

# 90



## ANNUAL REPORT

2016 **90 YRS OF QUALITY** 2017





1926 90 YRS OF QUALITY 2016



2016

ANNUAL REPORT

2017

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PPECB



# OVERVIEW



REPUBLIC OF  
SOUTH AFRICA

CITRUSDAL  
CERES  
CAPE TOWN  
PAARL  
HEAD OFFICE  
GRABOUW  
ROBERTSON  
PORT ELIZABETH  
DURBAN  
CENTURION, LABORATORY  
NELSPRUIT  
TZANEEN

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12



2016

## YEAR IN REVIEW

2017

60.75  
MILLION

cartons of  
table grapes  
were inspected

30% OF  
**APPLES**  
WERE EXPORTED  
TO ASIA

35% OF  
**CITRUS**  
WERE EXPORTED  
TO THE EU

90%  
of SA's Export  
**LITCHI** CROP  
ORIGINATES IN  
MPUMALANCA

Primary Export  
destination for  
**AVOCADOS**  
IS THE EUROPEAN  
CONTINENT

51% OF  
**PLUMS**  
WERE EXPORTED  
TO THE EU

1.4 CARTONS  
[ MILLION ]  
of mangoes  
were inspected

45% OF  
**PEACHES**  
ARE EXPORTED TO  
THE MIDDLE EAST

Over 95% of  
**POTATOES  
& ONIONS**  
are destined for  
the African market

2016 / 2017



**PPECB**









2016

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# FOREWORDS

# 01

MINISTER'S FOREWORD  
CHAIRPERSON'S FOREWORD  
CHIEF EXECUTIVE  
OFFICER'S FOREWORD

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## MINISTER'S FOREWORD

SINCE ITS INCEPTION, THE PERISHABLE PRODUCTS EXPORT CONTROL BOARD [PPECB] HAS CONTINUOUSLY SUPPORTED GOVERNMENT IN ITS QUEST TO PROMOTE AND ADVANCE THE EXPORT OF SOUTH AFRICAN PERISHABLE PRODUCE. NOW A MATURED ORGANISATION OF 90 YEARS OLD, THE PPECB CONTINUES TO PLAY AN ESSENTIAL ROLE IN SUPPORTING GOVERNMENT'S AGENDA TO INCREASE MARKET ACCESS THROUGH CREATING CONFIDENCE IN SOUTH AFRICAN PRODUCE.

During the 2017 State of the Nation Address [SONA], President Jacob Zuma reminded us of the pressing need to create employment. Agriculture is regarded as one of the sectors with major potential to contribute to job creation. This sentiment is further supported and unpacked in the Agricultural Policy Action Plan [APAP]. In order to capitalise on this potential, it becomes increasingly important that we urgently create capacity within the sector, especially among our smallholder farmers.

I am therefore delighted to note that the PPECB has managed to train 223 smallholder farmers on good agricultural practices [GAP] and matters relating to food safety. Further to this, the PPECB continued with initiatives to up-skill post graduate students through its Agricultural Export Technologist Programme [AETP] during the year under review.

As a National Public Entity responsible for regulating the export of perishable

produce, it is of utmost importance that an organisation such as the PPECB maintains credible systems and processes. It is therefore comforting to learn that the organisation has once again maintained its ISO 9001 accreditation and also managed to expand on its laboratory analytical services. These expansions will certainly further support the export of South African produce.

Lastly, I would like to congratulate the PPECB on their achievement of being recognised by The South African Institute of Chartered Accountants [SAICA] for five consecutive clean audits. In closing I would like to wish the Board, Executive Team and employees of the PPECB well for the coming year.

**SENZENI ZOKWANA**

MINISTER OF  
AGRICULTURE, FORESTRY  
AND FISHERIES







## CHAIRPERSON'S FOREWORD



I AM PLEASED TO PRESENT THE 2016/17 ANNUAL REPORT OF THE PERISHABLE PRODUCTS EXPORT CONTROL BOARD [PPECB]. THE PERIOD UNDER REVIEW HAS REMAINED CHALLENGING FOR THE AGRICULTURAL SECTOR AND FRESH PRODUCE INDUSTRY. EXTENDED LOCAL DROUGHT CONDITIONS EXPERIENCED IN RECENT YEARS HAVE PERSISTED, WHICH EXACERBATED THE NEGATIVE IMPACT ON PRODUCERS, THE AGRICULTURAL SECTOR AND FOOD SECURITY.

Businesses are operating in a prolonged climate of volatility and uncertainty resulting from a broad range of factors, so appropriately described by Richard Bright in Issue 829 of Reefer Trends [Week 2, 2017]. "The world is a very different and more hostile place at the start of 2017 than it was 12 months ago: it is ever less a global village as the land grabs continue, borders are reaffirmed and redefined and the process of polarisation into nightmare geography of Orwellian prescience continues. Out goes aspirational Barack Obama and in comes isolationist Donald Trump, whose goal to 'make America great again' specifically threatens US trading relationships with China and neighbours Mexico, and whose pronouncements on Russia suggest an unlikely rapprochement with Vladimir Putin, whose own 'make Russia great again' ambitions are perceived as a clear and present danger to the European Union. The tariff eliminating Trans Pacific Partnership trade deal, seven years in the making, looks dead in the water. Elsewhere, the United Kingdom is to secede from the European Union. With negotiations on the terms of secession still to begin, the implications of the divorce on both sides, and stakeholders beyond, are difficult to predict." We are certainly living in interesting times and the global landscape will become increasingly

complex as the advanced economies shift towards inward-looking policy platforms and protectionism with ever-increasing geopolitical tensions emerging.

Within these environments, cultivating a strong corporate culture throughout the organisation is critical to driving the company's long-term strategy. The PPECB therefore continues to focus on creating and maintaining a corporate culture that reinforces its core values and encourages employees to do the right thing always. This has proven to be a powerful driver in capacitating the PPECB to weather a number of storms and challenges in its momentous history of ensuring the global competitiveness of South African fresh produce. In June 2016, the PPECB celebrated its 90th anniversary as the bastion of fresh produce exports from South Africa.

I am gratified to report that the PPECB Board and management team took proactive steps to prepare for the turmoil and have responded extremely well to global volatility, once again delivering more than satisfactorily on our core performance mandate [the CEO expands on this in his report]. To respond to the current volatile global environment, the PPECB Board has approved a strategic plan that continues

to focus on building a change-agile and resilient organisation able to respond quickly to negative environmental shifts, be they political, economic or social.

The PPECB will continue to focus on balancing its cost base in line with the National Treasury's call for financial prudence by State-Owned Entities [SOEs], while driving continuous corporate culture change towards living the PPECB core values of customer centricity and executing the agreed PPECB strategy. This requires a fine balance between containing our cost base while simultaneously ensuring that we invest sufficiently and on an on-going basis in human resources, infrastructure and systems to ensure that our services are delivered efficiently and cost-effectively to all stakeholders. I am pleased to report that the financial fortunes of the PPECB have improved significantly since the severe losses suffered a few years ago and that the 2016/17 financial year will end with a slight surplus, despite significantly reduced export volumes. I am also gratified to note that the PPECB was recognised by the South African Institute of Chartered Accountants [SAICA] for achieving five consecutive clean audits.



For the period under review the following strategic areas received additional resource allocation:

- Transformation was included as a fourth pillar in the PPECB's strategic plan to ensure that the organisation makes a contribution to the transformation of the fresh produce sector.
- Research and development are being developed as a key competency in the PPECB. The organisation must excel at developing an intimate understanding of the fruit industry, global trends and our customers to contribute to a sustainable policy environment for food safety, phytosanitary matters, product quality, cold chain services and, ultimately, a competitive fruit industry.
- Enhancing export competitiveness by focusing on the integrity of the export certificate through the increased use of technology. Improved food safety management remains a key focus area. The CEO expands in his report on the progress made in Project Titan and the various initiatives relating to improved food safety.
- The PPECB laboratory required decisive leadership from the Board, as there are many opportunities that can be leveraged in the food safety space. The Board and management team reviewed the laboratory's strategy and crafted a revised

strategy and vision for it. I am pleased to report that significant capital has been allocated to the laboratory to optimise the plethora of opportunities in the market place. The laboratory's financial performance continues to improve after significant cost saving measures were implemented. The laboratory's scope will be extended to include Maximum Residue Levels [MRLs]. Accreditation for the provision of this service is expected in the 2017/18 fiscal year, which will further enhance the competitiveness of the South African export industry.

I extend our 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 our clients for their continued support and assistance during the period under review.

Furthermore, I extend my thanks to the outgoing Board, whose term of office expired at the end of November 2016, for their support and dedication and for ensuring that an excellent platform was established on which the new Board can build. I would also like to welcome the new Board, which reflects diversity, gender balance, industry experience and great

wisdom to lead the PPECB over the next three years. I am grateful to those board members who have agreed to serve an additional term to ensure continuity, and am deeply privileged and honoured to be at the helm of such a team.

All that remains is for me to wish the Chief Executive Officer, Lucien Jansen, his executive team and staff a very successful year in 2017/18. It will be a challenging journey, but we have the moral compass, ethical leadership, requisite skills and tenacity to see it through together.

**ANGELO PETERSEN**

CHAIRPERSON,  
THE PPECB





## CHIEF EXECUTIVE OFFICER'S **FOREWORD**

IN JUNE 2016, THE PERISHABLE PRODUCTS EXPORT CONTROL BOARD [PPECB] CELEBRATED ITS 90TH ANNIVERSARY! ESTABLISHED IN THE EARLY 1900S, THE ORGANISATION HAS TRULY STOOD THE TEST OF TIME AND HAS PLAYED A PIVOTAL ROLE IN SOUTH AFRICAN FRUIT EXPORTS SINCE ITS INCEPTION. IT IS THEREFORE AN HONOUR FOR ME TO REPORT ON THE PPECB'S PERFORMANCE FOR THE 2016/17 FISCAL YEAR.

During the period under review, the agricultural industry continued to battle the effects of a drought, resulting in reduced fruit sizes and, in many cases, below-par yields. The year was further dominated by news that the United Kingdom [UK] plans to break ties with the European Union [EU], creating great uncertainty over future exports to these regions. Currencies reacted strongly to this unexpected news, resulting in the South African rand devaluating 11% to the yen and 7.8% to the United States dollar [USD].

Notwithstanding this uncertainty, the PPECB remained focused on achieving its objectives. The entity continued with its strategy of reducing costs and made a further concerted effort to improve internal and external communication, among other priorities. Given reduced export volumes, actual income was significantly below budget and the PPECB had to control its expenditure carefully to ensure financial break-even at the end of the fiscal year.

In order to improve communication with employees, the Intranet has been completed and will serve as the major platform for internal communication going forward. External communication remains an organisational priority and the refreshed official PPECB website plays a significant role in this regard. The period under review saw the website recording more than 50 000 visits from around the globe, averaging just over 200 visits per day. The "get-in-touch" website forms are also

proving to be a great success as more than 600 requests were submitted via the website during the 2016/17 period. In addition to this, the PPECB continued engaging with its stakeholders and clients on various platforms. To this end, the entity hosted two stakeholder engagement events, attended by just over 70 people. The entity also measured client perceptions about the organisation, which revealed an 81% client satisfaction rating.

In a further attempt to enhance the credibility of the PPECB's business processes, the entity embarked upon the process of converting from ISO 9001:2008 to ISO 9001:2015 accreditation. It gives me great pleasure to report that the final audit for certification has been conducted and the PPECB has been recommended for certification. Flowing from the decision to expand on the PPECB laboratory's food safety mandate, we procured an additional analytical machine and commissioned it effectively. The ISO 17025-accredited laboratory has now added the analysis of Maximum Residue Levels [MRLs] to its existing basket of services and managed the successful validation of more than 150 actives. Accreditation of the MRL service is expected to take place early in the 2017/18 fiscal year, which will further support the competitiveness of the South African export industry. This is in addition to dairy analysis, which was added as an accredited service during 2016/17.



The PPECB's mobile technology project, Project Titan, is progressing slowly but steadily. The year under review ended with 31% of all fruit being inspected using the Titan platform, with deciduous fruit remaining the biggest user, averaging 41%. Citrus fruit remains a concern, as only 21% of all citrus has been inspected using Titan. Up to the end of March 2017, 516 activity points were registered to use Titan and 528 tablets have already been issued to staff. The PPECB is, however, committed to increasing these figures significantly in the coming fiscal year.

I am also delighted to report that the PPECB once again contributed to its Corporate Social Investment [CSI] agenda with another successful charity golf day. The event was well supported by clients and stakeholders throughout the industry, enabling the organisation to raise R50 000 for our nominated charity, the Home of Hope. We have also continued to make a concerted effort to support business transformation, with 78% [in rand value]

of all procurement going to B-BBEE registered suppliers.

Brand awareness and brand identification remains areas of strategic importance. To this end, the PPECB continued with initiatives to build and strengthen the PPECB brand while at the same time creating awareness of the organisation's critical role within the export value chain. In total, 12 events were attended and 38 advertisements and articles were published nationally and abroad. Due to the expertise embedded within the organisation, the PPECB continues to play a pivotal role in the international arena by providing professional input in the determination of quality standards. With the approval of the Department of Agriculture, Forestry and Fisheries [DAFF], the PPECB attended meetings with both the United Nations Economic Committee for Europe [UNECE] and the Organisation for Economic Cooperation and Development [OECD] during the period under review.

Notwithstanding the challenges faced during the 2016/17 fiscal year, the PPECB managed to maintain an overall organisational performance rating of 86%. Furthermore, the PPECB was recognised by the South African Institute of Chartered Accountants [SAICA] for five consecutive clean audits.

These achievements would not have been possible without the commitment of all our employees and the support of DAFF and our valued clients. I therefore thank each and every one of you for your contribution to the success of the PPECB. I trust we will live up to the expectations of our stakeholders in the years to come and wish the PPECB a further 90 years of success!

**LUCIEN JANSEN**

CHIEF EXECUTIVE  
OFFICER, THE PPECB









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# GOVERNANCE

& ADMINISTRATIVE INFORMATION

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# 02





ANTON KRUGER

MOOKETSA RAMASODI

EURICA SCHOLTZ

MONO MASHABA  
Vice-Chairperson

ARTHUR SHIPALANA



**PPECB**

2016 / 2017



BOARD

# MEMBERS



KHAYA KATOO

JILL ATWOOD-PALM

ANGELO PETERSEN  
Chairperson

MARTLI SLABBER

CLIVE GARRETT



## 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 2016 - 2019 Appointed 01/12/2016 for three years	2013 - 2016 Appointed 01/09/2013 for three years 2016 - 2019 Appointed 27/02/2017 for three years
COMPOSITION	All non-executives	All non-executives
CHARTER APPROVED BY THE BOARD	Yes	Yes
DO MEMBERS HAVE TO DECLARE INTERESTS?	Yes [There is a policy approved by the Board]	Yes [There is a policy approved by the Board]
KEY ROLE AS DETAILED IN CHARTERS	<ul style="list-style-type: none"> <li>Define and ensure compliance with the Perishable Products Export Control Act [Act 9 of 1983] [PPEC Act], the Public Finance Management Act [Act 1 of 1999] [PFMA] and the National Treasury regulations</li> <li>Determine strategic direction</li> <li>Approve policies to achieve the objectives of the PPEC Act</li> <li>Annually approve the business plan, strategic plan and budget; and monitor the organisation's performance against these plans</li> <li>Establish and oversee the framework of risk management, delegation and systems of internal control</li> <li>Appoint, monitor and review the performance of the Chief Executive Officer [CEO]</li> </ul>	<ul style="list-style-type: none"> <li>Safeguard the assets of the PPECB</li> <li>Ensure the operation of adequate systems and internal control processes</li> <li>Examine and review the financial statements and interim management reports</li> <li>Monitor the ethical conduct of the company, its executives and its senior officials</li> <li>Oversee the risk management plan of the PPECB</li> <li>Review the independence of the external auditor</li> <li>Make recommendations on the reappointment of the external auditor</li> <li>Monitor and supervise the performance of the internal auditors</li> <li>Act in accordance with the requirements set out in the PFMA and Treasury Regulations</li> <li>Monitoring the ethical conduct of the PPECB, its executives and senior officials</li> </ul>
MEMBERS OF THE BOARD	Refer to page 21 for full disclosure	2013 - 2016 A Rabe [Chairperson], C Engelbrecht, D Westcott  2016 - 2019 C Garrett [Chairperson], M Slabber, M Mashaba, R Ramasodi
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 TABLE ON PAGE 21 FOR DETAILS OF ATTENDANCE]	No	No
OTHER PERMANENT INVITEES	Executive Management Committee [EXCO], Legal and Corporate Governance Manager	EXCO, Legal and Corporate Governance Manager, External Auditors and Internal Auditors [with unrestricted access to Chairperson of the Committee]

