



ANNUAL REPORT

2017/18



2017/18 HIGHLIGHTS



1623

Accredited organisations in the fields of testing, inspection, certification and other conformity assessment services against a target of 1521



286

Previously disadvantaged assessors registered with SANAS in the assessors' pool against a target of 250



1

Launched new accreditation programme for the accreditation of certification bodies in Medical Devices and In-Vitro Diagnostics

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1. INTRODUCTION

The South African National Accreditation System (SANAS) is the sole national accreditation body for conformity assessment bodies. Conformity assessment bodies 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 body for monitoring 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, providing national, regional and global trust in the quality of its goods and services, fostering the beneficial exchange of goods and services, and providing a service that is recognised as equitable to best international practice.

The value that SANAS offers to the South African economy is a growing network of accredited conformity assessment facilities that can service the calibration, testing, inspection, and certification needs of South African manufacturers and exporters of products and services, as well as support regulators in protecting the citizen's health, safety and environment. The value of SANAS is underpinned by a highly specialised knowledge base and competent skills base, resulting in the international recognition of conformity assessment results produced by South African CABs.

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, and the protection of the environment</p> <p>Poor-quality products are kept out of our borders</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 to international requirements</p>

ACCREDITATION: DELIVERING CONFIDENCE

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

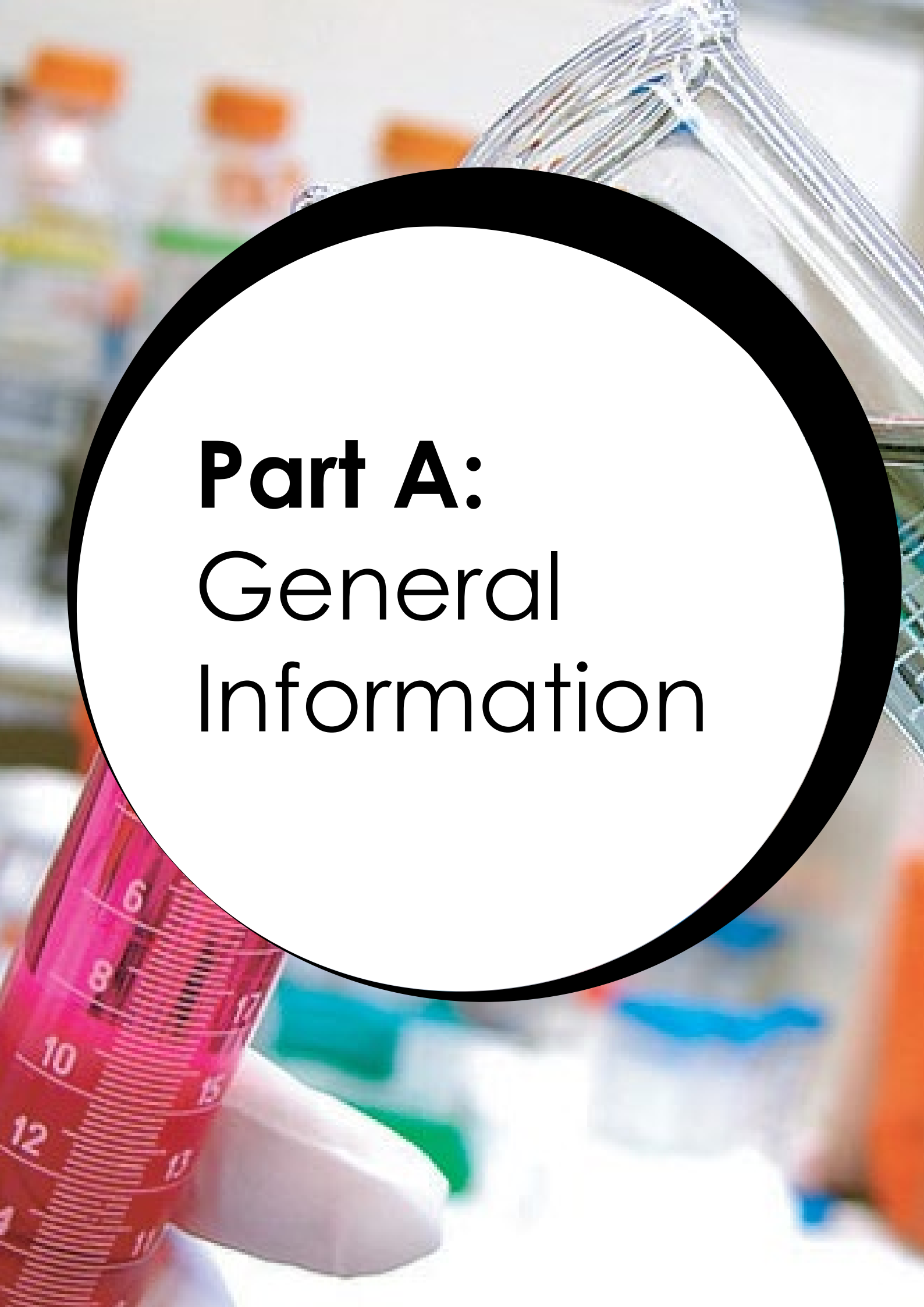
SANAS' STAKEHOLDERS

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 (the dti)	SANAS' support for the effective implementation of government's objectives	Portfolio Committee meetings and presentations	By contributing to industrial development and regional integration
the dti	SANAS' fulfilment of its mandate, achievement of its objectives, and compliance with laws and regulations	Regular meetings and submission of the Strategic Plan, Annual Performance Plan, Business Plan, Quarterly Reports and Annual Report	By being fully compliant with the Shareholders' Compact and aligning its programmes with policies such as the IPAP and the NDP
Government departments	SANAS' support for 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 the consumer, worker, and the environment
CABs	SANAS' provision of effective accreditation services	Assessments of CABs, annual communication meetings, Specialist Technical Committee meetings, and the New Applicants' Workshop	By providing independent third-party accreditation, as well as SANAS lead and technical assessor and experts that 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 new needs of industry and the sectors identified in the IPAP

STAKEHOLDER GROUP	WHAT MATTERS TO THEM?	ENGAGEMENT METHODS	HOW DO WE RESPOND TO THEIR NEEDS
Regulators	SANAS' accreditation support, which enables them to fulfil their regulatory mandates	One-on-one meetings, Specialist Technical (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 various decision management 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 SANAS' 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

STAKEHOLDER GROUP	WHAT MATTERS TO THEM?	ENGAGEMENT METHODS	HOW DO WE RESPOND TO THEIR NEEDS ?
SANAS assessors	The capacity and capability to do assessments for SANAS	Assessors form part of 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	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 relevant staff members, and providing personal development initiatives



Part A: General Information

2. ENTITY'S GENERAL INFORMATION

REGISTERED NAME OF THE PUBLIC ENTITY	South African National Accreditation System
REGISTRATION NUMBERS AND/OR OTHER RELEVANT NUMBERS	N/A
REGISTERED OFFICE ADDRESS	Libertas Office Park, cnr Libertas and Highway Street, Equestria, Pretoria 0184
POSTAL ADDRESS	Private Bag X23, Sunnyside, Pretoria, 0132
CONTACT TELEPHONE NUMBERS	+27 12 740 8400
E-MAIL ADDRESS	tshenolom@sanas.co.za keleabetswem@sanas.co.za
WEBSITE ADDRESS	www.sanas.co.za
EXTERNAL AUDITOR'S INFORMATION	Nexia SAB&T 119 Witch-Hazel Avenue Highveld Technopark Centurion
BANKER'S INFORMATION	First National Bank Shop 39 Hillcrest Boulevard, Lynnwood Road, Hillcrest, South Africa, 0083
COMPANY SECRETARY	Mr Dawood Petersen

3. ABBREVIATIONS AND ACRONYMS

AFRAC	African Accreditation Cooperation
APP	Annual Performance Plan
B-BBEE	Broad-Based Black Economic Empowerment
CAB	Conformity Assessment Body
CB	Certification Bodies
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COMESA	Common Market for Eastern and Southern Africa
COTII	Council of Trade and Industry Institutions
CSI	Corporate Social Investment
DAFF	Department of Agriculture, Forestry and Fisheries
DoH	Department of Health
DoL	Department of Labour
EAC	East African Community
EMS	Environmental Management Systems
ENMS	Energy Management Systems
EXCO	Executive Committee
GCP	Good Clinical Practice
GALAXCOC	Greater Alexandra Chamber of Commerce
GLP	Good Laboratory Practice
GRAP	Generally Recognised Accounting Practice
IAF	International Accreditation Forum
ICT	Information and Communications Technology
IT	Information Technology
IEC	International Electrotechnical Commission
ILAC	International Laboratory Accreditation Cooperation
IPAP	Industrial Policy Action Plan
IRBA	Independent Regulatory Board for Auditors
ISMS	Information Security Management Systems
ISO	International Standards Organisation
ITMS	Information Technology Service Management Systems

KTD	Knowledge Transfer Department
MRA	Multilateral Recognition Arrangement
MTEF	Medium-Term Expenditure Framework
NDP	National Development Plan
NEHAWU	National Health Education & Allied Workers Union
NMISA	National Metrology Institute of South Africa
NRCS	National Regulator for Compulsory Specifications
OECD	Organisation for Economic Cooperation and Development
PAQI	Pan-African Quality Infrastructure
PDI	Previously Disadvantaged Individuals
PER	Pressure Equipment Regulation
PFMA	Public Finance Management Act
PT	Proficiency Testing
QMS	Quality Management Systems
RTMS	Road Transport Management System
SAACB	South African Association of Certification Bodies
SABS	South African Bureau of Standards
SADC	Southern African Development Community
SADCA	Southern African Development Community Cooperation in Accreditation
SADCAS	Southern African Development Community Cooperation in Accreditation Services
SANAS	South African National Accreditation System
SANEDI	South African National Energy Development Institute
SANS	South African National Standard
SCM	Supply Chain Management
SEDA	Small Enterprise Development Agency
SLA	Service Level Agreement
SOLAS	Safety of Life at Sea Convention
the dti	The Department of Trade and Industry
WADA	World Anti-Doping Agency
WHO	World Health Organisation
WTO	World Trade Organisation

4. FOREWORD BY THE MINISTER



Dr Rob Davies
Minister of Trade and Industry

Faster and more inclusive growth in South Africa demands bold and decisive action. South Africa needs to develop a more competitive and diversified economy with a higher global share of dynamic products and greater depth and breadth of domestic linkages. Consumers nationally and around the world are becoming increasingly aware of what they consume and of their power to influence the quality of goods and services, as well as their right to an environment that is protected and not harmful to their well-being. Manufacturers that have to produce for local and export markets against various standards and technical specifications require third-party attestation to build and maintain trust in their offerings.

Regulators are increasingly seeking assurance of compliance with health, safety, and environmental regulations.

“SANAS is the sole national accreditation body for the Republic of South Africa, and it is mandated to provide and maintain an internationally recognised accreditation infrastructure for the Republic in support of South Africa's regional and global relations to advance South Africa's industrial development.”

To achieve the faster and more inclusive growth, **the dti** advocates deepening the productive base in mining, agriculture, manufacturing and services, as well as an intensified stimulation of local and foreign markets, and the strengthening of conditions to support labour-absorbing activities.

The NDP, the Nine Point Plan and the IPAP remain the central thrust of the work of **the dti**. Standards, reliable measures and accreditation form the technical base for the realisation of the IPAP objectives. It is for this reason that the IPAP highlights the importance of a sustainable and expanding technical infrastructure.

It is my pleasure to present the SANAS 2017/18 Annual Report. SANAS is the sole national accreditation body for the Republic of South Africa, and it is mandated to provide and maintain an internationally recognised accreditation infrastructure for the Republic in support of South Africa's regional and global relations to advance South Africa's industrial development.

As the national accreditation body, SANAS is tasked to:

- Accredite or monitor, for GLP compliance purposes, organisations falling within its scope of activity;
- Promote accreditation as a means of facilitating international trade and enhance South Africa's economic performance and transformation; and
- Promote the competence and equivalence of accredited bodies and GLP-compliant facilities.

A significant feature of **the dti's** international engagement involves work to support African regional economic integration and development. **the dti** pursues a systematic methodology that includes strategic and technical missions. These generally include cooperation to promote infrastructure development, trade and investment, and offers technical assistance, particularly for institutional and policy building. The IPAP puts special emphasis on building world-class manufactured product exporters by working with and supporting leading and dynamic companies with a proven track record as winners in their respective sectors. The emphasis on ramping up export competitiveness will increasingly be achieved through the implementation of a range of carefully considered strategies. SANAS' work on expanding the AFRAC Mutual Recognition Arrangement and maintaining SANAS' ILAC and IAF Mutual Recognition Arrangement continues to grow in importance to South African exports. Regionally, SANAS plays a leading role in supporting the creation of the required internationally recognised accreditation infrastructure for SADC and AFRAC.

In 2017/18, SANAS continued to support **the dti**'s priorities in providing effective and efficient service delivery, promoting industrial development and building mutually beneficial regional and global relations to advance South African trade. SANAS also continued to support the ongoing implementation of IPAP by finalising and rolling out a new accreditation programmes for certification bodies in Medical Devices and In-Vitro Diagnostics

SANAS' mandate extends across government departments and, as such, the entity also plays an important role in providing accreditation services to the departments of Labour, Tourism, Health, Transport, Water Affairs and Sanitation, and Agriculture, Forestry and Fisheries, which continue to use SANAS' accreditation services to support effective and efficient service delivery. The aforementioned contributions are critical to building trust and facilitating economic growth. The network of accredited facilities provided by SANAS services South African industries such as metals fabrication, aerospace, the automotive industry, green industries, agro-processing, clothing and textiles, information and communications technology (ICT), biofuels, and pharmaceuticals and chemicals. This network is also used to protect the health and safety of the South African public and the environment.

I would like to congratulate SANAS for once more achieving a performance of 91% following an improvement from last year's excellent performance, and I look forward to SANAS' increased contribution to **the dti** deliverables in line with the NDP, Nine Point Plan, IPAP and the broader South African economy.

I would like to take this opportunity to thank SANAS, its Board of Directors, and its management and staff for their dedication and focus during this financial year.



Dr Rob Davies, MP
Minister of Trade and Industry

5. FOREWORD BY THE CHAIRPERSON



Mr Prags Govender
Chairperson

Supporting South African manufactured goods and services through the principle of 'tested, inspected or certified once, accepted everywhere', as well as supporting socio-economic development by providing the accreditation tools which support protection of its citizens' health, safety, and the environment, remained the focus of SANAS during the 2017/18 financial year.

Stakeholder engagement activities focused on raising the awareness of SANAS and the role of accreditation, promoting SANAS' accreditation programme to non-accredited organisations, improving SANAS' external relationships, and developing the SANAS brand, thus expanding its footprint beyond South Africa.

“SANAS, as the largest accreditation body in Africa, continued to play a primary role in SADCA and the rest of Africa”

Global, regional, and national trust

SANAS, as the largest accreditation body in Africa, continued to play a leading role in the SADC region by supporting the creation of the required internationally recognised accreditation infrastructure for SADC and Africa. Globally, SANAS continues to be actively engaged in the activities of ILAC and IAF.

During the period under review, SANAS continued to ensure that the quality and safety of locally manufactured goods and services met international standards. In the 2017/18 financial year, SANAS was peer-reviewed by AFRAC to maintain the SANAS regional and global recognition of the equivalence of its accreditation system, thus facilitating a regional and global network for the acceptance of South Africa's goods and services.

I am pleased to report that SANAS made significant strides towards attaining the objectives set by the Board of Directors for the 2017/18 financial year. Our strategy of ensuring national, regional, and global trust through an internationally recognised accreditation system bodes well for South Africa's industrialisation policy objectives, since SANAS-accredited CABs provide a vital link for the testing, inspection, and certification of goods and services from the industrial sector.

We are proud that SANAS has once again achieved a clean audit for the year under review. The Board continued to focus the organisation towards contributing to the government's strategic objectives, improving SANAS' external relationships and processes, raising awareness of SANAS accreditation, increasing SANAS' productivity, transforming the SANAS assessor pool, and improving the quality of SANAS' product and service delivery. 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 most recent developments were the creation of accreditation programmes for certification bodies in Medical Devices and In-Vitro Diagnostics. 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 remains a well-run organisation, excelling in performance while maintaining the highest standards of governance. This is supported by the reports of the Audit Committee, the Risk Committee, the Human Resources and Remuneration Committee, and the independent internal auditors.

SANAS performed well during the period under review, although it had to do so with perseverance through trying circumstances, specifically in terms of significant office space limitations. Despite these challenges, SANAS achieved 100% on all of its 13 targets. The overall score of 91% was achieved in respect of the achievements of its 2017/18 targets as recognised by **the dti**.

An independent customer satisfaction survey undertaken during this period showed significant improvement in key performance areas, reaching 7.69. The analysis and comparison of the SANAS 2016/17 and 2017/18 customer satisfaction surveys highlighted a significant improvement in the results. The improved performance was evident in the following areas: quality of SANAS' assessments, SANAS' response to queries from CABs, the ease of doing business with SANAS, and the benefits of being accredited by SANAS.

Through partnership agreements with various academic institutions, three (3) students received bursaries in the past year. SANAS also invested in the development and training of its own staff and pool of assessors. The number of registered PDIs in the assessor pool expanded from 261 to 286 over the past year. During this period, 69 employees received formal training, and 3 bursaries were awarded. SANAS continued to roll out an internship programme, and four interns were appointed for a one-year period from September 2017.

Looking ahead

SANAS performed well over the past year and remains resolute in its focus as vital tasks still lie ahead. Therefore, the Board will continue to focus the entity's efforts towards contributing to government's strategic objectives, improving 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.

