



The Perishable Products
Export Control Board

ANNUAL REPORT 2015-2016





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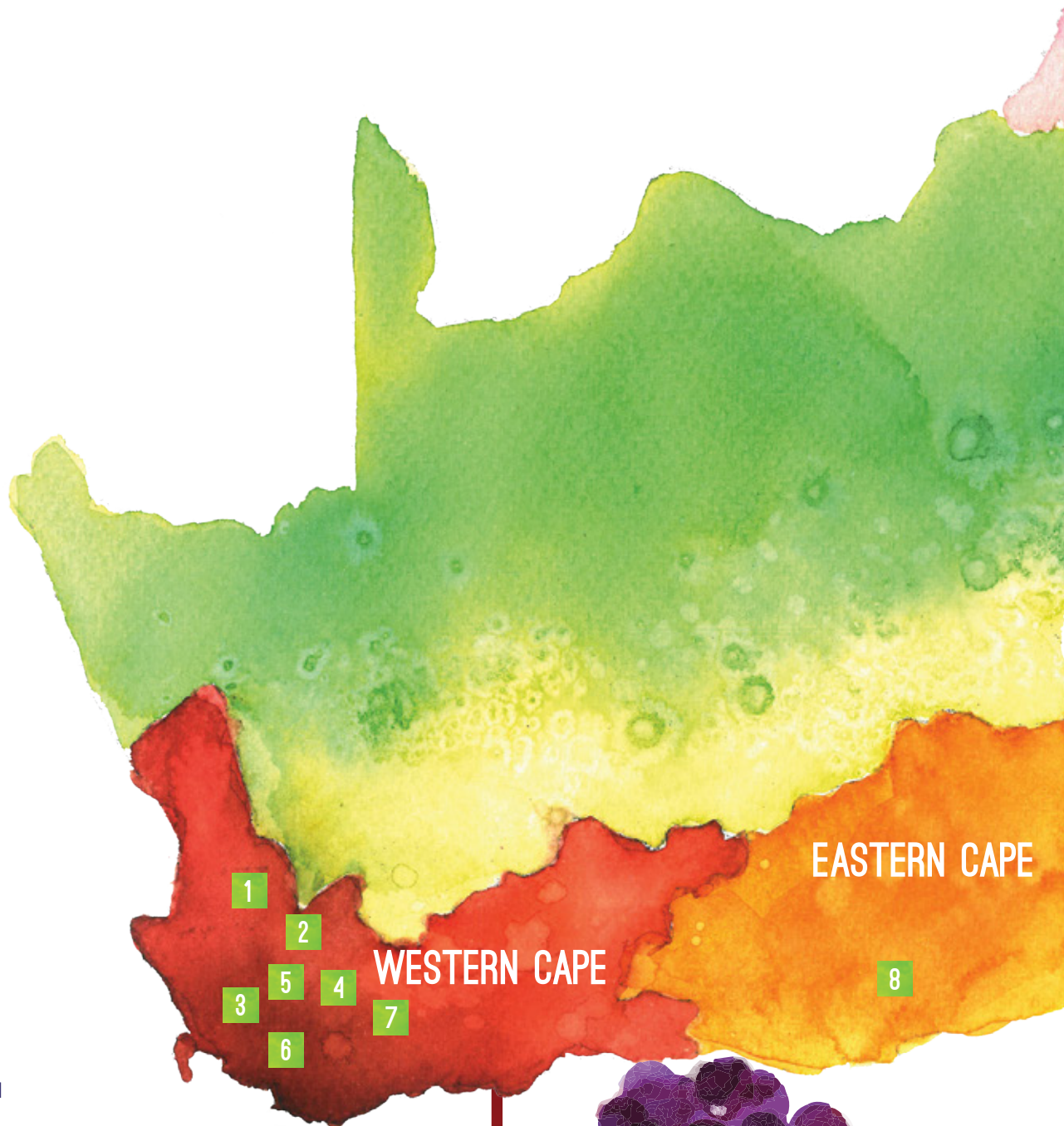


TABLE GRAPES

57.9m

CARTONS OF TABLE GRAPES
WERE INSPECTED IN 2015/2016





MANGOES

32%

OF SOUTH AFRICAN
MANGOES EXPORTED GO
TO THE MIDDLE EAST



54%

OF ALL CITRUS EXPORTED
IS LOADED FROM THE
PORT OF DURBAN



ORANGES

OVER 75m

CARTONS OF ORANGES WERE
INSPECTED IN 2015/2016



PPECB



1 FOREWORDS

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MINISTER'S FOREWORD



DURING THE 2016 STATE OF THE NATION ADDRESS, PRESIDENT JACOB ZUMA REITERATED HIS NINE-POINT PLAN AS A RESPONSE TO SLUGGISH ECONOMIC GROWTH.

It is important to note that the revitalisation of agriculture is high on the agenda and regarded as an important vehicle to stimulate growth. The President further stressed the role of State Owned Enterprises (SOEs) in supporting Government to achieve its objectives.

As an SOE accountable to the Ministry of Agriculture, Forestry and Fisheries, the Perishable Products Export Control Board (PPECB) plays a pivotal role in contributing to the objectives set out in the recently approved Agricultural Policy Action Plan (APAP), and it is comforting to note that the entity's objectives are well aligned with that of the Department of Agriculture, Forestry and Fisheries.

The PPECB is a regulator that ensures compliance of perishable produce exports, thus enhancing worldwide confidence in South African produce and facilitating access to international markets. I am delighted to learn that the PPECB has managed to maintain its ISO 9001 accreditation, lending further credibility to its systems and processes. We are also proud of the PPECB's introduction of an electronic certification process in order to improve efficiencies within the export value chain.

Apart from its core functions, the PPECB has further managed to upskill a number of smallholder farmers in Good Agricultural Practices (GAP) as part of its transformation and development programme. In addition to this, we also note the important role that the PPECB fulfils in exposing students to the agricultural sector through its Agri-Export Technologist Programme (AETP), thus contributing to the transformation of the sector.

In closing, I wish the PPECB Board, Chief Executive Officer and employees well for the year ahead.

SENZENI ZOKWANA

Minister of Agriculture, Forestry and Fisheries

CHAIRPERSON'S FOREWORD



IT IS MY PLEASURE TO PRESENT THE 2015/2016 ANNUAL REPORT OF THE PERISHABLE PRODUCTS EXPORT CONTROL BOARD (PPECB). THE PERIOD UNDER REVIEW REMAINED CHALLENGING FOR THE AGRICULTURAL SECTOR AND THE FRESH PRODUCE INDUSTRY

The extended local drought conditions that we have experienced have exacerbated the negative impact on producers, the agricultural sector and food security.

The global economy continues to be in turmoil, with interest rates on the rise in the United States, and headline inflation, core inflation and consumer prices remaining depressed in Europe. The latest Chinese trade data thankfully showed signs of improvement, despite the latest market turmoil. The South African economy was negatively impacted by the global economic slowdown with our growth rate predicted to be as low as 1%, and interest rates on an increase cycle to stem inflationary pressures. There has also been a call by the Treasury for financial prudence by State-Owned Enterprises and Agencies.

The PPECB Board and management took proactive steps to prepare for the instability and have responded well to the global and industry vagaries by delivering more than adequately on their core performance mandate.

IT'S ABOUT CLEAR STRATEGY

The PPECB, as a national public entity and as custodian of the country's perishable produce exports standards, supports Government's priorities and the National Development Plan (NDP) of employment creation, promoting food security and economic growth by focusing on the organisation's core mandate and vision of enabling its customers to become the preferred suppliers of perishable products worldwide.

This requires a fine balance between containing its cost base and simultaneously investing sufficiently in human capital, infrastructure and systems to ensure that services are delivered efficiently and cost effectively to all stakeholders.

IT'S ABOUT PEOPLE AND CULTURE

The focal point at the PPECB over the last three years has been on corporate culture change: shifting from an internally-focused bureaucracy to a customer-focused, business-orientated culture that excels at responding quickly and appropriately to customer requirements; developing a total service culture across all areas of the business, supported by processes that enable interaction between the PPECB and its customers to exceed their expectations; and building mutually beneficial relationships based on integrity, ethical behaviour and trust.

The PPECB was refocused to ensure that it enables and appoints the right people to execute the agreed Board approved strategy. A new Chief Executive Officer, Lucien Jansen, was appointed in July 2015, after the resignation of Stuart Symington.

IT'S ABOUT EXECUTION

The Board has acknowledged that in order for the PPECB to execute and roll out its approved strategic plan and mandate and to be able to respond appropriately to the needs of its customers, it is necessary for the organisation's ageing ICT (Information and Communications Technology) systems and processes to be more integrated and streamlined. Thus the Board has approved further capital and human resources expenditure to go towards updating the current ICT infrastructure. Project Titan – where inspectors are doing away with outdated clipboards and moving onto tablet technology – continues to grow and has already assisted in enhancing the industry's effectiveness and competitiveness.

IT'S ABOUT LEADERSHIP

The PPECB Board has resolved to play a leadership role and focus on ensuring that key strategic operational issues are

tackled through innovation, collaboration and partnerships with sister entities, clients, the private sector and developmental organisations where relevant. This strategy paid dividends and the looming citrus ban threat by the European Union Authorities for the Citrus Black Spot (CBS) fungus has been averted, with all the role players joining forces to ensure minimal interceptions and compliance with revised protocols.

Another challenge was the Laboratory. After the Board and management reviewed the Laboratory's strategy and obtained input from stakeholders and industry experts on crafting a revised strategy and vision, I am pleased to report that the Board has approved significant capital expenditure in order to support the Laboratory in optimising the endless opportunities in the marketplace. Significant cost-saving measures were also implemented which have assisted in the financial performance of the Laboratory.

IT'S ABOUT GOVERNANCE

The two Acts governing the PPECB – the Agricultural Products Standards Act and the Perishable Products Export Control Act – that will give it the opportunity to move to a more risk-based inspection methodology, are currently out for public comment and the organisation remains hopeful that they will soon be promulgated.

The PPECB complies with the Public Finance Management Act (PFMA) and the relevant corporate governance provisions expected of it as a national public entity. The Board has ensured that the PPECB remains financially sustainable in this unsteady agricultural economic environment.

The planned deficit for 2015/2016 has been significantly eradicated despite the negative trading conditions. This was mainly due to the cost-saving measures approved by the Board and implemented by management. For the period under review, the PPECB has again received an unqualified audit report.

The PPECB appointed the Institute of Directors of South Africa (IOD) to facilitate its Accounting Authority (AA) appraisal process. The appraisal revealed that the AA (PPECB Board) has significantly more areas that are viewed as performing well and should be complimented for this with the AA receiving an average overall score of 3.5, which is significantly above the benchmark of similar public entities.

IT'S ABOUT TRANSFORMATION

During the Board's last strategic review session it was resolved that transformation will be added as a strategic pillar and

programme in the PPECB and that existing transformation programmes will be enhanced. These programmes assist resource-poor farmers to become export ready, and train newcomers to agriculture (with a focus on youth and women). The organisation's collaborative partnerships will help to strengthen these initiatives as well as assist with efforts to transform the agricultural industry.

I wish to extend thanks to the Honourable Minister Senzeni Zokwana, the Portfolio Committee on Agriculture, Forestry and Fisheries, the team at the Department of Agriculture, Forestry and Fisheries (DAFF), and the organisation's clients for their continued support and assistance during the period under review.

I would furthermore like to thank the Board, whose term of office will expire at the end of August 2016, for their unwavering support and dedication in ensuring that they leave an excellent platform for the new Board to build on. All that remains for me to do is to extend my gratitude to the staff and management at the PPECB for their commitment and drive to ensure that the PPECB delivers on its mandate even during difficult times.

ANGELO PETERSEN

Chairperson, the PPECB

CHIEF EXECUTIVE OFFICER'S FOREWORD



THE PERIOD UNDER REVIEW WILL PROBABLY BE MARKED AS ONE OF THE MOST CHALLENGING PRODUCTION SEASONS IN RECENT TIMES. THE SEVERE DROUGHT AND ASSOCIATED HEAT HAD A SEVERE IMPACT ON SOUTH AFRICAN CROPS ACROSS PRODUCT GROUPS

In addition to this, the Rand plummeted to record lows against major currencies, and devaluated 23% against the US Dollar and 29% against the Euro, serving as a stark reminder of the volatility of our current economic climate. Apart from leaving medium- to long-term scars on the agricultural sector, the dry season resulted in an overall shortage of grain to meet the local demand.

Notwithstanding the challenging ecological and economic conditions, the PPECB managed to maintain much needed momentum during the period under review. The PPECB's mantra for 2015/2016 was building and improving stakeholder relations and service excellence as well as creating a culture of accountability. The organisation further made a concerted effort to manage overall expenditure by following a strategy of consolidation in order to improve efficiencies.

The year under review saw the PPECB's business processes once again withstand rigorous scrutiny by the appointed Certification Body and hence managed to maintain its ISO 9001:2008 accreditation. In terms of the organisation's Food Safety mandate, the PPECB Board has further agreed to capacitate the PPECB Laboratory in Centurion by extending its

scope to include the full spectrum of Maximum Residue Limit (MRL) analysis to the existing basket of services. Being an ISO 17025 accredited facility, it is believed that with the addition of MRL analysis, the PPECB Laboratory is well positioned to assist the perishable produce industry by ensuring the exportation of compliant produce.

The PPECB's mobile technology project – Project Titan – made definite headway during the past deciduous season with 30% of produce being inspected using this platform. The 2015/2016 fiscal year ended with 18 registered exporters and 354 activity points actively utilising Project Titan. With the increased amount of mobile users, it was necessary to fully overhaul and upgrade the organisation's Information and Communications Technology (ICT) infrastructure in order to ensure a more stable platform and improved network speed. To this end, the PPECB managed to replace 15 of its regional servers, introduced Skype for Business and put additional measures in place to ensure recovery of data in the event of a disaster. In addition to the improved network infrastructure, having faster connectivity will allow the business to gradually reduce travelling by utilising digital communication platforms, where possible.

The uncertainty regarding the European Union's stance on Citrus Black Spot (CBS) exports from South Africa remains a concern and one of the single biggest threats to the South African fruit export industry. A Food and Veterinary Office (FVO) audit conducted during 2015 indicated that South African export systems and processes are robust and controls introduced are satisfactory. It was further reported that no additional CBS controls will be recommended for the 2016 citrus season, but a maximum of five interceptions will remain until further notice. Measures introduced to identify CBS early in the value chain placed significant strain on all structures within the chain and necessitated the appointment of 60 additional PPECB employees, mainly within the inspection services divisions. It is however essential that this matter be addressed, as Europe remains South Africa's main export destination for fresh fruit, with 32% of citrus exported to Europe in 2015/2016.

The organisation also made a concerted effort to expand its Corporate Social Investment (CSI) agenda, and hosted another successful charity golf day, where R50 000 was collected and donated to the selected charity, the Home of Hope. The PPECB furthermore managed to improve its Broad-Based Black Economic Empowerment (B-BBEE) rating and was verified as a Level 3 B-BBEE contributor during the period under review.

In a further attempt to improve communication with stakeholders, the PPECB hosted its first stakeholder engagement event in 10 years and updated its official website, making it more informative and user-friendly. The update included newsletters and "Get in Touch" forms to enhance stakeholder engagement. Along with the website upgrade,

the improvement of the Intranet was also initiated and will be completed in the following fiscal year.

The PPECB continued with initiatives to strengthen its brand, both nationally and abroad. In an effort to create confidence in South African produce and awareness of the PPECB brand, the organisation attended 12 events, including the Fruit Logistica trade shows in Berlin and Hong Kong, and advertised and/or published 25 articles and adverts in international and local media.

The Perishable Products Export Control Bill that is under review progressed to the next stage and the first round of the public consultation process was completed. The next step will be in the form of road shows to seek further input, before it will be submitted to authorities for finalisation. This will all happen in the coming fiscal year.

As a national public entity, the PPECB is obliged to measure and report on the organisation's performance against predetermined objectives. I am pleased to report that the organisation managed to achieve an 83% performance rating for the year ended 31 March 2016. This can only be ascribed to the dedication and commitment of employees and the support of clients and stakeholders. In light of another successful year for the PPECB, I wish to thank our colleagues at the PPECB, the Department of Agriculture, Forestry and Fisheries (DAFF) and the PPECB Board for their support and guidance during the 2015/2016 financial year. We hope to exceed our stakeholder's expectations in years to come.

LUCIEN JANSEN

Chief Executive Officer, the PPECB





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BOARD AND SUB-COMMITTEES

	BOARD	AUDIT COMMITTEE
Who appoints members?	Minister of the Department of Agriculture, Forestry and Fisheries (DAFF)	The PPECB Board
Term and date appointed	2013 – 2016 Appointed 01/09/2013 for three years	2013 – 2016 Appointed 01/09/2013 for three years
Composition	All non-executives and one ministerial representative	All non-executives
Charter – Board approved	Yes	Yes
Do members have to declare interests?	Yes (Board-approved policy exists)	Yes (Board-approved policy exists)
Key role as detailed in charters	<ul style="list-style-type: none"> Define and ensure compliance with the Perishable Products Export Control Act (Act No. 9 of 1983) (PPEC Act) and the Public Finance Management Act (Act No. 1 of 1999) (PFMA) and National Treasury regulations Determine strategic direction Approve policies to achieve the objectives of the PPEC Act Annually approve the business plan, strategic plan and budget; and monitor the organisation's performance against these plans Establish and oversee the framework of risk management, delegation and systems of internal control Appoint, monitor and review the performance of the Chief Executive Officer (CEO) 	<ul style="list-style-type: none"> Safeguard the assets of the PPECB Ensure the operation of adequate systems and internal control processes Examine and review financial statements and interim management reports Monitor the ethical conduct of the company, its executives and its senior officials Oversee the risk management plan of the PPECB Review the independence of the external auditor Make recommendations on the reappointment of the external auditor Monitor and supervise the performance of the internal auditors Act in accordance with the requirements set out in the PFMA and Treasury Regulations
Members of the Board	Refer to page 15 for full disclosure	2013 – 2016 A Rabe (Chairperson), C Engelbrecht, D Westcott
Number of meetings required to be held per charter	4	2
Number of meetings held	4	4
Did all members attend all meetings? (refer to page 15 for details of attendance)	No	No
Other permanent invitees	General Management Committee (GENCO)	Chief Executive Officer (CEO), Chief Finance Officer (CFO), General Manager (GM): Corporate Affairs, Auditor General representative, External Auditors and Internal Auditors (with unrestricted access to the Chairperson of the Committee)

HUMAN RESOURCES (HR) COMMITTEE	INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT) COMMITTEE	LABORATORY COMMITTEE
The PPECB Board	The PPECB Board	The PPECB Board
2013 – 2016	2013 – 2016	2013 – 2016
Appointed 01/09/2013 for three years	Appointed 01/09/2013 for three years	Appointed 01/09/2013 for three years
All non-executives	All non-executives	All non-executives
Yes	Yes	Yes
Yes (Board-approved policy exists)	Yes (Board-approved policy exists)	Yes (Board-approved policy exists)
<ul style="list-style-type: none"> • Make recommendations to the Board on the philosophy and policies regarding remuneration practices • Make recommendations to the Board on human resources management policies • Report to the Board on staff development, capacity and organisational structure requirements • Monitor the implementation of employment equity targets and management's action plans to achieve these • Make recommendations to the Board on remuneration incentives, the annual salary review of the CEO, General Management and that of the staff • Make recommendations to the Board on the remuneration of the Board and sub-committees • Monitor compliance with relevant employment and labour legislation 	<ul style="list-style-type: none"> • Make recommendations to the Board on the current and future technology direction for the PPECB • Review and assess the financial investment in technology to give effect to the future strategic direction for technology within the PPECB • Monitor the effectiveness of disaster recovery plans and disaster recovery testing • Monitor and ensure the PPECB's compliance with laws and regulations relating to its IT activities • Monitor the key technology risks and technology risk mitigation strategies, including the overall technology risk profile of the PPECB • Assess and advise on the emerging global technologies and trends, and their potential for application within the PPECB 	<ul style="list-style-type: none"> • Oversee and advise the Board on PPECB Laboratory requirements as proposed by management, and to facilitate decision-making by the Board • Make recommendations to the Board on the current and future Laboratory services direction for the PPECB (e.g. commercial and statutory business) • Assess and advise on the emerging global technologies and trends, and their potential for application within the PPECB
2013 – 2016	2013 – 2016	2013 – 2016
J Atwood-Palm (Chairperson), A Petersen, L Kutta	W Steenkamp (Chairperson), Dr M Mashaba, C Engelbrecht, A Petersen	E Scholtz (Chairperson), Dr M Mashaba, J Atwood-Palm, D Westcott
2	2	2
4	4	4
No	No	No
CEO, GM: Human Resources, GMs: Statutory Operations	CEO, GM: Information and Communications Technology	CEO, GM: Corporate Affairs, GM: Laboratory Services

