



SABS

South African Bureau of Standards

Briefing by the SABS on its FY2021/22 Annual report and its FY2022/23 first quarter performance
A presentation to the Portfolio Committee on Trade, Industry and Competition – 02 November 2022
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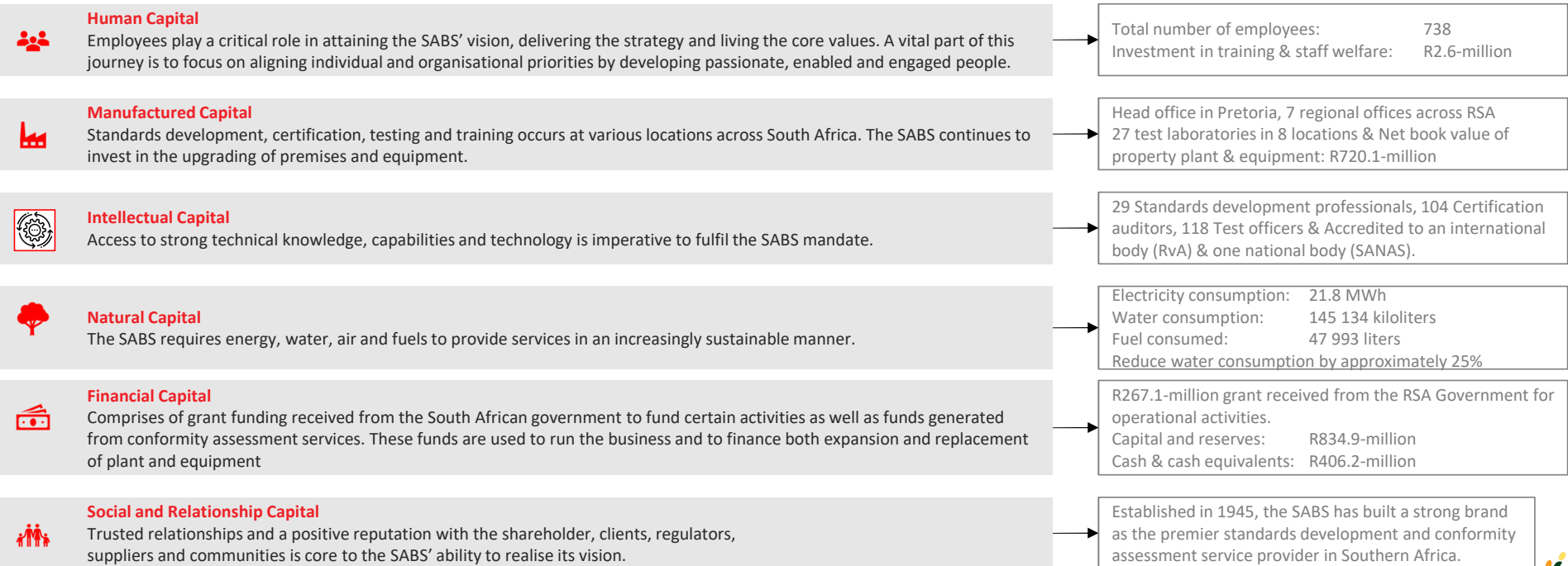
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Value-creating business model

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The SABS relies on various relationships and resources, also referred to as the six capitals, to create value. The inputs are required to deliver the strategy and generate value for all stakeholders. The SABS carefully considers the trade-offs between the capitals, aiming to maximise positive outputs and outcomes, and limit any negative impacts



Creating value for stakeholders

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Shareholder (the dtic)

- 42 of 53 standardisation projects completed as part of SANS supporting reimagined industrial priority sectors
- Operating surplus of R51.6-million and net surplus of R50.8-million
- R15.6-million cash generated from operating activities
- 121 SMMEs benefited from conformity assessment support

Clients and industry associations

- 414 standards were published of which 140 were home-grown
- The average turnaround time on standards developed is 305 days
- Rendered services to 7 001 clients
- R55.0-million invested in capital expenditure which includes buildings and laboratory equipment