Appreciation

The commitment of SANAS employees, including its management, continued to contribute to the entity's success. I would like to express my sincere thanks and appreciation to all SANAS staff members. To my fellow Board members, with whom I have had the privilege to lead the entity over the past 10 years, a huge expression of gratitude for their devotion and dedication to the entity. SANAS is blessed with a competent Board, comprised of professionals from diverse backgrounds, with outstanding knowledge and expertise. It was a decade of honour to work with a team as splendid as this. The Board has a few months remaining in its term, and will be handing SANAS over to a new Board.

Special thanks to Dr Rob Davies, Minister of Trade and Industry; Mr Bulelani Gratitude Magwanishe, Deputy Minister of Trade and Industry; Mr Lionel October, Director-General at **the dti**, as well as all the staff of **the dti** who contributed to the activities and success of SANAS during the period under review. I would like to also thank all our stakeholders, both locally and internationally. With your valued support, SANAS will continue in its contribution towards national priorities, as well as meeting regional and international commitments.

Lastly, I wish to also extend my sincere thanks and appreciation to all the assessors, as well as the members of the STCs, the Approval Committees, and the Advisory Forum for their continued support and valued input in the accreditation processes.

A handwritten signature in black ink, reading "Prags Govender". The signature is fluid and cursive, with a horizontal line drawn underneath the name.

Mr Prags Govender
Chairperson of SANAS

6. CHIEF EXECUTIVE OFFICER'S OVERVIEW



Mr Ron Josias
Chief Executive Officer

Supporting the NDP and the IPAP of **the dft** 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.

We are proud that SANAS has once again achieved a clean audit for the year under review. It gives me great pleasure to present the 2017/18 annual report with a focus on SANAS' financial performance, and its non-financial performance.

Overview of SANAS' non-financial performance

During the year under review, SANAS achieved 91% of its set performance objectives.

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"In fulfilment of its mandate, SANAS must maintain its international recognition."

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In fulfilment of its mandate, SANAS must maintain its international recognition. During 2017, SANAS' competence to run an internationally recognised accreditation body was successfully evaluated by the African Accreditation Cooperation (AFRAC). SANAS received confirmation of its continued signatory status to the AFRAC mutual recognition agreement.

A notable accomplishment for SANAS is the partnership established with SEDA in support of SMME development. Furthermore, a partnership had been established with the Medicals Control Council, to support the accreditation of bodies that will certify medical devices manufacturers.

Overview of SANAS' Financial Performance

Income

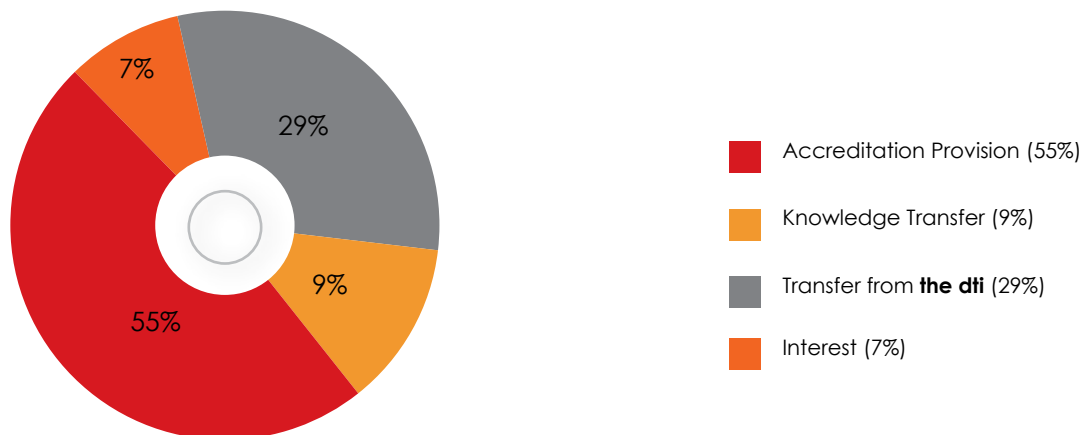
The financial year ending 31 March 2018 continued to be characterised by improvements witnessed over the previous period despite the ongoing baseline cut challenges SANAS faces. The growth in accreditation contributed 4% to income above budget.

SANAS' testing 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 2017/18 is fees collected for accreditation services amounting to 55%, followed by the government grant of 29%, Knowledge Transfer (Research and Development) at 9%, and interest income accounted for 7%.

The breakdown as a percentage of income is as follows:

2017/18 Income composition

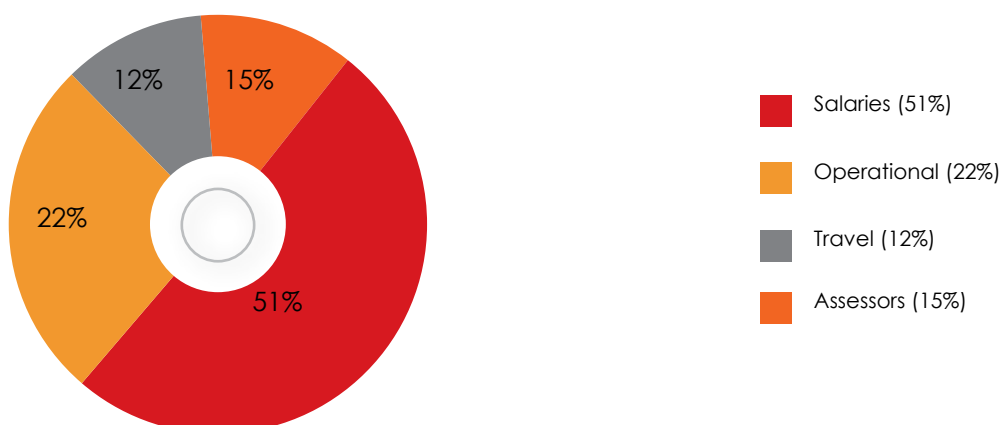


Spending trends

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

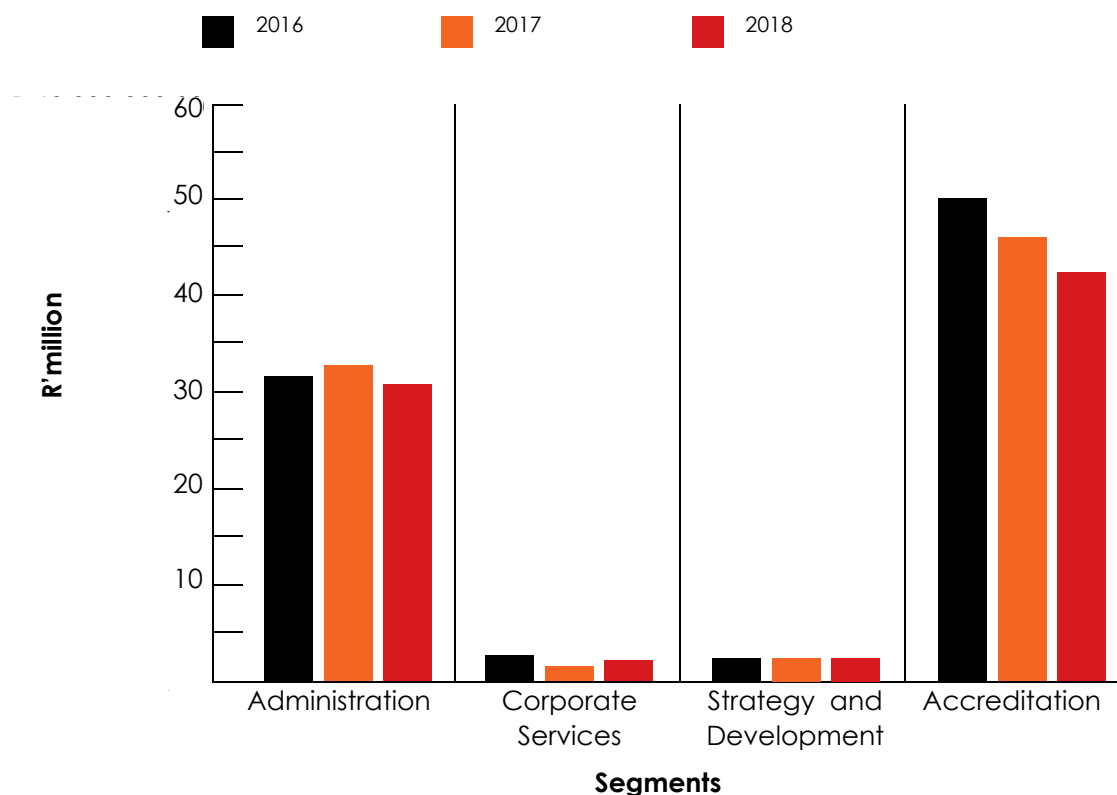
As SANAS is a service delivery entity, the overall compensation of employees amounted to 51% of total expenditure. The other two major components of accreditation expenditure are travel costs, comprising 12% of total expenditure, and stipend paid to contracted assessors to assess facilities for accreditation, contributing 15%. Both these expenditure items remained relatively constant over the year. The remainder of 22% is operational costs.

2017/18 Expenditure Composition



The expenditure focus remained on accreditation services as the core function of SANAS at 56% of total expenditure. This includes the direct costs of providing accreditation services, such as travel costs and contracted assessors to assess facilities. The expenditure split per function is noted below:

2017/18 Annual Expenditure Per Segment



Capacity constraints and challenges

The main challenge that has hampered the implementation of SANAS' activities during 2017/18 was the limited office space and the cession of the associated 15-year lease agreement. Following the receipt of the required required regulatory permissions, and procurement processes, SANAS finalised the agreement for the procurement of new offices. This challenge has now been addressed as SANAS is proud to note that it took occupation of its new offices on 21 May 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 2017/18 year, the entity finalised the accreditation systems for certification bodies in Medical Devices and In-Vitro Diagnostics.

Requests for the roll-over of funds

SANAS realised a R13.4 million surplus, attributed to additional accreditation and knowledge transfer fee income (R6 million), interest income on surplus funds (R6 million) and delay in certain planned expenditure due to the delayed office move. It should be noted that once SANAS pays for its new offices, the income generated from interest will significantly decrease to less than R1.2 million in the 2018/19 financial year onwards. 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 of the 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 2017/18. 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 2017/18 the cash surplus is R16.7 million.

Supply chain management

SANAS manages all procurement in line with the guidelines and instructions stipulated by National Treasury. SANAS' internal auditing process raised a few concerns, which have since been addressed. 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.

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 November 2017, SANAS received notice of further baseline cuts over the outer financial year of the Medium-Term Expenditure Framework (MTEF) period for 2019/20 of R12.9 million. SANAS finalised the acquisition of office property by 31 March 2018, and the majority of the SANAS-approved accumulated reserve will be utilised towards the costing of the office building and the office fit-out. This may place a strain on SANAS' budget during the 2019/20 financial year, as it is expected that the approved reserve will be depleted at that stage. 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 the 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 2018/19.



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.
- 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 2018.



Prags Govender
Chairperson of the Board
27 July 2018

8. STRATEGIC OVERVIEW

8.1 OUR VISION

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

8.2 OUR MISSION

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

8.3 OUR VALUES

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

EXCELLENCE

We are a company dedicated to excellence in service delivery through investing in a competent knowledge base, aimed at exceeding customer expectations

INTEGRITY

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

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

SOCIALLY RESPONSIBLE

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

8.4 LEGISLATIVE MANDATE

SANAS is classified as a Schedule 3A public entity in terms of the 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, 2006 (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">• Accrediting or monitoring, for GLP compliance purpose, organisations falling within its scope of activity• Promoting accreditation as a means of facilitating international trade and enhancing South Africa's economic performance and transformation• Promoting the competence and equivalence of accredited bodies• Promoting the competence and equivalence of GLP-compliant facilities

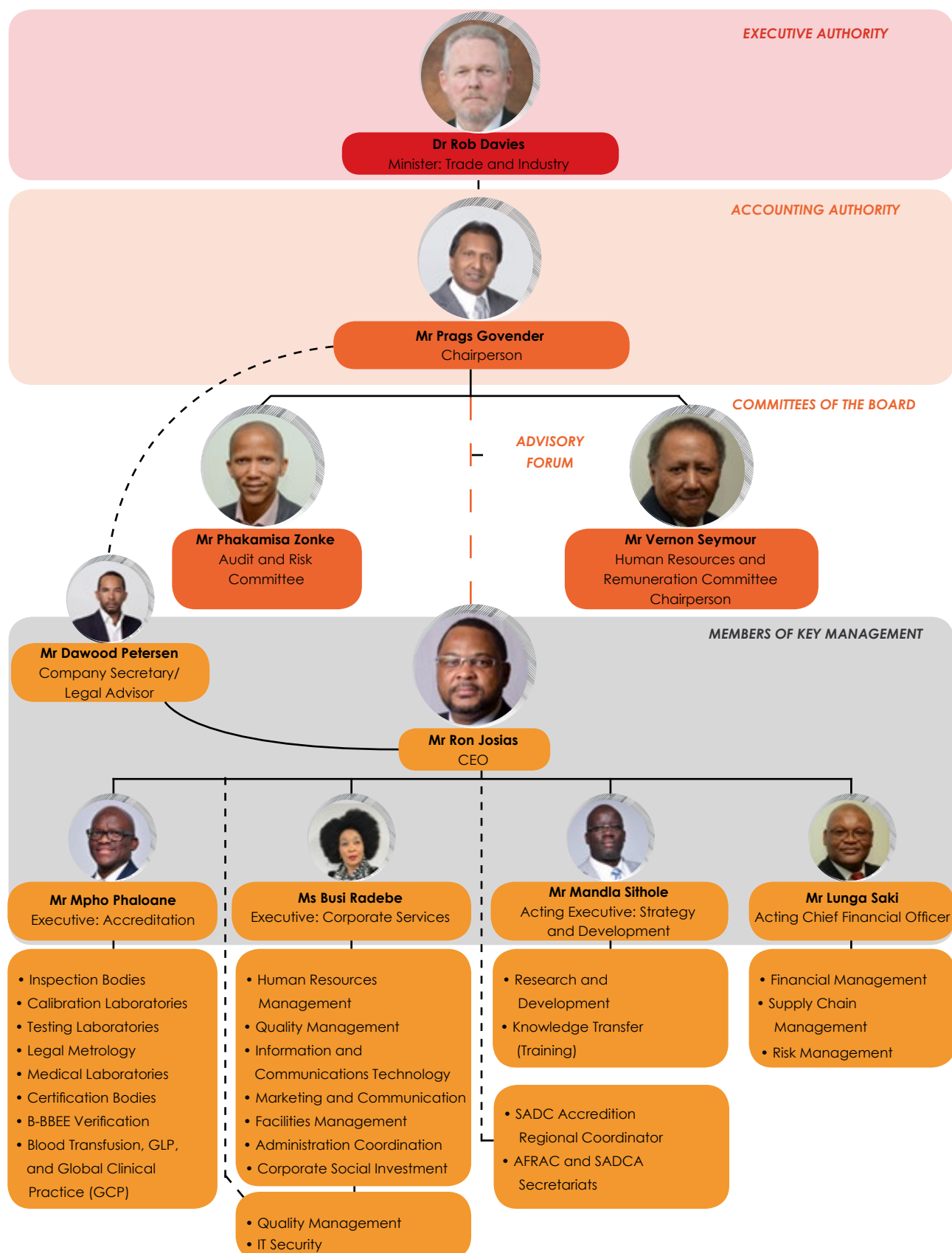
8.4.2 CORE FUNCTIONS

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 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 assessment;
- 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 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 ILAC and 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 MEMBERS



*Mr Prags Govender
Chairperson*



*Mr Phakamisa Zonke
Chairperson: Audit and Risk
Committee*



*Mr Ron Josias
CEO*



*Mr Vernon Seymour
Chairperson: HR and
Remuneration Committee*



Ms Jennifer Rathebe



Ms Anna-Marie Lötter



Ms Bernice Lue Marais



Mr Terven Jaftha



Mr Aluwani Ramabulana



Mr Jacob Malatse



Ms Nomkhosi Magwaza



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 78.

11. SITUATIONAL ANALYSIS

11.1 SERVICE DELIVERY ENVIRONMENT

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

11.1.1 GLOBAL TRENDS

The Global demand for accreditation is greatly fueled by the green economy and regional integration initiatives. New and established global bodies, such as the World Trade Organisation (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. This realisation 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 and EAC) demand for accreditation arises from the role that accreditation plays in facilitating intra- and inter-regional trade in high-quality manufacturing. Industrial development and export are key commodities to SADC. The competitiveness of SADC's 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

South Africa's infrastructure development plans and the further roll-out of the NDP, the Nine Point Plan, coupled with global protection initiatives, will continue to be key drivers for the demand of accredited conformity assessment services in the near and medium term. Although economic volatility remains a challenge, economic growth in Africa, linked with the continent's regional integration initiatives in line with the COMESA, EAC and the SADC Tripartite Free Trade Agreement should further increase the demand for accreditation and support for accreditation initiatives on the African continent.