MANAGEMENT COMMITTEES

	GENERAL MANAGEMENT COMMITTEE (GENCO)	RISK MANAGEMENT COMMITTEE (RISCO)
Who appoints members?	Chief Executive Officer (CEO)	CEO
Term and date appointed	No term	Appointed 01/07/2015 for a minimum of two years
Composition	CEO, Chief Financial Officer (CFO) and other departmental General Managers.	Senior management representing the departments within the organisation
Charter – Board approved	Yes	Yes
Do members have to declare interests?	Yes (Board approved policy exists)	Yes (Board approved policy exists)
Key role as detailed in charters	<p>Supporting the CEO (Board and also the PPECB accounting officer) in day-to-day management through a formal delegation of authority, which includes but is not limited to:</p> <ul style="list-style-type: none"> • Developing PPECB strategy, business plans and budgets for approval by the Board • Appointing a suitably qualified General Management team and establishing an organisational structure necessary to support the CEO in executing the PPECB's strategy • Monitoring and reporting to the Board on the performance of the PPECB against its strategic objectives • Setting the tone for ethical conduct by ethically leading the PPECB's staff and its management • Ensuring that the PPECB complies with relevant laws, legislation and governance principles • Providing the Board with corporate governance, guidance and support • Managing and ensuring staff conform to the values, objectives and policies of the PPECB, through effective leadership • Ensuring the Board is given the necessary information to perform its duties • Ensuring that proper systems of control are established and maintained 	<ul style="list-style-type: none"> • Supporting the CEO and the General Management team in reviewing the effectiveness of the PPECB's risk management systems, practices and procedures in accordance with policies approved by the Board • Ensuring that risks are identified, evaluated, effectively managed and, where practical, quantified • Fulfilling the risk management and control responsibilities • Preparing reports for the GENCO for consideration by the Audit Committee and the Board • Advising the Board, via the General Management team, on mitigating strategies for identified risks, and monitoring such strategies
Number of meetings to be held per charter	Monthly	Quarterly
Number of meetings held	10	4
Did all members attend all meetings?	No	No
Other permanent invitees	Legal and Corporate Governance Manager	Legal and Corporate Governance Manager, Financial Systems and Compliance Auditor, Occupational Health and Safety Co-ordinator

BOARD AND SUB-COMMITTEE MEETINGS: SUMMARY OF ATTENDANCE



From left to right: William Steenkamp, Christina Engelbrecht, Angelo Petersen, Jill Atwood-Palm, Dr Mono Mashaba, Donald Westcott, Eurica Scholtz, Anton Rabe

Member	Board	Audit Committee Meeting	HR Committee Meeting	ICT Committee Meeting	Laboratory Committee Meeting
Meetings held	4	4	4	4	4
	Number of meetings attended/Total number of meetings held whilst a member of the Board	Number of meetings attended/Total number of meetings held whilst a member of the Audit Committee	Number of meetings attended/Total number of meetings held whilst a member of the HR Committee	Number of meetings attended/Total number of meetings held whilst a member of the ICT Committee	Number of meetings attended/Total number of meetings held whilst a member of the Laboratory Committee
A Petersen ¹	4/4	N/A	4/4	4/4	N/A
Dr M Mashaba ²	4/4	N/A	N/A	4/4	4/4
A Rabe ³	3/4	4/4	N/A	N/A	N/A
J Atwood-Palm ⁴	4/4	N/A	4/4	N/A	2/4
C Engelbrecht	4/4	4/4	N/A	4/4	N/A
L Kutta	4/4	N/A	4/4	N/A	N/A
W Steenkamp	4/4	N/A	N/A	4/4	N/A
E Scholtz	4/4	N/A	N/A	N/A	4/4
D Westcott	4/4	4/4	N/A	N/A	4/4

¹ Chairperson of the Board

² Vice-Chairperson of the Board

³ Chairperson of the Audit Committee

⁴ Chairperson of the Human Resources Committee

MANAGEMENT COMMITTEES (CONTINUED)

THE EXECUTIVE COMMITTEE (EXCO)

In line with organisational restructuring which took place at the beginning of 2016, the General Management Committee (GENCO) was dissolved and an Executive Management Committee (EXCO) established. The first EXCO Meeting was held on 14 March 2016.



Cyril Julius (Chief Operations Officer), Pinki Luwaca (Human Resources Executive), Lucien Jansen (Chief Executive Officer), Yanesh Ramiah (Chief Information Officer), Johan Schwiebus (Chief Financial Officer)



CORPORATE GOVERNANCE REPORT

THE FOLLOWING REPORT SETS OUT THE CORPORATE GOVERNANCE FRAMEWORK ADOPTED BY THE PPECB BOARD (THE BOARD), AND HIGHLIGHTS THE KEY ACTIVITIES FOR THE YEAR UNDER REVIEW.

The corporate governance framework enables the Board to:

- Fulfil its role and discharge its duties and responsibilities as required by legislation and the regulatory environment in which the PPECB operates
- Contribute to servicing the PPECB's customers in a professional manner
- Decide on the PPECB's policy and strategic direction
- Set the parameters for delegating authority in the organisation
- Oversee risk management and internal controls at the PPECB

An essential characteristic of the PPECB's culture is its compliance with applicable legislation, including relevant Acts, regulations, standards, protocols and codes. The PPECB's key enabling legislations are: the Perishable Products Export Control Act (Act No. 9 of 1983) (PPEC Act); the Agricultural Product Standards Act (Act No. 119 of 1990) (APS Act); and the Public Finance Management Act (Act No. 1 of 1999) (PFMA). Both the PPEC Act and APS Act are under review.

The Board's approach to corporate governance is based on the fact that sound governance is essential to creating a sustainable business.

THE PPECB'S BOARD OF DIRECTORS AND ITS SUB-COMMITTEES

The PPECB Board is structured in accordance with the PPEC Act. The Board members are appointed by, and accountable to, the Minister of Agriculture, Forestry and Fisheries (DAFF). The Board comprises non-executive directors, representing industries in which the PPECB operates.

To discharge its duties more effectively, the Board has approved and delegated authority on specific matters to various committees: Audit Committee, Human Resources (HR) Committee, Information and Communications Technology (ICT) Committee and the Laboratory Committee. These committees serve under written and approved charters, which are reviewed and updated annually. The chairpersons of these sub-committees are responsible for relaying all proposals agreed by the sub-committees to the Board for approval or otherwise.

Notices, agendas and documentation pertaining to the Board and sub-committee meetings are distributed well in advance. Minutes of all meetings are taken, and are approved at the first and subsequent meetings. Where necessary, decisions can be taken between these meetings by round robin resolutions via email. All documented minutes and resolutions are stored either in fireproof safes at the PPECB, or at off-site storage facilities.

CHAIRPERSON

The Board appoints the chairperson who is responsible for the effective functioning of the Board. The chairperson's primary duties include:

- Providing overall leadership to the Board
- Presiding over Board meetings, ensuring they function smoothly and managing conflicts of interest
- Ensuring that the Board members receive professional advice when needed
- Serving as an informal link between the Board members and the General Management team, and providing support and advice, while respecting executive responsibility
- Serving as the link between the PPECB Board and the Minister of the DAFF
- Ensuring that regular and objective appraisals are administered to assess the Board's effectiveness
- Assisting with the formulation of the Board's Annual Work Plan, and ensuring it is strictly adhered to

INTERNAL CONTROLS

Internal controls are designed to provide reasonable assurance that organisational objectives will be achieved. While the Board is ultimately responsible for the internal controls at the PPECB, this function is delegated to the General Management team to ensure that business risks in particular are properly managed. The Board relies on the Audit Committee and the Risk Management Committee (RISCO) to monitor and report on the status of internal controls at the PPECB.

INTERNAL AND EXTERNAL AUDIT FUNCTION

Partially outsourced to Nexia SAB&T, the PPECB's internal audit function provides the Audit Committee and the Executive Management with reasonable assurance that one or more of the objectives are achieved in the following areas:

- Efficiency of operations
- Reliability of financial reporting
- Compliance with laws and regulations

The external audit function was performed by SizweNtsaluba-Gobodo. As required by law, the company's external auditor is responsible for independently auditing and reporting on the PPECB's financial statements. This reporting is done

CORPORATE GOVERNANCE REPORT (CONTINUED)

in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP).

BUSINESS CONDUCT

The PPECB has adopted a code of conduct, which was approved by the Board. The General Management team and RISCO monitor compliance with this code at all times. The PPECB has also set up an independently managed fraud and ethics hotline to create awareness and monitor potentially unethical employee behaviour. In addition, the PPECB's General Management team accepts its responsibility to address matters of significant concern for all stakeholders, taking into account the greater demand for accountability.

THE AGRICULTURAL PORTFOLIO COMMITTEE

The Agricultural Portfolio Committee for Agriculture, Forestry and Fisheries meets with the PPECB in Parliament twice a year. The chairperson, the vice-chairperson and members of the General Management team, if requested, represent the PPECB at these meetings.

The PPECB's strategic plan and budget for the following year is tabled at the April meeting, and its financial results and Annual Report for the preceding year are tabled at the September meeting. The oversight role that the Agricultural Portfolio Committee plays forms part of the PPECB's overall governance.

THE MANAGEMENT COMMITTEE (MANCO)

The MANCO is made up of the Chief Executive Officer (CEO), general managers, regional operations managers and other managers. The MANCO meets at least twice a year, and its chief role is to support the CEO in the PPECB's operational management. While the MANCO does not have any specific authority delegated to it, it remains an important middle-management forum that contributes towards decision-making in the organisation.

ADMINISTRATION AND LEGAL REQUIREMENTS

All legal, company secretarial and corporate governance matters are dealt with by the in-house Legal and Corporate Governance Manager. The PPECB has contracted Ms Gaby Gess, an attorney, to assist the in-house legal manager with, particularly, the rewriting of the PPEC Act, and other matters as required.

The PPECB has over 400 written policies and procedures supporting the management and staff in the day-to-day functioning of the business. Organisational policies are

approved by the PPECB Board, and operational policies are approved by the relevant departmental general managers.

Organisational procedures are approved by the Board and operational procedures are approved by relevant department general managers.



MATERIALITY FRAMEWORK

For the purpose of interpreting and complying with the Public Finance Management Act (PFMA), the following framework of acceptable levels of materiality and significance were applied during the 2015/2016 financial year.

	PFMA SECTION	QUANTITATIVE (AMOUNT)	QUALITATIVE (NATURE)
	Section 50 Fiduciary duties of accounting authorities		
(1) (c)	The accounting authority for a public entity must, on request, disclose to the executive authority responsible for that public entity or the legislature to which the public entity is accountable, all material facts, including those reasonably discoverable, which in any way may influence the decisions or actions of the executive authority or that legislature	Any fact discovered, of which the amount exceeds the materiality figure of 0.5% of the annual gross operational expenditure of the previous year's audited financial results, must be disclosed	<ul style="list-style-type: none"> Any item or event of which specific disclosure is required by legislation, King Report III or GRAP Any fact discovered of which its omission or misstatement, in the Board's opinion, could influence the decisions or actions of the executive authority or legislature
	Section 54 Information to be submitted by accounting authorities		
(2)	Before a public entity concludes any of the following transactions, the accounting authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction:	<ul style="list-style-type: none"> Acquisition or disposal of a significant asset Acquisition where market value is greater than materiality figure Disposal where market value is greater than 50% of materiality figure 	<ul style="list-style-type: none"> Any participation outside of the approved strategic plan and budget Any acquisition or disposal of any asset that would increase or decrease the overall operational functions of the Board, outside of the approved strategic plan and budget Disposal of the major part of the assets of the Board Any business activity that would increase or decrease the overall operational functions of the Board, outside of the approved strategic plan and budget
(b)	<ul style="list-style-type: none"> Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement 		
(c)	<ul style="list-style-type: none"> Acquisition or disposal of a significant shareholding in a company 		
(d)	<ul style="list-style-type: none"> Acquisition or disposal of a significant asset 		
(e)	<ul style="list-style-type: none"> Commencement or cessation of a significant business activity 		

MATERIALITY FRAMEWORK (CONTINUED)

	PFMA SECTION	QUANTITATIVE (AMOUNT)	QUALITATIVE (NATURE)
	Section 55 Annual report and financial statements		
(2)	The annual report and financial statements referred to in subsection (1)(d) must:		
(a)	<ul style="list-style-type: none"> Fairly present the state of affairs of the public entity, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned 	<ul style="list-style-type: none"> Any losses identified through criminal conduct Losses through any expenditure where the combined total exceeds the planning materiality figure after consultation with the Audit Committee for the year under review 	Any identified loss through criminal, reckless or negligent conduct
(b)	Include particulars of:		
(i)	<ul style="list-style-type: none"> any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year 	<ul style="list-style-type: none"> Any irregular, fruitless and wasteful expenditure as defined by the PFMA will be reported 	
(ii)	<ul style="list-style-type: none"> any criminal or disciplinary steps taken as a consequence of such losses or irregular expenditure or fruitless and wasteful expenditure 		
(iii)	<ul style="list-style-type: none"> any losses recovered or written off 		
(iv)	<ul style="list-style-type: none"> any financial assistance received from the state and commitments made by the state on its behalf 		
(v)	<ul style="list-style-type: none"> any other matters that may be prescribed 		
	Section 66(1) Restrictions on borrowing, guarantees and other commitments	R0	This public entity may not borrow money, nor issue a guarantee, indemnity or security, nor enter into any other transaction that binds or may bind the institution to any future financial commitment unless acting through the relevant executive authority (PFMA section 66(3)(c))

RISK MANAGEMENT

The PPECB needs to manage an array of risks that present themselves to the organisation every year. Some are predictable, while others cannot be foreseen. For this reason, the PPECB has developed policies, committees and overall management structures to monitor that risks do not place the organisation in jeopardy.

The Board has primary responsibility for assessing and managing risk across the PPECB and ensures that risk management systems and processes are effective. The Board considers the risk management process in all material aspects to be effective.



The following table summarises some of the top risks as at the end of the financial year:

SOME OF THE TOP RISKS ARE THE FOLLOWING:

Insufficient Disaster Recovery

Current controls:

1. Availability of back-up servers
2. An approved business continuity plan
3. Occupational Health and Safety policies in place

The PPEC Act that constitutes the PPECB does not fit into the current de-regulated environment

Current controls:

1. The PPEC Bill was advertised for public comment on 15 January 2016. Public consultations are scheduled to be held between 30 May and 2 June 2016

Misalignment of the Act, the mandate and the business model

Current controls:

1. The APS Act and the PPEC Act have been amended and draft Bills have been advertised for public comment

Financial Instability

Current controls:

1. Continuously scan the environment and report back as part of the management process
2. Liaise with counterparts in other countries, governments, grower associations, lobby groups and importers on acceptable good and regulated practises
3. Shareholder compact in place with DAFF
4. Conduct regular impact analysis on potential disasters

Insufficient ICT Resources

Current controls:

1. Revision of the current ICT structure and resource allocation
2. Upgrading of the server infrastructure
3. A regional infrastructure upgrade is currently in progress
4. Regular ICT audits



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STATUTORY OPERATIONS

THIS PAST YEAR, MOST OF SOUTH AFRICA SUFFERED FROM ARGUABLY ONE OF THE WORST DROUGHTS IN OVER 30 YEARS. THERE WERE REPORTS FROM KWAZULU-NATAL, MPUMALANGA, LIMPOPO, FREE STATE, NORTH WEST AND PARTS OF GAUTENG AND THE NORTHERN, EASTERN AND WESTERN CAPE PROVINCES. THE SITUATION WAS ESPECIALLY DIRE IN THE FREE STATE AND NORTH WEST PROVINCES WHERE CATTLE WERE DYING AND FARMERS WERE UNABLE TO PLANT CROPS DUE TO THE DROUGHT AND EXCESSIVE HEAT. THE EXTENT OF THIS SITUATION EXPOSED THE PERISHABLE PRODUCTS EXPORT CONTROL BOARD'S (PPECB) VULNERABILITY AND DEPENDENCY ON PRODUCT VOLUMES, ESPECIALLY WITH REGARDS TO MAIZE WHICH IS PREDOMINANTLY PRODUCED IN THE FREE STATE AND NORTH WEST PROVINCES.

In response to these conditions and concomitant lower product volumes there has been a considerable push towards cost-reduction initiatives in order to balance expenditure and derived income. The PPECB operations staff must be commended for their hard work in largely achieving these objectives.

STAFF MATTERS

The PPECB Board approved the appointment of 36 fixed-term contract workers to address staff shortages and to provide more permanency to some contract workers that were appointed annually. The inspection and cold chain services managed to respond positively to all activity points with the aid of the national resource planning office. The citrus season for 2015 started off with 17 crucial vacancies, but despite this, timeous service delivery was ensured through effective planning, cooperation, prioritisation and risk management.

PPECB staff in the inspection services spent a total of 19 984 days on relief duty and travelled approximately 5 million kilometres to ensure that service delivery was done timeously and in accordance with stakeholders' needs. The participation and dedication of staff in the relief duty roster under trying circumstances is hugely appreciated. The part being played by their families is also recognised and appreciated.

The Agricultural Export Technologist Programme (AETP) has proven to be highly beneficial to the PPECB as a feeder programme for new appointees. During the 2015/2016 financial year 25 AETP participants were trained in operations. Inspection services also started an initiative to increase the capacity of competent inspectors through its unemployed graduate development programme. The programme is aimed at developing a pool of competent inspectors for entry into the agricultural sector.

COLD CHAIN

The growth of refrigerated container exports from South Africa continued during the fiscal year and increased by 9% as compared to the previous year. The increase in containers brought about several challenges within the logistical industry which had an impact on the PPECB's operations. However, the PPECB strived to collaborate with their stakeholders in an effort to improve efficiencies within the value chain.

The trend to have containers stuffed in inland production regions once again continued this year. Infrastructure within these inland areas continues to improve and follows export trends. Shipping lines are making efforts to decentralise their container depots from the traditional ports to the production regions.

There has been significant growth in exports to Eastern markets especially to South Korea, Taiwan, India and China. The stringent bilateral agreement protocol to export citrus to China has proven to be one of the most challenging cold treatment protocols for the industry. A collaborative effort was made by stakeholders to mitigate these container failures. The PPECB recommended to the industry to increase the precooling period within cold storages for an additional 24 hours in an effort to have fruit uniformly precooled. This reduced the number of containers that did not meet the cold treatment requirements to China.

The Safety of Lives at Sea (SOLAS) requirements, regarding the verification of gross mass of packed containers carrying cargo, came into effect on 1 July 2016. Several concerns were raised by the perishable industry, within South Africa, regarding the impact of the regulation. The agricultural industry requested that the PPECB approach the South African Maritime and Safety Authority (SAMSA) for certification to conduct such audits.