HUMAN RESOURCES [HR] COMMITTEE	INFORMATION AND COMMUNICATIONS TECHNOLOGY [ICT] COMMITTEE	LABORATORY COMMITTEE	STRATEGIC PROJECTS COMMITTEE
The PPECB Board	The PPECB Board	The PPECB Board	The PPECB Board
2013-2016 Appointed 01/09/2013 for three years 2016 - 2019 Appointed 27/02/2017 for three years	2013 - 2016 Appointed 01/09/2013 for three years	2013 - 2016 Appointed 01/09/2013 for three years	2016 - 2019 Appointed 27/02/2017 for three years
All non-executives	All non-executives	All non-executives	All non-executives
Yes	Yes	Yes	Yes
Yes [There is a policy approved by the Board]	Yes [There is a policy approved by the Board]	Yes [There is a policy approved by the Board]	Yes [There is a policy approved by the Board]
<ul style="list-style-type: none"> <li>• Make recommendations to the Board on the philosophy and policies for remuneration practices</li> <li>• Make recommendations to the Board on human resource management policies</li> <li>• Report to the Board on staff development, capacity and organisational structure requirements</li> <li>• Monitor the implementation of employment equity targets and management's action plans to achieve these</li> <li>• Make recommendations to the Board on remuneration incentives, and the annual salary review of the CEO, Executive Management and staff</li> <li>• Make recommendations to the Board on the remuneration of the Board and sub-committees</li> <li>• Monitor compliance with relevant employment and labour legislation</li> </ul>	<ul style="list-style-type: none"> <li>• Make recommendations to the Board on the PPECB's current and future direction of technology</li> <li>• Review and assess the financial investment in technology to give effect to the future strategic direction for technology within the PPECB</li> <li>• Monitor the effectiveness of disaster recovery plans and disaster recovery testing</li> <li>• Monitor and ensure the PPECB's compliance with laws and regulations relating to its IT activities</li> <li>• Monitor the key technology risks and technology risk mitigation strategies, including the overall technology risk profile of the PPECB</li> <li>• Assess and advise on emerging global technologies and trends, and their potential for application within the PPECB</li> </ul>	<ul style="list-style-type: none"> <li>• Oversee and advise the Board on the PPECB laboratory requirements as proposed by management, and facilitate decision-making by the Board</li> <li>• Make recommendations to the Board on the PPECB's current and future direction for laboratory services [e.g. commercial and statutory business]</li> <li>• Assess and advise on the emerging global technologies and trends, and their potential for application within the PPECB</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on Information and Communications Technology, including Project Titan, Laboratory Services and Market Access, and make recommendations to the Board in respect of these focus areas.</li> <li>• Consider and make recommendations to the Board in respect of the mandates received from the Department of Agriculture Forestry and Fisheries, the PPECB's current business model, Research, Development and Innovation and any general updates that affect the PPECB directly, and impacts on volume and growth</li> </ul>
2013 - 2016 J Atwood-Palm [Chairperson], A Petersen, L Kutta	2013 - 2016 W Steenkamp [Chairperson], M Mashaba, T Engelbrecht, A Petersen	2013 - 2016 E Scholtz [Chairperson], M Mashaba, J Atwood-Palm, D Westcott	2016 - 2019 J Atwood-Palm [Chairperson], A Kruger, K Katoo
2	2	2	2
4	3	3	1
No	No	No	Yes
EXCO, Legal and Corporate Governance Manager	EXCO, Legal and Corporate Governance Manager	EXCO, Legal and Corporate Governance Manager	EXCO, Legal and Corporate Governance Manager



## MANAGEMENT COMMITTEES

	EXECUTIVE MANAGEMENT COMMITTEE [EXCO]	RISK MANAGEMENT COMMITTEE [RISCO]
WHO APPOINTS MEMBERS?	Chief Executive Officer [CEO]	CEO
TERM AND DATE APPOINTED	No term	Members are appointed for a minimum of two years
COMPOSITION	CEO, Chief Financial Officer [CFO] and other Executive Managers. Refer to page 19 for details	Senior management representing the departments within the organisation
CHARTER APPROVED BY THE BOARD	Yes	Yes
DO MEMBERS HAVE TO DECLARE INTERESTS?	Yes [There is a policy approved by the Board]	Yes [There is a policy approved by the Board]
KEY ROLE AS DETAILED IN CHARTERS	<p>Supporting the CEO and Board in the day-to-day management through a formal delegation of authority, which includes but is not limited to:</p> <ul style="list-style-type: none"> <li>• Developing PPECB strategy, business plans and budgets for approval by the Board</li> <li>• Appointing a suitably qualified executive team and establishing the appropriate organisational structure necessary to support the CEO in executing the PPECB's strategy</li> <li>• Monitoring and reporting to the Board on the performance of the PPECB against its strategic objectives</li> <li>• Setting an example of ethical conduct by leading the PPECB's staff and its management ethically</li> <li>• Ensuring that the PPECB complies with relevant laws, legislation and governance principles</li> <li>• Providing the Board with corporate governance, guidance and support</li> <li>• Managing and ensuring staff conform to the values, objectives and policies of the PPECB, through effective leadership</li> <li>• Ensuring the Board is given the necessary information to perform its duties</li> <li>• Ensuring that proper systems of control are established and maintained</li> </ul>	<ul style="list-style-type: none"> <li>• Supporting the CEO and the executives in reviewing the effectiveness of the PPECB's risk management systems, practices and procedures in accordance with policies approved by the Board</li> <li>• Ensuring that risks are identified, evaluated, effectively managed and, where practical, quantified</li> <li>• Fulfilling the risk management and control responsibilities</li> <li>• Preparing reports for EXCO for consideration by the Audit Committee and the Board;</li> <li>• Advising the Board, through EXCO, on mitigating strategies for risks identified, and monitoring these strategies</li> </ul>
NUMBER OF MEETINGS TO BE HELD PER CHARTER	Minimum of six meetings per annum	Quarterly
NUMBER OF MEETINGS HELD	6	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 Coordinator

# EXECUTIVE COMMITTEE MEMBERS



**JOHAN SCHWIEBUS**  
Chief Financial Officer

**PINKI LUWACA**  
Human Resources  
Executive

**LUCIEN JANSEN**  
Chief Executive Officer

**YANESH RAMIAH**  
Chief Information  
Officer

**CYRIL JULIUS**  
Chief Operations Officer







## BOARD AND SUB-COMMITTEE MEETINGS

### SUMMARY OF ATTENDANCE

MEMBER	BOARD	AUDIT COMMITTEE MEETING	HR COMMITTEE MEETING	ICT COMMITTEE MEETING	LABORATORY COMMITTEE MEETING	STRATEGIC PROJECTS COMMITTEE MEETING
MEETINGS HELD	4	4	4	3	3	1
	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	Number of meetings attended/total number of meetings held whilst a member of the Strategic Projects Committee
A PETERSEN [1]	4/4	N/A	4/4	3/3	N/A	N/A
M MASHABA [2]	4/4	1/4	N/A	3/3	3/3	N/A
A RABE [3]	3/4	3/4	N/A	N/A	N/A	N/A
J ATWOOD-PALM [5] [9]	4/4	N/A	3/4	N/A	N/A	1/1
C ENGELBRECHT	3/4	3/4	N/A	3/3	N/A	N/A
L KUTTA	2/4	N/A	2/4	N/A	N/A	N/A
W STEENKAMP [7]	3/4	N/A	N/A	3/3	N/A	N/A
E SCHOLTZ [6] [8]	4/4	N/A	1/4	N/A	3/3	N/A
D WESTCOTT	3/4	3/4	N/A	N/A	3/3	N/A
C GARRETT [4]	1/4	1/4	N/A	N/A	N/A	N/A
A SHIPALANA	1/4	N/A	1/4	N/A	N/A	N/A
K KATOO	1/4	N/A	N/A	N/A	N/A	1/1
M SLABBER	1/4	1/4	N/A	N/A	N/A	N/A
R RAMASODI	1/4	1/4	N/A	N/A	N/A	N/A
A KRUGER	1/4	N/A	N/A	N/A	N/A	1/1

[1]Chairperson of the Board

[2]Vice-Chairperson of the Board

[3]Chairperson of the Audit Committee 2013 - 2016

[4]Chairperson of the Audit Committee 2017 - 2019

[5]Chairperson of the Human Resources Committee 2013 - 2016

[6]Chairperson of the Human Resources Committee 2017 - 2019

[7]Chairperson of the Information and Communications Technology Committee 2013 - 2016

[8]Chairperson of the Laboratory Committee 2013 - 2016

[9]Chairperson of the Special Projects Committee 2017 - 2019

# 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 the Constitution, relevant Acts, regulations, standards, protocols and codes. The PPECB's key enabling legislations are: The Perishable Products Export Control Act [PPEC Act] [Act 9 of 1983]; the Agricultural Product Standards Act [APS Act] [Act 119 of 1990]; and the Public Finance Management Act [PFMA] [Act 1 of 1999]. 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.

## PPECB'S BOARD MEMBERS AND 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 the Department of Agriculture, Forestry and Fisheries [DAFF]. The Board comprises non-executive board members, representing industries in which the PPECB operates. In terms of the PPEC Act, board members serve for a period of three years. Six new board members were appointed, and four board members were re-appointed and re-designated to serve as board members effective from 1 December 2016 for a period of three years [The New Board].

To discharge its duties more effectively, the Board has approved and delegated authority on specific matters to the following committees: Audit Committee, Human Resources [HR] Committee, Information and Communications Technology [ICT] Committee and the Laboratory Committee.

In February 2017, the New Board resolved to do away with the ICT and Laboratory Committees and to form a Strategic Projects Committee, which would have oversight over matters such as Project Titan, the Laboratory and risk-based sampling. The sub-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 board members receive professional advice when needed
- Serving as an informal link between the board members and the Executive Management team [EXCO], 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 EXCO 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 Sizwe Ntsaluba 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 in accordance with South African Statements of Generally Recognised Accounting Practice [GRAP].

## BUSINESS CONDUCT

The PPECB Board endeavours to lead ethically and effectively and has adopted a code of conduct, which was approved by the Board. The EXCO 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 line with this, the PPECB has both a board member and employee declaration of interest and gift policy in order to ensure that board members and employees act in good faith. Employees and board members are required to disclose any interests on an annual basis and as required.

In addition, the PPECB's EXCO 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, Vice-chairperson, Chief Executive Officer [CEO], Chief Financial Officer [CFO] and the EXCO 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 CEO, EXCO, 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 primarily with the drafting of the PPEC Bill and the Regulations thereto.

The PPECB has various 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 the relevant departmental Executive Committee member.

## MATERIALITY FRAMEWORK

For the purpose of interpreting and complying with the Public Finance Management Act [PFMA] [Act 1 of 1999], the following framework of acceptable levels of materiality and significance were applied during the 2016/17 financial year:

PFMA SECTION	QUANTITATIVE [AMOUNT]	QUALITATIVE [NATURE]
<b>SECTION 50:</b> 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"> <li>Any item or event for which specific disclosure is required by legislation, the King IV Report or GAAP</li> <li>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</li> </ul>
<b>SECTION 54:</b> 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, 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"> <li>Acquisition or disposal of a significant asset</li> <li>Acquisition where market value is greater than materiality figure</li> <li>Disposal where market value is greater than 50% of materiality figure</li> </ul>
[b]	<ul style="list-style-type: none"> <li>Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement</li> </ul>	<ul style="list-style-type: none"> <li>Any participation outside of the approved strategic plan and budget</li> </ul>
[c]	<ul style="list-style-type: none"> <li>Acquisition or disposal of a significant shareholding in a company</li> </ul>	<ul style="list-style-type: none"> <li>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</li> </ul>
[d]	<ul style="list-style-type: none"> <li>Acquisition or disposal of a significant asset</li> </ul>	<ul style="list-style-type: none"> <li>Disposal of the major part of the assets of the Board</li> </ul>
[e]	<ul style="list-style-type: none"> <li>Commencement or cessation of a significant business activity</li> </ul>	<ul style="list-style-type: none"> <li>Any business activity that would increase or decrease the overall operational functions of the Board, outside of the approved strategic plan and budget</li> </ul>
<b>SECTION 55:</b> Annual Report and Financial Statements		
2	The Annual Report and Financial Statements referred to in subsection [1](d) must:	Any identified loss through criminal, reckless or negligent conduct
[a]	<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Any losses identified through criminal conduct</li> <li>Losses incurred through any expenditure where the combined total exceeds the planning materiality figure after consultation with the Audit Committee for the year under review</li> </ul>
[b]	<ul style="list-style-type: none"> <li>Include particulars of:               <ul style="list-style-type: none"> <li>Any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year</li> <li>Any criminal or disciplinary steps taken as a consequence of such losses or irregular expenditure or fruitless and wasteful expenditure</li> <li>Any losses recovered or written off</li> <li>Any financial assistance received from the state and commitments made by the state on its behalf</li> <li>Any other matters that may be prescribed</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Any irregular, fruitless and wasteful expenditure as defined by the PFMA will be reported</li> </ul>
<b>SECTION 66 [1]</b> Restrictions on borrowing, guarantees and other commitments		RO 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 ENSURE 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 INCLUDE THE FOLLOWING

#### INSUFFICIENT DISASTER RECOVERY

##### CURRENT CONTROLS:

1. Availability of back-up servers
2. Occupational Health and Safety policies are in place
3. Strike contingency plans

#### THE PPEC ACT THAT CONSTITUTES THE PPECB DOES NOT FIT INTO THE CURRENT DE-REGULATED ENVIRONMENT

##### CURRENT CONTROLS:

1. The PPEC Bill will be presented to the National Economic Development and Labour Council [NEDLAC] for approval as part of the legislative process before the Bill is promulgated

#### 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 practices
3. Shareholder compact in place with DAFF
4. Reserves are maintained to sustain operations in cases of financial distress







DIVISIONAL

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# 03





## STATUTORY

# OPERATIONS

THE LINGERING DROUGHT AND ITS AFTER EFFECTS IMPACTED NEGATIVELY ON OPERATIONAL INCOME. HOWEVER, THE 2016/17 FINANCIAL YEAR WILL ALSO BE REMEMBERED AS A YEAR IN WHICH OPERATIONS ACHIEVED SEVERAL MILESTONES THAT WILL HOPEFULLY CONTRIBUTE TO THE LONGEVITY AND SUSTAINABILITY OF THE PPECB.

In October 2016, the management of the entire European Union [EU] Citrus Fruit Phytosanitary Inspection and Certification Programme was delegated to the PPECB by the Department of Agriculture, Forestry and Fisheries [DAFF] for a one-year period. This underlines the confidence that the DAFF has in the PPECB and its people. As early as October 2016, Operations commenced with preparations as the mandate is effective from the 2017 citrus season and it is hoped that it will be extended beyond the one-year period.

The Board approved the procurement of a Liquid Chromatography Tandem Mass Spectrometry [LCMSMS] machine as part of the laboratory's turnaround plan that

will enable the PPECB to broaden its scope of analysis into the pesticide residue testing sphere. At the end of March, the laboratory was able to test [unaccredited] for 214 active ingredients with South African National Accreditation System [SANAS] accreditation set for May 2017.

Other highlights include the establishment of the Food Safety and Technical Services Division within Operations, which incorporates laboratory services, research and development, standards and protocols as well as the food safety audit unit. Furthermore, the PPECB was appointed as an assignee for tree nut export inspections, commencing with the inspection of pecan and macadamia nuts.

## FINANCIAL RESULTS FOR OPERATIONS

The net result for Operations is R13.5 million [26%] under budget at the end of the 2016/17 financial year. The total operational income for all structures in Operations stood at R24 172 342 [8%] under budget, mainly due to the drought and heat, as well as the hail damage which was experienced in some areas.

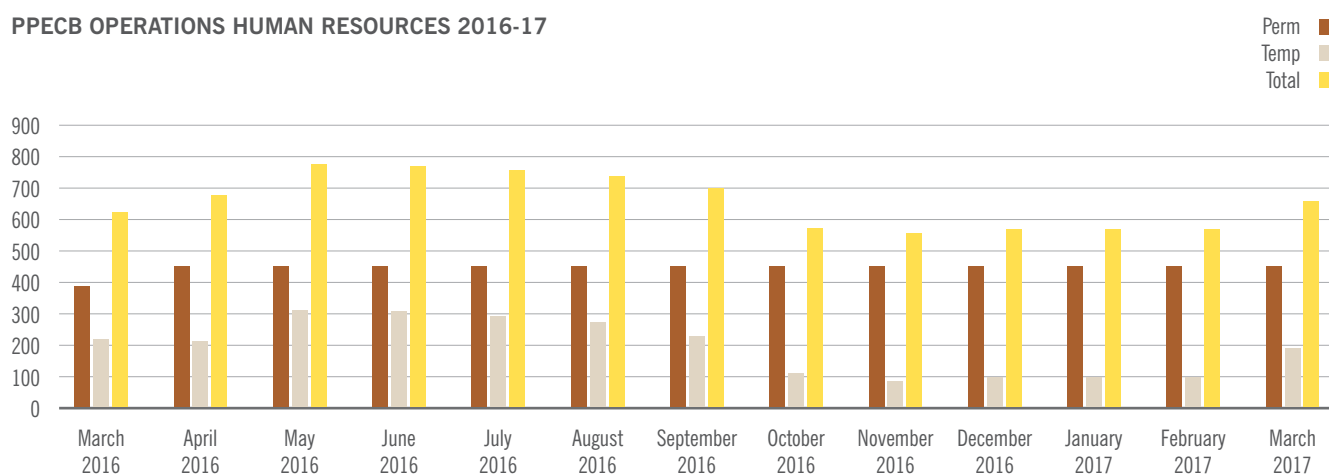
The laboratory ended the year with a shortfall of R2.74 million [21%] on income. This can be ascribed predominantly to the drought resulting in the lower-than-budgeted volumes of maximum residue limits [MRL] samples as resulting from the limited scope for MRL tests and the LC-MS/MS accreditation audit scheduled for May 2017.

In terms of expenditure, Operations is R10 652 587 [5%] below budget. The savings can be attributed to savings on direct activity costs.