11.1.5 SERVICE DELIVERY IMPROVEMENT PLAN

11.1.5.1 SERVICE DELIVERY: CUSTOMER EXPERIENCE

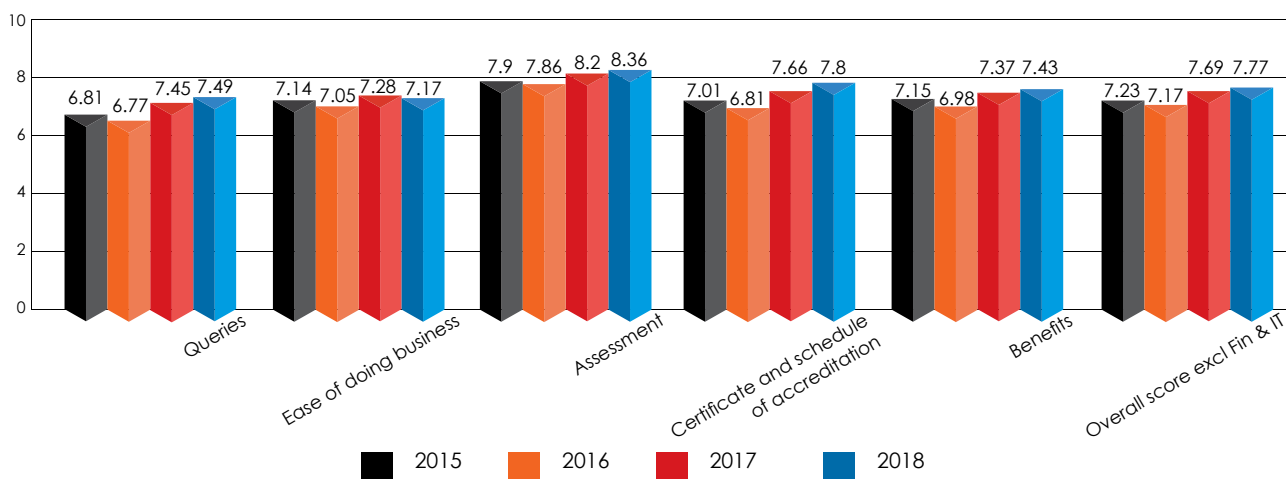
During the 2017/18 financial year, SANAS conducted an independent CAB customer satisfaction survey. The survey covered the following aspects:

- 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 analysis of the SANAS 2017/18 surveys highlighted a significant improvement in the key performance areas results over the previous year's results, from 7.69 out of 10 in 2016/17 to 7.77 during the financial year 2017/18. SANAS' investment in ICT, communication and staff development yielded very positive results, exceeding the 2017/18 target set by the Board, resulting in the overall key performance areas results of 7.69 against a 2016/17 target of 7.5.

To further improve the results obtained, SANAS aims to further invest in ICT allowing for its onsite evaluation documentation process to be automated, thus moving closer towards a paperless system. Additional investment in our communication and staff development will also be enhanced.

Evaluation on Key Performance Areas



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), stronger focus on government support, tertiary institutions as well as investment in its staff. To this end, SANAS has successfully rolled out phase 2 of the ICT automation project, Shanduka.

The 2017/18 financial year was concluded with a satisfactory performance as SANAS managed to achieve all 13 targets.

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 Africa's 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 the following 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 2018/19 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 assigned task of 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 to 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. SANAS enjoys membership of the highest decision-making structures of ILAC and IAF.

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 the African continent. SANAS hosts the secretariats of both AFRAC and 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, supply chain management, risk management and legal and administrative support continues 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 continues to focus on ensuring compliance with all relevant financial standards and regulations, particularly the PFMA and Treasury Guidelines, as well as overseeing the supply chain management function. It also continues to refine its managerial financial accounting systems, advise the CEO on financial risk and risk control, and perform the function of Chief Financial Officer (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 any future risks. SANAS has adopted an approach, in accordance with the provisions of the King Report on Corporate Governance and Report on Governance for South Africa, to resolve disputes in an amicable manner to avoid protracted and costly 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, is responsible for assisting the Board of Directors to ensure adherence to sound corporate governance principles. The Company Secretary assists the Board by providing refresher training on their roles and responsibilities. The Company Secretary continues to provide guidance to the Board on governing legislation, regulations, and policies that affect SANAS, as well as 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 2016/17	Annual target 2017/18	Annual achievement 2017/18	Reasons for variance/ comment
Creditors' payments in accordance with legislative requirements	Eligible creditor payment process days	19 days	18 days	18 days	No Variance

13.1.3 LINKING PERFORMANCE WITH BUDGETS

The programme had an actual expenditure of R32 704 233 of which 94% was used for the compensation of employees, 6% for goods and services, and 0% for capital assets.

2016/17			2017/18		
Budget	Actual Expenditure	Under expenditure	Budget	Actual Expenditure	Under expenditure
R36 631 202	R33 647 511	R2 983 691	R39 216 001	R32 704 233	R6 511 768

13.2 PROGRAMME 2: CORPORATE SERVICES

13.2.1 PURPOSE

The purpose of the Corporate Services Programme is to provide a high standard of corporate support and strategic leadership to assist the operational sub-programmes in achieving the SANAS objectives. The Corporate Services Programme provides leadership and guidance in the areas of Marketing and Communications; Facilities Management; Human Resources Management; Information and Communications Technology and IT Security; Administration Coordination; Quality Management; and Corporate Social Investment.

13.2.2 DESCRIPTION OF THE PROGRAMME

The sub-programmes that fall under this programme include:

Quality Management

This sub-programme oversees SANAS' compliance with international requirements for operating and maintaining an internationally recognised accreditation infrastructure. The Quality Management division ensures SANAS' full compliance to the ISO/IEC 17011 standard for Accreditation Bodies, and hence its continued acceptance as an internationally recognised accreditation body, and signatory to ILAC, IAF, AFRAC and SADCA. On 31 July to 4 August 2017, SANAS successfully underwent its 4-yearly evaluation by AFRAC. All findings have been addressed, and SANAS successfully received confirmation of its continued signatory status with AFRAC. 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.



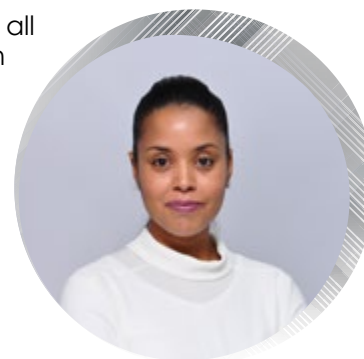
Yolanda Vinnicombe
Quality Manager

Following the outcome of the 2016/17 external Customer Satisfaction Survey, SANAS implemented various successful improvement initiatives to address the shortcomings identified, one of these being the improvement of the online application form. SANAS' focus remains on striving to provide an improved service to and relationship with its customers, through the efficient and timely handling of complaints and queries, the consistent application of SANAS' policies and procedures, and the various IT projects which also form part of the improvement initiatives.

Administration Coordination

This sub-programme provides administrative support to all Accreditation Programmes. The function of the Accreditation Administration sub-programme is essential in ensuring quality and timeous deliverables to our customers; in essence, this sub-programme is the heartbeat of the organisation.

In the year under review, one of the key focus areas was the improvement in the turnaround time for issuing the final product, our Certificate and Schedule of Accreditation to our customers. With various improvements to our processes and by ensuring appropriate resources are available to support this objective, we managed to improve the turnaround time by 14% from the previous year. Shortening the turnaround time had a direct impact on our customers, as they could now offer new services, issue reliable results/reports to their clients, increase their profitability, and also apply for industry related tenders that require SANAS accreditation.



*Cleon Andrews
Administration Co-ordinator*

We continuously strive to deliver efficient communication to our customers by providing regular updates on accreditation matters and statuses. We monitor our performance through our internal procedures, data obtained from customer satisfaction surveys, complaints, general feedback and we act to promote improvement.

Through the continuous enhancement of our automated systems, the simplification of our processes and the upskilling of administrative staff, our commitment remains to improve the quality of our service and product.

Human Resources Management

This sub-programme is responsible for ensuring that SANAS has the human resources capacity to deliver on its mandate. The report on activities that took place during this period is captured under Part D of this report.

Information and Communications Technology Management

The ICT sub-programme is responsible for enabling the SANAS operations by aligning the ICT goals with the organisation's strategic objectives through the identification of appropriate technologies, as well as by designing, developing, implementing, and maintaining the ICT infrastructure.

It is the duty of this programme to provide a reliable ICT infrastructure through ongoing refinement of support services and delivering business value in compliance with legislation and best practices.

The streamlining of the submission of the online accreditation application system (Shanduka) was successfully implemented. The data communication disruptions challenges were also resolved and this has enabled stakeholders to access Shanduka with less frustrations from timeouts.



*Luigi Muto
IT Manager*

The focus for the year ahead will be to complete the electronic accreditation application process cycle, in doing so we will be able to track the assessment application process from the beginning right up until accreditation is granted. In addition to that, we will be investigating innovative ways of enhancing the various accreditation processes.

Information Security Management

The Information Security Management System (ISMS) audited in line with the ISO/IEC 27001 International Standards requirements and an Internal Audit for IT General Controls, both yielding positive results.

An employee IT Security Awareness initiative was rolled out, and there has been visible improvement in the manner in which users respond to cyber threats. In 2016, we started off with a failure rate of 15% from our Phishing Tests to the current 6%, and this is below the Global Government Threshold of 12%. It is our aim to lower this to under 5% in the next financial year.

The business continuity and information technology disaster recovery procedures were implemented to ensure that SANAS' business is not disrupted during unplanned emergencies and disasters. These procedures were successfully tested, and various awareness sessions relating to these procedures were held with SANAS staff.

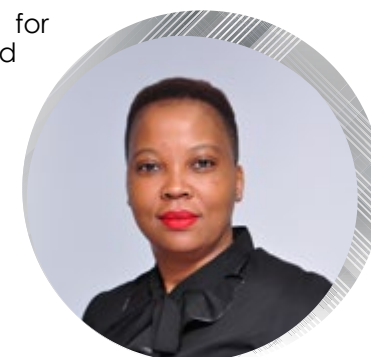


*Miyoba Sichimwi
IT Security Officer*

Marketing and Communication Management

The marketing and communication sub-programme is responsible for activities that will help increase awareness of SANAS' activities and its importance. In the year under review, this sub-programme fulfilled its annual mandate by facilitating and coordinating a range of integrated communication and marketing activities in line with the strategy and objectives of the organisation. This was done through various internal and external communication as well as relevant marketing interventions.

To support the SANAS mandate of ensuring that new and existing CABs are informed of the accreditation requirements, the sub-programme held a number of stakeholder engagements in the form of information and communication sessions with CABs in various provinces. These sessions are formally known as Communications Meetings and are held annually in the form of workshops with the aim of refreshing, updating, and informing the existing CABs of the accreditation requirements. In addition, a similar annual information session (New Applicants Workshop), aimed at providing guidance and information to new applicants for accreditation was also hosted during the reporting period.



*Tshenolo Molamu
Marketing and
Communications Manager*

Continuous communication, updating, and providing feedback to full-time and contracted assessors is vital to the business of SANAS. In order to achieve this, the Marketing sub-programme facilitated the annual assessor conclaves for SANAS assessors. There were focus groups plenary sessions at these sessions to discuss new accreditation standards requirements with the focus on aligning assessors' understanding in preparation for upcoming assessments. Other key technical issues discussed included the ISO/IEC 17011:2017 Updates; Assessment planning, and Integrity of Assessments. It is important to continue reminding the assessors regarding the importance of competent and impartial evaluation of facilities in order to protect the integrity of accreditation and its recognition. The sub-programme hosted a regulator's information session, where representatives from various regulatory bodies and government departments participated. The session aimed to guide regulators on the best approach and process in regards to accreditation and promoted the early involvement of SANAS in the process.

In line with the Marketing Strategy, the 2017/18 focus was increasing awareness of SANAS services across different audiences, and the department participated in the following activities:

- **World Accreditation Day:** On the 9th June 2017, SANAS celebrated the World Accreditation Day, joining more than 85 accreditation bodies in the world that cover over 125 economies in celebrating this annual event. The event was hosted by the Marketing sub-programme under the theme "Accreditation: delivering confidence in construction and the built environment" and was attended by representatives from the construction industry. The aim was to share knowledge and experiences in order to enhance processes within this space.

- **Advertisements:** In the year under review, the sub-programme released one advertisement in the African Fusion – SAIW with the aim of raising awareness for the newly launched Certification of Fusion Welding programme.
- **Exhibitions:** The Communications and Marketing sub-programme exhibited at various industry and sector-related conferences and EXPOs with the aim of raising accreditation awareness while raising awareness of the SANAS brand as well. In this period, SANAS participated in the following exhibitions:
 - Annual Quality Congress
 - Test and Measurement
 - NMISA 70/10
 - Blood Transfusion Congress
 - University of KwaZulu-Natal Westville Exhibition
 - 11th National Skills Development Summit
 - The South African Medical Device Industry Association (SAMEDI)

SANAS continued with a drive to raise awareness and to build better relations at tertiary institutions by hosting information sessions at various institutions and presenting at professional programmes.

Furthermore, in line with the advertising strategy, SANAS also utilised billboards and wall murals in order to raise public awareness.



November 2017 - Wall Mural placed in Soweto

13.2.2 OUTPUTS, PERFORMANCE INDICATORS, PLANNED TARGETS, AND ACTUAL ACHIEVEMENTS

Outputs	Performance indicators/ measures	Annual achievement 2016/17	Annual target 2017/18	Annual achievement 2017/18	Reasons for variance/ comment
Reduce the vacancy rate	Percentage of vacant positions	11% (74 of 83 staff)	8% of (78 staff members)	5.1% (4 of 78 vacancies)	Successful recruitment achieved to ensure lower vacancy rate
Automation of SANAS' accreditation processes	Number of processes automated	No Sign-off	2 (revised target) Completion and sign off for Shanduka Phase 2 Appointment of service provider and initial design for Shanduka Phase 3	2 Shanduka Phase 2 was signed off Service provider has been appointed for Shanduka Phase 3	No Variance
Increase awareness of SANAS	Number of communication events held and participated in	21 Cumulative	16 Cumulative	18 Cumulative	Additional initiatives were identified and implemented
Provide input into the international accreditation requirements of ILAC and IAF	Percentage input to the international accreditation requirements of ILAC and the IAF	100%	95%	96%	Provision of input into these document forms part of the international accreditation value chain. South Africa has also actively participated in drafting these documents to ensure that it is relevant also in the developing country context.

13.2.4 STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

The programme had no areas of underperformance.

13.2.5 CHANGES TO TARGETS

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

Target	Motivation for adjustment	2017/18	2018/19	2019/20
		Current targets		
Number of processes automated	It was necessary to implement strategic changes / improvements to Phase 2 of the Shanduka system before Phase 3 is addressed	2	2	1
		Integrate the document at Management process into Shanduka Phase 3	Develop an IT Green Strategy (Paperless Office) Design and implement the E-learning solution	Design business process management (BPM)
		Implement electronic signatures		
		New targets		
		2	3	3
		Completion and sign off for Shanduka Phase 2	Design and development of online assessment process – a module of our online accreditation application (Shanduka)	Continuation of further modules to be integrated in Shanduka 3
		Appointment of service provider and initial design for Shanduka Phase 3	Continuation of further modules to be integrated in Shanduka 3	Development of automated email templates used for communication between SANAS and clients
			Development of automated email templates used for communication between SANAS and clients	SANAS E-learning portal info gathering and service provider appointment

13.2.6 LINKING PERFORMANCE WITH BUDGETS

The programme had actual expenditure of R3 349 987, of which 0% was used for the compensation of employees, 100% for goods and services, and 0% for capital assets.

2016/17			2017/18		
Budget	Actual Expenditure	Under expenditure	Budget	Actual Expenditure	Under expenditure
R3 137 275	R2 144 993	R992 282	R4 396 595	R3 349 987	R1 046 608

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 projects, and to support 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 Developments

This sub-programme focuses on fulfilling SANAS' obligations to maintain good regional and international relations and on expanding these relations, as well as supporting South Africa's objective of effective regional integration by playing an effective leadership role in the development of accreditation in SADC and on the African continent. In line with SANAS' mandate to provide an internationally recognised accreditation infrastructure and its objective of improving its external relationships, SANAS will continue its involvement in SADCA by playing a leadership role and providing SADCA with Regional Coordinator and Secretariat functions.

In September 2017, SADCAS achieved its signatory status in the ILAC MRA for medical and inspection. SANAS' twinning arrangement with SADCAS will therefore only continue for the certification programme until SADCAS obtains international recognition for these as well. As Secretariat of AFRAC, SANAS will play a leadership role in facilitating the participation of Africa as a continent in the activities of IAF and ILAC, and enable the recognition of an AFRAC MRA by IAF and ILAC. The aim is to have an operational MRA within 2018. In this regard, over the course of 2017, AFRAC underwent its first evaluation by ILAC and IAF in the scopes of Calibration, Testing, Medical Testing, Inspection and Certification (QMS and EMS), and now awaits the final decision by ILAC and IAF regarding its recognition as an internationally recognised Regional Accreditation Cooperation. At the continental level, the Pan-African Quality Infrastructure (PAQI) developed a strategic plan that is aligned to the African Union Commission's Strategic Plan and will be implemented over the next five years. PAQI also completed a stocktaking document of quality infrastructure capacity in African countries.

Knowledge Transfer

The Knowledge Transfer Department (KTD) continues to maintain its national and international reputation as one of the continental leaders in 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 has successfully provided the following services:

- **SANAS Resident Courses-Knowledge Transfer Centre:** 51 Courses, attended by 755 candidates, were conducted over a total of 131 training days. The scope of the courses covered the following standards: ISO/IEC 17025:2005 and 2017 Version, ISO/IEC 17020, ISO/IEC 15189, SANS 10378 and SANAS R47 for B-BBEE accreditation in the form of Management Systems, Documenting the System, Internal Auditing, Technical Assessing Techniques courses, and ISO 17025 Transition workshops.



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

- **Technical and Lead Assessor courses:** 6 courses, attended by 52 candidates, were conducted over a total of 14 training days covering the following standards and normative documents: ISO/IEC 17021, ISO/IEC 17020, ISO/IEC 15189 and SANAS R47 for B-BBEE accreditation
- **In-house courses, in the following provinces:** Gauteng, North West, Northern Cape, KwaZulu Natal, Eastern Cape, Western Cape, Mpumalanga: 22 courses, attended by 310 candidates, were conducted over a total of 58 training days with the following scope of standards: ISO/IEC 17025:2005 and 2017 Version, ISO/IEC 17020, ISO/IEC 15189 and SANS 10378 in the form of Management Systems, Documenting the System, Internal Auditing, Technical Assessing Techniques courses and ISO 17025 Transition workshops.
- **International Courses:** 7 courses, attended by 82 candidates, were conducted over a total of 17 training days covering the following standards: ISO/IEC 17025:2005 and ISO/IEC 15189 in the form of Management Systems, Documenting the System, Internal Auditing, and Train the Trainer courses.
- **Overall in the 2017/18 financial year:** 86 courses, attended by 11 199 candidates, were conducted in a total of 220 training days. SANAS KTD continues to pride itself in delivering training services that meet and exceed its clients' expectations as evidenced from its customer satisfaction index of 97% across all services provided. The above success was achieved through the professionalism and dedication of a competent team of course facilitators and training coordinators.

