report is complete, accurate, and free from any omissions;
- The 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 the public entity;
- 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, which has been designed to provide reasonable assurance of the integrity and

reliability of the performance information, the human resources information, and the annual financial statements; and

- The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, performance information, human resources information, and financial affairs of the entity for the financial year ended 31 March 2019.



**Mr Lulama Lloyd Mayedwa**

Chairperson

30 July 2019



## 8. STRATEGIC OVERVIEW

### 8.1 VISION



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

### 8.2 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 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.

- EXCELLENCE:** We are a company dedicated to excellence in service delivery through investing in a competent knowledge-based institution aimed at exceeding customer expectations.
- INTEGRITY:** 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.
- INNOVATION:** We are a forward thinking company and have the courage and confidence to come up with creative ways in accreditation development.
- DEDICATION:** As a team we are committed and passionate about our work and take ownership in all that we do.
- SOCIAL:** We are a company that cares, therefore invest in our people, our communities and environment.

## 8.4 LEGISLATIVE MANDATE

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

### 8.4.1 ACT AND MANDATE

Table 1: Act and Mandate

Enabling Act	Mandate
Accreditation for Conformity Assessment, Calibration and Good Laboratory Practice Act (Act No. 19 of 2006).	<p>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 doing the following:</p> <ul style="list-style-type: none"> <li>• Accrediting or monitoring, for GLP compliance purpose, organisations falling within its scope of activity.</li> <li>• Promoting accreditation as a means of facilitating international trade and enhancing South Africa's economic performance and transformation.</li> <li>• Promoting the competence and equivalence of accredited bodies.</li> <li>• Promoting the competence and equivalence of GLP-compliant facilities.</li> </ul>

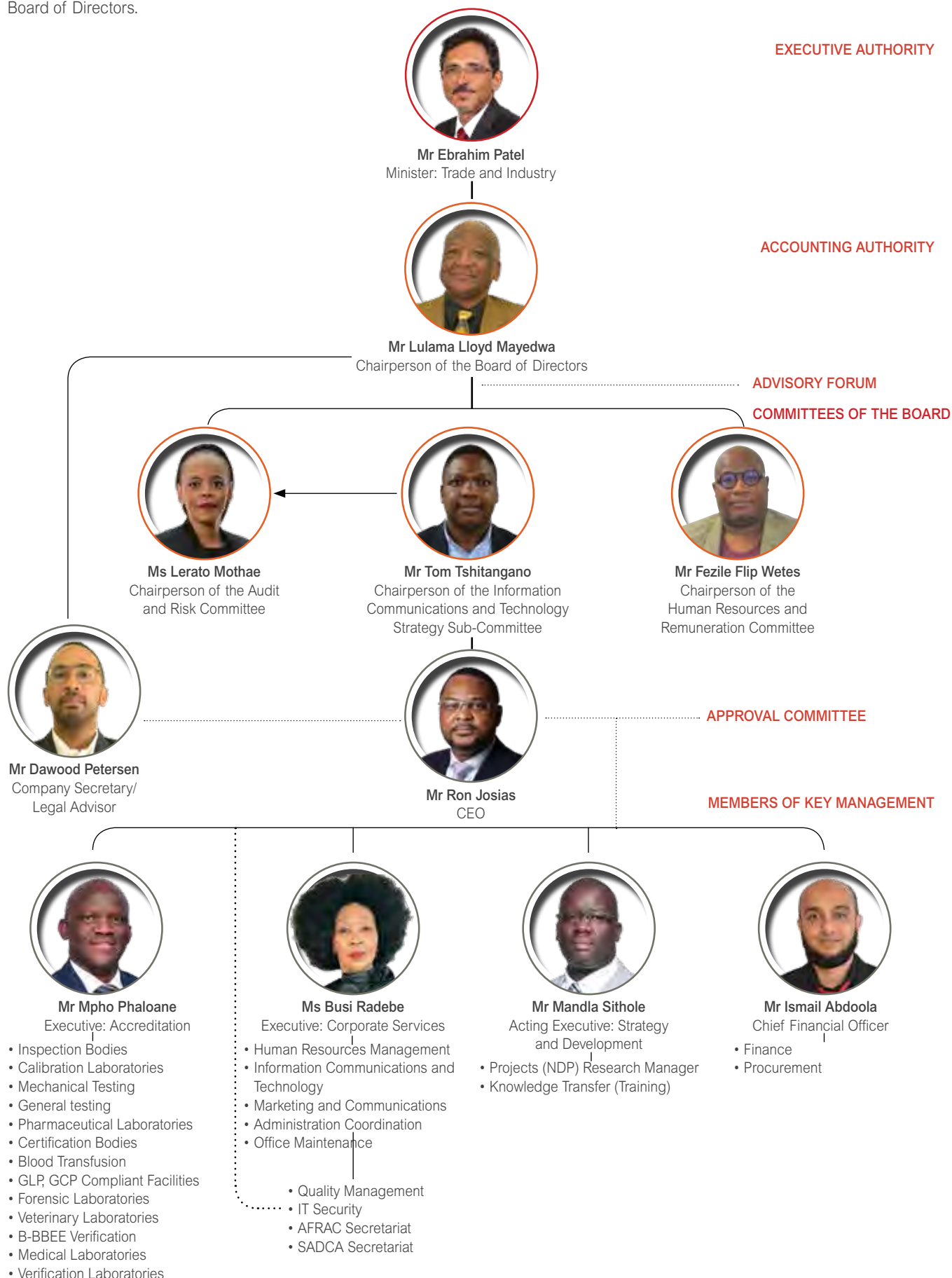
### 8.4.2 CORE FUNCTIONS

To achieve its mandate, the Accreditation Act empowers SANAS to perform the following functions:

- Promote the organisation as the sole national accreditation body in 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 in respect of any matter related to accreditation;
- Liaise with national regulators in respect of any matter related to accreditation;
- Promote the use of accredited bodies to facilitate trade;
- Advise national, regional, and international organisations on conditions for accreditation and other issues related to accreditation;
- Establish and maintain a register of all accredited organisations in South Africa;
- Initiate, negotiate, conclude, and maintain multilateral recognition arrangements (MRAs);
- Support government in activities on MRAs;
- Obtain and maintain membership of national or international organisations that may assist SANAS to achieve 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, such as those of International Laboratory Accreditation Cooperation (ILAC) and the International Accreditation Forum (IAF);
- Establish appropriate technical committees; and
- Investigate methods of facilitating trade through accreditation.

## 9. ORGANISATIONAL STRUCTURE

The organisation's structure represents the collective accountability and responsibilities in ensuring adherence to good governance. At the apex of the structure is the Minister of Trade and Industry as the Executive Authority, who performs an oversight role and appoints the Board of Directors.



## BOARD OF DIRECTORS



**Mr Lulama Lloyd Mayedwa**  
Chairperson of the Board of Directors



**Ms Lerato Mothae**  
Chairperson of the Audit and  
Risk Committee



**Mr Tom Tshitangano**  
Chairperson of the Information  
Communications and  
Technology Strategy Sub-  
Committee



**Mr Fezile Flip Wetes**  
Chairperson of the Human  
Resources and Remuneration  
Committee



**Mr Samuel Mlangeni**



**Ms Patricia Lindi Tlou**



**Dr Matshwenyego Sarah Mohlala**



**Dr Tshenge Demana**



**Mr Ron Josias**  
CEO



**Mr Mpho Phaloane**  
Executive: Accreditation



**Mr Ismail Abdoola**  
CFO

# PART B

## PERFORMANCE INFORMATION





## 10. EXTERNAL AUDITOR'S REPORT ON PREDETERMINED OBJECTIVES

The external auditors, Nexia SAB&T, performed the necessary audit procedures to obtain evidence of the usefulness and reliability of the performance information presented in this annual report. The outcome of this audit is captured in Part E (Annual Financial Statements), page 53.

## 11. SITUATIONAL ANALYSIS

### 11.1 SERVICE DELIVERY ENVIRONMENT

Global 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, as well as serving private-sector demands.

#### 11.1.1 Global trends

Although global demand for accreditation is mostly fuelled by the green economy and regional integration initiatives, the non-conformity assessment data amongst trading partners is now recorded as one of the biggest technical barrier to trade judged from the specific corns tabled at the World Trade Organisation (WTO). Established global bodies, such as the WTO, the World Anti-doping Agency (WADA), the International Electrotechnical Committee (IEC), and retailer-based schemes such as Global Gap, increasingly recognise the value a network of national accreditation bodies contribute in supporting their objectives and gradually adopting the ILAC and IAF MRA as their acceptable conformity assessment systems. This acceptance places the burden on SANAS to ensure that its accreditation programmes meet the demands of global bodies. This will make it possible for SANAS' national CABs to demonstrate their competencies and facilitate the acceptance of their testing, inspection, or certification results by these international bodies. Failure to meet the requirements of these global bodies may exclude goods and services produced in South Africa from being accepted. Such goods and services might also become uncompetitive due to the high cost of international conformity assessment services.

#### 11.1.2 Regional trends

Continental and regional (e.g SADC, COMESA and EAC) demand for accreditation arises from the role that accreditation plays in facilitating intra- and inter-regional trade as advanced through incorporation of the quality infrastructure in the various regional integration initiatives. The competitiveness of regional goods and services hinges on the quality of these products and services, which is confirmed by accredited laboratories, certification and inspection bodies, collectively referred to as CABs. Non-acceptance of conformity assessment results normally leads to the rejection or costly re-testing, re-inspection, or re-certification of such exported goods and services, making such goods uncompetitive in the global market. Non-acceptance of conformity assessment results is mainly due to lack of confidence in the competence of the CABs producing the results.

#### 11.1.3 National trends

National growth is largely the result of recognising the importance of accreditation in achieving South Africa's development goals

and SANAS' strategic role in locking in export markets and locking out unsafe, poor-quality goods and services as part of South Africa's technical infrastructure. The growth in the demand for accreditation from the private sector continues to add to the accreditation statistics and highlights the importance of this activity to industry.

#### 11.1.4 Outlook

The further roll-out of the NDP and the Nine Point Plan, coupled with the focus on the 4th industrial revolution, 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 in line with the Common Market for Eastern and Southern Africa (COMESA), EAC and the tripartite free trade area 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*

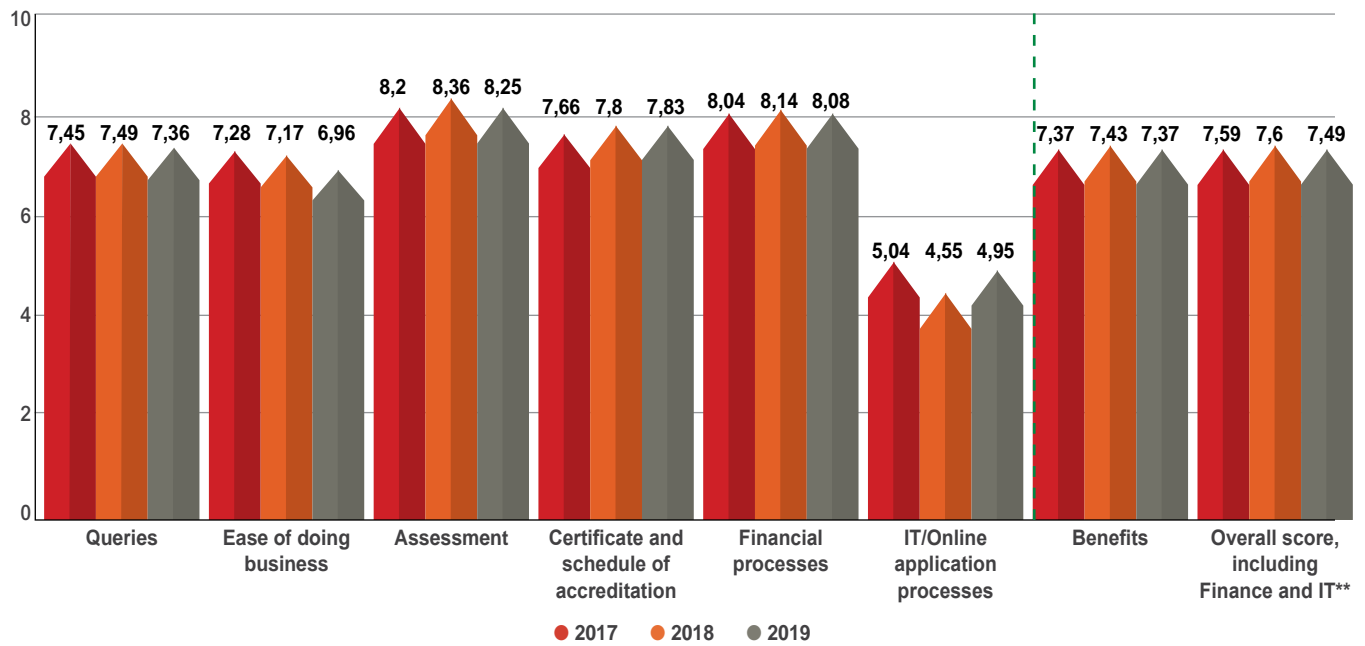
During the 2018/19 financial year, SANAS conducted an independent CAB customer satisfaction survey. The survey covered the following aspects:

- The quality of SANAS assessments;
- The benefits of being accredited by SANAS;
- The quality of a SANAS accreditation certificate;
- The ease of doing business with SANAS;
- SANAS' response to queries from CABs;
- Satisfaction with SANAS financial processes; and
- Satisfaction with the online application processes.

The SANAS 2018/19 was conducted in order to evaluate the customer satisfaction index. The focus will be to maintain the areas that were rated of highest importance to clients, i.e. (i) the Certificate and Schedule of Accreditation, (ii) the Assessment and Corrective action processes, and (iii) Communication. As well as adequately address areas of frustration highlighted, and most importantly train staff and ensure that they are available to assist stakeholders and provide the required service and support.

To improve on its results obtained, SANAS plans to further invest in ICT allowing for its onsite evaluation documentation process to be automated, thus moving closer to a paperless system. Additional investment in our communication and staff development is also planned.

The below is the customer survey results comparison for a period of three years from 2017 to 2019:



## 11.2 ORGANISATIONAL ENVIRONMENT

The period under review has seen SANAS continue with its focus on improving its efficiency and effectiveness through investment in information technology (IT), a stronger focus on government support, as well as in tertiary institutions and its staff. To this end, SANAS has successfully rolled out phase 2 of the ICT automation project, Shanduka. As a result of the improvements year on year cost saving accreditation programme started to show.

## 12 STRATEGIC OUTCOME-ORIENTATED GOALS

SANAS provides an accreditation service that impacts directly on CABs, industry sectors and the economy by facilitating the national, regional and international acceptance of test, inspection, and certification results, thus lowering the risk of rejection of South African goods and services. SANAS accreditation also supports South Africa's development objectives, as well as its regulators, which use accredited results to ensure the health and safety of our citizens and the protection of our environment. SANAS' goals are therefore aligned with those of **the dti**. In accordance with SANAS' five-year strategic plan, it is committed to achieving four strategic objectives:

**i) Improve SANAS' operational efficiency to deliver services with a spirit of excellence**

Over the past five years, SANAS has maintained a growth trajectory in the number of new accredited facilities. The need to contain cost while improving service delivery is increasingly vital for SANAS, as most of its processes have been very labour intensive. Investments in ICT are starting to produce results in financial management, supply chain management (SCM) and accreditation processes. A third phase, which includes the automation of SANAS' on-site assessments for further refinements is planned for the 2019/20 financial year.

**ii) Contribute to industrial development and the protection of health, safety and the environment**

To contribute to industrial development, SANAS needs to deliver on the task assigned to it by IPAP. New accreditation programmes, developed over a shorter period of time, are crucial to the success of South Africa's industrial development goals. Furthermore, regulators rely on accreditation as one of the conditions that allow CABs to operate within the regulatory domain. Herein, SANAS strives to ensure the robustness of its accreditation and assessment processes.

**iii) Promote acceptance of SANAS-accredited results among international partners to advance South Africa's trade and industry objectives**

The expansion of the global recognition of SANAS-accredited facilities, as well as its test, calibration, inspection, and certification results, depends on the organisation's continued compliance with international accreditation requirements and its ability to influence international accreditation criteria. To this end, SANAS enjoys membership of the highest decision-making structures of ILAC, IAF, AFRAC and SADCA.

**iv) Support regional integration and relations to advance South Africa's trade, industrial policy and economic development objectives**

Locking in exports and locking out poor-quality goods and services are key objectives of the South African technical infrastructure institutions, of which SANAS is a key member. SANAS plays a leading role in developing the required accreditation infrastructure in SADC and the rest of Africa. SANAS hosts the secretariats of both the AFRAC and South African Development Community Cooperation in Accreditation (SADCA).



## 13. PERFORMANCE INFORMATION BY PROGRAMME

### 13.1 PROGRAMME 1: ADMINISTRATION

#### 13.1.1 Purpose

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

#### 13.1.2 Description of the programme

The sub-programmes that fall under this programme include: policy development, financial management, legal services and company secretary

##### Policy development

SANAS' Board of Directors, as the accounting authority, provides strategic direction to SANAS, in keeping with the Accreditation Act and the Shareholders' Compact, which was 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 organisation's strategic plan.

##### Financial management

This sub-programme ensures compliance with all relevant financial standards and regulations, particularly the PFMA and the National

Treasury Guidelines, as well as overseeing the supply chain management function. It also continues to refine its managerial financial accounting systems, advises the CEO on financial risk and risk control, and performs the function of CFO.