## STAFF MATTERS

Operations employed 464 permanent staff members during the year under review. The number of temporary staff peaked in May at 321 employed. This is mainly due to the overlapping deciduous and citrus seasons.

PPECB OPERATIONS HUMAN RESOURCES 2016-17



In preparation for the EU Citrus Programme roll-out a total number of 35 inspectors were earmarked for orchard inspections and nine for phytosanitary certification.

PPECB staff in Inspection Services spent 20 261 days on relief duty and travelled approximately 4.9 million kilometres to ensure that services were delivered timeously and in accordance with stakeholder needs. The participation of all staff members and their dedication to cost containment under very difficult circumstances is appreciated.

The Agricultural Export Technologist Programme [AETP] has proven highly beneficial to the PPECB as a feeder programme for new appointees. During the 2016/17 financial year, 24 AETP participants were trained in operations. The PPECB is using this pool of 25 competent inspectors as temporary appointments to ensure service excellence and the fulfilment of client expectations. An initiative to increase the capacity of competent inspectors was commenced by Inspection Services through its unemployed graduate development programme. The programme aims to develop a pool of competent inspectors for entry into the agricultural sector. These candidates must undergo competency evaluations for entry level positions in product inspections. All the available participants exiting the AETP were appointed as unemployed graduates for the citrus season.

## CERTIFICATION

During the 2016/17 financial year, the certification desk processed 125 453 export certificates nationally, an increase of 10% compared to the previous fiscal year. These certificates represent more than 260 million cartons and 454 million kilogrammes of vegetables, flowers, canned products, dried fruit, rooibos [red bush] tea and other products. Mistakes were picked up in 7 143 certificates [an increase of 36% on the previous year] which had to be re-issued. A total of 5 482 certificates [a reduction of 23%] were cancelled for various reasons. In total, 10% of all certificates were cancelled and identified with mistakes.

## INSPECTION SERVICES

### EFFICIENCIES

The Operations Division achieved a 77.3% ratio of product related hours and a ratio of 68.7% billable hours [Table 1]. Unbillable hours include factors such as leave [11%], training [7%], meetings [1.4%] and administration [1.6%]. A productivity level of 98% was maintained, with the balance of unproductive time [2%] being the result of diminished activity in regions between seasons [particularly during October]. Customer satisfaction [Q78] was measured at 100% positive feedback received from the 1 084 respondents, while 768 [71%] rated the PPECB's services as excellent.

TABLE 1

EFFICIENCY RATIO	ACTUAL F2016/17	TARGET F2016/17	ACTUAL F2016
TOTAL HOURS	933,950	931,301	928,651
BILLABLE RATIO	68,70%	60,00%	68,90%
PRODUCT HOUR RATIO	77,30%	80,00%	76,70%
PRODUCTIVITY RATIO	98,30%	95,00%	90,40%



### TABLE GRAPES

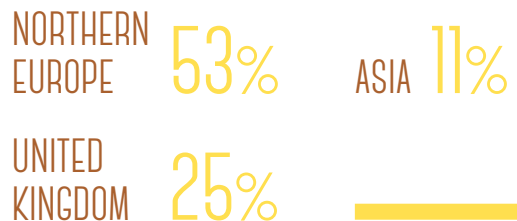
There has been a huge swing in the Western Cape from seeded to seedless grapes. The new grape plantings came into full production this season with higher volumes. The vineyards also recovered from the drought above expectations. The Lower Orange River recorded a record crop of 20.5 million in 4.5kg equivalent cartons. The Hex River and Berg River also recorded record crops of 22 million and 15.5 million in 4.5kg equivalent cartons, respectively. The Olifants River volumes were below the estimated 4.5 million cartons as a result of the impact of the drought and damages to the water canal. The Northern Division [Groblersdal] had an exceptionally good season and was 808 008 cartons [18.2%] above the budgeted volumes of 4.4 million cartons.

Year to date the carton volumes inspected for South Africa amounted to 60.75 million cartons – 45 368 [0.07%] cartons above budget. Total grape volumes with Namibia included amounts to 65.1 million cartons [4.9% above the budgeted 62.15 million cartons].

Volumes achieved were due to new plantings coming into full production and the swing to more seedless varieties with higher yields. Export destinations were primarily Northern Europe [53%], United Kingdom [25%] and Asia [11%].



### EXPORT DESTINATIONS





## POME FRUIT

The actual volumes inspected amounted to 45.6 million cartons, which was 10% below the budgeted volumes of 50.8 million cartons nationally. The Ceres region was 2.08 million cartons [11.8%], Grabouw 1.72 million cartons [7.9%], Langkloof 1 million cartons [16.8%] and the Paarl region 308 960 cartons [15.5%] below budget.

Volumes inspected were below budget due mainly to lower demand from our international markets. This was also as a result of the lower exports to oil producing countries such as Russia, Nigeria and Angola. In general, adverse weather conditions [heat waves and drought] have had a severe impact on volumes, specifically on the Ceres pome season.

Apples were exported primarily to the United Kingdom [19%], Asia [30%], Africa [28%] and the EU [9%]. The highest demand for pears came from the EU [45%], followed by the Far East [17%], Middle East [17%], Russia [8%] and the UK [6%].

45.6  
MILLION

CARTONS INSPECTED

10%

BELOW BUDGETED  
VOLUMES

[ for South Africa ] year to date

### APPLES EXPORTED

UNITED KINGDOM 19%  
ASIA 30%  
AFRICA 28%  
EU 09%

### PEARS EXPORTED

EU 45%  
FAR EAST 17%  
MIDDLE EAST 17%  
RUSSIA 08%  
UK 06%

## STONE FRUIT

Some stone fruit orchards had started to bloom before the beginning of winter and although the season commenced in September 2016 in the Paarl region - two weeks earlier - in general the season started later than the previous year. There were no peaks in the season but a rather steady pack-out with excellent export volumes. The drought had a definite impact on pack-out percentages and fruit size was smaller, with higher volumes. Whilst no significant internal quality problems were experienced, some fruit arrived on the overseas market soft without any known reason for this. The overseas market was very sensitive to the smaller fruit and there was a general decrease in the demand for peaches. Despite various new plum varieties planted with the potential for higher yields, the traditional high-volume varieties such as Laetitia and Songold have proved once again, this year, that they will remain varieties to be reckoned with in terms of yield.

The actual volume inspected year to date was 18.25 million cartons which is 4% below the budgeted volumes of 19 million cartons nationally. The plum crop was 11% higher than last season whilst nectarines were 3% higher.

Plums were exported mainly to the EU [51%], the UK [23%] and the Middle East [17%] while nectarines were exported primarily to the UK [46%], the EU [31%] and the Middle East [19%] and peaches to the Middle East [45%], UK [32%] and EU [15%].

18.25  
MILLION

CARTONS INSPECTED

04%

BELOW BUDGET

[ for South Africa ] year to date

### PLUMS EXPORTED

EU 51%  
UK 23%  
MIDDLE EAST 17%

### NECTARINES EXPORTED

UK 46%  
EU 31%  
MIDDLE EAST 19%

### PEACHES EXPORTED

MIDDLE EAST 45%  
UK 32%  
EU 15%

## CITRUS

The drought and heat conditions resulted in 112 million citrus cartons inspected during the 2016/17 financial year compared with 117 million cartons during the previous season - reflecting a 4.5% decline. Furthermore, the 2016/17 citrus season experienced a 5% decline in volumes inspected compared with the previous year. The Limpopo and Mpumalanga regions were most affected by the drought which also resulted in citrus trees producing smaller-sized fruit, thus contributing to the lower volumes. On a positive note, the dry conditions in South Africa were not favourable for the development of Citrus Black Spot [CBS]. During the 2013, 2014 and 2015 seasons, the EU reported 35, 28 and 15 CBS interceptions respectively. The four CBS interceptions reported during the 2016 citrus season was the lowest on record.

### CITRUS FRUIT EXPORT DESTINATIONS

DESTINATIONS	2014/15	2015/16	2016/17	2015/16 VS 2016/17
EUROPEAN UNION	444,439	486,863	493,973	1.4%
MIDDLE EAST	311,140	316,409	279,765	-11.5%
ASIA	289,141	301,756	273,408	-9%
UNITED KINGDOM	135,686	145,049	143,412	-1%
RUSSIAN FEDERATION	169,971	137,027	110,842	-19%
NORTH AMERICA	99,025	104,521	94,125	-10%
AFRICA	9,701	10,448	9,823	-6%
INDIAN OCEAN ISLANDS	8,863	8,086	9,888	22%
GRAND TOTAL	1,467,987	1,510,159	1,415,236	-6%

THE DROUGHT AND HEAT CONDITIONS RESULTED IN 112 MILLION CITRUS CARTONS INSPECTED DURING THE 2016/17 FINANCIAL YEAR COMPARED WITH 117 MILLION CARTONS DURING THE PREVIOUS SEASON - REFLECTING A 4.5% DECLINE.

OVERALL THE QUALITY WAS GOOD FOR THE ENTIRE SEASON.



## AVOCADOS

Total avocado volumes inspected for the period under review were 12.6 million cartons against 11.6 million cartons in the previous year. The primary destination was the European continent while very small volumes went to the UK, Russia and the Far and Middle East.

## LITCHIS

High volumes were yielded in the litchi season, especially in the Mpumalanga region from where 90% of the crop originates. A total volume of 3.9 million kilogrammes was inspected for the 2016/17 financial year compared with 3.1 million kilogrammes in the previous year. The dry conditions produced more flowering, which led to a good crop. Generally, quality was exceptionally good as was the size of the fruit and its internal quality. The United States [US] programme commenced at the beginning of the season but was short lived. More litchi bouquets were inspected as there appeared to be a high demand, especially from the EU market.



## MANGOES

The volumes inspected for mangoes have been the highest for the past five years. A total of 1.4 million cartons was inspected for the 2016/17 financial year. The primary markets for the crop were Africa and the Middle East. The bulk of the local crop was sent for drying.

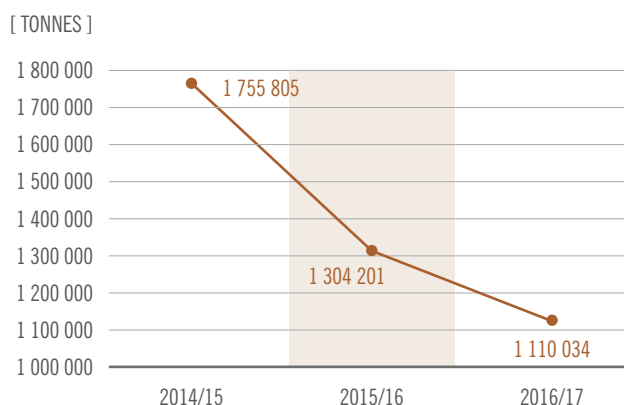


## GRAIN PRODUCTS INCLUDING MAIZE

Volumes for grain products were subdued again in 2016/17 due to the severe drought experienced in South Africa. Only 1 110 034 tonnes were exported - in contrast with the 1 755 805 tonnes exported in 2014/15.



## GRAIN PRODUCTS AND MAIZE VOLUMES



## TREE NUTS

During 2016 the DAFF commenced the regulation of tree nut exports, i.e. macadamia and pecan nuts and the PPECB was appointed as the assignee. The volumes inspected for in-shell tree nuts were low because of the drought. The main destination was China.



## VEGETABLES

For the past three years the volumes of vegetables inspected for exports have steadily been increasing. For the 2016/17 financial year, 105 832 961kg of vegetables were inspected for export. The major contributors to this volume were potatoes [37 904 624kg] followed by onions [29 856 384kg] while mini vegetables made up the balance. Over 95% of potatoes and onions are bound for the African market while the mini vegetable market destinations are split between Africa and the EU.





## PROJECT TITAN

During the period under review 31% of volumes were inspected using the Titan application - just exceeding the organisational Key Performance Indicator [KPI] of 30%. The 31% total represents 81.5 million cartons, of which table grapes represent 42%.

## COLD CHAIN SERVICES

Refrigerated container volumes shipped from South Africa continue to grow unabated with a 12% increase experienced in 2016/17. Inland, more facilities are being commissioned and equipped for container loading. This trend is also evident now in container loading for the cold treatment markets. Operations is resourcing and capacitating the inland regions to meet the increased growth in volumes in the cold treatment markets. Conversely, perishable products shipped by means of the conventional transportation mode continued to show a decline in volumes. During the 2016/17 fiscal year 175 469 pallets were shipped using the conventional mode equating to a 24% reduction in conventional volumes when compared with the previous year.

### NATIONAL CONTAINER INSPECTION

REASONS	TOTAL INSPECTED	TOTAL PASSED	REJECTED	% REJECTED	REASONS FOR REJECTIONS
CLEANLINESS	132 794	116 616	16 178	12%	Dirty, tainted or damaged panels, oxidation
TECHNICAL	130 149	130 111	38	0.03%	
TOTAL	262 943	246 727	16 216	6%	

## FOOD SAFETY AND TECHNICAL SERVICES

During mid-2016, the Food Safety and Technical Services Division [FSTS] was established as a division within the Operations department. Within the PPECB, this division is the custodian of technical policy, matters related to food safety and developments in market access within the technical sphere of the business. On a corporate level, the FSTS division is responsible for one of the four strategic programmes - Food Safety [FS] Services, embodied in the PPECB's business strategy.

### FOOD SAFETY PROGRAMME

For the 2016/17 year, the Food Safety Programme had set a target of 720 audits, comprising 250 ad-hoc audits and 470 South Africa Good Agricultural Practices [SAGAP] audits, respectively. In this regard, 724 audits were conducted during the review period, broken down into 275 ad-hoc audits, 398 SAGAP audits and 31 private sampling audits. The SAGAP certification serves as an alternative to commercial certifications for Good Agricultural Practices [GAP] and was directly affected by the drought. This led to fewer SAGAP audits being conducted by the programme for dry storage facilities [grain storage], enabling resources to carry out private sampling audits among an array of audit types during the past year.

Notable developments specific to the year under review include a constant decline of audits on vineyard packing [table grapes] as well as the exemption of food safety audits on the packing of pears in-orchard, which are now handled on an effective oversight

basis. For the first time, 60 audits were conducted on the practices of raisin producers. Following on the changes to the maritime legislation, the programme conducted 339 South African Maritime Safety Authority [SAMSA] audits among exporters and loading points, in addition to the R707 basket of services mentioned before.

### LABORATORY SERVICES

One of the highlights of the 2016/17 year include the recognition of the PPECB laboratory as an Officially Recognised Laboratory [ORL] for the testing of pesticide residues on regulated agricultural products destined for export. This recognition incorporates the responsibility of all ORLs to ensure that by December 2016, a minimum of 50% of the pesticide actives regulated under the Agricultural Pests Act [Act 36 of 1947] can be tested. The provisions of the associated Standard Operating Procedure [SOP] must also be met. Based on the above expectations, it is encouraging to report that the PPECB, as part of Project Phoenix, has increased the scope of its pesticide residue testing from 53 to a much improved 214 active ingredients - exceeding the DAFF's target of 50% of 341 actives by the end of 2016. The DAFF has also been updated on the PPECB's compliance to the SOP provisions, which are intertwined with the laboratory's ISO 17025 accreditation.

The PPECB laboratory prides itself on its turnaround times of 24 to 48 hours applicable to its mycotoxin analytical programme [MAP]. A large part of this programme focuses on grains and groundnuts, and so this section was severely impacted by the drought conditions in the major production areas. The relatively subdued period has subsequently been used to explore greater efficiencies in the pursuit of greater client competitiveness and in preparation for a future expanded service to its clients. A total of 6 482 samples were analysed in this specific analytical programme compared with a budgeted figure of 9 480 samples.

Dairy compositional analysis amounted to 3 131 samples - mainly on milk, cheese and yoghurt. A further notable development was our dairy analytical programme, which achieved SANAS accreditation during 2016/17. The inclusion of more types of analysis is prioritised continuously in pursuit of a one-stop-service in line with regulatory and customer requirements across all the related product groups/categories.

The Fats Analysis programme - testing for peroxide, moisture and free fatty acids - analysed 2 247 samples during the reporting period.

The total number of samples analysed by the laboratory during the 2016/17 year amounted to 12 726 while the total number of tests performed were 21 914.

## RESEARCH AND DEVELOPMENT

The PPECB continued to partner with industry sectors to perform collaborative research aimed at an improved South African product on the international market. During the 2016/17 period, contributions were made to the following research projects and industry partners:

- The ambient loading of citrus fruit [navels, valencias and mandarins] - Partner: Citrus Research International
- Nigerian citrus shipped at warmer temperatures - Partner: Shoprite [Pty] Ltd.
- Research into the identification of cooling practices in table grapes which may cause freezing/cooling damage to these grapes in the phytosanitary cold treatment export chain - Partner: South African Table Grape Industry
- The non-destructive quantification and prediction of the external and internal quality of table grapes - Partner: South African Table Grape Industry

This unit has also been involved in the handling of more than 100 cold chain-related dispensations during the reporting period.

## STANDARDS AND PROTOCOLS

This unit comprises two sections, namely Inspections and Cold Chain, and is responsible for all technical policy matters on product quality inspections and the cold chain within the PPECB fraternity. It also serves as the contact point with the DAFF on critical technical developments and ensures that inspectors and assessors receive technical instructions, amendments, dispensations and similar documentation on time on a daily basis. Another critical function is to respond to client queries timeously.