New Programme Development

This sub-programme focuses on the development of new accreditation programmes.

The Medicines Control Council has promulgated the regulations that require manufactures, importers, wholesalers, and distributors to implement the Quality management system – Requirements for regulatory purposes (SANS ISO 13485). SANS ISO 13485 is intended to address medical devices' regulatory requirements for a quality management system. Although SANS ISO 13485 is based on the Quality Management Systems standard SANS ISO 9001, it focuses less on business performance and more on risk management associated with the Medical Devices and In-Vitro Diagnostics. SANS ISO 13485 requirements provide assurance that medical devices manufacturers consistently produce medical devices that meet regulatory requirements, and that manufacturers design and produce Medical Devices and In-Vitro Diagnostics that are safe for their intended use.



*Tumelo Ledimo
Project Manager:
Research & Development*

It is necessary to note that an audit performed under the ISO 13485 may include an examination of a product's design and development; however, ISO 13485 is not a product certification standard. Certification based on ISO 13485 is not directly linked to the specification of the manufactured products. ISO 13485 certification indicates that the processes for designing and manufacturing medical devices are appropriate for providing consistent product quality and safety.

SANAS launched Medical Devices and In-Vitro Diagnostics accreditation programme for certification bodies on 27 September 2017 in Pretoria. The roll-out of this accreditation programme for Medical Devices and In-Vitro Diagnostics for certification bodies was the result of the work done by a SANAS working group of technically knowledgeable experts who developed the SANAS Technical Requirements that address accreditation criteria and scope of accreditation to be adopted.

Accreditation by SANAS

SANAS will be providing third-party attestation of the technical competence of the certification bodies that will be certifying Medical Devices and In-Vitro Diagnostics in accordance with SANS ISO 13485. The SANAS-accredited certification bodies will certify manufacturers, importers, wholesalers, and distributors of Medical Devices and In-Vitro Diagnostics according to the

requirements of SANS ISO 13485.

13.3.3 OUTPUTS, PERFORMANCE INDICATORS, PLANNED TARGETS, AND ACTUAL ACHIEVEMENTS

Outputs	Performance indicators/ measures	Annual achievement 2016/17	Annual target 2017/18	Annual achievement 2017/18	Reasons for variance/ comment
Develop and roll out an accreditation system for accreditation in IPAP	Number of new accreditation programmes developed and rolled out	The accreditation programme for Fusion Welding of Metallic Materials was rolled out on 16 March 2017	1	1	No variance
Develop and roll out a system for accreditation in assigned areas	Number of new accreditation programmes developed and rolled out	The workshop concluded with the establishment of a working group tasked with the development of the accreditation criteria for Medical Devices in support of the DoH, MCC regulations. An MOU between SANAS and the DoH and MCC was signed on 18 January 2017 at a working group meeting. The final regulations were published by DoH in December 2016. Two working group meetings were convened. The technical requirements were finalised	0	0	No variance

Outputs	Performance indicators/ measures	Annual achievement 2016/17	Annual target 2017/18	Annual achievement 2017/18	Reasons for variance/ comment
Provide an AFRAC Secretariat	Number of meetings where Secretariat support is provided	4 meetings	4 meetings	5 meetings	The AFRAC GA is an additional meeting reported on
Provide a SADCA Secretariat and regional coordination function	Number of meetings where Secretariat support and regional coordinator functions are provided	4 meetings	4 meetings	6 meetings	SADCA has added 2 more committees, i.e. Technical Committee (TC) and Marketing & Communication Committee (MCC)

13.3.4 STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

The programme did not have any areas of underperformance.

13.3.5 CHANGES TO TARGETS

There were no changes made to the annual targets.

13.3.6 LINKING PERFORMANCE WITH BUDGETS

The programme had actual expenditure of R2 924 829. Of this amount, 0% was used for the compensation of employees, 100% for goods and services, and 0% for capital assets.

2016/17			2017/18		
Budget	Actual Expenditure	Under expenditure	Budget	Actual Expenditure	Under expenditure
R3 835 595	R2 924 829	R745 000	R4 113 326	R2 924 829	R1 188 497

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 the following accreditation programmes:

Calibration laboratories

Calibrations performed by SANAS-accredited **Calibration laboratories** form the foundation on which South African scientific and industrial activity is grounded. SANAS has been successful in the accreditation of calibration laboratories covering a wide diversity 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. As part of the ongoing training and support for assessors a calibration workshop was held on 5 July 2017 at NMISA. Subjects addressed include Computers and Software in the Laboratory and World Accreditation Day – an analysis of Grenfell Towers Fire – how could accreditation have helped?



Neville Tayler
Accreditation Manager

The calibration accreditation manager is currently a member of the ILAC Accreditation Issues Committee and represents the international body ILAC in annual meetings with the BIPM, OIML and ISO. He has participated as a calibration expert during peer reviews of EGAC and TUNAC. (Egyptian and Tunisian accreditation bodies respectively).

Proficiency Testing (PT) providers

Accredited Proficiency Testing (PT) providers in South Africa provide the opportunity 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 shown growth over the period, and diversity of the services available has increased and now include PT for medical, coal and other minerals, calibration, pesticides, food, and water. This wide diversity of availability of 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 has held training sessions for both assessors and PT scheme provider staff that cover the requirements of ISO/IEC 17043:2010 and an introduction to statistics for proficiency testing. Assessors already trained as laboratory assessors are cross-trained, allowing them to be used where their technical knowledge and skills are best suited.

Producers of certified reference material

SANAS has accredited two facilities for the production and certification 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 into the mining and mineral sectors. SANAS is in the process of establishing the necessary technical committees to support and grow this niche area of accreditation.

Testing laboratories

The accredited testing laboratories play a significant role in supporting 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 the fastest-growing programme at SANAS, and the trend 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 Environmental and Chemical sector. Additionally, the ever-increasing consumer awareness of the importance of quality and safety of products that they use daily is the driving force behind this steady growth. Currently, the testing programme has accredited laboratories in three of the five regions in the continent, namely: Southern, Western and Eastern Africa. In spite of the steady growth, the testing programme has an adequate number of both technical and lead assessors to services all its accredited facilities. This stability is owed to the "500 Assessor Project" that SANAS embarked on in the previous three years. From this project, the testing programme trained and qualified more than 50 technical assessors.



*Shadrack Phophi
Accreditation Manager*

The newly published ISO/IEC 17025 standard – "general requirements for the competence of testing and calibration laboratories" – has presented the testing programme with an opportunity to grow the numbers of accredited facilities substantially in the coming years. The newly revised standard does allow for sampling to be accredited as a standalone activity. Previously, sampling could only be accredited if the facility responsible for collecting the sample was also going to perform the analysis. Growth is likely to come from sectors such as mining, water, food, stack emission and civil engineering. The accreditation of facilities that only specialises in sampling will therefore require SANAS to train more assessors in the coming years.

During the outbreak of Listeriosis in 2017, some of the accredited food testing laboratories played a significant role in assisting government in its pursuit to identify the source of the outbreak. The assistance requested by the National Department of Health (DoH) from some of the accredited food testing laboratories included submitting *Listeria monocytogenes* isolates to the National Institute of Communicable Diseases (NICD) for sequencing and types of food that tested positive for *Listeria monocytogenes*. The testing programme also participated in the Public Health Emergency Coordinating Committee Meeting (PHECCM) which was formed by DoH in response to the outbreak of Listeriosis. The role played by accredited laboratories during the Listeriosis outbreak explicitly highlighted the role of accreditation in assisting government and/or regulators in safeguarding the public and building public confidence in activities that impact on fields such as health and food safety. In addition, it also demonstrated the importance of accreditation as an essential tool for decision-making, risk management and supplier selection.

Good laboratory practice monitoring authority

A good laboratory practice monitoring authority inspects test facilities and conducts study audits to ascertain their degree of compliance to the OECD principles of GLP. These principles were primarily 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 among countries. The application of these principles should help avoid 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 and it is also the only monitoring authority on the African continent. Our services are being sought after by other African countries such as Tanzania and Benin. These two countries have malaria research sites that are required to conduct their studies for registration of much-needed malaria control vector products to comply with the OECD principles of GLP by the World Health Organization (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 registration of much-needed malaria control vector products.

In South Africa, compliance to OECD principles of GLP by test facilities conducting safety studies is not mandatory. Test facilities that are currently SANAS GLP compliant have done so on their own volition. Recently, however, there has been an upsurge of new applications, especially from the test facilities that are in the pesticide industry. The sudden interest is in response to the DAFF's intentions of legislatively mandating all residue studies to be conducted in accordance with GLP. If DAFF goes ahead with the plan of mandating test facilities that perform residue studies to do so in accordance with GLP, the programme is likely to grow by at least 50% in the next 12 months.

Mechanical and Physical testing laboratories

These laboratories play a critical role in ensuring the existence of a good technical infrastructure which is considered to be a key precondition for national economic growth. We have currently accredited facilities in the field of Automotive, Civil Engineering, Electromagnetic Compatibility (EMC), and Textiles. These laboratories carry out safety and performance testing on critical products such as vehicle brakes, electrical appliances, explosive equipment mostly used in mines and measurement of vehicle emissions.



Thabo Chesalokile
Accreditation Manager

There has been substantial growth in the number of Civil Engineering-accredited laboratories in the past 24 months, which is approximately 25%. These laboratories support the planning, design, construction of roads, bridges, buildings, and water treatment plants. As a result, South Africa boasts some of the best, sophisticated roads, dams and buildings in the world. Roads serve as an enabler of growth by linking internal and external communities with the global economy. For instance, as a result of their work the nation benefits from proper roads, which promotes development either in rural or urban areas through improved mobility and access. Also, goods are transported from one province to another with relative ease.

There is an immense economic benefit derived from the work carried out by our accredited laboratories. Our accredited laboratories facilitate international trade through the international recognition status they enjoy by virtue of SANAS being an affiliate to the ILAC Mutual Recognition Arrangement.

Legal Metrology

Legal Metrology comprises the legislative, administrative, and technical procedures established by public authorities (the dti and other related bodies), and implemented on their behalf by the relevant regulatory body (NRCS) in order to ensure consumer protection. It focuses on appropriate quality and credibility of measurements related to trade, health, safety, and the environment. The decline of the economy over the past years has made this activity even more critical.

The move into Legal Metrology space was informed by technological developments. Consumers are concerned about what they are paying for, hence, every measurement should be verified.

The impact of the introduction of the Legal Metrology Act, 09 of 2014 in 2014 influenced some of the organisations in this field. The technical regulations which will be promulgated soon will provide a basis for the complete implementation of the Legal Metrology Act.

The developments around the Safety of Life at Sea Convention (SOLAS) are taking advantage of and embracing the opportunity for an extended scope brought about by the introduction of the new Act.

The International Maritime Organization (IMO) has amended the SOLAS articles requiring, as a condition for loading a packed container onto a ship for export, that the container must have a verified weight. The shipper is responsible for the verification of the packed container's weight. This requirement became legally effective on July 1, 2016. After that date, it would be a violation of SOLAS to load a packed container onto a vessel if the vessel operator and marine terminal operator do not have a verified container weight. This is important for consumer protection and for safety at Sea.

Further developments in the programme are training and integration of new technical assessors. Ongoing training which resumed in 2016 was provided to nine technical assessors, eight from previously disadvantaged backgrounds. These assessors were selected from across the provinces. Mentoring and monitoring of assessors will continue until they reach the desired competency levels.

Inspection bodies

Inspection bodies operate in the regulatory domain where regulators, the industry, and citizens need assurance that inspection bodies are competent to perform their duties and are conducting inspections against set criteria, standards and codes.

Accreditation for Inspection activities against ISO/IEC 17020 is growing rapidly internationally. In South Africa, we experienced a moderate growth despite the fact that many industries are suffering under the current economic climate and many companies, as a result, are closing down. The main growth areas remain the regulated inspection of pressurised equipment and occupational hygiene, but it is notable that the voluntary domain has produced six new accreditations in 2017. Third-party inspection of equipment, both during manufacturing and in-service stages, has indicated significant growth.



Linda Grundlingh
Accreditation Manager

During the year under review, the new inspection field for *energy performance certificates (EPC) for buildings* was launched (SANS 1544:2014). Although EPC is in its infancy phase in South Africa, with indications that the regulation on Energy Performance Certificates (EPCs) under Section 19 of the National Energy Act will be promulgated in the near future, it is well established in the rest of the world. Building certification, originally focusing on heating appliances, can be traced back to the early eighties, while the origin of EPCs dates back to 1997 when Denmark introduced energy certification, focusing on heating, electricity, and water consumption of homes and buildings. Countries such as Denmark, Norway, China, Brazil, Turkey, and Australia, along with the majority of the EU Member States, all have mandatory requirements for building or energy rating programmes.

Currently, South Africa has regulations prescribing building standards that need to be met for building plans to be approved. The two applicable standards are SANS 10400-XA: Energy Usage in Buildings and SANS 204: Energy Efficiency in Buildings. These focus on pre-construction, or pre-renovation, of buildings. This can however be viewed as an open-loop system, since there is no feedback from existing or newly constructed buildings once these are operational. EPCs enable this to become a closed-loop system by providing feedback, through, e.g. compliance check results, energy performance register, etc. Among others, this feedback would enable tracking buildings' energy performance; this data can, in turn, be used to update standards and regulations. The SANS 1544:2014: Energy performance certificates for buildings standard has been published, and the final link in the chain is the promulgation of regulations on Energy Performance Certificates. Indications from the latest draft National Energy Efficiency Strategy are that the mandatory display of EPCs will commence with government-owned properties, followed by buildings being rented by government.

From there it will be rolled out to new construction and possibly, after assessing the cost-effectiveness, to existing buildings. It is EMVS's belief that energy performance certificates will play an integral part in South Africa's efforts to become a more energy-efficient country.

On 21 July 2017, Energy Management and Validation Services (Pty) Ltd (EMVS) became the first SANAS-accredited Inspection Body for Energy Performance Certificates (EPCs) for Buildings.

Pharmaceutical laboratories

Accredited pharmaceutical laboratories ensure the safety of pharmaceutical products, for example, the vaccines administered on children (Polio, Measles and Yellow Fever), antibiotics and pharmaceutical raw materials used in everyday manufacturing. The laboratories provide a service to the South African pharmaceutical industry, in particular for chemical and microbiological testing. SANAS also works together with the World Anti-doping Agency for doping control as per WADA ISL requirements; this ensures fairness in sports. With the need to tap into more pharmaceutical laboratories noted, which will include the manufacturing laboratories, this gives SANAS an important task, to ensure the technical competency of all pharmaceutical laboratories.



Lebogang Motsoeneng
Accreditation Manager

Blood transfusion facilities

The main role of blood transfusion facilities is to provide the transfusion of safe units of blood. Accreditation plays a vital role in ensuring that the personnel involved in all the activities that includes donor registration, blood collection, testing, processing, and storage of a blood transfusion service are competent and that they adhere to national and/or international standards.

Veterinary laboratory

A veterinary laboratory industry programme plays a vital role in the South African Agriculture field. The accredited laboratories ensure that there is monitoring and control of any potential diseases that may arise in the veterinary field most importantly being the controlled and notifiable diseases as well as zoonotic animal diseases, which if ever detected may cause a dire impact on South Africa's agriculture. Examples of diseases that are monitored include African swine fever, Brucellosis, and Avian influenza to ensure that if detected this is contained, monitored, and prevented from recurring. The programme also covers testing the safety of meat and other animal products. SANAS continues to work together with the Department of Agriculture, Forestry and Fisheries (DAFF) and the South African Veterinary Council (SAVC) to ensure the competence of the veterinary facilities.

Forensic laboratories

Forensic laboratories are crucial to our criminal justice system, as they provide very useful information that aids in the investigation and prosecution of crime through the scientific examination of physical evidence.

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

Accredited broad-based black economic empowerment (B-BBEE) verification agencies support government's national objective to allow for the broader participation of PDIs in the mainstream economy. Seven sector codes were gazetted for implementation during this financial year.

- Amended Agri-BEE Sector Code (No 41306) gazetted in terms of section 9(1) of B-BBEE Act (53 of 2003) on 08 December 2017
- Amended Forestry Sector Code (No 40803) in terms of section 9(1) of the B-BBEE Act (53 of 2003) on 21 April 2017
- Amended Construction Sector Code (No 41287) gazetted in terms of Section 9(1) of the B-BBEE Act (53 of 2003) on 1 December 2017
- Amended Property Sector Code (No 40910) gazetted in terms of Section 9(1) of the B-BBEE Act (53 of 2003) on 09 June 2017
- Amended Financial Sector Code (No 41287) gazetted in terms of Section 9(1) of the B-BBEE Act (53 of 2003) on 01 December 2017



Mokgadi Rameetse
Accreditation Manager

Medical laboratories

The credibility of results issued by an accredited medical laboratory is paramount to the health and safety of patients who rely on testing services they provide. Laboratory tests are an integral part of the workup of any patient and constitute up to 80% of a physician's diagnosis and treatment choice. As medical doctors base their diagnosis on the results issued by medical laboratories, it is crucial that these results be accurate and reliable.

The Medical programme offers accreditation to all medical laboratories within South Africa as well as regional laboratories outside South Africa. We have increased our footprint by accrediting laboratories in Cameroon, Namibia, Nigeria, Kenya, Uganda, Zimbabwe and Ghana. Currently, we have laboratories in Rwanda, which have shown interest to be accredited by SANAS.



Barbara Mokgethwa
Accreditation Manager

Medical programme has accredited 349 laboratories as at March 2018. In the 2017 – 2018 fiscal year, we accredited 25 laboratories, of which 10 were from Regional Laboratories. This programme has trained assessors from across provinces as a means of reducing travel costs and increasing efficiency. The programme is also upskilling the existing technical assessors to be lead assessors, this will help in also saving costs especially for Regional assessments as one person can conduct both lead and technical assessments.