##### Legal services

This sub-programme provides legal services to SANAS as and when required on contractual, litigious, operational and managerial matters. It also adopts a proactive approach by ensuring that the legal implications of proposed decisions are examined to mitigate future risks. SANAS has adopted an approach, in accordance with the provisions of the King Code and Report on Governance for South Africa, to resolve disputes in an amicable manner to avoid protracted litigious matters. This approach continues to yield great success in resolving potentially litigious matters.

##### Company secretary

The company secretary, as the overseer of corporate governance, assists the Board to ensure adherence to sound corporate governance principles. This is achieved by providing refresher training to Board members on their roles and responsibilities, guiding the Board on legislation, regulations and policies that affect SANAS, and by providing secretariat services to the Board and its Sub-Committees.

#### 13.1.2.1 Outputs, performance indicators, planned targets, and actual achievements

Outputs	Performance indicators/ measures	Annual achievement 2018/19	Annual target 2018/19	Annual achievement 2018/19	Reasons for variance/ comment
Creditors' payments in accordance with legislative requirements.	Eligible creditor payment process days.	18 days	18 days	10 days	No variance

#### 13.1.3 Linking performance to budgets

The programme had an actual expenditure of R43 880 547 of which 66% was used for the compensation of employees, 34% for goods and services, and 0% for capital assets.

2017/18			2018/19		
Budget	Actual expenditure	Under expenditure	Budget	Actual expenditure	Over expenditure
R39 216 001	R32 704 233	R6 511 768	R42 433 002	R43 880 547	R1 447 545

### 13.2 PROGRAMME 2: CORPORATE SERVICES

#### 13.2.1 Purpose

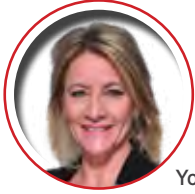
The purpose of this programme is to oversee the provision of corporate services, including ICT, marketing and communication, Human Resources (HR) and quality management. The Corporate Services Programme provides leadership and guidance in the

areas of marketing and communications; office management; HR management; ICT and IT security; administration coordination; quality management; and corporate social investment (CSI).

#### 13.2.2 Description of the programme

The sub-programmes that fall under this programme include:

## Quality Management



**Yolanda Vinnicombe, Quality Manager**

This unit is headed by the Quality Manager who oversees full compliance of SANAS' Management System with the requirements of ISO/IEC 17011, which is the International standard for Accreditation Bodies, as well as the requirements and guidelines of ILAC, IAF, OECD, AFRAC and the relevant National regulators. Such compliance ensures SANAS' on-going international and regional recognition as an accreditation body and signatory to ILAC, IAF and AFRAC.

In June 2018, SANAS' Signatory status to the AFRAC MRA was re-confirmed for the following scopes:

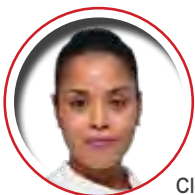
- Testing to ISO/IEC 17025:2005;
- Calibration to ISO/IEC 17025:2005;
- Medical testing to ISO 15189:2012;
- Inspection to ISO/IEC 17020:2012; and
- EMS and QMS to ISO/IEC 17021-1:2015; ISO/IEC 17021-2:2016 and ISO/IEC 17021-3:2017.

Based on the successful AFRAC re-evaluation of SANAS in August 2017, SANAS was also granted AFRAC MRA Signatory status for Food Safety Management Systems (FSMS) against the international standards ISO/IEC 17021-1:2015, ISO/TS 22003:2013 in 2018.

In the 2018/19 financial year, SANAS started to work on its transition to the newly published ISO/IEC 17011:2017, published on 30 November 2017. AFRAC has set a two-year transition period and it will evaluate SANAS by June 2019, at which SANAS is required to demonstrate implementation of the new accreditation requirements. In the 2018/19 financial year, training and communication sessions were undertaken at various forums in the different regions, which included the annual Communications meetings with SANAS accredited facilities, the Assessor Conclaves and internally with SANAS staff. SANAS' transition.

As a signatory to the ILAC, IAF and AFRAC MRAs, SANAS continues to comply with its obligations, which include making peer evaluators available to assist ILAC, IAF, and AFRAC in their evaluations of other accreditation bodies. In this financial year, the SANAS Accreditation Manager for Testing Laboratories, Shadrack Popi was qualified as an AFRAC Peer Evaluator. This made him the second SANAS regional evaluator, focusing on the evaluation of Accreditation Bodies.

## Ensuring the quality of our final product



**Cleon Andrews, Administration Co-ordinator**

SANAS is committed to ensuring that the quality and accuracy of the accreditation certificate and scope of accreditation and the customer information captured on the website. This is done

through implementing stringent quality control processes within the administrative environment.

The focus remained on continuous improvement which resulted in improved turnaround time and quality of output thus resulting in enhanced customer satisfaction and realisation of cost efficiencies.

## Creating efficiencies through Information and Communications Technology (ICT) Management



**Luigi Muto, IT Manager**

SANAS continues to invest in technological infrastructure to achieve key service objectives and provide stakeholders with seamless and integrated solutions. The investment includes:

- i) consolidated database to ensure data quality and data integrity;
- ii) re-engineered processes that are more agile, effective and efficient which will result in enhanced customer experience;
- iii) reduce the manual processes and workflows fulfilling our objective of creating a paperless environment. The aim is to deliver outstanding stakeholder experiences and to enhance overall SANAS performance.

During the year under review we were able to achieve our ICT strategic objectives through the following:

- Data management;
- Re-engineering of key systems

## IT security



**Miyoba Sichimwi, IT Security Officer**

With the advent of digital transformation i.e. the fourth industrial revolution, SANAS ICT has embraced the attainable benefits such as automation of business processes and integration of systems, however, with such opportunities comes new challenges. The new challenges are introduced as we adopt new technologies and adapt to new technological disruptions happening around us. Our Information Risk Management (IRM) approach is to continue audit and test our processes and systems for potential weaknesses or gaps for remediation as part of continual improvement.

In its strategy, IT Security continue to place the end user as its most important stakeholder, hence we continue to improve our overall IT Security awareness levels to meet Global Industry Benchmarks. By doing so, we have achieved considerable reduction on IT Security related incidents. As part of Information Security Governance, we have embarked on reviewing our policies and processes to ensure compliance to our adopted Information Security framework (i.e. ISO/IEC 27001 Standard), new legislation or regulation in the accreditation environment and accommodate new technologies and architecture associated risks.

## Engaging our stakeholders



**Tshenolo Molamu, Communications and Marketing Manager**

The unit continues to implement the Marketing and Communications Strategy objectives and align them with the requirements of the accreditation programmes with the aim of increasing awareness of the various SANAS services.

The focus for the year under review was aimed at educating the general public and particularly the youth about how SANAS benefits and impacts them in their daily lives. The department also continues to promote and facilitate engagements various stakeholders, including regulators, industry bodies, accredited bodies, assessors and tertiary institutions with the aim of building mutually beneficial relationships. Participation in annual stakeholders meetings, industry expo's and conferences, trade and public publications is of key importance in order to raise awareness.

Various informal and formal methods are used to increase awareness with the various stakeholders. Our aim is to engage, connect, nurture, spread the word and inspire.

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

### 13.2.3 Outputs, performance indicators, planned targets, and actual achievements

Outputs	Performance indicators/ Measures	Annual achievements 2017/18	Annual target 2018/19	Annual achievement 2018/19	Reasons for variance/ comment
Reduced vacancy rate (budgeted for vacancies only).	Percentage of vacancy rate.	8% (of 78 staff members).	7% (of 77 staff members).	4 % (of 77 staff members).	No variance.
Improve SANAS' operational efficiency through automation of SANAS' accreditation processes.	Number of processes automated.	Complete development and sign off of Shanduka Phase 2. Start procurement process for development of Shanduka Phase 3.	2 Development of Shanduka 3 continued. Continuation of further modules to be integrated in Shanduka Phase 3.	2 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 3. Development of automated email templates used for communication between SANAS and clients.	No variance.
Increased awareness of SANAS.	Accumulative number of communication events/initiatives held and participated in.	16 Cumulative.	18 Cumulative.	25 Cumulative.	No variance.
Provide input into the international accreditation requirements of ILAC and IAF.	Percentage input into the international accreditation requirements of ILAC and IAF.	95%	95%	91%	Responded to 10 of 11 requests for votes/input. Missed a vote on a document.

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

SANAS strives to provide input into the international accreditation requirements of ILAC and IAF, however we have since reviewed the measurements to ensure a more accurate and attainable target.

### 13.2.5 Changes to targets

One target was changed. The motivation for the change is as follows:

Target	Motivation for adjustment	2018/19	2019/20	2020/21
		Current Targets		
Number of processes automated.	The upgrade of the document and management system will be completed by February 2019, as a result the development of the automated email templates used for communication between SANAS and clients can only be completed in the 2019/20 Financial Year.	3 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 3.  Development of automated email templates used for communication between SANAS and clients.	3 Continuation of further modules to be integrated in Shanduka Phase 3.  Development of automated email templates used for communication between SANAS and clients.  SANAS E-learning Portal information gathering and service provider appointment.	1 Development of E-learning portal.
Target	Motivation for adjustment	2018/19	2019/20	2020/21
		New Targets		
		2 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 3.	3 Continuation of further modules to be integrated in Shanduka Phase 3.  Development of automated email templates used for communication between SANAS and Clients.  SANAS E-learning portal information gathering and service provider appointment.	1 Development of E-learning portal

### 13.2.6 Linking performance with budgets

The programme's actual expenditure was R4 216 186, of which 0% was spent on compensation of employees, 100% on goods and services, and 0% on capital assets.

2017/18			2018/19		
Budget	Actual expenditure	Under expenditure	Budget	Actual expenditure	Under expenditure
R4 396 595	R3 349 987	R1 046 608	R4 497 161	R4 216 186	R280 976

## 13.3 PROGRAMME 3: STRATEGY AND DEVELOPMENT

### 13.3.1 Purpose

The purpose of this programme is to provide effective leadership in developing new fields of accreditation, research and development, and knowledge transfer, to drive government's sub-regional, regional, and international objectives pertaining to IPAP. It also supports South Africa's objective of effective regional integration by playing a leadership role in accreditation development in SADC and on the African continent.

### 13.3.2 Description of the programme

The sub-programmes that fall under this programme include international and regional developments, knowledge transfer, and research and development.

#### International and Regional Development

SANAS continued its involvement in SADCA and AFRAC. SANAS plays a leadership role and providing Secretariat functions and the regional coordinator function for SADCA.

Through the leadership of SANAS, AFRAC achieved recognition status in the ILAC, MRA and the IAF multi-lateral arrangement (MLA) on 22nd May 2018.

In October 2018, AFRAC's scope of recognition was extended to include FSMS certification to ISO/IEC 17021-1:2015, ISO/TS 22003:2013.

The international recognition of the AFRAC MRA is a key milestone enabling full integration of Africa into the world trading system as it enhances regional and global market access, hence an enabler to accelerating economic growth within the continent for the fulfilment of Africa's aspirations as provided for in the African Union' Agenda 2063. The recognition of the AFRAC MRA supports regional and international trade by promoting confidence in, and acceptance of, results generated by accredited laboratories, inspection and certification bodies. Technical barriers to trade (TBTs) such as re-testing, re-inspection or re-certification of products/services each time they enter a new economy will thus be reduced if not eliminated.

## Knowledge Transfer



**Mandla Sithole, Acting Executive: Strategy and Development and Knowledge Transfer Manager**

The Knowledge Transfer Department (KTD) has maintained its national and international reputation as one of the continental leaders in the conformity assessment related training services. KTD's services include lateral services (training of SANAS staff members, lead and technical assessors); cognate services (training for the development of new accreditation fields); value-added services (accreditation-focused workshops); and commercial services (training of personnel from accredited conformity assessment bodies (CABs) and personnel from CABs preparing for accreditation). During the year under review, KTD successfully provided the following services:

- **Internal SANAS personnel training:** ISO/IEC 17011:2004 has been revised and published as ISO/IEC 17011:2017-Conformity Assessment Requirements for Accreditation Bodies Accrediting Assessment Bodies. SANAS is internationally recognised by the IAF, ILAC and AFRAC. As part of the international recognition, SANAS is required to meet the requirements of ISO/IEC 17011:2017. During the period under review the KTD conducted ISO/IEC 17011:2004 to ISO/IEC 17011:2017 transitions workshops for SANAS personnel who had already been trained on ISO/IEC 17011:2004. In addition, SANAS trained newly employed staff on ISO/IEC 17011:2017. The training gave personnel an understanding of the changes that have been introduced in the 2017 version of the standard including the concept of risk management.
- **SANAS resident and provincial courses – knowledge transfer centre:** 48 courses, attended by 785 candidates, were conducted over a total of 112 training days. Thirteen courses, attended by 163 candidates, were conducted over a total of 27 training days. The courses covered the following standards: ISO/IEC 17025:2017 version, ISO/IEC 17025:2005 to ISO/IEC 17025:2017 transition, ISO/IEC 17020:2012, ISO/IEC 15189:2015, SANS 10378:2012 and SANAS R47-02 for B-BBEE accreditation in the form of management systems, documenting the system, internal auditing, technical assessing techniques courses.
- **Technical and lead assessor courses:** two courses, attended by 33 candidates and conducted over six training days covered the following standards and normative documents: ISO/IEC 17020 and ISO/IEC 15189. One of the key changes in ISO/IEC 17011:2017 – Conformity Assessment – Requirements for Accreditation Bodies Accrediting Assessment Bodies is the introduction of the risk management concept and the requirement to train the accreditation body personnel, management and assessors on risk-based assessment principles. During the period under review, KTD conducted nation-wide introduction to risk management based on the ISO 30100:2018 risk management guidelines. The workshops which were attended by over 300 SANAS assessors in Gauteng, Cape Town and Durban. The workshops were designed as the foundation for the next phase of assessor training on risk based assessment practices to be conducted in their respective fields of expertise.

- **In-house courses:** Twenty-five courses, attended by 419 candidates took place in Gauteng, North West, Northern Cape, KwaZulu Natal, Eastern Cape, Western Cape, Mpumalanga: over 62 training days. The courses covered the following standards: ISO/IEC 17025:2017 version, ISO/IEC 17025:2005 to ISO/IEC 17025:2017 transition, ISO/IEC 17020:2012, ISO/IEC 15189:2015 in the form of management systems, documenting the system, internal auditing and technical assessing techniques ISO 17025 transition.
- **Overall in the 2018/19 financial year:** 95 courses, attended by 1758 candidates, were conducted over a total of 219 training days. SANAS KTD prides itself in delivering training services that meet and exceed its clients' expectations as evidenced by its annual customer satisfaction index of 96% across all services provided. The above success is attributed to the professionalism and dedication of a competent team of course facilitators and training coordinators.

## New Programme Development



**Tumelo Ledimo, Project Manager: Research & Development**

This sub-programme focuses on the development of new accreditation programmes in support of South African regulators that implement public policy or in response to market demand for conformity assessment schemes. For the year under review, new programme development worked on:

- Asset management systems (ISO 55001);
- Medical device and in-vitro diagnostics regulations South African Health Products Regulatory Authority (SAHPRA); and
- Draft conformity assessment framework for equipment authorisation Independent Communications Authority of South Africa (ICASA).
- **Asset management systems (ISO 55001):** Based on the market demand to improve confidence in asset management systems and to promote competitiveness and efficiency, SANAS initiated the development of asset management systems that will provide conformity assessment for recognition of technical competence of the certification bodies to certify organisations asset management system.

The South African Asset Management Association reported in 2013 that South African industry had physical assets were in excess of R2 trillion and operating expenditure at least R280 billion per annum. These values excluded government, agriculture and financial intermediation industries. Asset management includes the developmental and lifecycle cost of assets and has significant economic value and benefit, considering the value of nation's asset base and annual asset operating expenditure. It was therefore considered reasonable for South Africa to develop an accreditation scheme for asset management systems that would provide conformity assessments to recognise the technical competence of certification bodies to certify organisations' asset management systems.

- **Amendment to medical device and in-vitro diagnostics (ivds) regulations:** SANAS made submission to the SAHPRA on the anticipated amendments to the medical devices and IVDs



regulations. Regulations relating to medical devices and IVDs were published by the Minister of Health in the Government Gazette on 9 December 2016. Medical devices and IVDs have been to a great extent unregulated in South Africa. The new regulations are aimed at regulating medical devices and IVDs as defined in the Medicines and Related Substances Act 101 of 1965. The medical devices and IVDs regulations require importers, manufacturers, wholesalers and distributors obtain a licence from the regulatory authority, which is SAHPRA, in order to lawfully engage in import, manufacture, and distribute the medical devices and IVDs in South Africa.

- **Draft conformity assessment framework for equipment authorisation:** SANAS submitted written submission, followed by oral submission to ICASA on the promulgated draft conformity assessment framework for equipment authorisation. Key to the SANAS submission to ICASA was SANAS support to the risk profiling of equipment authorisation by ICASA and

not supporting the Self-Declaration of Conformity (SDoC) proposed in the said draft. SANAS rational in not supporting SDoC was the inappropriate product liability legislative regime in South Africa, and lack of post-market surveillance stated in the draft.

- **Incubation programme between SANAS and African National Energy Development Institute (SANEDI:** During the 2016/2017 financial year SANAS and the South SANEDI) concluded the terms of reference for their support to 10 SMMEs in the measurement and verification inspection programme. The main objectives of this incubation programme were to increase the number of inspection bodies for measurement and verification and the number of black businesses in the programme. Through continued training and support, the programme has now started to produce results with the first application for accreditation in progress.