Employees

- R450.9-million paid in salaries and benefits
- 35 training interventions were offered to employees
- 253 employees completed specialist training with leading partners
- Study bursaries of R894.8-thousand awarded
- 90% employee representation from historically disadvantaged groups
- 48% of the staff complement are women
- Lost time injury frequency rate is 0.40%

International and regional standards bodies

- Adopted 274 new international standards
- Participation in various international and African standards forums
- IEC Chair IEC/ex Conformity Assessment Committee
- ISO Council Member and various advisory boards
- Hold ISO Chairmanship of Technical Committee
- ARSO, AFSEC Council Member
- SADCStan Executive Committee, BRICS Standardisation Forum

Government and regulators

- Compliance with all regulatory requirements
- Provision of conformity assessment services in support of regulatory objectives

Society

- Purchased goods or services to the value of R46.7 million from EMEs and QSEs
- Disposed of 72.9 tonnes and incinerated 13.2 tonnes of hazardous waste
- Recycled 13 tonnes of non-hazardous material

Mark schemes



FSSC 22000



Organisational Highlights

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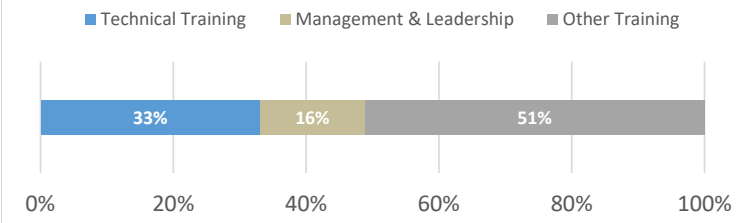
- Maintained **7,400** national standards
- Published **414** national standards of which **140** publications are home-grown
- **Maintained Auditor, Scheme and Laboratory Accreditation** from SANAS and RvA
- **7,001** Active customers
- The SABS has **completed the stabilisation stage** of the Turnaround Strategy
- **R55-million** invested in capital expenditure which includes buildings and laboratory equipment
- **Operating profit of R51.6-million**
- **Net profit of R50.8-million**
- **Supported 121** Small, Medium and Micro Enterprises (SMMEs)
- **Invested R2.6-million** in staff training and development
- **Lost Time Injury Frequency Rate (LTIFR)** is 0.40 per 200 000 hours worked

New Equipment Purchased

• Transformers	R4,497 (m)
• Generators	R4,524 (m)
• Break Test Switchgear	R2,695 (m)
• Overhead Lifting Crane	R1,994 (m)
• HVAC Cooling Tower	R1,294 (m)
• Radiation Protection Laboratory - Upgrade	R20,210 (m)
• Gas & Flammable Storage	R0,445 (m)

Training and Development Expenditure

FY2021/22



Performance FY2022

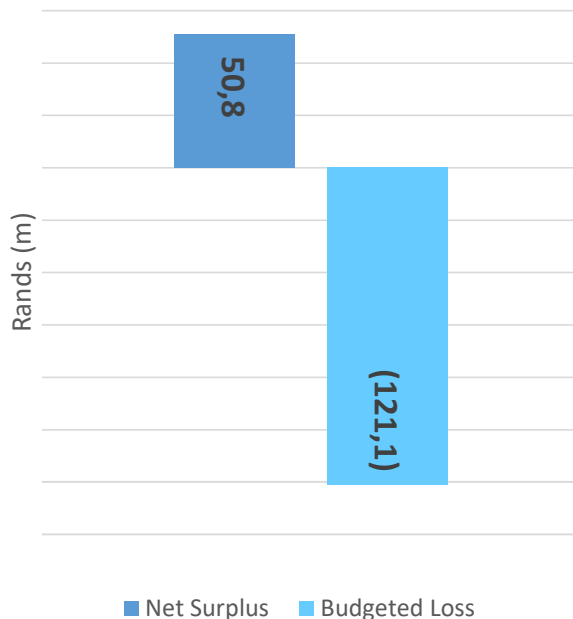


Group Results FY2022

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Budgeted Loss

For the year ended 31 March 2022



Performance Against Approved Annual Performance Plan

The SABS achieved 6 of the 11 targets with two indicators being missed by 1% and 0,1% respectively.