Certification bodies

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



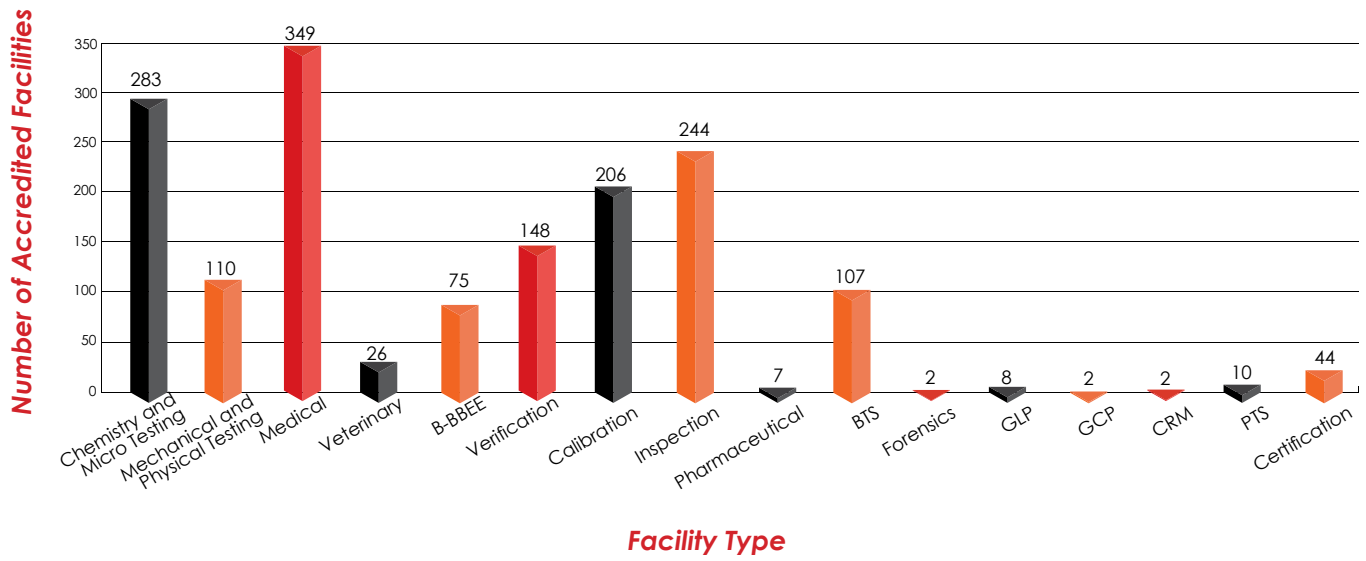
John Ndalamo
Accreditation Manager

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

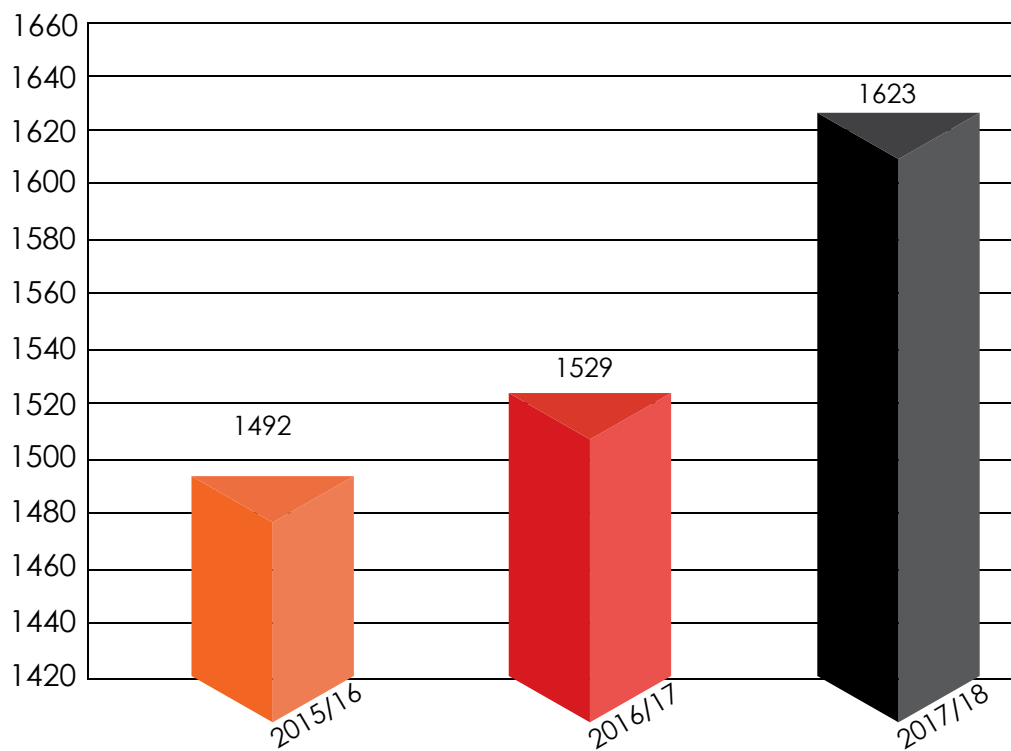
SANAS also continues to establish stakeholder partnerships and regulatory alliances in launching industry-relevant accreditation schemes such as ISO 3834. ISO 3834 defines quality requirements suitable for fusion welding processes of metallic materials. It is appropriate when demonstration of a manufacturer's capability to produce welded constructions in accordance with specified criteria is required. Assessment of conformity with the requirements of ISO 3834 should be of sufficient depth and rigour to confirm that the manufacturer has appropriate and acceptable welding capability and controls, and is capable of producing welded construction to the specified requirements.

All the above developments call for a drive in the implementation of compliance with policies aimed at strengthening 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 representing South African demographics to meet the future accreditation needs. On this note, we pride ourselves in having achieved over 80% trained PDI as Assessors in various accreditation schemes.

**Total Number of Accredited Facilities: 1623
as at 31/03/2018**



Annual Growth in the number of Accredited Facilities



13.4.3 OUTPUTS, PERFORMANCE INDICATORS, PLANNED TARGETS, AND ACTUAL ACHIEVEMENTS

Outputs	Performance indicators/ measures	Annual achievement 2016/17	Annual target 2017/18	Annual achievement 2017/18	Reasons for variance/ comment
STRATEGIC OBJECTIVE 2: Contribute to industrial development and the protection of health, safety, and the environment					
Expand accredited organisations in the fields of testing, inspection, calibration, certification and other conformity assessment services	Total number of accredited facilities	1529	1521	1623	More applications were received. There was more growth in the Testing, Medical and B-BBEE programmes
Assessments of accredited organisations in the fields of testing, inspection, calibration, certification, and other conformity assessment services	Number of assessed facilities, i.e. pre-initials and re-assessments as well as surveillances and extensions of scopes	1413	1316 (Revised Target)	1409	The target was exceeded due to the additional new applications received and additional assessments that took place
Increase the registration of PDI assessors	Total number of previously disadvantaged assessors registered with SANAS in the pool of 500 assessors	261	270	286	An additional number of previously disadvantaged assessors were trained during this period
Accreditation certificates	Time frame for issuing certificates after completion of approval process	19	15	17	Availability of key signatories and improved internal processes resulted in the improved turnaround time

13.4.4 STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

The programme did not have any areas of underperformance.

13.4.5 CHANGES TO TARGETS

During the first and partial second quarter review of the targets, it was noted that there was a lower number of new applications than predicted, leading to fewer assessments. The three-year targets as set out in the annual performance plan (APP) were revised as follows:

Target	Motivation for adjustment	2017/18	2018/19	2019/20
		Current targets		
Number of assessed facilities	During the first and partial second quarter review of the targets, it was noted that a lower number than predicted new applications leading to less assessments. The management of SANAS is of the view that the three year targets as set out in the APP need to be adjusted and therefore recommends an adjustment	1361	1397	1421
		New targets		
		1316	1397	1421

13.4.6 LINKING PERFORMANCE WITH BUDGETS

The programme had actual expenditure of R52 267 591, of which 55% was used for the compensation of employees, 45% for goods and services, and 0% for capital assets.

2016/17			2017/18		
Budget	Actual Expenditure	Under expenditure	Budget	Actual Expenditure	Under expenditure
R47 306 377	R45 672 128	R1 634 249	R52 387 359	R52 267 591	R119 768

14. TRANSFER PAYMENTS

For the 2017/18 financial year, SANAS received monthly transfer payments from **the dti** totalling R30.3 million. SANAS received a notice on 7 November 2014 that the 2015/16 and 2016/17 baseline allocations would be reduced by a total of R29 million. The SANAS budgets for 2015/16 and 2016/17 were revisited and prioritised; however, it was found that the revised budget reductions were not sufficient to cater for the shortfall in operational budgets. The SANAS Board of Directors subsequently approved the utilisation of the approved accumulated reserves to cover the shortfall in the operational budgets for 2015/16 and 2016/17. The remainder of the accumulated R48.8 million had been committed to the procurement of the required office space for SANAS as approved by the Minister of Finance as well as the Minister of Trade and Industry. These shortfalls however did not materialise for 2015/16 and 2016/17 and therefore an additional R29 million has been allocated to the office building and other operational matters.

Subsequently, during October 2015, SANAS received notice of further baseline cuts over the outer 2 financial years of the MTEF period for 2017/18 and 2018/19 of R11 million and R12 million respectively. As the SANAS approved accumulated reserve has been ring-fenced towards the initial R29 million baseline cuts and the office building, this placed strain on the SANAS budget process for the 2017/18 and 2018/19 financial years. SANAS received notice of further baseline reductions in December 2017 for the 2018/19 financial year of R 796,000 as well as for the outer 2 MTEF years. Further cost saving measures, cost containments, and additional streams of income have been investigated and measures are being implemented to tackle this future financial challenge. Failure to cover the future financial gaps will expose SANAS to the risk of not being able to effectively fulfil its mandate.

15. REVENUE COLLECTION

Source of Revenue	2016/17			2017/18		
	Budget	Actual	Variance	Budget	Actual	Variance
	R'000	R'000	R'000	R'000	R'000	R'000
Accreditation	50 681	48 299	(2 382)	55 365	57 806	2 441
Training	9 571	7 675	(1 896)	7 335	9 432	2 097
Total	60 252	55 974	(4 278)	62 700	67 238	4 538

The SANAS accreditation fee income consists of annual fees, as well as income received on additional accreditation services requested by customers. The SANAS revenue collection policy for fee income therefore differs for these two categories. Annual fees are required to be paid by 31 May each year, whereas the other fee income requires payment to be made before the required service is delivered in order for SANAS to make the necessary travel arrangements.


For SANAS to facilitate the process of additional accreditation services, invoices are issued upon request. However, the recognition of income only occurs when the particular service has been delivered. In special circumstances, deviation from this policy is allowed. Nevertheless, these are kept to a bare minimum to keep control over debtors. Therefore, the under-collection at year end predominantly relates to annual fees.

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

16. CAPITAL INVESTMENT

Infrastructure projects	2016/17			2017/18		
	Budget	Actual expenditure	Under-expenditure	Budget	Actual	Under-expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Acquisition of immovable property	55 000	-	55 000	73 208	-	73 208

SANAS received approval to retain the 2016/17 surplus for purposes of acquiring immovable property. This resulted in an approved total budget of R48.8 million as stipulated under 2016/17. Although R55 million was budgeted for 2016/17, the baseline shortfalls within the 2015/16 and 2016/17 financials did not materialise and therefore an additional R29 million was available for the office building. Considering baseline cuts for 2017/18, R7 million needs to be ring-fenced, thus resulting in R73 million being available for the payment of an office building and office contents fit-out. The actual registration of the building is expected to be completed by the end of July 2018, of which then payment will be made utilising the ring-fenced funds.

A background image of a business meeting with three people (two men and one woman) looking at documents. A large white circle with a thick black border is centered over the image. Inside the circle, the text 'Part C: Governance' is written in a large, black, sans-serif font.

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 continues to comply with the prescripts of King IV, and the Board is satisfied with SANAS' levels of compliance.

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 does not only consider SANAS' financial performance but also its non-financial performance, 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.

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 for oversight powers.

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

Date	Reason for engagement
10 April 2017	IPAP discussion and reporting on entities' contributions
18 January 2018	

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, have been entrusted to carry out their responsibilities faithfully and effectively, placing the interests of the organisation ahead of its 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 meeting and realising its roles and responsibilities in accordance with its governing terms of reference. These governing terms of reference are aligned with the latest developments in corporate governance.

The Board is of the opinion that, save as specifically disclosed, SANAS has complied, in all material respects, with the requirements of King IV.

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, and 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 established, 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 SANAS' logo, as well as regional and international accreditation logos
- Approves all permanent positions of Executives

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 provides 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 members and no more than 15 members.

The Board therefore comprises eleven (11) members, all of whom are appointed by the Minister of Trade and Industry as the Executive Authority of SANAS. There are ten (10) non-executive Directors and one executive Director (the CEO). The CFO is invited to attend all Board meetings. 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 its 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 significantly high.

Name	Designation	Date appointed	Date on which appointment expires	Qualifications	Area of expertise	Other committees
Prags Govender	Chairperson of the Board	1 December 2013	30 November 2018	MSc (USA) MBA (USA)	Biology Chemistry Governance	
Phakamisa Zonke**	Chairperson of the Audit Committee and Chairman of the Risk Committee	1 December 2013	30 November 2018	CA(SA)	Accountancy, Finance and Property	Audit Committee Risk Committee
Lunga Saki*	Non-Executive Director (former Chairperson of the Audit Committee and Chairman of the Risk Committee)	1 December 2013	31 January 2018*	BCom from University of Cape Town	Finance Audit and Finance Strategy Risk Management Corporate Governance Supply Chain Advanced Verifications and B-BBEE	Audit Committee Risk Committee
Vernon Seymour	Chairman of the Human Resources and Remuneration Committee	1 December 2013	30 November 2018	LLM from Harvard University	Law	Human Resources and Remuneration Committee

Name	Designation	Date appointed	Date on which appointment expires	Qualifications	Area of expertise	Other committees
Berenice Lue Marais	Non-Executive Director	1 December 2013	30 November 2018	MBA from American University KOGOD School of Business	Finance and Development	
Jacob Malatse	Non-Executive Director	1 December 2013	30 November 2018	MPhil from University of Stellenbosch	Engineering	Audit Committee Risk Committee
Tervern Jafftha	Non-Executive Director	1 December 2013	30 November 2018	BAdmin from University of Pretoria	Quality and Standards	Human Resources and Remuneration Committee
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
Anna-Marie Lötter	Non-Executive Director	1 December 2013	30 November 2018	MPhil from University of Pretoria	Industrial Development and Technical Infrastructure	
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
Aluwani Ramabulana	Non-Executive Director	1 December 2013	30 November 2018	BSc from Oregon State University and MBA from Nyenrode University	Engineering and Transport Finance	Audit Committee Risk Committee

Name	Designation	Date appointed	Date on which appointment expires	Qualifications	Area of expertise	Other committees
Ron Josias	CEO	Not Applicable	Not Applicable	MBA from University of Wales MPhil: International Management from University of Pretoria	Engineering Management	
By Invitation						
Dawood Petersen	Company Secretary	Not Applicable	Not Applicable			
Christi Warren	CFO	Not Applicable	Not Applicable			

*Mr Lunga Saki resigned from the Board effective 31 January 2018 and was appointed as the SANAS acting CFO from 1 February 2018;

** Mr Phakamisa Zonke was appointed as Chairperson of the Audit Committee and Chairman of the Risk Committee effective from 01 February 2018

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				
	30 May 2017	*20 July 2017	14 September 2017	29 November 2017	07 March 2018
Prags Govender	✓	✓	✓	✓	✓
Lunga Saki***	✓	✓	✓	✓	****
Jennifer Rathebe	-	-	✓	✓	✓
Berenice Lue Marais	-	✓	✓	✓	✓
Jacob Malatse	✓	✓	-	✓	✓
Phakamisa Zonke	-	✓	✓	✓	-
Tervern Jafftha	-	-	-	-	✓
Nomkhosi Magwaza	✓	✓	✓	-	-
Anna-Marie Lötter	✓	✓	✓	✓	-
Vernon Seymour	✓	✓	✓	✓	✓
Aluwani Ramabulana	-	-	-	-	-
Ron Josias (Chief Executive Officer)	✓	✓	✓	✓	✓
By Invitation					
Dawood Petersen (Company Secretary)	✓	✓	✓	✓	✓
Christi Warren (Chief Financial Officer)	✓	✓	**	✓	***
Lunga Saki (Acting Financial Officer)	*	*	*	*	✓

*Not yet appointed; **Not invited; *** On annual leave; ✓ Attended; **** Resigned ; - 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. Five 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 to 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 the 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 CEO
- Recruitment, benefits, incentives, and bonus arrangements to employees
- Succession and retention planning for senior staff members, including the CEO
- Areas of scarce and critical skills
- The meeting of equity targets

This committee held six 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 arrangement 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
- 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
- A stimulating and professional work environment

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.

Human Resources and Remuneration Committee member	Meeting attendance records					
	16 May 2017	29 June 2017	*18 July 2017	12 September 2017	20 November 2017	08 February 2018
Vernon Seymour (Chairperson)	✓	✓	✓	✓	✓	✓
Jennifer Rathebe	✓	-	-	✓	✓	✓
Tervern Jafftha	-	✓	✓	-	-	✓
Nomkhosi Magwaza	✓	✓	✓	✓	-	-
By Invitation						
Dawood Petersen (Company Secretary)	✓	✓	✓	✓	✓	✓
Ron Josias (Chief Executive Officer)	✓	**	✓	**	**	**
Busi Radebe (Executive: Corporate Services)	✓	✓	✓	✓	✓	✓
Christi Warren (Chief Financial Officer)	**	✓	✓	**	**	**
Diana Mbatha (Human Resources Manager)	*	*	*	*	*	✓

*Not yet appointed; **Not invited; *** On annual leave; ✓ Attended; **** Resigned ; - Absent and/or apology

17.3.5.2 Audit Committee

The Audit 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 Committee.