### 13.3.3 Outputs, performance indicators, planned targets, and actual achievements

Outputs	Performance indicators/ Measures	Annual achievements 2017/18	Annual target 2018/19	Annual achievement 2018/19	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 (SANS/ ISO 55001) programme initiated.	1	Asset management (SANS/ ISO 55001) Programme initiated.	Target Not achieved  Technical Requirements Documents not developed.	Asset management programme development initiated.  Delays due to slow stakeholder participation.
Develop and roll out a system for accreditation in assigned areas.	Number of new accreditation programmes developed and rolled out.  Railway safety certification (IRIS standards).	1	Railways safety certification (IRS standards programme initiated).	Target Achieved  Railway certification programme initiated and a working group was established.	No Variance
Provide AFRAC secretariat function.	Number of meetings where secretariat support is provided.	4 meetings.	4 meetings.	Target Achieved  8 Meetings (Actual).	No Variance
Provide SADCA secretariat and regional coordination function.	Number of meetings where secretariat is provided.	4 meetings.	4 meetings.	Target Achieved  4 meetings (Actual).	No Variance

### 13.3.4 Strategy to overcome areas of underperformance

SAAMA has promoted the Asset Management system and registered its professionals with the South Africa Qualification Authority (SAQA). However, the adoption and implementation of the standard are not gaining traction. Consultative meetings with the stakeholders are in progress to promote participation in the development of the programme.

### 13.3.5 Changes to targets

One target was changed. The motivation for the change is as follows:

Target	Motivation for adjustment	2018/19	2019/20	2020/21
Number of new accreditation programmes developed and rolled out. Asset management (SANS/ ISO 55001) Programme initiated.	Further engagement with stakeholders took longer than originally anticipated thereby affecting further development of the programme.	Current Targets		
		0 Asset management (SANS/ ISO 55001). Programme initiated.	1	0
		New Targets		
		0 Asset management (SANS/ ISO 55001) Programme initiated.	1 Develop Programme further.	1 Roll out programme.
Number of new accreditation programmes developed and rolled out. Railway Safety Certification (IRIS Standards).	Further development of the programme was held back due to inevitable delay in the promulgation of regulations by the Railway Safety Regulator during the 2018/19 Financial year. Promulgation is projected to take place during 2019/20 financial year and further programme development in 2020/21.	Current Targets		
		0 Railway Safety Certification (IRIS Standards) Programme initiated.	1	0
		New Targets		
		0 Railway Safety Certification (IRIS Standards) Programme initiated.	0	1 Develop programme further.

### 13.3.6 Linking performance with budgets

The programme's actual expenditure was R2 953 053. Of this amount, 0% was spent on the compensation of employees, 100% on goods and services, and 0% on capital assets.

2017/18			2018/19		
Budget	Actual expenditure	Under expenditure	Budget	Actual expenditure	Under expenditure
R4 113 326	R2 924 829	R1 188 497	R4 356 495	R2 953 053	R1 403 442

## 13.4 PROGRAMME 4: ACCREDITATION PROVISION

### 13.4.1 Purpose

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

### 13.4.2 Description of the programme

This programme is responsible for managing the accreditation of new and existing clients in compliance with legislation and international good practice. Ensuring a competent pool of accredited conformity assessment services to the IPAP priority sectors is a key driver. The sub-programmes cover several accreditation programmes:



## Calibration laboratories



Neville Tayler, Accreditation Manager

Calibrations performed by SANAS-accredited calibration laboratories form the foundation of South African scientific and industrial activity. SANAS has been successful in the accreditation of calibration laboratories covering a wide range of technical disciplines, necessary to support continued growth in the industrial sector. The programme continues with the ongoing monitoring and training of technical assessors to support the activities of the programme. One of the challenges facing assessors is the requirement to conduct assessments against the revised requirements of the recently published ISO/IEC 17025:2017, which demand that accredited laboratories consider risk as part of their laboratory activities. On the 23 August 2018, a calibration workshop was held to ensure the ongoing training and development of assessors.

The calibration accreditation manager is currently a member of the ILAC accreditation issues committee and 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). He is also a trained AFRAC peer evaluator and during 2018 participated during in the European Accreditation (EA) review.

## Proficiency Testing (PT) providers

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

The number of accredited providers of proficiency testing schemes has grown steadily over the period. The diversity of the services available also increased and now include PT for medical, coal and other minerals, calibration, pesticides, food and water. This diversity of available proficiency testing makes it easier for South African testing and calibration laboratories to meet their obligations for proficiency testing, which is a requirement for accreditation.

The programme is in the process of seeking International recognition, and of ensuring that our assessors and accredited facilities are prepared for the evaluation scheduled to take place in June 2019.

## Producers of certified reference material

SANAS has accredited two facilities to produce and certify of reference material in South Africa. With the publication in 2016 of the ISO 17034 standard (previously an ISO guide), there has been increased interest in accreditation against the new standard and the provision of reference material for the mining and mineral sectors. SANAS has established a specialist technical committee to support and grow this niche area of accreditation.

A decision has been taken to seek international recognition for this programme, and in preparation for this, a training course for assessors and experts in this field was developed and presented on 5 and 6 February 2019. The current Chairperson of ISO REMCO was one of the presenters.

## Testing laboratories



Shadrack Phopi, Accreditation Manager

The accredited testing laboratories support South African manufacturing, exports, and IPAP priority sectors by providing objective evidence that a product or service conforms to certain customer requirements or specifications. The testing programme is one of the fastest-growing programme at SANAS, a trend that is likely to continue for the foreseeable future. The growth is owed to the diverse sectors that the programme is involved in such as mining, water, food and the environmental and chemical sectors. Ever-increasing consumer awareness of the importance of the quality and safety of the products they use is an additional driver of this steady growth. On average, the programme accredits 25 laboratories yearly, the 2018/2019 financial year is no exception with 24 laboratories already thus far. Currently, the testing programme has accredited laboratories in three of the five regions on the continent, namely southern, western and eastern Africa.

The standard that all accredited testing facilities have to comply with what was been revised and published in November 2017. The International Laboratory Accreditation Forum has allowed both SANAS and the accredited laboratories, (a period of three years) until 20 November 2020, to transition to the new standard. Accordingly, all the assessments during the 2019/20 financial year will be conducted with the aim of ensuring that all 296 accredited testing laboratories transition successfully before the cut-off date. In preparation for the transition, SANAS held several workshops and meetings in 2018 with both assessors and accredited laboratories to explain the requirements of the new standard and to outline how the transition will be handled.

## GLP monitoring authority

A GLP monitoring authority inspects test facilities and conducts audits to ascertain their degree of compliance to the OECD principles of GLP. These principles were developed to promote the quality and validity of test data used to determine the safety of chemicals and chemical products. Quality test data forms the basis for the mutual acceptance of data between countries. The application of these principles should help prevent the creation of barriers to trade and further improve the protection of human health and the environment.

SANAS is the official GLP monitoring authority in South Africa. As the only monitoring authority in Africa, SANAS' services are sought after in countries as far afield as Tanzania and Benin. These two countries have malaria research sites that are required to conduct studies for registration of much-needed malaria control vector products to comply with the OECD principles of GLP by the World Health Organisation (WHO). According to WHO, compliance to OECD principles of GLP enhances the quality and reliability of

research data, and it also significantly reduces delays associated with the registration of malaria control vector products. SANAS is the first monitoring authority to grant GLP compliance to two facilities out of the 14 WHO-sponsored research malaria sites in six different regions namely, East Africa, West Africa, the Americas, Western Pacific, Southeast Asia and Europe.

In South Africa it is not mandatory for test facilities that conduct safety studies to comply with OECD principles of GLP. Test facilities that are currently SANAS GLP compliant have done so of their own volition. Recently, however, there has been a surge in new applications, especially from test facilities in the pesticide industry. The sudden interest is in response to the Department of Agriculture, Forestry and Fisheries (DAFF's) intentions to legislatively mandate all residue studies to be conducted in accordance with GLP. Presently, consultations on the proposed regulation are underway with all the key stakeholders including SANAS. The number of GLP-compliant facilities has grown from eight to 11 with another four due to undergo initial inspections in the coming months.

The OECD GLP working group of which South Africa, through SANA, is part of has officially nominated South Africa as the host of the GLP training course in 2019. The course has been running since 1990, and 11 countries have the privilege of hosting it. Of the 11 countries, only four were outside Europe. The training will take place in Cape Town from the 7 to 10th October 2019 and 70 participants from at least 30 countries were expected to attend.

### Mechanical and Physical testing laboratories



**Thabo Chesalakile, Accreditation Manager**

Mechanical and physical testing laboratories are important in view of their direct impact on economic growth and the stability of technical infrastructure. They ensure that technical barriers to trade are minimised and that South Africa continues to honour WTO agreements.

The aim is that once products have been tested by accredited laboratories, they should be accepted everywhere hence the phrase "Tested once accepted everywhere".

Although SANAS continues to expand into new areas of accreditation much of its work is focused on the following fields:

- Automotive;
- Civil engineering;
- Electromagnetic compatibility (EMC);
- Electrical;
- Textiles;
- Physical testing; and
- Vehicle emissions.

Civil engineering laboratories alone contributed to a 5% increase with growth being both vertical and horizontal. The bulk of the programme income is generated by these laboratories.

South Africa has some of the best roads in Africa, thanks to the contribution of accredited laboratories that ensure adherence to the

relevant standards. Good roads support economic growth as goods and products can be transported with relative ease and speed.

Tertiary institutions that were previously reluctant to get accredited, have started to apply for accreditation. These laboratories make up less than 1% of the total accredited laboratories but more will be brought into the fold through awareness programmes. The accreditation offered by SANAS is highly beneficial for consumers, the manufacturers of goods, and the country's economy. Laboratories accredited by SANAS has been a member of ILAC since 1992.

Currently mine safety is a hot topic. SANAS-accredited laboratories ensure that mining equipment is tested against the applicable national and international standards to ensure the safety of miners.

### Legal Metrology

Legal metrology guarantees accuracy and fairness in commercial transactions and protects the health and wellbeing of members of society as well as the environment. Through consultation with all relevant stakeholders, **the dti** establishes the required legislation and applicable technical regulations. All activities are guided by the Legal Metrology Act, 2014 (Act No. 09 of 2014), the Accreditation Act, and related accreditation requirements.

Legal metrology verifies weights and measures, fuel pumps and weighing instruments used in stores. Every cent consumers spend counts, hence every measurement should be verified.

During the year under review, more than 149 accredited verification laboratories were successfully assessed to ascertain their competence to carry out the mandate from **the dti**. In addition, some laboratories expanded to include cryogenic meters.

The necessary measures have been taken to raise awareness about the importance of legal metrology at public institutions such as learning institutions.

Also, during the year under review, SANAS met the objective of having at least one competent assessor in each province, ensuring that expenses are kept under control while its consumer protection mandate is executed.

### Inspection bodies



**Linda Grundlingh, Accreditation Manager**

Inspection bodies operate predominantly in the regulatory domain where regulators, the industry, and citizens need assurance that inspections are carried out against set criteria, standards and regulations.

Accreditation for Inspection activities against ISO/IEC 17020 is growing rapidly internationally. In South Africa, growth has declined due to the current economic climate that is causing businesses to scale down or close. In the pressure vessels industry, cheaper imports have reduced South African manufacturing to a mere fraction of what it used to be. Even though the need for manufacturing inspections has declined, SANAS has seen moderate growth in the number of inspection bodies applying

for accreditation for statutory in-service inspection of existing pressure equipment.

In the previous reporting period, the new inspection field of energy performance certificates (EPC) for buildings was launched (SANS 1544:2014). However, growth in this field is slow given the fact that the regulations on energy performance certificates have not been promulgated. Good progress was made in the year under review and expectations are that the promulgation will take place in the second quarter of 2019. Following promulgation the energy performance of all government-owned and leased buildings will have to be certified by inspection bodies accredited by SANAS to ISO/IEC 17020 and SANS 1544. From there it will be rolled out to new construction and possibly, after assessing the cost-effectiveness, to existing buildings. Energy performance certificates will play an integral part in South Africa's efforts to become a more energy-efficient country.

An incubation programme was launched by SANAS and SANEDI in 2016 in the field of energy efficiency, measurement and verification (SANS 50010). The programme is aimed at increasing the number of accredited SMME facilities that conduct measurement and verification work in relation to the 12L tax incentive for energy saving. After successfully completing the training and personnel certification requirements for accreditation in this field, the first two facilities have applied for accreditation.

A small percentage of inspection bodies operate in the voluntary domain. Growth has occurred in two fields, namely the inspection of steel structures and the inspection of fire protection systems, fire detection, alarm systems and gaseous suppression systems for buildings. A new specialist technical committee was established in the field of fire detection and protection systems.

In the field of major hazard installations (MHI) a new standard was published, SANS 1461:2018 *Major hazard installations – Risk assessments*. It has been incorporated into the revised MHI regulations, making it compulsory for all accredited MHI inspection bodies to implement it. A period of 18 months has been allocated for the transition.

### Pharmaceutical laboratories



Lebogang Motsoeneng, Accreditation Manager

The pharmaceutical industry plays a vital role in the world as it discovers, develops, produces and markets pharmaceutical drugs. Accreditation ensures the safety of these drugs. The scope of accredited pharmaceutical laboratories ranges from microbiological and chemical tests, to the testing of vitamins, antibiotics, vaccines, pharmaceutical raw materials and finished products. SANAS works together with the World Anti-doping Agency (WADA) to enforce doping control as per the WADA International Standard for Laboratories (ISL) requirements.

The purpose of the ISL is to ensure production of valid test results and evidentiary data and to achieve uniform and harmonised results and reporting from all accredited WADA laboratories. The

publication of the ISO/IEC 17205: 2017 standard has prompted a review of the ISL, which is currently underway. It is anticipated that ISL, version 10.0 will be approved in May 2019. SANAS has nominated an ISL assessor in 2018 to be trained by WADA to ensure that SANAS can assess the WADA laboratory in South Africa. SANAS still has to tap into more pharmaceutical laboratories including those in manufacturing plants to give third-party attestation that the laboratories are competent to perform their task. SANAS takes this task seriously as it ensures the safety of ordinary citizens.

### Blood Transfusion facilities

Blood transfusion is a feature of modern healthcare. It is the responsibility of the national blood programme to provide an adequate supply of blood, and to ensure the quality of blood and blood products for clinical use. The burden of disease due to unsafe blood transfusion is eliminated or substantially reduced through an integrated strategy for blood safety. An important aspect of such a strategy is the testing of all donated blood, including screening for transfusion transmissible infections, blood group and compatibility. SANAS-accredited blood banks and laboratories ensure that testing is done according to the requirements of the standard of practice for blood transfusion as well as an ISO standard.

### Veterinary laboratory

Valid laboratory results are essential for diagnosis, surveillance and trade. ISO/IEC 17025 accredited veterinary laboratories enhance economic vitality and quality of life for all citizens by promoting healthy livestock and companion animals, enhancing the safety of food and feed products, protecting wildlife resources through timely disease detection, and enhancing understanding of diseases. SANAS works with DAFF to ensure that all veterinary laboratories that test controlled and notifiable diseases are accredited. This period under review has seen a few state laboratories achieving accreditation. Accredited facilities are able to get DAFF approval and resume their work.

In June 2018, SANAS had its first meeting with the South African Veterinary Council (SAVC). The purpose of the meeting was to ensure that SANAS verifies the statutory requirements when assessing all veterinary laboratories. The meeting led to improved communication between SANAS and SAVC's and mutual understanding of both organisation's objectives.

After the publication of ISO/IEC 17025: 2017 in November 2017 and the adoption thereof by the South African Bureau of Standards (SABS) in June 2018, SANAS held assessor training workshops in August 2018 in Gauteng, KwaZulu Natal and the Western Cape. These workshops ensured that the assessors were trained on the requirements of the new standard, the interpretation thereof and the SANAS transition process. SANAS has been assessing facilities since December 2018 on the new ISO/IEC 17025: 2017 ensuring that the transition deadline of November 2020 as set by ILAC is met.

### Forensic laboratories

Forensic laboratories are crucial to our criminal justice system. Their scientific examination of physical evidence aids in the investigation of crimes and the prosecution of criminals.

## Broad-Based Black Economic Empowerment (B-BBEE) verification agencies



Mokgadi Rameetse, Accreditation Manager

Accredited broad-based black economic empowerment (B-BBEE) verification agencies support government's objective of broader participation of PDIs in the mainstream economy. To date SANAS has ten sector codes gazetted for implementation.

### • Youth Employment Service (YES) Initiative

Since the dti published gazette no 41866 for the YES initiative, there has been a clear sense of urgency within government to activate this job creation programme. The YES initiative is extended to the sector codes but will exclude the transport sector since YES falls within statement 000 of the Amended Codes of Good Practice and the various transport sector codes are still based on the old codes.

The YES initiative effectively enables an entity to move one or two BEE levels via the take-on fee and the annual cost of stipends paid to Black young people it employs.

### • Defence Sector Code

The defence sector code that the dti published (gazette No 42021) provides a motivation for defence procurement to drive local manufacture, increase local suppliers, to build black-owned entities within the sector and to optimise local intellectual property and R&D. There is also support for black military veterans.