Targets that were not met are as indicated below:

- **SANS supporting re-imagined industrial priority sectors.**
Target was 80% and 79% (42/53 indicators) SANS were completed.
- **Customer Satisfaction Rate.**
The target for Customer Satisfaction Rate is 75% and the SABS achieved 70%.
The Customer Satisfaction Survey was mainly impacted by unfavourable feedback from the Laboratory Services Division with the lowest score of 56%.
- **Employee Engagement Rate.**
The target is 3 out of 5. The organisation took a decision not to conduct the survey until the S189 process and the migration to the new structure is complete.
- **The SABS is expected to support the economic participation of designated groupings namely, women, youth, and persons with disabilities, in the industrial economy**
The SABS contributes to the initiative by appointing designated people to the SABS (internal focus).



Predetermined objectives FY2022

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Strategic Objective	Output and Key Performance Area	Annual Target	FY2021/22 Target	FY2021/22 Actual	Status
Develop, promote and increase the use of standards	SANS supporting reimagined industrial priority sectors as defined by the dtic	80% Standardisation commitments	80% Standardisation commitments	79% Standardisation commitments	●
	Conduct Government Stakeholder engagements	7 Stakeholder engagements	7 Stakeholder engagements	11 Stakeholder engagements	●
	Number of reports submitted	4 Reports	4 Reports	4 Reports	●
Provide integrated conformity assessment services solution	Customer Satisfaction Rate	80.00%	80.00%	70.28%	●
	Number of new products, services, solutions launched	<ul style="list-style-type: none"> • 2 New online courses • 2 New certification schemes • 2 New test methods 	<ul style="list-style-type: none"> • 2 New online courses • 2 New certification schemes • 2 New test methods 	<ul style="list-style-type: none"> • Introduced 5 new online-courses • Launched 2 new certification scheme • Introduced 6 new test methods 	●

● Annual target met or exceeded ● Annual target not met ● Annual target almost met



Predetermined objectives FY2022 (cont)

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Strategic Objective	Output and Key Performance Area	Annual Target	FY2021/22 Target	FY2021/22 Actual	Status
Build a capable and efficient SABS: <ul style="list-style-type: none"> Reduce financial losses Improve operational efficiencies Improve employee engagement Increase economic participation of designated groups 	Net Profit of the SABS Group	Loss of R121.2-million	Loss of R121.2-million	Surplus of R50.8-million	●
	Cost-to-Income Ratio	116.0%	116.0%	98.0%	●
	Employee Engagement Rate	Rating of 3 out of 5	Rating of 3 out of 5	Survey not conducted	●
	Percentage of Women Supported	48.0%	48.0%	48.5%	●
	Percentage of Youth Supported	27.0%	27.0%	21.7%	●
	Percentage of People with Disabilities Supported	1.9%	1.9%	1.9%	●

● Annual target met or exceeded ● Annual target not met ● Annual target almost met



Financial Performance

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Income Statement

Revenue	448.4	415.9	444.8	506.5	514.4	500.9
Parliamentary grant recognised as income	267.1	214.7	245.6	232.5	243.2	183.2
Expenditure	745.7	824.3	881.2	847.4	901.3	811.3
Operating (loss)/profit	51.6	(111.8)	(110.2)	(31.3)	(79.5)	(74.5)
Net investment income	17.6	27.6	48.6	30.1	29.1	30.1
Profit/(loss) for the year	50.8	(40.1)	(61.6)	(1.2)	(70.7)	(44.4)