The function of the Audit 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 Committee's terms of reference are formalised in a Charter approved by the Board and is annually reviewed to ensure its compliance. During the period under review, the Audit 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 Committee's responsibilities

The Audit 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 Committee ensured compliance with the relevant provisions of the Shareholders' Compact entered into between SANAS and the dti. The Audit 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 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 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 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
- 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, of which the Chairperson is 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 six meetings.

Audit Committee member	Meeting attendance records					
	18 May 2017	*12 July 2017	30 August 2017	17 November 2017	*14 December 2017	16 February 2018
Lunga Saki [‡] (Chairperson)	✓	✓	✓	✓	✓	****
Jacob Malatse	✓	✓	-	-	-	✓
Aluwani Ramabulana	-	✓	✓	-	✓	✓
Phakamisa Zonke ^{‡‡} (Chairperson)	*	*	*	✓	✓	✓
By Invitation						
Ron Josias (Chief Executive Officer)	✓	-	✓	✓	**	✓
Dawood Petersen (Company Secretary)	✓	✓	✓	✓	✓	✓
Christi Warren (Chief Financial Officer)	✓	✓	✓	✓	✓	✓

Audit Committee member	Meeting attendance records					
	18 May 2017	*12 July 2017	30 August 2017	17 November 2017	*14 December 2017	16 February 2018
By Invitation						
Luigi Muto (Information Technology Manager)	-	**	✓	✓	**	-
Lunga Saki*** (Acting Chief Financial Officer)	*	*	*	*	*	✓
Mr Miyoba Sichimwi (Information Technology Security Manager)	**	**	**	**	**	✓

*Not yet appointed; **Not invited; *** On annual leave; ✓ Attended; **** Resigned ; - Absent and/or apology;

‡ Mr Lunga Saki resigned from the Board effecting 31 January 2018 and was appointed as the SANAS acting CFO from 1 February 2018.

‡‡ Phakamisa zonke was appointed as committee Chairman from 1 February 2018.

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 Risk Management 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 the 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 possibility of anticipating unpredictable risks
- Obtains assurance that SANAS considers and implements appropriate risk strategies and responses
- Obtains assurance that continuous risk monitoring by SANAS takes place
- Liaises closely with the Human Resources and Remuneration Committee to exchange information relevant to risk

- Expresses its formal opinion to the Board on the effectiveness of the system and process of risk management
- Reviews reports concerning risk management 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 Committee function was previously managed by the Audit Committee. It has been separated, and a new Risk Committee was constituted that operates independently of the Audit Committee. The Risk Committee comprises three members, of which the Chairperson is a non-executive director.

Risk Committee member	Meeting attendance records		
	18 May 2017	17 November 2017	16 February 2018
Phakamisa Zonke** (Chairperson)	*	✓	-
Lunga Saki‡	✓	✓	****
Jacob Malatse	✓	-	✓
Aluwani Ramabulana	-	-	✓
By Invitation			
Ron Josias (Chief Executive Officer)	✓	✓	✓
Dawood Petersen (Company Secretary)	✓	✓	✓
Christi Warren (Chief Financial Officer)	✓	✓	✓
Luigi Muto (Information Technology Manager)	-	✓	✓
Lunga Saki (Acting Chief Financial Officer)	✓	✓	✓
Mr Miyoba Sichimwi (Information Technology Security Manager)	**	**	✓

*Not yet appointed; **Not invited; *** On annual leave; ✓ Attended; **** Resigned; - Absent and/or apology; ‡Mr Lunga Saki resigned from the Board effective from 31 January 2018 and was appointed as the SANAS acting CFO from 1 February 2018; **Mr Phakamisa Zonke was appointed as committee Chairman effective from 1 February 2018.

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 Committee and the Risk Committee.

17.5 COMPLIANCE WITH LAWS AND REGULATIONS

The Board, with the assistance of the Audit Committee and the 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.

The specific steps involved in carrying out this responsibility include the following:

- 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, any significant findings, and the resolution of and follow-up on findings and 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' management is meeting its obligations
- Monitoring developments and changes in the legislation and regulations that relate to SANAS' operations
- Monitoring and reviewing the extent to which SANAS is complying 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 of its guiding policy, the Anti-fraud and Corruption Policy, as well as the Fraud Prevention Plan and Anti-fraud Charter.

It is the responsibility of SANAS' employees 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 and protection 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** COTII, acknowledges the importance of ensuring that potential conflicts of interest are mitigated. In this regard, SANAS has adequate measures in place to ensure that possible conflicts of interest do not exist.

SANAS has processes and procedures in place to mitigate against the 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
- 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, 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 health and safety working conditions for employees of SANAS, the prevention of health hazards in the workplace, and the effective handling of emergency response 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. The Company Secretary 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 ongoing training to members of the Board on the implications of King IV.

17.11 SOCIAL RESPONSIBILITY

During the 2017/18 financial year, SANAS continued with its social responsibility in the South African communities. In this regard, the corporate social investment (CSI) strategy was developed, adopted and implemented. SANAS continues to support the adopted homes for the needy, being Madzibandlela Orphanage Home, Boitumelo Community Project, and others.

In the period under review, SANAS participated in the following projects:

17.11.1 Madzibandlela Orphanage Home

The home takes care of 79 vulnerable and abused children in the community. Madzibandlela Orphanage is black owned and is situated at 15260 Extension 11 in Pretoria at Soshanguve. The needs analysis was conducted and concluded that they were only surviving on selling vegetables from their garden. Then SANAS management, with the support of the staff members, decided to assist by donating stationery, uniforms for the school-going children, books and non-perishable food, and good quality re-usable clothing. There were instances where SANAS spent time with the kids doing activities, reading, and writing.

17.11.2 Boitumelo Community Project

Boitumelo Community Project aims to create a conducive environment for orphans and street children and takes care of 48 kids. It is a black-owned childrens' home, situated at 1834 Block X in Pretoria at Soshanguve. The home used to survive from selling eggs and vegetables from their garden. A needs analysis was conducted to identify the requirement of this home, and it was established that there was a need for them to be able to get more income.

SANAS then decided that it would be of great value to buy the baking oven for Boitumelo, in order to be sustainable. The baking project will require the home to employ members from the community, and as a result, this will reduce the unemployment rate. During the delivery of the oven, training was provided on the use of the baking equipment. This training was conducted by the professional service providers for the home owner and her assistants, so that they can produce quality output.

SANAS also donated various items such as stationery, food, blankets, and clothing. In addition to that, SANAS took time out to paint the facilities and donated a wendy house.

SANAS staff members attended the launch and witnessed the first process of the baking process and also celebrated World Aids Day with the kids. The home currently uses the oven to bake bread, scones, and biscuits, and sells these to the community, schools, and clinics in order to generate income and reduce dependency on sponsorships.

The stove made a huge impact, as they were able to generate an income estimated at R8,600 per month, and over and above that, they managed to achieve the following:

1. The owner managed to buy extra 15 chickens together with a cage, to enable them to use freshly laid eggs to bake scones and muffins, and not incur expenses in buying them; this resulted in cost saving
2. For the children's entertainment they bought a big TV screen together and a decoder
3. They bought additional five (5) beds that were required for the kids
4. They can now afford to buy food, clothes, and electricity for the home
5. In addition to the four (4) existing staff members, they managed to employ two (2) part-time matric students to assist with the baking and are paid a weekly wage of between R150 and R180, and this process has created the required employment
6. The home also provides left-over bread and scones to the two (2) employed matric students to feed their families – that assisted with eradicating poverty
7. The income has afforded the opportunity to be able to pay for a delivery fee of R70 when ordering stock from Shoprite

The SANAS Marketing department assisted with the production and installation of the information signage, and also designed and printed the flyers that were distributed in the community in order to promote the sale of bread and other items.

17.12 BROAD-BASED BLACK ECONOMIC EMPOWERMENT

SANAS is committed 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 businesses to move forward towards the transformation and inclusivity of the country and the economy. In the year under review, SANAS was given a Level 8 contributor status according to the New B-BBEE Codes. SANAS is working hard to improve its contribution level by looking at various initiatives that can be embarked on within the Enterprise and Supplier Development area as well as within the Skills Development areas, which are areas that affected our B-BBEE rating.

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. All the service providers that provide goods and services to SANAS are required to disclose their B-BBEE status.

17.12.1 Supplier development project

17.12.1.1 Supplier training

Although SANAS is an organisation that cares, invests in people, communities, and environment, there was a need for the organisation to contribute towards reducing the rate of people in our societies who did not get the opportunity for education. An initiative was taken to take eleven (11) Monabo Cleaning Services employees together with four (4) unemployed matriculates from Boitumelo Community Project to attend Telephone Skills Training that was facilitated by Kwelanga. The aim of the training was to impart knowledge and skills to the employees and matriculants who are unemployed and cannot find job opportunities. Training will assist the beneficiaries to be in a position to have practicable skills which will be the key enabler to find better opportunities in the job market, to enhance their employability. The SANAS sponsorship included costs for venue, catering, and transportation for the attendees. SANAS received positive feedback about training, and all candidates got their certificates after training.

17.12.1.2 Laptops donation

To enhance and give back to the community, employees were given an opportunity to nominate the most disadvantaged school that is in need of laptops. Motjibosane Primary School, situated in a rural area of Pretoria at Hammanskraal, was nominated. The school consists of eight hundred and ninety (890) kids and twenty (20) educators. The aim of the school principal was to have a library so that it becomes easier for the kids to do their homework under the educators' supervision. The IT manager together with some of the employees visited the school to assess the safety of the library, after that the organisation donated the second hand laptops (9) to the school. This has enhanced the computer literacy of the youth from this community.

17.12.2 Enterprise development project

- **Funding of Small Medium and Micro-Sized Enterprises (SMMEs)**

SANAS has partnered with SEDA (Small Enterprise Development Agency), with the aim of funding the developing incubators. SANAS is limited by the ISO 17011 impartiality clause never directly participate in activities that may compromise its impartiality. As a result SANAS has partnered with SEDA as funders of the SMME's incubation programme in order to manage the risk and to also administer the funding process in a non-discriminatory way. The criterion of funding is to support the developing SMMEs within the conformity assessment space and the previously disadvantaged individuals as per the obligations of the B-BBEE Act. The chosen SMMEs will be assessed by SEDA and accredited on their fulfilment of accreditation criteria and must be in line with governing legislation and initiatives.

SANAS and SEDA have signed a memorandum of understanding as an agreement for funding the developing SMMEs within the conformity assessments space of their choice as per the criteria of funding. As evidence of the support SANAS has provided to SMMEs, SEDA is required to provide reports and supporting documentation for the funded incubator programme.

The duration of the agreement between SANAS and SEDA was within the financial year 2017/18, and both the parties are looking at renewing or extending the agreement for three (3) years.

18. AUDIT COMMITTEE REPORT

The Audit committee is pleased to present its report for the financial year ended 31 March 2018.

Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 51(1)(a)(iii) of the PFMA and Treasury Regulation 27.1. The Audit Committee also reports that it has adopted appropriate formal terms of reference, as its Audit Committee Charter has regulated its affairs in compliance with this charter, and 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 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 prior year, and we are satisfied that the matters have been adequately resolved.

The Audit 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.



Mr Phakamisa Zonke

Chairperson of the Audit Committee
27 July 2018

A background image showing several hands of different skin tones holding a large blue folder or book. The hands are positioned around the folder, with some fingers visible at the edges. The folder is a solid blue color.

Part D: Human Resources Management

19. HUMAN RESOURCE MANAGEMENT

19.1 HUMAN RESOURCES – MAKING SANAS AN EMPLOYER OF CHOICE.

Our culture at SANAS is cultivated through the compelling Employee Value Proposition (EVP) embedded in our core values. This in turn enables our employees to meet the needs of our customers and shareholders. The EVP has been designed around the needs of employees, business demands and the purpose of SANAS.



Diana Mbatha
Human Resources Manager

Striving to be the Employer of Choice:

At SANAS we win through our people and therefore consider them the most valued assets. It is therefore important that our compelling Employee Value Proposition is consistently and effectively applied through people practices. Whilst there are challenges to the organisation, engaging with employees enables us to collectively grapple with and strategize on charting a way forward that will make SANAS a great place to work. The right calibre of employees deliver excellence through customer dedication using the integrity of our quality infrastructure.



Human Resources enables SANAS and its employees to deliver on their mandate and delivers shareholder value by managing people practices processes of sourcing, performance and talent management, development and career management, as well as rewards and recognition.

Plan, Build, Run

2017/18 was a year of strategic alignment and planning for operational excellence, with some practice policies being reviewed (flexi time, leave, and internship policies, to mention but a few) and commencing with new approaches for employee wellness, change management, and relationship building.

2018/19 is planned to be a year to build and implement the planned initiatives, thereafter, run includes assessing impact and inculcating continuous improvement on the employee experience.

19.1.1 Leadership Engagement and Development



Leaders set the tone for culture, deliver through their people, and create and manage people practices consistently and fairly.

Under the current review period, the level of work for leaders was elevated by increasing the manager's mandate to lead their teams effectively. Key leadership engagements yielded the following:

- Identifying critical culture issues and discussing mitigating actions. A number of culture projects were initiated for both managers and employees to work on
- The Managers were given an opportunity to grapple with and translate the mandate from the Board to build strategic objectives. It was critical to involve Managers this Executive conversation, as Managers will drive the objectives through operational excellence

- The Managers were provided with training that will enable them to manage the finances of their programmes/portfolios thus contributing to financial performance of the organisation
- To be 'future fit' in a constantly changing world, all of us need to be authentic and inclusive leaders

The next year will focus on targeted leadership development programmes entailing leadership and executive coaching, leadership roundtable to discuss topical issues, as well as soft transformational leadership skills.

19.1.2 Learning and Development



Growth is mostly about achieving mastery and competence. Development (explaining, experimenting, and stretching oneself) improves agility and performance.

The nature of our business thrives in a culture of learning and knowledge. We develop our employees so that they can realise and use their full potential to foster the culture of excellence in all they do.

We strive for meaningful development that will professionalise our business, support career aspirations of our employees, and create excellence in what we deliver to the customer. Eight (8) of our employees enjoyed a consolidated investment of R 0.2 million for formal education bursaries across education levels, i.e. undergraduate degree to PhD for business, accounting and African economics studies, as well as leadership development studies.

Fifty two (52) employees attended 64 training interventions to develop current work and future work. SANAS spent R 0.3 million. Employees are encouraged to share their acquired knowledge and come up with innovative ways for continuous improvement.

19.1.3 Performance Excellence

At SANAS, we are dedicated to excellence in service delivery through investing in a competent knowledge base, aimed at exceeding customer expectations. Using this perspective, we grow our own timber of talent.

Our value of excellence is entrenched in performance to ensure efficiencies and performance impact are aligned to customer centricity. The organisational average performance score of 3.8 (out of 5) is indicative of the fact that we have fully achieved effective results against all significant performance criteria and indicators as specified in the Performance Area and Performance Plan. Thirty per cent (30%) of the entity yielded performance significantly above expectations, and only 3% of employees were not fully effective and will thus follow a Performance Improvement Process.

Talent Mobility is enabled by a seamless performance management philosophy. We identified four internal qualifying employees to fill vacant positions. These are employees who have an excellent performance track record and who have shown dedication to the work that we do at SANAS. Performance and Talent Management are key enablers to internal mobility.

The focus for 2018/19 is to build a robust Talent Management Framework ensuring that we have the right people, at the right time, in the right roles. We will use a strategic approach to identifying High Potentials and Successors who will be developed for readiness into potential roles. Career Management will help us entertain employee career aspirations, as it will instil excitement in the system.

19.1.4 Employee Appreciation and Reward

SANAS embarked on a remuneration benchmarking exercise. The research shows that SANAS is very competitive in the South African market, competitive even in the Quality Infrastructure industry. The payment of bonuses and pay progression is another tool to reward high performance and motivate commitment of employees.

As an entity that cares for its employees, we launched an Integrated employee wellness programme. We use professional service providers who assist our employees with Physical Well-being, Financial Well-being, Emotional Well-being, and Spiritual Well-being. This is based on the philosophy that says that a healthy (well) employee is a productive employee.

2018/19 will be a year where we develop employee awards based on high performance and brand ambassadorship. This will be powered by online capability and used by all employees to recognise one another.

19.1.5 HR Enables Business Mandate

Employee Engagement

A number of employee engagement sessions were held to discuss various topical issues. The approach to these engagements included looking to employees for possible solutions and requesting employees to participate in the initiatives that will endeavour to keep employees engaged. It was important for SANAS to show employees that their views matter and are valued. Employees who are engaged strive to do their best and naturally become brand ambassadors in their social settings. We continue to build trusting relationships through open communication, i.e. CEO meetings, HR communication mailbox, strategy understanding and translation sessions, leadership engagement, employee engagement, and various information sessions.

A number of policies have been reviewed. This process includes sending the policies to employees for perusal and input. Employee contribution is essential so that employees are familiar with the content and also buy into the policy. This ultimately mitigates transgressions.

Talent Sourcing:

We use rigorous recruitment standards to ensure that employees deliver what is expected of them in their roles. All new employees are subject to an induction process that will enable an employee to understand the business holistically. In this way we ensure that the new employees can meet the needs of our customers.

19.2 HUMAN RESOURCES OVERSIGHT STATISTICS

At 31 March 2018, SANAS employed 68 permanent employees. It is important to have as little business interruptions as possible; therefore, vacancies are monitored closely. For this reason, we closed off the year by exceeding the target (of 8%) with a vacancy rate of 5.1%.