### • Mining sector Charter

The Mining Charter was gazetted on 27 September 2018 by Mineral Resources Minister, Gwede Mantashe. As this publication was done in terms of the Mineral and Petroleum Resources Development Act, Act 28 of 2002 and not the Broad-Based Black Economic Empowerment Act, Act 53 of 2003, SANAS will not be accrediting it.

The B-BBEE programme has accredited 82 verification agencies as at March 2019. SANAS has improved the relationship with all its stakeholders, including the sector code.

## Medical laboratories



Barbara Mokgethwa, Accreditation Manager

The credibility of results issued by an accredited medical laboratory is paramount to the health and safety of patients. Laboratory tests inform up to 80% of a physician's diagnosis and treatment choices. It is therefore crucial that the results issued by medical laboratories are accurate and reliable.

The medical programme offers accreditation to all medical laboratories in South Africa as well as laboratories in SADC.

SANAS has expanded its footprint by accrediting laboratories in Cameroon, Namibia, Nigeria, Kenya, Uganda, Zimbabwe and Ghana. Laboratories in Rwanda have expressed interest in being accredited by SANAS.

In the 2018/2019 fiscal year, 35 laboratories were accredited, of which nine were regional laboratories. This is a 10% increase on the number of facilities accredited in the 2018/19 fiscal year compared to the 2017/18 fiscal year and illustrated the demand for accreditation. Assessors in all provinces were trained to reduce travel costs and increase. Technical assessors are being upskilled to be lead assessors. This will save costs especially in regional assessments as one person can conduct both lead and technical assessments.

## Certification bodies



John Ndiamo, Accreditation Manager

SANAS provides accreditation to ISO/IEC 17021-1, ISO/IEC 17065, ISO/IEC 17024, and ISO 14065 to CABs that certify management systems, products, processes, services, persons and greenhouse gases. SANAS proactively manages accreditation of management system certification schemes which include quality management systems (ISO 9001), environmental management systems (ISO 14001), occupational health and safety management systems (BS OHSAS 18001/ISO 45001), food safety management systems (ISO 22000), energy management systems (ISO 50001), and road transport management systems (SANS 1395-1). SANAS cultivates a culture of customer-centricity and brand pride through strategic leadership in the development of transition arrangements in standards such as ISO 9001, ISO 14001, and ISO 45001.

SANAS continues to develop and launch market-relevant accreditation schemes for modern, risk-based management systems in order to achieve business sustainability. This includes management system standards such as ISO 13485, which is an increasingly important differentiator for organisations in the medical device sector. The primary objective of ISO 13485 certification is to facilitate harmonised quality management system (QMS) requirements for regulatory purposes in the medical device sector. However, companies also value it for the increased confidence it gives patients and other stakeholders through its implicit promise of quality, consistency and continuous improvement.

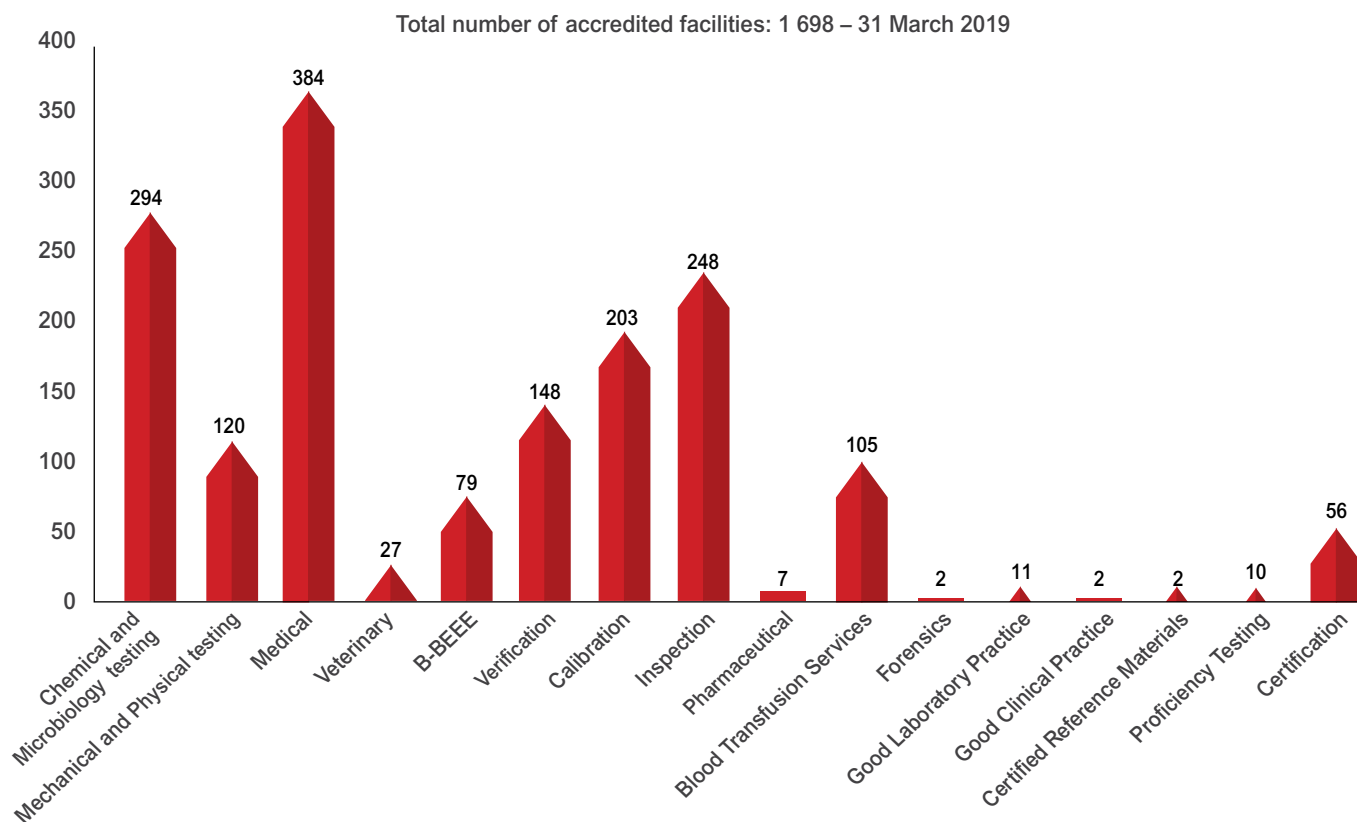
SANAS continues to establish stakeholder partnerships and regulatory alliances by launching industry-relevant accreditation schemes such as ISO 3834. ISO 3834 which defines quality requirements for fusion welding processes of metallic materials. When demonstrating of a manufacturer's capability to produce welded constructions, adherence to specified criteria is required. Assessment of conformity with the requirements of ISO 3834 should be of sufficiently rigorous to confirm that the manufacturer has the welding capabilities and controls, that allow it to produce welded construction to the specified requirements.

The above developments call for a drive to strengthen the SANAS

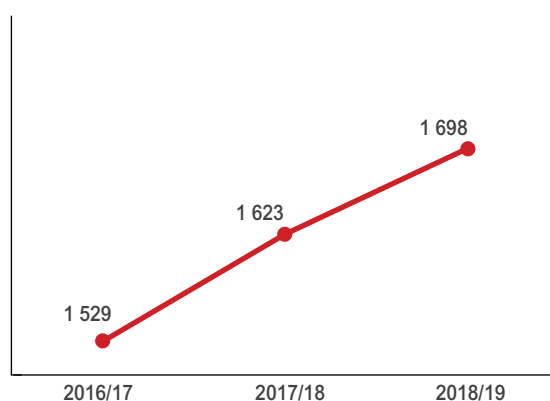


brand and stakeholder interface by proactively monitoring the internal and external risk landscape and, most importantly, by recruiting a diverse pipeline of qualified individuals that represent

South African demographics to meet the future accreditation needs. To this end, 80% of trained assessors in the various SANAS accreditation schemes are PDIs.



**Annual growth of accredited facilities**



### 13.4.3 Outputs, performance indicators, targets, and actual achievements

Outputs	Performance indicators/ Measures	Annual achievements 2017/18	Annual target 2018/19	Annual achievement 2018/19	Reasons for variance/ comment
<b>STRATEGIC OBJECTIVE 2: Contribute to industrial development and the protection of health and safety, and the environment</b>					
Expand the number of accredited organisations in the fields of testing, inspection, calibration, certification and other conformity assessment services.	Total number of accredited facilities.	1 540	1 550	1 698 Target overachieved.	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.	1 316	1 397	1 452 Target overachieved.	No variance.
Diversified assessor pool by increasing the registration of previously disadvantaged assessors.	The total number of previously disadvantaged assessors registered with SANAS in the projected pool of 500 assessors.	270	280	291 Target over achieved.	No variance.
Accreditation certificates.	Time-frame for issuing certificates after completion of approval process.	18	16	12 Target achieved.	No variance.

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

The programme did not have any areas of under-performance.

#### 13.4.5 Linking performance with budgets

The programme had actual expenditure of R56 981 785, of which 48% was used for the compensation of employees, 45% for goods and services, and 0% for capital assets.

2017/18			2018/19		
Budget	Actual expenditure	Under expenditure	Budget	Actual expenditure	Under expenditure
R52 387 359	R52 267 591	R119 768	R53 239 806	R56 981 785	R3 741 179

## 14. TRANSFER PAYMENTS

During December 2018, 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. The reduction in interest income after final payment of the new office building placed the entity's financial position under pressure. Therefore, SANAS cannot afford without putting the sustainability of the entity at risk. Further cost-saving measures, cost containments and additional streams of income to manage its financial challenges. Failure to cover future financial gaps raises the risk of SANAS not being able to effectively deliver on its mandate.

## 15. REVENUE COLLECTION

Source of Revenue	2017/18			2018/19		
	Budget R'000	Actual R'000	Variance R'000	Budget R'000	Actual R'000	Variance R'000
Accreditation	55 365	57 806	2 441	60 260	64 430	4 170
Training	7 335	9 432	2 097	11 124	10 397	(727)
<b>Total</b>	<b>62 700</b>	<b>67 238</b>	<b>4 538</b>	<b>71 384</b>	<b>74 827</b>	<b>3 443</b>

The SANAS accreditation fee income consists of annual fees, and additional accreditation services requested by customers. The revenue collection policy differs for these two categories. Annual fees have to be paid by 31 May each year. For additional services, customers have to pay before the service is delivered in order for SANAS to make travel arrangements.

SANAS issues invoices for additional accreditation services upon request. However, the recognition of income only occurs when the service has been delivered. Although deviation from this policy is allowed in special circumstances, such deviations are kept to a minimum to keep control over debtors. Therefore, the under-collection at year end predominantly relates to annual fees.

SANAS' earns training revenue by charging for attendance of courses offered through the KTD. Although payment is usually required at registration, some clients have made arrangements to settle accounts at a later stage. Certificates are not issued until full payment is received.

## 16. CAPITAL INVESTMENT

Infrastructure projects	2017/18			2018/19		
	Budget R'000	Actual expenditure R'000	Under expenditure R'000	Budget R'000	Actual expenditure R'000	Under expenditure R'000
Acquisition of immovable property	73 208	–	73 208	58 000	64 418	(6 418)
Furniture and office equipment	–	–	–	15 000	3 729	11 271
Computer equipment	–	–	–	250	2 875	(2 626)
Intangible assets	–	–	–	1 300	1 033	267
<b>Total</b>	<b>73 208</b>	<b>–</b>	<b>73 208</b>	<b>74 550</b>	<b>72 056</b>	<b>2 494</b>

The registration of the building was completed at the end of July 2018, at which time payment was made using ring-fenced funds. The variances noted in the table above relate to classifications of the various components as per the GRAP requirements. The overall project was completed within budget as noted in the table.



# PART C

## GOVERNANCE



## 17. INTRODUCTION

The Board of Directors are committed to effective corporate governance to ensure that 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.

The Board, as the custodian of corporate governance, ensures that SANAS endorses and implements the Code of Corporate Practices and Conduct contained in King IV. SANAS complies with the prescripts of King IV, to the extent applicable to the entity.

The Board is cognisant of the benefits that SANAS derives from good corporate citizenship by adhering to the prescripts of King IV. Accordingly, the Board considers SANAS' financial and non-financial performance, alike, aiming to achieve a balance of integrated economic performance, service delivery, and social and environmental performance.

SANAS continually strives to improve its compliance with the prescripts of King IV. SANAS' compliance is monitored by the Board and the respective sub-committees.

### IT RELATED GOVERNANCE

#### IT compliance and governance

Due to the economic sector in which we serve and in line with corporate governance, governance, risk and compliance is integral and core to our business, therefore, SANAS ICT business unit has on its radar, formal IT governance frameworks such as:

- 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 to SANAS' needs
- CMMI (Capability Maturity Model Integration) for the development and/or improvement our processes that meet business goals

Furthermore, the SANAS ICT business unit researches possible solutions for the processing and protection of personal information and data in line with the imminent implementation of the Protection of Public Information (POPI) Act.

As part of Information Security Governance, we have embarked on reviewing our policies and processes to ensure compliance to our adopted Information Security framework (i.e. ISO/IEC 27001 Standard), new legislation or regulation in the accreditation environment and accommodate new technologies and architecture associated risks.

### 17.1 PORTFOLIO COMMITTEE

The Portfolio Committee on Trade and Industry exercises oversight over the service delivery performance of SANAS and, as such, reviews the non-financial information contained in the annual report. The committee is concerned with service delivery and enhancing economic growth.

### 17.2 EXECUTIVE AUTHORITY

In terms of Section 6(2)(b) of the Accreditation Act, the Minister of Trade and Industry is the Executive Authority, as contemplated

in Section 52 of the PFMA. The oversight function of the executive authority rests by and large on the prescripts of the PFMA. The PFMA governs and gives authority to the executive authority oversight powers.

SANAS met with the Minister of Trade and Industry and senior staff members of **the dti** as depicted below.

Date	Reason for engagements
10 April 2017 18 January 2018	IPAP discussion and reporting on entity's contributions

All quarterly reports were successfully submitted to the executive authority on the last day of the month following the quarter end.

## 17.3 THE BOARD

### 17.3.1 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 confirms its commitment to the highest standards of corporate governance and recognises that practices and procedures can always be improved. Therefore, the Board will continually review SANAS' own norms and standards.

SANAS is and 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 as captured in the King Code and the PFMA, which is an integral part of SANAS' objectives.

The primary objective of any system of corporate governance is to ensure that the Board and management, who manage the day-to-day operations of SANAS, carry out their responsibilities faithfully and effectively, 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.

The Board, as the Accounting Authority, is accountable to the executive authority and is ultimately responsible for the implementation of sound corporate governance practices in accordance with the relevant provisions of King IV and **the dti**/SANAS Shareholders' Compact, as agreed to between the Executive Authority and the Accounting Authority. The Board and its sub-committees will continue to consider and pay attention to issues of governance, including transparency, disclosure, financial control and accountability, during the next financial year and thereafter.

The Board has grown from strength to strength in executing and realising its roles and responsibilities in accordance with its governing terms of reference. These governing terms of reference which are aligned with the latest developments in corporate governance.

SANAS has to a degree complied in material respects, with the requirements of King IV, insofar as it relates to SANAS and its legislatively entrenched mandate, as a schedule 3A public entity.

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 company's expense. They also have unrestricted access to all company information, records, documents and property. The Board meets at least four times a year, additional meetings are convened at short notice to consider specific business. The Board has delegated specific responsibilities to the subcommittees that are chaired by independent non-executive Directors. All sub-committees have specific terms of reference.

### 17.3.2 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 and the Accreditation Act, it also does the following:

- 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 and, as it sees fit, amends, develops and implements any rules, regulations and procedures of committees which may be necessary in the opinion of the Board
- 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, as well as regional and international accreditation logos

- Approves all permanent positions of executive positions

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

### 17.3.3 Composition of the Board

The composition of the Board is premised on a unitary board structure that 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 10 and no more than 15 members.

The Board therefore comprises 11 members, all of whom are appointed by the Minister of Trade and Industry as the executive authority of SANAS. There are eight non-executive directors and three executive directors, namely the CEO, CFO and 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 members of the Board is evaluated annually to ensure their effectiveness and to identify any areas of 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 of a significantly high standard.