Included in the PPECB's agreement with the Agro-Marketing and Trade Agency (AMTA) of Namibia was that the PPECB will provide cold chain expertise and assistance to facilitate a trial for the shipping of table grape containers through the Port of Lüderitz. The table grapes through the Lüderitz trial project was successfully concluded with a total of 35 FEU (Forty Foot

National Container Inspection

TOTAL INSPECTED	TOTAL PASSED	REJECTED	% REJECTED	REASONS FOR REJECTIONS
324 701	302 463	22 238	7	Dirty, taint, damaged panels, oxidation

National Cold Storage Inspection

TOTAL	REJECTED	% REJECTED	REASONS FOR REJECTIONS
481	24	5	Dirty, damaged panels, faulty temperature recording equipment, plug point, temperature recording systems, door seals

National Containers Fully Monitored (Green Tagged)

TOTAL NO OF CONTAINERS	CONTAINERS GREEN TAGGED	% GREEN TAGGED
137 971	123 591	90%

Equivalent Unit) containers shipped to Flushing in the United Kingdom. The PPECB played a major role in assuring that cold chain protocols were followed. Indications are that the trial will continue during the next grape season.

CERTIFICATION

The required certification processes were successfully implemented in all offices who now confidently adhere to the 24-hour turnaround time. The implementation of the fast lane for air freight, road trucks and mistakes made by clients resulting in a second submission, worked very well and to the satisfaction of our clients. In order to further improve the turnaround time on certificates and to reduce the pressure on the Cape Town airport certification office, Service Level Agreements (SLAs) were concluded with four forwarding agents to place certification officers at their sites to verify addendums. This resulted in mistakes being immediately addressed on site instead of being returned to the Cape Town airport office.

During the fiscal year the certification desk processed 113 837 export certificates nationally, an increase of 15.8% compared to the previous fiscal year. These certificates represent more than 248 million cartons and 363 million kgs of vegetables, flowers, canned products, dried fruit, rooibos tea and other

products. An amount of 5 224 certificates (a decrease of 46% on the previous year) were identified with mistakes and had to be re-issued, and 7 133 certificates (5%) were cancelled for various reasons. In total, 11% of all certificates were cancelled and identified with mistakes.

SUPPLY OF INFORMATION TO THE INDUSTRY

The stone fruit and pome fruit industries requested the PPECB to supply inspection and air exports information to them whilst the newly established Agri-Hub will supply shipping information. The table grape industry requested inspection and export information. Three SLAs were signed and positive results have been realised in the supply of information to the industries. The PPECB provided 92% of information for week one and 99.5% of information for week two on average.

VOLUMES

Below normal exports for fruit were recorded against budgeted volumes: pome fruit (-7%), stone fruit (-8.8%), avocados (-10%), citrus (-2.8%) and table grapes (-2.4%). In the "other products" category, the total weight (in kgs) exported consisted of dried fruit (+81%), canning (+4.6%), red tea (+14%) and vegetables (+3.4%).

STATUTORY OPERATIONS (CONTINUED)

INSPECTION SERVICES

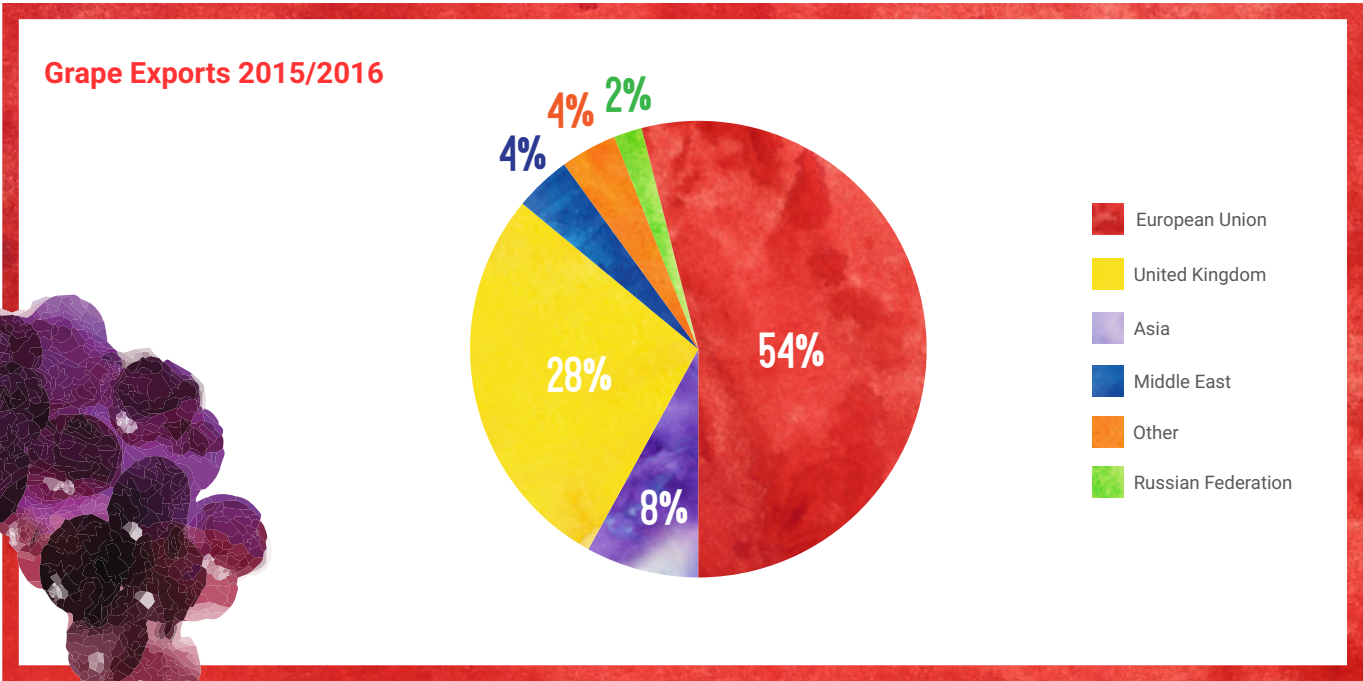
Table Grapes

Excellent weather conditions throughout the growing season resulted in well-developed, healthy vineyards. The crop estimate was however adjusted downwards due to lighter bunches and smaller berries as a result of an early season and warm weather conditions. The table grape season in the Western Cape started before the festive season making this the second consecutive year in 10 years that all the table grape production regions started packing before the New Year. The season in the Lower Orange River, Berg River and Hex River was similar to the previous year, resulting in large volumes for both inspections and shipments. In the Paarl region the harvest trend shifted two weeks earlier due to new cultivars which saw 10% of volumes being

packed in December. The overlap between the seasons in the different production regions required the accurate allocation of manpower to ensure that all clients could be serviced in time.

The actual volumes inspected were 57.9 million cartons, which is 2.4% below anticipated national volumes. Volumes achieved were due to new plantings coming into production. Export destinations were primarily Northern Europe (54%), the United Kingdom (28%) and Asia (8%).

Included in the table grape budgeted volume was Namibian table grapes amounting to 5 million cartons.



Pome Fruit

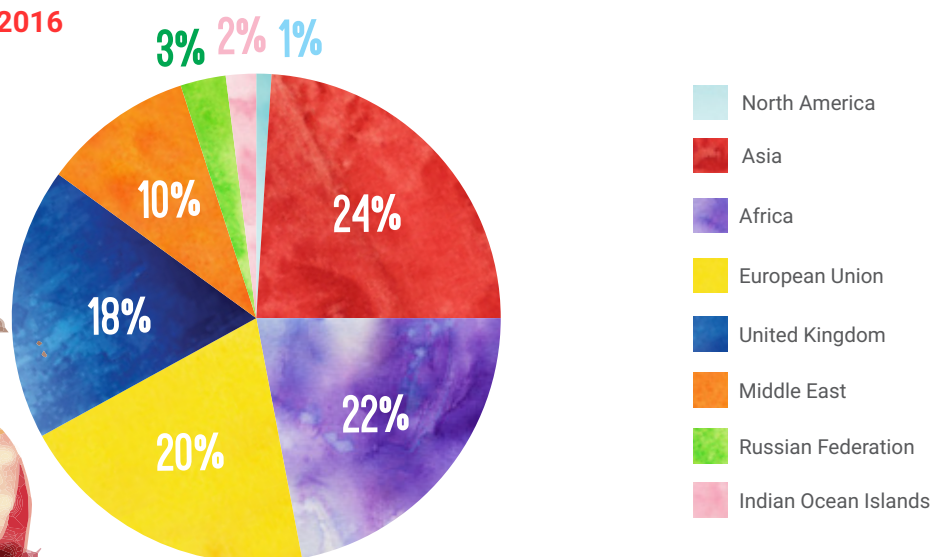
The actual volume inspected was 44.7 million cartons, which is 7% below budgeted volumes of 47.8 million cartons nationally. The pome volumes inspected were subdued due to market forces – namely the buying power of the oil rich countries such as Russia, Nigeria and Angola – which was seriously affected due to a sharp reduction in income.

The new season crop in early 2016 was five to 10 days earlier and the crop estimate was reduced due to the heat wave and drought conditions that caused smaller fruit and sunburn. Pome producers in the Ceres region were very concerned regarding the lack of rainfall in the area, of which the major

impact will only be seen next year as stressed orchards may have reduced yields.

Apples were primarily exported to Africa (31%), Asia (28%), the United Kingdom (22%) and the European Union (7%), while the demand for pears came from the European Union (47%), the Far East (16%), the Middle East (15%) and the United Kingdom (8%).

Pome Fruit Exports 2015/2016



Stone Fruit

The stone fruit season commenced seven days later than usual and the crop estimate was 8% (1.5 million cartons) below budgeted volumes due to unfavourable climatic conditions (extreme heat conditions in the north and south, and drought conditions during harvesting in the south). Fruit ripened much earlier, with different varieties ripening at the same time, and the fruit size was small which impacted negatively on export quality. The heat wave also caused internal browning and severe sunburn.

The actual volume inspected year to date was 16.7 million cartons and was 8.5% below budgeted volumes of

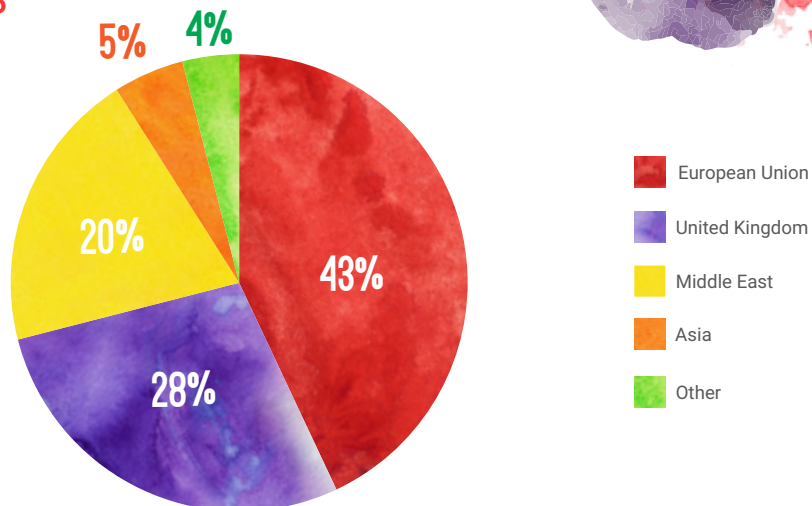
18.26 million cartons nationally. The plum crop was 12% lower than the previous season whilst nectarines were 12% higher.

Plums were mainly exported to the European Union (46%), the United Kingdom (25%) and the Middle East (18%), while peaches and nectarines were primarily exported to the United Kingdom (37%), the Middle East (25%) and the European Union (20%).

STATUTORY OPERATIONS (CONTINUED)



Stone Fruit Exports 2015/2016



Citrus

In 2015 the Department of Agriculture, Forestry and Fisheries (DAFF), assisted by the PPECB and the citrus industry, submitted robust amendments to improve the South African Citrus Black Spot Risk Management System to the European Union (EU). These were acceptable to the Food Veterinary Organisation of the EU as well as to the EU phytosanitary authorities. The Citrus Black Spot interceptions on South African citrus reported by the EU in 2015 (15 interceptions) was significantly lower than in 2014 (28 interceptions) and it seems that no further measures will be instituted against South Africa for the 2016 citrus season.

Despite the climatic challenges experienced within South Africa, an additional 1.3 million cartons of citrus were inspected this

fiscal year as compared to the previous season. Inspections on lemons and grapefruit increased by 14% and 5% respectively. However, there was a decrease of 7% in soft citrus volumes. During the latter part of the citrus season indications were that the drought and heat would have a negative impact on the 2016 citrus volumes.

False Codling Moth (FCM) remains a phytosanitary risk for fruit and vegetable exports to the EU. The EU raised their concerns about the 17 FCM interceptions found in South African citrus fruit. During 2016, the PPECB will increase its focus on this phytosanitary risk and will assist the DAFF and the industry in establishing further mitigating measures.

National Citrus Inspection Volumes in Cartons

CITRUS TYPE	2015/2016	2014/2015	DEVIATION %
ORANGES	75 764 736	75 650 717	0
LEMONS	15 874 817	13 874 219	14
GRAPEFRUIT	13 861 061	13 228 397	5
SOFT CITRUS	12 127 979	13 031 228	(7)
GRAND TOTAL	117 092 593	115 784 561	1



Citrus Load Port Distribution – Pallets

LOAD PORT	2014/2015	2015/2016	DEVIATION %
DURBAN	787 348	819 999	4,5
CAPE TOWN	297 788	283 092	(5)
PORT ELIZABETH	144 368	155 138	7,46
NGQURA (COEGA)	234 065	239 559	2,32
MAPUTO	3 360	6 340	88,69
GRAND TOTAL	1 466 929	1 504 128	2,54

Subtropical Fruit

The total volumes inspected for avocados for the 2015/2016 fiscal year was 11.6 million cartons, which is lower than the previous financial year's crop of 14.5 million. The drought and excessive heat led to a reduction in volume and fruit size. The target markets were the European Union (79%) and the United Kingdom (18%), and the Russian Federation, Asia and the Middle East each received 1%.

The inspections on mangoes for the 2015/2016 season dropped slightly by 6% compared to the previous season (728 518 vs 776 106 cartons). This is due to massive hail damage in the Hoedspruit area. Africa received 50% of this crop, with the Middle East receiving 32% and Asia 18%.

The **litchi** season was very short, especially in Mpumalanga, where the excessive heat caused quality and size problems. However, the Limpopo crop was good which resulted in the overall volumes of 3 106 million kgs – a 27% increase compared to the previous season of 2.45 million kgs. The target markets were the European Union (83%), United Kingdom (11%) and the Middle East (6%). It should be noted that a few consignments of litchi were exported into the United States – a potential new market for the South African litchi crop.

Maize

The maize crop for the 2015/2016 season was significantly affected by the drought. This resulted in only 445 898 tonnes of maize exported compared to 1 462 377 tonnes inspected during the previous season. This translates to 70% less maize exported as compared to the previous season. Africa was the predominant export market for maize for the fiscal year 2015/2016. The importation of maize by South Africa was necessary to meet the demands for local consumption. Importation was mainly from Mexico, Argentina, Uruguay and Paraguay.

Vegetables

The total vegetables inspected for 2015/2016 was 114 816 tonnes with potatoes and onions making up 43 507 tonnes and 44 023 tonnes respectively. This is a 3% increase compared to the previous season of 111 734 tonnes of which 44 015 tonnes (+1%) was potatoes and 45 877 tonnes (+5%) was onions. Although it was a dry season, the increase in vegetable inspections is attributed to the commencement of inspections for Botswana, Namibia, Lesotho and Swaziland (BNLS). The main target market for potatoes and onions is Africa, with the European Union importing mini vegetables.

Groundnuts

The volume of groundnuts inspected and exported for the 2015/2016 season was 12.5 tonnes, which is 7% less compared to the previous season. This is due to the drought as well as small kernel size. The target markets for exports were Asia (89%), Africa (10%) as well as the European Union (1%).

LABORATORY SERVICES

The year in review saw the Laboratory adopt a Board-approved growth strategy which was based on a feasibility study that it will be viable for the PPECB to broaden its scope and expand its basket of mycotoxins, fats, pesticide residues and compositional dairy testing service offerings into new and existing markets with the long-term objective of providing an industry-wide national one-stop-service for food safety testing for the export market and ensuring sustainability and economic viability.

The optimisation and implementation of more accurate and rapid-test methods, as well as continual improvements of workflow processes, have been an integral part of the new strategic framework. For the year under review the Laboratory focused on advancing its technology and re-engineering some of its business processes as well as integrating it with other systems in the organisation. One of the technological advancements was commissioning two Ultra High Performance

STATUTORY OPERATIONS (CONTINUED)

Liquid Chromatography (UHPLC) instruments to replace ageing High Performance Liquid Chromatography (HPLC) equipment. This technology forms the core business of the Laboratory testing services of mycotoxins in food, feed and beverages. The PPECB anticipates that this updated technology will ensure the competitiveness of our customers' products in the global market as it:

- Increases Laboratory productivity
- Generates accurate and better visualised results that are available sooner
- Improves chromatographic performance
- Improves sustainable use of Laboratory resources through reduced costs in energy and solvent use
- Facilitates a faster time to market

Along with the implementation of UHPLC, the Laboratory has expanded its scope of mycotoxin testing, offering the testing of Deoxynivalenol – one of several mycotoxins produced by certain *Fusarium* species that frequently infect corn, wheat, oats, barley, rice and other grains in the field or during storage. The Laboratory has also spent the year in review expanding its scope of pesticide residue testing in a myriad fresh fruit and vegetable matrices, which has stood it in good stead to be one of the officially recognised laboratories by the DAFF to test for pesticide residues in fresh fruit and vegetables for the African markets. While it strives to deliver an optimal pesticide residue testing service the PPECB committed itself to better service for all its stakeholders by also investing in more advanced technology (Liquid Chromatography Triple Quadrupole) in the fiscal year.

While the Laboratory strove to reduce expenses and implement cost-cutting initiatives, unrealised volumes due to the drought placed pressure on its income. Volumes of groundnuts received for export testing were 46% of budgeted volumes, and pesticide residue testing was 9% of budgeted income. Compositional dairy testing volumes received represented 164% more than that budgeted for export. The deficit for 2015/2016 has been reduced significantly (by 70%) compared to the same reporting period in 2014/2015 due to the prudent attitude of Laboratory staff in reducing costs without compromising on the quality of services rendered.

It is envisaged that the PPECB can emerge as a major player in the food safety arena in South Africa. For this reason, the PPECB Laboratory needs to be built on a very sound basis with the view of giving other potential food safety services the opportunity of being launched off such a platform.

FOOD SAFETY

The PPECB Food Safety Programme (FSP) is responsible for ensuring consistent compliance to Regulation R707

with regards to food hygiene and food safety of regulated agricultural food products of plant origin intended for export.

Consistent food safety compliance is achieved through the strategic application of Food Safety Auditors across the country. The compliance food safety audits that are being conducted on an annual basis focus on worker hygiene, the use of agricultural chemicals, the ability of the Food Business Operator (FBO) to withdraw and trace products and the management of associated risks.

Verification of FBO registration information supplied to the DAFF is one of the programme's main responsibilities under Regulation R707. This is done prior to quality inspections as part of the PPECB's service agreement with clients. The audits cover the following FBO types:

- Primary production units (farms producing fruit for the canning industry)
- Maize industry in Gauteng (storage facilities)
- Commercial cold storage facilities
- General dry storage facilities

Auditing Activity

The FSP made provision for a total of 700 audits, respectively for 288 ad hoc audits and 412 SAGAP audits. As a result of the change in legislation with regards to cross-border movement of South African produce and the private sampling protocol that was published, the programme experienced an increase in the number of audits, conducting 81 more audits than budgeted for.