Statement of financial position

Property, plant and equipment	720.1	710.1	684.0	687.7	713.4	750.5
Investment properties	6.8	7.2	7.5	7.7	7.9	8.4
Intangibles	15.4	14.2	13.4	20.1	24.4	27.8
Investments at fair value	132.7	120.3	100.5	312.6	430.5	427.3
Right-of-use assets	15.9	23.0	15.7	-	-	-
Deferred taxation	28.4	40.6	-	-	-	19.8
Non-current assets/disposal group held for sale	-	-	-	-	-	-
Current assets excluding cash	161.4	177.1	154.4	202.6	167.1	148.8
Net cash and cash equivalents	406.2	457.6	531.9	259.2	126.0	91.9
Total assets	1 486.8	1 550.1	1 507.4	1 489.9	1 469.3	1 474.6
Capital and reserves	834.9	782.7	815.7	887.1	882.0	5 927.8
Other non-current liabilities	454.4	483.7	463.9	317.0	341.1	375.5
Current liabilities	197.6	283.7	227.8	285.7	245.6	171.3
Total equity and liabilities	1 486.8	1 550.1	1 507.4	1 489.8	1 469.2	1 474.6

Comments

- SABS Group achieved net profit of R50.8m driven mainly by increase in revenue and decrease in costs when compared to prior year. This resulted in an increase in equity.
- Revenue growth as per AFS of R32.5m is driven mainly by growth from Certification, Laboratory services and Training Academy
- Operating expenditure has declined by R78.6m driven mainly by:
 - Ongoing cost containment activities
 - Decrease in employee benefits (R110.3m)
 - VSP / ER are the main contributors
 - Constrained replacement of resources during the placement process.
- Overall, total assets declined comprises mainly of :
 - Decline in cash and cash equivalent of R51.4m driven by payment of the VSP / ERs
 - Collections contributed to the reduction in receivable by R18.1m

Overall improvement in revenue and net profit for 2021/22 financial year. The SABS Group's equity increased by R52.2m driven mainly by net profit achieved



Financial Performance

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Cash Flows

Net cash flow from operating activities	15.6	10.0	29.3	(36.7)	32.1	(12.5)
Net cash flow from investing activities	(50.4)	(73.9)	251.9	169.8	1.9	(64.0)
Net cash flow from financing activities	(16.6)	(10.4)	(8.4)	-	-	5.6
Cash and cash equivalents at beginning of year	457.6	531.9	259.2	126.0	91.9	162.8
Cash and cash equivalents at end of year	406.2	457.6	531.9	259.2	126.0	91.9

Ratio analysis

Profitability and asset Management

Asset turnover	0.3	0.3	0.3	0.4	0.4	0.4
Return on net assets	0.0	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)
Return on equity	0.1	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)
Current ratio	2.9	2.2	3.0	1.6	1.2	1.4
Operating margin %	0.1	(0.3)	(0.2)	(0.1)	(0.2)	(0.1)
Revenue % to income (Revenue & Government Grant)	0.6	0.7	0.6	0.7	0.7	0.7

Performance

Number of employees at year-end	738.0	824.0	856.0	877.0	922.0	973.0
Commercial revenue per employee (R'000)	608.0	505.0	520.0	578.0	558.0	515.0
Cost per employee (R'000)	1010	1000	1029	966.0	978.0	834.0
Operating profit /(loss) per employee (R'000)	69.9	(135.7)	(128.7)	(35.7)	(86.2)	(76.6)
Remuneration as a % of total expenditure	0.6	0.7	0.6	0.6	0.6	0.6

Comments

- Overall, cash and cash equivalents has declined when compared to prior year due to the payment of VSP's/ERs.
- SABS Group's cash from operating activities has improved by R5.6m to R15.6m.
 - Increase in cash receipts from customers by R44.3m driven by the improvement in collection efforts.
 - Increase by R52.4m in grant received from the dtic
 - Cash paid to supplier and employees increased as the payment relating to VSP/ER was processed during the 2021/22 financial year.