## OUTGOING BOARD MEMBERS

Name	Designation	Date appointed	Date on which appointment expires	Qualifications	Area of expertise	Other committees
Mr Prags Govender	Chairperson of the Board	1 December 2013	30 November 2018	MSc (USA) MBA (USA)	Biology Chemistry Governance	
Mr Phakamisa Zonke**	Chairperson of the Audit and Chairman Risk Committees	1 December 2013	30 November 2018	CA (SA)	Accountancy Finance and Property	Audit Committee Risk Committee
Mr Vernon Seymour	Chairperson of the Human Resources and Remuneration Committee	1 December 2013	30 November 2018	LLM from Harvard University	Law	Human Resources and Remuneration Committee
Ms Berenice Lue Marais	Non-executive director	1 December 2013	30 November 2018	MBA from American University KOGOD School of Business	Finance Development	

## OUTGOING BOARD MEMBERS (continued)

Name	Designation	Date appointed	Date on which appointment expires	Qualifications	Area of expertise	Other committees
Mr Jacob Malatse	Non-executive director	1 December 2013	30 November 2018	MPhil from University of Stellenbosch	Engineering	Audit Committee Risk Committee
Mr Tervern Jaftha	Non-executive director	1 December 2013	30 November 2018	BA Admin from University of Pretoria	Quality Standards	Human Resources and Remuneration Committee
Ms Nomkhosi Magwaza	Non-executive director	1 December 2013	30 November 2018	MBA from University of Durban-Westville	Black Economic Empowerment	Human Resources and Remuneration Committee
Ms Anna-Marie Lötter	Non-executive director	1 December 2013	30 November 2018	MPhil from University of Pretoria	Industrial development and Technical infrastructure	
Ms Jennifer Rathebe	Non-executive director	1 December 2013	30 November 2018	MSc in Chemistry from University of Salford	Chemistry and Biology	Human Resources and Remuneration Committee
Mr Aluwani Ramabulana	Non-executive director	1 December 2013	30 November 2018	BSc from Oregon State University MBA from Nyenrode University	Engineering Transport Finance	Audit Committee Risk Committee
Mr Ron Josias	CEO	Not applicable	Not applicable	MBA from University of Wales MPhil: International Management from University of Pretoria	Engineering Management	
BY INVITATION						
Mr Dawood Petersen	Company secretary	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Mr Lunga Saki	Acting CFO	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Mr Ismail Abdoola	CFO	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

## INCOMING NEW BOARD MEMBERS

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 Masters in Public Administration	Human Resources and 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 and Finance

## INCOMING NEW BOARD MEMBERS (continued)

Name	Designation	Date appointed	Date on which appointment expires	Qualifications	Area of expertise
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 Ron Josias	CEO	Not applicable	Not applicable	MPhil: International Management Masters 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
Mr Samuel Mlangeni	Non-executive Director	1 December 2018	30 November 2023	MPhil Engineering Management Senior Executive Programme in Business Leader Development BTech Engineering: Mechanical National Diploma in Engineering: Mechanical Trade certificate in aircraft mechanic	Engineering, Management, Aviation
Mr Ismail Abdoola	CFO	1 December 2018	30 November 2023	CA (SA) Bachelor of Commerce (Honours) Bachelor of Commerce	Finance, Risk and Accountancy

## INCOMING NEW BOARD MEMBERS (continued)

Name	Designation	Date appointed	Date on which appointment expires	Qualifications	Area of expertise
Ms Patricia Tlou	Non-executive director	1 December 2018	30 November 2023	Masters in Public Administration Higher Education in Management B.Administration National Diploma in Public Administration	Administration Accreditation
Mr Tom Tshitangano	Chairperson of the Information Communications and Technology Strategy Sub-Committee	1 December 2018	30 November 2023	MComm Development Finance BSc Information Systems and Computer Science Post-graduate diploma in Business Administration National Diploma in Computer Systems Engineering	Information and Communications Technology and Finance
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
BY INVITATION					
Mr 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.

The table that follows depicts the attendance of Board members in the year under review.

Board member	Meeting attendance records							
	24 May 2018	27 July 2018~	13 September 2018	18 October 2018~	21 November 2018	21 November 2018~	19 December 2018~	18 March 2019~
Mr Prags Govender	✓	✓	✓	✓	✓	✓	*****	*****
Mr Phakamisa Zonke	✓	✓	✓	✓	✓	✓	*****	*****
Mr Vernon Seymour	✓	✓	✓	✓	✓	✓	*****	*****
Ms Berenice Lue Marais	✓	✓	✓	**	✓	✓	*****	*****
Mr Jacob Malatse	✓	✓	✓	**	✓	✓	*****	*****



Board member	Meeting attendance records							
	24 May 2018	27 July 2018~	13 September 2018	18 October 2018~	21 November 2018	21 November 2018~~	19 December 2018~	18 March 2019~
Mr Tervern Jaftha	✓	—	✓	**	✓	✓	*****	*****
Ms Nomkhosi Magwaza	✓	✓	✓	**	✓	✓	*****	*****
Ms Anna-Marie Lötter	✓	✓	✓	**	✓	✓	*****	*****
Ms Jennifer Rathebe	✓	✓	✓	**	✓	✓	*****	*****
Mr Aluwani Ramabulana	✓	—	—	**	—	—	*****	*****
Mr Ron Josias	✓	✓	✓	✓	✓	✓	✓	✓
Mr Lulama Mayedwa	*	*	*	*	*	✓	✓	✓
Ms Lerato Mothae	*	*	*	*	*	✓	✓	✓
Mr Fezile Wetes	*	*	*	*	*	—	✓	✓
Mr Ismail Abdoola	*	*	*	*	*	*	✓	—
Dr Tshenge Demana	*	*	*	*	*	*	*	—
Dr Sarah Mohlala	*	*	*	*	*	✓	—	✓
Mr Samuel Mlangeni	*	*	*	*	*	✓	—	—
Mr Mpho Phaloane	*	*	*	*	*	*	✓	✓
Ms Patricia Tlou	*	*	*	*	*	—	✓	✓
Mr Tom Tshitangano	*	*	*	*	*	✓	✓	—
BY INVITATION								
Mr Dawood Petersen	✓	✓	✓	**	✓	✓	✓	✓
Mr Lunga Saki	✓	—	*****	*****	*****	*****	*****	*****
Mr Ismail Abdoola	*	✓	✓	**	✓	✓	✓	—

\*Not yet appointed \*\*Not invited \*\*\*On annual leave ✓Attended \*\*\*\*Resigned \*\*\*\*\*Contract expired ~ Special Board meeting ~~ Board handover meeting \*\*\*\*\* Term of appointment expired – Absent and/or apology

#### 17.3.4 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. Eight 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.

#### 17.3.5 Committees

The Board formally delegates duties of management through different structures, such as the responsibility and accountability for operations to the executive management committee. The sub-committees of the Board are appointed according to the skills set required by such committees. These sub-committees are the Human Resources and Remuneration Committee, Audit Committee and Risk Committee.

##### 17.3.5.1 Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee is tasked with providing the Board with recommendations on policy matters relating to the following:

- The recruitment of the CEO;
- Recruitment, benefits, incentives and bonus arrangements of employees;
- Succession and retention planning for senior staff members, including the CEO;
- Areas of scarce and critical skills; and

- The meeting of equity targets.

This committee held seven meetings during the year under review. It confirms that it has conducted its affairs in accordance with its terms of reference and has discharged all its responsibilities as set out therein and delegated to it by the Board.

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

- Annually reviewing the remuneration terms and conditions and making recommendations to the Board;
- Considering any changes to the employee benefit structures and making recommendations to the Board;
- Considering the remuneration, incentive and benefit arrangements of the CEO, including pension rights and any compensation payments, and making recommendations to the Board;
- Considering 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;
- Reviewing the Human Resources Strategy and Human Resources policies, and making recommendations to the Board
- Promoting and fostering a culture of excellence throughout SANAS; and
- Ensuring compliance with applicable legislation and regulations.

### 17.3.5.1.1 Remuneration Policy

SANAS aims to attract, retain and motivate employees of the highest calibre, while at the same time aligning its remuneration packages with market-related remuneration based on best practice and benchmarking with similar organisations. SANAS'

approach to remuneration is all-inclusive, balanced and mindful of the following elements:

- A guaranteed cost-to-company remuneration package;
- Eligibility for a discretionary performance bonus;
- Individual growth and development; and
- A stimulating and professional work environment.

Following is the meeting attendance records for the outgoing Human Resources and Remuneration Committee members

Board member	Meeting attendance records						
	08 May 2018	27 June 2018 <sup>~</sup>	05 July 2018	19 July 2018	12 September 2018	06 November 2018	15 November 2018
Mr Vernon Seymour (Chairperson)	✓	✓	✓	✓	✓	✓	✓
Ms Jennifer Rathebe	✓	✓	✓	✓	✓	✓	✓
Ms Berenice Lue Marais	*	*	*	*	✓	✓	✓
Mr Tervern Jaftha	–	✓	✓	–	–	–	–
Ms Nomkhosi Magwaza	✓	–	–	✓	✓	✓	–
BY INVITATION							
Mr Dawood Petersen	✓	**	**	✓	✓	✓	✓
Mr Ron Josias	**	**	✓	**	✓	✓	***
Ms Busi Radebe	–	**	**	✓	✓	✓	–
Ms Diana Mbatha	✓	**	**	–	–	–	–
Mr Ismail Abdool	**	**	**	✓	**	**	**

<sup>\*</sup>Not yet appointed    <sup>\*\*</sup>Not invited    <sup>\*\*\*</sup>On annual leave    ✓Attended    <sup>\*\*\*\*</sup>Resigned    <sup>\*\*\*\*\*</sup>Contract expired    <sup>~</sup>Special Board meeting    <sup>~~</sup>Board handover meeting  
<sup>\*\*\*\*\*</sup>Term of appointment expired    – Absent and/or apology

### 17.3.5.1.2 Human Resources and Remuneration Committee Membership and Attendance

The Human Resources and Remuneration Committee currently comprises four non-executive directors.

### 17.3.5.2 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 to discharge its duties relating to the safeguarding of assets and liabilities, and the operation of adequate systems of control. It is also tasked with reviewing financial information and preparing annual financial statements.

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.

#### 17.3.5.2.1 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 conducted its affairs in compliance with these terms of reference. Furthermore, the Audit and Risk Committee ensured compliance with the relevant provisions of the Shareholders' Compact entered into between SANAS and the

dti. The Audit and Risk Committee performs an oversight function and advises the Board in carrying out its responsibilities. These include responsibilities relating to financial, management and other reporting practices; internal controls and the management of risks; 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 during the course of carrying out its duties that it considers to be significant.

The Audit and Risk Committee performs or undertakes, on behalf of the Board, any other tasks or actions as the Board may authorise from time to time.

Additionally, the Audit and Risk Committee does the following:

- Reviews and assesses the adequacy of management reporting to the Board and management in terms of the quantity, quality, and timing of information necessary to understand and report internally and externally on SANAS' operations and financial condition;
- Reviews the accounting policies and practices in view of the applicable statutory requirements and generally accepted accounting principles, and evaluates SANAS' financial statements for reasonability and accuracy;
- Satisfies itself with regard to the integrity and prudence of management control systems, including the review of policies and/or practices;
- Ensures that the Board and management are aware of any matters that might have a significant impact on the financial condition or affairs of SANAS; and
- Monitors the accomplishment of established objectives through the mission statement, business plan, and transformation process.

### 17.3.5.2.2 Audit Committee membership and attendance

The Audit Committee comprises three members, with the chairperson being a non-executive director. In accordance with its charter, the Audit Committee is required to meet at least four times during a financial year. During the year under review, the Audit Committee held four meetings.

Following is the meeting attendance records for the outgoing Audit Committee members:

Board Member	Meeting attendance records			
	Meeting date 11 May 2018	Special meeting date 20 July 2018	Meeting date 20 August 2018	Meeting date 16 November 2018
Mr Phakamisa Zonke (Chairperson)	✓	✓	✓	✓
Mr Jacob Malatse	✓	✓	✓	✓
Mr Aluwani Ramabulana	✓	–	–	–
By invitation				
Mr Dawood Petersen	✓	✓	✓	✓
Mr Ron Josias	✓	✓	✓	***
Mr Ismail Abdoola	*	✓	✓	✓
Mr Lunga Saki	✓	✓	****	*****
Mr Luigi Muto	✓	✓	–	✓

\*Not yet appointed \*\*Not invited \*\*\*On annual leave ✓ Attended \*\*\*\*Resigned \*\*\*\*\*Contract expired \*\*\*\*\* Term of appointment expired – Absent and/or apology

### 17.3.5.3 Risk management

The Board acknowledges that it is responsible for the entire process of risk management, as well as forming its own opinion on the effectiveness of the process. The Board has established a Risk Committee that operates under an appropriate charter and is chaired by an independent non-executive member. The Risk Committee's mandate is to assess the effectiveness of SANAS' risk management process. SANAS' management is accountable for designing, implementing and monitoring the process of risk management and integrating it into the organisation's day-to-day activities.

Under the supervision of the Risk Committee, SANAS' management assessed, reviewed and updated the organisational risk management framework during the period under review. 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 Risk Committee performs an oversight function and advises the Board primarily on matters relating to risks that SANAS is and may be exposed to.

More specifically, the Risk Committee does the following:

- Monitors 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 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 a risk management framework to be recommended for approval to the Board;

- Monitors the implementation of the risk management framework by means of risk management systems and processes, and quarterly reports;
- Makes recommendations to the Board concerning SANAS' levels of risk tolerance and appetite;
- Obtains assurance that risks are managed within the levels of tolerance and appetite as approved by the Board;
- Ensures that the risk management plan is widely disseminated throughout SANAS and integrated into its day-to-day activities;
- Obtains assurance that risk management assessments are performed on an ongoing basis;
- Obtains assurance that frameworks and methodologies are implemented to increase the ability to anticipate unpredictable risks;
- Obtains assurance that SANAS considers and implements appropriate risk strategies and responses;
- Obtains assurance that continuous risk monitoring by SANAS takes place;
- Liaises closely with the Human Resources and Remuneration Committee to exchange information relevant to risk;
- Expresses its formal opinion to the Board on the effectiveness of the system and process of risk management; and
- Reviews reports concerning risk management to be included in the integrated report to ensure that it is timely, comprehensive and relevant.

### 17.3.5.3.1 Risk Committee membership and attendance

The risk function was previously managed by the Audit Committee. It has now been separated, and a Risk Committee was constituted that operates independently of the Audit Committee. The Risk Committee comprises three members, with the chairperson being a non-executive director.

Following is the meeting attendance records for the outgoing Audit and Risk Committee members:

Board Member	Meeting attendance records			
	Meeting date 11 May 2018	Special Meeting date 20 July 2018	Meeting date 20 August 2018	Meeting date 16 November 2018
Mr Phakamisa Zonke (Chairperson)	✓	✓	✓	✓
Mr Jacob Malatse	✓	✓	✓	✓
Mr Aluwani Ramabulana	✓	–	–	–
By invitation				
Mr Dawood Petersen	✓	✓	✓	✓
Mr Ron Josias	✓	✓	✓	***
Mr Ismail Abdoola	**	✓	✓	✓
Mr Lunga Saki	✓	✓	*****	*****
Mr Luigi Muto	**	**	–	✓

\*Not yet appointed \*\*Not invited \*\*\*On annual leave ✓Attended \*\*\*\*Resigned \*\*\*\*\*Contract expired \*\*\*\*\* Term of appointment expired – Absent and/or apology

## 17.4 INTERNAL CONTROL

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

## 17.5 COMPLIANCE WITH LAWS AND REGULATIONS

The Board, with the assistance of the Audit and Risk Committee, ensures that SANAS' management has the necessary mechanisms in place for compliance with all the pieces of legislation and regulations governing its activities.

Carrying out this responsibility entails:

- Reviewing policy documents, which should incorporate compliance with laws, regulations, ethics, and policies, and compliance with rules regarding conflict of interest;
- Monitoring compliance with policies and procedures;
- Taking note of significant cases of employee conflict of interest, misconduct or fraud, and the resolution of such cases;
- Reviewing the internal auditor's report(s) relating to the scope of reviews of compliance and the resolution of findings and follow-up on recommendations;
- Monitoring developments and changes in legislation relating to the responsibilities and liabilities of SANAS' management, and monitoring and reviewing the extent to which SANAS meets its obligations;
- Monitoring developments and changes in the legislation and regulations that relate to SANAS' operations; and
- Monitoring and reviewing the extent to which SANAS complies with such legislation

## 17.6 FRAUD AND CORRUPTION

SANAS manages fraud, corruption, theft, maladministration and any other dishonest activities of a similar nature. These are managed in accordance with the provisions with its guiding policy, the Anti-fraud and Corruption Policy, as well as the Fraud Prevention Plan and Anti-fraud Charter.

SANAS employees are obliged to report all incidents of fraud, corruption, theft, maladministration or any other dishonest activity of a similar nature to their managers. If employees are uncomfortable with reporting such matters to their managers, they should report the matter to their manager's superior, with final recourse to the CEO. Employees may also report such matters to the Human Resources Department if they wish to remain anonymous or for any other reason.

All managers are responsible for the detection, prevention and investigation of fraud, corruption, theft, maladministration or 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 responsibility to conduct investigations relating to allegations of fraud, corruption, theft, maladministration or any other dishonest activity of a similar nature resides with the CEO.

The confidentiality of whistle blowers is protected in accordance with the Protected Disclosures Act, Act No. 26 of 2000. No cases were reported in the period under review.

## 17.7 MINIMISING CONFLICT OF INTEREST

SANAS, as part of the dti's Council of Trade and Industry Institutions (COTII), acknowledges the importance of ensuring that potential conflicts of interest are mitigated. In this regard, SANAS has implemented adequate measures to ensure that possible conflicts of interest do not exist.

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

## 17.8 CODE OF CONDUCT

SANAS' Code of Conduct is governed by its Code of Ethics and Business Conduct. The Code of Ethics and Business Conduct sets out the following:

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

SANAS places a strong emphasis on the implementation of the Code of Ethics to ensure that all employees and stakeholders are aware of the basic values held by the organisation and its employees. It is also to ensure accountability within the organisation in terms of fundamental ethical values and value systems.

SANAS subscribes to the Code of Conduct for the Public Service as detailed in the Public Service Regulations. This Code of Conduct has been integrated into SANAS' Code of Ethics and Business Conduct. The Code of Conduct provides a guideline for employees as to what is expected of them from an ethical point of view, both in their individual conduct and in their relationships with one another. Compliance with the Code of Conduct can be expected to enhance professionalism and help ensure confidence in the organisation.

Failure to comply with any provisions of the Code of Conduct shall be interpreted as a violation of the core values of SANAS. Moreover, the employee concerned shall be dealt with according to the relevant grievance or disciplinary process.