## LOOKING AHEAD

THE FOLLOWING WILL BE FOCUS AREAS FOR THE NEXT FINANCIAL YEAR:

- Cost containment is top of the agenda and consolidation opportunities will be explored, simultaneously with initiatives such as virtual offices for technical staff.
- PPECB Operations is determined to make a success of implementing the requirements of the EU Citrus Programme and to demonstrate, through the efficient and effective delivery of services to the DAFF and clients, that responsibility for this can be delegated on a more permanent basis to the PPECB.
- The laboratory will continue its expansion drive into the pesticide testing environment, especially so as to increase its revenue and sustainability.
- The PPECB will continue to work closely with the DAFF to pursue alternatives for the current end-point inspection methodology.
- A focused approach will be applied towards increasing the volumes inspected through the PPECB mobile technology platform [Titan].

# HUMAN CAPITAL

THE 2016/17 FINANCIAL YEAR WAS A CHALLENGING PERIOD IN WHICH THE HUMAN CAPITAL TEAM ACQUIRED ADDITIONAL UNITS, RESULTING IN FOCUS BEING PLACED ON THE INTEGRATION OF THESE UNITS. A NAME CHANGE WAS ALSO ADOPTED, FROM HUMAN RESOURCES TO HUMAN CAPITAL, TO MORE ACCURATELY REFLECT THE BROADER NATURE OF THE DIVISION'S SERVICE OFFERING.

One of the highlights during the year under review was that 24 of the 25 learners who participated in our flagship programme, the Agricultural Export Technologist Programme [AETP], successfully completed the programme and employment opportunities were created for all of them at the PPECB or in the industry [the student who did not complete the programme was given an opportunity to further her studies in Russia].

Another highlight was the increased number of farmers who received certificates for both primary production and pack houses, whereas in the previous year they only obtained primary production certificates. This is an encouraging trend as it indicates that previously certified farmers could access funding to grow their businesses.

## TALENT MANAGEMENT

During 2016/17 a framework was developed for formal talent management and succession planning. The talent management framework supports Strategic Objective Number 3, namely strengthening the organisation's capacity to provide a professional suite of services in providing an integrated approach to how the PPECB plans to attract, recruit, develop and retain talent that meets the current and future needs of our business. It provides a mechanism for organisation-wide analysis, visibility and monitoring of talent demand and supply.

During the period under review, the PPECB's talent management priorities were established and an Executive Management [EXCO] Talent Forum was conducted to ensure that the proposed talent and human capital processes are aligned to the PPECB's strategic priorities. We have started creating awareness and gaining input at Management Committee [MANCO] level and are now embarking on reviewing competency descriptions for all roles within the PPECB to lay the foundation for top talent selection, evaluation and development practices.

## ORGANISATIONAL DEVELOPMENT AND TRANSFORMATION

### EMPLOYMENT EQUITY

Quarterly meetings of 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 Forum has also provided input towards the integration of disability into the talent framework to ensure a more focused and holistic approach.

The PPECB ended the year 7% short of reaching its 2016/17 target of 60% African representation overall. As a remedial measure, the organisation is emphasising the recruitment and promotion of African males, African females, people with disabilities as well as white females to align to the Economically Active Population [EAP].

### ORGANISATIONAL DEVELOPMENT

The focus during the latter part of the financial year was to begin the journey of defining the culture of the organisation. Culture evolves, therefore it is important to review organisational culture from time to time to ensure that it remains relevant and aligned to the Organisational Strategy.



## HUMAN RESOURCES [HR]

### BUILDING ORGANISATIONAL HR MANAGEMENT CAPACITY

The need to build human resource capacity amongst line managers has become increasingly critical to the PPECB. This is especially important given the increasing responsibility and larger spans of control of line managers who frequently receive little or no training about how to be effective people managers as opposed to just functional experts who happen to supervise others. To this end, the organisation has improved its performance in relation to ensuring that line managers receive the appropriate level of practical and customised supervisory training. This training is designed to address both processes and softer skills such as emotional intelligence, crisis management, caring for employees, customer service, coaching, feedback essentials, difficult conversations, performance management and discipline. Just under 50 line managers, including chief inspectors, lead assessors, supervisors from support services and regional administrators received training during the reporting year.

### EMPLOYEE WELLNESS

All PPECB areas and regions in the country have received the CAREWAYS induction training to enable employees to utilise these services to the fullest. Additionally, line managers received management referral training to enable and support them to more fully incorporate effective wellness practices into their day-to-day management of people, as well as to know how to formally refer employees for counseling, when necessary. During this reporting year legal advice was the most frequently accessed service from the CAREWAYS services.

### EMPLOYEE RELATIONS

During the reporting year the following key themes or issues in employee relations within the PPECB were identified as requiring most of management's attention:

- Reviewing of the Recognition Agreement between the PPECB and Solidarity Union, especially the scope or bargaining unit of the agreement [i.e. which groups of workers the agreement covers] for the purposes of negotiations and consultation.
- Flexible work arrangements with the purpose of achieving a “work-life balance” for employees, allowing them to vary their working hours to suit individual requirements whilst ensuring service standards are maintained and core working hours are adhered to.
- Increasing employees’ voice within the organisation by strengthening engagement forums, rather than establishing a workplace forum, to advance and maintain high levels of employee engagement.
- A work-study on the use of temporary employees [“temps”] within the PPECB, which highlighted the challenges facing the organisation and identified possible solutions as far as the use of temporary employees is concerned.

## OCCUPATIONAL HEALTH AND SAFETY

All Occupational Health and Safety audits that were planned for the year were conducted successfully throughout the organisation. A review of the current Health and Safety Risk Register for the organisation was also completed. In order to ensure reasonable accommodation, a major project was undertaken to improve facilities for current and future employees living with disabilities, including all the emergency equipment needed to comply with legislated occupational health standards.



## LEARNING AND DEVELOPMENT

During the year in review all learning and development activities within the PPECB were consolidated. Three departments which all looked at various aspects of learning and development were merged into one, known as the Learning and Development Unit.

The three units were:

- The harmonisation programme, which focused mainly on the technical competency and uniformity of standards application of inspection and cold chain services staff through training and evaluations
- The training unit, which focused on soft skills, management and leadership training and scholarship funding for PPECB staff
- The development unit, which focused on the development of external stakeholders such as smallholder farmers, pack houses and other commercial entities

The newly formed Learning and Development Unit has enabled the PPECB to get a consolidated view of its true training spend on employees, as well as its contribution to the transformation of the industry via its development arm. In addition, resources across the three units are now shared which has created economies of scale and has reduced dependence on contract labour.

## REMUNERATION AND BENEFITS

The focus during the 2016/17 financial year was on consolidating the remuneration strategy. Remuneration will be used in the PPECB to attract people with the appropriate skill and experience, retain competent employees and reward outstanding performance. The PPECB therefore reviews its remuneration scales annually, taking into consideration labour market movements. A comprehensive bi-annual [every two years] survey is done to ensure competitiveness with specific comparator market remuneration scales.

## RETIREMENT FUND

All permanent employees are members of the PPECB Retirement Fund. Annually, we embark on a roadshow to promote the benefits offered. During the year in review 64% of employees attended the information sessions, an increase in attendance of 14% from 2015.

We also introduced the Pension Backed Lending [PBL] facility to employees. This facility, which is administered by Sanlam, was introduced to assist employees to meet their housing needs. The product was well received by employees as they can now access much-needed housing financing instead of retaining a benefit they can only access at retirement.

## CONCLUSION

In conclusion, although the year was challenging, a lot has been achieved and the division looks forward to the new financial year.



# INFORMATION & COMMUNICATIONS TECHNOLOGY

THE INFORMATION AND COMMUNICATIONS TECHNOLOGY [ICT] DIVISION PROVIDES AN INTEGRAL SERVICE FOR PPECB'S VALUE CHAIN AND BUSINESS ECOSYSTEM. IT CREATES AN INNOVATIVE FOUNDATION FOR DIGITAL TRANSFORMATION BY INCREASING EFFICIENCY, PRODUCTIVITY AND COMMUNICATION TO IMPROVE OUR SERVICE TO OUR STAKEHOLDERS AND TARGET MARKETS.

The PPECB's objective is to automate all manual business processes and reduce the use of paper. To this end, the inspection and export certification processes are in the advanced stages of achieving this goal. The remaining processes will follow. Cold chain is in the initiation phase.

## KEY ICT ACHIEVEMENTS

In the past year, the need to drive digital change was apparent, thus PPECB's technological environment is being adapted continuously to cater for evolving needs.

The following key goals were achieved:

- Roll-out of the Titan application for inspection and export certification to 520 activity points
- Achievement of approximately 50% of both grapes and stone fruit volumes on Titan
- Investment in an additional 200 tablets to provide services at inspection points
- Enhancement of the communication footprint and availability through the use of both Vodacom and MTN connectivity
- 100% availability on email

## TECHNOLOGY TRENDS

The technology landscape is continuously evolving, machines are getting smarter and new technology is changing the ways business operates traditionally. Thus, it is imperative for the PPECB to keep abreast of developments in order to remain relevant and competitive.

Some of the trends in technology of which to be aware include:

- Leveraging drone technology for quick delivery and efficient service
- Virtual, and augmented reality, e.g. the Google Daydream View headset and Microsoft HoloLens, to assist in areas such as training, productivity and service delivery
- The use of artificial intelligence to complete routine tasks usually requiring human intelligence, e.g. self-driving car technology
- Machine learning to assist in determining predictable outcomes, trends and forecasts
- Advancements in sensors, software and technology to allow devices to be interconnected and to talk to one another
- The transition to remote employees to allow for more flexible schedules, work from home, greater productivity and the potential for employers to access global talent
- Adaptive security architecture to protect the company's digital environment and proprietary information
- The drive for the 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:

- Automation within the cold chain process
- Implementation of business-driven Service Level Agreements [SLAs] to measure the ICT division's performance
- Finalisation of PPECB's technological roadmap and driving its implementation
- A focus on cost savings to create greater efficiencies
- Continuation of the digitisation of the business to improve efficiencies and productivity
- An increase in the volumes on the Titan application





## CHIEF FINANCIAL OFFICER'S REPORT

FOR THE YEAR  
ENDED 31 MARCH 2017

*When someone is going through a storm, your silent presence is more powerful than a million empty words* - Thema Davis

The audited financial results for the year ended 31 March 2017 is reflective of the PPECB's presence within the current subdued economic environment. Adverse weather conditions, including heat waves and droughts, severely impacted volumes, resulting in unfavourable statutory income to budget of R20 million. National Treasury's appeal of containing costs was heard and by re-prioritising certain projects in the short term and leveraging on technology, an expenditure saving of R18 million on budget was realised.

Yet, despite revenue targets not entirely achieved, the PPECB continued to deliver on its mandate of providing regulatory quality inspections, cold chain services and food safety certifications to producers and exporters of perishable products.

### BELOW IS A SUMMARY OF THE FINANCIAL RESULTS:

	2017/2016 [ZAR] '000	2016/2015 [ZAR] '000
Net result	1 848	1 805
Net assets	87 494	83 357
Non-current assets	32 596	25 918
Receivables	39 167	37 012
Cash and investments	49 451	57 548
Revenue	294 988	281 435
Investment revenue	3 662	4 647
Operating expenditure	296 778	284 276

### OPERATING RESULTS

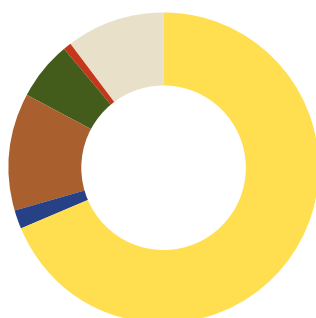
The PPECB's financials for the year ended 31 March 2017 reflected a surplus of R1.8 million which is constant with that of the 2016 financial year. The current year surplus is R4.2 million better than budget.

Total income reflected R299 million in comparison to last year's R286 million. The slight increase of 4% on last year is a direct result of significantly lower volumes on both inspections and cold chain, as well as reduced interest received due to cash reserves being used for the purchase of ICT and laboratory equipment.

Total expenditure for the year was R297 million whilst the previous year reflected R284 million [4% increase]. Reduced volumes triggered curtailing some activity expenditure, however the operating inspection model is resource and activity intensive and often non-responsive to volume reductions. Service costs in terms of employment expenditure are market driven and necessary to ensure the execution of the PPECB's long standing inspection mandate. Expenditure of depreciation and computer expenses is requisite to ensure embracing of technology, but the PPECB is attentive of improving the utilisation of ICT assets to create cost efficiencies.

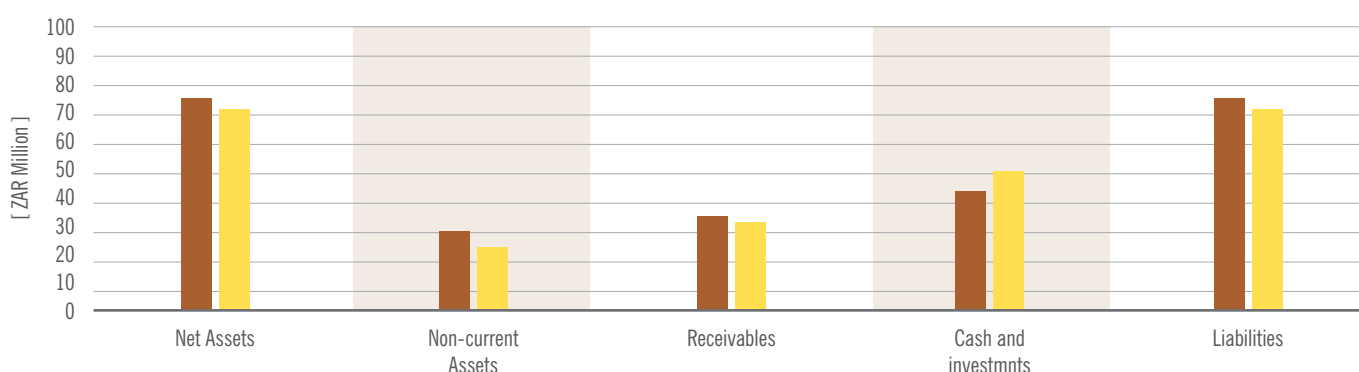
### COMPOSITION OF EXPENDITURE

[68%]	Employee
[2%]	Depreciation
[12%]	Activity Costs
[6%]	Computer
[1%]	Training
[10%]	Administrative



## ASSETS AND LIABILITIES

[ 2017 ] [ 2016 ]



## NET RESULTS

Despite adverse conditions in the agri-industry resulting in the unfavourable income to budget, the PPECB's net current asset position strengthened from R83 million on 31 March 2016 to R87 million on 31 March 2017.

Capital expenditure of R9.8 million was funded from accumulated reserves. The PPECB has no intention of borrowing funds in the foreseeable future and as such, part of the reserves are earmarked to ensure the sustained funding of replacement of fixed assets and for the self-insurance of ICT equipment. The continued expansion of Project Titan's scope allows for opportunities to significantly increase the use of technology to improve efficiencies. However, this will place considerable pressure on the general reserve of R51 million, which covers 17% of operating expenditure and is significantly lower than the target of 30%. The study of alternative approaches and methodologies of the operating inspection model is a continued action to ensure tolerance of the reserve.

Trade and other receivables increased by R2 million, a 6% increase on last year. The collection period is 35 days and bad debt of R37 000 was written off. This is 0.01% of statutory income, which is a laudable achievement in the current financial setting.

The R8 million [14%] reduction of cash and cash equivalents from R57 million to R49 million at financial year-end is directly attributable to the utilisation of cash for operating expenditure and investment into the upgrade of information technology, which is in alignment with the strategy of the PPECB.

The PPECB is mindful of the risk of cash reserves being utilised to make payment of contractual costs in the event of continued reduced income, and thus review of the organisational structure and strengthening relations with stakeholders, customers and suppliers is a focal area to allow for resource utilisation improvement.

## LOOKING AHEAD

The focus areas for the foreseeable future is to:

- Review organisational methodologies to improve efficiencies and contain cost
- Align organisational structure to better support goals and deliver increased value to the business
- Strengthen competencies in response to a changing environment
- Shift culture to better support the business in achieving its goals
- Identify technology to better integrate processes and support the business

## CONCLUSION

The PPECB's sound financial management practices and prudent financial efforts have once again resulted in an unqualified audit report which is consistent with prior years.

The finance team will continue to reconnoiter opportunities to add value to its stakeholders while at the same time providing the PPECB management with accurate and timely financial information to ensure the financial sustainability of the entity well into the future.

**JOHAN SCHWIEBUS**

CHIEF FINANCIAL  
OFFICER, THE PPECB

# REPORT OF THE

# AUDIT COMMITTEE

## OF THE BOARD

## AUDIT COMMITTEE STATEMENT OF RESPONSIBILITY

It is essential in any entity for the Audit Committee to be recognised as a pillar of accountability and transparency.

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 AND ARE REVIEWED ANNUALLY.

THE COMMITTEE'S RESPONSIBILITIES INCLUDE, BUT ARE NOT LIMITED TO, THE FOLLOWING MATTERS, WITH THE INTENTION OF BRINGING ANY RELEVANT ISSUES TO THE BOARD'S ATTENTION:

- Oversight on the integrity of the Annual Financial Statements
- Review of the quality of financial reporting and disclosures
- Consider reports from the PPECB's independent internal auditors
- Oversight of compliance with legal and regulatory requirements
- Oversight on safeguarding of the PPECB's assets
- Oversight on maintenance of adequate accounting records
- Oversight of risk management and internal control arrangements

### COMPOSITION

The PPECB Board appoints three independent, non-executive directors who have the requisite skills and experience to fulfil the Audit Committee's duties.