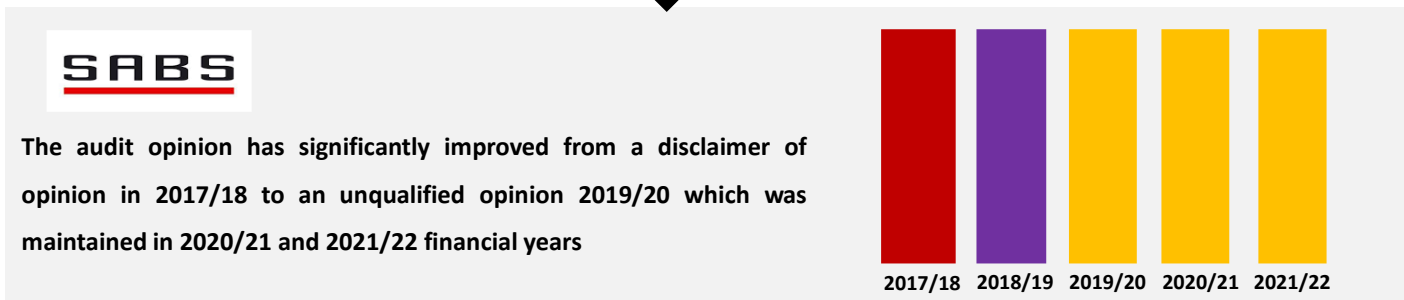
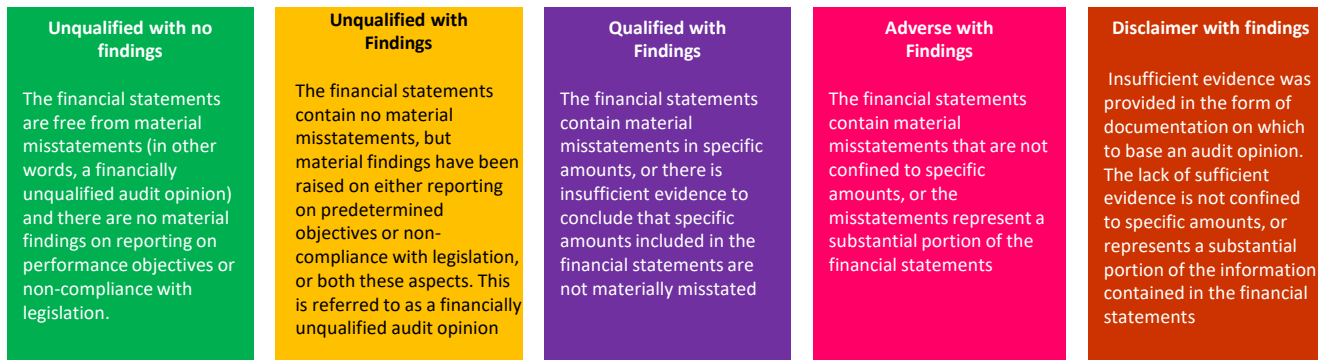
Audit results



Group Audit Outcome – last 5 years

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Types of audit outcome



FY2020/21 Audit outcomes

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Extracts from AGSA audit report	Comments
<p>“2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the SABS as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).”</p>	
<p>Report on the audit of compliance with legislation</p>	
<p>“25. The material findings on compliance with specific matters in key legislation are as follows:</p>	<ul style="list-style-type: none">• SABS Group and SABS entity obtained an unqualified audit opinion for the financial years 31 March 2021/22.
<p>Annual financial statements</p>	<ul style="list-style-type: none">• Whilst the financial statements submitted for audit contained misstatements (paragraph 27), these misstatements were corrected, and the audited financial misstatements no longer contained material misstatements.
<p>27. The consolidated and separate financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and or supported by full and proper accounting records as required by section 55(1)(a) and (b) of the PFMA.</p>	<ul style="list-style-type: none">• Capacity challenges are the primary reason for the errors that have occurred. Recruitment processes are underway to permanently capacitate the financial accounting team with the requisite technical skills.
<p>28. Material misstatements of non-current assets and disclosure items identified by the auditors in the submitted consolidated and separate financial statements were corrected and the supporting records were provided subsequently, resulting in the consolidated and separate financial statements receiving an unqualified audit opinion.”</p>	