### 17.9 HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

SANAS makes the necessary resources available to actively manage occupational health and safety, and environmental issues in line 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) that provides clear principles and guidelines to be followed in ensuring effective healthy and safe working conditions for employees, the prevention of health hazards in the workplace, and the effective handling of emergency situations.

### 17.10 COMPANY SECRETARY

The company secretary, as the overseer of corporate governance, is responsible for assisting the Board to ensure adherence to the principles of sound corporate governance. The company secretary has an arms' length relationship with the Board and informs the Board of any legislation, regulations or policies relevant to or affecting SANAS and reports non-compliance with the relevant legislation, regulations or policies to the Board.

During the year under review, the company secretary assisted in providing on-going training to members of the Board on the implications of King IV.

### 17.11 SOCIAL RESPONSIBILITY

As a caring organisation, SANAS takes care of disadvantaged communities and contributes to the elimination of poverty in the country.

- During 2018/19, SANAS bought a baking oven to help two orphanages become financially sustainable and getting support from the community at large;
- Matriculants in the community requested employment from one of the orphanages in order to make pocket money. The students were taught to use the baking oven in order to efficiently assist the orphanage; and

- A laptop was donated to one of the orphanages, enabling its management to better manage income and expenses.

### Morena Children's Village

SANAS chose Morena Children's Village in Hammanskraal near Pretoria as the charity it would support in 2018.

- The home was established in 2008 and is owned by a black woman who takes care of orphaned children;
- The children depend on the home for accommodation, clothing and food; and
- The home assists children to get a better education by applying for sponsorship on their behalf.

SANAS and its employees have thus far donated groceries, toiletries and clothes to the home.

## 17.12 BROAD-BASED BLACK ECONOMIC EMPOWERMENT

SANAS continues with the commitment to supporting the country's transformational agenda and the policy objectives of B-BBEE. The company believes that B-BBEE is more than a regulatory requirement; it is a prerequisite for South African to achieve transformation and inclusivity.

- In 2018/19, SANAS obtained Level 8 rating according to the new B-BBEE codes;
- SANAS strives to improve its contribution level through enterprise and supplier development area as well as skills development;
- SANAS does not only focus on its own B-BBEE contribution but also ensures that the principles of B-BBEE are entrenched within the businesses of its service providers and suppliers; and
- All service providers are required to disclose their B-BBEE status to ensure compliance.

### Enterprise development project

#### • Funding of SMMEs

SANAS partnered with the Small Enterprise Development Agency (SEDA), to fund SMMEs. The ISO 17011 impartiality clause prohibits SANAS from directly participating in activities that may compromise its impartiality, hence the need for SEDA to nominate and fund qualifying SMMEs on behalf of SANAS. This arrangement allows SANAS to manage risk, and to administer the funding process in a non-discriminatory way.

Three incubators were chosen for this project. SEDA provided evidence of the incubator programme together with a report that showed the positive impact the funding project has made.

The memorandum of understanding between SANAS and SEDA was renewed in order to continue the funding of SMMEs in the conformity assessment space. The duration of the agreement was extended to three years from 2018/19 to 2020/21 and may be reviewed annually.

## 18. AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee is pleased to present its report for the financial year ended 31 March 2019.

### 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 and Risk Committee charter and has regulated its affairs in compliance with this charter. It 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 properly managed in line with the PFMA and the protocol on corporate governance for public entities. This is achieved by means of the risk management processes, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From our review of the reports of the internal auditors, the audit report on the annual financial statements and the management report of the external auditor (Nexia SAB&T), we can conclude that the system of internal control as applied over financial and non-financial matters at SANAS is effective, efficient and transparent. This was underscored by the clean audit report of the external auditor (Nexia SAB&T) with some audit findings. The committee has noted management's commitment to address these findings and will be monitoring management's progress in resolving these issues on a regular basis, as required in terms of the Audit and Risk Committee charter.

### Internal audit

We are satisfied that the internal audit function at SANAS operated effectively, that it addressed the risks pertinent to SANAS in its audits and assisted the entity with value-adding services to ensure that both financial and operational objectives were achieved.

### In-year management and monthly/quarterly report

The public entity has been reporting to National Treasury monthly and quarterly as is required by the PFMA. SANAS has also been reporting monthly and quarterly to the shareholder, **the dti**, as required by the Shareholders' Compact.

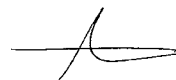
### Evaluation of financial statements

We have reviewed the annual financial statements as prepared by the public entity.

### Auditor's report

We have reviewed the entity's implementation plan for audit issues raised in the current year, and we 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 and is of the opinion that the audited annual financial statements be accepted and read together with the report of the external auditors.



**Ms Lerato Mothae**

Chairperson of the Audit and Risk Committee  
30 July 2019

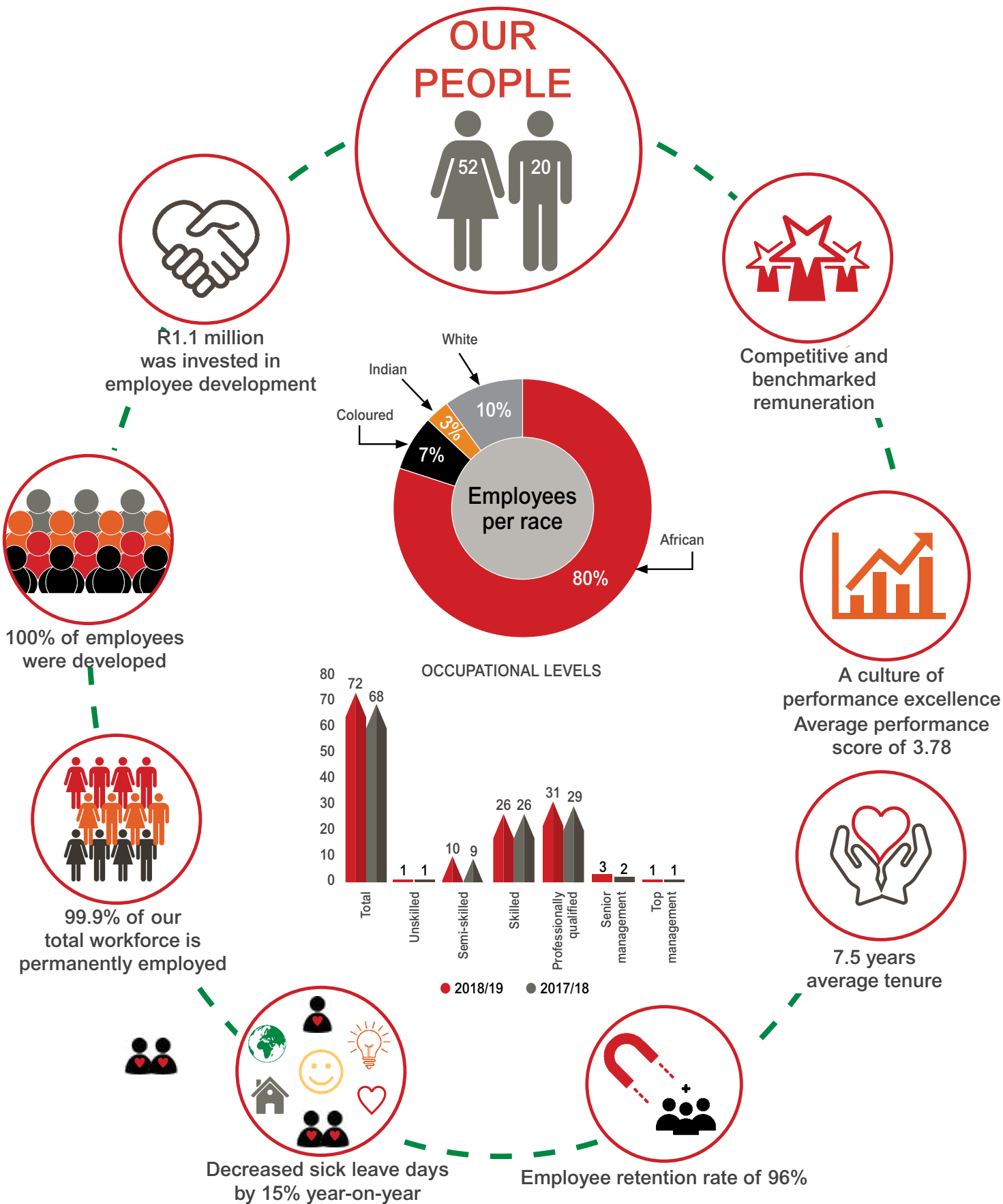


# PART D

## HUMAN RESOURCES MANAGEMENT



HUMAN RESOURCES – MAKING SANAS AN EMPLOYER OF CHOICE



Our people are our most valued asset, that is why we are committed to creating an environment where they are empowered to contribute to the success of our business and serve our customers with Integrity and excellence. This creates a purpose driven and rewarding environment.

Our culture at SANAS is cultivated through the compelling Employee Value Proposition:



## SANAS IS A RESPONSIBLE ENTITY



## SANAS IS A RESPONSIBLE ENTITY

### 1. Responsible to our employees throughout the employee lifecycle:



#### SOURCING

- Introduced innovative ways to attract talent which resulted in efficiencies and cost reduction. Maintained low vacancy rates exceeded 7% annual target throughout the year to ensure that there are no performance gaps.
- Employee turnover ratio is monitored continually and potential employee retention risks are identified and managed.



#### EMPLOYEE ON-BOARDING

- Streamlined the onboarding process to ensure that new employees are engaged from the start of their careers at SANAS.



#### EMPLOYEE DEVELOPMENT

- 100% of our employees were developed in the past year.
- Development interventions at SANAS included short term technical and compliance training, formal studies and behavioural training.
- Leadership development enable leaders to elevate their own performance, manage risks and empower their teams.



#### PERFORMANCE MANAGEMENT

- Enhanced all performance contracts to drive performance and align to organisational mandate
- The organisational average performance score of 3.87 (out of 5) which indicates that as an organisation are fully effective and have excelled against all significant performance criteria.



#### EMPLOYEE ENGAGEMENT

- Integrated Employee Wellness Programme – offering our employees professional assistance for their physical, emotional, spiritual and financial wellness. The 15% year on year decrease in sick leave indicates the positive impact that this offering has.
- Employee Engagement Platforms for timeous information sharing, discussions and soliciting employee feedback were introduced
- Through employee participation, we formed employee volunteer groups for CSI work, social engagement, wellness and unionised employees.



#### REMUNERATION, REWARD & RECOGNITION

- Salaries are benchmarked against industry standards to ensure that employees are offered competitive remuneration packages that promote retention. SANAS has always paid an above CPI salary increase. The salary increases 2018/19 were 7% for general employees and 6% for Managers and Executives.
- A performance bonus was allocated to all employees who exceeded their performance expectations.
- Pay progression is another value proposition tool that is considered for employees who meet performance excellence criteria.
- Employee appreciation awards were held in honour of long servicing employees and those who went the extra mile.

We introduced talent management as a strategic lever of identifying talent and developing them to be ready for stretch assignments, bigger roles or step changes.

### Employee 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 respect.

The EE committee ensures that unfair discrimination of employees on the basis of gender, race, physical health, sexual orientation, individual belief systems and/or any other prejudicial grounds is prohibited.

Employees are also free to exercise their rights to belong to a trade union.

There are however still some challenges regarding employees relations, which resulted in 2 verbal warnings and 1 dismissal.

### Managing Exits:

SANAS had an attrition rate of 4% (2 resignations and 1 dismissal) and 7% in the previous financial year, although regrettable, the rate is considered acceptable in the professional market.

The identified contributing factors in resignations are used as lessons learnt for business culture transformation.

## 2. Responsible to communities in which we operate:

### YOUTH DEVELOPMENT



SANAS is committed to assisting the SA government with unemployment issues. We had three interns who have a robust development plan that ensures that they receive workplace experience enabling them to be employable. In the last year, one intern was able to secure a permanent position.

In an attempt to alleviate pressure on the tertiary education costs, SANAS identified five young South Africans who needed financial assistance to further their studies. More than R350 000 was spent on funding these bursaries.

### CARING FOR THE DISADVANTAGED



As a caring organisation, SANAS is committed to taking care of disadvantaged communities and alleviate poverty in the country.

In the year under review, SANAS adopted two beneficiaries to help them with basic needs, educate them on building and sustaining their own income stream.

SANAS donated R80 090 for various activities including clothes, winter necessities, food and 160 man hours to the beneficiaries.

## FUNDING OF SMALL-, MEDIUM- AND MICRO-SIZED ENTERPRISES (SMMEs)



SANAS partnered with SEDA (Small Enterprise Development Agency), with the aim of funding the developing SMMEs within the conformity assessment space. Three incubators were chosen and will be funded until 2021.



### 3. Responsible to the environment



SANAS has adopted a Green IT strategy and is committed to being responsible to the environment. We continue to actively support programs that reduce our company's environmental impact and continually improve our environmental performance as an integral part of our business strategy and operating procedures.

SANAS ICT business unit seeks to understand the effects our business activities has on the environment by supporting initiatives such recycling of infrastructure, paper and plastic as well as reducing our carbon emissions by:

- the ICT infrastructure we attach to our environment;
- by changing the ways in which these devices are used;
- utilise the infrastructure better when doing business;
- targeted investment in ICT e.g. Cloud solutions vs on-premises; and
- Optimising and leveraging on current resources by cross skilling and further sweating our assets for improved ROI.

Furthermore, other than having abundant natural lighting in our home, we have installed:

- energy efficient bulbs for lighting,
- air conditioners that switch on and off at specific times
- lights sensors that switch lights off if there is no movement for a specific time period



SANAS staff members gardening at the Orphanage on Mandela Day.



# PART E

## FINANCIAL INFORMATION



# ANNUAL FINANCIAL STATEMENTS

## for the year ended 31 March 2019

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

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## 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 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 56 to 57.

The annual financial statements set out on pages 59 to 84, which have been prepared on the going concern basis, were approved by the Accounting Authority on 30 July 2019 and were signed on its behalf by:



**Mr L L Mayedwa**  
Chairperson



**Mr R Josias**  
Chief Executive Officer

# INDEPENDENT AUDITOR'S REPORT

## To the Provincial Legislature on the South African National Accreditation System

### Report on the audit on the financial statements

#### Opinion

We have audited the financial statements of the South African National Accreditation System set out on pages 61 to 84, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information 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 System as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (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 section 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.

#### 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 South African National Accreditation System's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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

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

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

### Report on the audit of the annual performance report

#### Introduction and scope

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance.

Our procedures address 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 also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, 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 programmes presented in the annual performance report of the entity for the year ended 31 March 2019:

Programmes	Pages in the annual performance report
Programme 3 – Strategy and Development	24 to 27
Programme 4 – Accreditations	27 to 33

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

We did not raise any material finding on the usefulness and reliability of the reported performance information for these programmes:

- Programme 3 – Strategy and Development
- Programme 4 - Accreditations

### Other matter

We draw attention to the matter below.

### Achievement of planned targets

Refer to the annual performance report on pages 21 to 33 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 compliance of the entity 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 follows:

### Irregular Expenditure

Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R13 632 237 as disclosed in note 31 to the financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance to Treasury Regulations.

### Other information

The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes

presented in the annual performance report that have been specifically reported in this auditor's report.

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

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We did not receive the other information prior to the date of this auditor's report. When we do receive and read this information, if we conclude that there is a material misstatement therein, 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

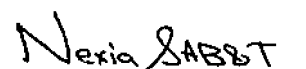
We considered internal control relevant to our audit of the financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance on it. The matter reported below is limited to the significant internal control deficiencies that resulted in the finding on compliance with legislation.

### Financial and performance management

Management did not adequately review and monitor compliance with applicable legislation to prevent irregular expenditure.

## Auditor tenure

In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Nexia SAB&T has been the auditor of South African National Accreditation System for 2 years.



Nexia SAB&T  
Per: N.C. Soopal  
Director  
Registered Auditor  
31 July 2019  
Centurion



## ANNEXURE – AUDITOR’S RESPONSIBILITY FOR THE AUDIT

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the financial statements, and the procedures performed on reported performance information for selected programmes 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 System’s 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, related safeguards.



# ACCOUNTING AUTHORITY'S REPORT

The Accounting Authority submits their report for the year ended 31 March 2019.

## 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) 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 2019, the entity had an accumulated surplus (deficit) of R 99 708 794 and that the entity's total liabilities exceed its assets by R 99 708 794.

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 P Govender (Chairperson)	South African	End of Term – 30 November 2018
Mr R Josias (CEO)	South African	
Ms N Magwaza	South African	End of Term – 30 November 2018
Ms J Rathebe	South African	End of Term – 30 November 2018
Mr T Jaftha	South African	End of Term – 30 November 2018
Ms B L Marais	South African	End of Term – 30 November 2018
Mr A Ramabulana	South African	End of Term – 30 November 2018
Mr P Zonke	South African	End of Term – 30 November 2018
Mr V Seymour	South African	End of Term – 30 November 2018
Mr J Malatse	South African	End of Term – 30 November 2018
Ms A Lötter	South African	End of Term – 30 November 2018
Mr L L Mayedwa (Chairperson)	South African	Appointed – 01 December 2018
Ms L H Mothae	South African	Appointed – 01 December 2018
Mr S Mlangeni	South African	Appointed – 01 December 2018
Mr T Tshitangano	South African	Appointed – 01 December 2018
Mr F F Wetes	South African	Appointed – 01 December 2018
Ms P L Tlou	South African	Appointed – 01 December 2018
Dr M S Mohlala	South African	Appointed – 01 December 2018
Dr T Demana	South African	Appointed – 01 January 2019
Mr M Phaloane (Executive: Accreditation)	South African	Appointed – 01 December 2018
Mr I Abdoola (Chief Financial Officer)	South African	Appointed – 01 December 2018

## ACCOUNTING AUTHORITY'S REPORT (continued)

### 4. SECRETARY

The 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. FIXED ASSETS

During the current year, SANAS completed the construction of the immovable property following the acquisition of the property on 29 March 2017. SANAS took occupancy of the building on 21 May 2018 with the registration being effective on 31 July 2018.