Auditing Types

The following compliance audit types were conducted during the financial period:

SAGAP audits

These audits apply to those Food Business Operator (FBO) types who do not have, or are not required by their commercial trading activities to have, any commercial type of food safety compliance certificate in place. This is a key focus area of the programme.

Ad hoc audits

Ad hoc audits, as part of the FSP's oversight, are now in their second year. This audit activity focuses on oversight on behalf of the DAFF with regards to commercially recognised food safety certifications such as the British Retail Consortium (BRC), Global Good Agricultural Practices (GLOBALG.A.P), ISO 22000/Food Safety System Certification (FSSC) 22000, Hazard Analysis Critical Control Point (HACCP) and Nature's Choice. During their last audit visit to South Africa, the Food

and Veterinary Office (FVO) expressed their approval towards the oversight activities, such as ad hoc audits, which form an integral part of the South African food safety system.

Cross-border movement of perishable products

As a result of the latest changes in legislation, the Food Safety Audit programme experienced an increase in SAGAP audit requests. This means that all FBOs doing business with our neighbouring countries are now required to be food safety certified.

New Food Safety-related Initiatives

Network of commercial laboratories

The DAFF established a network of officially approved laboratories to further enhance the scope of actives that we as a country can test for. The FSP was tasked with oversight regarding the newly appointed Laboratories in the network.

Private sampling

During the last quarter of this financial year, the programme rolled out the private sampling protocol which was well received by the industry. This protocol was approved by the DAFF to assist the industry (pack houses) to reduce costs associated with the Maximum Residue Limit (MRL) testing.





HUMAN RESOURCES

THE HUMAN RESOURCES (HR) DIVISION EXPERIENCED A CHALLENGING FINANCIAL YEAR Faced with substantial legislative amendments and organisational changes. This necessitated that the human resources department remain on top of its game and keep in touch with the needs of both internal and external stakeholders.

EMPLOYEE ENGAGEMENT

In an effort to maintain a highly engaged employee environment, the PPECB continued with the “Let’s Talk” engagement platform. This platform is now theme-based in order to create awareness and education on the key business processes.

EMPLOYEE WELLNESS

The utilisation of the Employee Wellness programme for the period 2015/2016 is 22.3% in comparison to 12.8% for the previous financial year. This is attributed to the PPECB acquiring a new wellness service provider that offers additional services such as an online Employee Wellness Assessment Tool. This delivers personalised lifestyle information via email; as well as a Wellness Tracker Behavioural Change programme which guides employees through the stages of behavioural change in order to achieve a healthy lifestyle. The trends in this report illustrate that the services are being well utilised to address financial concerns and relationship issues.

EMPLOYEE RELATIONS

The PPECB is currently working alongside the Solidarity union in building and maintaining sound employee relations. An HR focus area for the 2015/2016 period was to increase the capacity of the leadership team on leading in a unionised environment. The relationship with Solidarity presented an opportunity for the PPECB to engage on various policies and to gain support in our efforts to brand PPECB as an employer of choice.

EMPLOYMENT EQUITY

The quarterly meetings between the Employment Equity (EE) and Skills Forum have provided a platform of engagement on transformation, including equal opportunities for skills

development and training for all employees. The EE and Skills Forum have also contributed greatly in developing a disability framework for the PPECB as well as improving the Study Assistance Policy and Procedure.

Currently the PPECB is 9% short of reaching its 2015/2016 target of 60% African representation overall. As a remedial measure, the organisation is emphasising the recruitment and promotion of employees from African male and female groups as well as employees with disabilities to align to the Economically Active Population (EAP).

ORGANISATIONAL DEVELOPMENT

The PPECB continues to strive towards a high performance culture. The organisational development section has been focusing on interventions to create opportunities for discovery and to empower line managers with the skills to build high-performance teams.

LEARNING AND DEVELOPMENT

There is a continued drive to develop the management and leadership capabilities of line managers at all levels, as the technical nature of the organisation’s environment has led to technical expertise taking precedence over the other managerial competencies. To this end further supervisory skills training and leadership development workshops have been held to equip the line managers accordingly.

The PPECB, in conjunction with the Agricultural Sector Education and Training Authority (AgriSETA) and the Department of Agriculture, Forestry and Fisheries (DAFF), have continued to run the Agri-Export Technologist programme (AETP). This learnership has proven beneficial in providing a pipeline of skilled inspection staff to PPECB’s operational division on both a permanent and temporary employee basis. In addition, some of the graduates have been employed in the wider agricultural sector outside of the PPECB.

A Graduate Placement programme is also in place, where unemployed graduates are employed for a period of one year to gain workplace experience and to make them more employable in their chosen career field. To date, the PPECB has helped graduates gain experience in Marketing and Communications, Human Resources, Information and Communications Technology and the Laboratory.

DEVELOPMENT

The PPECB continued with its joint venture project with DAFF – the SAGAP Certification programme – and for the period in review, 14 smallholder farmers have been SAGAP-certified and as such have met the minimum food safety requirement to

export. A total of 219 smallholder farmers have also received training on food safety and good agricultural practices to raise awareness of food safety requirements and prepare them for certification requirements. There has also been continued collaboration with other government entities and departments, including the Agricultural Research Council (ARC), and the Western Cape Department of Agriculture.

HARMONISATION

This unit has achieved the following for the year in review:

- A total of 14 consistency reports have been completed detailing the status and potential risks of the PPECB inspectorate, both on product inspections and cold chain monitoring functions
- A total of seven central harmonisation workshops have been hosted internally and prioritised in line with emanating business risks and extended business mandates
- No less than 71 regional workshops and practical sessions have been conducted to ensure that PPECB technical personnel are harmonised to a practical level
- Forty two port audits have been conducted to support the business and clients at risk
- Six accelerated skills transfer courses were presented to transfer knowledge and experience
- The independent measures of the programme reveals a competency percentage of 94% for the PPECB's technical personnel, 96% on the cold chain and 93% for inspections

TALENT MANAGEMENT

During 2015/2016, the HR division began preparing the environment for formal talent management and succession planning in support of the PPECB's strategic objective – strengthening the PPECB's capacity to provide a professional suite of services, by:

- Engaging employees and managers on the PPECB performance culture
- Enhancing recruitment and selection processes
- Implementing an integrated Talent Management system – The basic Talent Management system modules were rolled out to integrate recruitment and performance

management data and to start building a platform for succession planning. Line managers were empowered to manage their talent by having online access to the recruitment progress on their vacancies, as well as greater visibility on their direct report's performance and development

- Career path – A series of workshops were conducted to review the career path processes for inspection and cold chain, and the focus at this stage is to continue with reviewing the career path to ensure alignment to performance

CONCLUSION

Although it has been a challenging year, the HR division was able to deliver on its strategic objectives and provide the support expected by the organisation.

INFORMATION AND COMMUNICATIONS TECHNOLOGY

THE INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT) DIVISION IS A STRATEGIC PILLAR OF THE PERISHABLE PRODUCTS EXPORT CONTROL BOARD (PPECB) AS IT CREATES THE TECHNOLOGICAL PLATFORM FOR THE ORGANISATION TO REMAIN COMPETITIVE AND RELEVANT IN THE MODERN DIGITAL ECONOMY.

The role of the ICT division is to promote, collaborate and maintain strategic relationships between the division and its stakeholders, to offer superior customer service delivery and to provide innovative technologies that support the business.

Key ICT Achievements

In the past year, the need to improve operational efficiencies and reduce costs was evident, thus the PPECB's technological environment has seen phenomenal changes.

The following key goals were achieved:

- Rollout of the Titan application for inspection and export certification to 409 pack houses and exporters
- Upgrade of all regional offices to the latest network technology
- Upgrade of the national infrastructure to enhance connectivity and communication services
- The implementation of e-mail cloud solution, Office 365

Technology Trends

In order to remain relevant and competitive, the PPECB aims to be responsive to the continuous changes in the technological landscape.

Some of the trends to be aware of include the following:

- The Internet of Things (IoT) where all smart devices can communicate with each other
- Creation of the digital workplace where people can work anywhere, anytime
- Intensifying automation and its impact on cost savings and process improvements
- Adaptive security architecture to protect the company's digital environment and information
- Global drive to use smaller, smarter devices
- Implementation of intelligent cloud strategies

Focus Areas for the Next Period

In the coming year, the ICT division will be focusing on the following key imperatives:

- Providing business with real-time information and dashboards for better decision making
- Implementing business-driven Service Level Agreements (SLAs) to measure the ICT division's performance
- Focusing on cost savings to create further efficiencies
- Adopting an operating model that improves productivity and effectiveness
- Identifying further areas for automation within the PPECB
- Rolling out the Titan application
- Installing the "Always-on" email system





CHIEF FINANCIAL OFFICER'S REPORT

FOR THE YEAR ENDED 31 MARCH 2016



ALTHOUGH THE 2015/2016 FINANCIAL YEAR HAS SEEN A SUBDUED PERFORMANCE IN THE ACHIEVEMENT OF REVENUE TARGETS, THE PPECB HAS SUSTAINED PROGRESS IN DELIVERING ON ITS MANDATE BY PROVIDING REGULATORY QUALITY INSPECTIONS AND FOOD SAFETY CERTIFICATION SERVICES.

This review is intended to provide our stakeholders with further insight into the financial performance and position of the PPECB.

The salient figures for the 2014/2015 and 2015/2016 financial years are as follows:

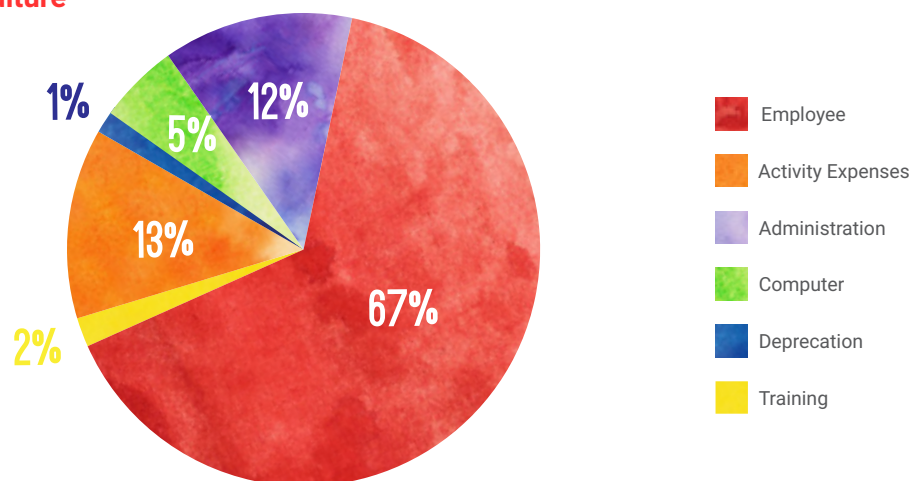
	2015/2016 R'000	2014/2015 R'000	Change R'000/%
Net result	R1 805	(R10 953)	R12 758
Net assets	R83 357	R81 552	2.2%
Non-current assets	R25 918	R22 746	13.9%
Receivables	R37 012	R32 548	13.7%
Cash and investments	R57 458	R66 780	(14.0%)
Revenue	R281 435	R247 262	13.8%
Investment revenue	R4 647	R4 223	10.0%
Operating expenditure	R284 276	R262 438	8.3%



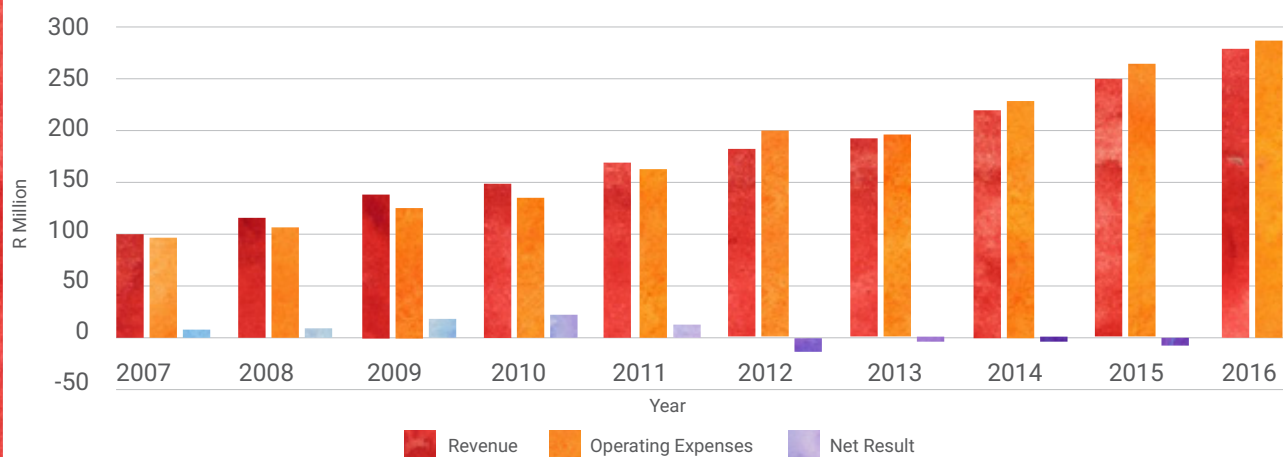
CHIEF FINANCIAL OFFICER'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

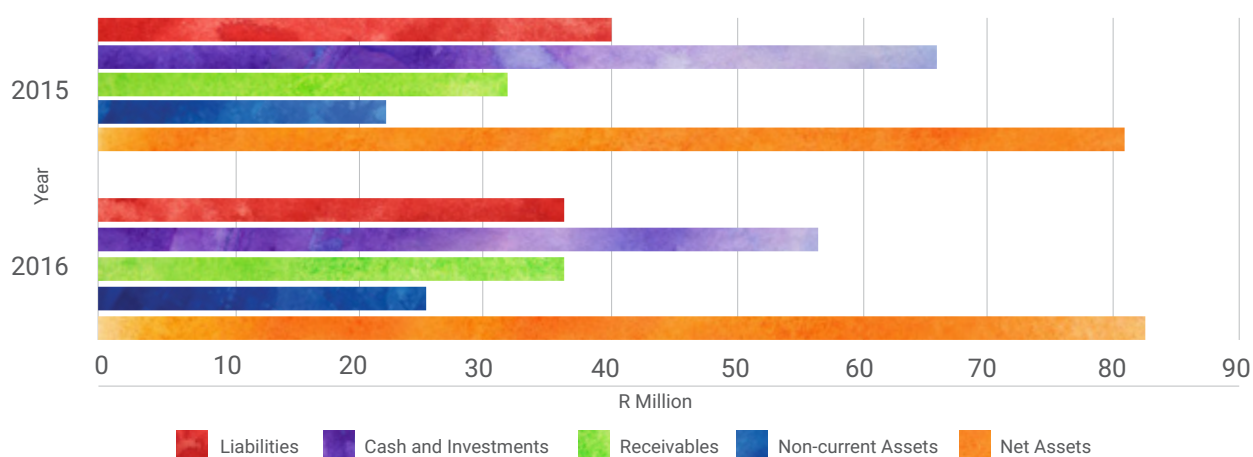
Composition of Expenditure



10-Year Operating Results



Assets and Liabilities



Operating Results

The net financial result for the financial year ended 31 March 2016 reflects a surplus of R1.8 million. This is a R12.8 million improvement on the net deficit of last year and R7.8 million on the budgeted deficit of R6 million. The improved result can mainly be attributed to the containment of expenditure in relation to the increase in revenue, the latter mainly as a result of inflation adjustments to levies.

Total income at R286.1 million increased by 14% on last year (R251.5 million), which includes average fee increases of 11% for the year, mainly as a result of levy adjustments to the PPECB Cold Chain fees in order to recover costs. The continued drought and heat conditions resulted in a subdued growth in overall production and export volumes. Revenue from statutory operations increased by 12% to R262.6 million.

Total expenses for the year were R284.3 million, an 8% increase compared to the R262.4 million incurred in the previous year. This is attributable to the increased personnel costs of R14.1 million (7.9%) to R190.9 million and computer expenditure of R3.8 million (35%). The growth in personnel cost is driven by a market-related salary adjustment and an increase in manpower to execute the PPECB's inspection mandate. The upgrade of the Information and Communications Technology (ICT) infrastructure and development of mobile applications to improve operational efficiencies resulted in the increased computer expenditure.

Depreciation and impairment cost is up by 46% to R3.5 million (2015: R2.4 million), which was driven by increased capital expenditure on the upgrade and replacement of computer and Laboratory equipment.

Net Assets

The net current assets position strengthened from R81.6 million in March 2015 to R83.4 million in March 2016.

The capital expenditure for the year amounted to R6.7 million (2015: R4.6 million). Investments were made into the upgrade of information technology, implementation of electronic export certification and new Laboratory equipment, which is in line with the renewal strategy of the PPECB.

All capital expenditure was funded from accumulated reserves. The PPECB has thus no outstanding borrowings and there are no plans to borrow in the near future.

Trade receivables increased by only 8.4% despite the 13% growth in revenue. Trade receivable days outstanding at 48 days and bad debts of R1 258 remained at very low levels when compared to operating revenue of R279 million.

Cash resources were placed under pressure due to the utilisation of cash for increased operating expenditure and investment into the upgrade of the ICT infrastructure as well

as replacement of Laboratory equipment. Cash and cash equivalents reduced by 15% to R21.2 million and investments by 13% to R36.3 million in the current financial year.

Cash generated from operations, before working capital changes, was R4.2 million compared to an outflow of R6.4 million reported in the previous year. This improved cash generation followed mostly from higher receipts from rendering of services for the year. However, during the year under review, working capital absorbed R6.8 million of cash compared to the cash absorption of R2.2 million in the prior year. This increased utilisation of cash-to-fund working capital is attributable to a decrease in trade and other payables of R4 million and an increase in trade receivables of R0.5 million. Final cash absorbed by operations, including changes in working capital, is R2.6 million, which improved by R5.9 million (70%) on the previous year.

Financial Management Imperatives

The PPECB financial management practices remain sound. The priorities for the year ahead are informed by strategic imperatives and include:

- Developing and implementing mobile technology applications for cold chain and food safety services
- Extending the industries' participation in electronic data transfer and export certification processes
- Active management of operating costs in line with government's cost-saving initiatives and ensuring the future financial sustainability of the PPECB
- Embedding LIMS and completing the Laboratory turnaround strategy focused on increasing the proportion of laboratories whose revenue is sufficient to meet all their overheads and are therefore able to reinvest in their own long-term growth
- Continued focus on improving cash flow and working capital management

Prospects

The PPECB is a non-profitable yet financially self-sustainable entity. Weak volume performance in some exported product categories during the year underscored the effect of continued upward pressure on the PPECB's capability to recover operational expenditure.

Against the backdrop of lower volumes and increased costs such as personnel costs, utilities, maintenance and travelling in the next financial year, the PPECB endeavours to mitigate financial risks by exercising tight cost-control measures and working capital management.

MR J SCHWIEBUS

Chief Financial Officer, the PPECB

REPORT OF THE AUDIT COMMITTEE OF THE BOARD



THIS REPORT TO THE BOARD, ON HOW THE AUDIT AND FINANCE COMMITTEE HAS DISCHARGED ITS DUTIES, HAS BEEN PREPARED IN ACCORDANCE WITH GOOD GOVERNANCE PRINCIPLES.

BACKGROUND

The Audit Committee applies the corporate governance principles for audit committees and complies with all legal and regulatory requirements as necessary under South African legislation. The Board has approved the terms of reference for the Audit Committee and all responsibilities are set out in detail therein.