FY2020/21 Audit outcomes

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Extracts from AGSA audit report	Comments
“26. The public entity did not submit consolidated and separate financial statements for auditing within the prescribed period after the end of financial year, as required by section 55(1)(c)(i) of the PFMA.”	<ul style="list-style-type: none">• The financial statements were submitted after the legislated deadline (paragraph 26). This was due to capacity constraints in Financial Accounting.• Recruitment processes are underway to permanently capacitate the financial accounting team with the requisite technical skills.
“29. Effective and appropriate steps were not taken to collect all revenue due to the public entity, as required by section 51(1)(b)(i) of the PFMA.”	<ul style="list-style-type: none">• The AGSA had challenges with the letters of demand provided because they were submitted late and were not signed.• Hence a non-compliance finding was raised. Processes and controls are being implemented to ensure this noncompliance does not recur



FY2020/21 Audit outcomes

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Extracts from AGSA audit report	Comments
<p>Report on the audit of the annual performance report</p> <p>“17. The material findings on the usefulness and reliability of the performance information of the selected strategic objectives are as follows:</p> <p>Strategic objective 1 – creation of knowledge for dissemination of new technologies and innovative practices, that facilitates fair trade, supports policy, regulatory and industrialisation objectives, and creates tool for conformity assessments to enhance confidence of products</p> <p>Indicator: SANS supporting reimagined industrial priority sectors as defined by dtic</p> <p>18. The source information for measuring the planned indicator was not clearly defined and related systems and processes were not adequate to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions. As a result, limitations were placed on the scope of my work and I was unable to audit the reliability of the achievement of “79% of the standardisation commitment” reported against target SANS supporting reimagined industrial priority sectors as defined by the dtic in the annual performance report.</p> <p>Indicator: Government, SOE, regulatory and related public sector engagements</p> <p>19. The source information and the method of calculation for achieving the planned indicator was not clearly defined.”</p>	<ul style="list-style-type: none">• There were material misstatements identified in the annual performance report were subsequently corrected as well as indicators that were not well defined and verifiable.• These have been corrected on the new version of the corporate plan.



Q1 FY2023 Results



Predetermined objectives FY2023

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Strategic Objective	Output and Key Performance Area	Annual Target	Q1 FY2022/23 Target	Q1 FY2022/23 Actual	Status
Develop, promote and increase the use of standards	SANS supporting reimagined industrial priority sectors as defined by the dtic	80% Standardisation commitments	80% Standardisation commitments	50% Standardisation commitments*	●
	Conduct Government Stakeholder engagements	7x Stakeholder engagements	1x Stakeholder engagements	5x Stakeholder engagements	●
	Number of reports submitted	4 Reports	1x Reports	1x Reports	●
Provide integrated conformity assessment services solution	Net promoter score	70.00%	60.00%	0.00%	●
	Number of new products, services, solutions launched	<ul style="list-style-type: none"> • 2x New online courses • 2x New certification schemes • 2x New test methods 			Annual Target

● Annual target met or exceeded ● Annual target not met ● Annual target almost met

*140 National Standards



Predetermined objectives FY2023 (cont)

SABS

Strategic Objective	Output and Key Performance Area	Annual Target	Q1 FY2022/23 Target	Q1 FY2022/23 Actual	Status
Build a capable and efficient SABS: <ul style="list-style-type: none"> • Reduce financial losses • Improve operational efficiencies • Improve employee engagement • Increase economic participation of designated groups 	Net Profit of the SABS Group	Loss of R121.2-million	Loss below R11.7 million	Profit of R19.3 million	●
	Cost-to-Income Ratio	116%	110%	92%	●
	Employee Engagement Rate	Rating of 3 out of 5			Annual Target
	Percentage of Women Supported	48.0%	48.0%	48.3%	●
	Percentage of Youth Supported	27.0%	25.0%	21.8%	●
	Percentage of People with Disabilities Supported	1.9%	2.0%	1.5%	●

● Annual target met or exceeded ● Annual target not met ● Annual target almost met



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