### 7. EVENTS SUBSEQUENT TO THE YEAR END

The Board approved the payout of staff bonuses for the 2018/19 financial year on 30 July 2019. This has been captured under trade and other payables under note 15. 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.

### 8. TAXATION

SANAS is exempt from paying normal South African income tax in terms of the Income Tax Act as amended as detailed in note 22. 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.

### 9. PUBLIC FINANCE MANAGEMENT ACT (PFMA)

The Board 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, in all material respects, with the provisions of the Public Finance Management Act, 1 of 1999 (PFMA), as amended, and other applicable legislation during the period under review.

### 10. BUSINESS AND POSTAL ADDRESS

**Business address**

Libertas Office Park  
Cnr Libertas & Highway Street  
Equestria  
Pretoria East  
0184

**Contact details**

Telephone: (012) 740 8500

**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 and Industry.

## STATEMENT OF FINANCIAL POSITION

as at 31 March 2019

Figures in Rand	Note(s)	2019	2018
<b>ASSETS</b>			
<b>Current Assets</b>			
Trade and other receivables from exchange transactions	8	1 556 235	10 376 272
Other receivables from non-exchange transactions	9	45 000	150 984
Cash and cash equivalents	10	47 798 028	106 858 893
		<b>49 399 263</b>	<b>117 386 149</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	4	69 181 173	3 131 254
Intangible assets	5	3 040 095	2 313 601
		<b>72 221 268</b>	<b>5 444 855</b>
<b>Total Assets</b>		<b>121 620 531</b>	<b>122 831 004</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Operating lease liability	6	–	258 442
Trade and other payables	15	15 019 056	17 277 998
Income received in advance	11	6 167 868	8 024 295
Provisions	12	724 813	39 799
		<b>21 911 737</b>	<b>25 600 534</b>
<b>Total Liabilities</b>		<b>21 911 737</b>	<b>25 600 534</b>
<b>Net Assets</b>		<b>99 708 794</b>	<b>97 230 470</b>
<b>Reserves</b>			
Government grant reserve		–	8 097 674
Accumulated surplus		99 708 794	89 132 796
<b>Total Net Assets</b>		<b>99 708 794</b>	<b>97 230 470</b>

## STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2019

Figures in Rand	Note(s)	2019	2018
Revenue	16	105 859 322	97 543 956
Other income	17	576 271	168 339
Operating expenses		(108 031 571)	(91 240 954)
<b>Operating (deficit) surplus</b>	23	<b>(1 595 978)</b>	<b>6 471 341</b>
Investment income	18	4 074 303	6 907 255
<b>Surplus for the year</b>		<b>2 478 325</b>	<b>13 378 596</b>

## STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Government grant reserve	Accumulated surplus	Total net assets
<b>Balance at 01 April 2017</b>	<b>8 097 674</b>	<b>75 754 200</b>	<b>83 851 874</b>
Changes in net assets			
Surplus for the year	–	13 378 596	13 378 596
Total changes	–	13 378 596	13 378 596
<b>Balance at 01 April 2018</b>	<b>8 097 674</b>	<b>89 132 795</b>	<b>97 230 469</b>
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
<b>Balance at 31 March 2019</b>	<b>–</b>	<b>99 708 794</b>	<b>99 708 794</b>

## CASH FLOW STATEMENT

Figures in Rand	Note(s)	2019	2018
<b>Cash flows from operating activities</b>			
<b>Cash receipts</b>			
Funds received from the dti		31 032 000	30 313 000
Fee income		68 082 056	58 333 231
Investment income		4 074 303	6 027 158
Other receipts		10 973 173	9 957 773
		<b>114 161 532</b>	<b>104 631 162</b>
<b>Payments</b>			
Employee costs		(53 445 643)	(46 196 118)
Suppliers		(47 720 259)	(47 861 287)
		<b>(101 165 902)</b>	<b>(94 057 405)</b>
<b>Net cash flows from operating activities</b>	24	<b>12 995 630</b>	<b>10 573 757</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(71 022 630)	(1 598 146)
Disposal of property, plant and equipment	4	–	(6 054)
Purchase of intangible assets	5	(1 033 865)	(300 203)
<b>Net cash flows from investing activities</b>		<b>(72 056 495)</b>	<b>(1 904 403)</b>
Net increase in cash and cash equivalents		(59 060 865)	8 669 354
Cash and cash equivalents at the beginning of the year		106 858 893	98 189 539
<b>Cash and cash equivalents at the end of the year</b>	10	<b>47 798 028</b>	<b>106 858 893</b>

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note(s)
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
the dti grant	31 032 000	–	31 032 000	31 032 000	–	
Fee income	60 260 455	–	60 260 455	64 430 420	4 169 965	33
Courses and project fees	11 124 009	–	11 124 009	10 396 902	(727 107)	33
Sundry income	110 000	–	110 000	576 271	466 271	
Interest received – investment	2 000 000	–	2 000 000	4 074 303	2 074 303	33
<b>Total revenue from exchange transactions</b>	<b>104 526 464</b>	<b>–</b>	<b>104 526 464</b>	<b>110 509 896</b>	<b>5 983 432</b>	
<b>Expenditure</b>						
Employee costs	(53 493 192)	–	(53 493 192)	(53 117 727)	375 465	33
Depreciation and amortisation	(917 754)	–	(917 754)	(4 368 980)	(3 451 226)	33
Lease rentals on operating leases	–	–	–	(874 049)	(874 049)	33
Debt impairment	(175 000)	–	(175 000)	(928 073)	(753 073)	33
Loss on disposal of assets	–	–	–	(935 372)	(935 372)	33
General Expenses	(49 940 518)	–	(49 940 518)	(47 807 370)	2 133 148	33
<b>Total expenditure</b>	<b>(104 526 464)</b>	<b>–</b>	<b>(104 526 464)</b>	<b>(108 031 571)</b>	<b>(3 505 107)</b>	
<b>Surplus</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2 478 325</b>	<b>2 478 325</b>	
<b>Actual Amount on Comparable Basis</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2 478 325</b>	<b>2 478 325</b>	

# ACCOUNTING POLICIES

## 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 89(1) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. Amounts presented in the annual financial statements are rounded to the nearest Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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 at least the next 12 months.

### 1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the 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 cash-generating units and individual assets have been determined based on the higher of value-in-use 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 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.

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

#### Provisions

Provisions were raised and management determined an estimate based on the information available.

#### Allowance for doubtful debts

Within trade receivables, an impairment loss on debtors is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### 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		20 years
Furniture and fixtures	Straight line	10 to 20 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.

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

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

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

#### 1.4 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or

service potential that are attributable to the asset will flow to the entity; and

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

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

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

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

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

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

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

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

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

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

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

## ACCOUNTING POLICIES (continued)

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

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

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.

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

#### 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 uncollectability 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.

## 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

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

Short-term employee benefits include items such as:

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

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

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

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

## ACCOUNTING POLICIES (continued)

- 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.

### 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 dti

Funds received from the dti 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 1 December 2018):

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

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

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



## ACCOUNTING POLICIES (continued)

The approved budget covers the fiscal period from 01 April 2018 to 31 March 2019.

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

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

### 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 not adopted any new standards and interpretations that are effective for the current financial year as they are not relevant to its operations. Standards and interpretations that has been issued are not yet effective are reported in note 3.2 below.

#### 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 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 20: Related parties	01 April 2019	Not expected to impact results but may result in additional disclosure
GRAP 108: Statutory Receivables	01 April 2019	Not expected to impact results but may result in additional disclosure

### 4. Property, plant and equipment

Figures in Rand	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	64 417 612	(2 637 466)	61 780 146	–	–	–
Furniture and fixtures	3 511 829	(370 405)	3 141 424	1 034 406	(488 292)	546 114
Office equipment	934 547	(458 071)	476 476	2 926 807	(2 248 879)	677 928
IT equipment	5 994 251	(2 211 124)	3 783 127	3 407 230	(1 500 018)	1 907 212
<b>Total</b>	<b>74 858 239</b>	<b>(5 677 066)</b>	<b>69 181 173</b>	<b>7 368 443</b>	<b>(4 237 189)</b>	<b>3 131 254</b>

#### 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
	<b>3 131 254</b>	<b>71 022 630</b>	<b>(911 103)</b>	<b>(4 061 608)</b>	<b>69 181 173</b>

#### Reconciliation of property, plant and equipment – 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	645 520	–	–	(99 406)	546 114
Office equipment	870 919	56 724	–	(249 715)	677 928
IT equipment	727 459	1 541 422	(6 054)	(355 615)	1 907 212
	<b>2 243 898</b>	<b>1 598 146</b>	<b>(6 054)</b>	<b>(704 736)</b>	<b>3 131 254</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

### 5. Intangible assets

	2019			2018		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	316 026	(155 360)	160 666	254 673	(124 615)	130 058
Automated Accreditation Management system	2 868 967	(374 053)	2 494 914	1 896 455	(152 358)	1 744 097
Knowledge Transfer management system	549 308	(164 793)	384 515	549 308	(109 862)	439 446
<b>Total</b>	<b>3 734 301</b>	<b>(694 206)</b>	<b>3 040 095</b>	<b>2 700 436</b>	<b>(386 835)</b>	<b>2 313 601</b>

#### 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
	<b>2 313 601</b>	<b>1 033 865</b>	<b>(307 371)</b>	<b>3 040 095</b>

#### Reconciliation of intangible assets – 2018

	Opening balance	Additions	Amortisation	Total
Computer software	155 525	–	(25 467)	130 058
Automated Accreditation Management System	1 596 252	300 203	(152 358)	1 744 097
Knowledge Transfer management system	494 377	–	(54 931)	439 446
	<b>2 246 154</b>	<b>300 203</b>	<b>(232 756)</b>	<b>2 313 601</b>

#### 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. The final revision for Phase III is currently underway. The Knowledge Transfer Management system developed for the automation of the course application process was finalised and went live 1 April 2016.

### 6. Operating lease asset (accrual)

	2019	2018
Current liabilities	–	(258 442)

### 7. Financial Assets by Category

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

	Financial instruments at amortised cost	Total
<b>2019</b>		
Trade receivables	1 141 847	1 141 847
Cash and cash equivalents	47 798 028	47 798 028
Utility deposit	45 000	45 000
	<b>48 984 875</b>	<b>48 984 875</b>
<b>2018</b>		
Trade and other receivables	2 805 657	2 805 657
Cash and cash equivalents	106 858 893	106 858 893
Lease agreement deposit	150 984	150 984
	<b>109 815 534</b>	<b>109 815 534</b>

## 8. Trade and other receivables from exchange transactions

Figures in Rand	2019	2018
Trade debtors	1 857 013	1 325 441
Less: Impairments for bad debts	(1 126 242)	(224 470)
Prepayments	414 388	7 570 615
Interest accrued	–	1 293 610
Staff debtors	411 076	411 076
	<b>1 556 235</b>	<b>10 376 272</b>

### Credit quality of trade and other receivables

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

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

Trade debtors	1 857 013	1 325 441
Less: Impairments for bad debts	(1 126 242)	(224 470)
Prepayments	414 388	7 570 615
Interest accrued	–	1 293 610
Staff debtors	411 076	411 076
	<b>1 556 235</b>	<b>10 376 272</b>

### 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 2 months past due are not considered to be impaired.

	730 771	1 957 732
The ageing of amounts past due but not impaired is as follows:		
1 month past due	471 699	107 252
2 months past due	259 072	1 850 480
	<b>73 0771</b>	<b>1 957 732</b>

### Other receivables from exchange transactions

As of 31 March 2019, trade and other receivables of R 1 126 242 (2018: R224 470) were impaired and provided for.

The amount of the provision was R 1 126 242 as of 31 March 2019 (2018: R224 470).

The ageing of these loans is as follows:

3 to 6 months	125 534	–
Over 6 months	1 000 708	224 470
	<b>1 126 242</b>	<b>224 470</b>

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

Opening balance	224 470	259 416
Provision for impairment	928 073	245 739
Amounts written off as uncollectible	(26 301)	(280 685)
	<b>1 126 242</b>	<b>224 470</b>

The creation and release of provision for impaired receivables have been included in operating expenses in the Statement of Financial Performance (note 23). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The entity does not hold any collateral as security.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

### 9. Receivables from non-exchange transactions

Figures in Rand	2019	2018
Lease agreement deposit	–	150 984
Utilities deposit	45 000	–
	<b>45 000</b>	<b>150 984</b>

A deposit of R45 000 was paid to the utilities management company as deposit for water and electricity usage at the SANAS office building. The previous lease agreement deposit was recovered in the current year together with accrued interest of R21 771 after cancellation and return of the old leased offices.

### 10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	12 921	3 681
Current account	5 807 571	8 493 527
Short-term deposits	–	81 527 694
Call accounts	41 977 536	16 833 991
	<b>47 798 028</b>	<b>106 858 893</b>

The short term deposits related to funds retained for the payment of the property. These funds were matured during Q1 of 2018/19 and paid to the developer. The entity received approval during the current year to retain the cash surplus from the prior year (2017/18) amounting to R16 510 942. This amount will be utilised for strategic initiatives.

#### Sureties:

The entity had ceded and pledged an amount of R57 994 080 in favour of the Property developer for the purchase and transfer of the new office building. This cession was released on transfer and payment of the property on 31 July 2018.

### 11. Income received in advance

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

#### Unspent conditional grants and receipts

Income received in advance	<b>6 167 868</b>	8 024 295
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### 12. Provisions

#### 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)	–
	<b>39 799</b>	<b>724 813</b>	<b>(39 799)</b>	<b>724 813</b>

#### Reconciliation of provisions – 2018

	Opening Balance	Additions	Utilised during the year	Total
Operational costs	70 627	–	(54 203)	16 424
Travel costs	73 440	23 375	(73 440)	23 375
	<b>144 067</b>	<b>23 375</b>	<b>(127 643)</b>	<b>39 799</b>

A provision for travel and operational costs is recognised for services rendered but not yet charged to SANAS as the amounts can only be estimated.

### 13. Contingent liability

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 2018/2019, SANAS has made an application to retain surpluses for 2018/19.

The surplus is based on the cash and cash equivalents plus receivables less current liabilities and commitments at the end of the financial year and for 2018/19 the surplus is R1 196 270.

## 14. Financial Liabilities by Category

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

Figures in Rand	2019	2018
2019	Financial liabilities at amortised cost	Total
Trade and other payables	15 019 056	15 019 056
2018		
Trade and other payables	17 277 998	17 277 998

## 15. Trade and other payables

Trade payables	9 672 511	10 402 519
Accrued bonus	3 068 325	4 746 315
Accrual for leave pay	2 278 220	2 129 164
	15 019 056	17 277 998

## 16. Revenue

Funds received from the dti (non-exchange revenue)	31 032 000	30 313 000
Fee income (exchange revenue)	74 827 322	67 230 956
	105 859 322	97 543 956

The amount included in other income arising from exchanges of goods or services are as follows:

Sundry income	576 271	168 339
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## 17. Other income

Figures in Rand	2019	2018
Unclaimed receipts held more than 3 years	160 337	–
Sundry income	165 934	168 339
Tenant Installation	250 000	–
	576 271	168 339

## 18. Investment income

Interest revenue		
Interest received on fixed deposits	4 074 303	6 907 255

## 19. Employee related costs

Remuneration and other employee costs	53 117 727	50 131 068
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## 20. General expenses

Advertising	2 205 844	1 975 646
External Auditors remuneration	410 828	151 686
Bank charges	153 521	62 956
Consulting and professional fees	625 920	675 771
Donations/Social contributions	305 014	287 552
Insurance	245 304	17 000
Printing and stationery	597 525	542 661
Project expenses	388 269	452 632
Subscriptions and membership fees	1 108 602	1 379 234

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

### 20. General expenses (continued)

Figures in Rand	2019	2018
Telephone and fax	75 371	111 098
Training Course expenses	1 207 091	1 183 794
Accounting Authority expenses	522 148	451 196
Internal audit	970 702	146 694
International and regional responsibilities	2 118 733	1 889 056
Other office expenses	3 509 449	4 862 204
Accreditation expenses – assessors and travel costs	23 450 573	22 918 119
Marketing conclave	372 888	401 078
	<b>38 267 782</b>	<b>37 508 377</b>

### 21. External Auditors' remuneration

Audit Fee	<b>410 828</b>	<b>151 686</b>
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### 22. Taxation

No provision has been made for taxation as the entity is exempt under Section 10(1)(cA)(i) of the Income Tax Act

### 23. Operating Surplus

Operating (deficit)/surplus for the year is stated after accounting for the following:

#### Operating lease charges

<b>Premises</b>		
• Contractual amounts	720 911	1 312 459
<b>Equipment</b>		
• Photocopy machines	153 138	32 963
	<b>874 049</b>	<b>1 345 422</b>
Deficit on write-off of property, plant and equipment	(911 102)	(27 335)
Provision for Bad Debts	928 073	224 470
Loss on foreign exchange differences	599	–
Amortisation on intangible assets	307 371	232 756
Depreciation on property, plant and equipment	4 061 609	1 355 836
Employee costs	53 117 727	50 131 068
External auditors remuneration	410 828	151 686
Accounting Authority Emoluments	522 148	451 196

### 24. Cash generated from operations

Surplus for the year	2 478 325	13 378 595
<b>Adjustments for:</b>		
Depreciation and amortisation	4 368 980	937 492
Deficit on write-off of assets	367 320	12 109
Loss on foreign exchange	599	–
Bad debts written off	26 301	–
Movements in operating lease assets and accruals	258 442	(2 104 324)
Movements in provisions	685 014	(104 268)
<b>Changes in working capital:</b>		
Receivables from exchange transactions	8 820 037	(9 103 554)
Other receivables from non-exchange transactions	105 984	(19 707)
Trade and other payables	(2 258 945)	8 130 015
Income received in advance	(1 856 427)	(552 601)
	<b>12 995 630</b>	<b>10 573 757</b>



## 25. Commitments

Figures in Rand	2019	2018
<b>Authorised capital expenditure</b>		
<b>Already authorised and contracted for</b>		
• Property, plant and equipment	–	57 994 080
• Intangible assets	3 945 679	–
	3 945 679	57 994 080
<b>Authorised but not yet contracted for</b>		
• Property, plant and equipment	2 380 000	–
<b>Total capital commitments</b>		
Already authorised and contracted for	3 945 679	58 502 800
Authorised but not yet contracted for	2 380 000	–
	6 325 679	58 502 800
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Operational expenditure contracted for	10 814 819	385 430
<b>Not yet contracted for and authorised by members</b>		
• Operational expenditure approved and not contracted for	53 657 608	6 851 249
<b>Total operational commitments</b>		
Already contracted for but not provided for	10 814 819	385 430
Not yet contracted for and authorised by members	53 657 608	6 851 249
	<b>64 472 427</b>	<b>7 236 679</b>

The current year committed capital expenditure relates to the third phase of enhancements of the automated accreditation management system (Project Shanduka). The prior year committed expenditure relates to the purchase of the property by SANAS and has been financed by retained surpluses, existing cash resources, funds internally generated, etc.