The Board recognises the important role of the Audit Committee as part of the risk management and corporate governance processes. In this regard the committee has oversight of:

- Financial reporting risks
- Internal financial risks
- Fraud and IT risks as they relate to financial reporting

Summary of conclusions reached by the Audit and Finance Committee for the year ended 31 March 2016:

Following a review and meeting the requirements of the terms of reference, the committee is satisfied that:

- The finance function is adequately skilled, resourced and experienced
- The internal financial controls are effective and no material weaknesses in financial control have been identified
- The external auditors are independent

In fulfilling its duties, the Audit Committee has:

- Reviewed and discussed the audited Annual Financial Statements with the external auditors, the Chief Executive Officer and the Chief Financial Officer
- Reviewed the adjustments resulting from external audit queries and accepted the unadjusted audit differences as they were not material
- Reviewed the quality of the financial reporting and disclosures
- Received and considered reports from the PPECB's independent internal auditors
- Reviewed the committee's terms of reference



The Audit and Finance Committee recommended the adoption of the Annual Report to the Board. In this regard the committee:

- Considered all facts and risks that may impact on the integrity of the Annual Report
- Reviewed and commented on the Financial Statements included in the Annual Report

The Board subsequently approved the Annual Report, including the Financial Statements.

COMPOSITION

The Audit and Finance Committee comprised three independent non-executive directors who have the requisite skills and experience to fulfil the committee's duties.

FREQUENCY AND ATTENDANCE OF MEETINGS

In addition to the committee members, the Chief Executive Officer, the Chief Financial Officer, the internal auditors and the external auditors attend all committee meetings by invitation. During the year under review, the committee met four times. Attendance of meetings held during the year under review is presented on page 15.

INTERNAL AUDIT

The Internal Audit function is outsourced to an independent firm of auditors who provide the Board with assurance on the key areas of the PPECB's internal financial controls. The Internal Audit Plan and the Internal Audit Charter was reviewed and approved by the committee. Internal Audit provides assurance that the entity operates in a responsibly governed manner by performing the following functions:

- Objectively assuring effectiveness of risk management and the internal control framework
- Analysing and assessing business processes and associated controls
- Reporting audit findings and recommendations to management and the Audit Committee

The committee is of the opinion that the PPECB's system of internal financial controls is effective and provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements.

ANNUAL FINANCIAL STATEMENTS

The Audit Committee has evaluated the Annual Financial Statements for the year ended 31 March 2016 and concluded that it complies, in all material aspects, with the requirements of the General Reporting Accounting Standards. The committee has reviewed the external auditor's Management Letter and management's response thereto as well as significant adjustments resulting from the audit, and recommended the approval of the Annual Financial Statements to the Board.

CONCLUSION

The committee is satisfied that it has considered and discharged its responsibilities in accordance with its mandate and terms of reference during the year under review.



MR A RABE

Chairperson of the Audit Committee

Date: 31 May 2016



4 FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

- 42 BOARD RESPONSIBILITIES AND APPROVAL**
- 43 INDEPENDENT AUDITOR'S REPORT**
- 45 BOARD REPORT**
- 48 STATEMENT OF FINANCIAL POSITION**
- 48 STATEMENT OF FINANCIAL PERFORMANCE**
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- 50 CASH FLOW STATEMENT**
- 51 ACCOUNTING POLICIES**
- 57 NOTES TO THE FINANCIAL STATEMENTS**





BOARD RESPONSIBILITIES AND APPROVAL

THE MEMBERS ARE REQUIRED BY THE PUBLIC FINANCE MANAGEMENT ACT (ACT NO. 1 OF 1999), TO MAINTAIN ADEQUATE ACCOUNTING RECORDS AND ARE RESPONSIBLE FOR THE CONTENT AND INTEGRITY OF THE FINANCIAL STATEMENTS AND RELATED FINANCIAL INFORMATION INCLUDED IN THIS REPORT.

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

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

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

The members 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 members to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout 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 members are 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 financial

statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The members have reviewed the entity's cash flow forecast for the year to 31 March 2017 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 financial statements are prepared on the basis that the entity is a going concern. The members have no reason to believe that the entity will not be a going concern in the foreseeable future. These financials support the viability of the entity.

The external auditors are responsible for independently reviewing and reporting on the entity's financial statements. The financial statements have been examined by the entity's external auditors and their report is presented on pages 43 and 44.

The financial statements set out on pages 48 to 70, which have been prepared on the going concern basis, were approved by the board on 26 May 2016 and were signed on its behalf by:



MR A PETERSEN
Chairperson of the Board



DR M MASHABA
Vice-Chairperson

INDEPENDENT AUDITOR'S REPORT

TO PARLIAMENT AND THE MEMBERS OF THE BOARD OF DIRECTORS OF THE PERISHABLE PRODUCTS EXPORT CONTROL BOARD (PPECB) ON THE FINANCIAL STATEMENTS.

REPORT ON THE FINANCIAL STATEMENTS

INTRODUCTION

We have audited the financial statements of the Perishable Products Export Control Board set out on pages 48 to 70, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, the cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

ACCOUNTING AUTHORITY'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act (Act No. 1 of 1999) and the Perishable Products Export Control Act (Act No. 9 of 1983), and for such internal controls as the accounting authority determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Public Audit Act of South Africa (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by

management, as well as evaluating the overall presentation of the financial statements, policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion the financial statements present fairly, in all material respects, the financial position of the Perishable Products Export Control Board as at 31 March 2016 and its financial performance and cash flows and statement of comparison of budget and actual amounts for the year then ended, in accordance with the SA Standard of GRAP and the requirements of the Public Finance Management Act (Act No. 1 of 1999) and the Perishable Products Export Control Act (Act No. 9 of 1983).

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the PAA and the General Notice issued in terms thereof, we report the following findings on the performance information against predetermined objectives, non-compliance with legislations as well as internal control. We performed tests to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, we do not express an opinion or conclusion on these matters.

PREDETERMINED OBJECTIVES

We performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2016:

- Operational Services
- Food Safety Services

We evaluated the reported performance information against the overall criteria of usefulness and reliability.

We evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. We further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Managing Programme Performance Information (FMPPI).

We assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

We did not raise any material findings in respect of the usefulness and reliability of the reported performance information for the selected programmes.

COMPLIANCE WITH LEGISLATIONS

We performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters. We did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the General Notice issued in terms of the PAA.

INTERNAL CONTROL

We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with legislation. We did not identify any significant deficiencies in internal control.

SizweNtsalubaGobodo Inc.

SizweNtsalubaGobodo Inc.

Director: Natalie Arendse

Registered Auditor

26 May 2016

2nd Floor,
Block A – Century Falls
32 Century Boulevard
Century City
7441

BOARD REPORT

1. Introduction

In terms of the Perishable Products Export Control Act (Act No. 9 of 1983) (PPEC Act) and the Public Finance Management Act (Act No. 1 of 1999) (PFMA) this report addresses the performance of the Perishable Products Export Control Board (PPECB) and its relevant compliance with statutory requirements.

In the opinion of the PPECB Board, which fulfils the role of an accounting authority as envisaged by the PFMA, the financial statements fairly reflect the financial position of the PPECB as at 31 March 2016 and the results of its operations and cash flows for the year then ended.

We have pleasure in submitting to Parliament, through the Minister of Agriculture, Forestry and Fisheries, this report and the audited financial statements of the PPECB for the year ended 31 March 2016.

2. Our statutory basis

As a national public entity, the PPECB is constituted and mandated in terms of the PPEC Act (Act No. 9 of 1983) to perform cold chain services. The PPECB was established in 1926.

3. Our mandate

The PPECB is an independent service provider of quality certification and cold chain management services for producers and exporters of perishable food products. These services support PPECB's strategic objectives of enhancing the credibility of the South African export certificate and supporting the export competitiveness of South Africa's perishable product industries.

The PPECB also delivers inspection and food safety services assigned by the Department of Agriculture, Forestry and Fisheries (DAFF) under the APS Act (Act No. 119 of 1990). The presence of the PPECB in the export industry is furthermore enhanced by South Africa's recognition as an approved country under the European Commission Regulation 543 of 2011. This agreement recognises the South African inspection systems as equivalent to that of the EU inspection bodies and therefore ensures less frequent checks at the port of import into the EU.

4. Vision, mission and values

The vision of the PPECB is to enable its customers to be the preferred suppliers of perishable products worldwide. This vision is supported by the PPECB's mission to empower its people, to execute our mandates to ensure the integrity of our customers' products.

This mission is further underpinned by the PPECB values of:

- Professionalism
- Accountability
- Passion
- Integrity
- Confidence
- Collaboration

5. Board

The constitution of the Board is prescribed by the PPEC Act which requires that nine and a maximum of ten members be appointed by the Executive Authority. As at the date of this report, there were nine Board members of whom all were non-executive members.

Name	Industry
Ms J Atwood-Palm	Fruit and Vegetable Canning
Ms C Engelbrecht	Citrus
Ms L Kutta	Citrus
Dr M Mashaba	Deciduous
Mr A Petersen	Other Products
Mr A Rabe	Deciduous
Ms E Scholtz	Table Grapes
Mr W Steenkamp	Ministerial Representative
Mr D Westcott	Subtropical

The tenure of office for the members of the Board shall not exceed three years as per the conditions determined by the Executive Authority.

6. Board meetings

The Board meets at least four times per annum, or as circumstances necessitate. During the period under review, the Board met four times and a Board Workshop also took place to discuss strategic matters. Board meetings follow a formal agenda to ensure that all substantive matters are addressed and information relevant to the meetings is supplied to Board members in advance so that they can make informed and reasoned decisions.

All documents submitted to the Board are reviewed by the Executive Committee and approved by the Chief Executive Officer to ensure completeness and relevance.

7. Changes in executives

Mr Lucien Jansen was appointed as the Chief Executive Officer on 1 July 2015 and Ms Yanesh Ramiah as the Chief Information Officer on 1 November 2015.

BOARD REPORT (CONTINUED)

8. Board members' interest in contracts

None of the members of the board had any interest in contracts entered into during the year under review.

9. Finances

The PPECB is self-funded by charging levies to recover costs for services rendered. The PPECB made a net surplus of R1.8 million (2015: deficit of R10.9 million) for the year ended March 2016. The financial review provides further details regarding financial performance.

10. Financial statements

The Board and the Executive Committee confirm that they are responsible for preparing financial statements that fairly present the state of affairs of the PPECB as at the end of the financial year. The annual financial statements contained on pages 48 to 70 have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) and the PFMA.

They are based on appropriate accounting policies and are supported by reasonable and prudent judgements and estimates. The external auditor is responsible for carrying out an independent examination of the financial statements in accordance with Standards of Auditing and for reporting any findings thereon. The External Auditor's report is set out on pages 43 and 44.

11. Going concern

The Board reviewed and approved the PPECB's financial budgets for the period 1 April 2016 to 31 March 2017 and is satisfied that adequate resources exist to continue business for the foreseeable future. The Board confirms that there is no reason to believe that the PPECB's operations will not continue as a going concern in the year ahead.

12. Strategic planning policy

The corporate plan is approved by the Board and the Executive Authority, and contains predetermined strategic and operational objectives. The plans, together with associated budgets, are approved before the start of the financial year in compliance with the provisions of the PFMA.

The PPECB has analysed the environment within which it operates and identified the cost of doing business, financial performance of the laboratory and the retention of core technical skills as some of its biggest challenges. Informed by this analysis, the PPECB developed a five-year plan focusing

on customer centricity, operational efficiency and competent human capital to effectively deliver on its mandate.

13. Shareholders' Compact

In terms of the Treasury Regulations issued in accordance with the PFMA, the PPECB must, in consultation with the Executive Authority, annually agree on its key performance objectives, measures and indicators. These are captured in the Shareholder's Compact which is annually concluded between the PPECB and DAFF. The Compact promotes good governance practices in the PPECB by helping to clarify the roles and responsibilities of the Board and DAFF, as well as ensuring agreement on the PPECB's mandate and key objectives.

14. Performance Information

In the PPECB's Performance Information, the achievements of the PPECB are highlighted against the predetermined objectives for the year. The PPECB managed to achieve all of its objectives for the year bar one.

15. Significance and materiality framework

The significance and materiality framework for reporting losses through criminal conduct and irregular, fruitless and wasteful expenditure, as well as significant transactions envisaged per section 54(2) of the PFMA, has been confirmed by the Board. Losses through criminal conduct and irregular, fruitless and wasteful expenditure which are identified are disclosed as prescribed in terms of relevant legislation.

16. Delegation of authority


The Board has delegated a range of matters to the PPECB Executive Committee, and has established four Board committees to assist in discharging its responsibilities. Delegating authority to committees or management does not in any way release the Board of its duties and responsibilities. There is always transparency and full disclosure from the Board committees to the Board.

17. Employees

The PPECB had 395 (2015: 392) permanent employees and 51 (2015: 32) fixed-term contract workers as at 31 March 2016.

18. Events subsequent to reporting date

The Board members are not aware of any matters or circumstances arising since the end of the financial year, not otherwise dealt with in the financial statements that will have



a significant impact on the operations, financial results or the financial position of the PPECB.

19. Compliance with legislation

The Department of Agriculture, Forestry and Fisheries is in the process of reviewing the Perishable Products Export Control Act (Act No. 9 of 1983) and the Agricultural Product Standards Act (Act No. 119 of 1990).

The Board believe that management has, during the year, complied, in all material respects, with all legislation and regulations applicable to it, including without limitation, the Public Finance Management Act (Act No. 1 of 1999), the Treasury Regulations and the Income Tax Act (Act No. 58 of 1962).

20. Auditors

The Board appointed SizweNtsalubaGobodo Incorporated as the PPECB's external auditor, which was ratified by the Auditor General.



STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

	NOTE(S)	2016 R	2015 R
Assets			
Current assets			
Trade and other receivables	4	37 012 622	32 547 653
Investments	5	36 297 780	41 762 086
Cash and cash equivalents	6	21 249 879	25 017 488
		94 560 281	99 327 227
Non-current assets			
Property, plant and equipment	7	25 918 478	22 746 365
Total assets		120 478 759	122 073 592
Liabilities			
Current liabilities			
Trade and other payables	10	26 973 909	29 282 899
Provisions	11	10 148 134	11 238 674
		37 122 043	40 521 573
Total liabilities		37 122 043	40 521 573
Net assets		83 356 716	81 552 019
Reserves			
Revaluation reserve		12 426 576	12 426 576
Asset replacement fund	8	11 663 000	9 805 000
Self-insurance reserve	9	6 023 000	5 220 000
Reserve fund		53 244 140	54 100 443
Total net assets		83 356 716	81 552 019

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2016

	NOTE(S)	2016 R	2015 R
Revenue	13	279 390 176	245 443 263
Other income	12	2 045 098	1 818 705
Operating expenses	15 & 16	(284 276 227)	(262 437 557)
Operating deficit		(2 840 953)	(15 175 589)
Investment revenue	14	4 646 666	4 223 271
Finance costs	17	(1 016)	(1 173)
Surplus/(deficit) for the year		1 804 697	(10 953 491)

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2016

	Revaluation reserve R	Asset replacement reserve R	Self- insurance reserve R	Reserve fund R	Total reserves R	Surplus levy for disposal R	Total net assets R
Balance at 1 April 2014	12 426 576	8 797 890	5 000 000	66 281 045	92 505 511	–	92 505 511
Changes in net assets							
(Deficit)/surplus for the year	–	–	–	–	(10 953 491)	(10 953 491)	(21 906 982)
Transfer to asset replacement fund	–	1 007 110	–	(1 007 110)	–	–	–
Transfer to self- insurance fund	–	–	220 000	(220 000)	–	–	–
Transfer from surplus levy for disposal in terms of Section 18(8) and (9) of Act 9 of 1983	–	–	–	10 953 491	10 953 491	–	10 953 491
Transfer to reserve fund	–	–	–	–	(10 953 491)	(10 953 491)	(21 906 982)
Balance at 1 April 2015	12 426 576	9 805 000	5 220 000	54 100 443	81 552 019	–	81 552 019
Changes in net assets							
Transfer to asset replacement fund	–	1 858 000	–	(1 858 000)	–	–	–
Transfer to self- insurance fund	–	–	803 000	(803 000)	–	–	–
Surplus/(deficit) for the year	–	–	–	–	1 804 697	1 804 697	3 609 394
Transfer from surplus levy for disposal in terms of Section 18(8) and (9) of Act 9 of 1983	–	–	–	1 804 697	1 804 697	–	1 804 697
Transfer to reserve fund	–	–	–	–	(1 804 697)	(1 804 697)	(3 609 394)
Balance at 31 March 2016	12 426 576	11 663 000	6 023 000	53 244 140	83 356 716	–	83 356 716

Note(s)

8

9

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2016

	NOTE(S)	2016 R	2015 R
Cash flows from operating activities			
Receipts			
Rendering of services		276 970 305	243 371 208
Interest received – investment		4 646 666	4 223 271
		281 616 971	247 594 479
Payments			
Employee costs		(191 981 987)	(174 620 135)
Suppliers		(92 223 951)	(81 510 140)
Finance costs		(1 016)	(1 173)
		(284 206 954)	(256 131 448)
Net cash flows from operating activities	18	(2 589 983)	(8 536 969)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(6 717 345)	(4 598 788)
Proceeds from sale of property, plant and equipment	7	75 413	366 636
Movement in investments		5 464 306	30 805 255
Net cash flows from investing activities		(1 177 626)	26 573 103
Net increase/(decrease) in cash and cash equivalents		(3 767 609)	18 036 134
Cash and cash equivalents at the beginning of the year		25 017 488	6 981 354
Cash and cash equivalents at the end of the year	6	21 249 879	25 017 488

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2016

1. PRESENTATION OF FINANCIAL STATEMENTS

The 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 91(1) of the Public Finance Management Act (Act No. 1 of 1999).

These 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.

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

1.1 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Land and buildings comprise mainly office buildings. Freehold land and buildings are shown at fair value, based on valuations by external independent valuers every three years, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Board and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of financial performance during the financial period in which they are incurred.

Increases in carrying value arising on revaluation are credited directly to the revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are charged to the statement of financial performance.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Minor assets of R5 000 or less are charged to the statement of financial performance in full as expenditure in the year.

ACCOUNTING POLICIES (CONTINUED)

1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

1.1 Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the statement of financial performance. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to the reserve fund.

Assets that have indefinite useful lives, such as land, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash flows. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

Item		Average useful life
Buildings		50 years
Furniture and equipment	Straight line	3 – 10 years
Motor vehicles	Straight line	5 years
Computer equipment	Straight line	3 – 7 years
Technical equipment	Straight line	3 – 8 years

1.2 Financial instruments

Financial assets

The Board classifies its financial assets as held to maturity. Management determines the classification of financial assets at initial recognition.

This applies to investments where there are fixed or determinable payments and fixed maturity dates and the Board has the positive intent and ability to keep the investments until maturity. These investments are measured and recognised at amortised costs with interest-income recognised in the statement of financial performance.

Assets in this category are classified as current assets if they are expected to be realised within 12 months of the statement of financial position date.

The Board assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from net assets and recognised in the statement of financial performance.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

1.3 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 straight-line 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.

1.4 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
- A reliable estimate can be made of the obligation

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

ACCOUNTING POLICIES (CONTINUED)

1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

1.4 Provisions and contingencies (continued)

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- Financial difficulty of the debtor
- Defaults or delinquencies in interest and capital repayments by the debtor
- Breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms
- A decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- The amount determined used in the Standard of Generally Recognised Accounting Practice (GRAP) on Provisions, Contingent Liabilities and Contingent Assets
- The amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions

1.5 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Board's activities. Revenue is recognised in the accounting period in which the services are rendered, and is exclusive of value-added taxation.

Revenue is recognised when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Board. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the delivery of service has been resolved. The Board bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired the board reduces the carrying amount, to its recoverable amount, being the future estimated cash flow discounted at the original effective interest rate of the instrument. Interest income on impaired loans is recognised using the original effective interest rate.