### INTERNAL CONTROLS

The Audit Committee is authorised to have full and unrestricted access to all the PPECB's activities, records, property and staff. It is within the scope of the Audit Committee's responsibilities to seek any information it requires from any employee and external party. Legal or other independent professional advice may be obtained.

The PPECB's internal control systems include well-defined lines of accountability and delegation of authority, and provide for full reporting and analysis against approved budgets. The Audit Committee is responsible for determining the adequacy, effectiveness and operation of these internal control systems, providing the assurance that assets are protected against material loss or unauthorised use and that transactions are correctly approved and adequately recorded.

In reviewing the findings of the internal audits, nothing has come to the attention of the Audit Committee to indicate any material breakdown in the internal controls, including the financial controls of the entity.

### RISK MANAGEMENT

In terms of the Public Finance Management Act [PFMA] [Act 1 of 1999] and Treasury Regulations, the Board must ensure that a risk assessment is conducted regularly to identify emerging risks. A risk management strategy, including a fraud prevention plan, was used to direct internal audit efforts and priorities, as well as to determine the skills required of management and staff to improve controls and to manage these risks.

### FINANCIAL REPORTING

Quarterly management reports are received and reviewed by the Audit Committee. It is the responsibility of management to ensure compliance of reporting in accordance with policies and required standards. The PPECB submitted quarterly reports to the Department of Agriculture, Forestry and Fisheries.





## EXTERNAL AUDIT AND EVALUATION OF THE ANNUAL FINANCIAL STATEMENTS

The Audit Committee reviewed the scope, performance, significant findings and recommendations made by the external auditors.

The Audit Committee has reviewed the following documents:

- The audited Annual Financial Statements
- The external auditor management letter and management's responses thereto
- The appropriateness of accounting policies and accounting practices
- The PPECB's compliance with legal and regulatory provisions
- The information on predetermined objectives to be included in the annual report
- Significant adjustments resulting from the audit

The Audit Committee has concluded that the Annual Financial Statements for the year ended 31 March 2017 complies, in all material aspects, with the South African Standards of Generally Recognised Accounting Practice [GRAP].

Furthermore, 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.

**CLIVE GARRETT**

CHAIRPERSON  
OF THE AUDIT COMMITTEE

26 June 2017









ANNUAL FINANCIAL

# STATEMENTS

2016 ANNUAL REPORT 2017

# 04





## PERISHABLE PRODUCTS EXPORT CONTROL BOARD ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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THE REPORTS AND  
STATEMENTS SET OUT BELOW  
COMPRISE THE ANNUAL  
FINANCIAL STATEMENTS  
PRESENTED TO THE  
PROVINCIAL LEGISLATURE:

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# BOARD RESPONSIBILITIES

## AND APPROVAL

The members are required by the Public Finance Management Act [Act 1 of 1999], to maintain adequate accounting records and are responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the members to ensure that the Annual Financial Statements fairly present the entity's state of affairs 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 Annual Financial Statements and were given unrestricted access to all financial records and related data.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice [GRAP], including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements are based upon appropriate accounting policies consistently applied 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. These 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 provided by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The members have reviewed the entity's cash flow forecast for the year to 31 March 2018 and, in 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 Annual Financial Statements. The Annual Financial Statements have been examined by the entity's external auditors and their report is presented on pages 48 to 49.

The Annual Financial Statements set out on pages 52 to 75, which have been prepared on the going concern basis, were approved by the board on 26 May 2017 and were signed on its behalf by:



**MR AG PETERSEN**

CHAIRPERSON,  
THE PPECB



**DR JM MASHABA**

VICE-CHAIRPERSON,  
THE PPECB

# INDEPENDENT AUDITOR'S REPORT

## TO THE BOARD OF THE PERISHABLE PRODUCTS EXPORT CONTROL BOARD

### Report on the Audit of the Separate Financial Statements

#### OPINION

We have audited the Separate Financial Statements of the Perishable Products Export Control Board set out on pages 52 to 75, which comprise the separate statement of financial position as at 31 March 2017, the separate statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amount for the year then ended, as well as notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the Separate Financial Statements present fairly, in all material respects, the financial position of the Perishable Products Export Control Board as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice [GRAP] and the requirements of the Public Finance Management Act, [Act No.1 of 1999] and Perishable Products Export Control Act, [Act No.9 of 1983].

#### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing [ISAs]. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Perishable Products Export Control Board in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors [IRBA Code] and other independence requirements applicable to performing audits of the consolidated Financial Statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants [Parts A and B]. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Separate Financial Statements of the current period. These matters were addressed in the context of our audit of the Separate Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

No such matters were identified during our audit.

#### OTHER INFORMATION

The Perishable Products Export Control Board accounting authority is responsible for the other information. The other information comprises the information included in the Annual Report which includes the Board's Responsibilities and Approval and Board Reports. The other information does not include the Separate Financial Statements, the auditor's report and those objectives in the entity's report on its performance against predetermined objectives that have been specifically reported on in the auditor's report.

Our opinion on the Separate Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Separate Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Separate Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE SEPARATE FINANCIAL STATEMENTS

The board members which constitutes the accounting authority are responsible for the preparation and fair presentation of the Separate Financial Statements in accordance with South African Standards of Generally Recognised Accounting Practice [GRAP] and the requirements of the Public Finance Management Act, [Act No.1 of 1999] and Perishable Products Export Control Act, [Act No.9 of 1983] and for such internal control as the accounting authority determines is necessary to enable the preparation of the Separate Financial Statements that are free from material misstatement, whether due to fraud or error. In preparing the Separate Financial Statements, the accounting authority is responsible for assessing the Perishable Products Export Control Board ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the Perishable Products Export Control Board or to cease operations, or has no realistic alternative but to do so.

#### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

#### WE ALSO:

- Identify and assess the risks of material misstatement of the Separate Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Perishable Products Export Control Board internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board members.
- Conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Perishable Products Export Control Board ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Separate Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Perishable Products Export Control Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Separate Financial Statements, including the disclosures, and whether the Separate Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Perishable Products Export Control Board to express an opinion on the Separate Financial Statements. We are responsible for the direction, supervision and performance of the Perishable Products Export Control Board audit. We remain solely responsible for our audit opinion.

We communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the accounting authority with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the Public Audit Act 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 2017:

- 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 Managing Programme Performance Information [FMPP].

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 Public Audit Act.

## 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.

*Sizwe Ntsaluba Gobodo Inc.*

**Sizwe Ntsaluba Gobodo Inc.**

Director: Natalie Arendse

Registered Auditor

Date: 26 May 2017

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

# BOARD REPORT

## 01. INTRODUCTION

In terms of the Perishable Products Export Control Act [Act 9 of 1983] [PPEC Act] and the Public Finance Management Act [Act 1 of 1999] [PFMA] this report addresses the performance of the Perishable Products Export Control Board [PPECB] and relevant compliance with statutory requirements.

In the opinion of the board, which fulfills 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 2017 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 2017.

## 02. OUR STATUTORY BASIS

As a national public entity, the PPECB is constituted and mandated in terms of the PPEC Act to perform cold chain services. The PPECB was established in 1926.

## 03. 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 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 those of the European Union inspection bodies and therefore ensures less frequent checks at the port of import into the European Union.

## 04. 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 of ensuring the integrity of our customers' products. This mission is further underpinned by the PPECB values of:

- Professionalism, Accountability, Passion, Integrity, Confidence and Collaboration

## 05. BOARD

The constitution of the board is prescribed by the PPEC Act which requires that nine [9] and a maximum of ten [10] members be appointed by the Executive Authority. As at the date of this report, there were ten [10] members, all of whom are non-executive members.

NAME	INDUSTRY	CHANGES	
Ms JM Atwood-Palm	Fruit & Vegetable Canning	Re-appointed	01 Dec 2016
Mr CG Garrett	Subtropical	Appointed	01 Dec 2016
Mr KB Katoo	Citrus	Appointed	01 Dec 2016
Mr AJ Kruger	Pome & Stone	Appointed	01 Dec 2016
Dr JM Mashaba	Deciduous	Re-appointed	01 Dec 2016
Mr AG Petersen	Other Products	Re-appointed	01 Dec 2016
Mr RM Ramasodi	Ministerial Representative	Appointed	01 Dec 2016
Ms E Scholtz	Table Grapes	Re-appointed	01 Dec 2016
Mr AM Shipalana	Marine	Appointed	01 Dec 2016
Ms M Slabber	Citrus	Appointed	01 Dec 2016
Ms CH Engelbrecht	Citrus	Resigned	30 Nov 2016
Ms LC Kutta	Citrus	Resigned	30 Nov 2016
Mr A Rabe	Deciduous	Resigned	30 Nov 2016
Mr WS Steenkamp	Ministerial Representative	Resigned	30 Nov 2016
Mr DJ Westcott	Subtropical	Resigned	30 Nov 2016

The tenure of office for the members of the board shall not exceed three [3] years, as per the conditions determined by the Executive Authority.

## 06. BOARD MEETINGS

The board meets at least four [4] times per annum, or as circumstances necessitate. 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. In February 2017, at its inaugural meeting, the board elected to replace the ICT and Laboratory committees with a strategic projects committee, which will focus on all strategic projects of the PPECB, including ICT and Laboratory.

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

## 07. CHANGES IN EXECUTIVES

There were no changes in executive management during the year under review.

## 08. BOARD MEMBERS INTEREST IN CONTRACTS

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

## 09. 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 [2016: surplus of R1.8 million] for the year ended March 2017. The financial review provides further details regarding financial performance.

## 10. FINANCIAL STATEMENTS

The board confirms 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 52 to 75 have been prepared in accordance with 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 auditors report is set out on pages 48 to 49.

## 11. GOING CONCERN

The board reviewed and approved the PPECB's financial budgets for the period 1 April 2017 to 31 March 2018 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 plan, together with associated budgets, is 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 has identified as some of its biggest challenges the cost of doing business, financial performance of the laboratory and the retention of core technical skills. 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 Shareholders' 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 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, barring two.

## 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 [4] 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 464 [2016: 395] permanent employees and 24 [2016: 51] fixed-term contract workers as at 31 March 2017.

## 18. EVENTS SUBSEQUENT TO REPORTING DATE

The members of the board are not aware of any matters or circumstances arising since the end of the financial year, not otherwise dealt with in the Financial Statements, which 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 9 of 1983] and the Agriculture Products Standards Act [Act 119 of 1990].

The board believes 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 1 of 1999], the Treasury Regulations and the Income Tax Act [Act 58 of 1962].

## 20. AUDITORS

The board appointed SizweNstalubaGobodo Incorporated as the PPECB's external auditors, which was ratified by the Auditor General.



## STATEMENT OF *FINANCIAL POSITION*

AS AT 31 MARCH 2017

	NOTES	2017	2016
		[ZAR]	[ZAR]
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Trade and other receivables	4	39,167,120	37,012,622
Investments	5	21,291,679	36,297,780
Cash and cash equivalents	6	28,159,788	21,249,879
		88,618,587	94,560,281
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	32,595,891	25,918,478
<b>TOTAL ASSETS</b>		121,214,478	120,478,759
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	32,768,718	26,973,909
Provisions	11	951,870	10,148,134
		33,720,588	37,122,043
<b>TOTAL LIABILITIES</b>		33,720,588	37,122,043
<b>NET ASSETS</b>		87,493,890	83,356,716
<b>Reserves</b>			
Revaluation reserve		14,716,203	12,426,576
Asset replacement fund	8	15,852,000	11,663,000
Self-insurance reserve	9	6,332,000	6,023,000
Reserve fund		50,593,687	53,244,140
<b>TOTAL NET ASSETS</b>		87,493,890	83,356,716

## STATEMENT OF *FINANCIAL PERFORMANCE*

AS AT 31 MARCH 2017

	NOTES	2017	2016
		[ZAR]	[ZAR]
Revenue	13	293,722,268	279,390,176
Other income	12	1,265,448	2,045,098
Operating expenses	15, 16	[296,778,277]	[284,276,227]
<b>OPERATING DEFICIT</b>		[1,790,561]	[2,840,953]
Investment revenue	14	3,661,895	4,646,666
Finance costs	17	[23,787]	[1,016]
<b>SURPLUS FOR THE YEAR</b>		1,847,547	1,804,697

# STATEMENT OF *CHANGES IN Net Assets*

AS AT 31 MARCH 2017

	REVALUATION RESERVE	ASSET REPLACEMENT RESERVE	SELF- INSURANCE RESERVE	RESERVE FUND	TOTAL RESERVES	SURPLUS LEVY FOR DISPOSAL	TOTAL NET ASSETS
	[ZAR]	[ZAR]	[ZAR]	[ZAR]	[ZAR]	[ZAR]	[ZAR]
<b>BALANCE AT 01 APRIL 2015</b>	12,426,576	9,805,000	5,220,000	54,100,443	81,552,019	-	81,552,019
<b>CHANGES IN NET ASSETS</b>							
Transfer to asset replacement fund	-	1,858,000	-	[1,858,000]	-	-	-
Transfer to self-insurance fund	-	-	803,000	[803,000]	-	-	-
Surplus 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]
<b>BALANCE AT 01 APRIL 2016</b>	12,426,576	11,663,000	6,023,000	53,244,140	83,356,716	-	83,356,716
<b>CHANGES IN NET ASSETS</b>							
Transfer to asset replacement fund	-	4,189,000	-	[4,189,000]	-	-	-
Transfer to self-insurance fund	-	-	309,000	[309,000]	-	-	-
Revaluation of land and buildings	2,289,627	-	-	-	2,289,627	-	2,289,627
Surplus for the year	-	-	-	-	1,847,547	1,847,547	3,695,094
Transfer from surplus levy for disposal in terms of Section 18[8] and [9] of Act 9 of 1983	-	-	-	1,847,547	1,847,547	-	1,847,547
Transfer to reserve fund	-	-	-	-	[1,847,547]	[1,847,547]	[3,695,094]
<b>BALANCE AT 31 MARCH 2017</b>	14,716,203	15,852,000	6,332,000	50,593,687	87,493,890	-	87,493,890
Note[s]		8	9				

# CASH FLOW STATEMENT

AS AT 31 MARCH 2017

	NOTES	2017	2016
		[ZAR]	ZAR
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>RECEIPTS</b>			
Rendering of services		292,833,220	276,970,305
Interest received - investment		3,661,895	4,646,666
		296,495,115	281,616,971
<b>PAYMENTS</b>			
Employee costs		[217,260,654]	[191,981,987]
Suppliers		[77,750,789]	[92,223,951]
Finance costs		[23,787]	[1,016]
		[295,035,230]	[284,206,954]
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	18	1,459,885	[2,589,983]
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	7	[9,751,761]	[6,717,345]
Proceeds from sale of property, plant and equipment	7	195,684	75,413
Movement in investments		15,006,101	5,464,306
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		5,450,024	[1,177,626]
Net increase / [decrease] in cash and cash equivalents		6,909,909	[3,767,609]
Cash and cash equivalents at the beginning of the year		21,249,879	25,017,488
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	6	28,159,788	21,249,879



# ACCOUNTING POLICIES

## 01. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice [GRAP], issued by the Accounting Standards Board in accordance with Section 91[1] of the Public Finance Management Act [Act 1 of 1999].

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African rand.

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual Financial Statements, are disclosed below. These accounting policies are consistent with the previous period, except for the changes set out in the note changes in accounting policy.

### 1.1 COMMITMENTS

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the Financial Statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost [for example, contracts for computer or building maintenance services]
- Contracts should relate to something other than the routine, steady, state business of the entity - therefore salary commitments relating to employment contracts or social security benefit commitments are excluded

### 1.2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in these statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the Annual Financial Statements.

SIGNIFICANT JUDGEMENTS INCLUDE:

#### Trade receivables / Held to maturity investments and/or loans and receivables

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

#### Fair value estimation

The carrying value, less impairment provision of trade receivables and payables, are 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 entity for similar financial instruments.

#### Provisions

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

#### Post-retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost [income] include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

#### Allowance for doubtful debts

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

### 1.3 PROPERTY, PLANT AND EQUIPMENT

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.

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 life, 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 life is the period over which an asset is expected to be used and is summarised as follows:

ITEM	AVERAGE	USEFUL LIFE
Buildings	Straight line	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

### 1.4 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.

## 1.5 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.

## 1.6 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.

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 in accordance with the Standard of 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

## 1.7 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 have 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.



## 1.8 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 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.

## 1.9 EMPLOYEE BENEFITS

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

A constructive obligation is an obligation that derives from an entity's actions where by 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

The entity recognises 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 recognise 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
- 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.

## 1.11 TAX

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

## 1.12 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.13 IRREGULAR EXPENDITURE

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

- [a] This Act
- [b] The State Tender Board Act, [Act 86 of 1968], or any regulations made in terms of the Act; or
- [c] Any provincial legislation providing for procurement procedures in that provincial government

National Treasury Practice Note no. 4 of 2008/2009, which was issued in terms of sections 76[1] to 76[4] of the PFMA, requires the following [effective from 1 April 2008]:

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year-end and/or before finalisation of the Financial Statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is required, with the exception of updating the note to the Financial Statements.