SANAS staff complement

Group	Number of employees	Percentage
African	54	79.4%
White	7	10.3%
Indian	2	3%
Coloured	5	7.3%
Total	68	100%

SANAS gender distribution

Group	Number of employees	Percentage
Male	18	26.5%
Female	50	73.5%
Total	68	100%

Employee level	Number of employees as at 2016/17	Permanent Appointments	Terminations	Number of employees as at 2017/18	Unfilled vacancies
Top management	1	-	-	1	-
Senior management	4	-	2	2	2
Professionally qualified	29	3	3	29	1
Skilled	26	1	1	26	-
Semi-skilled	10	-	1	9	1
Unskilled	2	-	1	1	-
Total	72	4	8	68	4

Managing Exits:

It is important for us to identify critical roles and employ a retention strategy for those roles. We had an attrition rate of 7% (5 resignations); although regrettable, the rate is considered acceptable in the professional market.

Reason for leaving	
Reason	Number
Death	1
Resignation	6
Dismissal	1
Retirement	-
Expiry of contract	-
Other	-
Total	8

Labour Relations:

We endeavour to make SANAS a place where employees can feel that they are treated fairly, feel safe, and their voices are heard; this is done through an open door policy that sustains healthy relations between employees and management. Transparency, consistency, and respect have been ways we use to resolve challenges and disputes.

The employees who were involved received coaching in order to mitigate and prevent misconduct from recurring.

Penalty	Number
Verbal warning	2
Written warning	1
Final written warning	1
Dismissal	1

Responsible Business:

One of our organisational values is Social and we uphold this value by being a responsible business. The focus for the reporting period was on the following:

- We SANAS identified three (3) students for bursaries from various universities and paid a total of R 0.3 million for tuition, books, and accommodation. The focus for 2018/19 is to leverage off the free education strategy so that the budget for bursaries can extend further and cover what is not covered in the free education strategy.

- Our approach to internships is to provide tools to enable employability. SANAS has an intern on an 18-month contract, expiring on 31 August 2018. The intern is provided a salary, mentoring, and structured development (on-the-job training, project involvement, and training where applicable).
- Through a partnership formed with NMISA, another SANAS intern was placed on an exchange programme with NMISA. This has led to a job opportunity being created for the intern which will see him aligning his Biochemistry qualification with practical work exposure, working in a lab. In addition to the job, NMISA will be funding in full further studies of the intern.

Transformation:

Transformation is a business imperative which contributes to the country's transformation goals. Being responsible to our country, we consider recruitment, development, promotion, use of service providers, and partnering aligned with the transformational goals. The table below shows that our workforce is representative of the demographics of the country:

Male Composition as at 31 March 2018				
	African	Coloured	Indian	White
Top management	-	1	-	-
Executive management	1	-	-	-
Professionally qualified	8	1	1	3
Skilled	2	-	-	-
Semi-skilled	1	-	-	-
Unskilled	-	-	-	-
Total	12	2	1	3

Female Composition as at 31 March 2018				
	African	Coloured	Indian	White
Top management	-	-	-	-
Executive management	1	-	-	-
Professionally qualified	11	-	-	3
Skilled	19	3	1	1
Semi-skilled	9	-	-	-
Unskilled	2	-	-	-
Total	42	3	1	4

It is important to accommodate people with disabilities and not marginalise them as they have just as much value to add as people without disabilities. The table below depicts the current status of people with disabilities.

Disabled			
Male		Female	
Current	Target	Current	Target
-	2	1	2



Fun day at Madzibandlela Children's Home

The background is a light blue grid pattern, resembling graph paper. A silver pen is visible on the right side, pointing towards the bottom right. A large white circle with a thick black border is centered on the page, containing the text.

Part E: Financial

INDEX

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

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Statement of Financial Position as at 31 March 2018.....	83
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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 is 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 South African National Accreditation System 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 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.

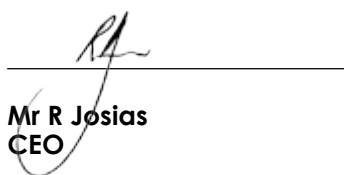
The annual financial statements are prepared on the basis that the entity is a going concern and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the operations.

The external auditors are responsible for independently reviewing and reporting on the South African National Accreditation System's annual financial statements. The annual financial statements have been examined by the South African National Accreditation System's external auditors and their report is presented on pages 77 to 80.

The annual financial statements set out on pages 83 to 114, which have been prepared on the going concern basis, were approved by the Accounting Authority on 27 July 2018 and were signed on its behalf by:



Mr P Govender
Chairperson



Mr R Josias
CEO

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON THE SOUTH AFRICAN NATIONAL ACCREDITATION SYSTEM

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the South African National Accreditation System set out on pages 83 to 114, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets and cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the South African National Accreditation System as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA).

Basis for opinion

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

We are independent of the entity in accordance with the Independent Regulatory Board for Auditors' Code of professional conduct of registered auditors (IRBA code) and other independence requirements applicable to performing audits of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IESBA code and in accordance other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (parts A and B).

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 entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Report on the audit of the annual performance report

Introduction and scope

In accordance with the Public Audit Act of South Africa, 2004 (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 the 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 2018:

Programmes	Pages in the annual performance report
Programme 3 – Strategy and Development	36 to 39
Programme 4 – Accreditations	39 to 48

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

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

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

Other matters

We draw attention to the matters below.

Achievement of planned targets

Refer to the annual performance report on pages 28 to 48 for information on the achievement of planned targets for the year and explanations provided for the under/ over achievement of a number of targets.

Adjustment of material misstatements

We identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 3: Strategy and Development and Programme 4: Accreditations. As management subsequently corrected the misstatements, we did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

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.

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

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.

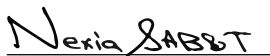
We did not receive the other information prior to the date of this auditor's report. After we receive and read this information, and if we conclude that there is a material misstatement, we are required to communicate the matter to those charged with governance and request that the other information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

Internal control deficiencies

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

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 the South African National Accreditation System for 1 year.


Nexia SAB&T
Per: N.C Soopal
Director
Registered Auditor
27 July 2018
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.

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

ACCOUNTING AUTHORITY'S REPORT

The Accounting Authority submits their report for the year ended 31 March 2018.

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. ACCOUNTING AUTHORITY MEMBERS

The Directors 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	
Mr R Josias (CEO)	South African	
Ms N Magwaza	South African	
Ms J Rathebe	South African	
Mr T Jafftha	South African	
Ms B Lue Marais	South African	
Mr L Saki	South African	Resigned 30 January 2018
Mr P Zonke	South African	
Mr V Seymour	South African	
Mr J Malatse	South African	
Ms A Lötter	South African	
Mr A Ramabulana	South African	

3. BUSINESS AND OPERATIONS

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

4. FIXED ASSETS

There have been no major changes in the fixed assets during the period or any changes in the policy relating to their use. SANAS has now completed the construction of the immovable property following the acquisition of the property on 29 March 2017. SANAS took occupancy of the building from the 21 May 2018. However, the transfer of the property into SANAS name is taking longer than expected from the deeds office. The registration was subsequently concluded on 31 July 2018.

5. EVENTS SUBSEQUENT TO THE YEAR END

The Board approved the payout of staff bonuses for the 2017/18 financial year on 27 July 2018. This has been captured under trade and other payables under note 15. Further, as noted above, the registration of the property was successfully concluded on 31 July 2018. 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.

6. 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. SANAS is however liable to pay all other statutory taxes.

7. 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.

8. BUSINESS AND POSTAL ADDRESS

Old business address

the dti Campus
77 Meintjies Street
Building G
Ground Floor
Sunnyside

Postal address

Private Bag X23
Sunnyside
0132

Contact details

Telephone: (012) 394 3767
Fax number: (012) 394 0526
Email: office@sanas.co.za

New business address from 21 May 2018

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

Telephone: (012) 740 8500

Bankers
Auditors

First National Bank – Hatfield Branch
Nexia SAB & T Incorporated as appointed in terms of the Public
Audit Act
Section 4(3)

9. 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 2018

Figures in Rand	Note(s)	2018	2017
ASSETS			
Current Assets			
Trade and other receivables from exchange transactions	8	10 376 272	1 272 718
Other receivables from non-exchange transactions	9	150 984	131 277
Cash and cash equivalents	10	106 858 893	98 189 539
		117 386 149	99 593 534
Non-Current Assets			
Property, plant and equipment	4	3 131 254	2 243 898
Intangible assets	5	2 313 601	2 246 154
		5 444 855	4 490 052
Total Assets		122 831 004	104 083 586
Liabilities			
Current Liabilities			
Operating lease liability	6	258 442	2 362 766
Trade and other payables	15	17 277 999	9 147 983
Income received in advance	11	8 024 295	8 576 896
Provisions	12	39 799	144 067
		25 600 535	20 231 712
Total Liabilities		25 600 535	20 231 712
Net Assets		97 230 469	83 851 874
Reserves			
Government grant reserve		8 097 674	8 097 674
Accumulated surplus		89 132 795	75 754 200
Total Net Assets		97 230 469	83 851 874

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2018

Figures in Rand	Note(s)	2018	2017
Revenue	16	97 549 641	82 276 077
Other income	17	168 339	59 588
Operating expenses		(91 246 640)	(84 555 229)
Operating surplus/(deficit)	23	6 471 340	(2 219 564)
Investment income	18	6 907 255	6 012 508
Surplus for the year		13 378 595	3 792 944

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand

	Government grant reserve	Accumulated surplus	Total net assets
Balance at 01 April 2016	8 097 674	71 961 256	80 058 930
Changes in net assets			
Surplus for the year	-	3 792 944	3 792 944
Total changes	-	3 792 944	3 792 944
Balance at 01 April 2017	8 097 674	75 754 200	83 851 874
Changes in net assets			
Surplus for the year	-	13 378 595	13 378 595
Total changes	-	13 378 595	13 378 595
Balance at 31 March 2018	8 097 674	89 132 795	97 230 469

Cash Flow Statement

Figures in Rand

Note(s)

2018

2017

Cash flows from operating activities

Cash receipts

Funds received from the dti		30 313 000	22 208 000
Fee income		58 333 231	50 880 788
Investment income		6 027 158	5 774 443
Other receipts		9 957 773	8 955 749
		104 631 162	87 818 980

Payments

Employee costs		(46 196 118)	(42 363 817)
Suppliers		(47 861 287)	(39 449 729)
		(94 057 405)	(81 813 546)

Net cash flows from operating activities

24

10 573 757

6 005 434

Cash flows from investing activities

Purchase of property, plant and equipment	4	(1 598 146)	(304 066)
Disposal of property, plant and equipment	4	(6 054)	-
Purchase of intangible assets	5	(300 203)	(232 486)
Net cash flows from investing activities		(1 904 403)	(536 552)

Cash flows from financing activities

Finance lease payments		-	(2 182 255)
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Net increase in cash and cash equivalents

8 669 354

3 286 627

Cash and cash equivalents at the beginning of the year

98 189 539

94 902 912

Cash and cash equivalents at the end of the year

10

106 858 893

98 189 539

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)
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
the dti grant	30 313 000	-	30 313 000	30 313 000		
Fee income	55 364 524	-	55 364 524	57 804 765	2 440 241	33
Recoveries	15 000	-	15 000		(15 000)	
Courses and project fees	7 334 508	-	7 334 508	9 431 876	2 097 368	33
Sundry income	85 000	-	85 000	168 339	83 339	
Utilisation of reserve	6 851 249	-	6 851 249		(6 851 249)	33
Interest received - investment	150 000	-	150 000	6 907 255	6 757 255	33
Total revenue from exchange transactions	100 113 281	-	100 113 281	104 625 235	4 511 954	
Expenditure						
Employee costs	(49 812 606)	-	(49 812 606)	(49 194 016)	618 590	33
Transfer payments - Other	(597 917)	-	(597 917)	(597 917)	-	
Depreciation and amortisation	(737 619)	-	(737 619)	(937 492)	(199 873)	
Lease rentals on operating leases	(3 592 320)	-	(3 592 320)	(1 345 422)	2 246 898	33
Debt impairment	(150 000)	-	(150 000)	(280 685)	(130 685)	
Loss on disposal of assets	-	-	-	(27 335)	(27 335)	
General Expenses	(45 222 819)	-	(45 222 819)	(38 863 773)	6 359 046	33
Total expenditure	(100 113 281)	-	(100 113 281)	(91 246 640)	8 866 641	
Surplus	-	-	-	13 378 595	13 378 595	
Actual Amount on Comparable Basis	-	-	-	13 378 595	13 378 595	

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 South African National Accreditation System 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
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

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 uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Derecognition

Financial assets

The entity derecognises a financial asset only when:

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

Financial liabilities

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

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;
- 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 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

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. 4 of 2008/2009 which was issued in terms of section 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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.

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 are 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

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

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

The approved budget covers the fiscal period from 2017-04-01 to 2018-03-31.

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.

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 and that are relevant to its operations. Standards and interpretations that has been issued are not yet effective and 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 2018 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 20: Related Parties	01 April 2019	The adoption of this amendment will not have a material impact on the results of the entity but will result in more disclosure than would have previously been provided in the financial statements
GRAP 108: Statutory Receivables	01 April 2019	The adoption of this amendment will not have a material impact on the results of the entity but will result in more disclosure than would have previously been provided in the financial statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4. Property, plant and equipment

Figures in Rand	2018			2017		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	1 034 406	(488 292)	546 114	1 056 608	(411 088)	645 520
Office equipment	2 926 807	(2 248 879)	677 928	2 899 750	(2 028 831)	870 919
IT equipment	3 407 230	(1 500 018)	1 907 212	2 009 512	(1 282 053)	727 459
Total	7 368 443	(4 237 189)	3 131 254	5 965 870	(3 721 972)	2 243 898
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	
	2 243 898	1 598 146	(6 054)	(704 736)	3 131 254	
Reconciliation of property, plant and equipment - 2017	Opening balance	Additions	Disposals	Depreciation	Total	
Furniture and fixtures	746 162	-	-	(100 642)	645 520	
Office equipment	1 071 373	54 401	(7 408)	(247 447)	870 919	
IT equipment	850 451	249 665	(30 888)	(341 769)	727 459	
	2 667 986	304 066	(38 296)	(689 858)	2 243 898	

5. Intangible assets

Figures in Rand	2018			2017		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	254 673	(124 615)	130 058	254 673	(99 148)	155 525
Intangible assets under development	1 896 455	(152 358)	1 744 097	1 596 252	-	1 596 252
Knowledge Transfer management system	549 308	(109 862)	439 446	549 308	(54 931)	494 377
Total	2 700 436	(386 835)	2 313 601	2 400 233	(154 079)	2 246 154

5. Intangible assets (continued)

Figures in Rand

			2018	2017
Reconciliation of intangible assets - 2018	Opening balance	Additions	Amortisation	Total
Computer software	155 525	-	(25 467)	130 058
Intangible assets under development	1 596 252	300 203	(152 358)	1 744 097
Knowledge Transfer management system	494 377	-	(54 931)	439 446
	2 246 154	300 203	(232 756)	2 313 601

Reconciliation of intangible assets - 2017	Opening balance	Additions	Disposals	Depreciation	Total
Computer software	180 993	-	-	(25 468)	155 525
Intangible assets under development	1 913 074	232 486	(549 308)	-	1 596 252
Knowledge Transfer management system	-	-	549 308	(54 931)	494 377
	2 094 067	232 486	-	(80 399)	2 246 154

Intangible assets under development

The Intangible asset under development is software developed for the automation of the accreditation assessment process up to the monitoring of the accreditation process and a website frontend for external stakeholders. Operational costs of R70,332 incurred for the intangible asset under development were not capitalised and were therefore included in operating expenses. The Knowledge Transfer Management system developed for the automation of the course application process was finalised and went live 01 April 2016.

6. Operating lease asset (accrual)

Figures in Rand	2018	2017
Current liabilities	(258 442)	(2 362 766)

7. Financial assets by category

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

2018	Financial instruments at amortised cost	Total
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
	109 815 534	109 815 534

7. Financial assets by category (continued)

2017	Financial instruments at amortised cost	Total
Trade and other receivables	1 149 028	1 149 028
Cash and cash equivalents	98 189 539	98 189 539
Lease agreement deposit	131 277	131 277
	99 469 844	99 469 844

8. Trade and other receivables from exchange transactions

Figures in Rand	2018	2017
Trade debtors	1 325 441	880 235
Less: Impairments for bad debts	(224 470)	(259 416)
Prepayments	7 570 615	123 690
Interest accrued	1 293 610	528 209
Staff debtors	411 076	-
	10 376 272	1 272 718

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 counter party 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 or less past due" past due are not considered to be impaired. At 31 March 2018, R1 957 732 (2017: R1 438 939) were past due but not impaired.

Figures in Rand	2018	2017
The ageing of amounts past due but not impaired is as follows:		
1 month past due	107 252	-
2 months past due	1 850 480	1 438 939

Other receivables from exchange transactions

As of 31 March 2018, trade and other receivables of R 224 470 (2017: R259 416) were impaired and provided for. The amount of the provision was R 224 470 as of 31 March 2018 (2017: R259 416).

8. Trade and other receivables from exchange transactions (continued)

Figures in Rand	2018	2017
The ageing of these loans is as follows:		
Over 6 months	224 470	259 416
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	259 416	150 652
Provision for impairment	245 739	259 416
Amounts written off as uncollectible	(280 685)	(92 013)
Unused amounts reversed	-	(58 639)
	224 470	259 416

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.

9. Receivables from non-exchange transactions

Figures in Rand	2018	2017
Lease agreement deposit	150 984	131 277

A deposit equal to two times the monthly rent for the last month of the lease was paid. The lease agreement indicated that the deposit will be deposited into an interest bearing account in favour of SANAS as the tenant.

10. Cash and cash equivalents

Figures in Rand	2018	2017
Cash and cash equivalents consist of:		
Cash on hand	3 681	3 334
Current account	8 493 527	6 019 762
Short-term deposits	81 527 694	33 289 553
Call accounts	16 833 991	58 876 890
	106 858 893	98 189 539

The short term deposits, which were invested for one month, matured on various dates prior to financial year end and were all reinvested together with the accumulated interest.