1.6 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded, i.e. capital or current.

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

1.7 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- (a) The period of time over which an asset is expected to be used by the entity, or
- (b) The number of production or similar units expected to be obtained from the asset by the entity

1.8 Reserves

Self-insurance reserve

A self-insurance reserve fund was established to manage the uninsured risks of the PPECB. The reserve covers 20% of uninsured movable assets (laptop computers as well as technical equipment carried by inspectors) and also provides for potential indemnity claims based on 1,5% of turnover.

Asset replacement fund

PPECB is a non-profitable entity. It has significant investment in fixed assets. This reserve was established to provide for the replacement of computer as well as technical equipment, without placing reliance on excessive levy increases.

Revaluation reserve

This reserve was established due to surpluses that were generated on the revaluation of land and buildings.

General reserve

The general reserve is maintained to protect the PPECB's operating capacity by funding non-recurring or unforeseen needs, including severe weather or other natural disasters and unexpected obligations after the budget process has occurred, or opportunities to achieve cost savings.

ACCOUNTING POLICIES (CONTINUED)

1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

1.9 Employee benefits

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

A constructive obligation is an obligation that derives from an entity's actions whereby an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- Wages and salaries
- Short-term compensated absences (such as paid annual leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service
- Bonus and performance-related payments payable within 12 months after the end of the reporting period in which the employees render the related service, and

The entity recognise the expected cost of bonus 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.

Long-term employee benefits

The Board has an obligation to provide long-term service benefits to all employees appointed prior to 1997. According to the current long-service bonus policy, which the Board institutes and operates, permanent employees are entitled to a long-service bonus after completion of a continuous period of service of 20 years, 30 years and 40 years.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- As a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- As an expense, unless another standard requires or permits the inclusion of the contribution in the cost of an asset.

1.10 Off-setting

If the Board undertakes, in the course of its ordinary activities, transactions that do not generate revenue but are incidental to its main revenue-generating activities, the results of such transactions are presented by netting any income with related expenses arising on the same transaction, when this presentation reflects the substance of the transaction or other event.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations issued, but not yet gazetted

Management has considered the standards below and concluded that the standards will not have a material impact on the entity's results; this will be reassessed in the future.

Standard/Interpretation:

- GRAP 32: Service concession arrangements: Grantor
- GRAP 108: Statutory receivables
- GRAP 109: Accounting by principals and agents

3. RISK MANAGEMENT

Financial 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 Board of Directors acknowledges its responsibility for establishing and communicating appropriate risk and control policies and ensuring adequate risk management processes are in place. The Audit Committee assists the Board of Directors in discharging its risk management obligations.

The principal objectives of risk management are to:

- Review the Board's risk philosophy, strategy, policies and processes recommended by senior management
- Review compliance with risk policies and with the overall risk profile of the Board
- Review and assess the integrity of the process and procedures for identifying, assessing, recording and monitoring of risk
- Review the adequacy and effectiveness of the Board's risk management function and its implementation by management
- Ensure that material risks have been identified, assessed and receive attention

The Board's risk management processes, of which the systems of internal, financial and operating controls are an integral part, are designed to control and monitor risk throughout the Board. For effectiveness, these processes rely on regular communication, sound judgement and thorough knowledge of statutory and operational activities. Management is tasked with integrating the management risk into the day-to-day activities of the Board.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash reserves. Due to the dynamic nature of operational activities, the Board aims to be conservative in funding by keeping committed cash reserves available.

Credit risk

Credit risk arises from cash and equivalents and deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and committed transactions.

Measures taken by the Board to limit credit risk to acceptable levels include, inter alia, an assessment of the credit quality of the customer, by taking into account their financial position; past experience and other factors; the application of standard credit acceptance procedures to assess potential clients; daily monitoring of collectible balances at both branch and head office level; and the suspension of services to accounts which exceed the Board's payment terms.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. RISK MANAGEMENT (continued)

Credit Risk (continued)

The table below shows the credit ratings and balances of the financial institutions in which the Board held deposits at statement of financial position date:

FINANCIAL INSTITUTIONS	Fitch credit rating	2016 R	2015 R
ABSA	AA	23 277 847	22 902 363
Nedbank	AA	17 620 858	19 698 680
Rand Merchant Bank	BBB+	1 021 220	10 349 981
Standard Bank	AA	15 387 517	13 528 189
		57 307 442	66 479 213

The carrying amount of financial assets in the statement of financial position represents the Board's exposure to credit risk in relation to these assets. Credit limits assigned to customers may be exceeded due to timing differences. Such instances are individually approved and closely monitored by management. Management does not expect any losses from non-performance by these counter-parties.

The Board's exposure to concentrated credit risk is low due to the large number of customers and their dispersion across different geographical areas and product sectors.

The dispersion of income per product from statutory levies is as follows:

	2016 %	2015 %
Citrus fruit	40	40
Grapes	21	19
Pome fruit	16	15
Stone fruit	5	5
Subtropical fruit	3	3
Vegetables	4	2
Flowers and bulbs	1	1
Canned products	1	1
Other products	6	8
Maize	3	6
	100	100

Fair value estimation

The carrying value less impairment provision of trade receivables and payables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Board for similar financial instruments. The directors are of the opinion that the carrying value of financial instruments approximates fair value.

Cash flow and fair value interest rate risk

The Board's interest rate risk arises from investments held to maturity as well as from cash and cash equivalents. The Board's policy is to maintain its investments across a range of high quality financial institutions. Interest rate exposure and investment allocations are evaluated by management on a regular basis. This risk is managed by maintaining an appropriate mix of investments with registered financial institutions. Interest-bearing investments are held with reputable financial institutions in order to minimise exposure.

Capital risk management

Capital is regarded as total reserves which is a result of accumulated surpluses. The Board strives to maintain a sufficient reserve as to sustain its statutory obligations. The level of the reserves are dependent on the approval of the Minister of the Department of Agriculture, Forestry and Fisheries.

4. TRADE AND OTHER RECEIVABLES

	2016 R	2015 R
Trade debtors	34 910 197	32 204 235
Sundry debtors	2 161 431	443 823
Provision for impairment of receivables	(59 006)	(100 405)
	37 012 622	32 547 653

Trade and other receivables past due but not impaired

Trade and other receivables which are less than three months past due are not considered to be impaired. At 31 March 2016, R178 720 (2015: R268 841) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history to default.

	2016 R	2015 R
The ageing of amounts past due but not impaired is as follows:		
Between 60 and 90 days after statement	178 720	268 841

Trade and other receivables impaired

As of 31 March 2016, trade and other receivables of R59 006 (2015: R100 405) were impaired and provided for.

The individually impaired receivables mainly relate to producers and exporters, who are in unexpectedly difficult economic situations.

	2016 R	2015 R
The ageing of these receivables is as follows:		
Less than one year	54 491	100 405
Between one and three years	4 515	–
	59 006	100 405

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. TRADE AND OTHER RECEIVABLES (continued)

Reconciliation of provision for impairment of trade and other receivables

	2016 R	2015 R
Opening balance	100 405	100 405
Provision for impairment	59 006	–
Bad debt recovered	(5 219)	–
Unused amounts reversed	(95 186)	–
	59 006	100 405

5. INVESTMENTS

ABSA	23 008 007	15 713 425
Nedbank	12 273 509	15 698 680
Rand Merchant Bank	1 016 264	10 349 981
	36 297 780	41 762 086

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	4 180	16 199
Bank balances	12 262 309	5 758 808
Short-term deposits	8 983 390	19 242 481
	21 249 879	25 017 488

The effective interest rate is between 0.100% and 8.095%.

7. PROPERTY, PLANT AND EQUIPMENT

	2016 R			2015 R		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	14 550 000	(372 819)	14 177 181	14 550 000	(219 729)	14 330 271
Furniture	3 683 111	(2 346 981)	1 336 130	3 060 079	(2 187 175)	872 904
Motor vehicles	212 281	(117 226)	95 055	212 281	(74 770)	137 511
Technical equipment	21 904 398	(11 594 286)	10 310 112	17 736 211	(10 330 532)	7 405 679
Total	40 349 790	(14 431 312)	25 918 478	35 558 571	(12 812 206)	22 746 365

Reconciliation of property, plant and equipment – 2016

	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
Land and buildings	14 330 271	–	–	(153 090)	14 177 181
Furniture	872 904	792 472	(35 825)	(293 421)	1 336 130
Motor vehicles	137 511	–	–	(42 456)	95 055
Technical equipment	7 405 679	5 924 873	(39 588)	(2 980 852)	10 310 112
	22 746 365	6 717 345	(75 413)	(3 469 819)	25 918 478

Reconciliation of property, plant and equipment – 2015

	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
Land and buildings	14 483 363	–	–	(153 092)	14 330 271
Furniture	736 705	396 953	(9 528)	(251 226)	872 904
Motor vehicles	179 967	–	–	(42 456)	137 511
Technical equipment	5 488 576	4 201 835	(357 108)	(1 927 624)	7 405 679
	20 888 611	4 598 788	(366 636)	(2 374 398)	22 746 365

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Revaluations

Cape Town – Erf 19927, Parow with office building thereon:

The property was revalued by DJB Hoffman, an independent registered valuer as at 1 December 2013. Valuations were made in accordance with the investment approach method using the basis of recent market transactions, rentals of similar properties in the area and an insurance valuation of the property.

Durban – Portion 1 of Erf 1736, Wentworth with office building thereon:

The property was revalued by Roper Associates, an independent registered valuer as at 7 January 2014. Valuations were made in accordance with the investment approach method using the basis of recent market transactions, rentals of similar properties in the area and an insurance valuation of the property.

Land and buildings are revalued independently every three years.

	2016 R	2015 R
Cost of assets with zero carrying value:		
Furniture	1 540 924	1 295 543
Technical equipment	6 027 898	6 152 797
	7 568 822	7 448 340
8. ASSET REPLACEMENT FUND		
Opening balance	9 805 000	8 797 890
Transfer from reserve fund	1 858 000	1 007 110
	11 663 000	9 805 000
9. SELF-INSURANCE RESERVE		
Opening balance	5 220 000	5 000 000
Transfer from reserve fund	803 000	220 000
	6 023 000	5 220 000
10. TRADE AND OTHER PAYABLES		
Accrued expenses	2 693 162	2 600 043
Accrued leave pay	10 045 177	9 581 691
Agricultural product samples	580 849	113 220
Deposits received	6 235 631	6 166 961
Payroll control accounts	1 456 633	2 434 381
Provision for audit fees	316 665	254 254
Trade payables	5 645 792	8 132 349
	26 973 909	29 282 899

11. PROVISIONS

Reconciliation of provisions – 2016

	Opening balance R	Additions R	Utilised during the year R	Reversed during the year R	Total R
Provision for performance bonus	9 974 115	9 000 000	(9 974 115)	–	9 000 000
Long-service award	1 264 559	–	–	(116 425)	1 148 134
	11 238 674	9 000 000	(9 974 115)	(116 425)	10 148 134

Reconciliation of provisions – 2015

	Opening balance R	Additions R	Utilised during the year R	Reversed during the year R	Total R
Provision for performance bonus	9 019 763	9 974 115	(8 929 953)	(89 810)	9 974 115
Long-service award	–	1 264 559	–	–	1 264 559
	9 019 763	11 238 674	(8 929 953)	(89 810)	11 238 674

The performance bonus pay-out is subject to approval by the board.

All permanent employees appointed prior to 1997 may become entitled to the long-service award upon completion of 20, 30 and 40 years' service. Based on the current policy, the estimated liability for the long-service award is R1 148 134 (2015: R1 264 559).

12. OTHER INCOME

	2016 R	2015 R
Sundry income	2 045 098	1 818 705

13. REVENUE

APS inspection services	176 093 607	162 202 402
PPECB export services	74 102 170	62 078 988
PPECB container services	7 316 280	6 138 478
PPECB cold chain services	2 630 365	2 498 763
Food safety certifications	3 508 227	1 755 509
Laboratory income	13 413 569	9 588 750
Transformation and development services	1 725 958	580 373
Development services	600 000	600 000
	279 390 176	245 443 263

14. INVESTMENT REVENUE

Interest revenue – Bank	4 646 666	4 223 271
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. OPERATING EXPENSES

	2016 R	2015 R
Accommodation office	11 307 047	8 894 708
Administration expenses	5 905 072	5 529 418
Auditor's remuneration	444 216	431 938
Bad debt expense	1 258	–
Board members' emoluments	1 355 544	1 236 612
Computer expenses	14 951 919	11 098 323
Consultants	4 481 225	2 329 086
Corporate identity	2 136 995	2 012 656
Courier samples	845 802	787 426
Depreciation	3 469 819	2 374 398
Insurance	477 603	437 111
Legal fees	106 627	74 276
Loss on disposal of assets	75 413	37 375
Meetings and workshops	2 982 175	5 399 136
Subsistence and accommodation	14 160 401	14 081 482
Technical – equipment, laboratory, labels	6 496 006	5 664 102
Training	4 078 816	6 016 105
Travel administrative	1 839 623	1 823 126
Travel operational	17 844 437	16 806 130
Travel overseas	405 842	562 109
Wasteful expenditure	18 940	2 994
	93 384 780	85 598 511
16. EMPLOYEE COMPENSATION AND BENEFITS		
Salaries and wages	176 493 376	163 976 722
Defined contribution costs – retirement fund	14 398 071	12 862 324
	190 891 447	176 839 046
17. FINANCE COSTS		
Finance charges	1 016	1 173

18. CASH USED IN OPERATIONS

	2016 R	2015 R
Surplus/(deficit)	1 804 697	(10 953 491)
Adjustments for:		
Movements in provisions	(1 090 540)	2 218 911
Depreciation	3 469 819	2 374 398
Changes in working capital:		
Trade and other receivables	(4 464 969)	(3 890 760)
Trade and other payables	(2 308 990)	1 713 973
	(2 589 983)	(8 536 969)

19. AUDITOR'S REMUNERATION

Professional fees	444 216	431 938
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20. TAXATION

In terms of the Income Tax Act (Act No. 58 of 1962), the PPECB is not subject to normal taxation. No provision has been made for taxation.

21. BOARD MEMBERS' EMOLUMENTS

Ms J Atwood-Palm	129 133	116 459
Ms C Engelbrecht	109 841	99 379
Ms L Kutta	113 376	87 217
Dr M Mashaba	194 166	177 976
Mr A Petersen	278 071	303 652
Mr A Rabe	119 950	72 374
Mr T Reddell	–	56 972
Ms E Scholtz	136 114	100 470
Mr W Steenkamp	149 549	122 991
Mr D Westcott	125 344	99 122
	1 355 544	1 236 612
Key management compensation		
Salaries	9 372 204	10 092 220
Defined contribution costs – retirement fund	1 840 713	1 781 214
	11 212 917	11 873 434

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. RELATED PARTIES

The PPECB has related party relationships with the Department of Agriculture, Forestry and Fisheries, members of the board and the management committee. The Department of Agriculture, Forestry and Fisheries have significant influence. Services delivered to related parties are on terms of business normally prevailing with third parties.

The PPECB rendered services of R15 314 629 (2015: R14 782 444) to companies on which some of the members of the Board serve. The outstanding debtors balances of these companies totalled R788 127 (2015: R980 617).

	2016 R	2015 R
Related party balances		
Board members		
Mr D Westcott – C Tabanelli	(1 622)	1 448
Ms E Scholtz – Farmacres 25 (Pty) Ltd	(132)	(132)
Mr A Petersen – Capespan South Africa (Pty) Ltd	789 881	964 178
Mr T Reddell – Viking Fishing Company	–	15 123
	788 127	980 617
Department of Agriculture, Forestry and Fisheries		
SA PIP Project – Interest on bridging funds	–	895 058
Joint Venture – Transformation and Development (refer note 24)	–	584 787
	–	1 479 845
Related party transactions		
Board members		
Ms C Engelbrecht – The Piet Engelbrecht Trust	362 953	208 949
Mr A Petersen – Capespan South Africa (Pty) Ltd	14 792 460	14 260 043
Mr A Rabe – Proteus Logistics (Pty) Ltd	56 823	50 845
Mr T Reddell – Viking Fishing Company	–	138 514
Mr D Westcott – C Tabanelli	102 393	124 093
	15 314 629	14 782 444
Department of Agriculture, Forestry and Fisheries		
AETP Programme	600 000	600 000
Joint Venture – Transformation and Development (refer note 24)	500 000	1 793 838
	1 100 000	2 393 838

23. FRUITLESS AND WASTEFUL EXPENDITURE

	2016 R	2015 R
Changes in travel arrangements due to cancelled or rescheduled meetings	16 000	2 994
Charges for late payments to creditors	77	–
Unapproved expenditure for consumables	2 864	–
	18 941	2 994

24. COMMITMENTS

Operating leases – as lessee (expense)

Minimum lease payments due

– Within one year	4 148 090	3 546 423
– In second to fifth year inclusive	11 818 289	11 123 778
– Later than five years	843 729	843 729
	16 810 108	15 513 930

Joint Venture – Department of Agriculture, Forestry and Fisheries

Training and development programmes	1 500 000	2 584 787
	1 500 000	2 584 787

During 2014, the PPECB entered into a Joint Venture agreement with the Department of Agriculture, Forestry and Fisheries in relation to various training development programmes to be held. The total estimated project value is R4 711 633, inclusive of VAT, of which the PPECB has received R3 211 633 to date. The Department of Agriculture, Forestry and Fisheries further committed to annual payments of R500 000 up until June 2020. The PPECB will co-fund the programmes.

25. CONTINGENCIES

No material contingencies were identified in the year under review.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. PRIOR PERIOD ADJUSTMENT

During the prior year, management performed an estimation on the entity's liability relating to the long-service award. All permanent employees appointed prior to 1997 may become entitled to the long-service award upon completion of 20, 30 and 40 years' service. The estimated liability for the long-service bonus as at 31 March 2015 was R1 264 559. The policy was reviewed and management believes the probable liability relating to the long-service award should be recognised in the financial statements.

The correction of the error results in adjustments as follows:

	2016 R	2015 R
Statement of financial position		
Opening accumulated surplus/(deficit)	–	(9 688 931)
Provision – long-service award	–	(1 264 559)
Closing accumulated surplus/(deficit)	–	(10 953 491)
Statement of financial performance		
Opening accumulated surplus/(deficit)	–	(9 688 931)
Employee compensation and benefits	–	(1 264 559)
Closing accumulated surplus/(deficit)	–	(10 953 491)
27. IRREGULAR EXPENDITURE		
Opening balance	37 206	4 275 000
Condoned during the year	(37 206)	(4 275 000)
Emergency repairs to generator	–	37 206
Awaiting acceptance from the board	–	(37 206)
	–	–

During 2014, a public invitation for competitive bids was advertised for a period shorter than the required 21 days. The approval of deviation was not in accordance with Supplier Chain Management Policy requirements. The board condoned the irregular expenditure on 27 May 2014.

During 2015, only one quote was obtained, to have emergency repairs conducted, after a power outage resulted in extensive damage to the main generator. Due to the urgent nature of the repairs, prior approval was not obtained from the CEO, which is a deviation from Treasury Regulations. The board condoned the irregular expenditure on 21 May 2015.

28. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL

	Approved budget R	Actual amount R	Variance R	Explanation
Revenue	276 078 017	279 390 176	3 312 159	Positive income is due to increased vegetable volumes
Other income	4 695 291	2 045 098	(2 650 193)	Lower than anticipated income in terms of DAFF grants
Investment revenue	4 854 000	4 646 666	(207 334)	Lower cash reserves as a result of capital expenditure acquisitions
Total income	285 627 308	286 081 940	454 632	
Employment costs	195 386 478	190 891 447	4 495 031	Positive variance due to reduced number of AETP students and vacant posts filled
Depreciation	5 588 923	3 469 819	2 119 104	Positive variance due to bulk capex items acquired mid year
Activity costs	35 981 859	38 073 832	(2 091 973)	Negative variance mainly due to kilometre costs of R2 million associated with additional inspections
Computer expenses	11 673 902	14 951 919	(3 278 017)	Negative variance due to additional investment on IT infrastructure and tablet technology rollout
Training	6 214 960	4 078 816	2 136 144	Positive variance due to certain training initiatives postponed to the next financial year
Administrative cost	36 772 438	32 811 410	3 961 028	Positive variance due to savings on meetings and workshops of R1 million, overseas travel of R0.6 million, postage and telephone costs of R1.1 million and other cost containment initiatives
Total expenditure	291 618 560	284 277 243	7 341 317	
Surplus/(Deficit)	(5 991 252)	1 804 697	(7 795 949)	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. SEGMENT INFORMATION

Identification of segments

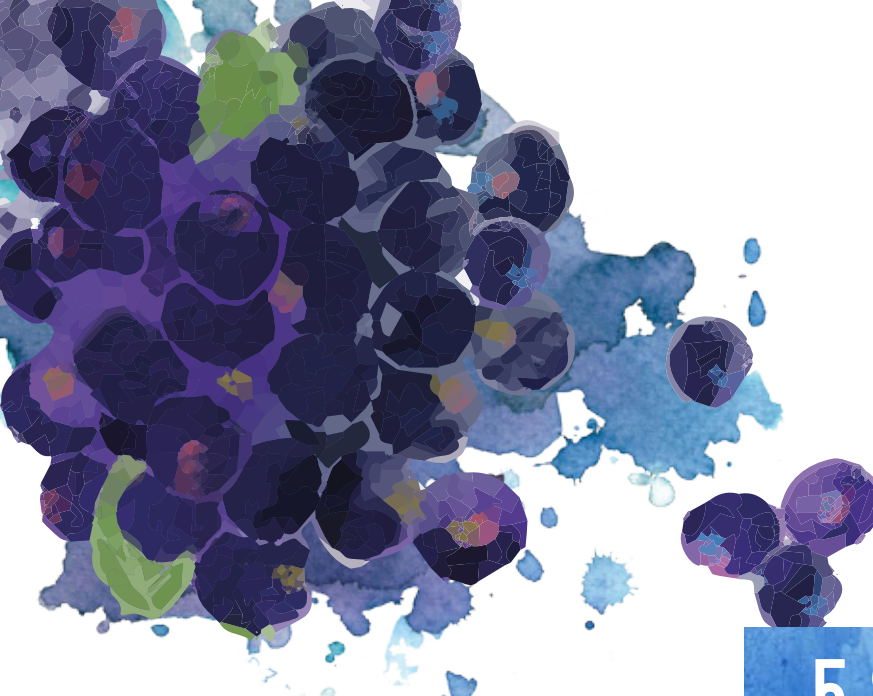
The segment information report reflects the reportable segments regularly provided, reviewed and used by the board and executive to make strategic decisions and assess performance of the segments. The executive assesses the performance of the operating segments based on a measure of contribution consistent with that of the financial statements.

Total assets allocated are based on the operation of the segment and the physical location of the assets. Working capital is not considered to be segment-specific and is primarily managed by the central finance function.

The operations in each reportable segments are Statutory services and Food Safety services, which provide mostly regulatory services at a fee to the perishable product industry. Statutory services is responsible for delivering integrated inspection and cold chain services on perishable products being exported. Food Safety services refers to the assurance given that food will not cause harm to the consumer when consumed. The Transformation and Development services programme is aimed at building capacity through the development of internal and external skills. Corporate services ensures coherence among the respective programmes within the PPECB by providing support, direction, leadership and promoting the services of the PPECB.

	Statutory services R	Food Safety services R	Development services R	Corporate services R	Total R
2016					
Revenue					
Income	262 615 435	16 133 273	2 353 749	4 979 484	286 081 941
Entity's revenue					286 081 941
Expenditure					
Employment cost	140 659 298	8 790 514	11 137 118	30 304 517	190 891 447
Activity cost	31 521 866	4 483 039	1 322 766	746 160	38 073 831
Administrative cost	15 209 489	4 274 183	2 366 624	33 461 669	55 311 965
Total segment expenditure	187 390 653	17 547 736	14 826 508	64 512 346	284 277 243
Total segmental surplus/ (deficit)	81 505 820	(919 048)	(11 958 261)	(57 823 814)	1 804 698
Assets					
Non-current assets	7 871 184	3 569 950	217 035	14 260 309	25 918 478
Total assets as per statement of financial position					25 918 478
2015					
Revenue					
Income	234 912 948	10 761 025	1 405 154	4 406 112	251 485 239
Entity's revenue					251 485 239
Expenditure					
Employment cost	129 563 087	7 938 620	11 862 202	27 475 134	176 839 043
Activity cost	29 691 736	3 540 049	1 328 668	1 433 493	35 993 946
Administrative cost	14 731 000	3 886 878	4 710 920	26 276 943	49 605 741
Total segment expenditure	173 985 823	15 365 547	17 901 790	55 185 570	262 438 730
Total segmental surplus/ (deficit)	60 927 125	(4 604 522)	(16 496 636)	(50 779 458)	(10 953 491)





5 STRATEGIC PLAN FOR THE FISCAL YEARS 2016–2020

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PART A: STRATEGIC OVERVIEW

1. CONTEXTUAL ANALYSIS

During the 2016 State of the Nation Address (SONA), President Jacob Zuma reminded us of the global economic challenges we are currently facing and the impact it has on South Africa. He did however reiterate that South Africa remains an attractive destination for prospective investors and should be positioned as such. The President further reminded us of the “Nine-Point Plan” introduced in 2015, directed to address sluggish economic growth. In addition to the above, the following specific focus areas of the SONA can be highlighted:

- The development of Public-Private Partnerships
- Investment into Information and Communications Technology (ICT) infrastructure
- Creation of jobs through innovation
- The introduction of cost-cutting measures
- The monitoring of the performance of organs of state
- Intra-Africa trade
- Increase in exports
- Skills development

It is clear that Government will remain focused on measures to transform and stimulate the South African economy. The Industrial Policy Action Plan (IPAP) and the National Development Plan (NDP) are now more relevant than ever in order to achieve these objectives. The approval of the Department of Agriculture, Forestry and Fisheries’ (DAFF) response to the NDP, namely the Agricultural Policy Action Plan (APAP), is very specific in agriculture’s role over the next few years. The APAP specifically notes the following:

- An annual increase in gross value add for Agriculture, Forestry and Fisheries
- Increase in the number of smallholder farmers
- Increase the number of jobs by one million in 2030
- Increase the contribution of processed products to manufacturing annually
- Reduce the number of households vulnerable to food insecurity
- Percentage biomass increase of stock levels in deep water hake
- Reduced vulnerability and risks associated with climate change impacts

With further reference to the President’s Nine-Point Plan, the revitalisation of agriculture and the agro-processing value chain; and the role of State Owned-Entities (SOEs) are of particular importance.

Looking at the revitalisation of agriculture, it is reported that the number of commercial farming units in primary agriculture has reduced significantly over the years – from 120 000 in 1950 to 39 000 in 2014. As a result, fewer people have been employed

within this sector. It should however be noted that the decline in farming units is mainly as a result of an increase in the size of farms and is not necessarily a reduction in production area. This is further confirmed by the annual growth in fruit export volumes, showing a 13% increase over the past five years.

The European Union (EU) remains South Africa’s main export destination for perishable produce, with roughly 36% of all fresh fruit going to this market. This trend is however expected to change, as greater focus is being placed on exports to Asia in an attempt to diversify and so mitigate related risks. The five-year average reflects that 36.3% of exports go to the EU and 16.7% to Asia. During the 2014/2015 season 35% of exports went to the EU and 18.1% to Asia. Although not the only factor, the continuing Citrus Black Spot (CBS) saga in the EU has been a stark reminder of how our access to international markets can have far-reaching implications on South African trade.

During 2015, a total of 15 CBS interceptions were recorded, which is a huge improvement on the 28 interceptions reported during the 2014 season. The Food and Veterinary Office (FVO) visit indicated that the controls introduced by South Africa (Government and industry) paid off, as it was regarded as sufficient to reduce the risk of CBS being spread beyond the borders of South Africa. It is also a relief to report that no additional measures will therefore be introduced for the 2016 season.

Throughout 2015 and the beginning of 2016 South Africa battled one of the worst droughts and continuous heat waves in decades. The impact on fresh produce has been dire, with reduced export volumes due to smaller fruit and below par yields. The biggest concern remains the shortage of grain which poses a real threat of food security. It was reported that South Africa may run out of grain by the end of April 2016. Should this happen, circa four to six million tonnes of grain need to be imported at a less favourable exchange rate, putting further pressure on South Africa’s inflation. As a result of less produce being exported, the PPECB will face a loss of income to the value of nearly R20 million during the 2015/2016 fiscal year. It is further reported that the real impact of the drought will still be felt years from now.

On the positive side, the weak rand makes it more attractive for South African exporters to supply foreign markets, slightly reducing the impact of the reduced export volumes. South Africa however remains a net importer and the weak rand will therefore put continuous pressure on the already battling economy.



The PPECB further takes note of the President's view of the role of SOEs like the PPECB. It is believed that Government's role is predominantly policy making and should rely more on SOEs to implement its policies. To this end, the PPECB has applied to play an even greater role in supporting the DAFF in delivering a comprehensive inspection and food safety service. As a National Public Entity, the PPECB has a national footprint and defined competencies to further support Government. The PPECB will therefore continue to invest in its analytical laboratory by increasing its scope of analyses and service offering over the medium term. This initiative is also well aligned and in support of the quest to increase exports by ensuring compliance with international food safety standards, thereby keeping South African produce competitive.

One of the enabling milestones of the NDP is for South Africa to **"play a leading role in continental development and economic integration"**. To this end, the PPECB has responded and has since entered into a Service Level Agreement (SLA) to assist Namibian authorities to establish an inspection body similar to the services rendered by the PPECB. During the 2015 grape season, the PPECB deployed 15 inspectors in Namibia to assist and train Namibian counterparts Agro-Marketing and Trade Agency (AMTA) on relevant inspection methods.

Another NDP and APAP-articulated imperative related to the agricultural sector is the **"realisation of a food trade surplus, with one third produced by small-scale farmers and households"**. The PPECB is continuing with its efforts to up-skill smallholder farmers in collaboration with sister SOEs and the DAFF. Initiatives are specifically focused on General Agricultural Practices, Food Safety and Quality. The ensuing year will see the PPECB increasing its number of farmers trained and make concerted efforts to collaborate with other entities in consolidating efforts and fast-tracking the entity's transformation agenda.

Over the past three years, the PPECB has made significant investment in its national ICT infrastructure and converted from a manual inspection platform to an electronic platform. For this purpose, more than 300 inspectors have been issued with tablets to date. During the 2016/2017 fiscal year, the entity will continue to invest on this front by adding more modules to the electronic platform, taking it a step closer to the ultimate goal of electronic certification. This initiative is directed at speeding up verifications, reducing the use of paper, increasing efficiencies and keeping South Africa competitive internationally.

Finally, in addition to the above, the entity will introduce the following initiatives during the 2016/2017 fiscal year:

- Research and Development (R&D) will be re-introduced in the organisation. It is essential to keep abreast with the latest developments in an attempt to remain relevant and operate more efficiently. Although R&D and innovation will be driven as separate business units within the PPECB, the units have been structured to support one another in order to maximise output
- Finally, the PPECB is committed to contribute to the transformation agenda of Government. The PPECB Board has now added Transformation as a strategic objective to the existing fold. Transformation will be driven internally and externally, mainly capitalising on the PPECB's core competencies

This strategic plan remains mindful of the fact that the PPECB, as an SOE, is mandated to execute two mandates. Firstly, the inspection of listed agricultural produce in terms of the Agricultural Product Standards Act. Secondly, to oversee the export of perishable produce by ensuring adherence to cold chain protocols, among other things.

During a strategic session held in November 2015, the PPECB Board highlighted the following focus areas:

- To review the current inspection methodology and align it with global trends
- To add Transformation as a fourth strategic objective and define it within the context of the PPECB
- To re-introduce R&D into the PPECB in order to keep abreast with the latest developments
- To re-position the PPECB laboratory in order to play a greater role in supporting government and the export industry
- To continue with the investment in ICT in order to create a stable infrastructure to support mobile technology

Finally, the PPECB as an organisation must evolve with the times without losing focus of its core mandates. The CEO and the Executive Team need to ensure that the PPECB remains an employer of choice; that it adopts current technology to streamline its operations; that it adheres to the Public Finance Management Act (PFMA) and the corporate governance expected of it as a national public entity; that it remains financially sustainable in a volatile agricultural environment; and that it continues to have a strong stakeholder focus. The accompanying strategy is therefore required to address all of the above issues that encompass the PPECB as an ongoing business concern.

PART A: STRATEGIC OVERVIEW (CONTINUED)

2. VISION, MISSION, VALUES

The **VISION** of the PPECB is to enable its customers to be the preferred suppliers of perishable products worldwide.

This vision is supported by the PPECB's **MISSION** to empower its people to execute our mandates to ensure the integrity of their customers' products.

This mission is further underpinned by the PPECB's **VALUES** of:

Professionalism

We aspire to doing the job right the first time, while displaying a positive attitude towards our relationships with our clients, colleagues and stakeholders.

Accountability

We proactively assume responsibility for all our deliverables and areas of influence through creating and maintaining an environment which fosters guidance and empowers employees to take ownership of their actions.

Passion

We are driven and committed to continually serve our stakeholders with energy and enthusiasm.

Integrity

We uphold the highest standards of honesty, impartiality and confidentiality in the execution of our duties, services and stakeholder relationships.

Confidence

We believe in our people, processes, proficiency and in-depth knowledge which enables us to deliver our duties and services with conviction and excellence.

Collaboration

We actively engage in building and maintaining relationships in which we share information and exchange innovative ideas with all stakeholders.

3. LEGISLATIVE AND POLICY MANDATES

The PPECB is mainly governed by the Perishable Products Export Control (PPEC) Act (Act No. 9 of 1983) and the Agricultural Product Standards (APS) Act (Act No. 119 of 1990). In terms of this legislation, the PPECB is responsible to oversee the export of perishable produce. This is achieved through the inspection of listed agricultural products and management of the cold chain.

Both the PPEC Act and the APS Act are currently under review and have been published for public comment. The PPECB is hopeful that the amended legislation will be passed by parliament during the latter part of 2016. To date, there have been no significant changes to legislation impacting directly on the mandate of the PPECB.

4. POLICY MANDATES

Informed by the National Growth Path (NGP) and the National Development Plan (NDP), the Medium-Term Strategic Framework (MTSF) places great emphasis on smallholder farmer development and rural employment, among other things.

As subject matter experts for the inspection for listed agricultural products, the management of the cold chain and food safety certification targeted at the export market, the PPECB is committed to support Government in achieving these objectives.

The PPECB has formulated policies that will promote and facilitate achievement of these objectives and has further introduced programmes directing organisational resources accordingly.

5. SITUATIONAL ANALYSIS

5.1 Expenditure Framework

The 2016/2017 budget is informed by four main drivers namely: (1) the delivery of statutory services; (2) the execution of the Board-approved strategic plan; (3) the mitigation of the main risk areas in the PPECB's service delivery priorities, and; (4) moving towards electronic export certification.

The spending focus over the medium term will be on continued service delivery without compromising the integrity of product quality and continued contribution towards social responsibility in building capacity and assisting smallholder farmers as well as focusing on establishing a professional and well trained staff complement that can add value to the perishable export industry.

5.2 Expenditure Trends

Between 2012/2013 and 2015/2016, total expenditure grew from R198 million to R282 million at an average of 12.8% per annum. The reasons for these increases are mainly due to expenditure residing mainly in employment, travel and accommodation costs, all of which increased annually in excess of Consumer Price Index (CPI), coupled with continued pressure to increase staff resources to ensure compliance



to the DAFF mandate and mitigate risks such as the current Citrus Black Spot issue. Computer costs are also increasing over the Medium-Term Expenditure Framework (MTEF) period due to the mobile technology strategy adopted by the PPECB in order to enhance the competitiveness of the South African agriculture industry.

From 2016/2017, expenditure is set to increase for the next five years by an average annual rate of 10.6% to R492 million in 2020/2021. It is assumed that the activity base used in 2015/2016 will track the growth in exports. The activity base refers to the operational resources deployed, kilometres travelled and relief duty days. Computer expenses increase by an average of 12% due to the introduction of mobile technology in PPECB's business.

5.3 Revenue Trends

It is assumed that between 2016/2017 and 2020/2021, total income will increase by 11% over the planning period. The 11% increase is based on an initial 8% inflationary adjustment to levies and 3% growth rate in product volumes expected.

The volume growth on statutory services projects citrus fruit inspected volumes will increase by 2% per annum, and deciduous fruit inspected volumes by 3% per annum. A 3% growth is assumed for all other products and services. Interest income is assumed to marginally reduce due to shortfalls in the first two years. Interest rates are expected to remain firm.

5.4 Personnel Information

The period ending 2020/2021 is informed by the two major objectives above, namely fulfilment of the mandate from Government and execution of the strategic plan approved by the Board. Over the past decade the PPECB became increasingly under-resourced to meet these objectives.

The period ending 2020/2021 will continue to address human resource constraints to ensure that the PPECB meets its mandate and strategic goals. Employment costs of R187 million in 2015/2016 is set to increase to R323 million over the five years, which is an average of 10.5%. Salaries, including promotions, are adjusted by an average of 6% per annum and growth in employment is 4.5%. The PPECB is a service-oriented entity and as such 66% of total expenditure is made up of personnel costs. The vacancy rate is kept at 5% of total staff over the five-year period.

PART A: STRATEGIC OVERVIEW (CONTINUED)

Perishable Products Export Control Board MTEF for the period ending March 2021

Statement of Financial Performance	Audited Outcome			Revised Estimate	Average Growth Rate %	As % of Total %	Medium-Term Estimate					Average Growth Rate %	As % of Total %
R thousand	2012/2013	2013/2014	2014/2015	2015/2016	2012/2013 to 2015/2016		2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2016/2017 to 2020/2021	
Revenue													
Sale of goods and services	189 998	217 678	245 481	268 623	12.2	97.8	320 141	355 357	392 669	433 899	485 967	11.0	98.5
Interest received	4 469	5 405	5 366	3 769	(5.5)	2.	4 526	4 843	5 182	5 545	5 933	7.0	1.2
Transfers received	600	600	600	600	0.0	0.2	848	848	848	848	848	0.0	0.3
Total revenue	195 067	223 683	251 447	272 992	11.8	100.0	325 515	319 942	353 754	387 170	423 753	10.9	100.00
Expenses													
Compensation of employees	135 326	151 356	176 688	186 592	7.7	67.5	216 589	238 248	263 264	290 907	322 906	10.5	66.0
Goods and services	59 443	72 212	80 873	91 844	9.5	31.4	105 178	115 696	127 265	139 992	158 191	10.7	32.0
Depreciation	1 528	2 499	3 595	3 428	28.4	1.1	6 156	7 018	8 000	9 120	10 397	14.0	2.0
Interest paid	13	13	10	10	(25.3)	0.0	13	13	13	13	14	1.0	0.0
Total expenses	196 310	226 080	261 136	281 874	12.8	100.0	327 936	360 975	398 543	440 032	491 508	10.6	100.0
Surplus/ (Deficit)	(1 243)	(2 397)	(9 689)	(8 800)			(2 421)	73	156	259	1 240		



5.5 Organisational Planning Process



5.6 Monitoring and Evaluation

The PPECB monitors and evaluates its performance against pre-determined objectives listed per sub-programme. Although progress against stated targets is reported quarterly, monthly divisional discussions in terms of performance progress are held. Organisational performance reports are escalated to executive meetings, whereafter it gets approved by the Board, before submission to the Executive Authority.