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

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

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

### 1.14 SEGMENT INFORMATION

A segment is an activity of an entity:

- That generates economic benefits or service potential [including economic benefits or service potential relating to transactions between activities of the same entity]
- Whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance
- For which separate financial information is available

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

### Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's Financial Statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and the segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's Financial Statements.

### 1.15 BUDGET INFORMATION

The PPECB is subject to budgetary limits in the form of appropriations or budget authorisations [or equivalent], which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the PPECB shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 01/04/2016 to 31/03/2017.

The statement of comparison of budget and actual information has been included in the Annual Financial Statements as the recommended disclosure when the Annual Financial Statements and the budget are on the same basis of accounting as determined by National Treasury. Refer to note 26.

### 1.16 RELATED PARTIES

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

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

### 1.17 EVENTS AFTER REPORTING DATE

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

- those that provide evidence of conditions that existed at the reporting date [adjusting events after the reporting date]
- those that are indicative of conditions that arose after the reporting date [non-adjusting events after the reporting date]

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

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



# NOTES

## TO THE ANNUAL FINANCIAL STATEMENTS

## 02. NEW STANDARDS AND INTERPRETATIONS

### 2.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

Management has considered the standards below and concluded that the standards may have an impact on the disclosure notes of the entity; this will be reviewed in the future. The Minister of Finance has yet to set an effective date.

- GRAP 20: Related parties

### 2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE OR RELEVANT

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. The Minister of Finance has yet to set an effective date.

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

## 03. 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 members of the board acknowledge their responsibility for establishing and communicating appropriate risk and control policies and ensuring adequate risk management processes are in place. The audit committee assists the members of the board in discharging their 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.

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	2017	2016
		[ZAR]	[ZAR]
ABSA	BB+	11,786,407	23,277,847
Nedbank	BB+	7,227,745	17,620,858
Rand Merchant Bank	BB+	1,096,828	1,021,220
Standard Bank	BB+	29,335,985	15,387,517
		49,446,965	57,307,442

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:

	2017	2016
	[%]	[%]
Citrus fruit	38 %	40 %
Grapes	23 %	21 %
Pome fruit	16 %	16 %
Stone fruit	6 %	5 %
Subtropical fruit	4 %	3 %
Vegetables	6 %	4 %
Flowers and bulbs	1 %	1 %
Canned products	1 %	1 %
Other products	3 %	6 %
Maize	2 %	3 %
	100 %	100 %

#### FAIR VALUE ESTIMATION

The carrying value less impairment provision of trade receivables and payables are 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 members 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 reserves is dependent on the approval of the Minister of the Department of Agriculture, Forestry and Fisheries.

## 04. TRADE AND OTHER RECEIVABLES

	2017	2016
	[ZAR]	[ZAR]
Trade debtors	36,325,327	34,910,197
Sundry debtors	2,852,008	2,161,431
Provision for impairment of receivables	[10,215]	[59,006]
	39,167,120	37,012,622

### 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 2017, R60 948 [2016: R178 720] were past due but not impaired. These relate to a number of independent customers for whom there is no recent history to default.

THE AGEING OF AMOUNTS PAST DUE BUT NOT IMPAIRED IS AS FOLLOWS:

	2017	2016
	[ZAR]	[ZAR]
Between 60 and 90 days after statement	60,948	178,720

### TRADE AND OTHER RECEIVABLES IMPAIRED

As of 31 March 2017, trade and other receivables of R10 215 [2016: R59 006] were impaired and provided for. The individually impaired receivables mainly relate to producers and exporters, who are in unexpectedly difficult economic situations.

THE AGEING OF THESE RECEIVABLES IS AS FOLLOWS:

	2017	2016
	[ZAR]	[ZAR]
Less than one year	6,854	54,491
Between one and three years	3,361	4,515
	10,215	59,006
<b>RECONCILIATION OF PROVISION FOR IMPAIRMENT OF TRADE AND OTHER RECEIVABLES</b>		
Opening balance	59,006	100,405
Provision for impairment	6,854	59,006
Amounts written off as uncollectible	[37,031]	[5,219]
Unused amounts reversed	-	[95,186]
Amounts recovered	[18,614]	-
	10,215	59,006



## 05. INVESTMENTS

	2017	2016
	[ZAR]	[ZAR]
ABSA	10,196,507	23,008,007
Nedbank	-	12,273,509
Rand Merchant Bank	1,095,172	1,016,264
Standard Bank	10,000,000	-
	21,291,679	36,297,780

## 06. CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS CONSIST OF:

	2017	2016
	[ZAR]	[ZAR]
Cash on hand	4,502	4,180
Bank balances	9,540,282	12,262,309
Short-term deposits	18,615,004	8,983,390
	28,159,788	21,249,879

The effective interest rate is between 0.100% and 8.275%.

A Standard Bank guarantee was issued to Brancroft Investments CC, in terms of the Montague Garden's office rental agreement; amounting to R74 500 [2016: R74 500].

## 07. PROPERTY, PLANT AND EQUIPMENT

	2017			2016		
	COST / VALUATION	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE	COST / VALUATION	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE
	[ZAR]	[ZAR]	[ZAR]	[ZAR]	[ZAR]	[ZAR]
Land and buildings	16,880,000	[102,569]	16,777,431	14,550,000	[372,819]	14,177,181
Furniture	4,309,664	[2,674,343]	1,635,321	3,683,111	[2,346,981]	1,336,130
Motor vehicles	212,281	[159,682]	52,599	212,281	[117,226]	95,055
Technical equipment	27,602,848	[13,472,308]	14,130,540	21,904,398	[11,594,286]	10,310,112
Total	49,004,793	[16,408,902]	32,595,891	40,349,790	[14,431,312]	25,918,478

### RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2017

	OPENING BALANCE	ADDITIONS	DISPOSALS	REVALUATIONS	DEPRECIATION	TOTAL
	[ZAR]	[ZAR]	[ZAR]	[ZAR]	[ZAR]	[ZAR]
Land and buildings	14,177,181	413,192	-	2,289,627	[102,569]	16,777,431
Furniture	1,336,130	699,995	[7,546]	-	[393,258]	1,635,321
Motor vehicles	95,055	-	-	-	[42,456]	52,599
Technical equipment	10,310,112	8,638,574	[188,138]	-	[4,630,008]	14,130,540
	25,918,478	9,751,761	[195,684]	2,289,627	[5,168,291]	32,595,891

### RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2016

	OPENING BALANCE	ADDITIONS	DISPOSALS	DEPRECIATION	TOTAL
	[ZAR]	[ZAR]	[ZAR]	[ZAR]	[ZAR]
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

### REVALUATIONS

CAPE TOWN - Erf 19927, Parow with office building thereon:

The property was revalued by DJB Hoffman, an independent registered valuer as at 1 February 2017. 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 31 January 2017. 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 re-valued independently every three years.

## 08. ASSET REPLACEMENT FUND

	2017	2016
	[ZAR]	[ZAR]
Opening balance	11,663,000	9,805,000
Transfer from reserve fund	4,189,000	1,858,000
	15,852,000	11,663,000

## 09. SELF-INSURANCE RESERVE

	2017	2016
	[ZAR]	[ZAR]
Opening balance	6,023,000	5,220,000
Transfer from reserve fund	309,000	803,000
	6,332,000	6,023,000

## 10. TRADE AND OTHER PAYABLES

	2017	2016
	[ZAR]	[ZAR]
Accrued expenses	3,442,816	2,693,162
Accrued leave pay	10,176,342	10,045,177
Agricultural product samples	117,537	580,849
Deposits received	6,542,031	6,235,631
Payroll control accounts	1,570,887	1,456,633
Provision for audit fees	349,973	316,665
Trade payables	9,238,205	5,645,792
SAMSA audits	1,330,927	-
	32,768,718	26,973,909



## 11. PROVISIONS

### RECONCILIATION OF PROVISIONS - 2017

	OPENING BALANCE	UTILISED DURING THE YEAR	REVERSED DURING THE YEAR	TOTAL
	[ZAR]	[ZAR]	[ZAR]	[ZAR]
Provision for performance bonus	9,000,000	[8,377,537]	[622,463]	-
Long service award	1,148,134	-	[196,264]	951,870
	10,148,134	[8,377,537]	[818,727]	951,870

### RECONCILIATION OF PROVISIONS - 2016

	OPENING BALANCE	ADDITIONS	UTILISED DURING THE YEAR	REVERSED DURING THE YEAR	TOTAL
	[ZAR]	[ZAR]	[ZAR]	[ZAR]	[ZAR]
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

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 R951 870 [2016: R1 148 134].

## 12. OTHER INCOME

	2017	2016
	[ZAR]	[ZAR]
Sundry income	1,265,448	2,045,098

## 13. REVENUE

	2017	2016
	[ZAR]	[ZAR]
APS inspection services	189,063,307	176,093,607
PPECB export services	78,461,734	74,102,170
PPECB container services	7,929,056	7,316,280
PPECB other services	2,852,762	2,630,365
Food safety certifications	2,713,728	3,508,227
Laboratory income	10,513,509	13,413,569
Transformation and development services	906,709	1,725,958
Development services	1,281,463	600,000
	293,722,268	279,390,176

## 14. INVESTMENT REVENUE

	2017	2016
	[ZAR]	[ZAR]
Interest revenue - bank	3,661,895	4,646,666

## 15. OPERATING EXPENSES

	2017	2016
	[ZAR]	[ZAR]
Accommodation office	11,262,578	11,307,047
Administration expenses	5,303,111	5,905,072
Auditors remuneration	464,899	444,216
Bad debt expense	[11,761]	1,258
Board members' emoluments	969,304	1,355,544
Computer expenses	16,984,137	14,951,919
Consultants	1,167,234	4,481,225
Corporate identity	2,779,293	2,136,995
Courier samples	510,352	845,802
Depreciation	5,168,291	3,469,819
Insurance	400,886	477,603
Legal fees	105,207	106,627
Loss on disposal of assets	195,691	75,413
Meetings and workshops	4,056,302	2,982,175
Subsistence and accommodation	15,404,436	14,160,401
Technical - equipment, laboratory, labels	6,863,256	6,496,006
Training	4,003,270	4,078,816
Travel administrative	1,509,209	1,839,623
Travel operational	10,821,364	17,844,437
Travel overseas	655,182	405,842
Wasteful expenditure	101,647	18,940
	88,713,888	93,384,780

## 16. EMPLOYEE COMPENSATION AND BENEFITS

	2017	2016
	[ZAR]	[ZAR]
Salaries and wages	191,454,902	176,493,376
Defined contribution costs - retirement fund	16,609,487	14,398,071
	208,064,389	190,891,447

## 17. FINANCE COSTS

	2017	2016
	[ZAR]	[ZAR]
Finance charges	23,787	1,016

## 18. CASH GENERATED FROM [USED IN] OPERATIONS

	2017	2016
	[ZAR]	[ZAR]
Surplus	1,847,547	1,804,697
<b>ADJUSTMENTS FOR:</b>		
Movements in provisions	[9,196,264]	[1,090,540]
Depreciation	5,168,291	3,469,819
<b>CHANGES IN WORKING CAPITAL:</b>		
Trade and other receivables	[2,154,498]	[4,464,969]
Trade and other payables	5,794,809	[2,308,990]
	1,459,885	[2,589,983]

## 19. AUDITORS' REMUNERATION

	2017	2016
	[ZAR]	[ZAR]
Professional fees	464,899	444,216

## 20. TAXATION

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



## 21. BOARD MEMBERS' EMOLUMENTS

	2017	2016
	[ZAR]	[ZAR]
Ms JM Atwood-Palm	101,312	129,133
Ms CH Engelbrecht	62,204	109,841
Mr CG Garrett	32,870	-
Mr KB Katoo	30,502	-
Mr AJ Kruger	30,502	-
Ms LC Kutta	40,270	113,376
Dr JM Mashaba	140,720	194,166
Mr AG Petersen	176,525	278,071
Mr A Rabe	65,707	119,950
Ms E Scholtz	99,777	136,114
Mr AM Shipalana	30,502	-
Ms M Slabber	30,502	-
Mr W Steenkamp	65,707	149,549
Mr DJ Westcott	62,204	125,344
	969,304	1,355,544
<b>KEY MANAGEMENT COMPENSATION</b>		
Salaries	7,478,460	9,372,204
Defined contribution costs - retirement fund	1,612,701	1,840,713
	9,091,161	11,212,917

## 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.

PPECB rendered services of R14 052 542 [2016: R16 513 728] to companies on which some of the members of the board serve. The prior year's amounts were restated to include credit notes not reflected previously.

The outstanding debtors' balances of these companies totaled R1 243 403 [2016: R1 339 405].

## RELATED PARTY BALANCES

BOARD MEMBERS	2017	2016
	[ZAR]	[ZAR]
Ms CH Engelbrecht - Van Doorn South Africa [Pty] Ltd	18,931	49,625
Mr CG Garrett - Bertie Van Zyl [Pty] Ltd	123,952	-
Mr AG Petersen - Capespan South Africa [Pty] Ltd	426,381	789,881
Mr AG Petersen - Contour Logistics [Pty] Ltd	612,530	501,653
Mr A Rabe - Proteus Logistics & Marketing [Pty] Ltd	5,790	-
Ms E Scholtz - Farmacres 25 [Pty] Ltd	-	[132]
Ms E Scholtz - South African Table Grape Industry [NPC]	32,239	-
Mr AM Shipalana - In X-Freight [Pty] Ltd	17,563	-
Mr DJ Westcott - C. Tabanelli Export [Pty] Ltd	6,017	[1,622]
	1,243,403	1,339,405

## RELATED PARTY TRANSACTIONS

BOARD MEMBERS	2017	2016
	[ZAR]	[ZAR]
Ms CH Engelbrecht - Piet Engelbrecht Trust	363,206	361,145
Ms CH Engelbrecht - Van Doorn South Africa [Pty] Ltd	466,759	676,393
Mr CG Garrett - Bertie Van Zyl [Pty] Ltd	179,506	-
Mr AG Petersen - Capespan South Africa [Pty] Ltd*	4,673,676	6,969,330
Mr AG Petersen - Contour Logistics [Pty] Ltd	7,963,506	8,017,275
Mr A Rabe - Proteus Logistics & Marketing [Pty] Ltd	68,964	51,861
Ms E Scholtz - South African Table Grape Industry [NPC]	221,454	353,560
Mr AM Shipalana - In X-Freight [Pty] Ltd	49,301	-
Mr DJ Westcott - C. Tabanelli Export [Pty] Ltd	66,170	84,164
	14,052,542	16,513,728

\* Comparative amount adjusted to account for credit notes

DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES	2017	2016
	[ZAR]	[ZAR]
Agri-Export Technologist Programme	600,000	600,000
Joint Venture - Transformation and Development [refer to note 24]	500,000	500,000
Agricultural Research Council	265,676	-
Western Cape Department of Agriculture through CASIDRA	164,242	-
	1,529,918	1,100,000

## 23. FRUITLESS AND WASTEFUL EXPENDITURE

	2017	2016
	[ZAR]	[ZAR]
Changes in travel arrangements due to cancelled or rescheduled meetings	4,278	16,000
Charges for late payments to creditors	3,341	77
Unapproved expenditure for consumables	-	2,864
Unapproved expenditure for data charges	93,798	-
	101,417	18,941

## 24. COMMITMENTS

### OPERATING LEASES - AS LESSEE [EXPENSE]

	2017	2016
	[ZAR]	[ZAR]
<b>MINIMUM LEASE PAYMENTS DUE</b>		
- within one year	5,484,116	4,148,090
- in second to fifth year inclusive	12,998,184	11,818,289
- later than five years	696,688	843,729
	19,178,988	16,810,108
<b>JOINT VENTURE - DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES</b>		
Training and Development Programmes	1,000,000	1,500,000
	1,000,000	1,500,000

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 711 633 to date. The Department of Agriculture, Forestry and Fisheries further committed to annual payments of R500 000 up until June 2020.

## 25. IRREGULAR EXPENDITURE

	2017	2016
	[ZAR]	[ZAR]
Opening balance	-	37,206
Condoned during the year [1]	-	[37,206]
Emergency repairs to laboratory specialised pump [2]	10,226	-
Procurement of pre-printed books [3]	73,457	-
	83,683	-

[1] 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.

[2] During the year, only one quote was obtained, to have emergency repairs conducted on a specialised pump. Due to the urgent nature of the repairs, prior approval was not obtained from the CEO, which is a deviation from Treasury Regulations.

[3] During the year, pre-printed books were procured from a supplier whose contract had expired. Prior approval was not obtained from the CEO, which is a deviation from Treasury Regulations.