Sureties:

The entity has ceded and pledged an amount of R57 994 080 in favour of the property developer for the pending purchase and transfer of the new office building.

11. Income received in advance

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

11. Income received in advance (continued)

Figures in Rand

	2018	2017
Unspent conditional grants and receipts		
Income received in advance	8 024 295	8 576 896

12. Provisions

Figures in Rand

Figures in Rand	2018			2017
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
	144 067	23 375	(127 643)	39 799
Reconciliation of provisions - 2017	Opening balance	Additions	Utilised during the year	Total
Operational costs	-	101 622	(30 995)	70 627
Travel costs	49 000	73 440	(49 000)	73 440
	49 000	175 062	(79 995)	144 067

A provision for travel costs and operational matters 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 2017/18.

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 2017/18 the surplus is R16.7 million.

14. Financial liabilities by category

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

	Financial liabilities at amortised cost	Total
2018		
Trade and other payables	17 277 999	17 277 999
2017		
Trade and other payables	9 147 983	9 147 983

15. Trade and other payables

Figures in Rand	2018	2017
Trade payables	10 402 520	4 836 723
Accrued bonus	4 746 315	2 390 675
Accrual for leave pay	2 129 164	1 920 585
	17 277 999	9 147 983

16. Revenue

Figures in Rand	2018	2017
Funds received from the dli (non-exchange revenue)	30 313 000	22 208 000
Fee income (exchange revenue)	67 236 641	60 068 077
	97 549 641	82 276 077

Figures in Rand	2018	2017
The amount included in revenue arising from exchanges of goods or services are as follows:		
Sundry income	168 339	59 588

17. Other income

Figures in Rand	2018	2017
Bad debt recovered	-	25 777
Unclaimed receipts held more than 3 years	-	3 725
Sundry income	168 339	30 086
	168 339	59 588

18. Investment income

Figures in Rand	2018	2017
Interest revenue		
Interest received on fixed deposits	6 907 255	6 012 508

19. Employee related costs

Figures in Rand	2018	2017
Basic	50 131 068	46 116 856

20. General expenses

Figures in Rand	2018	2017
Advertising	1 975 646	1 084 414
Auditors remuneration	151 686	134 999
Bank charges	62 956	52 804
Consulting and professional fees	675 771	1 054 452
Donations/Social contributions	287 552	52 119
Insurance	17 000	158 078
Printing and stationery	542 661	457 065
Project expenses	452 632	371 153
Subscriptions and membership fees	1 379 234	444 224
Telephone and fax	111 098	95 208
Training Course expenses	1 183 794	1 375 978
Accounting Authority expenses	451 196	712 648
Intenal audit	146 694	562 651
International and regional responsibilities	1 889 056	1 405 300
Other office expenses	4 862 204	1 111 491
Accreditation expenses - assessors and travel costs	22 918 119	23 992 462
Marketing conclave	401 078	278 398
	37 508 377	33 343 444

21. Auditors' remuneration

Figures in Rand	2018	2017
Fee	151 686	134 999

22. Taxation

No provision has been made for 2017/18 tax as the entity is exempt under Section 10(1)(cA)(i) of the South African Income Tax Act.

23. Operating Surplus

Operating surplus for the year is stated after accounting for the following:

Figures in Rand	2018	2017
Operating lease charges		
Premises		
• Contractual amounts	1 312 459	3 351 941
Equipment		
• Photocopy machines	32 963	100 393
	1 345 422	3 452 334
(Deficit)/Surplus on write-off of property, plant and equipment	(27 335)	38 297
Provision for Bad Debts	224 470	259 416
Loss on foreign exchange differences	-	2 138
Amortisation on intangible assets	80 399	80 399
Depreciation on property, plant and equipment	1 355 836	770 255
Employee costs	50 131 068	46 116 856
Auditors remuneration	151 686	134 999
Accounting Authority emoluments	451 196	712 648

24. Cash generated from operations

Figures in Rand

	2018	2017
Surplus	13 378 595	3 792 944
Adjustments for:	937 492	
Depreciation and amortisation	12 109	770 255
Deficit/(surplus) on write-off of assets	(2 104 324)	38 297
Movements in operating lease assets and accruals	(104 268)	(241 461)
Movements in provisions		520 749
Changes in working capital:	(9 103 554)	
Receivables from exchange transactions	(19 707)	574 988
Other receivables from non-exchange transactions	8 130 015	(6 251)
Trade and other payables	(552 601)	129 916
Income received in advance	10 573 757	425 995
	6 005 434	

25. Commitments

Authorised capital expenditure

Expenditure authorised and contracted for

- Property, plant and equipment

57 994 080 73 207 684

Total capital commitments

Amount authorised and contracted for

58 502 800 73 207 684

Authorised operational expenditure

Already contracted for but not provided for

- Project Management (Building Construction)

385 430 886 160

Not yet contracted for and authorised by members

- Baseline reduction for 2017/18

6 851 249 6 851 249

Total operational commitments

Amounts authorised and contracted for

385 430 886 160

Not yet contracted for and authorised by members

6 851 249 6 851 249

7 236 679 7 737 409

This 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
- in second to fifth year inclusive

258 442 2 143 783

- 7 015 692

258 442 9 159 475

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 subsequent to year end. No contingent rent is payable.

26. Related parties

Relationships

Executive Authority	Minister of the Department of Trade and Industry (the dti)
Accounting Authority	Mr P Govender (Chairperson) Mr R Josias (CEO) Mr J Malatse Ms N Magwaza Ms J Rathebe Mr T Jaftha Ms B Lue Marais Mr L Saki (resigned 30/01/2018) Mr P Zonke Mr V Seymour Ms A Lötter Mr A Ramabulana Mr D Peterson (Company Secretary)
SANAS MOU signatory Members of key management	National Laboratory Association (NLA) Mr R Josias (CEO) Ms F Radebe (Executive: Corporate Services) Mr M Phaloane (Executive: Accreditation) Mr M Sithole (Acting Executive: Strategy & Development, Manager: Knowledge Transfer) Dr E Steyn (Executive: Strategy and Development Deceased 30/11/2017) Ms CR Warren (Resigned 28/02/2018, CFO) Mr L Saki (Acting from 06/02/2018, CFO) Mr D Petersen (Company Secretary)

Figures in Rand

Related party balances

Amounts included in Trade Receivables regarding related parties

	2018	2017
Agricultural Research Council	-	90 103
Department of Agriculture	77 814	-
Council for Scientific and Industrial Research	-	23 053
Amatola Water	19 546	-
Magalies Water	65 113	-
ESKOM	130 522	168 491
Rand Water	15 543	127 828
Lepelle Northern Water	-	38 680
National Compulsory Specifications	-	(17 180)
Sedibeng Water	-	420
South African Bureau of Standards	-	313 067
Telkom SA Limited	-	(43 335)
South African Medical Research Council	46 040	-
National Health Laboratory	(572 142)	(259 749)
NRCS Regulatory Automotive Division	(17 180)	-
National Metrology Institute of South Africa	19 576	132 901

Amounts included in Trade Payable regarding related parties

	2018	2017
Agricultural Research Council	88 980	14 800
National Laboratory Association	42 066	35 739
Department of Trade and Industry	18 914	8 837
Government Printer Works	750	1 000
National Regulatory for Compulsory Specifications	218 317	53 756
National Metrology Institute of South Africa	97 566	123 370

26. Related parties (continued)

Figures in Rand

	2018	2017
Related party transactions		
Funds received from the dti	30 313 000	22 208 000
Operational costs paid to related parties		
Telephone - the dti	111 098	101 671
Postage - the dti	4 345	6 890
Internet usage - the dti	207 680	26 393
Funds paid to related parties		
Transfer payment - National Laboratory Association	597 917	563 010
Exchange Transactions - Services rendered to other Public Entities		
Agricultural Research Council	-	148 448
Amatola Water	19 546	30 300
Council for Geoscience	-	126 646
Council for Scientific and Industrial Research	24 490	827 746
National Metrology Institute of South Africa	180 946	726 042
Denel (Pty) Limited	65 720	318 166
National Regulator for Compulsory Specifications	56 210	565 733
ESKOM	18 348	1 066 049
Rand Water	94 889	242 104
Lepelle Northern Water	-	80 614
Sedibeng Water	-	103 928
Magalies Water	158 055	57 815
South African Airways	-	76 230
Mhlathuze Water	-	33 260
South African Bureau of Standards	1 841 068	1 739 340
South African Weather Services	-	42 024
Telkom SA Ltd	-	197 624
National Health Laboratory Services	3 286 886	3 090 928
Umgeni Water	4 138	142 110
Department of Agriculture	24 252	-
South African Police Service	879 708	-
South African National Blood Service	943 847	-
South African Road Testing Services	24 490	-
South African Meat Industry Company	24 490	-
Expenses: Goods and Services paid to other Public Entities		
Agricultural Research Council	89 102	55 800
Compensation Commissioner for Occupational Diseases	119 320	82 882
National Regulator for Compulsory Specifications	181 664	273 583
ESKOM	-	(5 180)
South African Bureau of Standards	245 901	216 981
Government Printing Works	1 500	3 165
South African Revenue Services	10 257 146	11 152 804
National Health Laboratory Services	-	15 647
Unemployment Insurance Fund	260 054	263 727
National Metrology Institute of South Africa	224 128	371 704
Telkom SA Limited	5 990	8 400
National Laboratory Association	704 350	691 324

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

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

27. Directors' emoluments

Figures in Rand

Executive

2018

	Short-term employee benefits	Post em- ployment benefits	Other long-term employee benefits	Termination benefits	Total
Mr R Josias (CEO)	2 112 304	300 068	-	-	2 412 372
Mr M Phaloane (Executive: Accreditation)	1 537 476	237 423	-	-	1 774 899
Mr Lunga Saki (Acting CFO)	226 158	-	-	-	226 158
Ms E Steyn (Executive: Strategy and Development)	889 660	156 999	-	-	1 046 659
Ms CR Warren (CFO)	1 026 265	181 106	-	-	1 207 371
Mr Mandla Sithole (Acting Executive: Strategy and Development)	319 770	31 616	-	-	351 386
Ms Felicity Radebe (Executive: Corporate Services)	1 567 800	159 764	-	-	1 727 564
Mr D Petersen (Company Secretary)	1 089 565	112 722	-	-	1 202 287
	8 768 998	1 179 698	-	-	9 948 696

Figures in Rand

2017

	Short-term employee benefits	Post em- ployment benefits	Other long-term employee benefits	Termination benefits	Total
Mr Mpho Phaloane - (Executive: Accreditation)	1 391 919	225 306	-	-	1 617 225
Ms E Steyn (Executive: Strategy and Development)	1 284 078	206 643	-	-	1 490 721
Ms Felicity Radebe (Executive: Corporate Services)	1 321 175	140 409	-	-	1 461 584
Ms CR Warren (CFO)	1 165 181	187 959	-	-	1 353 140
Mr D Petersen (Company Secretary)	996 296	107 601	-	-	1 103 897
Mr R Josias	1 789 979	284 753	-	-	2 074 732
	7 948 628	1 152 671	-	-	9 101 299

Figures in Rand

Accounting Authority

2018

	Members' fees	Annual Board fees	Total
Ms J Rathebe	32 748	26 291	59 039
Ms B Lue 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
	221 688	258 096	479 784

2017

	Members' fees	Annual Board fees	Total
Ms J Rathebe	32 960	55 572	88 532
Ms B Lue Marais*	16 480	23 155	39 635
Mr L Saki	7 288	48 626	55 914
Mr P Zonke*	9 888	11 578	21 466
Mr V Seymour	58 882	64 835	123 717
Mr A Ramabulana	32 960	27 786	60 746
	158 458	231 552	390 010

These Non Executive Directors are not remunerated in their personal capacity

28. Reclassification

In terms of GRAP 25.11a (Accrued Expenses) when an employee has rendered services to an entity during a reporting period, the entity shall recognise the undiscounted amount of short term employee benefits expected to be paid in exchange for that service as a liability, as an accrued expense. In the prior year the leave pay was classified as a provision and in terms of GRAP 25.11a it should be classified as an accrual. Accordingly we have reclassified the leave pay from provisions to accrued expenses.

In the prior year, all of the lease liability was reported as long term. All of it should have been classified as short term. Prior year has now been reclassified from long term to short term.

In the prior year, courses and project fees were classified as other income in the income statement. We have now reclassified courses and project fees from other income to revenue from exchange transactions.

The effects of the reclassification is as follows:

Comparative amounts have been reclassified as per GRAP 25.11a

Figures in Rand	2017
Leave Pay	
Decrease in Provisions	(1 920 585)
Increase in Accrued Expenses	1 920 585
	-

Figures in Rand	2017
Revenue from exchange transactions	
Decrease in other income	(9 571 400)
Increase in revenue from exchange transactions	9 571 400
	-

Figures in Rand	2017
Lease liability accrual	
Decrease in long term operating lease liability	(2 362 766)
Increase in short term operating lease liability	2 362 766

29. 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.

29. Risk management (continued)

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.

Figures in Rand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 March 2018				
Trade and other payables	17 277 999	-	-	-

Figures in Rand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 March 2017				
Trade and other payables	9 147 983	-	-	-

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.

Fixed deposits 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 Rand, 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 South African National Accreditation System 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:

Figures in Rand	2018	2017
Financial instrument		
Cash and cash equivalents	106 858 893	98 189 539
Trade and other receivables	2 805 657	1 149 028

The South African National Accreditation System is exposed to one guarantee over the immovable property for guarantees issued in favour of the developers of the new property in favor Hudson Avenue Investments (Pty) Ltd.

30. Events after the reporting date

The Accounting Authority approved the payment of bonuses to employees totalling R 4 746 315.08 on the 27th of July 2018 in relation to employees service for the 2017/18 financial year. This amount has been provided for in the 2017/18 audited results as an adjusting post balance sheet event

31. Irregular expenditure

Figures in Rand	2018	2017
Balance at the beginning of the year	-	-
Add: Irregular Expenditure - current year	25 880	47 056
Add: Irregular Expenditure - prior year	200 138	-
Less: Amounts condoned	(25 880)	(47 056)
Less: Amounts not recoverable (not condoned)	-	-
Irregular Expenditure awaiting condonement	200 138	-

Figures in Rand	2018	2017
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Details of Irregular Expenditure condoned by the Accounting Authority

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	7 566
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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	1 186
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Contract Management: The supplier was engaged before being formally approved by Procurement department.	2 269	38 304
	25 880	47 056

Figures in Rand	2018	2017
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Details of irregular expenditure not recoverable (not condoned)

Non adherence with the deviation policy per the National Treasury regulation PN8 2007/08 para 3.3.3 TR16A6.4. 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	-
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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	Goods and/or services
Administration	Policy development, financial management, legal and administrative support
Corporate Services	Human resources (HR) management, quality management, information and communication technology, and communication and marketing
Strategy and Development	Research and development of new accreditation programmes, knowledge transfer and regional and international development
Accreditation	Accreditation assessments and good laboratory practice monitoring

Figures in Rand

Segment surplus or deficit, assets and liabilities 2018

Revenue

	Adminis- tration	Corporate Services	Strategy and De- velopment	Accreditation Provision	Total
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
Total segment revenue	37 387 072	-	9 431 876	57 806 287	104 625 235

Figures in Rand

Expenditure

	Adminis- tration	Corporate Services	Strategy and De- velopment	Accreditation Provision	Total
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
Total segment expenditure	32 704 233	3 349 987	2 924 829	52 267 591	91 246 640
Total segmental surplus					13 378 595

32. Segment information (continued)

Figures in Rand

2017

	Adminis- tration	Corporate Services	Strategy and De- velopment	Accreditation Provision	Total
Revenue					
Revenue from non-exchange transactions	22 208 000	-	-	-	22 208 000
Revenue from exchange transactions	-	-	9 571 400	50 496 677	60 068 077
Interest revenue	6 012 508	-	-	-	6 012 508
Sundry income	59 587	-	-	-	59 587
Total segment revenue	28 280 095	-	9 571 400	50 496 677	88 348 172
Expenditure					
Salaries and wages	22 465 845	-	-	23 651 011	46 116 856
Other expenses	11 181 666	2 144 993	3 090 596	22 021 117	38 438 372
Total segment expenditure	33 647 511	2 144 993	3 090 596	45 672 128	84 555 228
Total segmental surplus					3 792 944

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 BEE, 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 BEE and 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 2017/18 the demand for Inhouse courses was higher than expected.

Utilisation of Reserve: As a Public Entity, SANAS may not budget for a deficit and hence R6.8 million was allocated from the approved reserves to ensure that the operational budget of SANAS is balanced. According to GRAP 1, utilisation of reserves needs to be reported on the statement of net assets and hence no actual amount is allocated towards this budget amount.

Investment income: Interest was higher than originally budgeted due to additional funds held on fixed deposits. These funds were anticipated to have been used to acquire a new office building already during 2015/16. SANAS continues to hold these funds until the acquisition of immovable property is finalised and transfer is effected by June 2018.

Employee costs: Remaining posts within the approved budget could not all be employed during 2017/18 due to space constraints.

Lease payments: SANAS had anticipated to have moved mid 2016, however due to the acquisition of the building only finalised in March 2017, the current office building leases had to be extended until 31 May 2018.

General expenses: Unutilised budget is due to delay in acquiring additional office space and associated costs not incurred. Other 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.

Cash flows:

Net cash from operating: This variance is as a result of the surplus for 2017/18 which was higher than budgeted due to the reasons detailed above.

Net cash from investing: Budget was anticipated to have been used towards the finalisation of the intangible assets under development. The development of Shanduka went well and Shanduka 1 and 2 was completed in the 2017/18 financial year. However, the remainder of the development, Shanduka 3 is expected to be completed in the 2018/19 financial year and will cost in the region of R4 million to R5 million to complete and commission.

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