Great emphasis is placed on evidence-based monitoring, which gets audited on a regular basis. The PPECB currently uses a manual reporting system, coordinated by a senior manager within the organisation. The effective monitoring and reporting on organisational performance rests with the office of the CEO.

6. STRATEGIC OUTCOME-ORIENTED GOALS

The PPECB has defined the following key strategic objectives:

- **Strategic Objective 1 (SO1):** Enhance the credibility of the South African export certificate
- **Strategic Objective 2 (SO2):** Support the export competitiveness of South Africa's perishable products industries
- **Strategic Objective 3 (SO3):** Strengthen the PPECB's capacity to provide a professional suite of services for its customers
- **Strategic Objective 4 (SO4):** Contribute to the socio-economic transformation of the agricultural sector

These strategic objectives have further been linked to strategic programmes that will drive the achievement of the organisation's mission and vision.

Below is a tabular illustration of the respective programmes linked to the organisational strategic objectives:

STRATEGIC OBJECTIVES (SO)	PROGRAMMES
(SO1) Enhancing the credibility of the South African export certificate	Programmes 1, 2, 3 and 4
(SO2) Support the export competitiveness of South Africa's perishable products industries	Programmes 3 and 4
(SO3) Strengthen the PPECB's capacity to provide a professional suite of services for its customers	Programmes 1 and 2
(SO4) Contribute to the socio-economic transformation of the agricultural sector	Programme 4

PART B: PROGRAMME OVERVIEW

THE PPECB'S STRATEGY IS DRIVEN AND EXECUTED BY FOUR MAIN PROGRAMMES. THESE PROGRAMMES ARE:

1. PROGRAMME 1: CORPORATE SERVICES

The purpose of the programme is to support, provide direction, lead, instil corporate discipline and promote the services of the PPECB.

The programme comprises units that include: Finances, Human Resources, Marketing and Communications, Legal and Governance, Information and Communications Technology, Innovation and Research and Business Certifications.

The Corporate Services Programme operates cross-functionally with the primary aim to deliver professional support services to the whole of the PPECB. The programme further plays an essential role in ensuring coherence among the respective business units within the PPECB.

1.1 Programme Deliverables

The main programme deliverables are:

- To provide strategic direction to the organisation
- To ensure service alignment with relevant stakeholder expectations
- To seek and identify opportunities to improve service delivery and customer satisfaction
- To promote and protect the PPECB brand
- To provide the necessary business infrastructure
- To instil a culture promoting Batho Pele principles
- To ensure adherence to sound financial and governance practices
- To improve the organisation's Corporate Social Responsibility portfolio
- To ensure seamless mobility infrastructure and ICT governance
- To harness technology to deliver better services
- To establish and maintain a working relationship with the trade union
- To promote employment equity within the workplace

1.2 Medium-Term Outcomes

Based on the listed deliverables, the programme is committed to achieve the following outcomes over the medium term:

- Formulate and submit a PPECB strategy aligned with Government imperatives and stakeholder expectations
- Obtain ISO 9001:2008 certification and level 3 B-BBEE verification
- Successfully migrate from a manual to an automated inspection system

- Introduce systems and processes that promote sound financial and governance practices without hampering business efficiency
- An integrated approach to innovation that acts as a catalyst for business transformation
- A clear shift in organisational culture that complements the values of the PPECB
- Increase spend on Corporate Social Initiatives
- Attract and retain previously disadvantaged individuals

2. PROGRAMME 2: OPERATIONAL SERVICES

The PPECB Operational Services Programme is responsible for delivering integrated inspection and cold chain services for the export market. This programme is divided into three functional areas namely North, South and Coastal. The aim of the programme is to deliver an effective and efficient service to all PPECB stakeholders. The programme is further committed to ensure achievement of the PPECB's strategic objectives.

2.1 Priority Areas

- Ensuring compliance and alignment with all relevant legislation that affects the PPECB and its operational mandate
- Building and maintaining a high performance workforce that is multi-skilled, accountable, competent, innovative, consistent and uniform
- Rendering an integrated cost-effective service to customers
- Collaborating closely with all stakeholders to maintain relationships and client confidence in the PPECB and its processes
- Providing stakeholders with information that is accurate and timeous
- Ensuring greater access to technology platforms and tools for digital service delivery

2.2 Measurable Objectives

The successful implementation of the programme will be measured against the following objectives:

- Maintaining the required sampling frequency with regard to our mandate
- Implementing and maintaining proper procedures for enhancing the credibility of the South African Export Certificate and Carrying Temperature Instructions
- Adherence to the Service Level Agreement (SLA) targets
- Implementing policies and procedures aligned with the requirements of ISO 9001:2015
- Ensuring completeness of income
- Client feedback with responses that are timeous and accurate
- An engaged and satisfied staff creating a culture of performance and care
- Re-capacitating R&D

3. PROGRAMME 3: FOOD SAFETY SERVICES

Food safety refers to the assurance that food will not cause harm to the consumer when it is prepared and/or eaten according to its intended use. Section 2(1) of the Foodstuffs, Cosmetics and Disinfectants Act, 1972 (Act No. 54 of 1972) prevents any person to put into international trade any food that is unfit for human consumption. The Agricultural Products Standards Act, 1990 (Act No. 119 of 1990) controls and promotes specific product quality standards for the local market and for export purposes. It is administered and enforced by the Directorate: Food Safety and Quality Assurance in the DAFF. With respect to food safety, the PPECB has been appointed and authorised to conduct Food Safety audits (Regulation No. 707), test groundnuts for aflatoxins (Regulation No. 1145 relating to tolerance for fungus-produced toxins in foodstuffs) and conduct compositional testing of dairy products (Regulation No. 2581 relating to dairy products and imitation dairy products) destined for the export market.

3.1 Priority Areas

- Ensuring consistent production of safe and quality products by reducing risks of compromised food quality
- Maintaining consumer (local and international) confidence in food safety and quality by using reliable, advanced and rapid technologies in testing quality characteristics of food to ensure compliance, and testing mycotoxin tolerance levels, pesticide residues and microorganisms
- Promoting safe production practices for growers through food safety audits and strengthening national food control systems
- Reducing the negative impact on the environment by ensuring compliance to regulations

3.2 Measurable Objectives

- To strengthen national food control systems
- To facilitate active collaboration between stakeholders
- To provide an ISO 17025 accredited Pesticide Residue Testing (Maximum Residue Limit – MRL) and Dairy Testing service in foods and feeds to ensure food safety compliance and quality
- To test for all pesticides as per the regulations of South Africa and the EU with a lead time of 48 hours from sample receipt
- To increase the scope of mycotoxin and dairy analyses to meet customer needs in line with Regulation No. 1145 (Foods), Regulation No. 2581 (Dairy) and Regulation No. 1087 (Feeds)
- To strengthen core competencies of lead times, workflow processes and in-house developed methodology
- To offer a one-stop shop for food and feed safety testing
- To reposition the PPECB Laboratory to provide further support to DAFF and promote the export of safe food

The programme comprises of Food Safety services and Laboratory services.

4. PROGRAMME 4: TRANSFORMATION AND DEVELOPMENT SERVICES

The transformation and development services programme is aimed at building capacity through the development of internal and external skills. The programme includes the following initiatives:

4.1 Internships and Learnerships

The PPECB has in the past eight years offered a learnership at NQF level 5, exposing learners to the post-harvest agricultural value chain and providing them with a head-start in advancing themselves professionally in this sector. It is the PPECB's aim to continue with this initiative and take this to a higher level by partnering with institutions like CPUT which will assist in enhancing the qualification students obtain at the PPECB. The learnership programme is provided in partnership with the DAFF and AgriSETA.

In collaboration with AgriSETA, the PPECB is further providing on-the-job exposure in fields like Information and Communication Technology (ICT), Finance, Human Resources and Marketing. All students who have participated in the ICT internship programme have since been permanently employed by the PPECB.

4.2 Internal Capacity Building

The PPECB puts a lot of emphasis on the area of capacity building. It provides development opportunities for both internal and external stakeholders. With regards to internal stakeholders the focus is on women and youth empowerment. Leadership Development initiatives are being put in place to ensure that women are accelerated so that they can assume leadership roles as these are currently predominantly occupied by their male counterparts. The PPECB is striving to be a learning institution and is leveraging technology to ensure that training provided meets the needs of the modern generation. This has resulted in the introduction of a Learning Management System with online on-boarding. There is also a huge focus on coaching and mentoring to ensure that the youth entering the workplace are empowered to be able to provide customer service with confidence.

PART B: PROGRAMME OVERVIEW (CONTINUED)

Over and above the training, coaching and mentoring that we provide for our internal stakeholders, we also have a dedicated programme for ensuring uniform interpretation and consistent application of standards during execution of product inspections, cold chain functions and food safety audits. The harmonisation programme aims at mitigating the risks of incorrect decision making during inspections and cold chain functions, enhances confidence levels of employees and associated clients during service delivery.

4.3 Smallholder Development

The Development Unit's services aim to expose smallholder farmers to food safety, good agricultural practices, responsible use of pesticides, cold chain management and product quality training in preparation for food safety certification and market access.

Development initiatives are run on a collaborative basis with the DAFF, the Western Cape Department of Agriculture, the Agricultural Research Council (ARC) and the National Agricultural Marketing Council (NAMC) and service all provinces in South Africa. Collaboration not only extends to sister State Owned Enterprises (SOEs) but also to commercial development partners like Citrus Research International (CRI) as well as Further Education and Training Colleges like Fort Cox agricultural college in the Eastern Cape.

The PPECB's employees have enviable expertise in quality standards, food safety and cold chain management in particular, and it plays to its strength as an organisation in imparting that knowledge. The PPECB's mandate and resources are limited when it comes to providing a stand-alone training function, so it is imperative that the organisation performs this important function in a collaborative fashion.

4.4 Measurable Objectives of the Programme:

- Raise external donor funds for the running of the development programme
- Increase the product offering of development initiatives
- Build capacity in externally targeted groupings by transferring knowledge and skills
- Extend laboratory services to smallholder farmers



PART C: RISK MANAGEMENT

THE PPECB'S ROLE IS TO INSTIL CONFIDENCE IN THE INTERNATIONAL COMMUNITY THAT THE FOOD DELIVERED AS A RESULT OF THE PPECB'S QUALITY ASSURANCE PROGRAMME MEETS THE EXPECTED STANDARD, AND IS SAFE TO EAT. THE EMPHASIS IS ON THE PPECB TO REDUCE OR CONTROL ANY LIABILITY THAT MAY ARISE FROM PROFESSIONAL ERRORS OR NON-PERFORMANCE AROUND THE ORGANISATION'S MANDATE.

The PPECB needs to manage an array of risks that present themselves annually to the organisation. While some risks are predictable, others can take the organisation by surprise. For this reason, the PPECB has developed policies, committees and overall management structures so as to ensure these risks do not place the organisation in jeopardy.

The Board of Directors has primary responsibility for overseeing risk management and risk assessment across the PPECB. In accordance with the Public Finance Management Act (Act No. 1 of 1999), the Board of Directors of the PPECB recognises that it is obliged to protect the organisation, people and assets against the adverse consequences of risk with a view to ensuring that objectives are met. These key objectives include:

- Delivering on the mandate delegated by the DAFF to the PPECB
- Protecting the reputation of the PPECB
- Furthering good corporate governance within the organisation
- Developing and growing relationships with PPECB's stakeholders
- Protecting and developing the PPECB's employees and the organisation's intellectual property
- Protecting the assets of the public entity

Management is responsible for designing, implementing and monitoring the effective functioning of system internal controls. The Risk Management Committee (RISCO) has been established by the PPECB to support the Chief Executive Officer and Executive Team in monitoring the risk by reviewing the effectiveness of the PPECB's risk management systems, practices and procedures, and providing recommendations for improvement. The top risks are addressed through action plans that have individuals responsible for the known risks.

The following are broad areas of risk relevant to the PPECB:

- Strategic
- Compliance
- Operational
- Financial
- Stakeholder
- Business processes
- Technology
- People
- Social, environmental and economic responsibility
- PPECB Laboratory

The PPECB's internal audit department oversees the risk process from a strategic perspective. The independent, external financial auditors and internal auditors check for the robustness and thoroughness of risk management within the PPECB, and report independently on such risk matters. The assessment methodology takes into account the severity and probability of risk occurring, including the ranking and prioritisation of identified risks. The top risks are addressed through action plans that have individuals responsible for the known risks. Risks can vary depending on the nature, scope and size of the business matter involved. Importantly, the threat to the integrity of the business as a going concern must be considered, including the potential collateral damage (reputational and otherwise) to all of the PPECB's stakeholders.

Below is an extract of the five major risks that may impact the PPECB in the year to come:

Risk	Impact [A]	Probability [B]	Inherent [C]=[A]x[B]	Residual
Non-compliance to the APS mandate	4.4	3.4	15	7.8
The PPEC Act does not fit into the current deregulated environment	3.8	3.8	14.4	9.9
Financial instability	4.1	3.4	13.9	8.1
Misalignment of the Act, the mandate and the business model	3.8	3.6	13.7	9.3
Insufficient disaster recovery	4.4	3	13.2	3

PART D: ORGANISATIONAL PERFORMANCE TARGETS

THE PPECB HAS IDENTIFIED THE FOLLOWING KEY PERFORMANCE AREAS AND KEY PERFORMANCE INDICATORS FOR THE PERIOD 2016–2020.

Programme 1: Corporate Services		Targets 2016–2020			
Output (KPA)	Indicator (KPI)	2016/2017	2017/2018	2018/2019	2019/2020
Business Transformation	Percentage of money spent on B-BBEE suppliers	75%	77%	78%	80%
Informed and Satisfied Stakeholder Base	Percentage of information provided at a 95% accuracy level in week one of reporting	93%	94%	95%	98%
	Organisational customer satisfaction index measured annually	75%	80%	80%	85%
Skills Retention	Percentage of staff retained annually	94%	94%	94%	94%

Programme 2: Operational Services		Targets 2016–2020			
Output (KPA)	Indicator (KPI)	2016/2017	2017/2018	2018/2019	2019/2020
Compliance	Number of samples inspected on a 2% basis	96%	97%	98%	99%
	Percentage of accurate temperature letters issued in relation to the number of vessels sailed	100%	100%	100%	100%
Efficient Service Delivery	Percentage cartons of main products (citrus, grapes, pome, stone and avos) captured on the Titan system	30%	50%	70%	80%
	Number of activity points interfacing with the PPECB mobile technology platform	400	800	1 000	1 300

Programme 3: Food Safety Services		Targets 2016–2020			
Output (KPA)	Indicator (KPI)	2016/2017	2017/2018	2018/2019	2019/2020
Food Safety Assurance	Number of samples analysed using accredited methods	20 000	22 000	24 000	26 000
	Number of food safety audits conducted	720	750	800	850

Programme 4: Transformation and Development Services		Targets 2016–2020			
Output (KPA)	Indicator (KPI)	2016/2017	2017/2018	2018/2019	2019/2020
Capacity Building	Number of students graduated through the AETP programme	30	35	40	45
	Number of smallholder farmers trained	120	150	170	200
Competent Staff	Percentage of operational staff verified by the harmonisation programme as competent	85%	90%	90%	95%
Market Access	Number of smallholder farmers certified for export	5	10	10	15

CONCLUSION

Classified as a National Public Entity in terms of the Public Finance Management Act (Act No. 1 of 1999) and mandated to oversee the export of perishable produce, the PPECB's core services are targeted at the export value chain.

However, as a government entity the PPECB is further committed to assist Government in achieving its priorities. The PPECB is also committed to continuously improve customer service by becoming more efficient and customer-centred. Strategic programmes have hence been consolidated and aligned to direct organisational focus accordingly.

Over the medium term, the PPECB will be focused on becoming more efficient through consolidation, where possible. The entity will further have a strong focus on containing cost and aligning itself with stakeholder needs.



6 ORGANISATIONAL PERFORMANCE REPORT

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PROGRAMME 1: CORPORATE SERVICES

Output (KPA)	Indicator (KPI)	Annual Target	Actual Achieved	Comments
Business Transformation	Percentage of money spent on B-BBEE suppliers	70%	87.16%	The increase can be attributed to the increased spend with B-BBEE compliant suppliers. Concerted efforts in applying the provisions of the Preferential Procurement Policy Framework Act (PPPFA) across all transactions above the R10 000 threshold.
Informed and Satisfied Stakeholder Base	Percentage of information provided at a 95% accuracy level in week one of reporting as competent	95%	95%	Citrus, pome, stone and grapes – including inspection and export information.
	Organisational customer satisfaction index measured annually	70%	99%	The measurement reflected is a calculation based on the questionnaires (Q78s) handed to customers and returned to our Chief Inspectors in all regions. Measurement is done annually.
Skills Retention	Percentage staff retained annually	94%	98.5%	

PROGRAMME 2: OPERATIONAL SERVICES

Output (KPA)	Indicator (KPI)	Annual Target	Actual Achieved	Comments
Compliance	Number of samples inspected on a 2% basis*	95%	96%	
	Percentage of accurate temperature letters issued in relation to the number of vessels sailed	100%	100%	
Efficient Service Delivery	Number of clients submitting electronic requests for export certificates via the PPECB mobile technology platform*	20	18	Exporters were set up to submit files but some clients were unable to transmit electronic addendums due to system errors on the client side as not all the clients' pack houses were on Titan (electronic addendum requires all pallets shipped to be captured via the tablet).
	Number of activity points interfacing with the PPECB mobile technology platform*	200	354	The use of the tablet system is optional for PPECB clients. The target of 200 was set based on the difficulty of the total achieved at 01/04/2015 (103 sites). The successes achieved in the period October 2015 to March 2016 is mostly due to the support from industry role players.

* Refers to cumulative totals for the financial year under review.

PROGRAMME 3: FOOD SAFETY SERVICES

Output (KPA)	Indicator (KPI)	Annual Target	Actual Achieved	Comments
Food Safety Assurance	Number of samples analysed using accredited methods*	18 000	22 514	Volumes received for dairy testing increased by 164% YTD compared to last year for the same reporting period following the lifting of the Botswana, Swaziland, Namibia and Lesotho (BSNL) dispensation.
	Number of food safety audits conducted*	700	781	The variance is mainly due to private sampling audits which are now being conducted and were not on the landscape when the targets were set. Additional variances can be attributed to a larger number of ad hoc audits taking place due to the higher risk factors identified in crop protection as the season progressed.

* Refers to cumulative totals for the financial year under review.

PROGRAMME 4: TRANSFORMATION AND DEVELOPMENT SERVICES

Output (KPA)	Indicator (KPI)	Annual Target	Actual Achieved	Comments
Capacity Building	Number of students graduated through the AETP programme*	25	26	Twenty six students participated in the learnership for the year under review and all students were found competent by the external moderator.
	Number of smallholder farmers trained*	120	219	Provincial Agriculture Departments are now arranging Information Days for farmers over and above the farmers that are participating in the DAFF SAGAP Certification Programme training.
Competent Staff	Percentage of operational staff verified by the harmonisation programme as competent	80%	90%	More interventions have been run during the respective seasons leading to the higher achievement on target: 91% achieved on product inspections and 89% on cold chain monitoring.
Market Access	Number of smallholder farmers certified for export*	5	12	Smallholder farmers have shown great commitment over the year to achieve certification, and some provincial departments of agriculture have also assisted the farmers to put infrastructure in place which they needed for certification. Due to this increased support more farmers have been able to achieve certification. One farm was certified for primary production and the on-farm pack house.

* Refers to cumulative totals for the financial year under review.







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