## 26. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL

	APPROVED BUDGET	ACTUAL AMOUNT	VARIANCE	EXPLANATION
	[ZAR]	[ZAR]	[ZAR]	
Revenue	319,315,988	293,722,268	[25,593,720]	Severe weather conditions and drought resulted in less-than-anticipated revenue.
Other income	1,613,376	1,265,448	[347,928]	Over-budgeted on contracts for information.
Investment revenue	4,526,000	3,661,895	[864,105]	Lower cash reserves due to reduced income.
<b>TOTAL INCOME</b>	325,455,364	298,649,611	[26,805,753]	
Employment costs	222,428,623	208,064,389	14,364,234	Positive variance is due to the exclusion of the performance incentive.
Depreciation	6,155,891	5,168,291	987,600	Positive variance due delayed capital acquisitions.
Activity costs	40,207,694	33,390,013	6,817,681	Positive variance due to reduced income.
Computer expenses	19,912,507	16,984,137	2,928,370	Implementation of ICT strategy to move application development in-house.
Training	4,825,115	4,003,270	821,845	HR initiatives to leverage on technology in terms of on-line training.
Administrative costs	34,345,839	29,191,964	5,153,875	Concerted efforts to contain administrative costs.
<b>TOTAL EXPENDITURE</b>	327,875,669	296,802,064	31,073,605	
<b>SURPLUS/(DEFICIT)</b>	[2,420,305]	1,847,547	4,267,852	



## 27. SEGMENT INFORMATION

### IDENTIFICATION OF SEGMENTS

The segment information report reflects the reportable segments regularly provided, reviewed and used by the board and executive management 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 segment 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	FOOD SAFETY SERVICES	DEVELOPMENT SERVICES	CORPORATE SERVICES	TOTAL
	[ZAR]	[ZAR]	[ZAR]	[ZAR]	[ZAR]
<b>2017</b>					
<b>REVENUE</b>					
Income	280,820,039	13,088,625	1,507,547	3,037,710	298,453,921
Entity's revenue					298,453,921
<b>EXPENDITURE</b>					
Employment cost	140,795,195	9,183,159	1,881,848	40,414,264	192,274,466
Activity cost	42,540,809	5,053,130	297,812	1,288,186	49,179,937
Administrative cost	15,237,826	4,612,365	949,926	34,351,854	55,151,971
<b>TOTAL SEGMENT EXPENDITURE</b>	<b>198,573,830</b>	<b>18,848,654</b>	<b>3,129,586</b>	<b>76,054,304</b>	<b>296,606,374</b>
<b>TOTAL SEGMENTAL SURPLUS/(DEFICIT)</b>	<b>82,246,210</b>	<b>[5,760,029]</b>	<b>[1,622,039]</b>	<b>[73,016,595]</b>	<b>1,847,547</b>
<b>ASSETS</b>					
Non-current assets	20,514,866	61,404	34,378	11,985,243	32,595,891
<b>TOTAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION</b>					<b>32,595,891</b>
<b>2016</b>					
<b>REVENUE</b>					
Income	262,615,435	16,133,273	2,353,749	4,979,484	286,081,941
Entity's revenue					286,081,941
<b>EXPENDITURE</b>					
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
<b>TOTAL SEGMENT EXPENDITURE</b>	<b>187,390,653</b>	<b>17,547,736</b>	<b>14,826,508</b>	<b>64,512,346</b>	<b>284,277,243</b>
<b>TOTAL SEGMENTAL SURPLUS/(DEFICIT)</b>	<b>81,505,820</b>	<b>[919,048]</b>	<b>[11,958,261]</b>	<b>[57,823,814]</b>	<b>1,804,698</b>
<b>ASSETS</b>					
Non-current assets	7,871,184	3,569,950	217,035	14,260,309	25,918,478
<b>TOTAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION</b>					<b>25,918,478</b>







2016 ANNUAL REPORT 2017

# STRATEGIC PLAN

FOR THE FISCAL YEARS  
2017 - 2021

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# 05



# PART A

## STRATEGIC OVERVIEW

### 01. CONTEXTUAL ANALYSIS

The year 2016 will likely be marked as one of the most challenging and unpredictable years ever in agriculture. During this period, South Africa was struck by one of the worst droughts and continuous heat waves in decades. The impact foreseen on the fruit export industry was significant, as smaller fruit and below par yields were expected, which would have resulted in reduced financial returns. Marketers responded to this by preparing the import markets accordingly. However, this did not materialise and fruit - specifically citrus - turned out slightly larger than anticipated, resulting in a mismatch between market demand and supply. Although yields were below par, the returns were fair, with the weaker rand compensating for the reduced volumes exported. Export volumes are, however, expected to show a slight improvement in 2017 as El Niño makes way for the anticipated La Niña phenomenon. This is associated with much-needed rain and cooler weather conditions. Yields are, however, expected to normalise only over the medium term, as some of the after effects of the drought will still be felt in the short term.

The second half of 2016 was dominated by unexpected news of the United Kingdom [UK] severing ties with the European Union [EU]. The move, commonly referred to as Brexit, created significant uncertainty and the impact on the major currencies was clear. The South African rand weakened by 11% against the yen and 7,8% against the United States dollar [USD]. The pound was not spared and fell to a 31-year low, losing 10% of its value. Once the dust had settled, the rand gained some much-needed momentum and soon traded better than expected against the euro, pound and USD.

Although the strengthening in the rand was welcomed, it immediately resulted in reduced returns for exporters. Both the UK and EU remain South Africa's major trading partners, accounting for nearly 56% of all fresh fruit exported to these regions. Brexit may have created a lot of uncertainty over the short to medium term, but it also created possibilities, especially for the fruit export industry. The UK will now have the opportunity to renegotiate trade agreements separately from the EU, giving the South African citrus industry a glimmer of hope. Citrus infected with Citrus Black Spot [CBS] was not allowed into EU member countries due to fears of the fungus spreading to local crops. As the UK does not produce citrus, this contention does not apply, creating a major opportunity for the South African citrus industry to increase citrus exports to the UK.

During the 2016 State of the Nation Address [SONA], President Jacob Zuma reminded us of the global economic challenges we currently face and the impact they have on South Africa. He reiterated, however, that South Africa remains an attractive destination for prospective investors and should be positioned as such. The President also reminded us of his "Nine Point Plan" introduced in 2015, intended 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 [PPP]
- investment in Information and Communications Technology [ICT] infrastructure
- the creation of jobs through innovation
- the introduction of cost-cutting measures
- the monitoring of the performance of Organs of State
- intra-Africa Trade
- the 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 to achieve these objectives. The approval of the Department of Agriculture, Forestry and Fisheries' [DAFF] programmatic response to the NDP, the Agricultural Policy Action Plan [APAP], is very specific about the role of agriculture over the next few years. The APAP notes the following specifically:

- an annual increase in gross value add for agriculture, forestry and fisheries
- an increase in the number of smallholder farmers
- an increase in the number of jobs by one million by 2030
- an increase in the annual contribution of processed products to the manufacturing sector
- a reduction in the number of households vulnerable to food insecurity
- a percentage increase in biomass stock levels in deep water hake
- a reduction in vulnerability and risks associated with the impacts of climate change

With specific reference to the points above it should, however, be noted that South Africa's unemployment figures for Quarter 3 [Q3] of 2016 have increased to 27.1%, showing a 0.5% increase over the previous quarter and reflecting a 13-year high. The Medium Term Expenditure Framework [MTEF] for 2016 has lowered South Africa's economic growth forecast to 1.3% for 2017 - an increase in the economic growth of 0.5% for 2016. South Africa's current population growth is about 1.7% per year.



Notwithstanding the above, the agricultural sector accounted for 56 000 [19.4%] of the 288 000 jobs gained from Q2 to Q3 of 2016. This figure partially confirms the potential of agriculture as a major creator of jobs in South Africa. The APAP identifies certain products with huge growth potential as well as the potential for creating even more employment [see figure 1 below]. These include some of the major export products, e.g. citrus, plums, apples, pears, table grapes and avocados. With the potential of creating approximately 1.5 jobs per hectare, on average, and an additional job per 2 500 cartons packed, these products certainly have the potential to secure continued growth in the sector.



In addition to the above, it is essential for the growth in produce to be supported by the opening of appropriate markets. An estimated 50% of all fruit produced is exported, with the remainder channeled to local fresh produce markets. The export of perishable produce holds an even greater potential to create employment, as more services are required down the value chain. To this end, the South African fruit industry has identified nine priority markets as a first step towards maintaining and growing exports and securing access.

These markets include: China, South Korea, Japan, Thailand, USA, India, Indonesia, EU and Russia

It is crucial that a clear link be established between those products with a high growth potential and the markets identified so as to prevent duplication of effort and to ensure maximum impact. This will, however, require dedicated coordination and cooperation between government, industry and relevant stakeholders.

The EU's Food and Veterinary Office [FVO] indicated during a visit in 2016, that they regarded the controls introduced to prevent CBS infected citrus fruit as sufficient and that no additional measures would be required. The next concern is the EU's view on false codling moth [FCM] and its implications on the South African citrus fruit industry.

The PPECB takes note of the President's view of the role of State-Owned Entities [SOEs] such as the PPECB. We believe that government's role is predominantly policy making, and that it should rely more on SOEs to implement its policies. To this end,

the PPECB has applied and is open to play an even greater role in supporting the DAFF to deliver a comprehensive inspection and food safety service. As a national public entity, the PPECB has a national footprint and the 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 offerings over the medium term. This initiative is also well aligned to support the quest to increase exports by ensuring compliance with international food safety standards, thus 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 entered into a service level agreement [SLA] to assist Namibian authorities to establish an inspection body which will render services similar to those rendered by the PPECB. In terms of this SLA, the PPECB will station inspectors in Namibia and fulfil a coaching and mentoring role for our Namibian counterparts.

Another imperative articulated in both the NDP and APAP related to the agricultural sector is the 'realisation of a food trade surplus, with one-third produced by small-scale farmers and households'. In the first cycle of the MTEF [2014-2019], the focus is on smallholder farmer development, by providing technical, financial and infrastructural support. As experts in the field of quality inspection and cold chain services, the PPECB is continuing with its efforts to upskill smallholder farmers, in collaboration with its sister SOEs and the DAFF.

Initiatives are specifically focused on technical matters which include Good Agricultural Practices as well as food safety and quality. The ensuing year will see the PPECB increasing the number of farmers trained and making concerted efforts to collaborate with other entities to consolidate efforts to fast-track its transformation agenda.

Another first cycle focus of the MTEF is trade development and market access through the harmonisation of policies. As the PPECB's overall mission is to provide confidence in South African export produce, its role to facilitate market access and development cannot be underestimated. The entity will therefore continue to make a contribution at national and international forums on related matters.

Over the past three years, the PPECB has made significant investment in its national ICT infrastructure. It has migrated from a manual inspection platform to an electronic platform and to date, more than 300 inspectors have been issued with tablets for this purpose. During the 2017/18 fiscal year, the entity will continue to invest on this front by adding more modules to the electronic platform to take 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. The project is also in alignment with the DAFF's mission over the short term to ensure electronic certification through a partnership with the Dutch government.

Finally, in addition to the above, the entity will continue with its objective of providing an effective and efficient service to its customers. The ultimate goal is to embed a culture of service excellence and superior levels of performance. Thus, the PPECB will persist in its strategy of consolidation to contain costs and achieve its vision of enabling its customers to be the preferred suppliers of perishable products worldwide. Furthermore, having included transformation as a strategic objective during 2016/17, the PPECB will look to excel in this area, within the confines of its mandate, and to play a more significant role through collaboration.

## 02. VISION, MISSION, VALUES

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

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

**This mission is further underpinned by the PPECB VALUES:**

### 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 pro-actively assume responsibility for all our deliverables and areas of influence. This is done by creating and maintaining an environment which fosters the guidance and empowerment of our 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 enable us to execute our duties and deliver our 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.

## 03. LEGISLATIVE AND POLICY MANDATES

The PPECB is governed mainly by the Perishable Products Export Control Act [PPEC Act], [Act 9 of 1983] and the Agricultural Product Standards Act [APS Act], [Act 119 of 1990]. In terms of this legislation, the PPECB is responsible for overseeing the export of perishable produce. This is achieved through the inspection of listed agricultural products and management of the cold chain. The PPECB is further mandated to conduct food safety audits in terms of the APS Act on all food business operators [FBO] exporting perishable produce of plant origin.

During 2016, the DAFF also mandated the PPECB to handle all operational activities relating to the risk management system [RMS] for citrus exports to the EU. This mandate is, however, limited to the 2017 citrus season.

Both the PPEC and the APS Acts 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 2017. To date, there have been no significant changes to the legislation with a direct impact on the PPECB's mandate.

## 04. 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 small farmer development and rural employment, among others.

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

The PPECB has formulated policies to promote and facilitate the achievement of these objectives and has also introduced programmes to direct organisational resources in accordance with these policies.

## 05. SITUATIONAL ANALYSIS

### 5.1 EXPENDITURE FRAMEWORK

There are four main drivers for the 2017/18 budget:

- [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
- [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 or our continued contribution towards social responsibility in building capacity and assisting small farmers. We will also continue to focus on establishing a professional and well-trained staff complement to add value to the perishable export industry.

### EXPENDITURE TRENDS

Between 2013/14 and 2015/16, total expenditure grew by 13%, from R226.6 million to R327.9 million. This increase resides in employment, travel and accommodation costs, all of which increased annually in excess of the Consumer Price Index [CPI], coupled with the continued pressure to increase staff resources to ensure compliance with the DAFF's mandate.

Expenditure is set to increase over the next five years to R494.4 million by 2021/22, at an average annual rate of 9%. It is assumed that the activity base used in 2017/18 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 11% as a result of the introduction of mobile technology in PPECB's business. Depreciation is based on an annual CAPEX replacement in technology of R8 million per year and written off over a five-year period.

### REVENUE TRENDS

It is assumed that total income will increase by 9% over the next five years. This 9% increase is based on an initial 6% inflationary adjustment to levies, increased to 7% over the last three years. A 2% growth rate in product volumes is expected.

The volume growth on statutory services anticipates that 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 reduce marginally due to shortfalls during the first two years. Interest rates are expected to remain stable.

### PERSONNEL INFORMATION

The period ending 2021/22 is informed by the two major objectives listed above, namely fulfilment of government's mandate and the execution of the Strategic Plan approved by the Board.

Over the past decade the PPECB has become increasingly under-resourced as far as meeting these objectives is concerned. The period ending 2021/22 will continue to address human resource constraints to ensure that the PPECB is able to meet its mandate and strategic goals. Cost of employment, which totaled R241 million in 2017/18, is set to increase to R327 million over the next five years, at an average rate of 8%. Salaries, including promotions, have been adjusted by an average of 6% per annum, while growth in employment is 2%. The PPECB is a service-orientated entity and as such 66% of total expenditure is made up of personnel costs. The vacancy rate remains at 5% of total staff over the five-year period.

## PERISHABLE PRODUCTS EXPORT CONTROL BOARD MTEF FOR THE PERIOD ENDING MARCH 2021

STATEMENT OF COMPREHENSIVE INCOME	AUDITED OUTCOME			REVISED ESTIMATE
[ZAR] '000	2013/14	2014/15	2015/16	2016/17
<b>REVENUE</b>				
Tax revenue	–	–	–	–
Non-tax revenue	223 698	251 485	285 557	324 856
Sale of goods and services other than capital assets	214 904	246 082	278 741	318 791
of which:				
Administrative fees	214 904	246 082	278 741	318 791
Sales by market establishment	–	–	–	–
Other sales	–	–	–	–
Interest received	8 794	5 404	6 816	6 065
Transfers received	600	600	600	600
<b>TOTAL REVENUE</b>	<b>224 298</b>	<b>252 085</b>	<b>286 157</b>	<b>325 456</b>
<b>EXPENSES</b>				
Current expenses	226 694	261 775	284 463	327 982
Compensation of employees	146 483	176 688	185 815	232 576
Goods and services	77 688	81 512	94 822	88 680
Depreciation	2 499	3 565	3 814	6 706
Interest, dividends and rent on land	23	10	12	20
Transfers and subsidies	–	–	–	–
<b>TOTAL EXPENSES</b>	<b>226 694</b>	<b>261 775</b>	<b>284 463</b>	<b>327 982</b>
<b>SURPLUS/[DEFICIT]</b>	<b>[2 396]</b>	<b>[9 689]</b>	<b>1 694</b>	<b>[2 526]</b>

### 5.2 ORGANISATIONAL PLANNING PROCESS



### 5.3 MONITORING AND EVALUATION

The PPECB monitors and evaluates its performance against predetermined objectives listed per sub-programme. Although progress against the stated targets is reported quarterly, divisional discussions on performance progress are held on a monthly basis. Organisational performance reports are escalated to executive meetings, following which they are approved by the Accounting Authority [PPECB Board], before being submitted to the Executive Authority.

Great emphasis is placed on evidence-based monitoring, 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 Chief Executive Officer [CEO].



AVERAGE GROWTH RATE [%]	EXPENDITURE/ TOTAL: AVERAGE [%]	MEDIUM-TERM ESTIMATE					AVERAGE GROWTH RATE [%]	EXPENDITURE/ TOTAL: AVERAGE [%]
		2013/14-2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2017/18 - 2021/22
—	—	—	—	—	—	—	—	—
			363 496	388 983	423 884	470 324	521 855	
14,05%	97,95%	357 060	381 973	416 351	462 150	512 986	9,49%	98,11%
14,05%	97,23%	357 060	381 973	416 351	462 150	512 986	9,49%	98,11%
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
-7,81%	1,86%	6 436	7 010	7 534	8 174	8 869	7,50%	1,75%
—	0,18%	600	600	600	600	600	—	0,14%
13,21%	100,00%	364 096	389 583	424 484	470 924	522 455	9,40%	100,00%
13,09%	100,00%	350 589	371 639	404 181	447 047	494 495	7,22%	100,00%
16,66%	64,28%	241 253	248 523	270 411	297 452	327 197	7,96%	68,38%
4,51%	34,07%	102 708	116 104	126 186	141 328	158 288	11,43%	29,70%
34,93%	1,58%	6 104	6 458	6 985	8 245	8 987	7,96%	1,77%
179,95%	0,07%	524	554	599	22	23	12,33%	0,15%
—	—	—	—	—	—	—	—	—
13,09%	100,00%	350 589	371 639	404 181	447 047	494 495	8,99%	100,00%
0,79%		13 506	17 944	20 303	23 877	27 960		

## 06. 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

In addition, these strategic objectives have also been linked to strategic programmes that will drive the achievement of the organisation's mission and vision.