### Operating leases – as lessee (expense)

#### Minimum lease payments due

– within one year	–	258 442
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Operating lease payments represent rentals payable by the entity for certain of its office properties. Sunnyside office lease was negotiated for a term of 15 years with escalation of 6.5% per annum, whereas Brooklyn office lease was negotiated for an initial term of 2 years with escalation of 8% per annum, 2 annual extensions until 31 May 2017 and a final 1 year until 31 May 2018. Both leases were terminated during the 2018/19 year end. No contingent rent is payable.

## 26. Related parties

### Relationships

Executive Authority:	Minister of the Department of Trade and Industry ( <b>the dti</b> )
Accounting Authority:	Mr L L Mayedwa (Appointed 1 December 2018) – Chairperson
	Mr R Josias (CEO)
	Ms L H Mothae (Appointed 1 December 2018)
	Mr S Mlangeni (Appointed 1 December 2018)
	Mr T Tshitangano (Appointed 1 December 2018)
	Mr F F Wetes (Appointed 1 December 2018)
	Ms P L Tlou (Appointed 1 December 2018)
	Dr M S Mohlala (Appointed 1 December 2018)
	Mr M Phaloane (Appointed 1 December 2018)
	Mr I Abdoola (Appointed 1 December 2018)
	Dr T Demana (Appointed 1 January 2019)
	Mr P Govender (End of term 30 November 2018)
	Mr J Malatse (End of term 30 November 2018)

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

### 26. Related parties (continued)

Figures in Rand	2019	2018
Ms N Magwaza (End of term 30 November 2018)		
Ms J Rathebe (End of term 30 November 2018)		
Mr T Jaftha (End of term 30 November 2018)		
Ms B L Marais (End of term 30 November 2018)		
Mr P Zonke (End of term 30 November 2018)		
Mr V Seymour (End of term 30 November 2018)		
Ms A Lotter (End of term 30 November 2018)		
Mr A Ramabulana (End of term 30 November 2018)		
SANAS MOU Signatory National Laboratory Association (NLA)		
Members of key management		
Mr R Josias (CEO)		
Mr M Phaloane (Executive: Accreditation)		
Ms F Radebe (Executive: Corporate Services)		
Ms M Sithole (Acting Executive: Strategy and Development)		
Mr L Saki (Acting CFO - End of contract 31 July 2018)		
Mr I Abdoola (CFO- Appointed 1 July 2018)		
Mr D Petersen (Company Secretary)		
<b>Amounts included in Trade Receivables regarding related parties</b>		
Department of Agriculture	12 126	77 814
Amatola Water	-	19 546
Magalies Water	-	65 113
ESKOM	102 125	130 522
Rand Water	-	15 543
Lepelle Northern Water	57 941	-
South African Bureau of Standards	(8 487)	-
Telkom SA Limited	(52 530)	-
South African Medical Research Council	(73 770)	46 040
National Health Laboratory	340 241	(572 142)
NRCS Regulatory Automotive Division	(17 180)	(17 180)
National Metrology Institute of South Africa	9 793	19 576
<b>Amounts included in Trade Payable regarding related parties</b>		
Agricultural research council	3 200	88 980
National Laboratory Association	7 159	42 066
Department of Trade and Industry	-	18 914
Government Printer Works	2 018	750
National Regulatory for Compulsory Specifications	209 239	218 317
National Metrology Institute of South Africa	58 487	97 566
<b>Related party transactions</b>		
<b>Funds Received</b>		
Department of Trade and Industry	31 032 000	30 313 000
<b>Operational costs paid to related parties</b>		
Telephone – the dti	15 274	111 098
Postage – the dti	89	4 345
Internet Usage – the dti	4 399	207 680
<b>Exchange Transactions – Services Rendered to other Public Entities</b>		
Agricultural Research Council	50 918	-
Amatola Water	73 140	19 546
Council for Geoscience	188 018	-

## 26. Related parties (continued)

Figures in Rand	2019	2018
Council for Scientific and Industrial Research	30 762	24 490
National Metrology Institute of South Africa	1 052 733	180 946
Denel	70 640	65 720
National Regulator for Compulsory Specifications	773 495	56 210
ESKOM	665 738	18 348
Rand Water	67 230	94 889
Lepelle Northern Water	122 901	-
Sedibeng Water	73 260	-
Magalies Water	139 252	158 055
South African Airways	79 160	-
Mhlathuze Water	239 878	-
South African Bureau of Standards	62 289	1 841 068
South African Weather Services	68 930	-
Telkom SA Ltd	158 098	-
National Health Laboratory Services	6 779 029	3 286 886
Umgeni Water	388 986	4 138
Department of Agriculture	109 813	24 252
<b>Exchange Transactions – Services Rendered to other Public Entities (continued)</b>		
South African Police Service	236 466	879 708
South African National Blood Service	916 721	943 847
South African Road Testing Services	26 330	24 490
South African Meat Industry Company		
<b>Expenses: Goods and Services paid to other Public Entities</b>	26 330	24 490
Agricultural Research Council	81 635	89 102
Compensation Commissioner for Occupational Diseases	3 962	119 320
National Regulator for Compulsory Specifications	443 494	181 664
South African Bureau of Standards	126 899	245 901
Government Printing Works	2 015	1 500
South African Revenue Services	11 667 066	10 257 146
Unemployment Insurance Fund	244 439	260 054
National Metrology Institute of South Africa	152 439	224 128
Telkom SA Limited	-	5 990
National Laboratory Association		
<b>Funds Paid to Related Parties</b>	165 007	704 350
Transfer payment – National Laboratory Association	633 194	597 917

SANAS receives funds from **the dti** as well as utilised the above mentioned operational services of **the dti** due to the technical infrastructure of **the dti** campus.

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

### 27. Directors' emoluments

	Emoluments	Acting Allowance	Performance Bonus	Post employment benefits	Total
<b>2019</b>					
Executive					
Mr 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 D Petersen (Company Secretary)	1 062 751	–	76 000	120 242	1 258 993
Mr I Abdoola (CFO)	952 939	–	68 854	127 234	1 149 027
	<b>8 859 680</b>	<b>47 029</b>	<b>490 109</b>	<b>1 213 719</b>	<b>10 610 537</b>

<b>2018</b>					
Mr R Josias (CEO)	1 803 366	–	308 938	300 068	2 412 372
Mr M Phaloane - Executive: Accreditation	1 345 399	–	192 077	237 423	1 774 899
Ms E Steyn (ex- Executive: Strategy and Development)	889 660	–	–	156 999	1 046 659
Ms F Radebe (Executive: Corporate Services)	1 361 797	–	206 003	159 764	1 727 564
Ms CR Warren (ex-CFO)	1 026 265	–	–	181 106	1 207 371
Mr L Saki (ex-Acting CFO)	226 158	–	–	–	226 158
Mr D Petersen (Company Secretary)	960 818	–	128 747	112 722	1 202 287
Mr M Sithole (Acting Executive: Strategy and Development)	179 157	13 820	126 793	31 616	351 386
	<b>7 792 620</b>	<b>13 820</b>	<b>962 558</b>	<b>1 179 698</b>	<b>9 948 696</b>

#### Accounting Authority

<b>2019</b>	Members' fees	Annual Board fees	Total
Ms J Rathebe	52 772	37 081	89 853
Ms B Lue 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
Mr Lulama Lloyd Mayedwa	19 654	–	19 654
Ms P L Tlou	14 676	–	14 676
Dr M S Mohlala	11 585	–	11 585
	<b>272 345</b>	<b>242 296</b>	<b>514 641</b>

<b>2018</b>			
Ms J Rathebe	32 748	26 291	59 039
Ms B L Marais	11 423	26 291	37 714
Mr L Saki	77 096	59 686	136 782
Mr P Zonke	46 179	49 077	95 256
Mr V Seymour	54 242	70 110	124 352
Mr A Ramabulana	–	26 641	26 641
	<b>221 688</b>	<b>258 096</b>	<b>479 784</b>

The outgoing Board (with the exception of Ms A Lotter) 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.

## 28. 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 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	15 019 056	–	–	–
At 31 March 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	17 277 999	–	–	–

### Interest rate risk

As the entity has no significant interest-bearing 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.

### 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 counter-party.

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	2019	2018
Cash and Cash Equivalents	47 798 028	106 858 893
Trade and Other Receivables	1 141 847	2 805 657

The entity is not exposed to any guarantees. The guarantee issued in the prior year in favour of Hudson Avenue Investments (Pty) Ltd for the new property was cancelled on 31 July 2018 on transfer and payment of the property.

## 29. Events after the reporting date

The Accounting Authority approved the payment of bonuses to employees totalling R2 877 259 on 30 July 2019 in relation to employees services for the 2018/19 financial year. This amount has been provided for in the 2018/19 audited results as an adjusting post balance sheet event.

## 30. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	7 433	–
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**Contract management:** Fruitless expenditure was incurred during the current year due to early termination of a contract. The review on the root causes and responsible official(s) is currently underway. Following a review, the appropriate action will be taken in accordance with the requirements of the necessary legislative prescripts. A receivable at year end has not been raised due to the uncertainties following the outcome of the review.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

### 31. Irregular expenditure

Figures in Rand	2019	2018
Opening balance	200 138	–
Add: Irregular Expenditure - current year	13 632 237	25 880
Add: Irregular Expenditure - prior year	–	200 138
Less: Amounts condoned	(200 138)	(25 880)
Less: Amounts not recoverable (not condoned)	–	–
<b>Irregular Expenditure awaiting condonement</b>	<b>13 632 237</b>	<b>200 138</b>
<b>Details of Irregular Expenditure condoned by the Accounting Authority</b>		
Car hire: As per National Treasury Instruction No. 03 of 2016/17, prior written approval is required for the hiring of vehicles outside of the assigned category of car. There were 2 instances where prior written approval was not requested as per the prescripts and these individuals received various disciplinary sanctions.	–	3 891
Procurement process not followed: In this instance, a user department procured goods without following the required procurement process which resulted in payment prior to a purchase order issued. The individual was given a verbal warning.	–	19 720
Contract management: The supplier was engaged before being formally approved by the Procurement department	–	2 269
Non adherence with the deviation policy per the National Treasury regulation PN8 2007/08 para 3.3.3 TR 16A 6.4. The internal auditors were given additional work by SANAS without requesting three (3) quotations. If three (3) quotations were not obtained, a deviation with the reasons why it was impossible / impractical to obtain the three (3) quotations should have been recorded and approved by the Accounting Officer.	200 138	–
	<b>200 138</b>	<b>25 880</b>
<b>Details of irregular expenditure not yet condoned</b>		
Non adherence with the deviation policy per the National Treasury regulation PN8 2007/08 para 3.3.3 TR 16A 6.4. The internal auditors were given additional work by SANAS without requesting three (3) quotations. If three (3) quotations were not obtained, a deviation with the reasons why it was impossible / impractical to obtain the three (3) quotations should have been recorded and approved by the Accounting Officer. It should be noted however, this is the only recorded instance at SANAS. This amount was subsequently condoned by the Accounting Authority on 27 July 2018.	–	200 138
Procurement process not followed: Five (5) instances which occurred during Q1 2018/19 where the user department procured goods / services prior to the finalisation of the procurement process. Internal audit has been requested to investigate, and on finalisation thereof, the appropriate action will be taken in accordance with the National Treasury Instruction note no. 2 of 2018/19.	284 726	–
Supplier contract extended during Q1 2018/19 financial year without National Treasury approval for extension: A suppliers contract was extended on a month to month basis to facilitate business continuity whilst the new tender was awaiting approval and contracting thereof. Internal audit has been requested to investigate, and on finalisation thereof, the appropriate action will be taken in accordance with the National Treasury Instruction note no. 2 of 2018/19.	4 986 687	–
Supplier was awarded during Q1 2018/19 a contract which was outside of the validity period: 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 written approval. Internal audit has been requested to investigate, and on finalisation thereof, the appropriate action will be taken in accordance with the National Treasury Instruction note no. 2 of 2018/19.	8 360 824	–
	<b>13 632 237</b>	<b>200 138</b>



## 32. 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

Administration

Corporate Services

Strategy and Development

Accreditation

#### Goods and/or services

Policy development, financial management, legal and administrative support

Human Resources (HR) management, quality management, information and communication technology, and communication and marketing

Research and development of new accreditation programmes, knowledge transfer and regional and international development.

Accreditation assessments and good laboratory practice monitoring

#### Segment surplus or deficit, assets and liabilities

	Administration	Corporate Services	Strategy and Development	Accreditation Provision	Total
<b>2019</b>					
<b>Revenue</b>					
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
<b>Total segment revenue</b>	<b>35 682 574</b>	<b>–</b>	<b>10 396 902</b>	<b>64 430 420</b>	<b>110 509 896</b>
<b>Entity's revenue</b>					<b>110 509 896</b>
<b>Expenditure</b>					
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
<b>Total segment expenditure</b>	<b>43 880 547</b>	<b>4 216 186</b>	<b>2 953 053</b>	<b>56 981 785</b>	<b>108 031 571</b>
<b>Total segmental surplus</b>					<b>2 478 325</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

### 32. Segment information (continued)

Segment surplus or deficit, assets and liabilities (continued)

2018

	Administration	Corporate Services	Strategy and Development	Accreditation	Total
<b>Revenue</b>					
Revenue from non-exchange transactions	30 313 000	–	–	–	30 313 000
Revenue from exchange transactions	–	–	9 431 876	57 806 287	67 238 163
Interest revenue	6 907 255	–	–	–	6 907 255
Sundry income	166 817	–	–	–	166 817
<b>Total segment revenue</b>	<b>37 387 072</b>	<b>–</b>	<b>9 431 876</b>	<b>57 806 287</b>	<b>104 625 235</b>
<b>Entity's revenue</b>					<b>104 625 235</b>
<b>Expenditure</b>					
Salaries and wages	20 410 601	–	–	29 720 467	50 131 068
Other expenses	12 293 632	3 349 987	2 924 829	22 547 124	41 115 572
<b>Total segment expenditure</b>	<b>32 704 233</b>	<b>3 349 987</b>	<b>2 924 829</b>	<b>52 267 591</b>	<b>91 246 640</b>
<b>Total segmental surplus</b>					<b>13 378 595</b>

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

The following are the explanations of material differences as required by paragraph 12(c) of GRAP 24:

#### 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 2018/19, certain regional courses were delayed due to safety concerns.

**Investment income:** Interest was higher than originally budgeted due additional funds held whilst awaiting the transfer of the property which occurred on 31 July 2018. Further interest was earned on the 2017/18 surplus funds approved by National Treasury to be retained for utilised for strategic initiatives.

**Employee costs:** Additional costs for temporary resources was incurred during placement of an executive position.

**Lease payments:** SANAS had anticipated to have moved mid 2016, however due to the acquisition of the building which transfer was only finalised at the end of July 2018, additional occupational rental costs were incurred. Further costs were incurred during the finalisation and transfer of the lease for the old premises.

**General expenses:** Unutilised budgets include direct costs of accreditation assessments that were withdrawn or postponed into the next financial year. It is difficult to budget for some activities as the final outcome is based on the demand in the industry.

**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 assets were donated. The assets were no longer required as new assets were purchased as part of the new building project.



SANAS volunteers witnessed the launch of the bread baking launch at the Orphanage.



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