THE TABLE BELOW ILLUSTRATES THE RESPECTIVE PROGRAMMES LINKED TO THE ORGANISATIONAL STRATEGIC OBJECTIVES:

STRATEGIC OBJECTIVES [SO]	PROGRAMMES
[SO1] Enhance 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, 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:

### PROGRAMME 1: CORPORATE SERVICES

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

The programme comprises the Finance, Human Capital, Marketing and Communications, Legal and Governance, Information and Communications Technology, Innovation and Research and Business Certification units.

Corporate Services operates cross-functionally and has the primary aim of delivering professional support services to the whole of the PPECB. The programme also plays an essential role in ensuring coherence among the respective business units within the organisation.

#### 1.1 THE MAIN PROGRAMME DELIVERABLES ARE TO:

- Provide strategic direction to the organisation
- Ensure service alignment with relevant stakeholder expectations
- Seek and identify opportunities to improve service delivery and customer satisfaction
- Promote and protect the PPECB brand
- Provide the necessary business infrastructure
- Instil a culture promoting Batho Pele
- Ensure adherence to sound financial and governance practices
- Improve the organisation's Corporate Social Responsibility portfolio
- Ensure seamless mobility infrastructure and ICT governance
- Harness technology to deliver better services
- Establish and maintain a good working relationship with the trade union
- Promote employment equity within the workplace

#### 1.2 BASED ON THE LISTED DELIVERABLES, THE PROGRAMME IS COMMITTED TO ACHIEVING THE FOLLOWING OUTCOMES OVER THE MEDIUM TERM:

- Formulating and submitting a PPECB strategy aligned with government imperatives and stakeholder expectations
- Obtaining ISO 9001:2015 certification and level 3 B-BBEE verification
- Successfully migrating from a manual to an automated inspection system
- Introducing systems and processes to promote sound financial and governance practices without hampering business efficiency
- Achieving an integrated approach to innovation that acts as a catalyst for business transformation
- Achieving a clear shift in the organisational culture that complements the values of the PPECB
- Increasing spend on Corporate Social Initiatives
- Attracting and retaining previously disadvantaged individuals

## PROGRAMME 2: OPERATIONAL SERVICES

The PPECB Operational Services Programme is responsible for delivering integrated laboratory, inspection and cold chain services for the export market. This programme is divided into four functional areas: Operations North, South, and Coastal, as well as Food Safety and Technical Services. The aim of the programme is compliance with our mandate and delivery of an effective and efficient service to all PPECB stakeholders. The programme is also committed to ensuring the 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
- Adhering to the SLA targets
- Implementing policies and procedures aligned with the requirements of ISO 9001: 2015
- Ensuring completeness of income
- Providing client feedback that is timeous and accurate
- Developing an engaged and satisfied staff to create a culture of performance and care
- Recapacitating Research and Development

## 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 consumed according to its intended use. Section 2[1] of the Foodstuffs Cosmetics and Disinfectants Act [Act 54 of 1972] prevents any person from channelling into international trade any food that is unfit for human consumption. The Agricultural Products Standards Act [Act 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 Department of Agriculture, Forestry and Fisheries [DAFF]. With respect to food safety, the PPECB has been appointed and is 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 the risk of compromised food quality
- Maintaining local and international consumer confidence in food safety and quality by using reliable, advanced and rapid technologies to test the quality characteristics of food to ensure compliance, and testing for 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 according to the regulations of South Africa and the EU with a lead time of 48 hours from receipt of the sample
- 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 the core competencies of lead times, workflow processes and in-house developed methodologies
- To offer a one-stop shop for food and feed safety testing
- To reposition the PPECB Laboratory to provide more support to the DAFF and promote the export of safe food

The programme comprises food safety and laboratory services.

## 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

For the past eight years, the PPECB has offered a learnership at NQF Level 5, to expose learners to the post-harvest agricultural value chain and provide them with a head-start to professional advancement in this sector. It is the PPECB's aim to continue with this initiative and take it to a higher level by partnering with institutions like Cape Peninsula University of Technology [CPUT], which will enhance the qualification that students obtain at the PPECB. The learnership programme is provided in partnership with the DAFF and the Agri-SETA.

In collaboration with Agri-SETA, the PPECB is also providing on-the-job exposure to fields like ICT, finance, human capital and marketing. All the students who participated in the ICT internship programme have since been given permanent employment by the PPECB.

### 4.2 INTERNAL CAPACITY BUILDING

The PPECB places great emphasis on capacity building. It provides development opportunities for both internal and external stakeholders. With regard to internal stakeholders, the focus is on women and youth empowerment. Leadership development initiatives are being put in place to ensure that women are fast-tracked to assume leadership roles which are currently occupied predominantly by their male counterparts.

The PPECB strives to be a learning institution and leverages technology to ensure that the training it provides meets the needs of Generation X and millennial candidates. This has resulted in the introduction of a Learning Management System with online on-boarding. There is a huge focus on coaching and mentoring to

ensure that the youth entering the workplace are empowered to provide confident customer service.

Over and above the training, coaching and mentoring that is provided for internal stakeholders, there is a dedicated programme to ensure uniform interpretation and consistent application of standards during the execution of product inspections, cold chain functions and food safety audits. The harmonisation programme aims to mitigate the risks of incorrect decision-making during inspections and cold chain functions, and enhance the 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, the 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 the 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.

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

### 4.4 MEASURABLE OBJECTIVES OF THE PROGRAMME:

- Raise external donor funds to run 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, AS A RESULT OF ITS QUALITY ASSURANCE PROGRAMME, FOOD DELIVERED MEETS EXPECTED STANDARDS AND IS SAFE FOR HUMAN CONSUMPTION. THE EMPHASIS IS ON THE PPECB TO REDUCE OR CONTROL ANY LIABILITY THAT MAY ARISE FROM PROFESSIONAL ERROR OR NON-PERFORMANCE WITH REGARD TO THE ORGANISATION'S MANDATE.

The PPECB must manage an array of risks that confront it annually. Some are predictable, while others can take the organisation by surprise. For this reason, the PPECB has developed policies, committees and overall management structures to ensure these risks do not place the organisation at risk.

The board members have the primary responsibility for overseeing risk management and risk assessment across the PPECB. In accordance with the Public Finance Management Act [Act 1 of 1999] the board members of the PPECB recognises that it is obliged to protect the organisation, its people and assets against the adverse consequences of risk to ensure that its objectives are met. These key objectives include:

- Delivering on the mandate the DAFF delegates to the PPECB
- Protecting the reputation of the PPECB
- Advancing good corporate governance within the organisation
- Developing and growing relationships with the 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 the internal system controls. The Risk Management Committee [RISCO] was established to support the CEO and his 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 in which specific individuals take responsibility for the known risks.

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

- Strategic risks
- Compliance risks
- Operational risks
- Financial risks
- Stakeholder risks
- Business process risks
- Technology risks
- People risks
- Social, environmental and economic responsibility risks
- PPECB laboratory risks

The PPECB's internal audit department oversees the risk process from a strategic perspective. The independent, external financial auditors as well as internal auditors ensure the robustness and thoroughness of the PPECB's risk management, and report independently on such matters. The assessment methodology takes into account the severity and probability of the occurrence of risk. This includes the ranking and prioritisation of identified risks. The top risks are addressed through action plans that have specific 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 PPECB stakeholders.

BELOW IS AN EXTRACT OF THE 5 MAJOR RISKS THAT MAY IMPACT THE PPECB IN THE YEAR TO COME:

RISK	IMPACT	PROBABILITY	INHERENT
COMPLIANCE TO APS MANDATE	5	3	15
PPEC ACT DOES NOT FIT INTO THE CURRENT ENVIRONMENT	4	3	12
NON-AVAILABILITY OF APPROPRIATE SKILLS	4	3	12
INTEGRITY OF THE EXPORT CERTIFICATE	4	4	16
INSUFFICIENT ICT RESOURCES	4	4	16

# PART D

## ORGANISATIONAL PERFORMANCE TARGETS

THE PPECB HAS IDENTIFIED THE FOLLOWING KEY PERFORMANCE AREAS AND KEY PERFORMANCE INDICATORS FOR THE PERIOD 2017 TO 2021.

### ORGANISATIONAL PERFORMANCE TARGETS OVER THE MTEF

#### PROGRAMME 1: CORPORATE SERVICES

TARGETS 2017 - 2021

OUTPUT [KPA]	INDICATOR [KPI]	2017/18	2018/19	2019/20	2020/21	2021/2022
BUSINESS TRANSFORMATION	Percentage of money spent on B-BBEE suppliers	77%	78%	80%	82%	85%
INFORMED AND SATISFIED STAKEHOLDER BASE	Percentage of information provided at a 95% accuracy level in week 1 of reporting	94%	95%	98%	98%	98%
	Annual organisational customer satisfaction index measurement	80%	80%	80%	80%	80%
SKILLS RETENTION	Percentage of staff retained annually	97%	97%	97%	94%	92%

#### PROGRAMME 2: OPERATIONAL SERVICES

TARGETS 2017 - 2021

OUTPUT [KPA]	INDICATOR [KPI]	2017/18	2018/19	2019/20	2020/21	2021/22
COMPLIANCE	Number of samples inspected on a 2% basis	97%	98%	99%	99%	99%
	Percentage of accurate temperature letters issued in relation to the number of vessels sailed	100%	100%	100%	100%	100%
EFFICIENT SERVICE DELIVERY	Percentage cartons of main products captured on Titan [citrus, grapes, pome, stone and avocados]	50%	70%	80%	83%	85%
	Number of activity points interfacing with the PPECB mobile technology platform	800	1000	1200	1300	1350

**PROGRAMME 3: FOOD SAFETY SERVICES**

TARGETS 2017 - 2021

OUTPUT [KPA]	INDICATOR [KPI]	2017/18	2018/19	2019/20	2020/21	2021/22
Food Safety Assurance	Number of samples analysed using accredited methods	22000	24000	26000	26750	27500
	Number of food safety audits conducted	750	800	850	950	1050

**PROGRAMME 4: TRANSFORMATION AND DEVELOPMENT SERVICES**

TARGETS 2017 - 2021

OUTPUT [KPA]	INDICATOR [KPI]	2017/18	2018/19	2019/20	2020/21	2021/22
CAPACITY BUILDING	Number of students recruited and graduating through the AETP programme	35	40	45	45	50
	Number of smallholder farmers trained	150	170	200	210	220
COMPETENT STAFF	Percentage of operational staff verified as competent in their technical skills	90%	90%	95%	95%	95%
MARKET ACCESS	Number of smallholder farmers certified for export	10	10	15	20	25

## CONCLUSION

Classified as a National Public Entity in terms of the Public Finance Management Act [Act 1 of 1999], and mandated to oversee the export of perishable produce, the PPECB's core services are targeted towards adding value to the export value chain.

However, as a government entity the PPECB is also committed to assisting government in achieving its priorities. The PPECB is dedicated to the continuous improvement of customer service by becoming more efficient and customer-centred. Strategic programmes have been consolidated and aligned to direct the focus of the organisation accordingly.

Over the medium term, the PPECB will be focused on becoming more efficient through consolidation, wherever possible. Furthermore, the entity will place strong focus on cost-containment which will include lessons learned from the severe drought in 2016 and the alignment of the organisation with stakeholder needs.









# ORGANISATIONAL PERFORMANCE

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# 06



## PROGRAMME 1: CORPORATE SERVICES

OUTPUT [KPA]	INDICATOR [KPI]	ANNUAL TARGET	ACTUAL ACHIEVED	COMMENTS
Business Transformation	Percentage of money spent on B-BBEE suppliers	75%	78%	The overall result of 78% exceeds the target as a result of continuous improvement in terms of spend on SMMEs, black-owned and black women-owned suppliers during the fiscal year.
Informed and Satisfied Stakeholder Base	Percentage of information provided at a 95% accuracy level in week one of reporting*	93%	94%	Higher volumes achieved through Project Titan resulted in faster capturing of information.
	Organisational customer satisfaction index measured annually*	75%	81%	The percentage achieved reflects the average level of satisfaction indicated by clients on a scale of 0 to 100 in the annual online client satisfaction survey.
Skills Retention	Percentage of staff retained annually*	94%	99%	The PPECB has managed to retain critical and scarce skills with only 13 resignations [2.8%] and 4 retirements [0.9%] occurring in the year under review.

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

## PROGRAMME 2: OPERATIONAL SERVICES

OUTPUT [KPA]	INDICATOR [KPI]	ANNUAL TARGET	ACTUAL ACHIEVED	COMMENTS
Compliance	Number of samples inspected on a 2% basis*	96%	96%	Manpower was sufficient to inspect 96% of samples on a 2% basis.
	Percentage of accurate temperature letters issued in relation to the number of vessels sailed	100%	100%	All vessels carrying perishable products were issued with temperature letters.
Efficient Service Delivery	Percentage of cartons of main products [citrus, grapes, pome, stone and avocados] captured on the Titan system	30%	31%	The annual performance target of 30% was exceeded. The major contributors towards this were the high volumes of grape and stone fruit inspected for the season that showed a combined percentage of more than 50% of their volumes achieved using the Titan mobile platform.
	Number of activity points interfacing with the PPECB mobile technology platform*	400	516	The annual target has been exceeded due to the high uptake in the deciduous sector and is set to increase with the commencement of the citrus season.

\*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*	20 000	21 914	The laboratory saw an increase in maize samples for aflatoxin as well as fresh fruit and vegetables for MRL analysis. Samples were also augmented by 240 maize meal and groundnut powder samples from Zambia and 300 peanut butter samples in quarter four [Q4].
	Number of food safety audits conducted*	720	724	The audit programme exceeded its KPI target by 4 audits. This is due to the additional private sampling audits conducted.

\*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 Agri Export Technologist Programme [AETP]	30	24	There was an intake of 25 students at the beginning of the year. Due to budgetary constraints the target of 30 students appointed could not be achieved. 24 students graduated as 1 student was given an opportunity to further her studies in Russia during the year.
	Number of smallholder farmers trained*	120	223	Due to some provinces sending over 100 farmers on training who are not on the South Africa Good Agricultural Practices [SAGAP] certification programme, the target was overachieved.
Competent Staff	Percentage of operational staff verified as competent by the harmonisation programme	85%	81%	Due to operational needs in the table grape producing regions some competency assessments on litchis and mangoes could not take place and led to the average competency being below target.
Market Access	Number of smallholder farmers certified for export*	5	18	Due to farmers receiving certificates for both primary production and pack houses this year the target was overachieved, whereas in the previous year they only obtained primary production certificates. This is an encouraging trend as it indicates that previously certified farmers could access funding to grow their businesses.

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

# GLOSSARY OF *ACRONYMS* & ABBREVIATIONS

<b>AETP</b>	Agricultural Export Technologist Programme	<b>EC</b>	European Community
<b>APAP</b>	Agricultural Policy Action Plan	<b>EU</b>	European Union
<b>APHIS</b>	Animal and Plant Health Inspection Services of USDA	<b>EXCO</b>	Executive Management Committee
<b>APS</b>	Agricultural Product Standards Act	<b>FSTS</b>	Food Safety and Technical Services
<b>ARC</b>	Agricultural Research Council	<b>GLOBAL GAP</b>	Global Good Agricultural Practices
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment	<b>HACCP</b>	Hazard Analysis and Critical Control Point
<b>BRC</b>	British Retail Consortium	<b>HPLC</b>	High Performance Liquid Chromatography
<b>BRICS</b>	Brazil Russia India China South Africa	<b>ICT</b>	Information and Communications Technology
<b>CAPEX</b>	Capital Expenditure	<b>IPAP</b>	Industrial Policy Action Plan
<b>CBS</b>	Citrus Black Spot	<b>ISO</b>	International Standard Organisation
<b>CPI</b>	Consumer Price Index	<b>KPA</b>	Key Performance Areas
<b>CPUT</b>	Cape Peninsula University of Technology	<b>KPI</b>	Key Performance Indicator
<b>CRI</b>	Citrus Research Institute	<b>LEAF</b>	Linking Environment and Farming
<b>DAFF</b>	Department of Agriculture, Forestry and Fisheries	<b>MAFF</b>	Ministry of Agriculture, Forestry and Fisheries [Japan]



MANCO	Management Committee	RISCO	Risk Management Committee
MRL	Maximum Residue Level	S&T	Subsistence & Travel
MTEF	Medium Term Expenditure Framework	SAGAP	South Africa Good Agricultural Practices
MTSF	Medium Term Strategic Framework	SLA	Service Level Agreement
NAMC	National Agricultural Marketing Council	SO	Strategic Objective
NDP	National Development Plan	SOE	Stated-Owned Entity
NGO	Non-Governmental Organisation	SOP	Standard Operation Procedure
NGP	National Growth Path	UPLC	Ultra-High Performance Liquid Chromatography
NPE	National Public Entities	USDA	United States Department of Agriculture
NQF	National Qualification Framework		
PAIA	Promotion of Access to Information Act		
PFMA	Public Finance Management Act		
POPI	Protection of Personal Information Act		
PPECB	Perishable Products Export Control Board		









# ANNUAL REPORT

2016 90 YRS OF QUALITY 2017



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